

Monolithic Power Systems Inc ([NASDAQ:MPWR](https://www.nasdaq.com/markets/monolithic-power-systems))

Q1 2021 Earnings Call

May 4, 2021, 5:00 p.m. ET

Call participants:

Genevieve Cunningham -- *Marketing Communications Manager*

Bernie Blegen -- *Vice President & Chief Financial Officer*

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Joshua Buchalter -- *Cowen and Company, LLC, Research Division -- Analyst*

Ross Seymore -- *Deutsche Bank AG -- Analyst*

Tore Svanberg -- *Stifel, Nicolaus & Company, Incorporated -- Analyst*

William Stein -- *Truist Securities, Inc. -- Analyst*

David Williams -- *Loop Capital Markets LLC, Research Division -- Analyst*

Rick Schafer -- *Oppenheimer & Co. Inc. -- Analyst*

Quinn Bolton -- *Needham & Company, LLC -- Analyst*

Kevin Garrigan -- *Rosenblatt Securities Inc. -- Analyst*

Prepared Remarks:

Genevieve Cunningham -- *Marketing Communications Manager*

Welcome everyone to the MPS First Quarter 2021 Earnings Webinar. Please note that this webinar is being recorded and will be archived for one year on our Investor Relations page at www.monolithicpower.com. My name is Genevieve and I will be the moderator for this webinar. Joining me today are Michael Hsing, CEO and Founder of MPS; and Bernie Blegen, VP and CFO.

In the course of today's conference call, we will be making forward-looking statements and projections that involve risk and uncertainty, which could cause results to differ materially from management's current views and expectations. Please refer to the Safe Harbor statement contained in the earnings release published today.

Risks, uncertainties and other factors that could cause actual results to differ are identified in the Safe Harbor statements contained in the Q1 earnings release and in our SEC filings, including our Form 10-K filed on March 1, 2021 which is accessible through our website. MPS assumes no obligation to update the information provided on today's call.

We will be discussing gross margin, operating expense, R&D and SG&A expense, operating income, interest and other income, net income and earnings on both a GAAP and a non-GAAP basis. These non-GAAP financial measures are not prepared in accordance with GAAP and should not be considered as a substitute for or superior to measures of financial performance prepared in accordance with GAAP.

A table that outlines the reconciliation between the non-GAAP financial measures to GAAP financial measures is included in our earnings release, which we have filed with the SEC. I would refer investors to the Q1 2020, Q4 2020 and Q1 2021 earnings releases, as well as to the reconciling tables that are posted on our website.

I'd also like to remind you that today's conference call is being webcast live over the internet and will be available for replay on our website for one year, along with the earnings release filed with the SEC earlier today.

Now, I'd like to turn the call over to Bernie Blegen.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Thanks Genevieve.

MPS posted record first quarter revenue of \$254.5 million 53.5% higher than the first quarter of 2020. The year-over-year revenue increase represented strength in the overall market and more importantly, broad-based market share gains resulting from customer acceptance of our new product introductions. 37% of our first quarter 2021 revenue resulted from new products introduced in the last three years. New product acceptance on this scale has paved the way for accelerated growth.

Looking at our revenue by market, first quarter 2021 revenue from consumer markets of \$66.2 million increased \$28.8 million or 77.1% from the same period of 2020. The year-over-year revenue increase reflected a broad increase in overall demand. Along with the initial ramp-revenue ramp from our new mobile device charging IC. Consumer revenue represented 26% of our Q1 revenue compared with 22.6% contribution in the first quarter of 2020.

First quarter 2021 automotive revenue of \$44.9 million grew 92.5% over the same period of 2020. This growth primarily reflected continuing sales growth for infotainment, safety and connectivity application products and first time revenue from products introduced in the 2021 model year. Automotive revenue represented 17.6% of MPS first quarter 2021 revenue compared with 14.1% in the previous year.

In our computing and storage market, first quarter 2021 revenue of \$67.5 million increased \$15.5 million or 29.9% year-over-year, due primarily to higher notebook and storage sales. Computing and storage revenue represented 26.5% of MPS first quarter 2021 revenue compared with 31.3% in the first quarter of 2020.

First quarter 2021 industrial revenue of \$39.8 million increased 57.7% from the first quarter of 2020 and accounted for 15.6% of our total first quarter revenue. The revenue increase over the first quarter of 2020 primarily reflected broad-based gains in all of our major product groups. First quarter of 2021 communications revenue of \$36.1 million rose \$8.2 million or 29.4% from the first quarter of 2020.

The year-over-year increase primarily reflected higher networking and wireless gateway home router sales. Communication revenue represented 14.2% of MPS first quarter 2021 revenue compared with 16.8% in the first quarter of 2020.

Our sustainable above market growth is based on the following:

- 1) We have and are continuously investing in expansion and diversification of our supply chain. Specifically, we executed ahead of market demand.
- 2) We accelerated the release of advanced products and solutions based on our leading edge technologies.
- 3) We have gained increased acceptance of our solutions with first tier customers globally.
- 4) We continue to diversify and support a wider number of end product applications.

Moving now to a few comments on gross margin. GAAP gross margin was 55.4% 10 basis points higher than the fourth quarter of 2020 and 20 basis points higher than the first quarter of 2020. Our GAAP operating income was \$46.1 million, compared with \$40.0 million reported in the fourth quarter of 2020.

For the first quarter of 2021, non-GAAP gross margin was 55.8% 10 basis points better than the fourth quarter of 2020 and 30 basis points better than the first quarter of 2020. Our non-GAAP operating income was \$75.8 million, compared to \$66.3 million reported in the fourth quarter of 2020.

Let's review our operating expenses. Our GAAP operating expenses were \$95.0 million in the first quarter of 2021 compared with \$88.9 million in the fourth quarter of 2020. Our non-GAAP first quarter 2021 operating expenses were \$66.2 million, up from the \$63.6 million reported in the fourth quarter of 2020. The differences between non-GAAP operating expenses and GAAP operating expenses for the quarters' discussed here are stock compensation expense and income or loss on an unfunded deferred compensation plan.

For the first quarter of 2021 total stock compensation expense including approximately \$816,000 charged to cost of goods sold was \$28.6 million, compared with \$23.0 million recorded in the fourth quarter of 2020. Switching to the bottom line, first quarter 2021 GAAP net income was \$45.4 million or \$0.95 per fully diluted share compared with \$42.9 million or \$0.90 per share in the fourth quarter of 2020.

First quarter of 2021 non-GAAP net income was \$69.5 million or \$1.46 per fully diluted share compared with \$62.5 million or \$1.31 per fully diluted share in the fourth quarter of 2020. Fully diluted shares outstanding at the end of Q1, 2021 were \$47.7 million.

Now let's look at the balance sheet. Cash, cash equivalents and investments were \$641.6 million at the end of the first quarter of 2021 compared to \$598.0 million at the end of the fourth quarter of 2020. For the quarter MPS generated operating cash flow of about \$77.1 million, compared with operating cash flow of \$79.6 million in the fourth quarter of 2020. First quarter 2021 capital spending totaled \$19 million.

Accounts receivable ended the first quarter of 2021 at \$84.1 million or 30 days of sales outstanding up four days from 26 days at the end of the fourth quarter of 2020. Our internal inventories at the end of the first quarter of 2021 were \$175 million, up from the \$157.1 million at the end of the fourth quarter of 2020. Days of inventory increased to 141 days at the end of Q1 2021, compared with 137 days at the end of fourth quarter of 2020.

Historically, we've calculated days of inventory on hand as a function of the current quarter's revenue. We believe comparing current inventory levels with the following quarter's revenue provides a better economic match. On this basis, you can see days of inventory increased slightly to 128 days at the end of the first quarter of 2021 from 126 days at the end of the fourth quarter of 2020.

I would now like to turn to our outlook for the second quarter of 2021. We are forecasting Q2 revenue in the range of \$274 million to \$286 million. We also expect to follow GAAP gross margin in the range of 55.1% to 55.7%. Non-GAAP gross margin in the range of 55.5% to 56.1%, GAAP R&D and SG&A expenses between \$95.9 million and \$99.9 million.

Non-GAAP R&D and SG&A expenses to be in the range of \$65.5 million to \$67.5 million, this estimate excludes stock compensation and litigation expenses. Totals stock-based compensation expense of \$31.4 million to \$33.4 million, including approximately \$1 million that would be charged costs of goods sold, litigation expenses ranging between \$2.3 million and \$2.7 million.

Interest and other income is expected to range from \$1.3 million to \$1.7 million before foreign exchange gains or losses, fully diluted shares to be in the range of 47.3 million to 48.3 million shares.

In conclusion, we have paved the way to multi-billion, dollar revenue.

I will now open the webinar for questions.

Questions and Answers:

Operator

Thank you, Bernie. Analyst, I would now let you begin our Q&A session. [Operator Instructions] Our first question comes from Joshua Buchalter of Cowen. Joshua, your line is now open.

Joshua Buchalter -- *Cowen and Company, LLC, Research Division -- Analyst*

Hey guys, thanks for taking my question and congrats on another solid results. I was hoping you could elaborate on the inventory dynamics. You're one of the few companies that have invested proactively ahead of the supply issues across the industry, but you're still not near

your 180 to 200 day target. So just wondering how you're thinking about balancing, rebuilding the channel versus taking business at some of your peers can serve and also your share gains? Thank you.

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Well, as we spend -- continue to expand our capacities. As we said earlier, as we said in the last quarters, and I think that we'll -- we expect with the current rate of increase the capacity will be end of the year or early next year, we will achieve that type of inventory. So if the demand has not continued to increase this much.

Bernie Blegen -- *Vice President & Chief Financial Officer*

And I think it's notable, Josh, that we did increase both in terms of dollars and days, the amount of inventory we had from Q4 to Q1, which runs counter to the capacity constraints that some peer companies are experiencing.

Joshua Buchalter -- *Cowen and Company, LLC, Research Division -- Analyst*

Got it. Thank you. That makes sense. And any more granularity you can provide in the guidance by end market for next quarter? Any of the buckets moving materially more than the others? Thanks and congrats, again.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Yes. I would probably look to computing, where there was a couple of quarter gap in data center, that data center should begin to take off again. I think automotive appears to be continuing to grow nicely, both in terms of year-over-year performance and sequentially. And also, we're seeing that same continuation in consumer.

Operator

Our next question comes from Ross Seymore of Deutsche Bank. Ross, your line is now open.

Ross Seymore -- *Deutsche Bank AG -- Analyst*

Hey guys, thanks for -- let me ask a question. I want to talk about the sustainability of demand. Recently in this earnings season, a lot of semi stocks have sold off on really good numbers, and it clearly looks like the market is worried about double ordering, those sorts of peak cyclical activities. Can you talk a little bit about how your visibility has changed, if at all, over the last quarter from the demand side of the equation? And any kind of general puts and takes about how you view the second half of the year? I know you're only guiding for 2Q. But any sort of company specifics or general trends that you'd like to highlight in the second half of the year would be helpful.

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Yes. Okay. And of course, we're concerning double orders, OK? I mean, in the past, we said, OK, we have a rigorous procedures it to prevent that, OK? And we -- partial -- we're producing

partial shipments in the last six quarters. And we make sure our customers have a very minimal -- very minimal on hand inventories. And at the same time, we're not preventing their line down, their production line downs. So go back to your question, what's the demand, OK? We believe a lot of our demand is sustainable. The reason we said that Bernie said earlier in a script, and that for us, these are greenfield market, greenfield product line, we start to grow. And as Bernie said, a 37% of our products, we grow all pharma, new products that we released from the last three years. And there is no reason to believe next two years and next year, I'm not even talking about next six months. I'm talking about next couple of years. These products will continue to grow. And the same time, and the product that we released in the last two years, that will continue to turn into revenues in the 12 months later. So we believe our growth is sustainable.

Ross Seymore -- *Deutsche Bank AG -- Analyst*

Hey, thanks Michael. I guess for my follow-up. A little more specific on one of your segments. The communications area has been very, very volatile. I know there's bands on different customers that can ship at different points in times. But can you talk a little bit about what's driving the sequential growth that was up so much in the first quarter, admittedly off a weaker fourth quarter? And then as this year progresses, how do you see that market, specifically more of the 5G side of things rather than the networking and gateway sides?

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

We see -- as a matter of fact, my Chief Executive Officer talked to -- we have a communication casing meetings with top tiers and non-Chinese 5G makers, OK. And that market segments are well picking up and well believe, OK, they believe this year and in the next year, they're on the delinquency, too.

Bernie Blegen -- *Vice President & Chief Financial Officer*

We believe we're very well positioned, just as Michael said there, because the reach of new customers that we're addressing the 5G solutions is very broad so we think that as the market gains momentum, we're very well positioned to take full advantage of it.

Ross Seymore -- *Deutsche Bank AG -- Analyst*

Thanks guys. Congrats, again.

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Thank you.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Thank you.

Operator

Our next question comes from Tore Svanberg of Stifel. Tore, your line is now open.

Tore Svanberg -- *Stifel, Nicolaus & Company, Incorporated -- Analyst*

Yes, Thank you. Michael and Bernie, congrats again on a very strong quarter. First question, I was hoping you could talk a little bit about your share gains especially during times when capacity is really tight. So your solutions tend to be more integrated, especially versus discretetes. And a lot of those discretetes are in shortage. So I'm just wondering if you are seeing an acceleration in your share gains during this very tight semiconductor environment.

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Well, it's a -- if examples, and I can give you a couple of examples -- a couple of scenarios. If we're in a -- is a dual sources that came in -- and our competitors using -- our customers using two dual source or triple source. If -- and ours tend to be in normal a fewer components than our competitors. And that is one interpretation why the demands and we're gaining so much demand. And another scenario is for the futures. And we gained a lot of market shares because just reasonably because for those new product -- their new project, the shippings, they were putting up production for the next six to 12 months. And we have a lot of design win lately.

Tore Svanberg -- *Stifel, Nicolaus & Company, Incorporated -- Analyst*

That's great. And as my follow-up, and you talked about the contribution from the new products. I know you're not going to give us specific information on pricing. But is it fair to say that the ASPs now of those new products are considerably higher than perhaps the last year or two?

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Yes. For the gross margin, we stay on course, and we're not looking for a price hiking -- price hikes, and that probably is not not sustainable. So I think [Indecipherable] our models and going the same trend as before, OK. And Bernie.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Yes. And just to add to that, certainly, the new products that we're introducing, and particularly those that are more heavily integrated, the mix of business does favor a higher ASP for those new products.

Tore Svanberg -- *Stifel, Nicolaus & Company, Incorporated -- Analyst*

Yes, that's what I thought. Okay, thank you. Congrats, again.

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Thank you.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Thank you.

Operator

Our next question comes from William Stein of Truist. William, your line is now open.

William Stein -- *Truist Securities, Inc. -- Analyst*

Thanks for taking my questions. Bernie, you -- I think it was you in the opening remarks, you said something about paved the way for accelerated growth. We all know Monolithic has done a pretty amazing job with regard to growth relative to the industry. But should we interpret that as meaning perhaps we stay above 20% for a more protractive period of time?

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

I think that's what we see now and what we see announcement that can be in the -- a year -- a two years ago, so like, we only grew like 8%. Again, in the last year, 30 something. And this year, so far, sort of we're in a very high percentage. And so we look at -- this kind of rate, it will continue.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Yes. I think that's the message that we've tried to say in the formal comments and Michael added too that if you look at the reason for our growth, both last year and this year, it has much more to do with market share gains and new products and having developed our supply chain, then it does necessarily rely upon just the broader market. And so certainly, in 2019, we had high expectations, and we were not immune to downturns in the market. But I think that if we have a more normalized demand that we can perpetuate this accelerated rate of revenue growth perhaps in excess of the 20% mark.

William Stein -- *Truist Securities, Inc. -- Analyst*

And then along these lines, I think a couple of other questions might have even alluded to it with regard to higher ASP. I think of a big driver of that is your transition to selling more of these modules, those types of more complex integrated solutions. Is that the case? And I'm hoping you might quantify that for us. I think in the past, you've talked about growth rates, at least offline of the module business. Maybe you can talk about whether this is reaching a size where it makes sense to disclose revenue from that piece?

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Yes. The module business is doing really well, so that give me a module/e-commerce business, is doing really well. And I think we're beginning to find a way how to grow that business. By no mean this is for [Indecipherable] a full grown business yet, OK? We haven't really break it out. And -- but that business announced. And OK, I see it in its much higher ASP. And that will start to grow like two years out. It will be a significant difference and significant contribution to the revenue growth.

Bernie Blegen -- *Vice President & Chief Financial Officer*

One other aspect to add, Will, is that if you look at certain of our end markets and all pick automotive as an example, much more of what they're demanding is not for a specific IC. They

want to have a system solution. So if you look, for example, autonomous driving or ADAS, there has to be built in fail safe redundancy. You have to have system communications throughout and the example I'm using here, that coordinate the cameras, the sensors and the processor. And so you're buying -- you're creating entire chipsets for a dynamic solution. And just by the natural consequence of how you're designing those solutions, they have significantly higher ASPs.

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Yes. And to elaborate on that. And then these are not restricted to only a semiconductor that we designed. And we offer entire solutions and we design it. MPS don't produce anything. But MPS, OK -- including semiconductor, we designed -- we design the semiconductor. At the same time, we design other components. And now, as Bernie said earlier, even in the automotive business, we're selling solutions rather than in the past, we're selling a single piece of silicon. And in two or three years later, I don't know how can you specify is MPS a semiconductor company, but we are a solution provider. And we sell solutions much higher ASP.

William Stein -- *Truist Securities, Inc. -- Analyst*

That's great. Thanks guys.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Thank you.

Operator

Our next question comes from David Williams of Loop Capital. David, your line is now open.

David Williams -- *Loop Capital Markets LLC, Research Division -- Analyst*

Thank you and congrats on the quarters.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Thanks, David.

David Williams -- *Loop Capital Markets LLC, Research Division -- Analyst*

Hey, I wanted to touch on the capacity expansion. And you had mentioned this earlier, but how is that progressing? And I guess, is it moving at the same pace as you would have expected? Just kind of given some of the tightness that we're seeing within the industry? Is there -- maybe is that moving at your -- the pace you expected and maybe the pricing of that, anything surprising there?

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Yes. Capacity expansions that we mentioned about six quarters ago. So I mean we steadily an increase in -- in the last year, we did some extra works, OK, to increase the capacity again. And

from now on, probably pretty continuous kind of increase, OK? And so Bernie, you can comment on it.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Okay. Yes. I think that we've been clear that in 2020, we brought up a 12-inch fab and now we're continuing to qualify parts on that in 2021. We're midstream and bringing up an eight-inch capacity. We're continuing to qualify parts. One of the underreported stories here is that we have existing relationships with our fab partners that date back as long as 15 to 20 years. And they're excellent relationships, and we have been able to manage both in terms of when there's undercapacity and overcapacity, where we have very even handed relationships. So even within our existing foundation or base, that they've been encouraged and been very positive contributors to helping us add capacity as well. So I think the important point here, as we said in our earlier comments, is that continuous investment has always been a part of MPS, it's a differentiator and that we see it as being able to expand over the next several years in order to keep up with the increased demand that we're anticipating.

David Williams -- *Loop Capital Markets LLC, Research Division -- Analyst*

Great. And then maybe just on the leverage, you think that's remaining in the model here. Obviously, there's quite a bit that's embedded. But how -- when we're thinking about gross margin, the brand and maybe even the operating margin? Where do you think those could go to as you really start to hit on all cylinders and get the revenue acceleration that you've mentioned?

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Well, as a revenue acceleration, we need to continue to invest. And obviously, we can't grow out of thin air many times, OK. And as low as the growth rate there, OK, we see the growth rate in the next 12 years -- I mean, the next 12 months. And once we see that, we will invest.

David Williams -- *Loop Capital Markets LLC, Research Division -- Analyst*

Thank you.

Operator

Our next question comes from Rick Schafer of Oppenheimer. Rick, your line is now open.

Rick Schafer -- *Oppenheimer & Co. Inc. -- Analyst*

Thanks. Hey, guys. Mike, congratulations as well. I had maybe a couple of questions by end market. I guess the first one is automotive. I think you guys outgrew SAAR by 35%, 40% last year. And I know tight component supply is kind of curbed first quarter auto production. Didn't seem to hurt you guys too much. I know your auto business, I think, was up almost 100%. So I guess my question is, I mean, do you see that as an ongoing risk or something that could impact your auto growth? I'm curious you almost doubled it this past quarter. I mean, could it have

been better if it weren't for components, supply constraints out there, whether they're direct or indirect or I guess, any signs of things are things getting better yet in that auto food chain?

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Yes. Whether our growth is restricted by the shortage of a component from our customer size. And again, we don't really know. I mean -- but on the other hand, where total market share is addressable market, where MPS is so small, so tiny, tiny. And -- so we will notice it. And all these greenfield product growth, and these are new demand. And right off the back of and this product is just taking off.

Rick Schafer -- *Oppenheimer & Co. Inc. -- Analyst*

Okay, thanks. Sorry, Bern.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Hi, sorry. Just to add one more quick comment. We have seen nothing at this point to indicate that there's necessarily been a slowdown in ordering in automotive. So again, as Michael said, we can't make a guess as far as whether there is a limit on demand, but we see continued strong numbers of our backlog.

Rick Schafer -- *Oppenheimer & Co. Inc. -- Analyst*

Great, thanks. And maybe just a follow-up then on hyperscale. You highlighted, Bernie, I think you've mentioned hyperscale spend kind of picking up or data center starting to show signs of life. So I'm curious just with the launch of Ice Lake and things are -- we are picking that hearing that elsewhere as well, that hyperscale is getting better. How do you see, I guess, QSMOD data center? How do you see that ramping this year? I mean is it relatively linear from here? Are we going to see a second half inflection of some kind? Is that kind of build some inertia? And I'm also curious, I think last quarter, you talked about 48-volt a little bit. I don't know is it still much too small to kind of break out or talk about? Or can you give us a sense of what kind of contribution 48-volt QSMOD is now? Thanks.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Sure. So let me start with the 48-volt question. I believe that there is significant growth opportunity for us in 48-volt. I think we're very well positioned as far as both GPUs and down the road in the eventual...

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

AI.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Yes, AI applications, and there are even automotive applications that we're positioned in.

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

These are -- if it's not in the six months, probably nine months, the revenue will be significantly up.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Yes. So then turning to your other point, the point of inflection for QSMOD and remember, just for everybody else's benefit, that's our dynamic power management for the CPU processor. That really, we see good growth in what we referred to as VR13.5. But it's when it goes to 7-nanometer VR14, which is expected for next year, that that's where we might get much more of an uplift, market share gains.

Rick Schafer -- *Oppenheimer & Co. Inc. -- Analyst*

Thank you, guys.

Operator

Our next question is from Quinn Bolton of Needham. Quinn, your line is now open.

Quinn Bolton -- *Needham & Company, LLC -- Analyst*

Thanks. For Mike, congratulations. Michael and Bernie, I guess my first question is, I think you've sort of said 2020 and 2021 would be investment years, which would somewhat constrain your operating margin here in the near term, it looks like your revenue is coming stronger than expected. And so even with that investment, your op margin is expanding. And if I'm doing my math right, it looks like op margin will be over 31% in June. How should we think about your level of investment as revenue continues to come in better than expected? Will you continue to invest? Or do you think you'll drive further operating leverage going forward?

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

I think that up to -- for now, we see the growth opportunity is even higher than the last -- than three years ago. And so we will continue to invest, OK, as long as we see that, OK, as long as we can keep up that kind of growth rate. And so we're definitely slowing down. And until we regroup, OK? So far, we see too much opportunities. There's no -- that's a good problem.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Yes. Quinn, I do think that there are further opportunities for operating margin expansion. But I think that we've tried to be clear on this during the -- particularly the last 18 months that we see that there's more value to our shareholders in being able to accelerate the rate of revenue growth. And that's really where we've been putting most of our emphasis on.

Quinn Bolton -- *Needham & Company, LLC -- Analyst*

Got it. And then the second question is, I think you touched on some of this with your disclosure that new products were 37% of sales. But obviously, as the investment community worries about how much double ordering may be going on given the overall industry tightness. I guess I'm wondering, do you guys have a figure you can give us for the percentage of your

products that are either sole-sourced and/or new products because I think where the threat of double ordering may be would be on older products that are dual sourced. And so I guess I'm trying to figure out what percent of your revenue today might be from older products that could have alternative sources?

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Yes. Let me put that way. Okay. We have 37% of our products, OK? We have 4,000, 5,000 products, just to think about it. And again, and these are 37% in the game of a product and the January, all these revenue is a portion of our revenue is still relatively small. And still in the ramping stage. And those products and those products, they are mostly single source. And as you said, these are legacy products. And once the production volume ramps somewhat into stabilize and that they will have a second source. And of course, we -- clearly, we experienced some agency for and/or even double order. And as we said, we try to keep very, very minimum. And just prevent them the line down at the same time and we prevent them to have a carry too much of inventory. I don't know if I answer your questions. Maybe Bernie, you can.

Quinn Bolton -- *Needham & Company, LLC -- Analyst*

Yes. No, that's helpful. I guess last quick one for you, Bernie. Do you expect to increase your absolute inventory dollars on hand in the June quarter?

Bernie Blegen -- *Vice President & Chief Financial Officer*

Yes. Currently, that's what we're modeling. Yes. Now again, Michael is careful to add that this is -- the supply chain, we have pretty good visibility on the demand, we have to continually try to test and make sure we understand that. So on the supply chain, we're looking at continuing to increase the dollar value of inventory sequentially in quarters and demand, we just have to continue to reassess. But as Michael also said, our time horizon has more to do on the demand front over the next 15 to 18 months as opposed to anything that we're concerned about in the next quarter or two.

Quinn Bolton -- *Needham & Company, LLC -- Analyst*

Got it. Thank you.

Operator

Our next question is from Kevin Garrigan of Rosenblatt. Kevin, your line is now open.

Kevin Garrigan -- *Rosenblatt Securities Inc. -- Analyst*

Hi guys. Let me echo my congratulations on the quarter. Just a quick one for me. You alluded a little to it before. I was just kind of wondering how your MPS now service an e-commerce business -- did this quarter? And how that compares to last quarter, which I believe also had some pretty strong growth. Then just kind of looking a little further out as things start to open back up, do you think that business will take a pause?

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

I don't think it's a business taking a pause. And we just started. That would be a very upsetting as a business taking a pause, sorry. And if we're taking a pause, I mean, we probably -- well, at this time, we're still learning, it may take a pause, OK, and that's something we haven't really figured out. Okay. I mean -- but so far as in the last three -- last four, five quarters. And the measurements that we -- that were in place and that we put in place, and they are keep going up. And orders and the interacting and the demand creation, the value for the index for demand -- for demand creation keep increasing. And I think they are turning to our revenues and they're turning to a much bigger revenues.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Kevin, if I could add to that a little bit is the e-commerce and the MPS now are just two legs or two aspects of the much larger story of how we transition from an IC company to a solutions provider that also includes providing fully complete reference designs and a broad array of solutions in all of our different end markets. So this is really proving the longer term model. And while we are still learning and the numbers are still relatively small, we're in the early innings of this. Everything is very encouraging that we're headed in the right direction on to something that is very sustainable.

Kevin Garrigan -- *Rosenblatt Securities Inc. -- Analyst*

Got it. That's very helpful. Thanks, guys.

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Thank you.

Operator

[Operator Instructions] As there are no further questions, I would now like to turn the webinar back over to Bernie.

Bernie Blegen -- *Vice President & Chief Financial Officer*

Thanks, Gen. I'd like to thank you all for joining us for the Q1 2021 earnings webinar. I look forward to talking to you again during our second quarter conference call, which will likely be in July. Thank you. Have a nice day.

Michael R. Hsing -- *Founder, Chairman, President & Chief Executive Officer*

Bye.

Duration: 43 minutes