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Monolithic Power Systems, Inc. (MPWR)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to the Monolithic Power Systems, Inc. First Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

We are joined by speakers Michael Hsing, CEO and Founder of MPS; Rob Dean, Interim CFO; Tony Balow, Vice President of Finance.

And now, I would like to turn the conference over to Arthur Lee to read a Safe Harbor statement. Please go ahead.

Arthur Lee

Finance Manager, Monolithic Power Systems, Inc.

Earlier today, MPS released a written commentary on our results of operations for the first quarter ended March 31, 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 Q1 2026 Earnings Commentary and in our SEC filings, including our Form 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 Q1 2026 earnings call. In Q1, MPS achieved record quarterly revenue of \$804 million, 7% higher than the fourth quarter of 2025 and 26% higher than the first quarter of 2025. Our quarterly performance was a result of our continued innovation, our consistent execution, and the resilience of our diversified market strategy. Let me call out a few highlights from the quarter.

Our Communications end market grew 33% sequentially on the strength of our power solutions for optical modules and switches. The pipeline for our Automotive and Enterprise Data end markets, including server, continued to accelerate as we won multiple new projects across customers and regions. We sampled our first high-speed interface products for DDR5 at major customers. And MPS continued to grow our capacity past our original \$4 billion plan, with a new goal of reaching \$6 billion in the near future.

We continue to adjust to the fluid geopolitical and macroeconomic environment, but our diversified 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 chips only to a full-service, silicon-based solution provider. And finally, we continue to 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.

Operator, you may now open the webinar for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Ross Seymore with Deutsche Bank. Your line is open.

Ross Seymore

Analyst, Deutsche Bank Securities, Inc.

Q

Hi, guys. Thanks for letting me ask a question. I just wanted to dig a little bit into the Enterprise Data side of things. Can you just talk about the different trends you're seeing between kind of the XPU side versus the CPU, server CPU side? I know you mentioned in your preamble that the backlog and visibility was improving in both, but given the strength of demand we're hearing elsewhere in the server CPU side of things, I wondered how you guys are doing there.

Michael R. Hsing

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

A

Both are good. Yeah, maybe Tony you can talk to that.

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah. I'll give a little more color. And Ross, if you recall, even last year in 2025, we had talked about CPU being a tailwind. And we continue to see that here in 2026. But if you look across Enterprise Data for us, right, as we've said, it's increasingly hard to differentiate between sort of AI solutions and CPU. But in general, all the growth drivers are intact. We're ramping new customers. We've been ramping existing customers. We continue to see the transition to modules. And like I said, plain server has been a tailwind and we think it will continue to be so.

Ross Seymore

Analyst, Deutsche Bank Securities, Inc.

Q

Thanks for that. And I guess, the second question would be on the Storage & Computing side of things that seem to be a little bit better than feared in the first quarter. Talk about the tailwinds or headwinds, given what's happening from a macro perspective? And then, potentially, the difference between what you guys do on the Storage side versus the Computing side?

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah. I'll start on that one. And then I'll let Michael and Rob jump in. But as you know, right, that segment really has sort of two separate businesses in it. The Storage side, obviously, has remained strong as it's really been indexed to a lot of the data center business. And we've seen strength in DDR5. We've seen strength in HDD and SDD continue out of last year and into Q1.

On the notebook side, we're still more cautious on that side. As you know, there's really two dynamics there. I'm sure you've heard other companies talk about potential TAM headwinds associated with memory shortages or elasticity from memory prices. But remember, we also selectively play in that part of the market that has lower margins around consumer. And so I think if we look forward on that business going through the year, I think we're still very optimistic about Storage staying strong, probably much more cautious on the notebook side.

Ross Seymore*Analyst, Deutsche Bank Securities, Inc.*

Thank you.

Q

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

But the notebooks, we don't really care this quarter or next quarter. As long as we develop the best solutions, our power densities and our customers' ease of use and these design win that we have, the revenue will ramp.

A

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

All right. Operator, next question?

A

Ross Seymore*Analyst, Deutsche Bank Securities, Inc.*

Thank you.

Q

Operator: Thank you. Our next question comes from William Stein with Truist Securities. Your line is open.

William Stein*Analyst, Truist Securities, Inc.*

Great. First, I'd like to ask about manufacturing. You noted in the press release that you passed the \$4 billion target. You're now working to \$6 billion capacity. Maybe you can update us as to the strategy around geographic placement of your capacity and maybe remind us what's going on from a technology perspective. This used to be a big focus of the various BCD iterations that you produce. But can you bring us up to speed as to what is the latest BCD generation? Thank you.

Q

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

I answer your last questions first. We are still around the 60 nanometers, and okay, maybe we'll go down to 40 nanometers, 45 nanometers. As a power density keep as a market trend. The power increase and we increase power densities. And it's just old stories. We keep doing the same things in the last 20 years. And we just do better than our competitors.

A

For the \$6 billion goal for manufacturing pipelines, clearly we see our near futures. We see a lot more activities, a lot more potentials. And all these design win is imminent. They'll turn into our revenues.

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

And maybe just to add. Will, I think I'm telling you what you know, but on the \$4 billion of capacity, we talked about that being very geographically diverse, both inside and outside of China. And remember, our strategy really is to maintain that supply chain diversity. So we'll continue to try to have that balance going forward.

A

Operator: Thank you. Our next question comes from Joshua Buchalter with TD Cowen. Your line is open.

Joshua Buchalter*Analyst, TD Cowen*

Q

Hey, guys. Thank you for taking my question and congrats on the results. Maybe just to start, can you just help us a little bit with the models? Any help you can give us on the guidance by segment as we think about the sort of 12% sequential growth for the June quarter, which segments should be above and below? Thank you.

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

A

Well, I think let me start with one you guys are more interested in the most, okay? Bernie last time, okay, talked to you guys, we'll have a 50% floor, okay? 50% floor, okay? I'll let Tony talk about – give you a better news today, okay? And I'm more excited about the other projects that I'm deeply involved, okay. Me and the building automations and audio project side and as well as the robotics. And these ones will pave the way for our next two to three years out remain on the same growth trajectory.

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

A

Yeah. And I'll follow up a little bit as kind of marching through. And Josh, I know the first thing people are interested in is Enterprise Data. So I'll start there. And as you recall, we tend to be fairly conservative in how we look at these things waiting for the backlog to be in place. So, late last year, we talked about 30% to 40% growth year-over-year. In the last call, we kind of rose that to a 50% floor. And the strong ordering patterns that we saw start last year have kind of continued through Q1. So, at this point in time, I think we're comfortable raising that floor up to around 85% year-over-year growth. And that will certainly be one of the drivers of growth for the year for MPS.

If you look – oh, sorry, Michael did you...

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

A

I'll let Tony deliver better than our last CFO. Okay.

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

A

If you look at the others, Josh, is I think we've been signaling on communication as we've become increasingly excited about that end market with not only the optical module growth, but due to switches as well. So we certainly would expect those to be drivers.

Auto, I think, is a very consistent story. We said that would be roughly flat through the first half of the year and ramping in later in the year. And then Storage & Compute, we talked about a bit already with Ross, right? There's

really two different dynamics going in there where we're still very optimistic on Storage pull through by data center, more cautious on notebook.

Michael R. Hsing

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

A

Here again, overall, we cannot predict which quarter goes ramp what volumes, and that's not our business to do that. And our winning strategy is same as the last 20 years. As long we deliver the best product and service our – solving our problem for our customers and I don't see we lose any socket, okay? The major socket at least, okay? And we keep winning and those business – those design win will turn into revenues.

Joshua Buchalter

Analyst, TD Cowen

Q

Thank you both for all the color there. Unfortunately, when you deliver good news, you still get annoying follow-up questions. But yeah, I guess, if we think about the incremental upside since last quarter, any help you can give us on how much of that's coming from CPUs, as Ross mentioned earlier, versus more confidence into either content or visibility into share on the AI accelerator side? Thank you both and congratulations again.

Michael R. Hsing

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

A

That's a good try, okay? No, I'm not going to give it to you, okay?

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah. Josh, I think we just fall back. And we've talked about all the growth drivers and say they're intact. I don't think we want to try to parse out between volume and content, because it'd be very specific...

Michael R. Hsing

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

A

In reality, it's very difficult, okay, to separate it, okay, what is called AI, what is called servers, okay? There's a lot of agents, okay? And a small segment – okay, and these are very small utility box, okay? We see a lot happening, okay? I mean, maybe I don't use the right words, you guys use it, okay? I mean, these are portable AI devices, okay, and just based on GPUs. These are happening. And that's clearly overlapped with the CPU and GPU powered.

Joshua Buchalter

Analyst, TD Cowen

Q

Okay. I Had to try. Thank you, guys.

Michael R. Hsing

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

A

Okay.

Operator: Thank you. Our next question comes from Rick Schafer with Oppenheimer & Co. Your line is open.

Richard E. Schafer*Analyst, Oppenheimer & Co., Inc.*

Q

Thanks, guys. And I'll add my congratulations and just a wow, I guess, on the outlook. Maybe if I could just for a second talk about Enterprise Data. I've got a follow-up, Michael, that you'll like better I think. But the top four CSPs, I think just last night, I mean, now we're over \$700 billion in CapEx just from them. I mean, seems like you guys are clearly seeing that increased order velocity. But my real question is, are you able to capture all of that upside? I mean, is there anything curbing your supply or your ability to capitalize, Michael? Because in years past, you guys have – MPS has kind of – you've kind of made your bones on always being ready for that upside and kind of never being caught short. So I'm just kind of curious is that's still the case or kind of what you're seeing?

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

A

I think it's exactly right, okay? And although we have a few more players, okay, and let me go back a few quarters ago, in these AI and GPU powers in the given times will be the performance and also the manufacturing capabilities and the reliability will remain only a few players. And after couple of years, it's being very clear, MPS is one of the players.

And as I promised over a year ago or so, and we continue to do well, like, in many aspect, okay, especially for the power density side, we are the best in the market segment. Because we provide a total monolithic power solutions and we can use a single piece of silicon versus our competitor use a multiple piece of silicon. And that clearly shows our advantage. And yet, we don't want to be the dominant supplier, okay? We just want to be a part of it. Our goal is diversified growth.

Richard E. Schafer*Analyst, Oppenheimer & Co., Inc.*

Q

Got it. And for my follow-up, Michael. Yeah, I'm just curious on physical AI. Obviously, it's getting a lot more people talking about it and seeing a lot more focus. I'm just curious if you could flush out maybe a little more of your plans for that segment. What kind of TAM have you guys identified there? I mean, you called out robotics a minute ago on the call, I mean, can that be a meaningful revenue contributor next year or when would we start to see robotics start to drive top line?

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

A

We see this year and – but the volume is still low, but it can kind of move the needle slightly. And if we go up the trends, okay, this is still at the very beginning and it's very difficult to predict, okay? And many companies have launched the first high-volume robotics, okay. Now, we clearly benefited from it. And after that, we cannot call the market segment growth, but the future is there, okay. Clearly, when more AI adopted in robotics, the application will be widened.

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

A

And I think what you see is us try to run the typical MPS playbook, which right now we're trying to engage broadly and win all the designs we can. We can't control when the customers ramp, but we can control winning the sockets. And that's the broad engagement you really see happening in 2026.

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

That's very good point. Yeah.

A

Richard E. Schafer*Analyst, Oppenheimer & Co., Inc.*

Great. Well, thanks, guys.

Q

Operator: Thank you. Our next question comes from Quinn Bolton with Needham & Company. Your line is open.

Quinn Bolton*Analyst, Needham & Co. LLC*

Hey, guys. I'll offer my congratulations as well on the results and outlook. Michael, Tony, I guess, I wanted to ask on the Comms segment. It was up 33% sequentially in March. It sounds like it's going to be one of the faster growing segments in the June quarter. When I look at optical modules, I think 800-gig modules are more than doubling in 2026. So my question is, do you think that Comms segment could actually grow as fast, if not faster, than Enterprise Data this year, given those trends?

Q

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

Yeah. Again, I'll follow Tony's answer, the last one. So, like, we're in a business to predicting what the market trend is, okay. This happens, okay, in this particular segment. And we saw a lot of activities and a lot of demand for high-power density product and especially modules. And I think as I mentioned about maybe a few quarters ago. And so this quarter, it just jumps out. And from what we learned, the power density of the module in a – with a very confined area and the data rate keep increasing it. And with the opticals or with other type of a format, okay, the power will keep increasing, okay. And in what rate, I cannot predict. But in a small confined areas, the power density is critical. And that's our basic technologies that we can apply in that segment. And we execute it fast and we capture the market.

A

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

Yeah. I think as ordering patterns have continued to be strong and extend, we still don't have them all the way through the year. So I think it's pretty tough for us to call all the way through the back half right now. But certainly, we'd put that end market above the corporate average.

A

Quinn Bolton*Analyst, Needham & Co. LLC*

Got it. Okay. And then...

Q

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

Yeah. The same way I'll go back to servers, okay, and I'll go back to server side, okay. In the last years, we don't know, okay, I mean, the server market will picking up or not picking up, okay? As far as we listen to our

A

customers, so we get our inventory ready, okay, and when they need it, they have those product. And so we just focus on deliver better product, winning more socket.

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

Yeah. I mean...

A

Quinn Bolton

Analyst, Needham & Co. LLC

Thank you, Michael

Q

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

....I'm a broken record. But I think it's a great example of again diversified approach. And you land and you sort of look at the other sockets available to the applications and continue to grow your SAM.

A

Quinn Bolton

Analyst, Needham & Co. LLC

Great. My follow-up question, Michael, you guys have been sampling your products for 800 or plus/minus 400 volts for a few quarters. Now, wondering if you could provide any feedback on how that activity is going and can you give us any thoughts on there's a lot of debate between whether those higher power conversion steps will be more GaN based or silicon carbide based. If it goes GaN, will you guys have GaN-based solutions ready for that opportunity?

Q

Michael R. Hsing

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

No. We based on silicon carbide and that's our solutions. In the past, I openly said I don't believe in GaN, okay. Now start to. I didn't know what I was talking about, I guess, okay. In the start of the last year, we developed our GaN, but it's not for 800 volts. It's for low voltage and lower power segments, we start to develop these fundamental technologies in GaN.

A

To answer the first part of our question, yes, we're sampling, okay, and rather than sampling we co-develop that systems with our customers, okay, and also our customers' customers. And we don't talk about those, right, until I guess you guys ask for it, okay. And 800 volts became a household names on the Wall Street, okay. And so we start to talk about it and our product is working. And I think overall the environment in the new 800 volts power bus data centers, a lot of things has to be resolved. And we just have our – for that application is ready, okay. And also, have 800 volts, okay, go to 10,000 volts, okay. That's another segment and has to be developed a lot more efficient power conversions. And these are all part of the pictures. MPS will play in those segments.

Quinn Bolton

Analyst, Needham & Co. LLC

Thank you, Michael.

Q

Operator: Thank you. [Operator Instructions] Our next question comes from Tore Svanberg with Stifel. Your line is open.

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

Q

Yes. Thanks, Michael, Tony, team. Congrats on another record quarter. I had a question maybe as a follow-up to a previous question on power. So I do realize there's a lot of focus on 800 volt. But before we get there, there's the move to 2,000 watt GPUs. And I know there's a lot of sort of wannabe power management companies out there, Michael. So, just hoping you could touch on two of the three things that really make MPS so unique and differentiated to handle those types of power levels, because that is not like a 2028 timeframe, right? I mean, that's already next year. So, yeah, if you could give us some color there, that'd be great.

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

A

Yeah. Okay. That's a good question. I can touch and one of them I already said earlier. So, look, MPS is focused on the monolithics. And we do what is the most cost effective and we do – and how we do the integrations. And we have the capabilities, okay, to integrate or disintegrate, okay. And the integrations and the way we can put it in one modules and that's a huge advantage. And with the multiple other chips, okay, and if we use a particularly discrete power component, okay, discrete power FETs, and it's very difficult to do for manufacturing the modules.

The second thing I should mention that, and we invested in the module development unit for other segments actually. And since 2016, we want to move up, okay, from providing silicon only power conversions, okay, we do a plug-and-play solution. That journey we started 2016 and immediately, we know how we test these devices and how we qualify these devices. And if it's higher volumes and high qualities, okay, it can be touched by humans. We develop our own test systems and own reliability systems. These are fully automated. And actually, it's all based on the MPS motion product. And these ones, okay, very unique. And before these systems putting in productions, we can't find anything like these on the market. And that's, I think, to me, this is a huge advantage.

And the other one is – the last one I will go back to semiconductors. And again, as we talk about this, we use the 60 nanometers, okay. And now, we're moving to 40 nanometers. And those increase the power density by, last time, we talk about 3 amps per millimeters cube. And now, we've gone pass that.

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

Q

Great. Thank you for that, Michael. And as my follow-up, when you mention a new product, I always listen to you because I remember you talked about 800-gig optical components being a new market. And before you knew it, you had a huge business there. And you now mentioned you have your first high-speed interface product sampling for DDR5. So, just curious when should we start to see material revenue from that business. And could that also grow into several hundred million dollar business over the next few years? Thank you.

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

A

That's absolutely right, okay. And frankly, I don't know anything about this high speed. We just hired some best engineers and cut them loose, and they created this, okay. From a business side, it's our natural, okay, way of expanding the total service market, increase our SAM. And we have a pretty good positions in PMIC in memory. Then we introduce timing drivers, okay, and timing control, whatever, okay, and also temperature sensors. And now, there's RCD or whatever the things, okay, and I know it's very difficult and this is beyond my understanding, okay. Our engineers and our peoples and they pull it off.

And so we have a few people that compare other company like they have 50 people, okay, in their design groups, okay. And we will be able to pull it off in a few years. These are brilliant guys, okay, and they want to make things happen. And the revenue, usually we don't talk about it, okay, and talk about a product, okay. And we sample those products. Clearly, in that market segment, our customers very much welcome we have another player.

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

And Tore, I'll just help you with the model a little bit. I wouldn't really have that as being a contributor to 2026 revenue. I think we're really highlighting it as we continue to expand our footprint in that market.

Tore Egil Svanberg

Analyst, Stifel, Nicolaus & Co., Inc.

That's fair. Thank you again and congrats.

Michael R. Hsing

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

Okay. Thank you.

Operator: Thank you. Our next question comes from Gary Mobley with Loop Capital. Your line is open.

Gary Mobley

Analyst, Loop Capital Markets LLC

Hi, guys. Let me also extend my congratulations. I'm curious about the Comms business. That definitely is a stand out for the quarter in terms of growth upside, and I presume carrying through the – into the second quarter and into the balance of the year, as you previewed already. So what I'm most curious about is, how much content you have in these 800-gig optical modules and I assume maybe top-of-rack switches? Maybe if you can put it in the context of, by how much you see your content increasing in rack scale solutions for accelerated compute, given this beachhead in these two new applications?

Michael R. Hsing

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

I think it's more than a beachhead now. So, look, we're pretty well beyond the beach now, okay? And Tony, do you want to add?

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

Yeah. I think we're going to stop short of kind of giving a dollar content. But obviously, in the optical modules, right, we have a module in the module doing that. So we, obviously, look at more of that than a discrete device.

If you talk about switches and things of that sort, you have a whole different number of trays. For example, you have switches, you have NIC cards, you have other things like that which all require power. And so I think the opportunity is right, as you have a number of different processors sitting in these racks that we could provide power for and that we've been expanding, that all sit within our Communications segment. But I think we're – as usual, right, we're not going to talk about specific content layers, especially for specific customers.

Gary Mobley*Analyst, Loop Capital Markets LLC*

Q

Okay. As my follow-up, I wanted to ask about distribution channel inventory. I know it's been running lean as it's still lean relative to where you would normally place your distribution inventory. Then as well, maybe if you can talk about the sort of inflationary-related pricing trends that you have to pass along?

Rob Dean*Interim CFO, Monolithic Power Systems, Inc.*

A

I'll take that one. With regards to our distribution channel, we don't have a great deal of perfect visibility there, but what we have seen, at least in 2025 and carrying into 2026, is that the channel has been very lean and that implies to us that we're shipping to what demand is at the market. But beyond that, we're looking good.

Gary Mobley*Analyst, Loop Capital Markets LLC*

Q

Okay. And Pricing?

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

A

For the pricing, okay, cost, pricings, okay, yeah, some of the costs is higher, okay. And we see a lot of activities, okay. So we will keep the – the goal is that we're keeping our margin profiles.

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

A

Yeah. And just to add to Michael, I think we're not looking at it as a broad based across the board. But there are places where input costs have gotten higher, people are asking for expedited supply chains, and things of that sort. And in those cases, yeah, you could see us raise prices to stay within our gross margin model.

Gary Mobley*Analyst, Loop Capital Markets LLC*

Q

Thank you.

Operator: Thank you. Our next question comes from Joe Quatrochi with Wells Fargo. Your line is open.

Joe Quatrochi*Analyst, Wells Fargo Securities LLC*

Q

Yeah. Thanks for taking the questions. Maybe just to follow up there on the gross margin. Wonder if you could just share any of the puts and takes on the guide. It feels like, obviously, very positive revenue acceleration and kind of not a ton of follow-through on gross margin kind of still stay in that range.

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

A

Yeah. Okay. Again, I said the margins in the last couple of quarters, margins are on the low end. And although it's in our models, okay, it's on the low end, and we still improve the yields on the modules. And I think we don't have

much of a headwinds, okay. We're moving up. But I don't want to give you a false hope that we're going to jump very high, okay. That's not MPS. We don't do that kind of things, okay?

Rob Dean

Interim CFO, Monolithic Power Systems, Inc.

A

I'll expand a little bit on what Michael just said. And historically, we've been very consistent with delivering to our gross margin guide. For the last four quarters, we've been flat at 55.5%, which is at the low end of our gross margin model for growth, which ranges mid-50s to upper-50s for Q2. As you notice, we did have the confidence to increase incrementally our gross margins, mainly because we've gotten better visibility to our backlog. We saw this happening in the fourth quarter of last year, and it's continued into the first quarter of this year. So that has, again, given us some confidence. We do, however, do see some strong headwinds potentially in the second half. And so we're remaining cautious for the guide in the second half of the year.

Joe Quatrochi

Analyst, Wells Fargo Securities LLC

Q

Got it. That's helpful. Maybe just on the robotics socket opportunity you talked about up for grabs or to win this year, do we think about those as being incremental? So I think you talked about \$150 of content, like, per humanoid back at the Analyst Day. Is that the right way to think about it, or are those expanding opportunities?

Michael R. Hsing

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

A

It really varies, okay. I mean, humanoid is the most visible. You always see some dancing robots, okay, and those kind of. And what we focus on is in the robotics. If it's a remote and without a power cord plugging the robot and those have the battery operations. And so our battery management product plays a role in there. And the other one is the AI side, the compute side, okay, for power the GPUs, okay, and these autonomous control units, okay, and also as well as these sensors. And the other segment is the actuators, the motion side. That's overall we sell – we offer for the robotic companies. And many applications is in actuators and they can be in medical assist for rehab purposes, okay. We see those kind of things happening.

And for the dollar content, as I go back to your dollar content, it's very difficult to say, okay. It's a variety of applications. We sell in chip and to selling modules okay. And so the dollar content is also different and it's very difficult to judge. But the trend is, these robot will happen and the world will be a lot more automated and it can assist the human to do a lot of things, okay.

Joe Quatrochi

Analyst, Wells Fargo Securities LLC

Q

Thank you.

Operator: Thank you. [Operator Instructions] Our next question comes from 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 would be about the ED segment. And if you could talk about the growth on merchant solutions versus ASIC solutions this year and what you're expecting with regard to

content? I know you've got a strong position in both, but do you expect outsized growth in one area or the other? Any color you could provide would be helpful. Thank you.

Michael R. Hsing

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

A

We don't divide it into these – the learning side and inferencing sides, okay. And frankly, we don't know how to separate it. And they could use the similar product. What we do is, why are we winning all these segment is because of the power density, as I said earlier, okay. And nobody want to waste the power. And power density is directly related to power efficiency. And so they want a smaller size and they want to have a high efficiency. It really doesn't matter to us which segment.

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

A

And Chris, the only thing I'll add, right, is I think we're comfortable raising the floor from 50% to 85%, not because there have been a fundamental change in the growth drivers for how we're approaching the market. It's really, as you know, our more comfort about what's in backlog and we've seen that extended ordering pattern. So I think, to Michael's point, I don't think we subdivided the content and volume, but I just want to make sure you know that I don't think anything has changed other than being able to see more orders in the books going forward.

Chris Caso

Analyst, Wolfe Research LLC

Q

Got it. Thanks. As a follow-up, if I could ask about the Auto segment. And you talked about that being flattish in the first half with some growth in the second half. Obviously, Auto has been a little more variable in terms of its recovery. There was some data out of China, which was a little weaker in the beginning of the year. Perhaps you could give some color on the visibility you have at Auto and why you think that starts to grow again in the second half?

Michael R. Hsing

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

A

I don't pay attention to these, which segments are strong, which continent is more stronger or weaker, okay? Because these are chasing the market. We're not chasing the market. Whatever happen happens, okay. We have the product ready, we can deliver. But Tony, you can talk about near-term, okay. I don't pay any attention to it.

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

A

Yeah. I think I can add a little bit more there. I think, Chris, the shape of the year, as you said, right, our expectation there hasn't necessarily changed. Why we talked about seeing that ramp later in the year is really on our belief on one of some of these designs that we previously won coming to market. We can't control when our customers ramp, but the pipeline in Auto has been expanding. And based on our current belief, we would expect to see that ramp later in the year. So, again, as always, right, we'll monitor as things go through, but that's our belief at the moment.

Chris Caso

Analyst, Wolfe Research LLC

Q

Thanks.

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

A

Well, the bottom line is, we're winning socket and we're expanding our market shares.

Operator: Thank you. Our next question comes from Kelsey Chia with Citi. Your line is open.

Kelsey Chia*Analyst, Citigroup Global Markets, Inc.*

Q

Hi. Hi, Mike and Tony. Congrats on the results. Could you talk about the rationale behind focusing on silicon carbide for 800-volt stepdown, while focused on gallium nitride market just for the lower voltage, lower power segments? It seems that some of the peers are also using GaN for higher voltage stepdown. How would that influence your competitive positioning?

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

A

Okay, it's a long question, okay. It's a long answer. Starting, okay, I said I didn't believe in GaN, okay. And I still don't believe, okay, for high power, okay. I mean, we still have to be proved, i in the market segment. The reason we use silicon carbide is these devices are proven in the history, like 20 years ago, okay. I mean, they're making diodes, okay. I mean, the materials are a lot more reliable, okay. And there's some fundamental issues, okay. We started this try to improve. It started 2016. And as a result, we have a deep know-how to use these silicon carbides, okay. And the MPS is, unlike other company, we don't sell silicon carbide FETs. And these are passive semiconductive, pass through device. And we always integrate it into our modules. So that's a kind of short story for you, okay.

Kelsey Chia*Analyst, Citigroup Global Markets, Inc.*

Q

Thank you. Got it. And I know that the team historically has been able to gain share in tight supply environments. Could you talk more about your supply chain management strategy and also your confidence in meeting customer demand, if other suppliers face capacity constraints?

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

A

Throughout our history, if you look at it, and especially during 2021, so these are after COVID, okay, happened, and MPS always listen to our customers. We don't play a passive role. When the customers tell you to pull in too late, okay. And we have actively, preemptively and to build these inventory – get these inventory ready. And our product life cycle is very long. So we don't have any materials like large amount in scrapping. And we know these will sooner or later will sell. And again, like, you ask me where these product ramping, I don't know, plus/minus a year, it will sell. And we don't mind and have a little high inventory, although in the last recent quarters, we cannot have enough to build up.

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

A

Yeah. I just think the last thing I'd add, just so it's really clear, is nothing about our outlook or anything we said about Enterprise Data floors because we see any constraints in the supply chain. It's something we've continuously stayed ahead at. So if the root of your question, Kelsey, was whether or not the 85% flow was limited by something, that's not an issue right now.

Kelsey Chia

Analyst, Citigroup Global Markets, Inc.

Got it. Thank you.



Michael R. Hsing

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

Yeah.



Operator: Thank you. I'm showing no further questions at this time. I'll now like to turn it back to Tony Balow for closing remarks.

Tony Balow

Vice President-Finance, Monolithic Power Systems, Inc.

Thank you, operator, and thank you all for joining us on this conference call today. I look forward to speaking with you on our next call for our second quarter 2026 results. Thanks, and have a great day.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

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