



July 30, 2012

Monolithic Power Systems Announces Results for the Second Quarter and Six Months Ended June 30, 2012

SAN JOSE, Calif., July 30, 2012 /PRNewswire/ -- Monolithic Power Systems (MPS) (Nasdaq: MPWR), a leading fabless manufacturer of high-performance analog and mixed-signal semiconductors, today announced financial results for the quarter and six months ended June 30, 2012.

The results for the quarter ended June 30, 2012 are as follows:

- Net revenue of \$58.6 million, a 16.1% increase from \$50.5 million in the first quarter of 2012 and a 13.5% increase from \$51.6 million in the second quarter of 2011.
- Gross margin of 53.2% was up from 52.3% in the first quarter of 2012 and up 1.8% from 51.4% in the second quarter of 2011.
- GAAP operating expenses of \$24.4 million, including \$24.6 million for research and development (R&D) and selling, general and administrative (SG&A) expenses, which include \$3.7 million for stock-based compensation, and (\$0.2) million for litigation benefit. Comparatively, for the three months ended June 30, 2011, GAAP operating expenses were \$22.5 million, including \$21.6 million for research and development and selling, general and administrative expenses, which included \$3.6 million for stock-based compensation and \$0.9 million for litigation expenses.
- Non-GAAP(1) operating expenses of \$20.7 million, excluding \$3.7 million for stock-based compensation, compared to \$18.9 million, excluding \$3.6 million for stock-based compensation, for the quarter ended June 30, 2011.
- GAAP net income of \$6.6 million and GAAP earnings per share of \$0.18 per diluted share. Comparatively, GAAP net income was \$3.5 million and GAAP earnings per share was \$0.10 per diluted share for the quarter ended June 30, 2011.
- Non-GAAP(1) net income of \$10.1 million and non-GAAP earnings per share of \$0.28 per diluted share, excluding stock-based compensation and related tax effects, compared to non-GAAP net income of \$7.2 million and non-GAAP earnings per share of \$0.21 per diluted share, excluding stock-based compensation and related tax effects, for the quarter ended June 30, 2011.

The results for the six months ended June 30, 2012 are as follows:

- Net revenue of \$109.1 million, an increase of 13.5% from \$96.1 million for the six months ended June 30, 2011.
- Gross margin of 52.8%, compared to 50.8% for the six months ended June 30, 2011.
- GAAP operating expenses of \$47.6 million, including \$47.7 million for research and development and selling, general and administrative expenses, which include \$6.9 million for stock-based compensation, and (\$0.1) million for litigation benefit. Comparatively, GAAP operating expenses were \$42.9 million, including \$41.2 million for research and development and selling, general and administrative expenses, which included \$6.5 million for stock-based compensation and \$1.7 million for litigation expenses for the six months ended June 30, 2011.
- Non-GAAP(1) operating expenses of \$40.7 million, excluding \$6.9 million for stock-based compensation, compared to \$36.4 million, excluding \$6.5 million for stock-based compensation for the six months ended June 30, 2011.
- GAAP net income of \$9.6 million, with GAAP earnings per share of \$0.27 per diluted share, compared to GAAP net income of \$5.4 million, with GAAP earnings per share of \$0.15 per diluted share for the six months ended June 30, 2011.
- Non-GAAP(1) net income of \$16.3 million, with non-GAAP earnings per share of \$0.46 per diluted share, excluding stock-based compensation and related tax effects compared to non-GAAP net income of \$11.9 million, with non-GAAP earnings per share of \$0.33 per diluted share, excluding stock-based compensation and related tax effects for the six months ended June 30, 2011.

The following is a summary of revenue by end market for the period indicated, estimated based on the Company's assessment of available end market data (in millions):

End Market	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Communication	\$ 14.3	\$ 12.2	\$ 26.8	\$ 22.1
Computing	10.2	7.1	19.6	12.7
Consumer	26.2	29.2	50.1	55.7
Industrial	7.9	3.1	12.6	5.6
Total	\$ 58.6	\$ 51.6	\$ 109.1	\$ 96.1

The following is a summary of revenue by product family for the period indicated (in millions):

Product Family	Three months ended June 30,		Six months ended June 30,	
	2012	2011 *	2012	2011 *
DC to DC Converters	\$ 51.2	\$ 44.8	\$ 95.6	\$ 83.4
Lighting Control Products	7.4	6.8	13.5	12.7
Total	\$ 58.6	\$ 51.6	\$ 109.1	\$ 96.1

* 2011 Revenue associated with Audio Amplifiers has been included with DC to DC Converters to conform with current year presentation.

"I am pleased to see our new product revenues ramping in multiple markets. In the near term, we will closely monitor the macroeconomic conditions and control expenses," said Michael Hsing, CEO and founder of MPS. "We are well positioned for future growth."

Business Outlook

The following are MPS' financial targets for the third quarter ending September 30, 2012:

- Revenue in the range of \$56 million to \$60 million.
- Gross margin will be in a range similar to Q2 2012.
- GAAP research and development and selling, general and administrative expenses between \$24.0 million and \$26.0 million. Non-GAAP(1) research and development and selling, general and administrative expenses between \$20.0 million and \$21.5 million. This excludes an estimate of stock-based compensation expense in the range of \$4.0 million to \$4.5 million.

(1) Non-GAAP net income, non-GAAP earnings per share, Non-GAAP operating expenses and non-GAAP research and development and selling, general and administrative expenses differ from net income, earnings per share, operating expenses, and research and development and selling, general and administrative expenses determined in accordance with GAAP (Generally Accepted Accounting Principles in the United States). Non-GAAP net income and Non-GAAP earnings per share for the quarter and six months ended June 30, 2012 and 2011 exclude the effect of stock-based compensation expense and its related tax effect. Non-GAAP operating expenses for the quarter and six months ended June 30, 2012 and 2011 exclude the effect of stock-based compensation expense. Projected non-GAAP research and development and selling, general and administrative expenses exclude the effect of stock-based compensation expense. 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 schedule reconciling non-GAAP financial measures is included at the end of this press release. MPS utilizes both GAAP and non-GAAP financial measures to assess what it believes to be its core operating performance and to evaluate and manage its internal business and assist in making financial operating decisions. MPS believes that the inclusion of non-GAAP financial measures, together with GAAP measures, provides investors with an alternative presentation useful to investors' understanding of MPS' core operating results and trends. Additionally, MPS believes that the inclusion of non-GAAP measures, together with GAAP measures, provides investors with an additional dimension of comparability to similar companies. However, investors should be aware that non-GAAP financial measures utilized by other companies are not likely to be comparable in most cases to the non-GAAP financial measures used by MPS.

Conference Call

MPS plans to conduct an investor teleconference covering its quarter and six months ended June 30, 2012 results at 2:00 p.m. PT / 5:00 p.m. ET today, July 30, 2012. To access the conference call and the following replay of the conference call, go to <http://ir.monolithicpower.com> and click on the webcast link. From this site, you can listen to the teleconference, assuming that your computer system is configured properly. In addition to the webcast replay, which will be archived for all investors for one year on the MPS website, a phone replay will be available for seven days after the live call at 404-537-3406, code number 41756353. This press release and any other information related to the call will also be posted on the website.

Safe Harbor Statement

This press release contains forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including, among other things, (i) projected revenues, gross margin, GAAP and non-GAAP research and development and selling, general and administrative expenses, stock-based compensation expense and litigation expense for the quarter ending September 30, 2012, (ii) our outlook for the long-term prospects of the company, including the prospects of our new product families, (iii) our ability to penetrate new markets and expand our market share, (iv) our expected pricing practices in 2012, (v) the seasonality of our business, (vi) our ability to reduce our manufacturing costs, and (vii) statements of the assumptions underlying or relating to any statement described in (i), (ii), (iii), (iv), (v) or (vi). These forward-looking statements are not historical facts or guarantees of future performance or events, are based on current expectations, estimates, beliefs, assumptions, goals, and objectives, and involve significant known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from the results expressed by these statements. Readers of this press release

and listeners to the accompanying conference call are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. Factors that could cause actual results to differ include, but are not limited to, our ability to attract new customers and retain existing customers; acceptance of, or demand for, MPS' products, in particular the new products launched within the past 18 months, being different than expected; competition generally and the increasingly competitive nature of our industry; any market disruptions or interruptions in MPS' schedule of new product release development; adverse changes in production and testing efficiency of our products; adverse changes in government regulations in foreign countries where MPS has offices or operations; the effect of catastrophic events; adequate supply of our products from our third-party manufacturer; the risks, uncertainties and costs of litigation in which we are involved; the outcome of any upcoming trials, hearings, motions and appeals; the adverse impact on MPS' financial performance if its tax and litigation provisions are inadequate; adverse changes or developments in the semiconductor industry generally; difficulty in predicting or budgeting for future customer demand and channel inventories, expenses and financial contingencies; and other important risk factors identified in MPS' SEC filings, including, but not limited to, its Form 10-K filed on March 12, 2012.

The forward-looking statements in this press release represent MPS' projections and current expectations, as of the date hereof, not predictions of actual performance. MPS assumes no obligation to update the information in this press release or in the accompanying conference call.

About Monolithic Power Systems, Inc.

Monolithic Power Systems, Inc. (MPS) develops and markets proprietary, advanced analog and mixed-signal semiconductors. The company combines advanced process technology with its highly experienced analog designers to produce high-performance power management integrated circuits (ICs) for DC to DC converters, LED drivers, Cold Cathode Fluorescent Lamp (CCFL) backlight controllers, Class D audio amplifiers, and Linear ICs. MPS products are used extensively in computing and network communications products, LCD monitors and TVs, and a wide variety of consumer and portable electronics products. MPS partners with world-class manufacturing organizations to deliver top quality, ultra-compact, high-performance solutions through the most productive, cost-efficient channels. Founded in 1997 and headquartered in San Jose, California, the company has expanded its global presence with sales offices in Taiwan, China, Korea, Singapore, Japan, and Europe, which operate under MPS International, Ltd.

Monolithic Power Systems, MPS, and the MPS logo are registered trademarks of Monolithic Power Systems, Inc. in the U.S. and trademarked in certain other countries.

Condensed Consolidated Balance Sheets
(Unaudited, in thousands, except par value and share amounts)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 81,644	\$ 96,371
Short-term investments	103,013	77,827
Accounts receivable, net of allowances of \$5 in 2012 and 2011	21,415	15,097
Inventories	29,455	20,104
Deferred income tax assets, net - current	646	421
Prepaid expenses and other current assets	1,978	1,685
Total current assets	<u>238,151</u>	<u>211,505</u>
Property and equipment, net	59,584	47,794
Long-term investments	11,714	13,675
Deferred income tax assets, net - long-term	19	239
Other assets	606	654
Total assets	<u>\$ 310,074</u>	<u>\$ 273,867</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,701	\$ 8,904
Accrued compensation and related benefits	11,035	9,321
Accrued liabilities	6,848	7,845
Total current liabilities	<u>35,584</u>	<u>26,070</u>
Non-current income tax liabilities	5,249	4,920
Total liabilities	<u>40,833</u>	<u>30,990</u>
Commitments and contingencies		

Stockholders' equity:

Common stock, \$0.001 par value, \$35 and \$34 in 2012 and 2011, respectively; shares authorized: 150,000,000; shares issued and outstanding: 34,820,281 and 33,826,032 in 2012 and 2011, respectively

Retained earnings	175,624	159,336
Accumulated other comprehensive income	89,535	79,948
Total stockholders' equity	4,082	3,593
	<u>269,241</u>	<u>242,877</u>
Total liabilities and stockholders' equity	<u>\$ 310,074</u>	<u>\$ 273,867</u>

Condensed Consolidated Statement of Operations
(Unaudited, in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Revenue	\$ 58,607	\$ 51,628	\$ 109,091	\$ 96,096
Cost of revenue (1)	<u>27,435</u>	<u>25,070</u>	<u>51,509</u>	<u>47,233</u>
Gross profit	<u>31,172</u>	<u>26,558</u>	<u>57,582</u>	<u>48,863</u>
Operating expenses:				
Research and development (2)	12,468	11,237	23,586	21,323
Selling, general and administrative (3)	12,167	10,343	24,133	19,833
Litigation expense (benefit)	(244)	939	(116)	1,752
Total operating expenses	<u>24,391</u>	<u>22,519</u>	<u>47,603</u>	<u>42,908</u>
Income from operations	6,781	4,039	9,979	5,955
Interest income and other, net	<u>359</u>	<u>24</u>	<u>465</u>	<u>207</u>
Income before income taxes	7,140	4,063	10,444	6,162
Income tax provision	548	581	857	787
Net income	<u>\$ 6,592</u>	<u>\$ 3,482</u>	<u>\$ 9,587</u>	<u>\$ 5,375</u>
Basic net income per share	\$ 0.19	\$ 0.10	\$ 0.28	\$ 0.16
Diluted net income per share	\$ 0.18	\$ 0.10	\$ 0.27	\$ 0.15
Weighted average common shares outstanding:				
Basic	<u>34,665</u>	<u>33,846</u>	<u>34,385</u>	<u>34,432</u>
Diluted	<u>35,997</u>	<u>34,903</u>	<u>35,660</u>	<u>35,598</u>

(1) Includes stock-based compensation expense	\$ 118	\$ 89	\$ 213	\$ 152
(2) Includes stock-based compensation expense	1,524	1,550	2,790	2,977
(3) Includes stock-based compensation expense	<u>2,187</u>	<u>2,036</u>	<u>4,141</u>	<u>3,533</u>
Total stock-based compensation expense	<u>\$ 3,829</u>	<u>\$ 3,675</u>	<u>\$ 7,144</u>	<u>\$ 6,662</u>

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011

RECONCILIATION OF NET INCOME TO NON-GAAP NET INCOME
(in thousands, except per share amounts)

Net income	<u>\$ 6,592</u>	<u>\$ 3,482</u>	<u>\$ 9,587</u>	<u>\$ 5,375</u>
Net income as a percentage of revenue	11.2%	6.7%	8.8%	5.6%
Adjustments to reconcile net income to non-GAAP net income				
Stock-based compensation	\$ 3,829	\$ 3,675	\$ 7,144	\$ 6,662
Tax effect	<u>(275)</u>	<u>1</u>	<u>(462)</u>	<u>(175)</u>
Non-GAAP net income	<u>\$ 10,146</u>	<u>\$ 7,158</u>	<u>\$ 16,269</u>	<u>\$ 11,862</u>
Non-GAAP net income as a percentage of revenue	17.3%	13.9%	14.9%	12.3%

Non-GAAP earnings per share, excluding stock-based compensation and related tax effects:

Basic	\$ 0.29	\$ 0.21	\$ 0.47	\$ 0.34
Diluted	\$ 0.28	\$ 0.21	\$ 0.46	\$ 0.33

Shares used in the calculation of non-GAAP earnings per share:

Basic	34,665	33,846	34,385	34,432
Diluted	35,997	34,903	35,660	35,598

RECONCILIATION OF OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES
(in thousands)

Total operating expenses	<u>\$ 24,391</u>	<u>\$ 22,519</u>	<u>\$ 47,603</u>	<u>\$ 42,908</u>
Adjustments to reconcile total operating expenses to non-GAAP total operating expenses				
Stock-based compensation	<u>\$ (3,711)</u>	<u>\$ (3,586)</u>	<u>\$ (6,931)</u>	<u>\$ (6,510)</u>
Non-GAAP operating expenses	<u>\$ 20,680</u>	<u>\$ 18,933</u>	<u>\$ 40,672</u>	<u>\$ 36,398</u>

RECONCILIATION OF OPERATING INCOME TO NON-GAAP OPERATING INCOME
(in thousands)

Total operating income	<u>\$ 6,781</u>	<u>\$ 4,039</u>	<u>\$ 9,979</u>	<u>\$ 5,955</u>
Operating income as a percentage of revenue	11.6%	7.8%	9.1%	6.2%
Adjustments to reconcile total operating income to non-GAAP total operating income				
Stock-based compensation	<u>\$ 3,829</u>	<u>\$ 3,675</u>	<u>\$ 7,144</u>	<u>\$ 6,662</u>
Non-GAAP operating income	<u>\$ 10,610</u>	<u>\$ 7,714</u>	<u>\$ 17,123</u>	<u>\$ 12,617</u>
Non-GAAP operating income as a percentage of revenue	18.1%	14.9%	15.7%	13.1%

2012 THIRD QUARTER OUTLOOK

RECONCILIATION OF R&D AND SG&A EXPENSES TO NON-GAAP R&D AND SG&A EXPENSES
(in thousands)

	Three months ended	
	September 30, 2012	
	<u>Low</u>	<u>High</u>
R&D and SG&A	<u>\$ 24,000</u>	<u>\$ 26,000</u>
Adjustments to reconcile R&D and SG&A to non-GAAP R&D and SG&A		
Stock-based compensation	<u>\$ (4,000)</u>	<u>\$ (4,500)</u>
Non-GAAP R&D and SG&A	<u>\$ 20,000</u>	<u>\$ 21,500</u>

SOURCE Monolithic Power Systems, Inc.

News Provided by Acquire Media