



Dear Fellow Stockholders,

Our 2024 revenues were \$419 million, and while that was down 6% from the prior year, the underlying details demonstrate why we are excited about the year ahead. The decline was driven entirely by the communications category, which fell more than 60% following our exit of the China OEM cellphone business at the start of the year. The rest of our business—the combined consumer, industrial and computer categories—grew 17 percent for the year. Moreover, our total revenues in the fourth quarter of 2024 increased 18 percent year-over-year.

While shifting trade policy adds a layer of uncertainty to the outlook, we expect a return to growth this year. The headwind from the China cellphone business is behind us; in fact, we expect our communications category to grow in 2025 driven largely by our role in India's deployment of residential fixed wireless services. We also began the year with inventories at our distributors down more than two weeks from the prior year end and approaching normal levels, as distribution sell-through exceeded sell-in by about \$12 million in 2024. Most importantly, we expect incremental revenue this year from a broad array of markets and products.

Growth should accelerate this year in the industrial category driven by multiple sub-segments, including our high-power gate-driver business, where we are winning in a number of markets including renewable energy, electric locomotives and high-voltage DC (HVDC) transmission projects. Long-distance DC transmission lines deliver renewable energy efficiently to the grid and are also a key part of efforts to modernize power infrastructure to enhance energy security and meet the increasing power needs of data centers. We won a number of HVDC designs in 2024, including a multi-million-dollar design for a major Northern European grid operator.

Smart utility meters will also make a significant contribution to our industrial category in 2025, particularly in India, where the government's efforts to modernize the country's infrastructure include plans to install 250 million meters over several years. Not only do we have a sizeable share of the India metering market, but we are also seeing metering customers upgrading to our 900-volt and 1250-volt GaN products to gain extra safety margin against India's fluctuating grid voltages.

Another contributor to the growth of our industrial category this year will be automotive, where our expertise in high-voltage power conversion is a natural fit for electric vehicles. Building on our early success in China with drivetrain emergency power supplies, we are expanding both geographically and in the range of sockets we are winning. In particular, EVs are evolving to a distributed architecture in which multiple DC-DC converters are used to power subsystems from the main battery instead of from an auxiliary 12-volt battery. We have several new automotive customers scheduled to begin production this year in Europe and the U.S.; following our recent qualification at one of the largest tier-one automotive suppliers in Japan, we have also now been invited to begin the qualification process at Japan's largest tier-one supplier.

In the consumer category, growth will moderate after last year's increase of more than 35 percent, which followed a weak 2023 driven by soft housing markets and a hangover from accelerated appliance purchases during the pandemic. While housing markets continue to be weak, we do expect growth in air conditioning this year based on share gains and increasing adoption of comfort and convenience appliances in markets such as India. We also expect higher revenues from the TV market after winning a range of designs with our GaN-based InnoMux™-2 ICs at one of the world's largest TV manufacturers. Our BridgeSwitch™ products, which drive efficient brushless DC motors in appliances, should also make an incremental contribution to growth this year, thanks in part to tighter European limits on standby power consumption.

A key factor underlying much of our expected growth in 2025 is our proprietary PowiGaN™ gallium-nitride technology. We expect revenues from GaN-based products to grow at a high rate this year and to exceed ten percent of our sales. And while 2025 is shaping up as an exciting year for GaN, we are still early in the GaN revolution with huge opportunities still ahead in the short, medium, and long term. Short term, GaN has just begun to penetrate the power supply market, and adoption is accelerating across a wide range of low-power applications, including several mentioned above—metering, appliances, TVs, automotive and residential networking.

The growth of our GaN product revenues this year and beyond will be aided by our higher-voltage GaN technologies. While the leading foundry-based GaN technology is limited to 750 volts, our unique process and device technologies enable us to offer devices with higher voltage ratings; in 2023 we introduced products with 900- and 1250-volt transistors, followed in 2024 by the launch of InnoMux-2 ICs with the industry's first 1700-volt GaN transistors. Many industrial customers prefer higher voltage ratings for three-phase applications, and as insurance against surges and spikes, especially in areas with unstable AC grid voltages. In the EV market, a 1700-volt rating is essential for flyback power supplies in 800- and 1000-volt systems, which today can only be addressed by silicon carbide.

In the medium term, we believe that the opportunity for GaN at high power levels is massive, nowhere more so than in AI data centers. While data center operators are eager for innovative power solutions for AI, adoption of GaN has been inhibited by the challenges of using discrete GaN in high reliability systems. We are tackling that problem with our system-level approach to product design and expect to begin sampling our first product for AI server power supplies next year. We estimate the addressable market for this product to be more than half a billion dollars in 2027, with additional products to follow that we estimate will take our opportunity in data centers to more than a billion dollars. These higher-power GaN products will also be able to address telecom infrastructure and onboard charging circuitry for EVs, among other applications, helping us expand our addressable market to an estimated eight billion dollars over the next few years.

Longer term, we believe GaN can achieve power levels sufficient for EV drivetrains at much lower cost than silicon carbide, the incumbent technology in many EVs. With that goal in mind, we are developing a new high-current GaN technology capable of delivering hundreds of kilowatts. In July of last year we acquired the assets of Odyssey Semiconductor, a developer of vertical GaN technology, to bolster our development efforts. While the necessary breakthroughs are still a few years away, we are excited about our progress, and our acquisition of Odyssey is already helping to accelerate our progress.

Financially, our company remains in excellent condition with a strong balance sheet and robust cash flow. In 2024 we generated \$81 million in cash flow from operations with just over \$17 million in capital expenditures, resulting in free cash flow of \$64 million. We returned \$74 million to stockholders through dividends and share repurchases during the year and had \$48 million remaining on our repurchase authorization at the beginning of 2025. Over the past three years, we have returned more than \$500 million to stockholders even in the face of a prolonged cyclical downturn across the analog semiconductor industry. And while lower revenues have resulted in reduced operating profitability, the leverage in our financial model means that we can expect our operating margins to bounce back as revenues begin to recover.

This will be my final letter to stockholders as CEO of Power Integrations. Earlier this year I informed our board of directors that I intend to retire after 23 years as CEO and 36 years with the company. The board has engaged a search firm to help identify our next CEO and will consider both internal and external candidates. I will remain as CEO until a successor is in place. While I have not lost an ounce of my passion for our company or my excitement for the opportunities ahead of us, I will turn 71 later this year, and I believe now is the time for me to step back from the day-to-day responsibilities of a CEO and take on a reduced role, supporting a new leader. That role will include serving as executive chairman of the board for as long as is needed to help my successor settle into the job. Once that transition period is past, I expect to continue as a director, with the consent of the board and our stockholders.

I am proud of what we have achieved during my tenure at Power Integrations, both in terms of the value we have created for our stockholders and the positive impact we have had on our planet. Looking ahead, the opportunity—and the need—for innovative, energy-efficient power-conversion products will continue to expand thanks to many big-picture trends I have written about over the years: renewable energy, artificial intelligence, electrification, automation and more. I am confident that Power Integrations will continue to lead the way in the development of such products, and I look forward to seeing what our company can achieve in the years ahead.

Sincerely,



Balu Balakrishnan
Chairman and Chief Executive Officer
March 2025

The statements in this Annual Report relating to future events or results are forward-looking statements that involve many risks and uncertainties. Such statements may be indicated by the use of words such as “will,” “expect,” “estimate,” “plan,” “believe,” “look forward,” “should,” “anticipate,” “future,” and similar words and phrases, or variations of these terms. Our actual results could differ materially from those contained in these forward-looking statements due to a number of factors, including: changes in global macroeconomic and geopolitical conditions; changes and shifts in customer demand away from end products that utilize our products; the timing and success of our product development and commercialization; the effects of trade tensions and competition; the outcome and cost of patent litigation; unforeseen costs and expenses; and unfavorable fluctuations in component costs resulting from changes in commodity prices and/or the exchange rate between the U.S. dollar and the Japanese yen. In addition, new product introductions and design wins are subject to the risks and uncertainties that typically accompany development and delivery of complex technologies to the marketplace, including product development delays and defects and market acceptance of the new products. These and other risk factors that may cause actual results to differ are discussed in Part I, Item 1A — “Risk Factors” included in the Form 10-K which is part of this Annual Report.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 000-23441

POWER INTEGRATIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware

94-3065014

(State or other jurisdiction of Incorporation or organization)

(I.R.S. Employer Identification No.)

5245 Hellyer Avenue

San Jose , California

95138-1002

(Address of principal executive offices)

(Zip code)

(408) 414-9200

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock	POWI	The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-accelerated Filer ☐

Smaller Reporting Company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of registrant's voting and non-voting common stock held by non-affiliates of registrant on June 28, 2024, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$3.0 billion, based upon the closing sale price of the common stock as reported on The Nasdaq Global Select Market. Shares of common stock held by each officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

As of February 3, 2025, 56,933 thousand shares of the registrant's common stock, \$0.001 par value, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this report, to the extent not set forth herein, is incorporated by reference from the Registrant's definitive proxy statement relating to the 2025 annual meeting of stockholders, which definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the fiscal year to which this Report relates.

POWER INTEGRATIONS, INC.

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Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K includes a number of forward-looking statements that involve many risks and uncertainties. Forward-looking statements are identified by the use of the words “would,” “could,” “will,” “may,” “expect,” “believe,” “should,” “anticipate,” “if,” “future,” “intend,” “plan,” “estimate,” “potential,” “target,” “seek” or “continue” and similar words and phrases, including the negatives of these terms, or other variations of these terms, that denote future events. These statements reflect our current views with respect to future events and our potential financial performance and are subject to risks and uncertainties that could cause our actual results and financial position to differ materially and/or adversely from what is projected or implied in any forward-looking statements included in this Form 10-K. These factors include, but are not limited to: if demand for our products declines in our major end markets, our net revenues will decline; we do not have long-term contracts with any of our customers and if they fail to place orders for our products, or if they cancel or reschedule orders, our operating results and our business may suffer; our products are sold through distributors, which limits our direct interaction with our end customers, therefore reducing our ability to forecast sales and increasing the complexity of our business; if our products do not penetrate additional markets, our business will not grow as we expect; intense competition in the high-voltage power supply industry may lead to a decrease in our average selling price and reduced sales volume of our products; we depend on third-party suppliers to provide us with wafers for our products, and if they fail to provide us sufficient quantities of wafers, our business may suffer; if we are unable to adequately protect or enforce our intellectual property rights, we could lose market share, incur costly litigation expenses, suffer incremental price erosion or lose valuable assets, any of which could harm our operations and negatively impact our profitability; and the other risk factors described in Part I, Item 1A, “Risk Factors” of this Annual Report on Form 10-K. We make these forward-looking statements based upon information available on the date of this Form 10-K, and expressly disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information or otherwise, except as required by laws. In evaluating these statements, you should specifically consider the risks described under Part I, Item 1A, “Risk Factors,” Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Annual Report on Form 10-K.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Annual Report on Form 10-K, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

PART I

Item 1. Business.

Overview

We design, develop and market analog and mixed-signal integrated circuits (“ICs”) and other electronic components and circuitry used in high-voltage power conversion. Our products are used in power converters that convert electricity from a high-voltage source to the type of power required for a specified downstream use. In most cases, this conversion entails, among other functions, converting alternating current (“AC”) to direct current (“DC”) or vice versa, reducing or increasing the voltage, and regulating the output voltage and/or current according to the customer’s specifications.

A large percentage of our products are ICs used in AC-DC power supplies, which convert the high-voltage AC from a wall outlet to the low-voltage DC required by most electronic devices. Power supplies incorporating our products are used with all manner of electronic products including appliances, industrial controls, mobile devices such as smartphones, tablets and notebook computers, electronic utility meters, battery-powered tools, and “home-automation,” or “internet of things” applications such as networked thermostats, power strips and security devices. Variations of our power-supply ICs are used for high-voltage power conversion in electric vehicles (“EVs”). We also supply high-voltage LED drivers, which are AC-DC ICs specifically designed for lighting applications that utilize light-emitting diodes, and motor-driver ICs for brushless DC (“BLDC”) motors used in consumer appliances, HVAC systems, ceiling fans and a variety of industrial applications.

We also offer high-voltage gate drivers—either standalone ICs or circuit boards containing ICs, electrical isolation components and other circuitry—used to operate high-voltage switches such as insulated-gate bipolar transistors (“IGBTs”) and silicon-carbide (“SiC”) MOSFETs. These combinations of switches and drivers are used for power conversion in high-power applications (i.e., power levels ranging from approximately 100 kilowatts up to gigawatts) such as industrial motors, solar- and wind-power systems, electric locomotives, EVs and high-voltage DC transmission systems.

Our power-conversion products are distinguished by their “system-level” nature; that is, they incorporate into a single product numerous elements of a power-conversion system including a high-voltage transistor, drivers, advanced control circuitry and, in some cases, a communication link connecting the primary (i.e., input) and secondary (i.e., output) sides of the power converter while maintaining safety isolation to protect the end user from exposure to high voltage. Alternatively, a power converter can be designed and assembled using discrete components purchased from a variety of suppliers.

Our system-level products offer a number of important benefits compared with discrete designs, including: reduced design complexity; smaller size; lower component count, which in turn results in higher reliability and easier sourcing of components; reduced time-to-market; and more efficient use of engineering resources. Our products also reduce the energy consumption of power converters during normal use and in “standby” operation, when the end product is not in use. In addition to the environmental and economic benefits of reduced energy usage, our energy-saving technologies provide a number of benefits to our customers; these include helping them meet the increasingly stringent efficiency standards now in effect for many electronic products, and enabling the elimination of bulky, costly heatsinks used to dissipate the heat produced by wasted electricity. By reducing component count, circuit-board size and the need for heatsinks, our products also contribute to a reduction in materials usage and electronic waste.

While the size of our addressable market fluctuates with changes in macroeconomic and industry conditions, the market has generally exhibited a modest growth rate over time as growth in the unit volume of power converters has been offset to a large degree by reductions in the average selling price of components in this market. Therefore, the growth of our business depends largely on increasing our penetration of the markets that we serve and on further expanding our addressable market. Our growth strategy includes the following elements:

- *Increase the size of our addressable market.* Prior to 2010 our addressable market consisted of AC-DC applications with up to about 50 watts of output, a served available market (“SAM”) opportunity of approximately \$1.5 billion. Since then, we have expanded our SAM to approximately \$4 billion through a variety of means. These include the introduction of products that enable us to address higher-power AC-DC applications (such as our Hiper™ product families), the introduction of LED-driver products, and our entry into the gate-driver market. In 2018 we introduced our BridgeSwitch™ motor-driver ICs for BLDC motors, and in 2024 we introduced BridgeSwitch-2, extending the addressable power range of our motor-driver products up to about one horsepower. We have recently introduced a range of products targeting the EV market; we plan to introduce additional products for EVs in the future, and expect automotive applications to become a significant portion of our SAM over time.

Also contributing to our SAM expansion has been the emergence of new applications within the power ranges that our products can address. For example, applications such as “smart” utility meters, battery-powered lawn equipment and bicycles, and USB power receptacles (often installed alongside traditional AC wall outlets) can incorporate our products. The increased use of connectivity, LED lighting and other power-consuming electronic features in consumer appliances has also enhanced our SAM.

We have also expanded our SAM through the development of technologies and architectures that increase the value (and therefore the average selling prices) of our products. For example, our InnoSwitch™ ICs integrate circuitry from the secondary, or low-voltage, side of AC-DC power supplies, whereas earlier product families integrated circuitry only on the primary, or high-voltage side. Our InnoMux™ IC families provide up to three DC outputs, eliminating the need for additional power-management circuitry in certain end products requiring multiple voltages while significantly increasing efficiency.

- *Increase our penetration of the markets we serve.* We currently address AC-DC applications with power outputs up to approximately 500 watts, gate-driver applications ranging from 100 kilowatts up to gigawatts, and motor-drive applications up to approximately one horsepower. Through our research and development efforts, we seek to introduce more advanced products for these markets offering higher levels of integration and performance compared to earlier products. We also continue to expand our sales and application-engineering staff and our network of distributors, as well as our offerings of technical documentation and design-support tools and services to help customers use our products. These tools and services include our PI Expert™ design software, which we offer free of charge, and our transformer-sample service. In 2022 we launched PowerProsSM, a live online video support service that enables power-supply designers to talk directly with members of our applications engineering team 24 hours a day, six days a week, anywhere in the world.
- *Leverage the performance benefits of our proprietary gallium-nitride (“GaN”) technology.* In 2019 we began incorporating our proprietary PowiGaN™ gallium-nitride transistors in some of our products, enabling a higher level of energy efficiency than ICs with silicon transistors. Since then, we have introduced a variety of new products utilizing GaN technology, and developed new generations of our GaN technology capable of supporting voltages as high as 1700 volts. While high-voltage GaN transistors have historically been more costly to produce than comparable silicon transistors, we have achieved cost reductions such that our GaN devices are approaching cost parity with silicon MOSFETs.

We are developing additional products incorporating GaN transistors, which we believe will enable us to address higher-power applications than we address with our current range of products, and further expand our SAM as discussed above. We expect such applications to include power supplies used in data centers delivering artificial intelligence (AI) services, in communications network infrastructure equipment and in onboard-charging circuitry for EVs, among others.

Additionally, we are developing GaN technologies capable of supporting higher power output than today’s GaN devices, with an aim of developing products to address power-switching modules in EV drivetrains, which currently incorporate SiC and IGBT modules. In July 2024 we acquired the assets of Odyssey Semiconductor, a developer of so-called vertical GaN technology, in an effort to accelerate our development of higher-power GaN devices. We believe the development of such technologies will take several years to complete.

- *Capitalize on efforts to reduce carbon emissions by providing products that contribute to improved energy efficiency and increased use of renewable energy.* In its 2019 World Energy Outlook, the International Energy Agency estimated that more than two-thirds of the reduction in carbon-dioxide (“CO2”) emissions needed to achieve the “Sustainable Development Scenario” of the United Nations Sustainable Development Agenda is to come from improved energy efficiency and increased use of renewable energy. Energy savings enabled by our products help our customers comply with regulations that seek to curb energy consumption in support of reducing CO2 emissions. For example: our EcoSmart™ technology drastically reduces the amount of energy consumed by electronic products when they are plugged in but not in use; our PowiGaN™ gallium-nitride (“GaN”) transistors reduce energy consumption compared to silicon transistors; and our BridgeSwitch™ motor-driver ICs provide highly efficient power conversion for BLDC motors in appliances and industrial applications. Also, our gate-driver products are critical components in energy-efficient DC motor drives, solar- and wind-power systems, efficient high-voltage DC transmission systems (including transmission of energy from

renewable energy installations to the power grid), and low-emissions transportation applications such as electric locomotives.

Industry Background

Virtually every electronic device that plugs into a wall socket requires a power supply to convert the high-voltage alternating current provided by electric utilities into the low-voltage direct current required by most electronic devices. A power supply may be located inside a device, such as a consumer appliance or flat-panel TV, or it may be outside the device as in the case of a mobile-phone charger or an adapter for a cordless phone or cable modem.

Until approximately 1970, AC-DC power supplies were generally in the form of line-frequency, or linear, transformers. These devices, consisting primarily of copper wire wound around an iron core, tend to be bulky and heavy, and typically waste a substantial amount of electricity. In the 1970s, the availability of high-voltage discrete semiconductors enabled the development of a new generation of power supplies known as switched-mode power supplies, or switchers. These switchers generally came to be cost-effective alternatives to linear transformers in applications requiring more than a few watts of power; in recent years the use of linear transformers has declined even further as a result of energy-efficiency standards and higher raw-material prices.

Switchers are generally smaller, lighter-weight and more energy-efficient than linear transformers. However, switchers designed with discrete components are highly complex, containing numerous components and requiring a high level of analog design expertise. Further, the complexity and high component count of discrete switchers make them relatively costly, difficult to manufacture and prone to failures. Also, some discrete switchers lack protection and energy-efficiency features; adding these features may further increase the component count, cost and complexity of the power supply.

In high-power systems such as industrial motor drives, electric locomotives and renewable-energy systems, power conversion is typically performed using arrays of high-power silicon transistors known as IGBT modules; these modules are operated by electronic circuitry known as gate drivers (or IGBT drivers), whose function is to ensure accurate, safe and reliable operation of the IGBT modules. Like discrete power supplies, discrete gate drivers tend to be highly complex, requiring a large number of components and a great deal of design expertise.

Our Highly Integrated Approach

In 1994 we introduced TOPSwitch, the industry's first cost-effective high-voltage IC for switched-mode AC-DC power supplies. We have since introduced a range of other product families, expanding the range of power-supply applications we can serve and enhancing our competitiveness in applications we already addressed. In 2012 we expanded our addressable market to include high-voltage gate drivers, and in 2018 we introduced our BridgeSwitch motor-driver ICs for BLDC motors.

Our products drastically reduce the complexity and component count of power converters compared to typical discrete designs by integrating many of the functions otherwise performed by numerous discrete electronic components, and by eliminating (or reducing the size and cost of) additional components through innovative system design. As a result, our products enable power converters to have superior features and functionality at a total cost equal to or lower than that of many competing alternatives. Our products offer the following key benefits:

- *Fewer Components, Reduced Size and Higher Reliability*

Our highly integrated ICs and gate drivers enable designs with up to 70% fewer components than comparable discrete designs. This reduction in component count enhances reliability and efficiency, reduces size, and results in lower manufacturing costs for our customers. Power supplies that incorporate our ICs are also lighter and more portable than comparable power supplies built with linear transformers, which are still used in some low-power applications.

- *Reduced Time-to-Market, Enhanced Manufacturability*

Because our products eliminate much of the complexity associated with the design of power converters, designs can typically be completed in much less time, resulting in more efficient use of our customers' design resources and shorter time-to-market for new designs. The lower component count and reduced complexity enabled by our products also makes designs more suitable for high-volume manufacturing. We also provide extensive hands-on design support as well as online design tools, such as our PI Expert design software, that further reduce time-to-market and product development risks.

- *Energy Efficiency*

Our EcoSmart technology improves the energy efficiency of electronic devices during normal operation as well as standby and “no-load” conditions. This technology enables manufacturers to cost-effectively meet the growing demand for energy-efficient products, and to comply with increasingly stringent energy-efficiency requirements. Our proprietary GaN transistor technology, introduced in 2019, offers substantially higher levels of active-mode efficiency compared to traditional silicon switches, while our BridgeSwitch motor-driver ICs enable efficiency of up to 98.5%, not only minimizing waste but also eliminating the need for heatsinks in many applications, which in turn reduces cost and weight.

- *Wide Power Range and Scalability*

Products in our current IC families can address AC-DC power supplies with output power up to approximately 500 watts as well as some high-voltage DC-DC applications; our high-voltage gate drivers are used in applications with power levels ranging from approximately 100 kilowatts to gigawatts, while our motor-driver ICs address BLDC applications up to about one horsepower. Within each of our product families, designers can scale up or down in power to address a wide range of designs with minimal design effort.

Energy Efficiency

Power supplies often draw significantly more electricity than the amount needed by the devices they power. As a result, billions of dollars’ worth of electricity is wasted each year, and millions of tons of greenhouse gases are unnecessarily produced by power plants. Energy waste occurs during the normal operation of a device and in standby mode, when the device is plugged in but idle. For example: computers and printers waste energy while in “sleep” mode; TVs that are turned off by remote control consume energy while awaiting a remote-control signal to turn them back on; a mobile-phone charger left plugged into a wall outlet continues to draw electricity even when not connected to the phone (a condition known as “no-load”); and many common household appliances, such as microwave ovens, dishwashers and washing machines, also consume power when not in use. In fact, a 2015 study by the National Resources Defense Council found that devices that are “always-on” but inactive may be causing as much as \$19 billion in annual energy waste in the United States alone.

In response to concerns about the environmental impact of carbon emissions, policymakers have taken action to promote energy efficiency. For example, the ENERGY STAR® program and the European Union Code of Conduct encourage manufacturers of electronic devices to comply with voluntary energy-efficiency specifications. In 2007 the California Energy Commission (“CEC”) implemented mandatory efficiency standards for external power supplies. The CEC standards were implemented nationwide in the United States in July 2008 as a result of the Energy Independence and Security Act of 2007 (“EISA”); these federal standards were tightened in 2016. Similar standards for external power supplies took effect in the European Union in 2010 as part of the EU’s EcoDesign Directive for Energy-Related Products.

In 2010, the EU EcoDesign Directive implemented standards limiting standby power consumption on a wide range of electronic products. The limit was reduced by 50 percent beginning in 2013, with many products now limited to 500 milliwatts of standby usage; the EU standards are scheduled to tighten further beginning in 2025. The EISA legislation also required substantial improvements in the efficiency of lighting technologies, effectively resulting in the phase-out of most incandescent light sources and increased adoption of LED-lighting technology. In December 2019 the government of China published new efficiency standards for room air conditioners, which took effect in July 2020. In 2022 India’s Bureau of Energy Efficiency implemented new labeling standards for ceiling fans in an effort to drive adoption of BLDC motors in place of less efficient induction motors.

We believe we offer products that enable manufacturers to meet or exceed these regulations, and all other such regulations of which we are aware. Since 1998, our AC-DC power-conversion ICs have featured our EcoSmart technology which drastically reduces standby power waste. We have sold more than 21 billion ICs featuring EcoSmart technology, resulting in estimated annual savings of about 15 terawatt-hours of standby power worldwide. In 2010 we expanded our portfolio of energy-saving products with the introduction of our CapZero and SenZero IC families, which eliminate additional sources of standby waste in some power supplies. We also offer a range of products designed specifically for LED-lighting applications. Our GaN technology, introduced in 2019, also dramatically improves the active-mode efficiency of power-supplies. Our InnoMux products, also introduced in 2019, enhance active-mode efficiency in systems with multiple DC outputs by eliminating the losses incurred in separate DC-DC conversion stages.

Products

Below is a brief description of our products:

- *AC-DC power conversion products*

TOPSwitch, our first commercially successful product family, was introduced in 1994. Since then, we have introduced a wide range of products (such as our TinySwitch, LinkSwitch and Hiper families) to increase the level of integration and improve upon the functionality of the original TOPSwitch, and to broaden the range of power levels we can address.

In 2014 we introduced our InnoSwitch product family, the first power-supply ICs to combine primary, secondary and feedback circuits into a single package. These ICs employ a proprietary technology known as FluxLink to enable precise control without the need for optical components, which tend to add cost and diminish the reliability of power supplies. In 2019 we began offering InnoSwitch ICs with more-efficient GaN transistors rather than silicon transistors. In 2023 we announced new versions of our InnoSwitch products incorporating GaN transistors with higher voltage ratings of 900 volts and 1250 volts; earlier GaN products feature transistors rated at 750 volts. In 2019 we introduced InnoMux ICs, which provide up to three DC outputs, eliminating the need for additional power-management circuitry in certain end products requiring multiple voltages while significantly increasing efficiency. In 2024 we introduced InnoMux-2 products, featuring GaN transistors rated at 1700 volts.

This portfolio of power-conversion products generally addresses power supplies up to about 500 watts of output. This market consists of an extremely broad range of applications including consumer appliances, utility meters, LCD monitors, tablets, smartphones, computers, TVs, and numerous other consumer and industrial applications, as well as LED lighting. We also now offer automotive-qualified versions of certain products, such as InnoSwitch ICs, for use in EVs.

- *High-voltage gate drivers*

We offer a range of high-voltage gate-driver products sold primarily under the SCALE and SCALE-2 product-family names. These products are fully assembled circuit boards incorporating multiple ICs, electrical isolation components and other circuitry. We offer both ready-to-operate “plug-and-play” drivers designed specifically for use with particular IGBT modules, as well as “driver cores,” which provide more basic driver functionality that customers can customize to their own specifications after purchase. In 2016 we introduced the SCALE-iDriver family of standalone ICs, which enables us to address applications ranging from a few kilowatts up to about 100 kilowatts, whereas previously our sales of high-power products were primarily for applications above 100 kilowatts. In 2020 we introduced an automotive-qualified version of SCALE-iDriver suitable for use in powertrain and charging applications for electric vehicles.

- *Motor-driver products*

The BridgeSwitch family of products, introduced in 2018, is a family of motor-driver ICs addressing BLDC motor applications up to approximately 400 watts. In 2024 we introduced BridgeSwitch-2 ICs, extending the addressable power range to about one horsepower, or 746 watts. Applications for ICs in the BridgeSwitch families include refrigerator compressors, ceiling fans, air purifiers and circulation pumps, as well as pumps and fans used in appliances such as dishwashers, laundry machines and boilers. BridgeSwitch products are complemented by our Motor-Expert software, which provides configuration and diagnostic tools for design engineers.

Other Product Information

TOPSwitch, TinySwitch, LinkSwitch, DPA-Switch, EcoSmart, Hiper, Qspeed, InnoSwitch, BridgeSwitch, SCALE, SCALE-II, SCALE-III, SCALE-iDriver, PeakSwitch, CAPZero, SENZero, ChiPhy, FluxLink, CONCEPT, PI Expert and Motor-Expert are trademarks of Power Integrations, Inc.

End Markets and Applications

Our net revenues consist primarily of sales of the products described above. When evaluating our net revenues, we categorize our sales into the following four major end-market groupings: communications, computer, consumer, and industrial.

The table below provides the approximate mix of our net sales by end market:

End Market	Year Ended December 31,		
	2024	2023	2022
Communications	12 %	29 %	21 %
Computer	14 %	12 %	10 %
Consumer	39 %	27 %	33 %
Industrial	35 %	32 %	36 %

Our products are used in a vast range of power-conversion applications in the above-listed end-market categories. The following chart lists the most prominent applications for our products in each category.

Market Category	Primary Applications
Communications	Mobile-phone chargers, broadband modems, wi-fi routers, other network and telecom gear
Computer	Desktop PCs and monitors, servers, adapters for tablets and notebook computers, other computer peripherals
Consumer	Major and small appliances, air conditioners and other comfort appliances, TVs and set-top boxes, video-game consoles
Industrial	Industrial controls, LED lighting, utility meters, motor controls, uninterruptible power supplies, battery-powered tools, networked thermostats, power strips and other “smart home” devices, industrial motor drives, renewable energy systems, electric locomotives, electric passenger cars and commercial vehicles, high-voltage DC transmission systems

Sales, Distribution and Marketing

We sell our products to original equipment manufacturers, or OEMs, and merchant power-supply manufacturers through our direct sales staff and a worldwide network of independent sales representatives and distributors. We have sales offices in the United States, United Kingdom, Germany, Italy, India, China, Japan, South Korea, the Philippines, Canada, Singapore and Taiwan. Direct sales to OEMs and merchant power supply manufacturers represented approximately 30%, 31% and 30% of our net product revenues in 2024, 2023 and 2022, respectively, while sales to distributors accounted for the remainder in each of the corresponding years. Most of our distributors are entitled to return privileges based on revenues and are protected from price reductions affecting their inventories. Our distributors are not subject to minimum purchase requirements, and sales representatives and distributors can discontinue marketing our products at any time.

Our sales are primarily made pursuant to standard purchase orders. The quantity of products purchased by our customers as well as shipment schedules are subject to revisions that reflect changes in both the customers’ requirements and in manufacturing availability. Historically, our business has been characterized by short-lead-time orders and quick delivery schedules.

Our top ten customers, including distributors that resell to OEMs and merchant power supply manufacturers, accounted for approximately 79%, 80% and 76% of net revenues in 2024, 2023 and 2022, respectively. In 2024, two customers, both distributors, each accounted for more than 10% of revenues, in 2023, three customers, all distributors, each accounted for more than 10% of revenues, and in 2022, two customers, both distributors, each accounted for more than 10% of revenues.

Research and Development

Our research and development efforts are focused on improving our technologies, introducing new products to expand our addressable markets, reducing the costs of existing products, and improving the cost-effectiveness and functionality of our customers’ power converters. We have assembled teams of highly skilled engineers to meet our research and development goals. These engineers have expertise in high-voltage device structure and process technology, analog and digital IC design, system architecture and packaging.

Intellectual Property and Other Proprietary Rights

We use a combination of patents, trademarks, copyrights, trade secrets and confidentiality procedures to protect our intellectual-property rights. In 2024, we received 26 U.S. and 49 foreign patents. As of December 31, 2024, we held 285 U.S. and 370 foreign patents. Both U.S. and foreign patents have expiration dates ranging from 2025 to 2045. While our patent portfolio as a whole is important to the success of our business, we are not materially dependent upon any single patent. We also hold trademarks in the U.S. and various other geographies including Brazil, China, the European Union, Hong Kong, India, Japan, Korea, Russia, Switzerland, Taiwan, Turkey, and the United Kingdom.

We regard as proprietary some equipment, processes, information and knowledge that we have developed and used in the design and manufacture of our products. Our trade secrets include a high-volume production process used in the manufacture of our high-voltage ICs. We attempt to protect our trade secrets and other proprietary information through non-disclosure agreements, proprietary-information agreements with employees and consultants, and other security measures.

Manufacturing

We contract with three foundries for the manufacture of the vast majority of our silicon wafers: (1) Lapis Semiconductor Co., Ltd., or Lapis, (formerly OKI Electric Industry), (2) Seiko Epson Corporation, or Epson and (3) X-FAB Semiconductor Foundries AG, or X-FAB. These contractors manufacture wafers using our proprietary high-voltage process technologies at fabrication facilities located in Japan, Germany and the United States.

Our ICs are assembled, packaged and tested by independent subcontractors in China, Malaysia, Thailand and the Philippines; a small percentage of our ICs are tested at our headquarters facility in California. Our gate-driver boards are assembled and tested by independent subcontractors in Sri Lanka and Thailand; some of the boards are tested at our facility in Switzerland.

Our fabless manufacturing model enables us to focus on our engineering and design strengths, minimize capital expenditures and still have access to high-volume manufacturing capacity. We utilize both proprietary and standard IC packages for assembly. Some of the materials used in our packages and certain aspects of the assembly process are specific to our products. We require our assembly manufacturers to use high-voltage molding compounds which are more difficult to process than industry standard molding compounds. We work closely with our contractors on a continuous basis to maintain and improve our manufacturing processes.

Our proprietary high-voltage processes do not require leading-edge geometries, which enables us to use our foundries' older, lower-cost facilities for wafer manufacturing. However, because of our highly sensitive high-voltage process, we must interact closely with our foundries to achieve satisfactory yields. Our wafer supply agreements with Lapis, Epson and X-FAB expire in April 2028, December 2025 and December 2028, respectively. Under the terms of the Lapis and Epson agreements, each supplier has agreed to reserve a specified amount of production capacity and to sell wafers to us at fixed prices, which are subject to periodic review jointly by the supplier and us. In addition, Lapis and Epson require us to supply them with a rolling six-month forecast on a monthly basis. Our agreements with Lapis and Epson each provide for the purchase of wafers in U.S. dollars, with mutual sharing of the impact of the fluctuations in the exchange rate between the Japanese yen and the U.S. dollar. Under the terms of the X-FAB agreement, X-FAB has agreed to reserve a specified amount of production capacity and to sell wafers to us at fixed prices, which are subject to periodic review jointly by X-FAB and us. The agreement with X-FAB also requires us to supply them with rolling six-month forecasts on a monthly basis. Our purchases of wafers from X-FAB are denominated in U.S. dollars.

Although some aspects of our relationships with Lapis, Epson and X-FAB are contractual, some important aspects of these relationships are not written in binding contracts and depend on the suppliers' continued cooperation. We cannot assure that we will continue to work successfully with Lapis, Epson or X-FAB in the future, that they will continue to provide us with sufficient capacity at their foundries to meet our needs, or that any of them will not seek an early termination of their wafer supply agreement with us. Our operating results could suffer in the event of a supply disruption with one or more of our foundries if we were unable to quickly qualify alternative manufacturing sources for existing or new products or if these sources were unable to produce wafers with acceptable manufacturing yields.

We typically receive shipments from our foundries approximately four to six weeks after placing orders, and lead times for new products can be substantially longer. To provide sufficient time for assembly, testing and finishing, we typically need to receive wafers four weeks before the desired ship date to our customers. As a result of these factors and the fact that customers' orders can be placed with little advance notice, we have only a limited ability to react to fluctuations in demand for our products. We try to carry a substantial amount of wafer and finished-goods inventory to help offset these risks and to better serve our markets and meet customer demand.

Competition

Competing alternatives to our high-voltage ICs for the power-supply market include monolithic and hybrid ICs from companies such as STMicroelectronics, Infineon Technologies and Sanken Electric Company, as well as PWM-controller chips paired with discrete high-voltage silicon or GaN transistors. Such controller chips are produced by a large number of vendors, including those listed above as well as others including NXP Semiconductors, Diodes Inc., On-Bright Electronics, MediaTek Inc., Renesas Electronics and, in recent years, an increasing number of Chinese suppliers such as Southchip Semiconductor, Chipown Microelectronics and Hangzhou Silan Microelectronics Co. Our gate-driver products compete with alternatives from such companies as Infineon, Mitsubishi Electric, Fuji Electric, Semikron and Hangzhou Firststack Technology Co., as well as driver circuits made up of discrete devices. Our motor-driver ICs compete with power modules from such companies as ON Semiconductor, Infineon, STMicroelectronics, Mitsubishi and Sanken as well as discrete designs from a wide range of other suppliers. In general, we expect competition from Chinese semiconductor vendors to intensify over time reflecting China's stated aim to develop its domestic semiconductor industry.

Generally, our products enable customers to design power converters with total bill-of-materials costs similar to those of competing alternatives. As a result, the value of our products is influenced by the prices of discrete components, which fluctuate in relation to market demand, raw-material prices and other factors, but have generally decreased over time.

While we vary the pricing of our ICs in response to fluctuations in prices of alternative solutions, we also compete based on a variety of other factors. Most importantly, the highly integrated nature of our products enables designs that utilize fewer total components than comparable discrete designs or designs using other integrated or hybrid products. This enables power converters to be designed more quickly and manufactured more efficiently and reliably than competing designs. We also compete on the basis of product functionality such as safety features and energy-efficiency features and on the basis of the technical support we provide to our customers. This support includes hands-on design assistance as well as a range of design tools and documentation such as software and reference designs. We also believe that our record of product quality and history of delivering products to our customers on a timely basis serve as additional competitive advantages.

Warranty

We generally warrant that our products will substantially conform to the published specifications for 12 months from the date of shipment. Under the terms and conditions of sale, our liability is limited generally to either a credit equal to the purchase price or replacement of the defective part.

Government Regulation

We are subject to a variety of federal, state and local governmental laws and regulations worldwide, including, but not limited to, laws, rules and regulations related to anti-corruption, antitrust, data privacy requirements, employment, environmental, foreign exchange controls, health and safety requirements, immigration, import/export requirements, IP and tax. Any failure to comply with laws and regulations may subject us to a range of consequences including fines, suspension of certain of our business activities, limitations on our ability to sell our products, obligations to remediate in the case of environmental contamination, and criminal and civil liabilities or other sanctions. Changes in environmental laws and regulations could require us to alter our manufacturing processes or use substitute materials. Our failure to comply with laws, rules and regulations could subject us to future liabilities.

See also our risk factors under Part 1. Item 1A. Risk Factors in this Annual Report on Form 10-K under "Risks Related to Laws and Regulations."

Human Capital

As of December 31, 2024, we employed 865 full-time personnel across 15 countries with 342, or 40% of the total, residing in North America, while 60% resided offshore comprising 400 in the Asia-Pacific region and 123 across Europe. As of December 31, 2024, 6% of our worldwide employees were foreign nationals, defined as individuals requiring employment visas in the countries where they are employed. Women comprise approximately 24% of our total U.S. workforce and 34% of our non-technical U.S. workforce. The ethnic makeup of our U.S. workforce is approximately as follows: 63% Asian; 26% white; 6% Hispanic or Latino; 5% other.

Innovation is the lifeblood of our company, and we depend on our people to sustain our competitive advantage. To attract and retain talented employees, we offer competitive compensation with generous comprehensive benefits for employees and dependents (including domestic partners). We offer health, dental and vision insurance, covering 85% of

the cost of employee health insurance in 2024, flexible spending accounts for healthcare and child-care expenses, matching 401(k) contributions (at a rate of 50% of the employee contribution, up to a maximum of 4% of the employee's eligible compensation), employee stock plans, paid vacation and family leave, life and disability insurance, flu vaccinations, tuition reimbursement, charitable gift matching, health-and-wellness programs designed to promote physical well-being and other mental health services. Approximately 97% of eligible U.S. employees participate in our 401(k) plan and 64% of eligible employees participated in the most recent offering period of our employee stock purchase plan. These benefits, combined with our culture of innovation and sustainable growth, contribute to below-average employee turnover relative to our industry and an average tenure of nearly 7 years. In 2022, 2023 and 2024 we were certified by Great Place to Work® based on the results of anonymous surveys of employees; in the 2024 survey, 87% of employees stated that Power Integrations is a great place to work, compared to an average of 57% for U.S. companies according to Great Place to Work.

It is our policy to ensure equal employment opportunity for all applicants and employees without regard to prohibited considerations of race, color, religion, sex (including pregnancy, gender identity and sexual orientation), national origin, age, disability or genetic information, marital status or any other classification protected by applicable local, state or federal laws. Our employees are encouraged to engage with company leadership and raise concerns and questions in person, via e-mail (anonymously if desired), or at our quarterly employee communications meeting with the CEO and senior management team. All employees receive training in the prevention of sexual harassment and abusive conduct in the workplace.

We value our employees, giving them the tools and training to grow as individuals, and the freedom to take risks in the service of innovation. We offer tuition reimbursement for job-related education and provide live and online classes covering topics such as communication, leadership and management, software, and time management. We also offer catered lunch-time workshops on a range of personal-development topics such as financial planning, nutrition and stress management.

Additional information regarding our commitment to our people can be found on our website at <https://www.power.com/company/sustainability-citizenship/>.

Investor Information

We make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act as soon as reasonably practicable after filing this material electronically or otherwise furnishing it to the SEC. Investors may obtain free electronic copies or request paper copies of these reports via the "For Investors" section of our website, www.power.com. Our website address is provided solely for informational purposes. We do not intend, by this reference, that our website should be deemed to be part of this Annual Report. The reports we file with the SEC are also available at www.sec.gov.

Our corporate governance guidelines, the charters of our board committees, and our code of business conduct and ethics, including ethics provisions that apply to our principal executive officer, principal financial officer, controller and senior financial officers, are also available via the investor website listed above. These items are also available in print to any stockholder who requests them by calling (408) 414-9200. We intend to satisfy the disclosure requirements of Form 8-K regarding an amendment to, or a waiver from, a provision of our code of business conduct and ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions by posting such information on our investor website listed above.

Power Integrations, Inc. was incorporated in California on March 25, 1988, and reincorporated in Delaware in December 1997.

Information About Our Executive Officers

As of January 31, 2025, our executive officers, who were appointed by and serve at the discretion of our board of directors, were as follows:

<u>Name</u>	<u>Position With Power Integrations</u>	<u>Age</u>
Balu Balakrishnan	President, Chief Executive Officer and Director	70
Douglas Bailey	Vice President, Marketing	58
Radu Barsan	Vice President, Technology	72
Sunil Gupta	Vice President, Operations	52
Gagan Jain	Vice President, Worldwide Sales	47
Sandeep Nayyar	Vice President, Finance and Chief Financial Officer	65
Clifford Walker	Vice President, Corporate Development	73

Balu Balakrishnan has served as president, chief executive officer and as a director of Power Integrations since January 2002; he has also served as chairman of the board since May 2023. He served as president and chief operating officer from April 2001 to January 2002. From January 2000 to April 2001, he was vice president of engineering and strategic marketing. From September 1997 to January 2000, he was vice president of engineering and new business development. From September 1994 to September 1997, Mr. Balakrishnan served as vice president of engineering and marketing. Prior to joining Power Integrations in 1989, Mr. Balakrishnan was employed by National Semiconductor Corporation.

Douglas Bailey has served as our vice president of marketing since November 2004. From March 2001 to April 2004, he served as vice president of marketing at ChipX, a structured ASIC company. His earlier experience includes serving as business management and marketing consultant for Sapiential Prime, Inc., director of sales and business unit manager for 8x8, Inc., and serving in application engineering management for IIT, Inc. and design engineering roles with LSI Logic, Inmos, Ltd. and Marconi.

Radu Barsan has served as our vice president of technology since January 2013, leading our foundry engineering, technology development and quality organizations. Prior to joining Power Integrations, Dr. Barsan served as chairman and CEO at Redfern Integrated Optics, Inc., a supplier of single frequency narrow linewidth lasers, modules, and subsystems, from 2001 to 2013. Previously, he served in a succession of engineering-management and technology development roles at Phaethon Communications, Inc., a photonics technology company, Cirrus Logic, Inc., a high-precision analog and digital signal processing company, Advanced Micro Devices, a semiconductor company, Cypress Semiconductor, Inc., a semiconductor company and Microelectronica a semiconductor company. Dr. Barsan has 48 years of commercial experience in semiconductor and photonic components development, engineering and operations.

Sunil Gupta has served as our vice president of operations since August 2020. Prior to joining Power Integrations, Mr. Gupta was vice president of operations at Renesas Electronics Corporation, a provider of electronics solutions, from July 2017 until August 2020, in which position he was responsible for global operations for Intersil and IDT products as well as the integration into the operations of Renesas. Prior to joining Renesas he was Senior Vice President, Global Operations at Intersil Corporation, a developer of power management and precision analog integrated circuits, from June 2016 to July 2017, in which position he led the global operations and technology teams, and was Vice President, Quality and Technology Development at Intersil was from September 2013 to June 2016, in which position he led the quality, reliability, yield, process technology and package technology teams. Mr. Gupta joined Intersil in 2012 as its Vice President, Quality and Reliability. Prior to joining Intersil, Mr. Gupta was the Director of Worldwide Customer Quality Engineering at Qualcomm, and prior to Qualcomm Mr. Gupta spent 16 years at National Semiconductor in wafer fab operations and quality.

Gagan Jain has served as our vice president, worldwide sales since September 2024. Mr. Jain joined Power Integrations in 2013, managing the company's industrial and high-power gate-driver business in Japan before being promoted to director of sales for Japan. In 2016, he relocated to the company's San Jose headquarters to assume the role of senior sales director for the Americas. He was promoted to the role of vice president, worldwide sales in 2024. Prior to joining Power Integrations, Mr. Jain held various managerial positions at Infineon Technologies Japan in the industrial module and bi-polar devices business; earlier roles included business development and technical sales in India and Japan focusing on the Asia-Pacific, Europe and South Africa markets.

Sandeep Nayyar has served as our vice president and chief financial officer since June 2010. Previously Mr. Nayyar served as vice president of finance at Applied Biosystems, Inc., a developer and manufacturer of life-sciences products, from 2002 to 2009. Mr. Nayyar was a member of the executive team with world-wide responsibilities for finance. From 1990 to 2001, Mr. Nayyar served in a succession of financial roles including vice president of finance at Quantum Corporation, a computer storage company. Mr. Nayyar also worked for five years in the public-accounting field at Ernst &

Young LLP. Mr. Nayyar is a Certified Public Accountant, Chartered Accountant and has a Bachelor of Commerce from the University of Delhi, India. Mr. Nayyar serves as a director and audit-committee chairman of Penguin Solutions, Inc. (formerly Smart Global Holdings, Inc.), a manufacturer of specialty memory solutions since his appointment in 2014. He was the lead independent director from 2021 to 2022.

Clifford Walker has served as our vice president, corporate development since June 1995. From September 1994 to June 1995, Mr. Walker served as vice president of Reach Software Corporation, a software company. From December 1993 to September 1994, Mr. Walker served as president of Morgan Walker International, a consulting company.

Item 1A. Risk Factors.

The following are important factors that could cause actual results or events to differ materially from those contained in any forward-looking statements made by us or on our behalf. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we deem immaterial also may impair our business operations. If any of the following risks or such other risks actually occurs, our business could be harmed.

Risks Related to Ownership of Our Common Stock

Our operating results are volatile and difficult to predict. If we fail to meet the expectations of public market analysts or investors, the market price of our common stock may decrease significantly. Our net revenues and operating results have varied significantly in the past, are difficult to forecast, are subject to numerous factors both within and outside of our control, and may fluctuate significantly in the future. As a result, our operating results could fall below the expectations of public market analysts or investors. If that occurs, the price of our stock may decline.

Some of the factors that could affect our operating results include the following:

- the demand for our products declining in the major end markets we serve, which may occur due to competitive factors, supply-chain fluctuations, rising inflation or other changes in macroeconomic conditions;
- reliance on international sales activities for a substantial portion of our net revenues;
- the volume and timing of orders received from customers;
- our products are sold through distributors, which limits our direct interaction with our end customers, which reduces our ability to forecast sales and increases the complexity of our business;
- the ability of our products to penetrate additional markets;
- our ability to develop and bring to market new products and technologies on a timely basis;
- undetected defects and failures in meeting the exact specifications required by our products;
- warranty claims, product liability claims and product recalls;
- failure, disruption, security breaches, or other incidents impacting our information technology infrastructure or information management systems;
- interruptions in our information technology systems;
- competitive pressures on selling prices;
- risks associated with our supply chain including, the volume, cost and timing of delivery of orders placed by us with our wafer foundries and assembly subcontractors, and their ability to procure materials;
- our ability to attract and retain qualified personnel;
- the lengthy timing of our sales cycle;
- earthquakes, fire or other disasters;
- we face risks related to global health crises, which has disrupted and may again disrupt our operations, including our manufacturing, research and development, and sales and marketing activities, which could have a material adverse impact on our business, financial condition, operating results and cash flows;

- fluctuations in exchange rates, particularly the exchange rate between the U.S. dollar and the Japanese yen, the Euro and the Swiss franc;
- the inability to adequately protect or enforce our intellectual property rights;
- expenses we are required to incur (or choose to incur) in connection with our intellectual property litigations;
- changes in tax rules and regulations, changes in interpretation of tax rules and regulations, or unfavorable assessments from tax audits may increase the amount of taxes we are required to pay;
- changes in environmental laws and regulations, including with respect to energy consumption and climate change;
- uncertainties arising out of economic consequences of current and potential military actions, including current on-going conflicts in Ukraine and the Middle East, or terrorist activities and associated political instability;
- risks associated with acquisitions and strategic investments;
- our ability to successfully integrate, or realize the expected benefits from, our acquisitions; and
- continued impact of changes in securities laws and regulations, including potential risks resulting from our evaluation of our internal controls over financial reporting.

Risks Related to the Operation and Growth of Our Business

If demand for our products continues to decline in our major end markets, our net revenues will decline further. When our customers are not successful in maintaining high levels of demand for their products, their demand for our ICs decreases, which adversely affects our operating results. A limited number of applications of our products, such as consumer appliances and cellphone chargers, make up a significant percentage of our net revenues. We expect that a significant level of our net revenues and operating results will continue to be dependent upon these applications in the near term. Demand for end products incorporating our products has been highly cyclical over time and has been impacted by economic downturns; our recent results have been impacted by economic conditions including inflation and the effects of anti-COVID measures in China. Any further economic slowdown in the end markets that we serve could cause a further slowdown in demand for our ICs, causing our net revenues to decline further and potentially result in write-offs of excess or obsolete inventory, which could cause the price of our stock to fall.

Our international sales activities account for a substantial portion of our net revenues, which subjects us to substantial risks. Sales to customers outside of the United States of America account for, and have accounted for a large portion of our net revenues, including approximately 98%, 98% and 96% of our net revenues for the years ended December 31, 2024, 2023 and 2022, respectively. If our international sales declined and we were unable to increase domestic sales, our revenues would decline and our operating results would be harmed. International sales involve a number of risks to us, including:

- tariffs, protectionist measures and other trade barriers and restrictions;
- potential insolvency of international distributors and representatives;
- reduced protection for intellectual property rights in some countries;
- the impact of recessionary environments and inflation in the United States and other economies where we do business;
- global, regional, and local economic and political conditions, including, but not limited to, social, economic, political, and supply chain instability related to the uncertainty regarding relationships among the international community as a whole including potential risks stemming from tensions between China and Taiwan and between China and Western countries, as well as related to armed conflicts that exist, or in the future could exist, in various parts of the world;
- the burdens of complying with a variety of foreign and applicable U.S. Federal and state laws; and
- foreign-currency exchange risk.

Our failure to adequately address these risks could reduce our international sales and materially and adversely affect our operating results. Furthermore, because substantially all of our foreign sales are denominated in U.S. dollars, increases in the value of the dollar cause the price of our products in foreign markets to rise, making our products more expensive relative to competing products priced in local currencies.

We do not have long-term contracts with any of our customers and if they fail to place, or if they cancel or reschedule orders for our products, our operating results and our business may suffer. Our business is characterized by short-term customer orders and shipment schedules, and the ordering patterns of some of our large customers have been unpredictable in the past and will likely remain unpredictable in the future. Not only does the volume of units ordered by particular customers vary substantially from period to period, but also purchase orders received from particular customers often vary substantially from early oral estimates provided by those customers for planning purposes. In addition, customer orders can be canceled or rescheduled without significant penalty to the customer. In the past, we have experienced customer cancellations of substantial orders for reasons beyond our control, and significant cancellations could occur again at any time. Also, a relatively small number of distributors, OEMs and merchant power supply manufacturers account for a significant portion of our revenues. Specifically, our top ten customers, including distributors, accounted for 79%, 80% and 76% of our net revenues in each of the years ended December 31, 2024, 2023 and 2022, respectively. However, a significant portion of these revenues are attributable to sales of our products through distributors of electronic components. These distributors sell our products to a broad, diverse range of end users, including OEMs and merchant power supply manufacturers, which mitigates the risk of customer concentration to a large degree.

Our products are sold through distributors, which limits our direct interaction with our end customers, therefore reducing our ability to forecast sales and increasing the complexity of our business. Sales to distributors accounted for approximately 70%, 69% and 70% of net revenues in the years ended December 31, 2024, 2023 and 2022, respectively. Selling through distributors reduces our ability to forecast sales and increases the complexity of our business, requiring us to:

- manage a more complex supply chain;
- monitor the level of inventory of our products at each distributor, and
- monitor the financial condition and credit-worthiness of our distributors, many of which are located outside of the United States and are not publicly traded.

Since we have limited ability to forecast inventory levels at our end customers, it is possible that there may be significant build-up of inventories in the distributor channel, with the OEM or the OEM's contract manufacturer. Such a buildup could result in a slowdown in orders, requests for returns from customers, or requests to move out planned shipments. This could adversely impact our revenues and profits. Any failure to manage these complexities could disrupt or reduce sales of our products and unfavorably impact our financial results.

If our products do not penetrate additional markets, our business will not grow as we expect. We believe that our future success depends in part upon our ability to penetrate additional markets for our products. We cannot assure that we will be able to overcome the marketing or technological challenges necessary to penetrate additional markets. To the extent that a competitor penetrates additional markets before we do, or takes market share from us in our existing markets, our net revenues and financial condition could be materially adversely affected.

If our efforts to enhance existing products and introduce new products are not successful, we may not be able to generate demand for our products. Our success depends in significant part upon our ability to develop new ICs for high-voltage power conversion for existing and new markets, to introduce these products in a timely manner and to have these products selected for design into products of leading manufacturers. New product introduction schedules are subject to the risks and uncertainties that typically accompany development and delivery of complex technologies to the market place, including product development delays and defects. If we fail to develop and sell new products in a timely manner, then our net revenues could decline.

In addition, we cannot be sure that we will be able to adjust to changing market demands as quickly and cost-effectively as necessary to compete successfully. Furthermore, we cannot assure that we will be able to introduce new products in a timely and cost-effective manner or in sufficient quantities to meet customer demand or that these products will achieve market acceptance. Our failure, or our customers' failure, to develop and introduce new products successfully and in a timely manner would harm our business. In addition, customers may defer or return orders for existing products in response to the introduction of new products. When a potential liability exists we will maintain reserves for customer returns, however we cannot assure that these reserves will be adequate.

Our products must meet exacting specifications, and undetected defects and failures may occur which may cause customers to return or stop buying our products and/or impose significant costs to us. Our customers generally establish demanding specifications for quality, performance and reliability, and our products must meet these specifications. ICs as complex as those we sell often encounter development delays and may contain undetected defects or failures when first introduced or after commencement of commercial shipments. We have from time to time in the past experienced product quality, performance or reliability problems. If defects and failures occur in our products, we could experience lost revenue, increased costs, including product warranty or liability claims and costs associated with customer support and product recalls, delays in or cancellations or rescheduling of orders or shipments and product returns or discounts. While we specifically exclude consequential damages in our standard terms and conditions, certain of our contracts may not exclude such liabilities. Our liability insurance which covers certain damages arising out of product defects may not cover all claims or be of a sufficient amount to fully protect against such claims. Costs or payments in connection with such claims could harm our operating results.

Warranty claims, product liability claims and product recalls could harm our business, results of operations and financial condition. We face an inherent business risk of exposure to warranty and product liability claims if products fail to perform as expected or any such failure is alleged to result in bodily injury, death, and/or property damage. In addition, if any of our designed products are alleged to be defective, we may be required to participate in their recalls. Some OEMs expect suppliers to warrant their products for longer periods of time and are increasingly looking to them for contribution when faced with product liability claims or recalls. We carry various commercial liability policies, including umbrella/excess policies which provide some protection against product liability exposure. However, a successful warranty or product liability claim against us in excess of our available insurance coverage, or a requirement that we participate in a product recall, could have adverse effects on our business results. Further, in the future, it is possible that we will not be able to obtain insurance coverage in the amounts and for the risks we seek at policy costs and terms we desire. Additionally, if our products fail to perform as expected or such failure of our products results in a recall, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could materially and adversely affect our business, results of operations and financial condition.

Any failure, disruption or security breach or incident otherwise impacting our information technology infrastructure or information management systems could have an adverse impact on our business and operations. Cyber-attacks have become increasingly more prevalent and much harder to detect, defend against or prevent. As the frequency of cyber-attacks and resulting breaches reported by other businesses and governments increases, we expect to continue to devote significant resources to improve and maintain our IT infrastructure and its security. We have incurred and may in the future incur significant costs in order to implement, maintain and/or update security systems we believe are necessary to protect our IT infrastructure. As the techniques used to obtain unauthorized access or to sabotage systems change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures. A breakdown in existing controls and procedures around our cyber-security environment may prevent us from detecting, reporting or responding to cyber incidents in a timely manner and could have a material adverse effect including but not limited to interruptions or delays in our business operations, loss of existing or future customers, and damage to our reputation, which could adversely affect our business, reputation, and financial results. We cannot guarantee that our implemented processes for IT and risk mitigation measures will be effective for IT systems under our control.

Furthermore, we rely on products and services provided by third-party suppliers to operate certain critical business systems. We cannot guarantee that third parties and infrastructure in our supply chain or our partners' supply chains have not been or will not be compromised or that they do not or will not in the future contain exploitable defects or bugs that could result in a breach of or disruption to our IT infrastructure, including our products and services, or the third-party information technology systems that support our services.

We have limited insight into the data privacy or security practices of third-party service providers. Our ability to monitor these third parties' information security practices is limited, and they may not have adequate information security measures in place. If one of our third-party suppliers suffers a security breach, our response may be limited or more difficult because we may not have direct access to their systems, logs and other information related to the security breach.

Interruptions in our information technology systems could adversely affect our business. We rely on the efficient and uninterrupted operation of complex information technology systems and networks to operate our business. Any significant system or network disruption, including but not limited to new system implementations, faulty software provided by one of our security vendors, computer viruses, security breaches, or energy blackouts could have a material adverse impact on our operations, sales and operating results. We have implemented measures to manage our risks related to such disruptions, but such disruptions could still occur and negatively impact our operations and financial results.

Furthermore, the risk of state-supported and geopolitically motivated cybersecurity incidents may increase due to geopolitical instability. In addition, we may incur additional costs to remedy any damages caused by these disruptions or security breaches.

Intense competition in the high-voltage power supply industry may lead to a decrease in our average selling price and reduced sales volume of our products. The high-voltage power supply industry is intensely competitive and characterized by significant price sensitivity. Our products face competition from alternative technologies, such as linear transformers, discrete switcher power supplies, and other integrated and hybrid solutions. If the price of competing solutions decreases significantly, the cost effectiveness of our products will be adversely affected. If power requirements for applications in which our products are currently utilized go outside the cost-effective range of our products, some of these alternative technologies can be used more cost effectively. In addition, as our patents expire, our competitors could legally begin using the technology covered by the expired patents in their products, potentially increasing the performance of their products and/or decreasing the cost of their products, which may enable our competitors to compete more effectively. Our current patents may or may not inhibit our competitors from getting any benefit from an expired patent. Our U.S. patents have expiration dates ranging from 2025 to 2045. We cannot assure that our products will continue to compete favorably or that we will be successful in the face of increasing competition from new products and enhancements introduced by existing competitors or new companies entering this market. We believe our failure to compete successfully in the high-voltage power supply business, including our ability to introduce new products with higher average selling prices, would materially harm our operating results.

We depend on third-party suppliers to provide us with wafers for our products and if they fail to provide us sufficient quantities of wafers, our business may suffer. Our primary supply arrangements for the production of wafers are with Epson, Lapis and X-FAB. Our contracts with these suppliers expire on varying dates, with the earliest to expire in December 2025. Although some aspects of our relationships with Lapis, X-FAB and Epson are contractual, many important aspects of these relationships depend on their continued cooperation. We cannot assure that we will continue to work successfully with Epson, Lapis and X-FAB in the future, and that the wafer foundries' capacity will meet our needs. Additionally, one or more of these wafer foundries could seek an early termination of our wafer supply agreements. Any serious disruption in the supply of wafers from Epson, Lapis and X-FAB could harm our business. We estimate that it would take 12 to 24 months from the time we identified an alternate manufacturing source to produce wafers with acceptable manufacturing yields in sufficient quantities to meet our needs.

Although we provide our foundries with rolling forecasts of our production requirements, their ability to provide wafers to us is ultimately limited by the available capacity of the wafer foundry. Any reduction in wafer foundry capacity available to us could require us to pay amounts in excess of contracted or anticipated amounts for wafer deliveries or require us to make other concessions to meet our customers' requirements, or may limit our ability to meet demand for our products. Further, to the extent demand for our products exceeds wafer foundry capacity, this could inhibit us from expanding our business and harm relationships with our customers. Any of these concessions or limitations could harm our business.

If our third-party suppliers and independent subcontractors do not produce our wafers and assemble our finished products at acceptable yields, our net revenues may decline. We depend on independent foundries to produce wafers, and independent subcontractors to assemble and test finished products, at acceptable yields and to deliver them to us in a timely manner. The failure of the foundries to supply us wafers at acceptable yields could prevent us from selling our products to our customers and would likely cause a decline in our net revenues and gross margin. In addition, our IC assembly process requires our manufacturers to use a high-voltage molding compound that has been available from only a few suppliers. These compounds and their specified processing conditions require a more exacting level of process control than normally required for standard IC packages. Unavailability of assembly materials or problems with the assembly process can materially and adversely affect yields, timely delivery and cost to manufacture. We may not be able to maintain acceptable yields in the future.

In addition, if prices for commodities used in our products increase significantly, raw material costs would increase for our suppliers which could result in an increase in the prices our suppliers charge us. To the extent we are not able to pass these costs on to our customers; this would have an adverse effect on our gross margins.

We must attract and retain qualified personnel to be successful and competition for qualified personnel is intense in our market. Our success depends to a significant extent upon the continued service of our executive officers and other key management and technical personnel, and on our ability to continue to attract, retain and motivate qualified personnel, such as experienced analog design engineers and systems applications engineers. The competition for these employees is intense, particularly in Silicon Valley. The loss of the services of one or more of our engineers, executive officers or other key personnel could harm our business. In addition, if one or more of these individuals leaves our employ, and we are

unable to quickly and efficiently replace those individuals with qualified personnel who can smoothly transition into their new roles, our business may suffer. We do not have long-term employment contracts with, and we do not have in place key person life insurance policies on, any of our employees.

Because the sales cycle for our products can be lengthy, we may incur substantial expenses before we generate significant revenues, if any. Our products are generally incorporated into a customer's products at the design stage. However, customer decisions to use our products, commonly referred to as design wins, can often require us to expend significant research and development and sales and marketing resources without any assurance of success. These significant research and development and sales and marketing resources often precede volume sales, if any, by a year or more. The value of any design win will largely depend upon the commercial success of the customer's product. We cannot assure that we will continue to achieve design wins or that any design win will result in future revenues. If a customer decides at the design stage not to incorporate our products into its product, we may not have another opportunity for a design win with respect to that product for many months or years.

In the event of an earthquake, fire, other pandemics, natural or other disasters, including with respect to climate change, our operations may be interrupted and our business would be harmed. Our principal executive offices and operating facilities are situated near San Francisco, California, and most of our major suppliers, which are wafer foundries and assembly houses, are located in areas that have been subject to severe earthquakes, such as Japan. Many of our suppliers are also susceptible to other disasters such as tropical storms, typhoons, tsunamis or other catastrophic events, including those caused by climate change. In the event of a disaster, we or one or more of our major suppliers may be temporarily unable to continue operations and may suffer significant property damage. Any interruption in our ability, or that of our major suppliers, to continue operations could delay the development and shipment of our products and have a substantial negative impact on our financial results.

We face risks related to global health crises, such as the COVID-19 pandemic, which have disrupted and may again disrupt our operations, including our manufacturing, research and development, and sales and marketing activities, which could have a material adverse impact on our business, financial condition, operating results and cash flows. Our business as well as the business of our suppliers, customers and distributors was impacted by the COVID-19 pandemic and may in the future be adversely impacted by the world-wide response to any further global health crises. Such impacts include public health measures, travel restrictions, business shutdowns, border closures, delivery and freight delays and other disruptions. These disruptions may adversely affect not only our sales and marketing activities, product development, manufacturing and product shipments which could negatively impact our ability to meet customer commitments but also our customers' ability to manufacture their products, which could reduce their demand for our products. The COVID-19 pandemic caused a significant economic downturn in local and global economies and in financial markets. Any future global health crisis could have similar economic consequences which may result in reduced demand for our products and have a material adverse effect on our revenues, customer relationships, operating results, cash flows, financial condition and stock price.

Risks Related to Financial Performance

Fluctuations in exchange rates, particularly the exchange rate between the U.S. dollar and the Japanese yen, Swiss franc and euro, may impact our gross margin and net income. Our exchange rate risk related to the Japanese yen includes two of our major suppliers, Epson and Lapis, with which we have wafer supply agreements based in U.S. dollars; however, these agreements also allow for mutual sharing of the impact of the exchange rate fluctuation between Japanese yen and the U.S. dollar. Each year, our management and these suppliers review and negotiate pricing; the negotiated pricing is denominated in U.S. dollars but is subject to contractual exchange rate provisions. The fluctuation in the exchange rate is shared equally between Power Integrations and each of these suppliers. We maintain cash denominated in Swiss francs and euros to fund the operations of our Swiss subsidiary. The functional currency of our Swiss subsidiary is the U.S. dollar; gains and losses arising from the remeasurement of non-functional currency balances are recorded in other income in our consolidated statements of income, and material unfavorable exchange-rate fluctuations with the Swiss franc could negatively impact our net income.

Risks Related to Our Intellectual Property

If we are unable to adequately protect or enforce our intellectual property rights, we could lose market share, incur costly litigation expenses, suffer incremental price erosion or lose valuable assets, any of which could harm our operations and negatively impact our profitability. Our success depends upon our ability to continue our technological innovation and protect our intellectual property, including patents, trade secrets, copyrights and know-how. We are currently engaged in litigation to enforce our intellectual property rights, and associated expenses have been, and are expected to remain, material and have adversely affected our operating results. We cannot assure that the steps we have

taken to protect our intellectual property will be adequate to prevent misappropriation, or that others will not develop competitive technologies or products. From time to time, we have received, and we may receive in the future, communications alleging possible infringement of patents or other intellectual property rights of others. Costly litigation may be necessary to enforce our intellectual property rights or to defend us against claimed infringement. The failure to obtain necessary licenses and other rights, and/or litigation arising out of infringement claims could cause us to lose market share and harm our business.

As our patents expire, we will lose intellectual property protection previously afforded by those patents. Additionally, the laws of some foreign countries in which our technology is or may in the future be licensed may not protect our intellectual property rights to the same extent as the laws of the United States, thus limiting the protections applicable to our technology.

If we do not prevail in our litigation, we will have expended significant financial resources, potentially without any benefit, and may also suffer the loss of rights to use some technologies. We are currently involved in a number of patent litigation matters and the outcome of the litigation is uncertain. See Note 14, *Legal Proceedings and Contingencies*, in our Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. For example, we are being sued in an ongoing case for patent infringement. Should we ultimately be determined to be infringing another party's patents, or if an injunction is issued against us while litigation is pending on those claims, such result could have an adverse impact on our ability to sell products found to be infringing, either directly or indirectly. In the event of an adverse outcome, we may be required to pay substantial damages, stop our manufacture, use, sale, or importation of infringing products, or obtain licenses to the intellectual property we are found to have infringed. We have also incurred, and expect to continue to incur, significant legal costs in conducting these lawsuits, including the appeal of the case we won, and our involvement in this litigation and any future intellectual property litigation could adversely affect sales and divert the efforts and attention of our technical and management personnel, whether or not such litigation is resolved in our favor. Thus, even if we are successful in these lawsuits, the benefits of this success may fail to outweigh the significant legal costs we will have incurred.

Risks Related to Laws and Regulations

Changes in tax rules and regulations, changes in interpretation of tax rules and regulations, or unfavorable assessments from tax audits may increase the amount of taxes we are required to pay. Our operations are subject to income and transaction taxes in the United States and in multiple foreign jurisdictions and to review or audit by the U.S. Internal Revenue Service ("IRS") and state, local and foreign tax authorities. In addition, the United States, countries in Asia and other countries where we do business have recently enacted or are considering changes in relevant tax, accounting and other laws, regulations and interpretations, including changes to tax laws applicable to multinational companies. These potential changes could adversely affect our effective tax rates or result in other costs to us.

The European Union ("EU") member states formally adopted the EU's Pillar Two Directive, which was established by the Organization for Economic Cooperation and Development, and which generally provides for a 15 per cent minimum effective tax rate for multinational corporations, in all jurisdictions in which they operate. While we do not anticipate that this will have a material impact on our tax provision or effective tax rate, we will continue to monitor the evolving tax legislation in the jurisdictions in which we operate.

The foregoing items could have a material effect on our business, cash flow, results of operations or financial conditions.

Changes in environmental laws and regulations, including with respect to energy consumption and climate change, may have a negative impact on our business. Changing environmental regulations and the timetable to implement them continue to impact our customers' demand for our products. Currently we have limited visibility into our customers' strategies to implement these changing environmental regulations into their business. The inability to accurately determine our customers' strategies could increase our inventory costs related to obsolescence.

The semiconductor industry is subject to environmental regulations, particularly those that control and restrict the sourcing, use, transportation, storage, and disposal of certain mineral, chemicals, and materials used in the semiconductor manufacturing process. We expect the heightened worldwide awareness regarding climate change and the environmental impact to continue, which may result in new environmental laws and regulations that could affect us, our suppliers and/or our customers. New environmental laws and regulations could require us or our suppliers to obtain alternative materials that may increase our costs more or be less available, which may adversely affect our operating results.

General Risk Factors

Uncertainties arising out of economic consequences of current and potential military actions or terrorist activities and associated political instability could adversely affect our business. Like other U.S. companies, our business and operating results are subject to uncertainties arising out of economic consequences of current and potential military actions or terrorist activities and associated political instability, and the impact of heightened security concerns on domestic and international travel and commerce. These uncertainties could also lead to delays or cancellations of customer orders, a general decrease in corporate spending or our inability to effectively market and sell our products. Any of these results could substantially harm our business and results of operations, causing a decrease in our revenues.

We are exposed to risks associated with acquisitions and strategic investments. We have made, and in the future intend to make, acquisitions of, and investments in, companies, technologies or products in existing, related or new markets. Acquisitions involve numerous risks, including but not limited to:

- inability to realize anticipated benefits, which may occur due to any of the reasons described below, or for other unanticipated reasons;
- the risk of litigation or disputes with customers, suppliers, partners or stockholders of an acquisition target arising from a proposed or completed transaction;
- impairment of acquired intangible assets and goodwill as a result of changing business conditions, technological advancements or worse-than-expected performance, which would adversely affect our financial results; and
- unknown, underestimated and/or undisclosed commitments, liabilities or issues not discovered in our due diligence of such transactions.

We also in the future may have strategic relationships with other companies, which may decline in value and/or not meet desired objectives. The success of these strategic relationships depends on various factors over which we may have limited or no control and requires ongoing and effective cooperation with strategic partners. Moreover, these relationships are often illiquid, such that it may be difficult or impossible for us to monetize such relationships.

Our inability to successfully integrate, or realize the expected benefits from, our acquisitions could adversely affect our results. We have made, and in the future intend to make, acquisitions of other businesses and with these acquisitions there is a risk that integration difficulties may cause us not to realize expected benefits. The success of the acquisitions could depend, in part, on our ability to realize the anticipated benefits and cost savings (if any) from combining the businesses of the acquired companies and our business, which may take longer to realize than expected.

Securities laws and regulations, including potential risk resulting from our evaluation of internal controls over financial reporting, will continue to impact our results. Complying with the requirements of the federal securities laws and Nasdaq's conditions for continued listing have imposed significant legal and financial compliance costs, and are expected to continue to impose significant costs and management burden on us. These rules and regulations also may make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors, particularly qualified members to serve on our audit committee. Further, the rules and regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act, which became effective in 2011, may impose significant costs and management burden on us.

Additionally, because these laws, regulations and standards are expected to be subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 1C. Cybersecurity.

Cybersecurity Risk Assessment, Identification and Management

We are committed to protecting our information technology (“IT”) infrastructure, including computers, systems, corporate networks and sensitive data, from unauthorized access or attack. We have established global IT policies as well as IT security management control procedures designed to assess, identify, and manage material risks from cybersecurity threats, including but not limited to:

- Creating information security awareness among our employees and business partners and defining responsibilities among them;
- Implementing controls to identify IT risks and monitor the use of our systems and information resources;
- Establishing key policies and processes to adequately and timely respond to security threats;
- Maintaining disaster recovery and business continuity plans; and
- Emphasizing compliance with applicable laws, regulations and contractual obligations regarding the management of information security.

These policies and controls procedures discussed in more detail below, are an integrated component of our enterprise risk management assessment processes. We routinely review and assess our business groups and systems to identify and prioritize areas of risk, including cybersecurity risk. The results of these assessments and progress against prioritized goals are presented to the board of directors each quarter.

We have incurred and may in the future incur significant costs in order to implement, maintain, and/or update security systems we believe are necessary to protect our IT infrastructure. We deploy technical safeguards that are designed to protect our systems from cybersecurity threats, including firewalls, intrusion prevention, and intrusion detection systems. We have established disclosure controls and procedures to address cybersecurity events, which include elements relating to comprehensive analysis of events and communication within the company, as well as addressing potential disclosure obligations arising from security breaches.

We have partnered with third parties to support our information security systems and processes, and to help design, build, test, implement and maintain them. Annual risk assessments are conducted by third party consultants to help ensure that risks to our IT infrastructure are minimized or eliminated.

We rely on products and services provided by third parties for portions of our IT infrastructure, including business management, operations and finance systems. These providers may also experience breaches and attacks on their products which may impact our systems. Further we may also face additional cybersecurity risk due to error or intentional misconduct by contractors and other third-party service providers related to the use of these systems as part of our IT infrastructure.

We have a third-party security policy in place to identify, manage and oversee the potential material risks from threats associated with the use of third-party service providers. We evaluate vendors and consider amongst other factors the criticality of services and sensitivity of information that is within the scope of the services to be provided and manage risk accordingly. Our internal legal department reviews all IT Service Agreements with input from the IT department to ensure that services, terms and conditions in the agreement are suitable. Our IT department performs regular monitoring of vendor services as part of its’ on-going review and monitoring of vendors. As part of our policy, we monitor termination of agreements with vendors designed to ensure that access to Company information is appropriately terminated in a timely manner. Unauthorized network intrusions or other significant information security incidents against third-party systems used by the Company internally are handled in the same manner as internal systems. However as described in Part 1. Item 1A. Risk Factors of this Annual Report on Form 10-K under “Risks Related to the Operation and Growth of Our Business”, we have limited insight into the data privacy or security of third-party service providers and our response may be limited or more difficult because we may not have direct access to their systems.

Although we believe we have adequate resources and sufficient policies, procedures, and oversight in place to identify and manage IT security risks related to our business operations, there can be no guarantee that our policies and procedures will be properly followed in every instance or that those policies and procedures will be effective. For a description of the risks from cybersecurity threats that may materially affect the Company and how they may do so, see our risk factors under Part 1. Item 1A. Risk Factors in this Annual Report on Form 10-K under “Risks Related to the Operation and Growth of Our Business.”

Management Oversight

Our IT infrastructure and the assessment and management of associated risks are primarily the responsibility of our Chief Information Security Officer (“CISO”). Our CISO’s additional responsibilities include hiring appropriate personnel, helping to integrate cybersecurity risks into the Company’s overall risk management strategy, and communicating updates regarding IT/Information security key priorities to relevant personnel including management and the board.

Our CISO has served in that position since 2018. Our CISO has extensive experience serving in executive and senior IT leadership positions over the past 25 years including eleven years at Cavium in a succession of information technology roles, including vice president of business systems, two years at ServiceNow as vice president of IT Applications, and eight years overseeing worldwide IT infrastructure, IT operations and information security at Pinnacle Systems.

We have in place an Incident Response Procedure policy to define our response to unauthorized network intrusions or other significant information security incidents, collectively cybersecurity incidents. The policy defines the standard operational process to determine if an event observed on a system could have caused a breach of the system or a compromise of sensitive data. This policy serves to establish a formal process to report incidents and track response activities. It also defines escalation processes within the Information Security team and further escalation to our Cybersecurity Incident Response Team. It is the responsibility of the Cybersecurity Incident Response team to determine if an incident is material. The Cybersecurity Incident Response Team consists of members from functional groups across our organization including executive management, IT, the CISO, legal, finance and operations. We may include other individuals, including third parties, as appropriate depending on the nature of the incident and system(s) involved. This cross-functional group allows us to address the operational impacts of cybersecurity incidents as and when they occur and to guide decisions related to materiality and, if applicable, disclosure. The Cybersecurity Incident Response Team is responsible for extrapolating cybersecurity incident event information into quantitative and qualitative impacts as they relate to our financial condition and operations. In addition, the Company’s Incident Response Procedure policy includes reporting to the board of directors for certain cybersecurity incidents.

Board Governance

Our full board of directors oversees our risk management including but not limited to IT and cybersecurity policies, procedures, and risk assessments. Our management reports to our board of directors on information security matters on a quarterly basis, or more frequently as needed.

One of the key functions of our board of directors is informed oversight of our various processes for managing risk. An overall review of risk is inherent in our board of directors ongoing consideration of our long-term strategies, transactions and other matters presented to and discussed by the board of directors. This includes a discussion of the likelihood and potential magnitude of various risks, including cybersecurity risks, and any actions management has taken to limit, monitor or control those risks.

At each quarterly board meeting, the full board receives the quarterly cybersecurity board update that is prepared by our CISO. The report provides a comprehensive cybersecurity update for the past quarter, usually including topics such as details on threat landscape, incident response, security metrics and performance, compliance and regulatory updates, cybersecurity investments and budget, employee security awareness and trainings, vendor risk management updates, business continuity and disaster recovery updates, and an update on cybersecurity strategy, projects and roadmap.

Item 2. Properties.

We own our principal executive, administrative, manufacturing and technical offices which are located in San Jose, California. We also own an R&D facility in New Jersey, a design center in Germany and a multipurpose office building in Switzerland. We lease administrative office space in Singapore, R&D facilities in Canada, the United Kingdom, the Philippines, New York, and Malaysia, and sales offices in various countries around the world to accommodate our sales force. We believe that our current facilities are sufficient for our near-term needs; however, if headcount increases above capacity we may need to lease additional space.

Item 3. Legal Proceedings.

Information with respect to this item may be found in Note 14, *Legal Proceedings and Contingencies*, in our Notes to Consolidated Financial Statements included later in this Annual Report on Form 10-K, which information is incorporated here by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock trades on the Nasdaq Global Select Market under the symbol “POWI”.

As of January 31, 2025, there were approximately 61 stockholders of record. Because brokers and other institutions hold many of our shares on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Issuer Purchases of Equity Securities

From time to time our board of directors has authorized the use of funds to repurchase shares of our common stock. In October 2024, our board of directors authorized the use of an additional \$50.0 million for the repurchase of our common stock, with repurchases to be executed according to pre-defined price/volume guidelines.

As of December 31, 2024, we had approximately \$48.1 million available for future stock repurchases. Authorization of future repurchase programs is at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, business conditions and other factors. There is no expiration date on the plan or the amount currently authorized.

The following table summarizes repurchases of our common stock made under our publicly announced repurchase program during the fourth quarter of fiscal 2024:

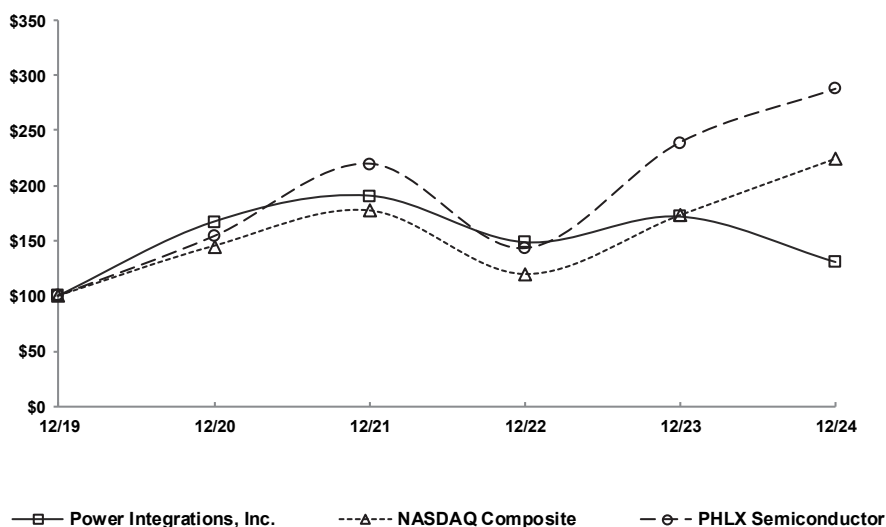
<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value that May Yet be Repurchased Under the Plans or Program (In millions)</u>
October 1, 2024 to October 31, 2024.	—	—	—	\$ 50.0
November 1, 2024 to November 30, 2024. . . .	13,903	\$ 61.81	13,903	\$ 49.1
December 1, 2024 to December 31, 2024	16,445	\$ 63.38	16,445	\$ 48.1
Total	<u>30,348</u>		<u>30,348</u>	

Performance Graph (1)

The following graph shows the cumulative total return on an investment of \$100 in cash on December 31, 2019, through December 31, 2024, in our common stock, the Nasdaq Composite Index and the PHLX Semiconductor Sector Index (SOX) and assuming that all dividends were reinvested. The stockholder return shown on the graph below is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future stockholder returns.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Power Integrations, Inc., the NASDAQ Composite Index
and the PHLX Semiconductor Index



*\$100 invested on 12/31/19 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Company/Index	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Power Integrations, Inc.....	100.00	166.78	190.35	148.28	171.35	130.27
Nasdaq Composite.....	100.00	144.92	177.06	119.45	172.77	223.87
PHLX Semiconductor (SOX)	100.00	153.66	219.51	142.94	238.72	287.31

- (1) This Section is not “soliciting material,” is not deemed “filed” with the SEC and is not to be incorporated by reference in any filing of Power Integrations under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This section of this Form 10-K generally discusses 2024 and 2023 items and year-to-year comparisons between 2024 and 2023. Discussions of 2022 items and year-to-year comparisons between 2023 and 2022 are not included in this Form 10-K, and can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023. The following discussion and analysis has been prepared as an aid to understanding our financial condition and results of our operations. It should be read in conjunction with the consolidated financial statements and the notes to those statements included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this Form 10-K. Our actual results could differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in Part I, Item 1A "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Business Overview

We design, develop and market analog and mixed-signal integrated circuits ("ICs") and other electronic components and circuitry used in high-voltage power conversion. Our products are used in power converters that convert electricity from a high-voltage source to the type of power required for a specified downstream use. In most cases, this conversion entails, among other functions, converting alternating current ("AC") to direct current ("DC") or vice versa, reducing or increasing the voltage, and regulating the output voltage and/or current according to the customer's specifications.

A large percentage of our products are ICs used in AC-DC power supplies, which convert the high-voltage AC from a wall outlet to the low-voltage DC required by most electronic devices. Power supplies incorporating our products are used with all manner of electronic products including mobile phones, computing and networking equipment, appliances, electronic utility meters, battery-powered tools, industrial controls, and "home-automation," or "internet of things" applications such as networked thermostats, power strips and security devices. Variations of our power-supply ICs are used for high-voltage power conversion in electric vehicles ("EVs"). We also supply high-voltage LED drivers, which are AC-DC ICs specifically designed for lighting applications that utilize light-emitting diodes, and motor-driver ICs for brushless DC ("BLDC") motors used in consumer appliances, HVAC systems, ceiling fans and a variety of industrial applications.

We also offer high-voltage gate drivers—either standalone ICs or circuit boards containing ICs, electrical isolation components and other circuitry—used to operate high-voltage switches such as insulated-gate bipolar transistors ("IGBTs") and silicon-carbide ("SiC") MOSFETs. These combinations of switches and drivers are used for power conversion in high-power applications (i.e., power levels ranging from approximately 100 kilowatts up to gigawatts) such as industrial motors, solar- and wind-power systems, EVs and high-voltage DC transmission systems.

Our business and financial performance depends significantly on worldwide economic conditions. We face global macroeconomic challenges and risks including the effects of the conflicts in Ukraine and the Middle East, potential risks stemming from tensions between China and Taiwan and between China and Western countries, volatility in exchange rates, cyclical demand patterns common for our industry, inflation, tariffs and other risks associated with the global trade environment.

Our net revenues were \$419.0 million and \$444.5 million in 2024 and 2023, respectively. The decline in revenues in 2024 was driven by lower sales into the communications end-market, primarily reflecting greater use of Chinese-made components in chargers manufactured for Chinese smartphone vendors, as well as increased decoupling of smartphone handsets and chargers. Revenues from the consumer, industrial and computer categories increased compared to the prior year.

We believe that demand for our products has been negatively affected in recent years by an array of macroeconomic and geopolitical factors including reduced consumer spending and a reduction in home sales in response to inflation and higher interest rates, general economic weakness in China, particularly in the residential real estate market, weaker industrial activity and the conflicts in Ukraine and the Middle East. We believe these factors have exacerbated the effects of a cyclical downturn in the semiconductor industry; such downturns are commonly experienced following periods of strong growth—such as that observed during the COVID-19 pandemic—during which supply-chain participants tend to accumulate excess inventories. Inventories at distributors of our products have decreased significantly in recent periods, enabling our sales to align more closely with end-market demand; this contributed to an increase in net revenues in the fourth quarter of 2024 compared to the fourth quarter of 2023.

Our top ten customers, including distributors that resell to OEMs and merchant power supply manufacturers, accounted for approximately 79% and 80% of net revenues in 2024 and 2023, respectively. International sales represented approximately 98% of net revenues for both 2024 and 2023.

Because our industry is intensely price-sensitive, our gross margin (gross profit divided by net revenues) is subject to change based on the relative pricing of solutions that compete with ours. Variations in product mix, end-market mix and customer mix can also cause our gross margin to fluctuate. Also, because we purchase a large percentage of our silicon wafers from foundries located in Japan, our gross margin is influenced by fluctuations in the exchange rate between the U.S. dollar and the Japanese yen. All else being equal, a 10% change in the value of the U.S. dollar compared to the Japanese yen would eventually result in a corresponding change in our gross margin of approximately 1.4%; this sensitivity may increase or decrease depending on the percentage of our wafer supply that we purchase from Japanese suppliers. Also, although our wafer fabrication and assembly operations are outsourced, as are most of our test operations, a portion of our production costs are fixed in nature. As a result, our unit costs and gross profit margin are impacted by the volume of units we produce.

Our gross profit, defined as net revenues less cost of revenues, was \$224.8 million or 54% of net revenues in 2024, compared to \$229.0 million or 52% of net revenues in 2023. Our gross margin increased in 2024 due to the favorable impact of the dollar/yen exchange rate on our wafer costs, manufacturing efficiencies including the benefit of higher unit volumes on our manufacturing costs per unit, and favorable end-market mix with a greater percentage of sales coming from higher-margin market categories.

Total operating expenses in 2024 were \$206.8 million, an increase of \$12.9 million as compared to 2023, primarily due to increased stock-based compensation expense and higher salary- and benefit-related expenses driven by increased headcount, annual salary increases and higher costs associated with employee health insurance and other benefits.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America, or U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those listed below. We base our estimates on historical facts and various other assumptions that we believe to be reasonable at the time the estimates are made. Actual results could differ from those estimates.

Our critical accounting policies which reflect our more significant estimates are as follows:

- revenue recognition;
- inventory valuation.

Our critical accounting policies are important to the portrayal of our financial condition and results of operations, and require us to make judgments and estimates about matters that are inherently uncertain. A brief description of our critical accounting policies and material estimates is set forth below. For more information regarding our accounting policies, see Note 2, *Summary of Significant Accounting Policies and Recent Accounting Pronouncements*, in our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Revenue recognition

Product revenues consist of sales to original equipment manufacturers, or OEMs, merchant power supply manufacturers and distributors. We apply the provisions of Accounting Standards Codification (ASC) 606-10, *Revenue from Contracts with Customers*, and all related appropriate guidance. We recognize revenue under the core principle to depict the transfer of control to our customers in an amount reflecting the consideration we expect to be entitled. In order to achieve that core principle, we apply the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

Sales to most distributors are made under terms allowing certain price adjustments and limited rights of return (known as “stock rotation”) of our products held in their inventory or upon sale to their end customers. We recognize revenue from sales to distributors upon the transfer of control to the distributor. Frequently, distributors need to sell at a price lower than the standard distribution price in order to win business. At the time the distributor invoices its customer

or soon thereafter, the distributor submits a “ship-and-debit” price adjustment claim to us to adjust the distributor’s cost from the standard price to the pre-approved lower price. After we verify that the claim was pre-approved, we issue a credit memo to the distributor for the ship-and-debit claim. In determining the transaction price, we consider ship-and-debit price adjustments to be variable consideration. At the time revenue is recognized on sales to distributors, future ship-and-debit price adjustments are unknown and therefore subject to uncertainty. Such price adjustments are estimated using the expected-value method based on an analysis of actual ship-and-debit claims, at the distributor and product level, over a period of time considered adequate to account for current pricing and business trends. The reserve for ship-and-debit claims decreased by \$9.6 million between December 31, 2024 and December 31, 2023, primarily due to lower inventory levels held by distributors. Historically, actual price adjustments for ship-and-debit claims have not materially differed from those estimated when determining the transaction price. To the extent future ship-and-debit claims significantly exceed amounts estimated, there could be a material impact on our revenues and results of operations.

Stock rotation rights grant the distributor the ability to return certain specified amounts of inventory. Stock rotation returns are an additional form of variable consideration and are also estimated using the expected value method based on historical return rates. Historically, these distributor stock rotation returns have not been material.

Inventory valuation

The bulk of our inventory is held in wafers, which combined with the fungibility of our products across customers and applications results in a lower risk of obsolescence. We routinely monitor the quality of our on-hand wafers to ensure that performance remains unchanged over time. When evaluating the adequacy of our provision for excess and obsolete inventory, we identify excess and obsolete products and also analyze historical usage, forecasted demand, current economic trends and historical write-offs. This write-down is reflected as a reduction to inventory in the consolidated balance sheets and an increase in cost of revenues in our consolidated statements of income. If actual market conditions are less favorable than our assumptions, we may be required to take additional write-downs, which could adversely impact our cost of revenues and operating results. Historically, these write-downs have not been material.

Results of Operations

The following table sets forth statement of income data as a percentage of net revenues for the periods indicated:

	Year Ended December 31,		
	2024	2023	2022
Net revenues	100.0 %	100.0 %	100.0 %
Cost of revenues	46.4	48.5	43.7
Gross profit	53.6	51.5	56.3
Operating expenses:			
Research and development	24.1	21.6	14.4
Sales and marketing	16.2	14.5	9.6
General and administrative	9.1	7.5	4.4
Other operating expenses, net	—	—	0.2
Total operating expenses	49.4	43.6	28.6
Income from operations	4.2	7.9	27.7
Other income	3.1	2.4	0.5
Income before income taxes	7.3	10.3	28.2
Provision (benefit) for income taxes	(0.4)	(2.2)	2.0
Net income	7.7 %	12.5 %	26.2 %

Comparison of Years Ended December 31, 2024 and 2023

Net revenues. Net revenues consist of revenues from product sales, which are calculated net of returns and allowances. Revenues declined in 2024 compared to the prior year driven by lower sales into the communications end-market, primarily reflecting greater use of Chinese-made components in chargers manufactured for Chinese smartphone vendors, as well as increased decoupling of smartphone handsets and chargers. Revenues from the consumer, industrial and computer end-market categories increased compared to the prior year.

Our approximate net revenue mix by end-markets served in 2024, 2023 and 2022 is as follows:

End Market	2024	2023	2022
Communications	12 %	29 %	21 %
Computer	14 %	12 %	10 %
Consumer	39 %	27 %	33 %
Industrial	35 %	32 %	36 %

Sales to customers outside of the United States were \$412.5 million and \$435.9 million in 2024 and 2023, respectively, representing 98% of net revenues in both 2024 and 2023. Although power supplies using our products are designed and distributed worldwide, most of these power supplies are manufactured by our customers in Asia. As a result, sales to this region accounted for 84% of our net revenues in both 2024 and 2023. We expect international sales to continue to account for a large portion of our net revenues for the foreseeable future.

Sales to distributors accounted for 70% and 69% of our net revenues in 2024 and 2023, respectively, with direct sales to OEMs and merchant power supply manufacturers accounting for the remainder in each of the corresponding years.

The following customers represented 10% or more of our net revenues for the respective years:

Customer	2024	2023	2022
Avnet	30 %	27 %	31 %
Honestar Technologies Co., Ltd.	11 %	18 %	11 %
Salcomp Group	*	10 %	*

* Total customer revenue was less than 10% of net revenues.

No other customers accounted for 10% or more of net revenues during these years.

Gross profit. Gross profit is net revenues less cost of revenues. Our cost of revenues consists primarily of the purchase of wafers from our contracted foundries, the assembly, packaging and testing of our products by sub-contractors, product testing performed in our own facility, overhead associated with the management of our supply chain and the amortization of acquired intangible assets. Gross margin is gross profit divided by net revenues. The following table compares gross profit and gross margin for the years ended December 31, 2024, 2023 and 2022:

(dollars in millions)	2024	Change	2023	Change	2022
Gross profit	\$ 224.8	(1.8)%	\$ 229.0	(37.6)%	\$ 366.9
Gross margin	53.6 %		51.5 %		56.3 %

Our gross margin increased in 2024 as compared to 2023 due to the favorable impact of the dollar/yen exchange rate on our wafer costs, manufacturing efficiencies including the benefit of higher unit volumes on our manufacturing costs per unit, and favorable end-market mix with a greater percentage of sales coming from higher-margin end-market categories.

Research and development expenses. Research and development (“R&D”) expenses consist primarily of employee-related expenses including salaries and stock-based compensation, as well as expensed material and facility costs associated with the development of new processes and products. We also record R&D expenses for prototype wafers related to new products until the products are released to production. The following table compares R&D expenses for the years ended years ended December 31, 2024, 2023 and 2022:

(dollars in millions)	2024	Change	2023	Change	2022
R&D expenses	\$ 100.8	4.9 %	\$ 96.1	2.3 %	\$ 93.9
Headcount (at period end)	311		282		310

R&D expenses increased in 2024 compared to 2023 primarily due to increased stock-based compensation expense related to performance-based awards and higher salaries- and benefit-related expenses due to increased headcount and annual salary increases. The addition of the employees of Odyssey Semiconductor in July 2024 contributed to the increase.

Sales and marketing expenses. Sales and marketing (“S&M”) expenses consist primarily of employee-related expenses, including salaries and stock-based compensation, and commissions to sales representatives, as well as facilities expenses, including expenses associated with our regional sales and support offices. The following table compares sales and marketing expenses for the years ended December 31, 2024, 2023 and 2022:

(dollars in millions)	2024	Change	2023	Change	2022
Sales and marketing expenses	\$ 67.8	5.0 %	\$ 64.6	3.2 %	\$ 62.6
Headcount (at period end)	330		317		320

S&M expenses increased in 2024 compared to 2023 primarily due to increased stock-based compensation expense related to performance-based awards and higher salaries- and benefit-related expenses due to increased headcount and annual salary increases.

General and administrative expenses. General and administrative (“G&A”) expenses consist primarily of employee-related expenses, including salaries and stock-based compensation expenses for administration, finance, human resources and general management, as well as consulting, professional services, legal and auditing expenses. The table below compares G&A expenses for the years ended December 31, 2024, 2023 and 2022:

(dollars in millions)	2024	Change	2023	Change	2022
G&A expenses	\$ 38.2	15.0 %	\$ 33.2	15.0 %	\$ 28.9
Headcount (at period end)	84		79		72

G&A expenses increased in 2024 primarily due to increased stock-based compensation expense related to performance-based awards, higher salaries- and benefit-related expenses due to increased headcount and annual salary increases as well as increased professional services.

Other income. Other income consists primarily of interest income earned on cash and cash equivalents, marketable securities and other investments, and the impact of foreign exchange gains or losses. The following table compares other income for the years ended December 31, 2024, 2023 and 2022:

(dollars in millions)	2024	Change	2023	Change	2022
Other income	\$ 12.8	18.2 %	\$ 10.8	259.9 %	\$ 3.0

Other income increased in 2024 due primarily to an increase in interest income resulting from higher yields earned on our investments.

Provision (benefit) for income taxes. Provision for income taxes represents federal, state and foreign taxes. The following table compares the provision for income taxes for the years ended December 31, 2024, 2023 and 2022:

(dollars in millions)	2024	Change	2023	Change	2022
Provision (benefit) for income taxes	\$ (1.5)	(84.9)%	\$ (9.8)	(178.2)%	\$ 12.6
Effective tax rate	(4.8)%		(21.4)%		6.9 %

In 2024 and 2023, the effective tax rate was lower than the statutory U.S. federal income-tax rates of 21% due to the geographic distribution of our world-wide earnings in lower tax jurisdictions, the impact of federal research tax credits and the recognition of excess tax benefits related to share-based compensation. Additionally, in 2024 and 2023, our effective tax rate was favorably impacted by a discrete item associated with the release of unrecognized tax benefits. These benefits were offset by U.S. tax on foreign income, known as global intangible low-taxed income. The primary jurisdiction from which our foreign earnings are derived is the Cayman Islands, which is a non-taxing jurisdiction. Income earned in other foreign jurisdictions was not material. We have not been granted any incentivized tax rates and do not operate under tax holidays in any jurisdiction. For additional details, refer to Note 11, *Provision (Benefit) for Income Taxes*, in our Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Liquidity and Capital Resources

We had \$300.0 million in cash, cash equivalents and short-term marketable securities at December 31, 2024 compared to \$311.6 million at December 31, 2023. As of December 31, 2024 and 2023, we had working capital, defined as current assets less current liabilities, of approximately \$458.7 million and \$462.7 million, respectively.

We have a Credit Agreement with Wells Fargo Bank, National Association (the "Credit Agreement") that provides us with a \$75.0 million revolving line of credit to use for general corporate purposes with a \$20.0 million sub-limit for the issuance of standby and trade letters of credit. The Credit Agreement was amended on June 7, 2021, to provide an alternate borrowing rate as a replacement for LIBOR and extend the termination date from April 30, 2022 to June 7, 2026, with all other terms remaining the same. The Credit Agreement was amended with an effective date of June 28, 2023 to include the Secured Overnight Financing Rates ("SOFR") as interest rate benchmark rates, with all other terms remaining the same. Our ability to borrow under the revolving line of credit is conditioned upon our compliance with specified covenants, including reporting and financial covenants, primarily a minimum liquidity measure and a debt to earnings ratio, with which we are currently in compliance. The Credit Agreement terminates on June 7, 2026; all advances under the revolving line of credit will become due on such date, or earlier in the event of a default. As of December 31, 2024 and 2023, we had no advances outstanding under the Credit Agreement.

Cash from Operating Activities

Our operating activities generated cash of \$81.2 million and \$65.8 million in the years ended December 31, 2024 and 2023, respectively. We generate cash primarily from operating activities in the ordinary course of business.

In 2024, our net income was \$32.2 million, which included non-cash expenses of \$33.3 million of depreciation, \$35.1 million of stock-based compensation and \$1.3 million of intangibles amortization partially offset by a \$8.4 million increase in deferred income taxes. Sources of cash included a \$3.5 million increase in accounts payable (excluding payables related to property and equipment) due to timing of payments and a \$4.0 million decrease in prepaid expenses and other assets. These sources of cash were partially offset by a \$12.3 million increase in accounts receivable, a \$2.4 million increase in inventories, and a \$3.5 million decrease in taxes payable and accrued liabilities.

In 2023, our net income was \$55.7 million, which included non-cash expenses of \$35.2 million of depreciation, \$28.5 million of stock-based compensation and \$2.2 million of intangibles amortization partially offset by a \$9.2 million increase in deferred income taxes. Sources of cash included a \$6.6 million decrease in accounts receivable. These sources of cash were partially offset by a \$27.7 million increase in inventories due to softening demand during the year, a \$18.2 million decrease in taxes payable and accrued liabilities, a \$5.4 million decrease in accounts payable (excluding payables related to property and equipment) due to timing of payments and a \$1.2 million increase in prepaid expenses and other assets.

Cash from Investing Activities

Our investing activities in the year ended December 31, 2024 resulted in a \$25.9 million net use of cash, consisting primarily of \$17.3 million for purchases of property and equipment and \$9.5 million for the Odyssey acquisition, partially offset by \$0.9 million of proceeds from sales and maturities of marketable securities, net of purchases.

Our investing activities in the year ended December 31, 2023 resulted in a \$14.2 million net use of cash, consisting primarily of \$20.9 million for purchases of property and equipment, primarily production-related machinery and equipment, partially offset by \$6.7 million of proceeds from sales and maturities of marketable securities, net of purchases.

Cash from Financing Activities

Our financing activities in the year ended December 31, 2024, resulted in a \$68.2 million net use of cash. Financing activities consisted primarily of \$46.0 million for the payment of dividends to stockholders and \$27.9 million for the repurchase of our common stock, partially offset by proceeds of \$5.7 million from the issuance of common stock through our employee stock purchase plan.

Our financing activities in the year ended December 31, 2023, resulted in a \$93.0 million net use of cash. Financing activities consisted primarily of \$55.3 million for the repurchase of our common stock and \$44.0 million for the payment of dividends to stockholders, partially offset by proceeds of \$6.2 million from the issuance of common stock through our employee stock purchase plan.

Dividends

In February 2023, our board of directors declared dividends of \$0.19 per share to be paid to stockholders of record at the end of each quarter in 2023. In October 2023, our board of directors raised the cash dividend with the declaration of five cash dividends of \$0.20 per share to be paid to stockholders of record at the end of the fourth quarter in 2023 (in lieu of the \$0.19 per share announced in February 2023) and at the end of each quarter in 2024.

In October 2024, our board of directors raised the cash dividend again with the declaration of five cash dividends of \$0.21 per share to be paid to stockholders of record at the end of the fourth quarter in 2024 (in lieu of the \$0.20 per share announced in October 2023) and at the end of each quarter in 2025.

The declaration of any future cash dividend is at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, business conditions and other factors, as well as a determination that cash dividends are in the best interest of our stockholders.

Stock Repurchases

Over the years our board of directors has authorized the use of funds to repurchase shares of our common stock, including \$100.0 million in October 2022 with repurchases to be executed according to pre-defined price/volume guidelines. As of December 31, 2022, we had \$81.3 million remaining under our stock-repurchase program.

In 2023, we repurchased 0.8 million shares for \$55.3 million, leaving \$26.0 million in funds authorized as of December 31, 2023. We exhausted this authorization in April 2024. In October 2024, our board of directors authorized the use of an additional \$50.0 million for the repurchase of our common stock, with repurchases to be executed according to pre-defined price/volume guidelines. As of December 31, 2024, \$48.1 million remained under this repurchase authorization; the program has no expiration date. In 2024, we repurchased a total of 0.4 million shares of the Company's common stock for \$27.9 million. Authorization of future repurchase programs is at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, business conditions and other factors.

Capital Expenditures

Cash paid for property and equipment in the year ended December 31, 2024 was \$17.3 million. We expect capital expenditures in fiscal 2025 to be primarily for machinery and equipment for use in the manufacture of our products to support future growth. We expect to fund these capital expenditures with cash on hand as well as cash provided by future operations.

Off-Balance-Sheet Arrangements

As of December 31, 2024 and 2023, we did not have any off-balance-sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which are typically established for the purpose of facilitating off-balance-sheet arrangements or other contractually narrow or limited purposes.

Other Information

Our cash, cash equivalents and investment balances may change in future periods due to changes in our planned cash outlays, including changes in incremental costs such as direct and integration costs related to future acquisitions. Current U.S. tax laws generally allow companies to repatriate accumulated foreign earnings without incurring additional U.S. federal taxes. Accordingly, as of December 31, 2024, our worldwide cash and marketable securities are available to fund capital allocation needs, including capital and internal investments, acquisitions, stock repurchases and/or dividends without incurring significant U.S. federal income taxes.

If our operating results deteriorate in future periods, either as a result of a decrease in customer demand or pricing pressures from our customers or our competitors, or for other reasons, our ability to generate positive cash flow from operations may be jeopardized. In that case, we may be forced to use our cash, cash equivalents and short-term investments, use our current financing or seek additional financing from third parties to fund our operations. We believe that cash generated from operations, together with existing sources of liquidity, will satisfy our projected working capital and other cash requirements for at least the next 12 months. Our uses of cash beyond the next 12 months will depend on many factors, including the general economic environment in which we operate and our ability to generate cash flow from operations, which are uncertain but include funding our operations and additional capital expenditures.

Contractual Obligations

As of December 31, 2024, we had the following non-cancelable contractual obligations:

(In thousands)	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	Over 5 Years
Operating lease obligations ⁽¹⁾	\$ 19,003	\$ 3,849	\$ 7,054	\$ 4,035	\$ 4,065
Purchase obligations ⁽²⁾	\$ 37,877	\$ 37,877	\$ —	\$ —	\$ —

- (1) Operating lease obligations represent undiscounted non-cancelable remaining lease payments.
- (2) Purchase obligations represent commitments to our suppliers and other parties for the purchases of goods and services, which primarily consist of wafer and other inventory purchases, assembly and other manufacturing services, and purchases of property and equipment.

In addition to operating lease and purchase obligations, we have a contractual obligation related to income tax as of December 31, 2024, which primarily comprises unrecognized tax benefits of approximately \$15.2 million, and was classified as contra deferred tax assets or long-term income taxes payable in our consolidated balance sheet. We believe that cash generated from operations, together with existing sources of liquidity, will satisfy the cash requirements for these contractual obligations.

Recently Issued Accounting Pronouncements

For recently issued accounting announcements, see “Recently Issued Accounting Pronouncements” in Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, in our Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. We consider cash invested in highly liquid financial instruments with a remaining maturity of three months or less at the date of purchase to be cash equivalents. Investments in highly liquid financial instruments with maturities greater than three months are classified as short-term investments. We generally hold securities until maturity; however, they may be sold under certain circumstances, including, but not limited to, when necessary for the funding of acquisitions and other strategic investments. As a result of this policy, we classify our investment portfolio as available-for-sale. We invest in high-credit quality issuers and, by policy, limit the amount of credit exposure to any one issuer. As stated in our policy, we seek to ensure the safety and preservation of our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by investing in safe and high-credit quality securities and by constantly positioning our portfolio to respond appropriately to a significant reduction in a credit rating of any investment issuer, guarantor or depository. The portfolio includes only marketable securities with active secondary or resale markets to facilitate portfolio liquidity. At December 31, 2024 and 2023, we held primarily cash equivalents and short-term investments with fixed interest rates. We do not hold any instruments for trading purposes.

Our investment securities are subject to market interest rate risk and will vary in value as market interest rates fluctuate. To minimize market risk, we invest in high-credit quality issuers and, by policy, limit the amount of credit exposure to any one issuer, and therefore if market interest rates were to increase or decrease by 10% from interest rates as of December 31, 2024 or December 31, 2023, the increase or decrease in the fair market value of our portfolio on these dates would not have been material. We monitor our investments for impairment on a periodic basis. Refer to Note 5, *Marketable Securities*, in our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K, for a tabular presentation of our available-for-sale investments and the expected maturity dates.

Foreign Currency Exchange Risk. As of December 31, 2024, our primary transactional currency was the U.S. dollar; in addition, we hold cash in Swiss francs and euros to fund the operation of our Swiss subsidiary. Cash balances held in foreign countries are subject to local banking laws and may bear higher or lower risk than cash deposited in the United States. The following represents the potential impact on our pretax income from a change in the value of the U.S. dollar compared to the Swiss franc and euro as of December 31, 2024. This sensitivity analysis applies a change in the U.S. dollar value of 5% and 10%.

(in thousands of USD)	December 31, 2024	
	5%	10%
Swiss franc and euro foreign exchange impact	\$ 132	\$ 263

The foreign exchange rate fluctuation between the U.S. dollar versus the Swiss franc and euro is recorded in other income in our consolidated statements of income.

We have R&D and sales offices in various other foreign countries in which our expenses are denominated in the local currency, primary Asia and Western Europe. From time to time we may enter into foreign currency hedging contracts to hedge certain foreign currency transactions. As of December 31, 2024 and 2023, we did not have an open foreign currency hedge program utilizing foreign currency forward exchange contracts.

With two of our major suppliers, Seiko Epson Corporation (“Epson”) and ROHM Lapis Semiconductor Co., Ltd. (“Lapis”) we have wafer supply agreements based in U.S. dollars; however, our agreements with Epson and Lapis also allow for mutual sharing of the impact of the exchange rate fluctuation between Japanese yen and the U.S. dollar. Each year, our management and these suppliers review and negotiate pricing; the negotiated pricing is denominated in U.S. dollars but is subject to contractual exchange rate provisions. The fluctuation in the exchange rate is shared equally between us and each of these suppliers.

Nevertheless, as a result of our above-mentioned supplier agreements, our gross margin is influenced by fluctuations in the exchange rate between the U.S. dollar and the Japanese yen. All else being equal, a 10% change in the value of the U.S. dollar compared to the Japanese yen would eventually result in a corresponding change in our gross margin of approximately 1.4%; this sensitivity may increase or decrease depending on the percentage of our wafer supply that we purchase from some of our Japanese suppliers and could subject our gross profit and operating results to the potential for material fluctuations.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Power Integrations, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Power Integrations, Inc. and subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 7, 2025, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Inventories – Provision for Excess and Obsolete Inventory – Refer to Notes 2 and 3 to the financial statements

Critical Audit Matter Description

The Company's inventories are recorded at standard cost, which approximates actual cost on a first-in, first-out basis, not in excess of net realizable value. The Company routinely evaluates quantities and values of inventories and records a provision for excess and obsolete inventories to reduce its recorded inventory balance to its estimated net realizable value. Management's assumptions regarding the inventory quantities considered to be excess and obsolete are determined by analyzing historical usage, demand forecasts, current economic trends, and historical write-offs.

We identified the determination of excess and obsolete inventories within work-in-process and finished goods inventories as a critical audit matter due to the significant assumptions made by management when determining the excess and obsolete inventory quantities and the resulting provision. This required a high degree of auditor judgement and an increased extent

of effort when performing audit procedures to evaluate the reasonableness of management's excess and obsolete provision for work-in-process and finished goods inventories.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's assumptions used in determining the excess and obsolete provision for work-in-process and finished goods inventories included the following, among others:

- We tested the effectiveness of the control over the determination of the provision for excess and obsolete inventories, including work-in-process and finished goods inventories.
- We selected a sample of products from work-in-process and finished goods inventories as of December 31, 2023, and evaluated management's ability to accurately estimate forecasted demand by comparing the respective products usage for the year ended December 31, 2024, to estimates made in the prior year.
- We selected a sample of products from work-in-process and finished goods inventories and evaluated the reasonableness of management's provision for work-in-process and finished goods inventories by considering recent usage, historical usage, contracts and communications with customers, expected product lifecycles, macroeconomic conditions, and inquiries with sales personnel.
- We considered the existence of contradictory evidence based on reading of internal communications to management and the board of directors, Company press releases, and analyst reports, as well as our observations and inquiries as to changes within the business.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
February 7, 2025

We have served as the Company's auditor since 2005.

POWER INTEGRATIONS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands)	December 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 50,972	\$ 63,929
Short-term marketable securities	249,023	247,640
Accounts receivable, net.	27,172	14,674
Inventories.	165,612	163,164
Prepaid expenses and other current assets.	21,260	22,193
Total current assets.	514,039	511,600
PROPERTY AND EQUIPMENT, net	149,562	164,213
INTANGIBLE ASSETS, net	8,075	4,424
GOODWILL	95,271	91,849
DEFERRED TAX ASSETS.	36,485	28,325
OTHER ASSETS	25,394	19,457
Total assets	<u>\$ 828,826</u>	<u>\$ 819,868</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 29,789	\$ 26,390
Accrued payroll and related expenses.	13,987	13,551
Taxes payable	961	1,016
Other accrued liabilities	10,580	7,910
Total current liabilities.	55,317	48,867
LONG-TERM INCOME TAXES PAYABLE	3,871	6,244
OTHER LIABILITIES	19,866	12,516
Total liabilities	79,054	67,627
COMMITMENTS AND CONTINGENCIES (Notes 11, 12 and 14)		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.001 par value		
Authorized - 140,000 shares		
Outstanding - 56,837 and 56,738 shares in 2024 and 2023, respectively	22	23
Additional paid-in capital.	18,734	—
Accumulated other comprehensive loss	(3,023)	(1,462)
Retained earnings	734,039	753,680
Total stockholders' equity	749,772	752,241
Total liabilities and stockholders' equity	<u>\$ 828,826</u>	<u>\$ 819,868</u>

The accompanying notes are an integral part of these consolidated financial statements.

POWER INTEGRATIONS, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Year Ended December 31,		
	2024	2023	2022
NET REVENUES	\$ 418,973	\$ 444,538	\$ 651,138
COST OF REVENUES	194,222	215,582	284,231
GROSS PROFIT	<u>224,751</u>	<u>228,956</u>	<u>366,907</u>
OPERATING EXPENSES:			
Research and development	100,790	96,067	93,894
Sales and marketing	67,825	64,598	62,574
General and administrative	38,207	33,232	28,897
Other operating expenses, net	<u>—</u>	<u>—</u>	<u>1,130</u>
Total operating expenses	<u>206,822</u>	<u>193,897</u>	<u>186,495</u>
INCOME FROM OPERATIONS	17,929	35,059	180,412
OTHER INCOME	12,825	10,848	3,014
INCOME BEFORE INCOME TAXES	30,754	45,907	183,426
PROVISION (BENEFIT) FOR INCOME TAXES	<u>(1,480)</u>	<u>(9,828)</u>	<u>12,575</u>
NET INCOME	<u>\$ 32,234</u>	<u>\$ 55,735</u>	<u>\$ 170,851</u>
EARNINGS PER SHARE:			
Basic	<u>\$ 0.57</u>	<u>\$ 0.97</u>	<u>\$ 2.96</u>
Diluted	<u>\$ 0.56</u>	<u>\$ 0.97</u>	<u>\$ 2.93</u>
SHARES USED IN PER SHARE CALCULATION:			
Basic	<u>56,820</u>	<u>57,195</u>	<u>57,801</u>
Diluted	<u>57,130</u>	<u>57,622</u>	<u>58,371</u>

The accompanying notes are an integral part of these consolidated financial statements.

POWER INTEGRATIONS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Net income.	\$ 32,234	\$ 55,735	\$ 170,851
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments, net of \$0 tax in 2024, 2023 and 2022	(512)	(420)	(985)
Unrealized gain (loss) on marketable securities, net of (\$195), \$0 and \$0 tax in 2024, 2023 and 2022, respectively	437	5,579	(4,158)
Unrealized actuarial gain (loss) on pension benefits, net of tax of \$266, (\$130) and (\$271) in 2024, 2023 and 2022, respectively	(1,486)	723	1,536
Total other comprehensive income (loss)	(1,561)	5,882	(3,607)
TOTAL COMPREHENSIVE INCOME.	\$ 30,673	\$ 61,617	\$ 167,244

The accompanying notes are an integral part of these consolidated financial statements.

POWER INTEGRATIONS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
BALANCE AT JANUARY 1, 2022	59,913	\$ 28	\$ 162,301	\$ (3,737)	\$ 753,440	\$ 912,032
Issuance of common stock under employee stock option and stock award plans	731	—	257	—	—	257
Repurchase of common stock	(3,770)	(4)	(190,827)	—	(120,263)	(311,094)
Issuance of common stock under employee stock purchase plan	87	—	5,905	—	—	5,905
Stock-based compensation expense related to employee stock awards	—	—	20,494	—	—	20,494
Stock-based compensation expense related to employee stock purchases	—	—	1,870	—	—	1,870
Payment of dividends to stockholders	—	—	—	—	(41,492)	(41,492)
Unrealized actuarial gain on pension benefits	—	—	—	1,536	—	1,536
Unrealized loss on marketable securities	—	—	—	(4,158)	—	(4,158)
Foreign currency translation adjustment	—	—	—	(985)	—	(985)
Net income	—	—	—	—	170,851	170,851
BALANCE AT DECEMBER 31, 2022	56,961	24	—	(7,344)	762,536	755,216
Issuance of common stock under employee stock option and stock award plans	476	—	—	—	—	—
Repurchase of common stock	(784)	(1)	(34,765)	—	(20,583)	(55,349)
Issuance of common stock under employee stock purchase plan	85	—	6,237	—	—	6,237
Stock-based compensation expense related to employee stock awards	—	—	26,624	—	—	26,624
Stock-based compensation expense related to employee stock purchases	—	—	1,904	—	—	1,904
Payment of dividends to stockholders	—	—	—	—	(44,008)	(44,008)
Unrealized actuarial gain on pension benefits	—	—	—	723	—	723
Unrealized gain on marketable securities	—	—	—	5,579	—	5,579
Foreign currency translation adjustment	—	—	—	(420)	—	(420)
Net income	—	—	—	—	55,735	55,735
BALANCE AT DECEMBER 31, 2023	56,738	23	—	(1,462)	753,680	752,241
Issuance of common stock under employee stock option and stock award plans	410	—	—	—	—	—
Repurchase of common stock	(402)	(1)	(22,042)	—	(5,838)	(27,881)
Issuance of common stock under employee stock purchase plan	91	—	5,700	—	—	5,700
Stock-based compensation expense related to employee stock awards	—	—	33,404	—	—	33,404
Stock-based compensation expense related to employee stock purchases	—	—	1,672	—	—	1,672
Payment of dividends to stockholders	—	—	—	—	(46,037)	(46,037)
Unrealized actuarial loss on pension benefits	—	—	—	(1,486)	—	(1,486)
Unrealized gain on marketable securities	—	—	—	437	—	437
Foreign currency translation adjustment	—	—	—	(512)	—	(512)
Net income	—	—	—	—	32,234	32,234
BALANCE AT DECEMBER 31, 2024	56,837	\$ 22	\$ 18,734	\$ (3,023)	\$ 734,039	\$ 749,772

The accompanying notes are an integral part of these consolidated financial statements.

POWER INTEGRATIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31,		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 32,234	\$ 55,735	\$ 170,851
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	33,303	35,203	34,930
Amortization of intangibles	1,279	2,173	2,415
Loss on disposal of property and equipment	240	100	1,371
Stock-based compensation expense	35,076	28,528	22,364
Amortization of premium (accretion of discount) on marketable securities	(1,637)	(351)	3,292
Deferred income taxes	(8,352)	(9,247)	(2,566)
Increase (decrease) in accounts receivable allowance for credit losses	(245)	(454)	690
Change in operating assets and liabilities:			
Accounts receivable	(12,253)	6,616	19,867
Inventories	(2,448)	(27,744)	(36,154)
Prepaid expenses and other assets	4,001	(1,183)	7,343
Accounts payable	3,454	(5,435)	(3,836)
Taxes payable and accrued liabilities	(3,471)	(18,182)	(5,224)
Net cash provided by operating activities	<u>81,181</u>	<u>65,759</u>	<u>215,343</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(17,286)	(20,884)	(39,211)
Proceeds from sale of property and equipment	—	—	1,202
Purchases of marketable securities	(105,716)	(191,211)	(55,820)
Proceeds from sales and maturities of marketable securities	106,602	197,942	172,165
Acquisition (Note 15)	(9,520)	—	—
Net cash provided by (used in) investing activities	<u>(25,920)</u>	<u>(14,153)</u>	<u>78,336</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock under employee stock plans	5,700	6,237	6,162
Repurchase of common stock	(27,881)	(55,278)	(311,094)
Payments of dividends to stockholders	(46,037)	(44,008)	(41,492)
Net cash used in financing activities	<u>(68,218)</u>	<u>(93,049)</u>	<u>(346,424)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,957)	(41,443)	(52,745)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	63,929	105,372	158,117
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 50,972</u>	<u>\$ 63,929</u>	<u>\$ 105,372</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Unpaid property and equipment	<u>\$ 2,693</u>	<u>\$ 2,747</u>	<u>\$ 1,082</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for income taxes, net	<u>\$ 4,784</u>	<u>\$ 13,769</u>	<u>\$ 17,880</u>

The accompanying notes are an integral part of these consolidated financial statements.

POWER INTEGRATIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY:

Power Integrations, Inc. (“Power Integrations” or the “Company”), incorporated in California on March 25, 1988, and reincorporated in Delaware in December 1997, designs, develops, manufactures and markets analog and mixed-signal integrated circuits (“ICs”) and other electronic components and circuitry used in high-voltage power conversion. The Company’s products are used in power converters that convert electricity from a high-voltage source to the type of power required for a specified downstream use. In most cases, this conversion entails, among other functions, converting alternating current (“AC”) to direct current (“DC”) or vice versa, reducing or increasing the voltage, and regulating the output voltage and/or current according to the customer’s specifications.

A large percentage of the Company’s products are ICs used in AC-DC power supplies, which convert the high-voltage AC from a wall outlet to the low-voltage DC required by most electronic devices. Power supplies incorporating the Company’s products are used with all manner of electronic products including mobile phones, computing and networking equipment, appliances, electronic utility meters, battery-powered tools, industrial controls, and “home-automation,” or “internet of things” applications such as networked thermostats, power strips and other building-automation and security devices. The Company also supplies high-voltage LED drivers, which are AC-DC ICs specifically designed for lighting applications that utilize light-emitting diodes, and motor-drivers ICs for brushless DC (“BLDC”) motors used in consumer appliances, HVAC systems, ceiling fans and a variety of industrial applications. The Company also offers high-voltage gate drivers—either standalone ICs or circuit boards containing ICs, electrical isolation components and other circuitry—used to operate high-voltage switches such as insulated-gate bipolar transistors (“IGBTs”) and silicon-carbide (“SiC”) MOSFETs. These combinations of switches and drivers are used for power conversion in high-power applications (i.e., power levels ranging from approximately 100 kilowatts up to gigawatts) such as industrial motors, solar- and wind-power systems, electric vehicles and high-voltage DC transmission systems.

2. SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS:

Significant Accounting Policies and Estimates

Segment Reporting

The Company is organized and operates as one reportable segment, the design, development, manufacture and marketing of integrated circuits and related components for use primarily in high-voltage power conversion. The Company’s chief operating decision maker, the Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of all intercompany transactions and balances.

Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition, allowances for receivables, inventories, litigation and income taxes. These estimates are based on historical facts and various other factors, which the Company believes to be reasonable at the time the estimates are made. However, as the effects of future events cannot be determined with precision, actual results could differ significantly from management’s estimates.

Revenue Recognition

The Company applies the provisions of Accounting Standards Codification (“ASC”) 606-10, *Revenue from Contracts with Customers*, and all related appropriate guidance. The Company recognizes revenue under the core principle to depict the transfer of control to the Company’s customers in an amount reflecting the consideration the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price,

(4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

Product revenues consist of sales to original equipment manufacturers, or OEMs, merchant power supply manufacturers and distributors. The Company considers customer purchase orders, which in some cases are governed by master sales agreements, to be the contracts with a customer. In situations where sales are to a distributor, the Company has concluded that its contracts are with the distributor as the Company holds a contract bearing enforceable rights and obligations only with the distributor. As part of its consideration of the contract, the Company evaluates certain factors including the customer's ability to pay (or credit risk). For each contract, the Company considers the promise to transfer products, each of which is distinct, to be the identified performance obligations. In determining the transaction price the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. As the Company's standard payment terms are less than one year, the Company has elected the practical expedient under ASC 606-10-32-18 to not assess whether a contract has a significant financing component. The Company allocates the transaction price to each distinct product based on their relative standalone selling price. The product price as specified on the purchase order is considered the standalone selling price as it is an observable input which depicts the price as if sold to a similar customer in similar circumstances. Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment. Further, in determining whether control has transferred, the Company considers if there is a present right to payment and legal title, along with risks and rewards of ownership having transferred to the customer.

Frequently, the Company receives orders for products to be delivered over multiple dates that may extend across several reporting periods. The Company invoices for each delivery upon shipment and recognizes revenues for each distinct product delivered, assuming transfer of control has occurred. As scheduled delivery dates are within one year, under the optional exemption provided by ASC 606-10-50-14 revenues allocated to future shipments of partially completed contracts are not disclosed. The Company has also elected the practical expedient under ASC 340-40-25-4 to expense commissions when incurred as the amortization period of the commission asset the Company would have otherwise recognized is less than one year.

Sales to international customers that are shipped from the Company's facility outside of the United States are pursuant to EX Works, or EXW, shipping terms, meaning that control of the product transfers to the customer upon shipment from the Company's foreign warehouse. Sales to international customers that are shipped from the Company's facility in California are pursuant to Delivered at Frontier, or DAF, shipping terms. As such, control of the product passes to the customer when the shipment reaches the destination country and revenue is recognized upon the arrival of the product in that country. Shipments to customers in the Americas are pursuant to Free on Board, or FOB, point of origin shipping terms meaning that control is passed to the customer upon shipment.

Sales to most distributors are made under terms allowing certain price adjustments and limited rights of return (known as "stock rotation") of the Company's products held in their inventory or upon sale to their end customers. Revenue from sales to distributors is recognized upon the transfer of control to the distributor. Frequently, distributors need to sell at a price lower than the standard distribution price in order to win business. At the time the distributor invoices its customer or soon thereafter, the distributor submits a "ship-and-debit" price adjustment claim to the Company to adjust the distributor's cost from the standard price to the pre-approved lower price. After the Company verifies that the claim was pre-approved, a credit memo is issued to the distributor for the ship-and-debit claim. In determining the transaction price, the Company considers ship-and-debit price adjustments to be variable consideration. Such price adjustments are estimated using the expected value method based on an analysis of actual ship-and-debit claims, at the distributor and product level, over a period of time considered adequate to account for current pricing and business trends. Historically, actual price adjustments for ship-and-debit claims have not materially differed from those estimated and included when determining the transaction price. Stock rotation rights grant the distributor the ability to return certain specified amounts of inventory. Stock rotation adjustments are an additional form of variable consideration and are also estimated using the expected value method based on historical return rates. Historically, distributor stock rotation adjustments have not been material.

Sales to certain distributors are made under terms that do not include rights of return or price concessions after the product is shipped to the distributor. Accordingly, upon application of steps one through five above, product revenue is recognized upon shipment and transfer of control.

The Company generally provides an assurance warranty that its products will substantially conform to the published specifications for twelve months from the date of shipment. The Company's liability is limited to either a credit equal to the purchase price or replacement of the defective part. Returns under warranty have historically been immaterial. As such, the Company does not record a specific warranty reserve or consider activities related to such warranty, if any, to be a separate performance obligation.

Inventories

Inventories (which consist of costs associated with the purchases of wafers from domestic and offshore foundries and of packaged components from offshore assembly manufacturers, as well as internal labor and overhead associated with the testing of both wafers and packaged components).

Inventory is recorded at standard cost, which approximates actual cost computed on a first-in, first-out basis, not in excess of net realizable value. The Company routinely evaluates quantities and values of inventories and records a provision for excess and obsolete inventories to reduce its recorded inventory balance to its estimated net realizable value. In order to determine the provision management considers historical usage, forecasted demand, current economic trends and historical write-offs.

Income Taxes

Income-tax expense is an estimate of current income taxes payable or refundable in the current fiscal year based on reported income before income taxes. Deferred income taxes reflect the effect of temporary differences and carry-forwards that are recognized for financial reporting and income tax purposes.

The Company accounts for income taxes under the provisions of ASC 740, *Income Taxes*. Under the provisions of ASC 740, deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, utilizing the tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company limits the deferred tax assets recognized related to certain officers' compensation to amounts that it estimates will be deductible in future periods based upon Internal Revenue Code Section 162(m). The Company also recognizes valuation allowances to reduce any deferred tax assets to the amount that it estimates will more likely than not be realized based on available evidence and management's judgment. In the event that the Company determines, based on available evidence and management judgment, that all or part of the net deferred tax assets will not be realized in the future, it would record a valuation allowance in the period the determination is made. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with the Company's expectations could have a material impact on the Company's results of operations and financial position. The Company recognizes interest and penalties related to income tax matters as income tax expense.

The U.S. tax rules require U.S. tax on foreign earnings, known as global intangible low taxed income ("GILTI"). Under U.S. GAAP, we are allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions as a current-period expense when incurred (the "period cost method") or (2) factoring such amounts into a company's measurement of its deferred taxes (the "deferred method"). We selected the deferred method of accounting and recorded the associated basis differences anticipated to influence prospective income inclusion calculations.

Business Combinations

The Company applies the provisions of ASC 805, *Business Combinations* ("ASC 805"), in accounting for acquisitions. ASC 805 requires that the Company evaluates whether a transaction pertains to an acquisition of assets, or to an acquisition of a business. A business is defined as an integrated set of assets and activities that is capable of being conducted and managed for the purpose of providing a return to investors. Asset acquisitions are accounted for by allocating the cost of the acquisition to the individual assets and liabilities assumed on a relative fair value basis; whereas the acquisition of a business requires the Company to recognize separately from goodwill the assets acquired and the liabilities assumed at the acquisition date fair values. Goodwill is measured as the excess of consideration transferred over the net acquisition date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed as well as any contingent consideration, where applicable, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the business acquisition date, the Company may record certain adjustments to the assets acquired and liabilities assumed with the corresponding adjustment to goodwill. Upon the conclusion of a business acquisition's measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations. All acquisition-related costs are accounted for as expenses in the period in which they are incurred.

Goodwill and Intangible Assets

Goodwill and the Company's domain name are evaluated in accordance with ASC 350-10, *Goodwill and Other Intangible Assets*, and an impairment analysis is conducted on an annual basis, or sooner if indicators exist for a potential impairment.

In accordance with ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Cash and Cash Equivalents

The Company considers cash invested in highly liquid financial instruments with maturities of three months or less at the date of purchase to be cash equivalents.

Marketable Securities

The Company generally holds securities until maturity; however, they may be sold under certain circumstances including, but not limited to, when necessary for the funding of acquisitions and other strategic investments. As a result, the Company classifies its investment portfolio as available-for-sale. The Company classifies all investments with a maturity date greater than three months at the date of purchase as short-term marketable securities in its consolidated balance sheet. As of December 31, 2024 and 2023, the Company's marketable securities consisted primarily of commercial paper, corporate bonds, government securities and/or other high-quality commercial securities.

Employee Benefits Plan

The Company sponsors a 401(k) tax-deferred savings plan for all employees in the United States who meet certain eligibility requirements. Participants may contribute up to the amount allowable as a deduction for federal income tax purposes. The Company is not required to contribute; however, the Company contributes a certain percentage of employee annual salaries on a discretionary basis, not to exceed an established threshold. The Company provided for a contribution of approximately \$2.1 million, \$2.1 million and \$2.0 million in 2024, 2023 and 2022, respectively.

Retirement Benefit Obligations (Pension)

The Company recognizes the over-funded or under-funded status of a defined benefit pension or post-retirement plan as an asset or liability in the accompanying consolidated balance sheets. Actuarial gains and losses are recorded in accumulated other comprehensive loss, a component of stockholders' equity, and are amortized as a component of net periodic cost over the remaining estimated service period of participants.

Foreign Currency Risk and Foreign Currency Translation

As of December 31, 2024, the Company's primary transactional currency was U.S. dollars; in addition, the Company holds cash in Swiss francs and euros to fund the operations of the Company's Swiss subsidiary. The foreign exchange rate fluctuation between the U.S. dollar versus the Swiss franc and euro is recorded in other income in the consolidated statements of income.

Gains and losses arising from the remeasurement of non-functional currency balances are recorded in other income in the accompanying consolidated statements of income. The Company recognized a loss of \$0.3 million in 2024, a loss of \$0.4 million in 2023 and an immaterial foreign exchange loss in 2022.

The functional currencies of the Company's other subsidiaries are the local currencies. Accordingly, all assets and liabilities are translated into U.S. dollars at the current exchange rates as of the applicable balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the period. Cumulative gains and losses from the translation of the foreign subsidiaries' financial statements have been included accumulated other comprehensive loss in stockholders' equity.

Warranty

The Company generally warrants that its products will substantially conform to the published specifications for 12 months from the date of shipment. The Company's liability is limited to either a credit equal to the purchase price or replacement of the defective part. Returns under warranty have historically been immaterial, and as a result, the Company does not record a specific warranty reserve.

Advertising

Advertising costs are expensed as incurred and amounted to \$1.5 million, \$1.3 million and \$1.4 million in 2024, 2023 and 2022, respectively.

Research and Development

Research and development costs are expensed as incurred.

Indemnifications

The Company sells products to its distributors under contracts, collectively referred to as Distributor Sales Agreements ("DSA"). Each DSA contains the relevant terms of the contractual arrangement with the distributor, and generally includes certain provisions for indemnifying the distributor against losses, expenses, and liabilities from damages that may be awarded against the distributor in the event the Company's products are found to infringe upon a patent, copyright, trademark, or other proprietary right of a third party (Customer Indemnification). The DSA generally limits the scope of and remedies for the Customer Indemnification obligations in a variety of industry-standard respects, including, but not limited to, limitations based on time and geography, and a right to replace an infringing product. The Company also, from time to time, has granted a specific indemnification right to individual customers.

The Company believes its internal development processes and other policies and practices limit its exposure related to such indemnifications. In addition, the Company requires its employees to sign a proprietary information and inventions agreement, which assigns the rights to its employees' development work to the Company. To date, the Company has not had to reimburse any of its distributors or customers for any losses related to these indemnifications and no material claims were outstanding as of December 31, 2024. For several reasons, including the lack of prior indemnification claims and the lack of a monetary liability limit for certain infringement cases, the Company cannot determine the maximum amount of potential future payments, if any, related to such indemnifications.

Adoption of New Accounting Standards

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which is intended to improve reportable segment disclosure requirements and expand public entities' segment disclosures in the annual and interim financial statements. The amendment requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and within each reported measure of segment profit or loss, an amount and description of its composition for other segment items and interim disclosures of a reportable segment's profit or loss and assets. All disclosure requirements of ASU 2023-07 are required for entities with a single reportable segment. The Company adopted the new standard in fiscal year 2024 for annual and retrospective reporting periods with all interim disclosures to begin in the first quarter of fiscal year 2025. Refer to Note 13. *Segment Reporting*.

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). ASU 2023-09 also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. The guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. ASU 2023-09 should be applied on a prospective basis, but retrospective application is permitted. The Company does not expect the amendment to have a material impact on its consolidated financial statements upon adoption.

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40)* which requires additional disclosure of certain costs and expenses, including inventory purchases, employee compensation, selling expense and depreciation expense within the notes to financial statements. The guidance is effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The Company is currently evaluating the impact that the updated standard will have on its financial statement disclosures.

3. COMPONENTS OF THE COMPANY'S CONSOLIDATED BALANCE SHEETS:

Accounts Receivable

(In thousands)	December 31, 2024	December 31, 2023
Accounts receivable trade	\$ 57,308	\$ 53,147
Allowance for ship and debit	(26,446)	(36,017)
Allowance for stock rotation and rebate	(3,254)	(1,775)
Allowance for credit losses	(436)	(681)
Total	<u>\$ 27,172</u>	<u>\$ 14,674</u>

The Company maintains an allowance for estimated credit losses resulting from the inability of customers to make required payments. This allowance is established using estimates formulated by the Company's management based upon factors such as the composition of the accounts receivable aging, historical losses, changes in payments patterns, customer creditworthiness, and current economic trends. Receivables determined to be uncollectible are written off and deducted from the allowance.

(In thousands)	Allowance for Credit Losses Year Ended December 31, 2024	2023
Beginning balance	\$ (681)	\$ (1,135)
Provision for credit loss expense	(1,475)	(619)
Receivables written off	—	—
Recoveries collected	1,720	1,073
Ending balance	<u>\$ (436)</u>	<u>\$ (681)</u>

Inventories

(In thousands)	December 31, 2024	December 31, 2023
Raw materials	\$ 101,414	\$ 96,467
Work-in-process	27,271	24,727
Finished goods	36,927	41,970
Total	<u>\$ 165,612</u>	<u>\$ 163,164</u>

Property and Equipment

(In thousands)	December 31, 2024	December 31, 2023
Land	\$ 22,157	\$ 22,178
Construction-in-progress	12,166	17,022
Building and improvements	93,248	92,049
Machinery and equipment	280,345	267,941
Computer software and hardware and office furniture and fixtures	72,862	67,450
Total	480,778	466,640
Less: Accumulated depreciation	(331,216)	(302,427)
Property and equipment, net	<u>\$ 149,562</u>	<u>\$ 164,213</u>

Depreciation expense for property and equipment for fiscal years ended December 31, 2024, 2023 and 2022, was approximately \$33.3 million, \$35.2 million and \$34.9 million, respectively, and was determined using the straight-line method over the following useful lives:

Building and improvements.	4 - 40 years
Machinery and equipment.	2 - 8 years
Computer software and hardware and office furniture and fixtures.	4 - 7 years

Total property and equipment (excluding accumulated depreciation) located in the United States at December 31, 2024, 2023 and 2022, was approximately \$209.7 million, \$203.6 million and \$190.3 million, respectively. In 2024, 2023 and 2022, approximately 10%, 11% and 12%, respectively, of total property and equipment (excluding accumulated depreciation) was held in Thailand by one of the Company's subcontractors. In 2024, 2023 and 2022, approximately 15% of total property and equipment (excluding accumulated depreciation) was held by one of the Company's subcontractors in Malaysia. No other country held 10% or more of total property and equipment in the periods presented.

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss, net of taxes, for the three years ended December 31, 2024:

(In thousands)	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Pension Items	Foreign Currency Items	Total
Balance at January 1, 2022	\$ (1,165)	\$ (674)	\$ (1,898)	\$ (3,737)
Other comprehensive income (loss) before reclassifications.	(4,158)	1,459	(985)	(3,684)
Amounts reclassified from accumulated other comprehensive loss.	—	77 ⁽¹⁾	—	77
Other comprehensive loss	(4,158)	1,536	(985)	(3,607)
Balance at December 31, 2022	(5,323)	862	(2,883)	(7,344)
Other comprehensive income (loss) before reclassifications.	5,579	811	(420)	5,970
Amounts reclassified from accumulated other comprehensive loss.	—	(88) ⁽¹⁾	—	(88)
Other comprehensive income	5,579	723	(420)	5,882
Balance at December 31, 2023	256	1,585	(3,303)	(1,462)
Other comprehensive income (loss) before reclassifications.	437	(1,319)	(512)	(1,394)
Amounts reclassified from accumulated other comprehensive loss.	—	(167) ⁽¹⁾	—	(167)
Other comprehensive loss	437	(1,486)	(512)	(1,561)
Balance at December 31, 2024	\$ 693	\$ 99	\$ (3,815)	\$ (3,023)

(1) This component of accumulated other comprehensive loss is included in the computation of net periodic pension cost for the years ended December 31, 2024, 2023 and 2022.

4. FAIR VALUE MEASUREMENTS:

ASC 820-10, *Fair Value Measurements*, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices for identical assets in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's cash equivalents and investment instruments are classified within Level 1 or Level 2 of the fair-value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The type of instrument valued based on quoted market prices in active markets primarily includes money market securities. This type of instrument is generally classified within Level 1 of the fair-value hierarchy. The types of instruments valued based on other observable inputs (Level 2 of the fair-value hierarchy) include investment-grade corporate bonds and commercial paper. Such types of investments are valued by using a multi-dimensional relational model, the inputs are primarily benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research

publications. The Company does not hold any instruments that would be classified within Level 3 of the fair-value hierarchy.

The fair value hierarchy of the Company's cash equivalents and marketable securities at December 31, 2024 and 2023, was as follows:

Fair Value Measurement at December 31, 2024			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
(In thousands)			
Commercial paper	\$ 2,048	\$ —	\$ 2,048
Corporate securities	249,023	—	249,023
Money market funds	567	567	—
U.S. government securities	750	—	750
Total	<u>\$ 252,388</u>	<u>\$ 567</u>	<u>\$ 251,821</u>

Fair Value Measurement at December 31, 2023			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
(In thousands)			
Commercial paper	\$ 20,275	\$ —	\$ 20,275
Corporate securities	246,922	—	246,922
Money market funds	491	491	—
Total	<u>\$ 267,688</u>	<u>\$ 491</u>	<u>\$ 267,197</u>

The Company did not transfer any investments between level 1 and level 2 of the fair value hierarchy in the years ended December 31, 2024 and 2023.

5. MARKETABLE SECURITIES:

Amortized cost and estimated fair market value of marketable securities classified as available-for-sale (excluding cash equivalents) at December 31, 2024, were as follows:

	Amortized Cost	Gross Unrealized		Estimated Fair Market Value
		Gains	Losses	
(In thousands)				
Investments due in 3 months or less:				
Corporate securities	\$ 10,972	\$ 4	\$ (3)	\$ 10,973
Total	<u>10,972</u>	<u>4</u>	<u>(3)</u>	<u>10,973</u>
Investments due in 4-12 months:				
Corporate securities	87,346	159	(19)	87,486
Total	<u>87,346</u>	<u>159</u>	<u>(19)</u>	<u>87,486</u>
Investments due in 12 months or greater:				
Corporate securities	149,817	860	(113)	150,564
Total	<u>149,817</u>	<u>860</u>	<u>(113)</u>	<u>150,564</u>
Total marketable securities.	<u>\$ 248,135</u>	<u>\$ 1,023</u>	<u>\$ (135)</u>	<u>\$ 249,023</u>

Accrued interest receivable was \$2.8 million at December 31, 2024 and was recorded within prepaid expenses and other current assets on the consolidated balance sheet.

Amortized cost and estimated fair market value of marketable securities classified as available-for-sale (excluding cash equivalents) at December 31, 2023, were as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
Investments due in 3 months or less:				
Corporate securities	\$ 10,688	\$ —	\$ (42)	\$ 10,646
Total	<u>10,688</u>	<u>—</u>	<u>(42)</u>	<u>10,646</u>
Investments due in 4-12 months:				
Commercial paper	718	—	—	718
Corporate securities	48,680	15	(347)	48,348
Total	<u>49,398</u>	<u>15</u>	<u>(347)</u>	<u>49,066</u>
Investments due in 12 months or greater:				
Corporate securities	187,298	952	(322)	187,928
Total	<u>187,298</u>	<u>952</u>	<u>(322)</u>	<u>187,928</u>
Total marketable securities	<u><u>\$ 247,384</u></u>	<u><u>\$ 967</u></u>	<u><u>\$ (711)</u></u>	<u><u>\$ 247,640</u></u>

Accrued interest receivable was \$2.3 million at December 31, 2023 and was recorded within prepaid expenses and other current assets on the consolidated balance sheet.

As of December 31, 2024 and 2023 the Company had no marketable securities classified as available-for-sale (excluding cash equivalents) in a continuous unrealized loss position for which an allowance for credit losses was recorded. The following tables summarize marketable securities classified as available-for-sale (excluding cash equivalents) in a continuous unrealized loss position for which an allowance for credit losses was not recorded at December 31, 2024 and December 31, 2023:

	Less Than 12 Months		12 Months or Longer		Total	
(In thousands)	Estimated Fair Market Value	Gross Unrealized Losses	Estimated Fair Market Value	Gross Unrealized Losses	Estimated Fair Market Value	Gross Unrealized Losses
December 31, 2024						
Corporate securities	\$ 33,777	\$ (116)	\$ 13,244	\$ (19)	\$ 47,021	\$ (135)
Total marketable securities	<u>\$ 33,777</u>	<u>\$ (116)</u>	<u>\$ 13,244</u>	<u>\$ (19)</u>	<u>\$ 47,021</u>	<u>\$ (135)</u>

	Less Than 12 Months		12 Months or Longer		Total	
(In thousands)	Estimated Fair Market Value	Gross Unrealized Losses	Estimated Fair Market Value	Gross Unrealized Losses	Estimated Fair Market Value	Gross Unrealized Losses
December 31, 2023						
Corporate securities	\$ 102,729	\$ (371)	\$ 25,401	\$ (340)	\$ 128,130	\$ (711)
Total marketable securities	<u>\$ 102,729</u>	<u>\$ (371)</u>	<u>\$ 25,401</u>	<u>\$ (340)</u>	<u>\$ 128,130</u>	<u>\$ (711)</u>

The Company does not intend to sell and it is unlikely that it will be required to sell the securities prior to their anticipated recovery. The weighted average interest rate of investments at December 31, 2024 and 2023, was approximately 5.08% and 4.87%, respectively. In the years ended December 31, 2024 and 2023, no unrealized losses on marketable securities were recognized in income.

6. GOODWILL AND INTANGIBLE ASSETS:

Goodwill increased during the year ended December 31, 2024, due to the Company's acquisition of Odyssey Semiconductor Technologies ("Odyssey") (refer to Note 15, *Acquisition*, for details on the Company's Odyssey acquisition). Changes in the carrying amount of goodwill as of the December 31, 2024 and 2023 are as follows:

(in thousands)	Goodwill
Balance at January 1, 2023	\$ 91,849
Goodwill acquired during the period	—
Balance at December 31, 2023	91,849
Goodwill acquired during the period	3,422
Ending balance at December 31, 2024	<u>\$ 95,271</u>

The \$3.4 million of goodwill acquired in 2024, resulted from the purchase of Odyssey (see Note 15, *Acquisition*, for further details).

Intangible assets consist primarily of developed technology, in-process research and development, acquired licenses and domain name, and are reported net of accumulated amortization. In July 2024, the Company acquired the assets of Odyssey, a U.S. company and developer of vertical gallium-nitride ("GaN") transistor technology, resulting in the addition of in-process research and development of \$4.9 million.

The Company amortizes the cost of all intangible assets over the estimated useful life of the developed technology and technology licenses, which range from two to twelve years, with the exception of \$4.9 million of in-process research and development which will commence amortization once development is completed and products are available for sale as well as \$1.3 million paid to acquire an internet domain name. The Company does not expect the amortization of its in-process research and development to begin in 2025. The Company acquired the rights to the internet domain name *www.power.com*, the Company's primary domain name; the cost to acquire the domain name has been recorded as an intangible asset and will not be amortized as it has an indefinite useful life.

Amortization of acquired intangible assets was approximately \$1.3 million, \$2.2 million and \$2.4 million in the years ended December 31, 2024, 2023 and 2022, respectively. The Company does not believe there is any significant residual value associated with the following intangible assets:

(In thousands)	December 31, 2024			December 31, 2023		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Domain name	\$ 1,261	\$ —	\$ 1,261	\$ 1,261	\$ —	\$ 1,261
In-process research and development	4,930	—	4,930	—	—	—
Developed technology	37,960	(36,492)	1,468	37,960	(35,459)	2,501
Technology licenses	1,926	(1,510)	416	1,926	(1,264)	662
Total intangible assets	<u>\$ 46,077</u>	<u>\$ (38,002)</u>	<u>\$ 8,075</u>	<u>\$ 41,147</u>	<u>\$ (36,723)</u>	<u>\$ 4,424</u>

The estimated future amortization expense related to definite-lived intangible assets at December 31, 2024, is as follows:

Fiscal Year	Estimated Amortization (In thousands)
2025	\$ 832
2026	687
2027	365
Total*	<u>\$ 1,884</u>

* Total excludes \$4.9 million of in-process research and development which will be amortized upon completion of development over the estimated useful life of the technology.

7. STOCK PLANS AND SHARE BASED COMPENSATION:

Stock Plans

As of December 31, 2024, the Company had three stock-based compensation plans (the “Plans”) which are described below.

2007 Equity Incentive Plan

The 2007 Equity Incentive Plan (“2007 Plan”) was adopted by the board of directors on September 10, 2007, and approved by the stockholders on November 7, 2007, as an amendment and restatement of the 1997 Stock Option Plan (“1997 Plan”). The 2007 Plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock unit (“RSU”) awards, stock appreciation rights, performance-based (“PSU”) awards, long-term performance based (“PRSU”) awards and other stock awards to employees, directors and consultants. The 2007 Plan expired in September 2017 with no further grants to be made under this plan; however previous grants under this plan shall remain outstanding until they are exercised, vest, forfeited or expire.

2016 Incentive Award Plan

The 2016 Incentive Award Plan (“2016 Plan”) was adopted by the board of directors on March 17, 2016 and approved by the stockholders on May 13, 2016. The 2016 Plan provides for the grant of RSU awards, PSU awards and PRSU awards. No other forms of equity-based awards, including stock options and stock appreciation rights, may be granted under the 2016 Plan. As of December 31, 2024, 3.9 million awards have been issued, net of forfeitures or cancellations, and approximately 3.1 million shares of common stock remain available for future grant under the 2016 Plan.

1997 Employee Stock Purchase Plan

Under the 1997 Employee Stock Purchase Plan (“Purchase Plan”), eligible employees may apply accumulated payroll deductions, which may not exceed 15% of an employee’s compensation, to the purchase of shares of the Company’s common stock at periodic intervals. The purchase price of stock under the Purchase Plan is equal to 85% of the lower of (i) the fair market value of the Company’s common stock on the first day of each offering period, or (ii) the fair market value of the Company’s common stock on the purchase date (as defined in the Purchase Plan). Each offering period consists of one purchase period of approximately six months duration. An aggregate of 7.5 million shares of common stock were reserved for issuance to employees under the Purchase Plan. As of December 31, 2024, of the shares reserved for issuance, 6.9 million shares had been purchased and 0.6 million shares were reserved for future issuance under the Purchase Plan.

Shares Reserved

As of December 31, 2024, the Company had approximately 3.9 million shares of common stock reserved for future grant under all stock plans.

Stock-Based Compensation

The Company applies the provisions of ASC 718-10, *Stock Compensation*. Under the provisions of ASC 718-10, the Company recognizes the fair value of stock-based compensation in its financial statements over the requisite service period of the individual grants, which generally equals a four-year vesting period. The Company uses estimates of volatility, expected term, risk-free interest rate, dividend yield and forfeitures in determining the fair value of these awards and the amount of compensation expense to recognize. The Company uses the straight-line method to amortize all stock awards granted over the requisite service period of the award.

The following table summarizes the stock-based compensation expense recognized in accordance with ASC 718-10 for the years ended December 31, 2024, 2023 and 2022:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Cost of revenues	\$ 2,090	\$ 1,692	\$ 1,132
Research and development	12,587	10,939	10,428
Sales and marketing	8,064	6,888	6,035
General and administrative	12,335	9,009	4,769
Total stock-based compensation expense	<u>\$ 35,076</u>	<u>\$ 28,528</u>	<u>\$ 22,364</u>

The following table summarizes total compensation expense related to unvested awards not yet recognized, net of expected forfeitures, and the weighted average period over which it is expected to be recognized as of December 31, 2024:

	Unrecognized Compensation Expense for Unvested Awards (In thousands)	Weighted Average Remaining Recognition Period (In years)
Long-term performance-based awards	\$ 8,179	1.56
Restricted stock units	47,410	2.61
Purchase plan	156	0.08
Total unrecognized compensation expense	<u>\$ 55,745</u>	

Stock-based compensation expense in the year ended December 31, 2024, was approximately \$35.1 million, comprising approximately \$25.7 million related to restricted stock units, \$7.7 million related to performance-based awards and long-term performance-based awards and \$1.7 million related to the Company's Purchase Plan.

Stock-based compensation expense in the year ended December 31, 2023, was approximately \$28.5 million, comprising approximately \$23.4 million related to restricted stock units, \$3.2 million related to performance-based awards and long-term performance-based awards and \$1.9 million related to the Company's Purchase Plan.

Stock-based compensation expense in the year ended December 31, 2022, was approximately \$22.4 million, comprising approximately \$23.2 million related to restricted stock units, \$1.9 million related to the Company's Purchase Plan and a \$2.7 million credit related to performance-based awards and long-term performance-based awards.

The fair value of employees' stock purchase rights under the Purchase Plan was estimated using the Black-Scholes model with the following weighted-average assumptions used during the three years ended December 31, 2024, 2023 and 2022:

	Year Ended December 31,		
	2024	2023	2022
Risk-free interest rates	5.15 %	5.15 %	1.71 %
Expected volatility rates	36 %	37 %	41 %
Expected dividend yield	1.15 %	0.90 %	0.89 %
Expected term of purchase rights (in years)	0.50	0.49	0.50
Weighted-average estimated fair value of purchase rights	\$ 18.27	\$ 23.75	\$ 21.63

No options were granted or remain outstanding as of December 31, 2024. There were no options exercised during the years ended December 31, 2024 and December 31, 2023, while total intrinsic value of options exercised during the year ended December 31, 2022 was \$0.8 million.

PSU Awards

Under the performance-based awards program, the Company grants awards in the performance year in an amount equal to twice the target number of shares to be issued if the maximum performance metrics are met. The number of shares that are released at the end of the performance year can range from zero to 200% of the target number depending on the Company's performance. The performance metrics of this program are annual targets consisting of a combination of net revenue, non-GAAP operating earnings and strategic goals.

As the net revenue, non-GAAP operating income and strategic goals are considered performance conditions, expense associated with these awards, net of estimated forfeitures, is recognized over the service period based on an assessment of the achievement of the performance targets. The fair value of these PSUs is determined using the fair value of the Company's common stock on the date of the grant, reduced by the discounted present value of dividends expected to be declared before the awards vest. If the performance conditions are not achieved, no compensation cost is recognized and any previously recognized compensation is reversed.

A summary of PSU awards outstanding as of December 31, 2024, and activity during the three years then ended, is presented below:

	Shares	Weighted-Average	Weighted-Average	Aggregate
	(In thousands)	Grant Date Fair	Remaining	Intrinsic Value
		Value Per Share	Contractual Term	(In thousands)
			(In years)	
Outstanding at January 1, 2022	104	\$ 84.47		
Granted	119	\$ 79.91		
Vested	(104)	\$ 84.48		
Forfeited or canceled	(85)	\$ 79.89		
Outstanding at December 31, 2022	34	\$ 79.94		
Granted	131	\$ 82.96		
Vested	(34)	\$ 79.94		
Forfeited or canceled	(93)	\$ 82.96		
Outstanding at December 31, 2023	38	\$ 82.95		
Granted	185	\$ 69.97		
Vested	(38)	\$ 82.94		
Forfeited or canceled	(119)	\$ 69.98		
Outstanding at December 31, 2024	66	\$ 69.95	—	\$ 4,090
Outstanding and expected to vest at December 31, 2024	66		—	\$ 4,090

In February 2024, it was determined that approximately 38,000 shares subject to the PSUs granted in 2023 vested in aggregate; the shares were released to the Company's employees and executives in the first quarter of 2024. The grant-date fair value of PSU awards released, which were fully vested, in the years ended December 31, 2024, 2023 and 2022, was approximately \$3.2 million, \$2.7 million and \$8.8 million, respectively.

PRSU Awards (Long-term Performance Based)

The Company's PRSU program provides for the issuance of PRSUs which will vest based on the Company's performance measured against the PRSU program's established performance targets. PRSUs are granted in an amount equal to twice the target number of shares to be issued if the maximum performance metrics are met. The actual number of shares the recipient receives is determined at the end of a three-year performance period based on results achieved versus the Company's performance goals, and may range from zero to 200% of the target number. The performance goals for PRSUs granted in fiscal 2022, 2023 and 2024 were based on the Company's compound annual growth rate ("CAGR") of revenue as measured against the revenue CAGR of the analog semiconductor industry ("Relative Measure"), in each case over the respective three-year performance period. In addition, the PRSUs granted in 2023 ("2023 PRSUs") and 2024 ("2024 PRSUs") also include a performance goal related to the Company's revenue growth over the respective three-year performance period as compared to defined targets ("Absolute Measure") with the actual vesting of the 2023 PRSUs and 2024 PRSUs calculated based on higher achievement under the Relative Measure or the Absolute Measure.

Expense associated with these awards, net of estimated forfeitures, is recorded throughout the year based on an assessment of the expected achievement of the performance targets. If the performance conditions are not achieved, no compensation cost is recognized and any previously recognized compensation is reversed.

A summary of PRSU awards outstanding as of December 31, 2024, and activity during the three years then ended, is presented below:

	Shares (In thousands)	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2022	383	\$ 53.14		
Granted	110	\$ 78.96		
Vested	(135)	\$ 34.09		
Forfeited or canceled	(122)	\$ 49.68		
Outstanding at December 31, 2022	236	\$ 77.82		
Granted	146	\$ 80.92		
Vested	(23)	\$ 49.68		
Forfeited or canceled	(103)	\$ 82.92		
Outstanding at December 31, 2023	256	\$ 80.08		
Granted	186	\$ 68.30		
Vested	—	—		
Forfeited or canceled	(125)	\$ 78.34		
Outstanding at December 31, 2024	317	\$ 73.85	1.56	\$ 19,534
Outstanding and expected to vest at December 31, 2024	177		2.00	\$ 10,946

In February 2024 it was determined that no shares subject to the PRSUs granted in 2021 vested; thus no shares were released to the Company's executives in the first quarter of 2024. The grant-date fair value of PRSU awards released, which were fully vested, in the years ended December 31, 2023 and 2022, was approximately \$1.1 million and \$4.6 million, respectively.

RSU Awards

RSUs granted to employees typically vest ratably over a four-year period and are converted into shares of the Company's common stock upon vesting on a one-for-one basis subject to the employee's continued service to the Company over that period. The fair value of RSUs is determined using the fair value of the Company's common stock on the date of the grant, reduced by the discounted present value of dividends expected to be declared before the awards vest. Compensation expense is recognized on a straight-line basis over the requisite service period of each grant adjusted for estimated forfeitures.

A summary of RSU awards outstanding as of December 31, 2024, and activity during the three years then ended, is presented below:

	Shares (In thousands)	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2022	1,144	\$ 46.81		
Granted	519	\$ 76.01		
Vested	(481)	\$ 44.70		
Forfeited	(86)	\$ 60.02		
Outstanding at December 31, 2022	1,096	\$ 60.52		
Granted	335	\$ 80.97		
Vested	(418)	\$ 53.08		
Forfeited	(32)	\$ 73.29		
Outstanding at December 31, 2023	981	\$ 70.27		
Granted	440	\$ 67.09		
Vested	(371)	\$ 64.28		
Forfeited	(121)	\$ 72.87		
Outstanding at December 31, 2024	929	\$ 70.82	1.45	\$ 57,300
Outstanding and expected to vest at December 31, 2024	870		1.38	\$ 53,649

The grant-date fair value of RSUs vested in the years ended December 31, 2024, 2023 and 2022, was approximately \$23.9 million, \$22.2 million and \$21.5 million, respectively.

8. SIGNIFICANT CUSTOMERS AND GEOGRAPHIC NET REVENUES:

Customer Concentration

The Company's top ten customers accounted for approximately 79%, 80% and 76% of revenues in 2024, 2023 and 2022, respectively. A significant portion of these revenues are attributable to sales of the Company's products to distributors of electronic components. These distributors sell the Company's products to a broad, diverse range of end users, including OEMs and merchant power supply manufacturers. Sales to distributors in 2024, 2023 and 2022 were \$292.9 million, \$307.4 million and \$457.7 million, respectively. Direct sales to OEMs and power-supply manufacturers accounted for the remainder.

The following customers represented 10% or more of the Company's net revenues for the respective years:

<u>Customer</u>	<u>Year Ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Avnet.....	30 %	27 %	31 %
Honestar Technologies Co., Ltd.....	11 %	18 %	11 %
Salcomp Group	*	10 %	*

- Total customer revenue was less than 10% of net revenues.

No other customers accounted for 10% or more of the Company's net revenues in the periods presented.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consisted principally of cash investments and trade receivables. The Company does not have any off-balance-sheet credit exposure related to its customers. As of December 31, 2024 and 2023, 87% and 86% of accounts receivable were concentrated with the Company's top ten customers, respectively.

The following customers represented 10% or more of accounts receivable:

<u>Customer</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2024</u>	<u>2023</u>
Avnet.....	32 %	39 %
Honestar Technologies Co., Ltd.....	12 %	20 %
Salcomp Group	13 %	10 %

No other customers accounted for 10% or more of the Company's accounts receivable in the periods presented.

Geographic Net Revenues

The Company markets its products globally through its sales personnel and a worldwide network of independent sales representatives and distributors. Geographic net revenues based on "bill to" customer locations by region and country with 5% or more of the Company's revenue during any of the periods presented were as follows:

<u>(In thousands)</u>	<u>Year Ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Americas:.....	\$ 20,888	\$ 22,165	\$ 45,317
EMEA:			
Germany.....	22,047	23,041	52,876
Other EMEA.....	22,866	27,820	32,429
APAC:			
Hong Kong/China.....	238,477	265,936	356,865
India	27,820	34,558	33,159
Japan.....	12,827	16,177	34,924
Korea	37,790	24,956	52,074
Taiwan	22,202	15,774	19,789
Other APAC	14,056	14,111	23,705
Total net revenues	<u>\$ 418,973</u>	<u>\$ 444,538</u>	<u>\$ 651,138</u>

9. COMMON STOCK REPURCHASES AND CASH DIVIDENDS:

Common Stock Repurchases

From time to time the Company's board of directors has authorized the use of funds to repurchase shares of the Company's common stock. In 2022, the Company's board of directors authorized the use of \$325.0 million for the repurchase of the Company's common stock. This amount was in addition to \$67.3 million remaining and available at the beginning of 2022 for repurchases to be executed according to pre-defined price/volume guidelines. As of December 31, 2023, the Company had \$26.0 million available for future stock repurchases which was used for repurchases during 2024. In October 2024, the Company's board of directors authorized the use of an additional \$50.0 million for the repurchase of the Company's common stock, with repurchases to be executed according to pre-defined price/volume guidelines.

In 2024, 2023 and 2022, the Company purchased approximately 0.4 million shares, 0.8 million shares and 3.8 million shares, respectively, for approximately \$27.9 million, \$55.3 million and \$311.1 million, respectively. As of December 31, 2024, the Company had \$48.1 million available for future stock repurchases. There is no expiration date on the plan or amount currently authorized.

Authorization of future stock repurchase programs is at the discretion of the Company's board of directors and will depend on the Company's financial condition, results of operations, capital requirements and business conditions and other factors.

Common Stock Dividend

The following table presents the quarterly dividends declared per share of the Company's common stock for the periods indicated:

	Year Ended December 31,		
	2024	2023	2022
First Quarter	\$ 0.20	\$ 0.19	\$ 0.18
Second Quarter	\$ 0.20	\$ 0.19	\$ 0.18
Third Quarter	\$ 0.20	\$ 0.19	\$ 0.18
Fourth Quarter	\$ 0.21	\$ 0.20	\$ 0.18

The Company paid approximately \$46.0 million, \$44.0 million and \$41.5 million in cash dividends during 2024, 2023 and 2022, respectively.

In October 2021, the Company's board of directors declared dividends of \$0.15 per share to be paid to be paid to stockholders of record at the end of each quarter in 2022.

In January 2022, the Company's board of directors raised the quarterly cash dividend by an additional \$0.03 per share with the declaration of four cash dividends of \$0.18 per share (in lieu of the \$0.15 per share announced in October 2021) to be paid to stockholders of record at the end of each quarter in 2022.

In February 2023, the Company's board of directors declared dividends of \$0.19 per share to be paid to stockholders of record at the end of each quarter in 2023. In October 2023, the Company's board of directors raised the cash dividend with the declaration of four cash dividends of \$0.20 per share to be paid to stockholders of record at the end of the fourth quarter in 2023 (in lieu of the \$0.19 per share announced in February 2023) and at the end of each quarter in 2024.

In October 2024, the Company's board of directors raised the cash dividend with the declaration of five cash dividends of \$0.21 per share to be paid to stockholders of record at the end of the fourth quarter in 2024 (in lieu of the \$0.20 per share announced in October 2023) and at the end of each quarter in 2025.

10. EARNINGS PER SHARE:

Basic earnings per share are calculated by dividing net income by the weighted-average shares of common stock outstanding during the period. Diluted earnings per share are calculated by dividing net income by the weighted-average shares of common stock and dilutive common equivalent shares outstanding during the period. Dilutive common equivalent shares included in this calculation consist of dilutive shares issuable upon the assumed exercise of outstanding common stock options, the assumed vesting of outstanding restricted stock units, the assumed issuance of awards under the stock purchase plan and contingently issuable performance-based awards, as computed using the treasury stock method.

A summary of the earnings per share calculation is as follows:

(In thousands, except per share amounts)	Year Ended December 31,		
	2024	2023	2022
Basic earnings per share:			
Net income	\$ 32,234	\$ 55,735	\$ 170,851
Weighted-average common shares	56,820	57,195	57,801
Basic earnings per share	\$ 0.57	\$ 0.97	\$ 2.96
Diluted earnings per share: ⁽¹⁾			
Net income	\$ 32,234	\$ 55,735	\$ 170,851
Weighted-average common shares	56,820	57,195	57,801
Effect of dilutive awards:			
Employee stock plans	310	427	570
Diluted weighted-average common shares	57,130	57,622	58,371
Diluted earnings per share	\$ 0.56	\$ 0.97	\$ 2.93

(1) The Company includes the shares underlying performance-based awards in the calculation of diluted earnings per share if the performance conditions have been satisfied as of the end of the reporting period and excludes such shares when the necessary conditions have not been met. The Company has included in the 2024, 2023 and 2022 calculations those shares that were contingently issuable upon the satisfaction of the performance conditions as of the end of the respective periods.

In the years ended December 31, 2024, 2023 and 2022, no outstanding stock awards were determined to be anti-dilutive and excluded from the computation of diluted earnings per share.

11. PROVISION (BENEFIT) FOR INCOME TAXES:

Income Taxes

The Company accounts for income taxes under the provisions of ASC 740, *Income Taxes*. Under the provisions of ASC 740, deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, utilizing the tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

U.S. and foreign components of income before income taxes were:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
U.S. operations	\$ (4,521)	\$ 2,995	\$ 17,250
Foreign operations	35,275	42,912	166,176
Total income before income taxes	\$ 30,754	\$ 45,907	\$ 183,426

The components of the provision (benefit) for income taxes are as follows:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Current provision (benefit):			
Federal	\$ 5,876	\$ (1,193)	\$ 19,740
State	3	3	2
Foreign	1,392	1,331	1,079
	7,271	141	20,821
Deferred provision (benefit):			
Federal	(8,177)	(9,178)	(7,962)
State	—	—	—
Foreign	(574)	(791)	(284)
	(8,751)	(9,969)	(8,246)
Total	\$ (1,480)	\$ (9,828)	\$ 12,575

The provision (benefit) for income taxes differs from the amount that would result by applying the applicable federal income tax rate to income before income taxes, as follows:

	Year Ended December 31,		
	2024	2023	2022
Provision (benefit) computed at Federal statutory rate	21.0 %	21.0 %	21.0 %
Business tax credits	(14.6)	(12.2)	(3.7)
Stock-based compensation.	6.4	(0.1)	(1.6)
Foreign income taxed at different rate.	(21.0)	(17.6)	(18.5)
GILTI inclusion.	2.4	4.1	8.5
Uncertain Tax Positions.	(3.7)	(18.6)	(0.1)
Valuation allowance	5.3	4.3	1.3
Other	(0.6)	(2.3)	—
Total	<u>(4.8)%</u>	<u>(21.4)%</u>	<u>6.9 %</u>

The Company's effective tax rate is impacted by the geographic distribution of the Company's world-wide earnings in lower-tax jurisdictions, federal research tax credits and the recognition of excess tax benefits related to share-based payments. The rate was further reduced by the release of federal uncertain tax positions caused by an expiration in the statute of limitations on these positions. These benefits were partially offset by foreign income subject to U.S. tax, known as global intangible low-taxed income ("GILTI"). The Company's primary jurisdiction where foreign earnings are derived is the Cayman Islands, which is a non-taxing jurisdiction. Income earned in other foreign jurisdictions was not material. The Company has not been granted any incentivized tax rates and does not operate under any tax holidays in any jurisdiction.

The components of the net deferred income tax assets (liabilities) were as follows:

(In thousands)	December 31,	
	2024	2023
Deferred tax assets:		
R&D costs capitalized for tax purposes.	\$ 39,807	\$ 30,886
Other reserves and accruals	3,598	861
Tax credit carry-forwards	29,558	28,223
Stock compensation.	3,155	1,543
Capital losses.	140	141
Net operating loss	2,268	2,269
Other	421	465
Valuation allowance	<u>(32,659)</u>	<u>(31,031)</u>
	46,288	33,357
Deferred tax liabilities:		
Fixed assets, Intangible and Goodwill.	<u>(9,814)</u>	<u>(5,040)</u>
	<u>(9,814)</u>	<u>(5,040)</u>
Net deferred tax assets.	<u>\$ 36,474</u>	<u>\$ 28,317</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income. In the event that the Company determines, based on available evidence and management judgment, that all or part of the net deferred tax assets will not be realized in the future, the Company would record a valuation allowance in the period the determination is made. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with the Company's expectations could have a material impact on its results of operations and financial position.

As of December 31, 2024, the Company continues to maintain a valuation allowance primarily as a result of its California, New Jersey and Canada deferred tax assets as the Company believes that it is not more likely than not that the deferred tax assets will be realized.

As of December 31, 2024, the Company had utilized all of its federal research and development tax credit carryforwards. As of December 31, 2024, the Company had California research and development tax credit carryforwards of approximately \$42.0 million (there is no expiration of research and development tax credit carry-forwards for the state of California) and California net operating losses of \$44.2 million which will begin to expire in 2032. As of

December 31, 2024, the Company had Canadian scientific research and experimental development tax credit carry-forwards of approximately \$3.8 million and New Jersey research and experimental development tax credit carry-forwards of approximately \$1.0 million, which will start to expire in 2030 and 2026, respectively.

Current U.S. tax laws generally allow companies to repatriate accumulated foreign earnings without incurring additional U.S. federal taxes although local foreign and U.S. states taxes may still be incurred upon repatriation. The Company has not provided for U.S. taxes on its undistributed earnings of foreign subsidiaries. The determination of the future tax consequences of the remittance of these earnings is not practicable.

Unrecognized Tax Benefits

The Company applies the provisions of ASC 740-10, relating to accounting for uncertain income taxes. Reconciliation of the beginning and ending amount of unrecognized tax benefits:

(In thousands)	Unrecognized Tax Benefits
Unrecognized tax benefits balance at January 1, 2022	\$ 21,363
Gross increase for tax positions of current year	2,188
Gross decrease for tax positions of prior years	—
Statute of limitation release for tax positions of prior years	(165)
Unrecognized tax benefits balance at December 31, 2022	23,386
Gross increase for tax positions of current year	605
Gross decrease for tax positions of prior years	—
Statute of limitation release for tax positions of prior years	(7,602)
Unrecognized tax benefits balance at December 31, 2023	16,389
Gross increase for tax positions of current year	765
Gross decrease for tax positions of prior years	(876)
Statute of limitation release for tax positions of prior years	(1,103)
Unrecognized tax benefits balance at December 31, 2024	<u>\$ 15,175</u>

The Company's total unrecognized tax benefits as of December 31, 2024, 2023 and 2022, were \$15.2 million, \$16.4 million and \$23.4 million, respectively. An income tax benefit of \$3.8 million, net of valuation allowance adjustments, would be recorded if fiscal year 2024 unrecognized tax benefits are recognized. The Company cannot reasonably estimate the amount of the unrecognized tax benefit that could be adjusted in the next twelve months.

The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. The Company had accrued interest and penalties of \$0.3 million in both December 31, 2024 and 2023, which have been recorded in long-term income taxes payable in the accompanying consolidated balance sheets.

As of December 31, 2024, the Company's tax returns continue to remain subject to examination by U.S. federal authorities for the years after 2021. The California Franchise Tax Board is conducting an audit for the tax years 2018 and 2019, it is still currently ongoing.

12. LEASES AND COMMITMENTS:

Facilities and Leases

The Company owns its main executive, administrative, manufacturing and technical offices in San Jose, California. The Company also owns a research and development facility in New Jersey, a design center in Germany and a multipurpose office building in Switzerland. The Company's leases consist of operating leases for administrative office spaces, research-and-development facilities and sales offices in various countries around the world. The Company determines whether an arrangement is a lease at inception. Some lease agreements contain lease and non-lease components, which are accounted for as a single lease component. Total lease expense was \$3.9 million, \$3.6 million and \$3.3 million for the years ended December 31, 2024, 2023 and 2022; short-term and variable lease expenses were not material during these periods.

Balance sheet information related to leases was as follows:

(In thousands)	<u>Balance Sheet Classification</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Right-of-use assets			
Operating lease assets	Other assets	\$ 16,076	\$ 10,398
Lease liabilities			
Current operating lease liabilities	Other accrued liabilities	\$ 2,929	\$ 2,626
Non-current operating lease liabilities	Other liabilities	12,631	7,354
Total		<u>\$ 15,560</u>	<u>\$ 9,980</u>

Initial lease terms are determined at commencement and may include options to extend or terminate the lease when it is reasonably certain the Company will exercise the option. Remaining lease terms range from one to nine years, some of which include options to extend for up to six years, and some of which include options to terminate within one year. Leases with an initial term of twelve months or less are not recorded on the balance sheet. As the Company's leases do not provide an implicit rate, the present value of future lease payments is determined using the Company's incremental borrowing rate based on information available at commencement date.

Lease term and discount rate	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Weighted average remaining lease term	5.8 years	3.8 years
Weighted average discount rate	6.7 %	6.1 %

Supplemental cash flows information related to leases was as follow:

(In thousands)	<u>Year Ended December 31, 2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,008	\$ 3,579
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 9,495	\$ 4,889

Future minimum lease payments under all non-cancelable lease agreements as of December 31, 2024, are as follows:

(In thousands)	<u>December 31, 2024</u>
2025	\$ 3,849
2026	4,148
2027	2,906
2028	2,439
2029	1,596
Thereafter	4,065
Total future minimum lease payments	19,003
Less imputed interest	(3,443)
Total	<u>\$ 15,560</u>

Purchase Obligations

At December 31, 2024, the Company had no non-cancelable purchase obligations that were due beyond one year.

13. SEGMENT REPORTING:

The Company is organized and operates as one operating and reportable segment; the design, development, manufacture and marketing of integrated circuits and related components for use primarily in high-voltage power conversion. This determination is based on the management approach which designates internal information regularly available to the Chief Operating Decision Maker ("CODM") for making decisions and assessing performance as the source of determination of the Company's reportable segments. The Company's CODM, the Chief Executive Officer, reviews financial information presented on a consolidated basis for the purpose of making operating decisions and assessing financial performance.

The CODM uses net income as the measure of profit or loss to allocate resources and assess performance. The CODM regularly reviews net income as reported on the Company's consolidated statements of income. Financial forecasts and budget to actual results used by the CODM to assess performance and allocate resources, as well as those used for

strategic decisions related to headcount and capital expenditures are also reviewed on a consolidated basis. The CODM considers the impact of the significant segment expenses in the table below on net income when deciding whether to reinvest profits, propose dividends or share repurchase, or pursue strategic mergers and acquisitions.

The measure of segment assets is reported on the balance sheet as total assets. The CODM does not review segment assets at a level other than that presented in the Company's consolidated balance sheets.

The table below presents the Company's consolidated operating results including significant segment expenses:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
NET REVENUES	\$ 418,973	\$ 444,538	\$ 651,138
Less:			
Stock-based compensation (1)	35,076	28,528	22,364
Amortization of acquisition-related intangible assets (2)	1,034	1,928	2,169
Cost of revenues (excluding 1 & 2)	191,098	211,962	281,171
Research and development (excluding 1)	88,203	85,128	83,466
Sales and marketing (excluding 1 & 2)	59,761	57,710	56,298
General and administrative (excluding 1)	25,872	24,223	24,128
Other operating expenses, net	—	—	1,130
INCOME FROM OPERATIONS	17,929	35,059	180,412
OTHER INCOME	12,825	10,848	3,014
PROVISION (BENEFIT) FOR INCOME TAXES	(1,480)	(9,828)	12,575
NET INCOME	\$ 32,234	\$ 55,735	\$ 170,851

The table below presents other segment information:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
Depreciation	\$ 33,303	\$ 35,203	\$ 34,930
Amortization of intangibles	\$ 1,279	\$ 2,173	\$ 2,415
Interest income	\$ 13,576	\$ 11,655	\$ 3,471

14. LEGAL PROCEEDINGS AND CONTINGENCIES:

From time to time in the ordinary course of business, the Company becomes involved in lawsuits, or customers and distributors may make claims against the Company. In accordance with ASC 450 10, Contingencies, the Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

On December 18, 2019, CogniPower LLC ("CogniPower") filed a complaint against a customer of the Company in the United States District Court for the District of Delaware for infringement of two patents; the Company thereafter intervened and sought a declaration of non-infringement with respect to use of the Company's products. The case was then stayed until February 26, 2024, when the Delaware Court then set a schedule for the remainder of the case, with further proceedings in the coming months, and a trial scheduled in August 2025. The Company believes it has strong claims and defenses with respect to all of CogniPower's asserted patents and intends to vigorously defend itself against CogniPower's claims against the Company's technology, with appeals to follow if necessary.

On October 31, 2022, Waverly Licensing LLC ("Waverly") filed a complaint against the Company in the United States District Court for the Western District of Texas. In its complaint, Waverly alleged that the Company was infringing one patent pertaining to charging a battery-operated device. Because the Company believed that Waverly's Texas complaint was improperly filed in the wrong court, the Company filed a motion to dismiss, and on November 30, 2022, the Company filed a complaint against Waverly and related entities, IP Edge LLC, Mavexar LLC, and Array IP LLC, in the United States District Court for the District of Delaware seeking a declaration of non-infringement with respect to a patent that Waverly charged the Company with infringing. The Texas court thereafter dismissed Waverly's Texas complaint. On March 12, 2024, the Delaware Court dismissed the Delaware case in view of a series of covenants not to sue that Waverly et al. filed with the Court.

The Company is unable to predict the outcome of legal proceedings with certainty, and there can be no assurance that the Company will prevail in the above-mentioned unsettled litigations. These litigations, whether or not determined in the Company's favor or settled, will be costly and will divert the efforts and attention of the Company's management

and technical personnel from normal business operations, potentially causing a material adverse effect on the business, financial condition and operating results. Currently, the Company is not able to estimate a loss or a range of loss for the ongoing litigations disclosed above, however adverse determinations in litigation could result in monetary losses, the loss of proprietary rights, subject the Company to significant liabilities, require the Company to seek licenses from third parties or prevent the Company from licensing the technology, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

15. ACQUISITION:

Odyssey Semiconductor Technologies

On March 12, 2024, the Company agreed to acquire the assets of Odyssey, a U.S. company and a developer of vertical gallium-nitride ("GaN") transistor technology. The transaction closed on July 1, 2024, at which time all key Odyssey employees joined the Company. Pursuant to the asset purchase agreement, Odyssey sold, transferred and assigned substantially all of its assets to the Company for \$9.52 million in cash. The purchase is intended to augment the Company's development of high-power GaN switching technology.

The acquisition has been accounted for using the acquisition method of accounting in accordance with ASC 805 - Business Combinations. Under the acquisition method of accounting, the total purchase consideration of the acquisition is allocated to the tangible assets and identifiable intangible assets acquired based on their relative fair values. The excess of the purchase consideration over the net tangible and identifiable intangible assets is recorded as goodwill, the amount of which represents the expected benefits to the Company of future technology and the knowledgeable and experienced employees who joined the Company. Goodwill is expected to be deductible over 15 years for tax purposes.

The following table summarizes the purchase price and estimated fair values of the assets acquired as of July 1, 2024, the completion of the Odyssey acquisition:

(In thousands)	Total Amount
<u>Assets Acquired</u>	
Property and equipment	\$ 1,168
In-process research and development	4,930
Goodwill	3,422
Total purchase price	<u>\$ 9,520</u>

The fair value of in-process research and development was determined based on the cost approach using the Company's estimate of the costs that would be incurred if a market participant were to create the acquired technology from scratch. The Company considered the number of engineers required, salaries and related benefits, allocated overhead and the development time required to recreate the technology. The Company will record the in-process research and development as an intangible asset with an indefinite life until completion or abandonment of the associated research and development efforts, and will begin amortizing the value over the estimated life of the technology upon completion of development. Consistent with the treatment of other intangible assets with indefinite lives, the Company will test the in-process research and development for impairment on an annual basis or when impairment indicators are present.

Pro forma results of operations for this acquisition have not been presented because they are not material to the Company's consolidated financial statements.

16. RETIREMENT PLANS:

The Company sponsors a defined benefit pension plan (Pension Plan) for its Swiss subsidiary in accordance with the legal requirements of Switzerland. The plan assets, which provide benefits in the event of an employee's retirement, death or disability, are held in legally autonomous trustee-administered funds that are subject to Swiss law. Benefits are based on the employee's age, years of service and salary, and the plan is financed by contributions by both the employee and the Company.

The net periodic benefit cost of the Pension Plan was not material to the Company's financial statements during the years ended December 31, 2024, 2023 and 2022. As of December 31, 2024, the projected benefit obligation was \$18.3 million, the plan assets were \$11.4 million and the net pension liability was \$6.9 million. As of December 31, 2023, the projected benefit obligation was \$11.4 million, the plan assets were \$7.9 million, and the net pension liability was \$3.5 million. The Company has recorded the unfunded amount as a liability in its consolidated balance sheet at December 31, 2024 and 2023, under the other liabilities caption. The Company expects to make contributions to the Pension Plan of approximately \$0.5 million during 2025. The accumulated unrealized actuarial balance on pension

benefits, net of tax, at December 31, 2024, 2023 and 2022 was \$1.5 million loss, \$1.6 million gain and \$0.9 million gain, respectively. These amounts were reflected in Note 3 under the caption accumulated other comprehensive loss.

In accordance with the Compensation-Retirement Benefits Topic of ASC 715-20, *Defined Benefits Plan*, the Company recognizes the over-funded or under-funded status of its defined post-retirement plan as an asset or liability in its statement of financial position. The Company measured the plan assets and benefit obligations as of the date of the fiscal year-end.

17. BANK LINE OF CREDIT:

On July 27, 2016, the Company entered into a credit agreement with Wells Fargo Bank, National Association (the "Credit Agreement") that provides the Company with a \$75.0 million revolving line of credit to use for general corporate purposes with a \$20.0 million sub-limit for the issuance of standby and trade letters of credit. The Credit Agreement was amended on April 30, 2018, to extend the termination date from July 26, 2019, to April 30, 2022, with all other terms remaining the same. The Credit Agreement was amended on June 7, 2021, to provide an alternate borrowing rate as a replacement for LIBOR and extend the termination date from April 30, 2022, to June 7, 2026, with all other terms remaining the same. The Credit Agreement was amended with an effective date of June 28, 2023 to include the Secured Overnight Financing Rates ("SOFR") as interest rate benchmark rates, with all other terms remaining the same.

The Company's ability to borrow under the revolving line of credit is conditioned upon the Company's compliance with specified covenants, including reporting and financial covenants, primarily a minimum cash requirement and a debt to earnings ratio. The Credit Agreement terminates on June 7, 2026; all advances under the revolving line of credit will become due on such date, or earlier in the event of a default. The Company was compliant with all covenants and had no advances outstanding under the Credit Agreement as of December 31, 2024.

Schedule II

Valuation and Qualifying Accounts

The Company maintains an allowance for the distributors' ship-and-debit credits relating to the sell-through of the Company's products. This reserve is established using the Company's historical ship-and-debit amounts and levels of inventory in the distributor channels.

The following is a summary of the activity in the allowance for ship-and-debit credits:

(In thousands)	Balance at Beginning of Period	Additions	Deductions ⁽¹⁾	Balance at End of Period
Allowance for ship and debit credits:				
Year ended December 31, 2022.	\$ 41,599	\$ 241,817	\$ (230,232)	\$ 53,184
Year ended December 31, 2023.	\$ 53,184	\$ 202,159	\$ (219,326)	\$ 36,017
Year ended December 31, 2024.	\$ 36,017	\$ 211,185	\$ (220,756)	\$ 26,446

- (1) Deductions relate to ship-and-debit credits issued which adjust the sales price from the standard distribution price to the pre-approved lower price. Refer to Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, for the Company's revenue recognition policy, including the Company's accounting for ship-and-debit claims.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management is required to evaluate our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures include components of our internal control over financial reporting, which consists of control processes designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles in the U.S. To the extent that components of our internal control over financial reporting are included within our disclosure controls and procedures, they are included in the scope of our periodic controls evaluation. Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of the end of the period covered by this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting.

Management conducted an assessment of Power Integrations' internal control over financial reporting as of December 31, 2024, based on the framework established by the Committee of Sponsoring Organization ("COSO") of the Treadway Commission in *Internal Control - Integrated Framework* issued in 2013. Based on this assessment, management concluded that, as of December 31, 2024, our internal control over financial reporting was effective.

The effectiveness of Power Integrations' internal control over financial reporting as of December 31, 2024, has been audited by Deloitte & Touche LLP (PCAOB ID No. 34), an independent registered public accounting firm, as stated in their report which appears below.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the fourth quarter of 2024, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Power Integrations, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Power Integrations, Inc. and subsidiaries (the “Company”) as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2024, of the Company and our report dated February 7, 2025, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

San Jose, California

February 7, 2025

Item 9B. Other Information.

Appointment of New Director

On February 3, 2025, the Board of Directors (the “Board”) of Power Integrations, Inc. appointed Gregg Lowe to serve as a director beginning on February 15, 2025. Mr. Lowe’s appointment was recommended to the Board by the Nominating and Governance Committee of the Board.

Mr. Lowe was the president and chief executive officer of Wolfspeed, Inc., the leader in silicon carbide solutions for high power applications, from September 2017 until November 2024. Mr. Lowe previously served as president and chief executive officer of Freescale Semiconductor from June 2012 until its merger with NXP in 2015. Prior, Mr. Lowe served as senior vice president and manager of the analog business for Texas Instruments where he helped to direct the acquisition of National Semiconductor. During his 27 years at Texas Instruments, Mr. Lowe served in a succession of roles including various leadership positions across field sales, automotive sales, marketing and integrated circuits where he oversaw a global team with design centers and customers across the globe. Mr. Lowe currently serves on the boards of Silicon Laboratories, Inc., The Rock & Roll Hall of Fame Museum and North Carolina A&T University. Mr. Lowe has a bachelor of science degree in electrical engineering from Rose-Hulman Institute of Technology in Terre Haute, Indiana and is a graduate from the Stanford Executive Program at Stanford University.

Upon commencement of services to the Board, and in consideration of services to us as a director, Mr. Lowe will be granted an equity award in the form of restricted stock units of our common stock (the “Initial Grant”) under the Power Integrations 2016 Incentive Award Plan (the “2016 Plan”) with an aggregate fair value of approximately \$45,000. The Initial Grant will vest on the date of our 2025 annual meeting of stockholders (currently scheduled for May 15, 2025), provided Mr. Lowe is still serving as a director on that date. Notwithstanding the foregoing, the Initial Grant would be deemed fully vested upon the occurrence of a “Change of Control,” as such term is defined in the 2016 Plan. Beginning on July 1, 2025, Mr. Lowe will receive annual equity compensation pursuant to the Directors Equity Compensation Program consistent with our other non-employee directors, which is a grant of restricted stock units, under the 2016 Plan, with an aggregate value of \$200,000, which would vest in full effective immediately prior to the commencement of our first annual meeting of stockholders in the year following the year of the grant date, provided that he is still providing services to the Company as a director and provided, further, that 100% of the shares subject to such equity award would be deemed fully vested upon the occurrence of a Change of Control.

As a non-employee director, Mr. Lowe will also receive \$11,250 per quarter for service on the Board, prorated for his start date of service until June 30, 2025. Starting July 1, 2025, the amount will increase to \$15,000 per quarter. We intend to enter into an indemnity agreement with Mr. Lowe that is in the form of indemnity agreements executed by other members of the Board.

Rule 10b5-1 Trading Plans

During the three months ended December 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The names of our executive officers and their ages, titles and biographies as of the date hereof are set forth under the caption “Information About our Executive Officers” in Part I, Item 1, above.

The following information is included in our Notice of Annual Meeting of Stockholders and Proxy Statement to be filed within 120 days after our fiscal year end of December 31, 2024, or the Proxy Statement, and is incorporated herein by reference:

- Information regarding our directors and any persons nominated to become a director is set forth under the caption “Proposal 1 Election of Directors.”
- Information regarding our audit committee and our designated “audit committee financial expert” is set forth under the captions “Information Regarding the Board and its Committees” and “Audit Committee” under “Proposal 1 Election of Directors” and “Report of the Audit Committee of the Board.”
- Information on our code of business conduct and ethics for directors, officers and employees is set forth under the caption “Code of Business Conduct and Ethics” under “Proposal 1 Election of Directors.”
- Information regarding Section 16(a) beneficial ownership reporting compliance, if any, will be set forth under the caption “Delinquent Section 16(a) Reports.”
- Information regarding procedures by which stockholders may recommend nominees to our board of directors is set forth under the caption “Nominating and Governance Committee” under “Proposal 1 Election of Directors.”

We have adopted an insider trading policy governing the purchase, sale and/or other dispositions of the Company’s securities by directors, officers and employees that is designed to promote compliance with insider trading laws, rules and regulations, as well as procedures designed to further the foregoing purposes. A copy of our insider trading policy is filed as an exhibit to this Annual Report on Form 10-K. In addition, from time to time, the Company may engage in transactions in Company securities. It is the Company’s intent to comply with applicable laws and regulations relating to insider trading.

Item 11. Executive Compensation.

Information regarding compensation of our named executive officers is set forth under the caption “Compensation of Executive Officers” in the Proxy Statement, which information is incorporated herein by reference.

Information regarding compensation of our directors is set forth under the caption “Compensation of Directors” in the Proxy Statement, which information is incorporated herein by reference.

Information relating to compensation policies and practices as they relate to risk management is set forth under the caption “Compensation Policies and Practices as They Relate to Risk Management” under “Proposal 1 Election of Directors” in the Proxy Statement, which information is incorporated herein by reference.

Information regarding compensation committee interlocks is set forth under the caption “Compensation Committee Interlocks and Insider Participation” in the Proxy Statement, which information is incorporated herein by reference.

The Compensation Committee Report is set forth under the caption “Compensation Committee Report” in the Proxy Statement, which report is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information regarding security ownership of certain beneficial owners, directors and executive officers is set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement, which information is incorporated herein by reference.

Information regarding our equity compensation plans, including both stockholder approved plans and non-stockholder approved plans, is set forth under the caption “Equity Compensation Plan Information” in the Proxy Statement, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information regarding certain relationships and related transactions is set forth under the caption “Certain Relationships and Related Transactions” in the Proxy Statement, which information is incorporated herein by reference.

Information regarding director independence is set forth under the caption “Proposal 1 - Election of Directors” in the Proxy Statement, which information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information regarding principal auditor fees and services is set forth under “Principal Accountant Fees and Services” in the Proposal with the caption “Ratification of Selection of Independent Registered Public Accounting Firm” in the Proxy Statement, which information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)

1. The financial statements required by Item 15(a) are included in Item 8 of this Annual Report on Form 10-K.
2. The financial statement schedule required by Item 15(a) (Schedule II, Valuation and Qualifying Accounts) is included in Item 8 of this Annual Report on Form 10-K.

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(b) Exhibits

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/Appendix Reference	Filing Date	
3.1	Restated Certificate of Incorporation	10-K	000-23441	3.1	2/29/2012	
3.2	Amended and Restated Bylaws	8-K	000-23441	3.1	4/26/2013	
4.1	Description of Power Integrations, Inc. Common Stock	10-K	000-23441	4.1	2/6/2020	
4.2	Reference is made to Exhibits 3.1 to 3.2					
10.1*	Form of Indemnity Agreement for directors and officers	S-1	333-35421	10.1	9/11/1997	
10.2*	Power Integrations, Inc. Compliance Policy Regarding IRC Section 409A	10-K	000-23441	10.63	3/2/2009	
10.3*	1997 Employee Stock Purchase Plan, as amended	10-Q	000-23441	10.1	7/29/2021	
10.4*	Forms of agreement under 1997 Employee Stock Purchase Plan	S-1	333-35421	10.5	9/11/1997	
10.5*	1997 Outside Directors Stock Option Plan	10-Q	000-23441	10.2	10/29/2020	
10.6*	Forms of agreement under 1997 Outside Directors Stock Option Plan	S-1	333-35421	10.4	9/11/1997	
10.7*	Form of Director Option Grant Agreement.	10-Q	000-23441	10.9	5/6/2009	
10.8*	Director Equity Compensation Program	10-K	000-23441	10.10	2/7/2020	
10.9*	Forms of Stock Option Agreements to be used in Director Equity Compensation Program	10-Q	000-23441	10.5	11/7/2008	
10.10*	Outside Director Cash Compensation Arrangements	10-K	000-23441	10.12	2/7/2020	
10.11*	2007 Equity Incentive Plan, as amended and restated	10-Q	000-23441	10.3	10/29/2020	
10.12*	Forms of Option Agreements under the 2007 Equity Incentive Plan	Schedule TO	000-23441	99.(D)(4)	12/3/2008	

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/Appendix Reference	Filing Date	
10.13*	Power Integrations, Inc. Amended and Restated 2016 Incentive Award Plan	10-Q	000-23441	10.2	7/29/2021	
10.14*	Form of Restricted Stock Unit Grant Notice and Agreement under the 2016 Incentive Award Plan	10-K	000-23441	10.25	2/8/2017	
10.15*	Form of Performance Stock Unit Notice and Agreement under the 2016 Equity Incentive Plan	10-K	000-23441	10.26	2/8/2017	
10.16*	Form of Long Term Performance Stock Unit Notice and Agreement under the 2016 Equity Incentive Plan	10-K	000-23441	10.16	2/7/2022	
10.17†	Wafer Supply Agreement between us and ZMD Analog Mixed Signal Services GmbH & Co. KG, dated as of May 23, 2003	10-Q	000-23441	10.2	11/7/2023	
10.18†	Amended and Restated Wafer Supply Agreement between us and OKI Electric Industry Co., Ltd., dated as of April 1, 2003	10-Q	000-23441	10.3	11/7/2023	
10.19†	Amendment Number One to the Amended and Restated Wafer Supply Agreement between us and OKI Electric Industry Co., Ltd., effective as of August 11, 2004	10-Q	000-23441	10.1	11/7/2023	
10.20	Amendment Number Two to the Amended and Restated Wafer Supply Agreement between Power Integrations International, Ltd. and OKI Electric Industry Co., Ltd., effective as of April 1, 2008	10-Q	000-23441	10.5	8/8/2008	
10.21	Amendment Number Three to the Amended and Restated Wafer Supply Agreement between Power Integrations International, Ltd. and OKI Electric Industry Co., Ltd., effective as of June 9, 2008	10-Q	000-23441	10.6	8/8/2008	
10.22†	Amendment Number Four to the Amended and Restated Wafer Supply Agreement between Power Integrations International, Ltd. and OKI Electric Industry Co., Ltd., dated September 15, 2008	10-Q	000-23441	10.2	11/7/2008	
10.23†	Amendment Number Five to the Amended and Restated Wafer Supply Agreement between Power Integrations International, Ltd. and OKI Semiconductor Co., Ltd., effective as of November 14, 2008	10-K	000-23441	10.61	3/2/2009	
10.24†	Amendment Number Six to the Amended and Restated Wafer Supply Agreement between Power Integrations International, Ltd. and OKI Semiconductor Co., Ltd., effective as of November 1, 2015	10-K	000-23441	10.32	2/11/2016	

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/Appendix Reference	Filing Date	
10.25†	Amendment Number Seven to the Amended and Restated Wafer Supply Agreement between Power Integrations International, Ltd. and OKI Semiconductor Co., Ltd., effective as of August 8, 2016	10-Q	000-23441	10.1	11/1/2016	
10.26†	Amendment Number Eight to the Amended and Restated Wafer Supply Agreement between Power Integrations International, Ltd. and OKI Semiconductor Co., Ltd., effective as of July 26, 2017	10-Q	000-23441	10.3	8/4/2022	
10.27††	Amendment Number Nine to the Amended and Restated Wafer Supply Agreement, between Power Integrations International, Ltd. and Lapis Semiconductor Co., Ltd. (formerly OKI Semiconductor Co., Ltd.), effective as of February 6, 2019	10-Q	000-23441	10.2	4/25/2019	
10.28†	Wafer Supply Agreement, between Seiko Epson Corporation and Power Integrations International, Ltd. effective as of April 1, 2005	10-Q	000-23441	10.1	11/7/2008	
10.29†	Amendment Number One to the Wafer Supply Agreement between Power Integrations International, Ltd. and Seiko Epson Corporation, with an effective date of December 19, 2008	10-Q	000-23441	10.1	5/6/2009	
10.30†	Amendment Number Two to Wafer Supply Agreement, between Seiko Epson Corporation and Power Integrations International, Ltd., entered into on January 5, 2011	10-K	000-23441	10.47	2/25/2011	
10.31†	Amendment Number Three to Wafer Supply Agreement, effective as of February 1, 2012, by Power Integrations International Ltd. and Seiko Epson Corporation	10-K	000-23441	10.35	2/5/2021	
10.32†	Development Addendum to Wafer Supply Agreement, dated September 22, 2013, between Seiko Epson Corporation and Power Integrations International Ltd	10-K	000-23441	10.36	2/5/2021	
10.33†	Amendment Number Four to Wafer Supply Agreement, effective as of April 1, 2015, by Power Integrations International Ltd. and Seiko Epson Corporation	10-K	000-23441	10.37	2/5/2021	
10.34†	Amendment Number Five to Wafer Supply Agreement, effective as of November 2, 2015, by Power Integrations International Ltd. and Seiko Epson Corporation	10-K	000-23441	10.38	2/5/2021	
10.35†	Amendment Number Six to Wafer Supply Agreement, effective as of December 8, 2015, by Power Integrations International Ltd. and Seiko Epson Corporation	10-K	000-23441	10.39	2/5/2021	

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/Appendix Reference	Filing Date	
10.36†	Amendment Number Seven to Wafer Supply Agreement, effective as of October 3, 2016, by Power Integrations International Ltd. and Seiko Epson Corporation	10-K	000-23441	10.46	2/8/2017	
10.37†	Amendment Number Eight to Wafer Supply Agreement, effective as of November 8, 2016 by Power Integrations International Ltd. and Seiko Epson Corporation	10-K	000-23441	10.47	2/8/2017	
10.38†	Amendment Number One to the Amended and Restated Wafer Supply Agreement between Power Integrations International, Ltd. and XFAB Dresden GmbH & Co. KG, effective as of July 20, 2005	10-Q	000-23441	10.4	11/7/2023	
10.39†	Wafer Supply Agreement, made and entered into as of October 1, 2010, by and between Power Integrations International, Ltd., and X-FAB Semiconductor Foundries AG	10-Q	000-23441	10.2	5/8/2012	
10.40†	Amendment Number One to Wafer Supply Agreement, effective as of January 1, 2014, between Power Integrations International, Ltd., and X-FAB Semiconductor Foundries AG	10-Q/A	000-23441	10.2	9/19/2014	
10.41†	Amendment Number Two to the Wafer Supply Agreement, effective as of December 1, 2018, between Power Integrations International, Ltd., and X-FAB Semiconductor Foundries GmbH (formerly X-FAB Semiconductor Foundries AG)	10-K	000-23441	10.52	2/13/2019	
10.42	Amendment Number Three to the Amended and Restated Wafer Supply Agreement between Power Integrations International, Ltd. And X-FAB Semiconductor Foundries AG, effective as of April 21, 2021	10-Q	000-23441	10.4	7/29/2021	
10.43	Credit Agreement, dated July 27, 2016, by and between Power Integrations Inc. and Wells Fargo Bank, National Association	10-Q	000-23441	10.1	7/29/2016	
10.44	First Amendment to Credit Agreement, dated April 30, 2018 by and between Power Integrations, Inc. and Wells Fargo Bank, National Association	10-Q	000-23441	10.1	7/26/2018	
10.45	Second Amendment to Credit Agreement, dated June 7, 2021 by and between Power Integrations, Inc. and Wells Fargo Bank, National Association	10-Q	000-23441	10.3	7/29/2021	
10.46*	2019 Executive Officer Compensation Arrangements and 2019 Performance Based Incentive Plan	10-K	000-23441	Item 9B	2/13/2019	

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/Appendix Reference	Filing Date	
10.47*	2018 Executive Officer Cash Compensation Arrangements and 2018 Performance Based Incentive Plan	10-K	000-23441	Item 9B	2/14/2018	
10.48*	Form of Restricted Stock Unit Grant Notice and Form of Restricted Stock Unit Award Agreement for executive officers for use prior to January 2013	10-Q	000-23441	10.6	8/6/2010	
10.49*	Form of Restricted Stock Unit Grant Notice and Form of Restricted Stock Unit Award Agreement for executive officers for use after January 2013	10-K	000-23441	10.48	2/22/2013	
10.50*	Amended and Restated Chief Executive Officer Benefits Agreement, dated as of May 1, 2014, between Power Integrations, Inc. and Balu Balakrishnan	10-Q	000-23441	10.3	5/5/2014	
10.51*	Amended and Restated Executive Officer Benefits Agreement, dated as of May 1, 2014, between Power Integrations, Inc. and Cliff Walker	10-Q	000-23441	10.5	5/5/2014	
10.52*	Amended and Restated Executive Officer Benefits Agreement, dated as of May 1, 2014, between Power Integrations, Inc. and Doug Bailey	10-Q	000-23441	10.6	5/5/2014	
10.53*	Amended and Restated Executive Officer Benefits Agreement, dated as of May 1, 2014, between Power Integrations, Inc. and Sandeep Nayyar	10-Q	000-23441	10.8	5/5/2014	
10.54*	Amended and Restated Executive Officer Benefits Agreement, dated as of May 1, 2014, between Power Integrations, Inc. and Mike Matthews	10-Q	000-23441	10.10	5/5/2014	
10.55*	Amended and Restated Executive Officer Benefits Agreement, dated as of May 1, 2014, between Power Integrations, Inc. and Radu Barsan	10-Q	000-23441	10.11	5/5/2014	
10.56††	ON Semiconductor Corporation Settlement Agreement	10-K	000-23441	10.61	2/7/2020	
10.57††	ON Semiconductor Corporation Term Sheet	10-K	000-23441	10.62	2/7/2020	
10.58†	Amendment Number Ten to the Amended and Restated Wafer Supply Agreement, between Power Integrations International, Ltd. and Lapis Semiconductor Co., Ltd. (formerly OKI Semiconductor Co., Ltd.), effective as of December 16, 2019	10-Q	000-23441	10.1	5/7/2020	

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/Appendix Reference	Filing Date	
10.59†	Amendment Number Eleven to the Amended and Restated Wafer Supply Agreement, between Power Integrations International, Ltd. and Lapis Semiconductor Co., Ltd. (formerly OKI Semiconductor Co., Ltd.), effective as of December 20, 2019	10-Q	000-23441	10.2	5/7/2020	
10.60†††	Amendment Number Twelve to the Amended and Restated Wafer Supply Agreement, between Power Integrations International, Ltd. and Lapis Semiconductor Co., Ltd. (formerly OKI Semiconductor Co., Ltd.), effective as of September 17, 2020	10-Q	000-23441	10.2	4/29/2021	
10.61†††	Amendment Number Thirteen to the Amended and Restated Wafer Supply Agreement between Power Integrations, Ltd. d.b.a. Power Integrations International, Ltd. And Lapis Semiconductor Co., Ltd. (formerly OKI Semiconductor Co., Ltd.), effective as of February 17, 2022	10-Q	000-23441	10.1	4/28/2022	
10.62†	Amendment Number Nine to Wafer Supply Agreement, effective as of November 1, 2017 by Power Integrations International Ltd. and Seiko Epson Corporation	10-Q	000-23441	10.3	5/7/2020	
10.63*	2020 Compensation Arrangements with Named Executive Officers	10-K	000-23441	Item 9B	2/7/2020	
10.64*	Amendment to the Amended and Restated Executive Officer Benefits Agreement, dated as of June 1, 2020, between Power Integrations, Inc. and Balu Balakrishnan	10-Q	000-23441	10.2	7/30/2020	
10.65*	Amendment to the Amended and Restated Executive Officer Benefits Agreement, dated as of June 1, 2020, between Power Integrations, Inc. and Douglas Bailey	10-Q	000-23441	10.3	7/30/2020	
10.66*	Amendment to the Amended and Restated Executive Officer Benefits Agreement, dated as of June 1, 2020, between Power Integrations, Inc. and Radu Barsan	10-Q	000-23441	10.4	7/30/2020	
10.67*	Amendment to the Amended and Restated Executive Officer Benefits Agreement, dated as of June 1, 2020, between Power Integrations, Inc. and Mike Matthews	10-Q	000-23441	10.6	7/30/2020	
10.68*	Amendment to the Amended and Restated Executive Officer Benefits Agreement, dated as of June 1, 2020, between Power Integrations, Inc. and Sandeep Nayyar	10-Q	000-23441	10.7	7/30/2020	
10.69*	Amendment to the Amended and Restated Executive Officer Benefits Agreement, dated as of June 1, 2020, between Power Integrations, Inc. and Clifford Walker	10-Q	000-23441	10.9	7/30/2020	

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/Appendix Reference	Filing Date	
10.70*	Executive Officer Benefits Agreement, dated as of February 1, 2021, between Power Integrations, Inc. and Sunil Gupta	10-K	000-23441	10.73	2/5/2021	
10.71*	Executive Officer Benefits Agreement, dated as of June 14, 2021, between Power Integrations, Inc. and Yang Chiah Yee	10-Q	000-23441	10.5	7/29/2021	
10.72*	Executive Officer Benefits Agreement, dated as of August 1, 2022, between Power Integrations, Inc. and Sunil Gupta	10-Q	000-23441	10.1	8/4/2022	
10.73*	Executive Officer Benefits Agreement, dated as of August 1, 2022, between Power Integrations, Inc. and Yang Chiah Yee	10-Q	000-23441	10.2	8/4/2022	
10.74	Amendment Number Ten to Wafer Supply Agreement, effective as of August 26, 2020 by Power Integrations International Ltd. and Seiko Epson Corporation	10-Q	000-23441	10.5	10/29/2020	
10.75†††	Amendment Number Eleven to Wafer Supply Agreement, effective as of September 16, 2022 by Power Integrations International Ltd. and Seiko Epson Corporation	10-Q	000-23441	10.1	5/4/2023	
10.76	Third Amendment to Credit Agreement, dated June 28, 2023 between Power Integrations, Inc. and Wells Fargo Bank, National Association	10-Q	000-23441	10.1	8/3/2023	
10.77†††	Amendment Number Five to the Amended and Restated Wafer Supply Agreement between Power Integrations International, Ltd. and X-FAB Dresden GmbH & Co. KG, dated December 23, 2009.	10-Q	000-23441	10.5	11/7/2023	
10.78†††	Amendment Number Twelve to Wafer Supply Agreement, effective as of February 26, 2024 by Power Integrations International Ltd. and Seiko Epson Corporation	10-Q	000-23441	10.1	5/7/2024	

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
19.1	Insider Trading Policy					X
21.1	List of subsidiaries	10-K	000-23441	21.1	2/7/2022	
23.1	Consent of Independent Registered Public Accounting Firm					X
24.1	Power of Attorney (see signature page)					X
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
97*	Incentive Compensation Recoupment Policy	10-K	000-23441	97	2/12/2024	
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	The cover page from this Annual Report on Form 10-K, formatted in Inline XBRL					X

All references in the table above to previously filed documents or descriptions are incorporating those documents and descriptions by reference thereto.

† This Exhibit has been filed separately with the Commission pursuant to an application for confidential treatment. The confidential portions of this Exhibit have been omitted and are marked by an asterisk.

†† Portions of this exhibit have been omitted as being immaterial and would be competitively harmful if disclosed.

††† Portions of this exhibit have been omitted as being immaterial and is the type of information that Power Integrations, Inc. treats as private or confidential.

* Indicates a management contract or compensatory plan or arrangement.

** The certifications attached as Exhibits 32.1 and 32.2 accompanying this Form 10-K, are not deemed filed with the SEC, and are not to be incorporated by reference into any filing of Power Integrations, Inc. under the Securities Act of 1933, as amended, or the

Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POWER INTEGRATIONS, INC.

Dated: February 7, 2025

By: /s/ SANDEEP NAYYAR

Sandeep Nayyar
Chief Financial Officer (Duly Authorized Officer,
Principal Financial Officer and Chief Accounting
Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Balu Balakrishnan and Sandeep Nayyar his or her true and lawful attorney-in-fact and agent, with full power of substitution and, for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments to this Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES INDICATED AS OF THE 7TH DAY OF FEBRUARY 2025.

By: /s/ BALU BALAKRISHNAN
Balu Balakrishnan
Chairman of the Board and
President, Chief Executive Officer
(Principal Executive Officer)

By: /s/ SANDEEP NAYYAR
Sandeep Nayyar
Chief Financial Officer
(Principal Financial and Principal Accounting
Officer)

By: /s/ BALAKRISHNAN S. IYER
Balakrishnan S. Iyer
Lead Independent Director

By: /s/ WENDY ARIENZO
Wendy Arienzo
Director

By: /s/ NICHOLAS E. BRATHWAITE
Nicholas E. Brathwaite
Director

By: /s/ ANITA GANTI
Anita Ganti
Director

By: /s/ NANCY GIOIA
Nancy Gioia
Director

By: /s/ RAVI VIG
Ravi Vig
Director

Board of Directors

Wendy A. Arienzo

Former Vice President, Operations
FUJIFILM Dimatix, Inc., Retired

Balu Balakrishnan

Chairman and Chief Executive Officer
Power Integrations, Inc.

Nicholas E. Brathwaite

Founding Managing Partner
Celesta Capital

Anita Ganti

Former Senior Vice President,
Product Engineering Services
Wipro Limited

Nancy L. Gioia

Former Director of Electrification
and Connectivity
Ford Motor Company, Retired

Balakrishnan S. Iyer

Former Senior Vice President
and Chief Financial Officer
Conexant Systems, Inc., Retired

Gregg Lowe

Former President and CEO
Wolfspeed, Inc.

Ravi Vig

Former President and CEO
Allegro Microsystems, Inc., Retired

Management Team

Balu Balakrishnan

Chairman and Chief Executive Officer

Doug Bailey

Vice President, Marketing

Vikram Balakrishnan

Vice President, High-Power
Gate Drivers & Automotive

Radu Barsan

Vice President, Technology

Sunny Gupta

Vice President, Operations

Gagan Jain

Vice President, Worldwide Sales

Sandeep Nayyar

Vice President, Finance
Chief Financial Officer

Roland Saint-Pierre

Vice President,
Product Development

Clifford J. Walker

Vice President,
Corporate Development

Corporate Information

Corporate Counsel

Cooley LLP
Palo Alto, CA

Transfer Agent

Computershare
c/o Shareholder Services
PO Box 43006
Providence RI 02940-3006

Independent Auditors

Deloitte & Touche LLP
San Jose, CA

Investor Information

For additional information about
Power Integrations, visit:
www.power.com

Investor Relations

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