



October 24, 2013

## Monolithic Power Systems Announces Results for the Third Quarter Ended September 30, 2013

SAN JOSE, Calif., Oct. 24, 2013 /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 ended September 30, 2013.

The results for the quarter ended September 30, 2013 are as follows:

- Net revenue was \$65.3 million, a 13.2% increase from \$57.7 million in the second quarter of 2013 and a 15.6% increase from \$56.5 million in the third quarter of 2012.
- Gross margin was 54.0%, compared with 53.6% in the second quarter of 2013 and 53.1% in the third quarter of 2012.
- GAAP operating expenses were \$26.6 million, including \$26.5 million for research and development (R&D) and selling, general and administrative (SG&A) expenses, which included \$5.1 million for stock-based compensation and deferred compensation plan expenses, and \$0.1 million for litigation expenses. Comparatively, for the quarter ended September 30, 2012, GAAP operating expenses were \$23.7 million, including \$23.9 million for R&D and SG&A expenses, which included \$4.1 million for stock-based compensation expenses, and \$(0.2) million for litigation benefit.
- Non-GAAP(1) operating expenses were \$21.6 million, excluding \$5.1 million for stock-based compensation and deferred compensation plan expenses, compared with \$19.6 million, excluding \$4.1 million for stock-based compensation expenses, for the quarter ended September 30, 2012.
- GAAP net income was \$7.4 million and GAAP earnings per share were \$0.19 per diluted share. Comparatively, GAAP net income was \$5.9 million and GAAP earnings per share were \$0.16 per diluted share for the quarter ended September 30, 2012.
- Non-GAAP(1) net income was \$12.8 million and non-GAAP earnings per share were \$0.33 per diluted share, excluding stock-based compensation and deferred compensation plan expenses and related tax effects, compared with non-GAAP net income of \$9.9 million and non-GAAP earnings per share of \$0.27 per diluted share, excluding stock-based compensation expenses and related tax effects, for the quarter ended September 30, 2012.

The results for the nine months ended September 30, 2013 are as follows:

- Net revenue was \$174.5 million, a 5.4% increase from \$165.6 million for the nine months ended September 30, 2012.
- Gross margin was 53.6%, compared with 52.9% for the nine months ended September 30, 2012.
- GAAP operating expenses were \$77.7 million, including \$78.2 million for R&D and SG&A expenses, which included \$14.6 million for stock-based compensation and deferred compensation plan expenses, and \$(0.5) million for litigation benefit. Comparatively, for the nine months ended September 30, 2012, GAAP operating expenses were \$71.3 million, including \$71.6 million for R&D and SG&A expenses, which included \$11.0 million for stock-based compensation expenses, and \$(0.3) million for litigation benefit.
- Non-GAAP(1) operating expenses were \$63.1 million, excluding \$14.6 million for stock-based compensation and deferred compensation plan expenses, compared with \$60.3 million, excluding \$11.0 million for stock-based compensation expenses, for the nine months ended September 30, 2012.
- GAAP net income was \$15.4 million and GAAP earnings per share were \$0.40 per diluted share. Comparatively, GAAP net income was \$15.5 million and GAAP earnings per share were \$0.43 per diluted share for the nine months ended September 30, 2012.
- Non-GAAP(1) net income was \$28.5 million and non-GAAP earnings per share were \$0.74 per diluted share, excluding stock-based compensation and deferred compensation plan expenses, a one-time cash award and related tax effects, compared with non-GAAP net income of \$26.1 million and non-GAAP earnings per share of \$0.73 per diluted share, excluding stock-based compensation expenses and related tax effects, for the nine months ended September 30, 2012.

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

End Market	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Communication	\$ 15.0	\$ 12.8	\$ 43.2	\$ 38.7
Storage and Computing	12.2	10.8	35.3	31.2
Consumer	28.1	26.0	70.8	76.1
Industrial	10.0	6.9	25.2	19.6

Total	\$ 65.3	\$ 56.5	\$ 174.5	\$ 165.6
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The following is a summary of revenue by product family for the periods indicated (in millions):

Product Family	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
DC to DC Converters	\$ 57.8	\$ 49.7	\$ 154.8	\$ 145.2
Lighting Control Products	7.5	6.8	19.7	20.4
Total	\$ 65.3	\$ 56.5	\$ 174.5	\$ 165.6

"MPS had an outstanding third quarter with sequential organic revenue growth of 13.2%; well above industry average," said Michael Hsing, CEO and founder of MPS. "We continue to closely monitor the macroeconomic conditions and to control expenses. We are well positioned with new product revenue ramping in multiple market segments for 2014 and beyond."

## Business Outlook

The following are MPS' financial targets for the fourth quarter ending December 31, 2013:

- Revenue in the range of \$61 million to \$65 million.
- Gross margin between 53.5% and 54.5%.
- GAAP R&D and SG&A expenses between \$25.0 million and \$26.8 million. Non-GAAP(1) R&D and SG&A expenses between \$20.0 million and \$21.0 million. This excludes an estimate of stock-based compensation and deferred compensation plan expenses in the range of \$5.0 million to \$5.8 million.
- Fully diluted shares outstanding between 39.7 million and 39.9 million before shares buyback.

(1) Non-GAAP net income, non-GAAP earnings per share, non-GAAP operating expenses and non-GAAP R&D and SG&A expenses differ from net income, earnings per share, operating expenses, R&D and SG&A 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 three and nine months ended September 30, 2013 and 2012 exclude the effect of stock-based compensation, deferred compensation plan expenses, a one-time cash award and their related tax effects. Non-GAAP operating expenses for the three and nine months ended September 30, 2013 and 2012 exclude the effect of stock-based compensation and deferred compensation plan expenses. Projected non-GAAP R&D and SG&A expenses exclude the effect of stock-based compensation and deferred compensation plan expenses. 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 ended September 30, 2013 results at 2:00 p.m. PT / 5:00 p.m. ET, October 24, 2013. To access the conference call and the following replay of the conference call, go to [ir.monolithicpower.com](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 75901144. 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 R&D and SG&A expenses, stock-based compensation expenses, deferred compensation plan expenses, litigation expense and diluted shares outstanding for the quarter ending December 31, 2013, (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, (vi) the seasonality of our business, (v) our ability to reduce our expenses, and (vi) statements of the assumptions underlying or relating to any statement described in (i), (ii), (iii), (iv) or (v). 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' Securities and Exchange Commission (SEC) filings, including, but not limited to, its quarterly report on Form 10-Q filed with the SEC on August 6, 2013.

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 (MPS) is a fabless semiconductor company specializing in high-performance analog ICs. Founded in 1997, MPS's core technology is its innovative and proprietary manufacturing process combined with superior analog circuit design capabilities across system-level and end customer applications. These combined advantages enable MPS to deliver highly integrated monolithic products that offer energy efficient and cost-effective solutions. MPS product families include DC/DC converters, LED drivers and controllers, Class-D audio amplifiers, battery chargers and protections, USB and current-limit switches and AC/DC offline products. MPS has over 1,000 employees worldwide, located in the United States, China, Taiwan, Korea, Japan, Singapore and across Europe.

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)

	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 110,446	\$ 75,104
Short-term investments	93,902	85,521
Accounts receivable, net of allowances of \$10 as of September 30, 2013 and \$20 as of December 31, 2012	21,957	19,383
Inventories	42,975	32,115
Deferred income tax assets, net - current	19	1
Prepaid expenses and other current assets	1,651	2,177
Total current assets	<u>270,950</u>	<u>214,301</u>
Property and equipment, net	67,221	59,412
Long-term investments	9,847	11,755
Deferred income tax assets, net - long-term	669	669
Other assets	1,353	1,025
Total assets	<u>\$ 350,040</u>	<u>\$ 287,162</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 10,406	\$ 9,859
Accrued compensation and related benefits	6,708	7,686
Accrued liabilities	9,245	5,915
Total current liabilities	<u>26,359</u>	<u>23,460</u>
Long-term liabilities	1,311	-
Non-current income tax liabilities	5,039	5,408
Total liabilities	<u>32,709</u>	<u>28,868</u>
Stockholders' equity:		
Common stock, \$0.001 par value; shares authorized: 150,000; shares issued and outstanding: 38,227 and 35,673 as of September 30, 2013 and December 31, 2012, respectively	235,993	194,079
Retained earnings	75,439	60,040
Accumulated other comprehensive income	5,899	4,175
Total stockholders' equity	<u>317,331</u>	<u>258,294</u>

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

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Revenue	\$ 65,347	\$ 56,508	\$ 174,531	\$ 165,599
Cost of revenue (1)	30,053	26,495	80,924	78,004
Gross profit	35,294	30,013	93,607	87,595
Operating expenses:				
Research and development (1)	12,643	11,967	37,246	35,553
Selling, general and administrative (1)	13,891	11,955	40,941	36,088
Litigation expense (benefit)	104	(229)	(455)	(345)
Total operating expenses	26,638	23,693	77,732	71,296
Income from operations	8,656	6,320	15,875	16,299
Interest and other income (expense), net	(59)	156	149	621
Income before income taxes	8,597	6,476	16,024	16,920
Income tax provision	1,187	555	625	1,412
Net income	\$ 7,410	\$ 5,921	\$ 15,399	\$ 15,508
Basic net income per share	\$ 0.20	\$ 0.17	\$ 0.42	\$ 0.45
Diluted net income per share	\$ 0.19	\$ 0.16	\$ 0.40	\$ 0.43
Weighted average common shares outstanding:				
Basic	37,910	35,145	37,079	34,677
Diluted	39,009	36,438	38,419	36,008
(1) Includes stock-based compensation expense as follows:				
Cost of revenue	\$ 163	\$ 112	\$ 465	\$ 325
Research and development	1,491	1,465	4,557	4,255
Selling, general and administrative	3,577	2,605	10,059	6,746
Total stock-based compensation expense	\$ 5,231	\$ 4,182	\$ 15,081	\$ 11,326

**RECONCILIATION OF NET INCOME TO NON-GAAP NET INCOME**

(Unaudited, in thousands, except per share amounts)

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income	\$ 7,410	\$ 5,921	\$ 15,399	\$ 15,508
Net income as a percentage of revenue	11.3%	10.5%	8.8%	9.4%
Adjustments to reconcile net income to non-GAAP net income:				
Stock-based compensation	\$ 5,231	\$ 4,182	\$ 15,081	\$ 11,326
Deferred compensation plan expense	9	-	9	-
Cash award	-	-	(266)	-
Tax effect	149	(244)	(1,689)	(706)
Non-GAAP net income	\$ 12,799	\$ 9,859	\$ 28,534	\$ 26,128
Non-GAAP net income as a percentage of revenue	19.6%	17.4%	16.3%	15.8%

Non-GAAP earnings per share				
Basic	\$ 0.34	\$ 0.28	\$ 0.77	\$ 0.75
Diluted	\$ 0.33	\$ 0.27	\$ 0.74	\$ 0.73

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

Basic	37,910	35,145	37,079	34,677
Diluted	39,009	36,438	38,419	36,008

#### RECONCILIATION OF OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES

(Unaudited, in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Total operating expenses	\$ 26,638	\$ 23,693	\$ 77,732	\$ 71,296
Adjustments to reconcile total operating expenses to non-GAAP total operating expenses:				
Stock-based compensation	\$ (5,068)	\$ (4,070)	\$ (14,616)	\$ (11,001)
Deferred compensation plan expense	(3)	-	(3)	-
Non-GAAP operating expenses	\$ 21,567	\$ 19,623	\$ 63,113	\$ 60,295

#### RECONCILIATION OF OPERATING INCOME TO NON-GAAP OPERATING INCOME

(Unaudited, in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Total operating income	\$ 8,656	\$ 6,320	\$ 15,875	\$ 16,299
Operating income as a percentage of revenue	13.2%	11.2%	9.1%	9.8%
Adjustments to reconcile total operating income to non-GAAP total operating income:				
Stock-based compensation	\$ 5,231	\$ 4,182	\$ 15,081	\$ 11,326
Deferred compensation plan expense	3	-	3	-
Non-GAAP operating income	\$ 13,890	\$ 10,502	\$ 30,959	\$ 27,625
Non-GAAP operating income as a percentage of revenue	21.3%	18.6%	17.7%	16.7%

#### 2013 FOURTH QUARTER OUTLOOK

#### RECONCILIATION OF R&D AND SG&A EXPENSES TO NON-GAAP R&D AND SG&A EXPENSES

(Unaudited, in thousands)

	Three months ending December 31, 2013	
	Low	High
R&D and SG&A	\$ 25,000	\$ 26,800
Adjustments to reconcile R&D and SG&A to non-GAAP R&D and SG&A		
Stock-based compensation and deferred compensation plan expense	(5,000)	(5,800)
Non-GAAP R&D and SG&A	\$ 20,000	\$ 21,000

SOURCE Monolithic Power Systems, Inc.

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