

FINANCIALS

Q2 2025 Product Revenues: \$141M

- +50.1% QoQ (\$94M in Q1 2025)
- +64.3% YoY (\$85.9M in Q2 2024)
- Breakdown:
 - Advanced Products: \$60.6M (+1.2% QoQ)
 - Brick Products: \$35.5M (+4% QoQ)
 - Patent litigation settlement included in Q2 revenue (approx. \$45M per Q&A/press)
- Shipments to stocking distributors: +18.9% QoQ, -14.3% YoY
- Exports: 51.9% of total revenue in Q2 (down from 60.8% in Q1)

Gross Margin: 65.3% (up 1,810 bps QoQ, driven by patent litigation settlement)

- Tariff expense: ~\$2M

Operating Expenses: \$46.7M (+5% QoQ)

- Increase mainly from SG&A, including \$5.1M in legal fees for patent litigation settlement
- Equity-based compensation for Q2:
 - \$0.9M (COGS)
 - \$1.1M (SG&A)
 - \$0.7M (R&D)
 - \$1.02M (Other)
 - Total: ~\$3.7M

Net Income: \$41.2M

- GAAP EPS (diluted): \$0.91 (fully diluted shares: 45.08M)
- Tax provision: \$7.8M (Effective tax rate: 16%)
- If excluding settlement:
 - Net Q2 revenue grows ~\$2M
 - Gross margin +200bps
 - OpEx -\$3M
 - Income before taxes: Q1 \$3M → Q2 \$9M

Balance Sheet:

- Cash & cash equivalents: \$338.5M (+\$42.4M QoQ, net of \$17.5M share repurchases)
- Accounts Receivable (net): \$55.1M (DSO: 31 days)
- Inventories (net): \$95.5M (down 3.1% QoQ; annualized turns: 1.6)
- Op. cash flow: \$65.2M
- CapEx: \$6.2M (Q2)
- Construction-in-Progress (mostly mfg. equipment): \$11.8M (\$3.1M remaining spend)

Bookings & Backlog:

- Book-to-bill: below 1
- 1-year backlog: \$155.2M (down 9.6% QoQ)
- Q2 book-to-bill, and bookings impacted by China cancellations, tariff hesitancy

Share Repurchases: \$17.5M (~200k shares repurchased in Q2)

GUIDANCE

- 2025 outlook: "Record year" expected for revenue (per CEO)
 - However, wide range of potential outcomes remains—cannot provide reliable quarterly guidance
 - Q2 book-to-bill below 1; backlog down—tariff effects, China cancellations
 - Patent/licensing outcomes are major source of near-term uncertainty, can cause material swings in results
- OpEx will remain "lumpy" due to timing/level of litigation spend; legal contingency fees now fully paid on recent litigation
 - Excluding \$5.1M legal fees, OpEx would have dropped QoQ
- Product revenue expected to see gradual progress; new products (Gen5, 800V modules) to contribute more in H2 and beyond, but not major driver for 2025
- Royalty/licensing:

- Not committing to specific levels; upside possible but timing is unpredictable owing to litigation cycle
- Some OEM royalty "headwinds" still present (enforcement ongoing), but base royalty appears to have stabilized around \$10M/quarter
- Licensing business to become more predictable with broader, more established licensee base (future)
- Tariff surcharge: 10% applied to new orders/backlog after July 2; uncertainty on tariffs seen as "behind us," customers adapting to new reality
- Automotive: Early days; initial low-volume projects/audits for major European and ASEAN OEMs; full revenue ramp seen more in 2029–2030 timeframe

PRODUCTS

Next-Gen Power Delivery Modules

- Gen5 Vertical Power Delivery (VPD) solution:
 - Delivered 83% solution to lead customer (agreed backstop), with 100%+ spec on track and demo/evaluation boards for others once lead customer ramp complete
 - "Powder kept dry" for general market release until lead customer needs fully satisfied, but ongoing front-end engagement for future projects
 - Provides highest current density—claimed "far beyond nearest competitors"
 - Will enable engagement with hyperscalers, AI, network processor cos.
 - Productization for general mkt to follow completion for lead customer
- 800V DC Bus Converters:
 - 10kW, 48V module (smaller than iPhone), sampling in Q4
 - Market SAM for these solutions >\$5B by 2027
 - Unique position offering both front-end (800V→48V) and direct VPD (48V→sub-1V)
- Long history and IP coverage in 800V bus converters; significant IP, confident in defending/monetizing it

Market Segments:

- Automotive:
 - Audit completed for large EU OEM (low-volume project)
 - Audit with large ASEAN OEM in Q3
 - 48V zonal architectures seen as highest growth opportunity, followed by 800V→48V conversion
 - Early days; material revenue impact seen 2029–2030+
- Industrial, Aerospace & Defense:
 - Pipeline "healthy and growing"
 - New products to double business in 4–6 years
- AI, Hyperscalers, Networking:
 - Focus on enabling AI megawatt rack (800V→48V conversion, point-of-load for AI/Network chips)
 - Sampling next-gen modules to top 100 customers
 - Ongoing engagement for next-gen power needs for "future AI megawatt rack"
 - Owning critical IP expected to give sustained advantage

Licensing/IP:

- Recent patent litigation settlement (Q2) materially improved results; total return from ITC case ~\$200M through 2026 (royalties + settlements)
- Aggressively pursuing IP enforcement—exclusion orders, pursuing infringers both in US and globally, ongoing/expected further actions
- Legal/IP settlement, royalty outcomes present biggest upside (or downside) swing for financials

SUPPLY CHAIN

Suppliers

- Factory utilization still low—including capacity under-absorption at first fab, but improvements in yield and cycle time ongoing
- Construction-in-progress nearly completed for mfg. capacity investments; \$3.1M left to spend

Customers

Bookings/Backlog:

- Bookings impacted by tariff hesitancy and order cancellations in China, mostly industrial market via distribution
- Customers adapting to new tariff regime; surcharge understood/accepted going forward
- Hyperscaler, AI, and automotive engagements ongoing; Gen5/VPD modules sampled to lead customers

Licensing/Patent Settlements:

- Resulting in significant cash inflow, but details of counterparties and ongoing royalties confidential
- Over \$200M expected from IP actions through 2026 per recent disclosure

Automotive:

- Audits passed or scheduled with major OEMs (Europe, ASEAN)
- Revenue ramp expected later (2029+), but being qualified as supplier (quality, manufacturing, dev. audits)

LEADERSHIP

- CEO: Patrizio Vinciarelli (Patrizio, "Pat")
- CFO: James Schmidt

Corp. VP, Global Sales/Marketing: Phil Davies

Business strategy focused on:

- Top 100 customers ("high performance modular power delivery networks")
- Maintaining product/technology lead via R&D
- Active, aggressive protection and monetization of IP
- Targeting growth in AI, automotive, industrial, aerospace/defense sectors

CATALYSTS

- IP litigation/settlement: Large, lumpy upside potential (Q2 settlement was a major positive driver; more actions expected—uncertain timing)
- Ongoing royalty/licenses: Growth as more infringers are brought into compliance/licensing; stabilization possible as licensee base broadens
- Gen5 VPD solution: Completion of lead customer spec and general product launch in pipeline; high interest from AI/hyperscaler mkt
- 800V/48V modules: Sampling in Q4; strong fit for next-gen AI servers, potential to disrupt high-power server rack market
- Automotive supplier progress: Passed/undergoing audits with major OEMs; credible path to future material revenue (2029+)
- New market introductions in industrial/aero/defense (doubling in 4–6 years targeted)
- Margin expansion via better fab utilization, higher ASP new products, and licensing leverage

NOTE:

Quarterly results greatly influenced by timing and size of patent/royalty income; product revenue is improving but product mix, tariff, and global demand pressure remain.

Outlook for the year remains strong, but very wide potential outcomes (biggest swing factors are licensing/patent settlements).

Tariff issues are now being managed proactively with surcharge; major China-related revenue already reflected in bookings/backlog.

Product launches (Gen5, 800V/48V) in pipeline to support future growth, with AI and automotive as key opportunities.