30-Jul-2026

Monolithic Power Systems, Inc. (MPWR)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

Robert Dean
Interim Chief Financial Officer, Monolithic Power Systems, Inc.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

Arthur Lee
Finance Manager, Monolithic Power Systems, Inc.

OTHER PARTICIPANTS

Richard Schafer
Analyst, Oppenheimer & Co., Inc.

Joshua Buchalter
Analyst, TD Cowen

Tore Svanberg
Analyst, Stifel, Nicolaus & Co., Inc.

William Stein
Analyst, Truist Securities, Inc.

Quinn Bolton
Analyst, Needham & Co. LLC

Joe Quatrochi
Analyst, Wells Fargo Securities LLC

Chris Caso
Analyst, Wolfe Research LLC

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Sebastien Naji
Analyst, William Blair & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to Monolithic Power Systems, Inc.'s Second Quarter Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there'll be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

Now I'd like to turn the conference over to Arthur Lee to read the Safe Harbor statement. Please go ahead.

Arthur Lee

Finance Manager, Monolithic Power Systems, Inc.

Earlier today, MPS released a written commentary on the results of its operations for the second quarter ended June 30, 2026. This document can be found on our website.

Before we begin, I would like to remind everyone that in the course of today's presentation, we may make forward-looking statements and projections within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risk and uncertainties. The risk, uncertainties and other factors that could cause actual results to differ from these forward-looking statements are identified in the Safe Harbor statements contained in the Q2 2026 earnings commentary and in our SEC filings, including our Forms 10-K and Forms 10-Q, which can be found on our website. Our statements are made as of today and we assume no obligation to update this information.

Now, I would like to turn the call over to Tony.

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

Thanks, Arthur. Good afternoon and welcome to our Q2 2026 earnings call. In Q2, MPS achieved record quarterly revenue of $981 million, 22% higher than the first quarter of 2026 and 48% higher than the second quarter of 2025. Our performance was a result of our continued innovation, our consistent execution, and the resilience of our diversified market strategy. Let me take a few moment to call out a few of the highlights from the quarter.

All end markets grew sequentially, with Enterprise Data growing 45% as we continue to see strong broad-based ordering patterns. We extended our capacity goals significantly beyond $6 billion to support future revenue growth and our transformation into a full solution provider. We received initial orders for high-speed DDR5 memory components, which we expect to grow our SAM into next year. We began sampling high-voltage AC to DC products for 800-volt data center architectures as we expand beyond our current AI and server core power solutions. And finally, in our Automotive market, so far this year, we have shipped products for over 1,500 new sockets as we increase our footprint in both ADAS as well as in other applications within the vehicle.

Overall, while we continue to adjust for the fluid geopolitical and macroeconomic environment, our diversified end market strategy remains unchanged. MPS focuses on innovation and solving our customers' most challenging problems. We consistently invest in new technologies that open new end markets and applications, and accelerate our transition from chip-only to a full service silicon solution-based provider. And finally, we continuously expand and diversify our global supply chain, allowing us to capture future growth opportunities, maintain supply stability, and rapidly adapt to market changes as they occur.

Before moving to Q&A, I am also pleased to announce that our Board of Directors has authorized an additional $500 million for stock repurchases, increasing our total current authorization to $1 billion.

Operator, you may now open the webinar for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Please stand by while we compile the QA roster. And our first question coming from the line of Rick Schafer with Oppenheimer, your line is now open.

Richard Schafer
Analyst, Oppenheimer & Co., Inc.

Q

Thank you and congrats on the big raise, you guys. I guess I don't have to ask about capacity, Tony. Communications was up 80%. I think last quarter it was up about 50%, if memory serves so that's a pretty big step-up. I'm just curious, is that mostly transceiver power or are you seeing meaningful contribution now from the other sockets, so switch, DPU, SmartNIC? I mean, is that – has that kicked in? Is that helping drive that? And then any color you can give on how the second half sets up? I mean, does that momentum continue to grow into3Q?

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Yeah, we see – hi Rick. Okay, we see a lot of growth and a lot of demand, modules, chips, and we see from multiple of our customers. And, Tony, you want to have a detail?

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah, I'll just add a little more color. Rick, you do see contribution from both optical module solutions as well as from what we've generally bucketed as switches. And as I think as I'd mentioned previously, that's kind of a big bucket that would include power solutions for not only top of rack switches, but DPUs, NIC cards and other things in the rack. So you're starting to see that grow as well. Optical is still the bigger portion just because it's had a longer runway since last year, but you are seeing growth from both of those really driving the Comms end market.

Richard Schafer
Analyst, Oppenheimer & Co., Inc.

Q

Okay. So my follow-up, I'm just curious, I mean, I believe you're shipping 48-volt vertical power modules to a couple customers now and I don't know if you could update us on that. I mean, do you expect to add any more this year? Maybe a sense of what your expectations are for 48-volt vertical power mods in terms of maybe the mix versus VR this year or next year, however you want to count it? Thanks.

Michael R. Hsing Well, it's more than a couple of customers, okay, and we see new customers who are coming online and, okay, we start to ship.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah, and I think over the long term, as power requirements continue to increase across our end markets, Rick, we've talked about the fact that modules and solutions will increasingly be an important part of our business. So I think you'll see that trend continue over the next couple of years.

Richard Schafer
Analyst, Oppenheimer & Co., Inc.

Q

Thanks, you guys.

Operator: Thank you. Our next question in queue coming from the line of Joshua Buchalter with TD Cowen, your line is now open.

Joshua Buchalter
Analyst, TD Cowen

Q

Hey, guys, thank you for taking my question, and let me echo the congrats on the fantastic results. Maybe to start, I mean, you gained nearly $120 million in the Enterprise Data segment in one quarter, which is pretty astounding. Can you walk through the drivers of that upside and growth? And I think importantly, you had the inventory dynamics play out a couple years ago. Can you speak to your confidence that there's no inventory building here and the overall visibility in that segment? Thank you.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Thanks for remembering last couple of years. We have all these shortages in the industrial we pulled off, okay. Thanks for remember that. We will continue to – so there's no reason not to believe we will not pull it off, although it is a very difficult, okay, and – but we're going to make it happen.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah. I'll just add, if you look at kind of the underlying growth drivers for that particular end market, they really haven't changed from what we've talked about. We've talked about ramping existing customers, ramping new customers, seeing the module content increase, to Rick's question previously, seeing platform refreshes that drive content and then, of course CPU, and we saw all that be very, very strong in Q2.

And I think since you're kind of talking about the sustainability of that, there's probably a couple of different ways additional to Michael said. Obviously, our channel inventory is one indicator and that remains very low, so we believe that's continuing to sell through over time. And I think right now, based on what we can see, we're willing to raise the floor for that particular end market from 85% for the year to 130% for the year.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Yeah. I want to add, in this Enterprise Data centers and then – it's relatively new and we start to see these significant business about, say, two, three years ago starting, and we don't have any concentrated customers. And pretty much, we engage from large to small and that's where you see the revenue happen now, and it will continue that way in the next year.

Joshua Buchalter
Analyst, TD Cowen

Q

Thank you, both, for all the color. I will take the hint and not ask about AI servers again. That said, I guess maybe I'll...

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Thank you very much.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

A

Thank you.

Joshua Buchalter
Analyst, TD Cowen

Q

I know your policies, Michael. Great to see the initial orders for the DDR5 high-speed interface controller. You mentioned that could be SAM expansive. Can you maybe help us with how much? And it does seem like a – quite a new capability for Monolithic. Are there other applications that you could use this technology for beyond memory controllers as well? Thank you.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Yeah, yes. This is new to us. It is a high-speed, high – very high, high speeds, into the gigahertz kind of a thing. And again – and a very, very positions, okay, and pretty much the analog circuitry. And we can expand the technology to other communications, and now we establish a knowhow. So that's a very – these are a true fundamentals knowhows, okay. And other business, we haven't – we want to get this one launched first, and then we will migrate to other applications.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah, in terms of the second part of your question, which was how expansive it could be, I'd still say we're very much early innings. We want to prove ourself in this particular market. So I think it's too early for us to call any kind of revenue ramp on our side. We're just signaling that we continue to run our playbook and look for new sockets out there that can expand our overall SAM over time.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

But in our history, when we mention something, it will turn into a revenue.

Joshua Buchalter
Analyst, TD Cowen

Q

Yeah. Thank you, both, and congratulations again.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Okay

Operator: Thank you. Our next question in queue coming from the line of Tore Svanberg with Stifel, your line is now open.

Tore Svanberg
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Yes, thank you. Let me echo, congratulations for another record quarter. How should we think about the segments for Q3? I mean, it sounds like all markets are growing right now, but just wondering, on a relative basis, give us some color on each segment into Q3.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.
A

Well, I don't know. All market are – maybe Tony can point out some of the not so good ones. I think the Consumer one, we're kind of still lagging, okay, because of all the efforts that we focus on it. And the Consumer market, it doesn't mean we give it up, okay. And we'll continue a very diversified way of growing our business. And as we talk – as I talk about it in the past, MPS is transitioning from a chip company, a semiconductor company to be a semiconductor-based solution provider. We sell solutions.

And so other segments and, okay – and Automotive continue to grow, okay, but other ones, kind of Communication side will continue to grow, okay. And Industrial's kind of lagging a little bit, okay, I mean, but doesn't mean we – we're defocused.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.
A

Yeah, and I'll just add a little bit.

Tore Svanberg
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Thanks.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.
A

I think the story is going to pretty – feel pretty similar. We're certainly being led by the data-centric businesses, with Enterprise Data and Comms, of course, leading the pack. I think Industrials could grow a little bit with the market, but again, we've primarily said that's a design win type year for us this year where we continue to pile up additional sockets that will turn into revenue in the future.

I think the areas that we're cautious on are the ones Michael had pointed out, and then we've said this last quarter as well. Consumer being one and then I think the notebook side of storage and compute will continue to remain cautious on that one as we go into the second half.

Tore Svanberg
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Yeah, that's great color. As my follow-up, you mentioned you're now sampling the 800-volt solution. When should we expect to see some revenues from Monolithic Power there? And are these products based on silicon, GaN and silicon carbide or is it one or the other? Thanks.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Well, in the past, Tore, you know, and I openly say I don't believe GaNs and, okay, now I think it's proved, I'm wrong, but the – it's up to a point where we can't ignore GaN. And we – since last year, we develop our own GaN and we have a working device. And in terms of 800-volt solution is now, we totally rely on MPS's own silicon carbide device.

And revenue-wise, probably you will know and, okay, and – or the market will know and, okay, where is the data center transition happened. When that happens and we will have revenues. In terms of when, okay, we don't know. We know as much as you know.

Tore Svanberg
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great. Thank you very much. Congrats again.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Okay.

Operator: Thank you. Our next question coming from the line of William Stein with Truist Securities, your line is now open.

William Stein
Analyst, Truist Securities, Inc.

Q

Great. Thanks for taking my question. I want to add my congrats to the fantastic results and outlook. I'm wondering if you could talk about whether pricing meaningfully influenced the sequential growth or the outlook in Q3.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Yeah, it's – I know what you mean whether we increase the price or not and – okay, and we don't – MPS never gouge price when the supply chain is tight. And we want to build a consistent models. We execute consistently within our models. And when the supply chain is tight and, okay, and raise price, how about we oversupply, we reduce price? We don't, and we're operating consistent way and our customers appreciate that. So in terms of whether due to the price increase, definitely it's not. It's all products.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah. The only thing I would add to that at all is for us on pricing, that we're very consistent, to Michael's point. We have raised some prices, but it's primarily been a kind of one of three areas in general, right, where we've seen input costs go up to make sure that we don't get diluted on the margin line; where people are asking for expedites because, obviously, that can influence our own supply chain; and then finally, where people might be asking for specific supply chains outside of China, which can be naturally more expensive. So we maintain a very consistent approach to what you've heard previously as we look at our pricing.

William Stein
Analyst, Truist Securities, Inc.

Q

That's really helpful. Michael, I want to shift for a second to some things that I think are closer to your interest, some of the smaller but emerging growth opportunities like robotics, humanoid robotics and home automation or building automation. Can you talk about your traction in those two emerging markets?

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Thank you very much. As I'm speaking, 1 million square feet building is installing the – our building controls, okay. But I have to tell, so now we're still lagging of a soft – of the softwares, okay. The hardware is all done and with some minor revisions and, okay, but the software is the key, the ease of use and how we implement it.

And by the end of this year, we should be able to complete it, complete everything. And there's multiple of our customer – our – it's not our customers, and again, the potential customers, they are waiting for us to install in their building. And I'm looking at that. We're not in that market segment, but we are looking at this opportunity and to my surprise, it's about $40 billion to $50 billion. MPS has all the key product and the technology. The software is the – what we will build. And that's again – you exactly talking about my – the topics that I'm working on, okay.

The other one is the robotics. Again, the robotics, okay, there's a lot of – there's – especially a lot of Chinese companies shows a lot of entertainment and, okay, and we will see, okay. We have all our designing solutions, okay, they all happen in US side and also China side, okay, and they're all using MPS solutions. And now the next question is, okay, how are we going to – where the robot is going to be used? Okay.

And from our own factory, and this is not humanoid robot, we use our own product to improve the – especially the modules product -as a – not the production, the testing, and also the reliability test. And we use our own motion controls and the robotics, okay, and it's the same as the – equivalent to a robot, and to make all these things happen. And our customers is actually our supplier to these – to our own automation. They all use those solutions that are everywhere else.

William Stein
Analyst, Truist Securities, Inc.

Q

Thank you.

Operator: Thank you. Our next question in queue coming from the line of Quinn Bolton with Needham & Company, your line is now open.

Quinn Bolton
Analyst, Needham & Co. LLC

Q

Hey, guys. I'll offer my congratulations as well. Tony or Michael, just wanted to come back to the optical transceiver part of the business since I think that's the biggest part of Comms. Can you just sort of discuss what you're seeing on the competitive landscape? Is the competition mostly PMICs? Is it mostly discrete DC-to-DC converters from folks like TI or Analog Devices? And then can you give us any sense what you think your share might be for power management within those optical transceivers? And then I've got a follow-up.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

That's a very boring topic, okay. That's why over last few years, we talked about power modules, okay. I think you realize those very early on, okay, I mean, it's more than five years ago now and, okay. And we have these power modules, okay, and very high power density modules, and is it – these are encapsulated modules. And since we have highest power density ICs and, okay, we integrate, fully integrate it and – into these module with the inductors and with all the capacitors. It's a total power solution, plug-in power solutions in a very small form factor.

And I said with a straight face, we're the highest power density company in the world now. And I don't know about optical market segment. As long as I know, we provide the best power density. We will win all these sockets and including our optical modules.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.
A

As far as the share comment goes, obviously, we won't talk about specific customers, but certainly I think if you look at the overall market, there's still room for us to grow. And I think just net of both the TAM growth and share, I think it can absolutely be a primary growth driver in the Comms segment going forward. I don't think we can actually quote the exact percentage of share at this time.

Quinn Bolton
Analyst, Needham & Co. LLC
Q

Okay. But you certainly still see share gain opportunities in that market, it sounds like.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.
A

Yeah, I think at some customers, we absolutely would see additional opportunity gain share in some of the sockets, but I think the net of this is that within the Comms segment, between TAM and share, there's still a very substantial growth opportunity ahead of us.

Quinn Bolton
Analyst, Needham & Co. LLC
Q

Great. And then I guess just coming back to the capacity support, in the past, I think when you from $2 billion to $4 billion, you talked about the incremental capacity largely coming from outside of China. As you've now built capacity up to and beyond $6 billion, can you give us some sense what the geographic split of that capacity is? Is it fairly balanced between China and non-China? Does it lean one way or the other?

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.
A

It's not settled down yet, okay. We now and, okay, do – depend on what our customers' requirements, okay. At this time, wherever all we need, okay, it goes, okay. And wherever we can provide the products, okay, and they will buy it, okay. But we built a very balanced approach. And what is the percentage in the end, okay? It's hard, it's difficult to call now.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.
A

The only thing I'd add on that is it – when you just quote a total number, it sometimes gets lost in the detail. But I think we've been increasingly focused not just on the foundry side of business, but also the back-end part of the business because, as Michael's alluded to, modules and solutions will become increasingly important, and so that's actually a more complicated back-end process as well. So we look to bring on new partners and look to bring them on geographically balanced way, that goes both the front end and the back end.

Quinn Bolton
Analyst, Needham & Co. LLC

Q

Understood. Thank you.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Yeah. Yeah, especially our module assembly, it's more difficult. It's a 3D effect. It's more complicated than you assemble a phone even. And so it requires a lot of experiment and then a lot of knowhows to getting all these modules. And so we now, okay, expand to anywhere in the world, so we'll find these equipments and these capability to make it happen.

Operator: Thank you. Our next question coming from the line of Joe Quatrochi with Wells Fargo, your line is now open.

Joe Quatrochi
Analyst, Wells Fargo Securities LLC

Q

Yeah, thanks for taking the question. Was wondering if maybe you could just kind of give us an update on how you're thinking about Automotive demand through the second half of this year. You talked about your 1,500 new design socket or sockets year to date. Just how we should think about the ramp of revenue from those new wins as well.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah, I think the year's still playing out pretty much as expected. And just to repeat what we've said in the past, we thought the first half would be flat with the second half ramping up, and I think we feel pretty comfortable with that second half overall ramp. I think where we land on a year-over-year basis, we're still thinking the end market could be in the mid-teens kind of year-over-year.

The one thing about the ramp that gives us additional confidence is that it's very broadly based. It's not isolated to one or two customers from what Michael was talking about and sort of the diversification that we look for in all of our end markets right now. We called out the 1,500 specifically to show that that's not just very much focused on ADAS, which has been a historical strength for us, but we continue to see a broadening out in the portfolio for other sockets in the vehicle.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Yeah. These are – we focus on – these are like a Sonos or the 48-volt systems, and also we address the battery side, okay, and the LiDAR. So these are the emerging market and emerging requirements from Automotive. I think in the next few years, they all will be, okay, installed in a car and will be very popular on the market. And I always see MPS revenue growth.

Joe Quatrochi
Analyst, Wells Fargo Securities LLC

Q

Thanks for that. And then as a follow-up, I think, Michael talked about plans to enter the RCD market and starting to sample with customers. Just curious, any update in terms of how that's going?

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

We are sampling, okay, and we are still developing, okay, a lot of the new product. And this is very new to us and – but we're confident that we'll be turning to a revenue, although we have some revenue now, okay.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah. I just – to keep it from a model basis, we have not – that's not going to be a needle-mover in 2026 for us, right, in terms of revenue.

Joe Quatrochi
Analyst, Wells Fargo Securities LLC

Q

Yes. Thank you.

Operator: Thank you. Our next question coming from the line of Chris Caso with Wolfe Research, your line is open.

Chris Caso
Analyst, Wolfe Research LLC

Q

Yes, thank you. Good evening. I guess the first question is an update on where CPU server power stands right now. I know that you guys have gained a lot of share over the years on that and that market is heating up because of agentic CPU. So how impactful has that been to the ED segment and where you – where do you see that going as you go into the end of the year, into next year?

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah, thanks, Chris. So let me start and then Michael and Rob can jump in as well. I think one of the things is we – we've been talking about it for, gosh, close to a year, that CPU has been one of the growth drivers for us in Enterprise Data. So it's something that has been and I think will continue to be part of the overall growth story. To the extent that agentic AI drives further CPU growth, that will continue to be a tailwind for us.

As you know, it's difficult for us to separate sometimes a pure AI sale from a CPU sale, so it's a little difficult for us to parse those specifically, but if we start to see some of the forecasts come to play that you're seeing from some others in the industry, we think that could be an additional growth factor for us even going forward.

From a share perspective, again, I think we'll probably pass on specific share. I think we're very broadly indexed across both x86 and ARM players, and so no matter who sort of wins in that race, we think we can participate.

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

I think I answered your question one time in terms of the, okay, what is the percentage. At the time, in the CPU side, we want to get in the CPU market segment. I think I was asked about what the share – market shares we want to be, okay. I mentioned it in earnings calls that if it's lower than the 30%, I call it failures, okay. I think that we're comfortably there now so that we're past that. And that's where the good position we are in now, so okay, and we'll continue that.

Chris Caso
Analyst, Wolfe Research LLC
Q

Thank you for that. As a follow-up, maybe a bit of a longer-term question and maybe as we look out, say, over the next two years, two-plus years, do you still expect that – I mean, Enterprise Data has been the fastest-growing part of your business because it's been the fastest end market. Do you expect that to continue to be the case? And I know, Michael, you like to run a diversified business, but that end market is just growing so quickly, so I guess maybe the question is, is the growth in that end market, in Enterprise Data, make it more difficult to diversify the business?

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.
A

Good question, okay, and we never focus on any market segments and we provide picks and shovels and blue jeans. And as long as we're making these – the best of it, we will win those segments. And so we are not really a gold diggers, okay, out there to find out, okay, the empty mountains, okay. But we don't do that kind of things and we just provide the – basically the best elements, okay, for other people to succeed at that.

And one times Automotive was big, okay, one – and other times, Consumer was big, okay. And we let our customers – we let the market demand, okay, to decide that. As long we focus on the fundamental development, I think that will win the very long terms. And a clear example was a couple of years ago, so the AI, so okay and go sideways, okay, or Enterprise Data go – went sideways, even dropped slightly, okay. And that year, all the other business grow tremendous, including automotives. And that's exactly we want to see and, okay, and we have a – we want to provide to our investors, okay, a very consistent way of a grow MPS.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.
A

I mean, even this last Q2, right, outside Enterprise Data is the rest of the businesses saw double-digit growth. So I understand your comment on what TAM might be growing faster, but you can see, you're still seeing pretty substantial growth outside of ED.

Chris Caso
Analyst, Wolfe Research LLC
Q

Thank you.

Operator: Thank you. Our next question coming from the line of Kelsey Chia with Citi, your line is now open.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.
Q

Hi, good evening. So based on the strong and broad-based ordering patterns you guys have, may I know how much visibility do you have in the Enterprise Data end market? And was wondering if you can provide any color as to how 2027 outlook could look like based on the design wins, visibility, expected product ramps, or elaborate on any incremental revenue opportunities and ramp within that segment.

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah, I'll start on that one. And I think in general, 2027's a bit far away, we're still trying to land 2026. But I think to answer the first part of your question on the visibility, again, the longer-term ordering patterns that we saw begin late last year have really maintained, and our book-to-bill this cycle was again well above 1. So we do have more than a quarter-type visibility like we were dealing with maybe midway through 2025.

That doesn't mean we necessarily have visibility all the way out to the end of the 2027 though, but I think the way I would address that is I think the underlying structural growth drivers haven't really changed, right? We have best of breed from a current density and modules. You see more and more of our end markets adopting those high current density modules for their applications and we continue to win new sockets. So I think our ability to continue to grow into 2027 is still structurally very sound, but I think it's too early to put a number on it.

Michael R. Hsing

Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Well, here is the – the true demand is determined by the market. And we don't want our customers to end up with a lot of wasteful inventories. At the same time, we will watch us, okay, our own inventory. We will ended up a lot of inventory we cannot sell. So we clearly balance that. And what is the forecast? We don't do them, okay, even though we have NCNR, okay. And we don't shovel into our customer's throat, that is a bad relationship, and our relationship is very long term. And although the order booking is very good, as Tony said it, okay, but we don't see the business in that way, and we do things swiftly according to our customer demand.

Kelsey Chia

Analyst, Citigroup Global Markets, Inc.

Q

Got it. And also, with such strong revenue outlook, could you help us think about gross margins and OpEx trajectory? It seems that you guys are landing somewhat below your long-term OpEx guidance right now.

Michael R. Hsing

Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

Well, we're in the model and, okay, we're still in the model, although in the low end, okay. I said I wasn't -I'll be happier and, okay, we're higher. I said I wasn't happy, okay. And look at it this, okay, we focus on growing the revenue and growing the net profit, EPS. That's the key reason. The other one is that nobody want us to have a high gross margin but less of a – lack of a growth, okay. Nobody want us to do that and our shareholder doesn't want us to do that, certainly, okay. And so we focus on this, okay, we'll be at a gross margins, as I said, okay, and we will figure out and, okay, we will grow higher, certainly, okay, in the near future as well, probably stay similar or maybe slightly higher.

Robert Dean

Interim Chief Financial Officer, Monolithic Power Systems, Inc.

A

Hi, Kelsey, this is Rob. I'll add to what Michael was saying and add onto what Tony was saying about the strong order levels, which continued into Q2, give us the ability to incrementally expand our guidance on gross margin. Again, just slightly but it's there. So as Michael said, we're at the low end of where we want to be, but we're feeling comfortable about where we're at for Q3.

Tony Balow: And, Kelsey, the last part of your question was a little bit on OpEx, and I think in general, we haven't changed any of our thesis around how we're trying to invest for the future. I think what you see is when you get to higher levels of revenue, it's difficult to keep the levels of spending up to that model, and so you see some additional leverage as you pull through to operating margin. And I think you've seen pretty healthy expansion in operating margin over the past couple of quarters.

Kelsey Chia Q
Analyst, Citigroup Global Markets, Inc.

Got it. Thank you.

Operator: Thank you. Our last questioner will come from the line of Sebastien Naji with William Blair. Your line is now open.

Sebastien Naji Q
Analyst, William Blair & Co. LLC

Yeah, thanks for taking the questions and congrats on a great quarter here. It's great to see the momentum across the business. AI data center is clearly a strong tailwind for the Enterprise Data business, also in Communications, a little bit even in Storage and Compute. I mean, if I start to add up all these segments, you're looking at a data center exposure that's approaching roughly 50%. I mean, is that the right way to think about it across your different end markets?

Tony Balow A
Vice President-Finance, Monolithic Power Systems, Inc.

I think you're picking the right components as you go in there, right? Obviously, the optical module business, the switch business can be pulled to our data center, all of Enterprise Data. And then remember, inside of Storage, you really kind of have three big sub-buckets: DDR5, HDD and SDD. HDD and SDD I think over time are becoming increasingly enterprise-focused whereas at one point, they might have been more consumer-based.

So we haven't broken out Storage and Compute versus notebook in there, but I think you're picking the right components as you look at those things that could ride some of the healthy demand pulled through by data center right now.

Sebastien Naji Q
Analyst, William Blair & Co. LLC

Okay, great. And maybe just as a quick follow-up on the incremental supply capacity that you're bringing online, is that – is any of that on newer node processes like 40-nanometer or is that mostly on existing 65-nanometer solutions?

Michael R. Hsing A
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

I think it's mostly the existing, okay. And this thing, we're talking about sometimes in – from now, so okay, we have the increase all in the capacity. Again, Tony said this is not about the – only about the silicons and the wafers, okay. We're building a lot more – we're building systems. And that changes the complexities, okay, of the – by silicon only, okay. I mean, we have been in – on this journey from – since 2017, and all the procurement, vendor qualification, component qualification, we have – we are – it became mature. And now we have to pull some more new tricks in the next year or so to increase all these capacities, okay.

Sebastien Naji
Analyst, William Blair & Co. LLC

Q

Right, right. Would you say it's the worst or the hardest to increase capacity over the last 10 years that you've seen?

Michael R. Hsing
Chairman, President, Chief Executive Officer & Founder, Monolithic Power Systems, Inc.

A

It's different periods, different times and, okay, and the qualified vendors. And again, in the silicon side, we have a lot of experience, and again – and you move up to a system, how you assemble all these systems and how you qualify all these vendors and how you take the yield loss is in completely different models that we have to operate on it. And we have became – I would say that we became a lot more mature and that there' a lot more room to go, okay, a lot more improvement to go.

Sebastien Naji
Analyst, William Blair & Co. LLC

Q

Got it. Great. Thank you so much.

Operator: Thank you. I'm showing there are no further questions in the queue at this time. I will now turn the call back over to Tony Balow for any closing comments.

Tony Balow
Vice President-Finance, Monolithic Power Systems, Inc.

All right. Thank you, operator. Thank you, all, for joining us for the conference call today. Look forward to speaking with all of you for our next call for our third quarter 2026 results. Thank you again and have a nice day.

Operator: This concludes the conference call. Thank you for your participation and you may now disconnect.