NEWS RELEASE

Power Integrations Reports First-Quarter Financial Results

Revenues were $106.3 million; GAAP earnings were $0.12 per diluted share; non-GAAP earnings were $0.25 per diluted share

SAN JOSE, CALIF. – May 4, 2023 – Power Integrations (NASDAQ: POWI) today announced financial results for the quarter ended March 31, 2023. Net revenues for the first quarter were $106.3 million, down 15 percent compared to the prior quarter and down 42 percent from the first quarter of 2022. Net income for the first quarter was $6.9 million or $0.12 per diluted share compared to $0.40 per diluted share in the prior quarter and $0.77 per diluted share in the first quarter of 2022. Cash flow from operations for the first quarter was $16.6 million.

In addition to its GAAP results, the company provided certain non-GAAP measures that exclude stock-based compensation, amortization of acquisition-related intangible assets and the tax effects of these items. Non-GAAP net income for the first quarter of 2023 was $14.2 million or $0.25 per diluted share compared to $0.48 per diluted share in the prior quarter and $0.93 per diluted share in the first quarter of 2022. A reconciliation of GAAP to non-GAAP financial results is included with the tables accompanying this press release.

Commented Balu Balakrishnan, president and CEO of Power Integrations: "First-quarter revenues were in line with our expectations, and sell-through exceeded sell-in by a wider-than-expected margin. The resulting reduction in distributor inventories combined with improved order trends indicates that while end-market demand remains subdued, our revenues have bottomed and a cyclical recovery is underway.

"Meanwhile, we continue to gain share in a variety of end-markets while making excellent progress on growth initiatives such as motor-drive, automotive and our proprietary gallium-nitride technology. In March we introduced our first 900-volt GaN products, bringing the benefits of GaN to a wider range of industrial and appliance applications. The new 900-volt products include our first GaN-based ICs for the EV market, where the efficiency and size benefits of GaN are critical as carmakers power more systems from the main battery."

Power Integrations paid a dividend of $0.19 per share on March 31, 2023. A dividend of $0.19 per share is to be paid on June 30, 2023, to stockholders of record as of May 31, 2023.

Financial Outlook

The company issued the following forecast for the second quarter of 2023:

- Revenues are expected to be $122 million plus or minus $5 million.
- GAAP gross margin is expected to be approximately 51.5 percent, and non-GAAP gross margin is expected to be approximately 52 percent. The difference between GAAP and non-GAAP gross margins is approximately equally attributable to stock-based compensation and amortization of acquisition-related intangible assets.
- GAAP operating expenses are expected to be approximately $52.5 million; non-GAAP operating expenses are expected to be approximately $44.5 million. Non-GAAP expenses are expected to exclude about $8 million of stock-based compensation.

Conference Call Today at 1:30 p.m. Pacific Time
Power Integrations management will hold a conference call today at 1:30 p.m. Pacific time. Members of the investment community can register for the call by visiting the following link: *https://conferencingportals.com/event/tVwwQxvn.* A live webcast of the call will also be available on the investor section of the company's website, *http://investors.power.com*.

About Power Integrations
Power Integrations, Inc. is a leading innovator in semiconductor technologies for high-voltage power conversion. The company's products are key building blocks in the clean-power ecosystem, enabling the generation of renewable energy as well as the efficient transmission and consumption of power in applications ranging from milliwatts to megawatts. For more information, please visit *www.power.com*.

Note Regarding Use of Non-GAAP Financial Measures
In addition to the company's consolidated financial statements, which are presented according to GAAP, the company provides certain non-GAAP financial information that excludes stock-based compensation expenses recorded under ASC 718-10, amortization of acquisition-related intangible assets and the tax effects of these items. The company uses these measures in its financial and operational decision-making and, with respect to one measure, in setting performance targets for compensation purposes. The company believes that these non-GAAP measures offer important analytical tools to help investors understand its operating results, and to facilitate comparability with the results of companies that provide similar measures. Non-GAAP measures have limitations as analytical tools and are not meant to be considered in isolation or as a substitute for GAAP financial information. For example, stock-based compensation is an important component of the company's compensation mix and will continue to result in significant expenses in the company's GAAP results for the foreseeable future but is not reflected in the non-GAAP measures. Also, other companies, including companies in Power Integrations' industry, may calculate non-GAAP measures differently, limiting their usefulness as comparative measures. Reconciliations of non-GAAP measures to GAAP measures are attached to this press release.

Note Regarding Forward-Looking Statements
The above statements regarding the company's forecast for its second-quarter financial performance, that revenues have bottomed and that a recovery is underway are forward-looking statements reflecting management's current expectations and beliefs. These statements are based on current information that is, by its nature, subject to rapid and even abrupt change. Due to risks and uncertainties associated with the company's business, actual results could differ materially from those projected or implied by these statements. These risks and uncertainties include, but are not limited to: the impact of the COVID-19 pandemic on demand for the company's products, its ability to supply products and its ability to conduct other aspects of its business such as competing for new design wins; changes in global economic and geopolitical conditions, including such factors as inflation, armed conflicts and trade negotiations, which may impact the level of demand for the company's products; potential changes and shifts in customer demand away from end products that utilize the company's integrated circuits to end products that do not incorporate the company's products; the effects of competition, which may cause the company's revenues to decrease or cause the company to decrease its selling prices for its products; unforeseen costs and expenses; and unfavorable fluctuations in component costs or operating expenses resulting from changes in commodity prices and/or exchange rates. 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 more fully explained under the caption "Risk Factors" in the company's most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission (SEC) on February 7, 2023. The company is under no obligation (and expressly disclaims any obligation) to update or alter its forward-looking statements, whether because of new information, future events or otherwise, except as otherwise required by law.

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POWER INTEGRATIONS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per-share amounts)

	Three Months Ended		
	March 31, 2023	**December 31, 2022**	**March 31, 2022**
NET REVENUES	$ 106,297	$ 124,770	$ 182,149
COST OF REVENUES	52,340	57,416	81,474
GROSS PROFIT	53,957	67,354	100,675
OPERATING EXPENSES:			
Research and development	23,981	23,504	23,678
Sales and marketing	15,885	15,493	16,155
General and administrative	8,334	7,465	9,614
Amortization of acquisition-related intangible assets	-	-	181
Total operating expenses	48,200	46,462	49,628
INCOME FROM OPERATIONS	5,757	20,892	51,047
OTHER INCOME	1,714	785	554
INCOME BEFORE INCOME TAXES	7,471	21,677	51,601
PROVISION (BENEFIT) FOR INCOME TAXES	596	(1,138)	5,353
NET INCOME	$ 6,875	$ 22,815	$ 46,248
EARNINGS PER SHARE:			
Basic	$ 0.12	$ 0.40	$ 0.78
Diluted	$ 0.12	$ 0.40	$ 0.77
SHARES USED IN PER-SHARE CALCULATION:			
Basic	57,105	57,094	59,238
Diluted	57,579	57,535	60,107

SUPPLEMENTAL INFORMATION:	Three Months Ended		
	March 31, 2023	**December 31, 2022**	**March 31, 2022**
Stock-based compensation expenses included in:			
Cost of revenues	$ 301	$ 405	$ 320
Research and development	2,668	2,716	3,055
Sales and marketing	1,653	1,643	1,948
General and administrative	2,746	1,890	3,690
Total stock-based compensation expense	$ 7,368	$ 6,654	$ 9,013
Cost of revenues includes:			
Amortization of acquisition-related intangible assets	$ 482	$ 482	$ 482

	Three Months Ended		
REVENUE MIX BY END MARKET	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Communications	28%	23%	26%
Computer	14%	12%	10%
Consumer	24%	26%	35%
Industrial	34%	39%	29%

POWER INTEGRATIONS, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP RESULTS
(in thousands, except per-share amounts)

	Three Months Ended		
	March 31, 2023	**December 31, 2022**	**March 31, 2022**
RECONCILIATION OF GROSS PROFIT			
GAAP gross profit	$ 53,957	$ 67,354	$ 100,675
GAAP gross margin	*50.8%*	*54.0%*	*55.3%*
Stock-based compensation included in cost of revenues	301	405	320
Amortization of acquisition-related intangible assets	482	482	482
Non-GAAP gross profit	$ 54,740	$ 68,241	$ 101,477
Non-GAAP gross margin	*51.5%*	*54.7%*	*55.7%*

	Three Months Ended		
RECONCILIATION OF OPERATING EXPENSES	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
GAAP operating expenses	$ 48,200	$ 46,462	$ 49,628
Less: Stock-based compensation expense included in operating expenses			
Research and development	2,668	2,716	3,055
Sales and marketing	1,653	1,643	1,948
General and administrative	2,746	1,890	3,690
Total	7,067	6,249	8,693
Amortization of acquisition-related intangible assets	-	-	181
Non-GAAP operating expenses	$ 41,133	$ 40,213	$ 40,754

	Three Months Ended		
RECONCILIATION OF INCOME FROM OPERATIONS	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
GAAP income from operations	$ 5,757	$ 20,892	$ 51,047
GAAP operating margin	*5.4%*	*16.7%*	*28.0%*
Add: Total stock-based compensation	7,368	6,654	9,013
Amortization of acquisition-related intangible assets	482	482	663
Non-GAAP income from operations	$ 13,607	$ 28,028	$ 60,723
Non-GAAP operating margin	*12.8%*	*22.5%*	*33.3%*

	Three Months Ended		
RECONCILIATION OF PROVISION (BENEFIT) FOR INCOME TAXES	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
GAAP provision (benefit) for income taxes	$ 596	$ (1,138)	$ 5,353
GAAP effective tax rate	*8.0%*	*-5.2%*	*10.4%*
Tax effect of adjustments to GAAP results	(501)	(2,085)	(122)
Non-GAAP provision for income taxes	$ 1,097	$ 947	$ 5,475
Non-GAAP effective tax rate	*7.2%*	*3.3%*	*8.9%*

	Three Months Ended		
RECONCILIATION OF NET INCOME PER SHARE (DILUTED)	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
GAAP net income	$ 6,875	$ 22,815	$ 46,248
Adjustments to GAAP net income			
Stock-based compensation	7,368	6,654	9,013
Amortization of acquisition-related intangible assets	482	482	663
Tax effect of items excluded from non-GAAP results	(501)	(2,085)	(122)
Non-GAAP net income	$ 14,224	$ 27,866	$ 55,802
Average shares outstanding for calculation of non-GAAP net income per share (diluted)	57,579	57,535	60,107
Non-GAAP net income per share (diluted)	$ 0.25	$ 0.48	$ 0.93
GAAP net income per share (diluted)	$ 0.12	$ 0.40	$ 0.77

POWER INTEGRATIONS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 94,189	$ 105,372
Short-term marketable securities	264,439	248,441
Accounts receivable, net	20,585	20,836
Inventories	142,444	135,420
Prepaid expenses and other current assets	17,538	15,004
Total current assets	539,195	525,073
PROPERTY AND EQUIPMENT, net	173,506	176,681
INTANGIBLE ASSETS, net	6,054	6,597
GOODWILL	91,849	91,849
DEFERRED TAX ASSETS	19,771	19,034
OTHER ASSETS	21,030	20,862
Total assets	$ 851,405	$ 840,096
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 34,694	$ 30,088
Accrued payroll and related expenses	13,442	14,778
Taxes payable	667	938
Other accrued liabilities	14,259	12,572
Total current liabilities	63,062	58,376
LONG-TERM LIABILITIES:		
Income taxes payable	15,741	15,757
Other liabilities	10,300	10,747
Total liabilities	89,103	84,880
STOCKHOLDERS' EQUITY:		
Common stock	23	24
Additional paid-in capital	8,780	-
Accumulated other comprehensive loss	(5,044)	(7,344)
Retained earnings	758,543	762,536
Total stockholders' equity	762,302	755,216
Total liabilities and stockholders' equity	$ 851,405	$ 840,096

POWER INTEGRATIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended		
	March 31, 2023	**December 31, 2022**	**March 31, 2022**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 6,875	$ 22,815	$ 46,248
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	8,961	8,875	8,408
Amortization of intangible assets	543	544	724
Loss on disposal of property and equipment	7	209	75
Stock-based compensation expense	7,368	6,654	9,013
Amortization of premium on marketable securities	404	654	937
Deferred income taxes	(738)	4,824	(936)
Increase (decrease) in accounts receivable allowance for credit losses	(454)	-	75
Change in operating assets and liabilities:			
Accounts receivable	705	(4,761)	10,660
Inventories	(7,024)	(15,328)	(3,849)
Prepaid expenses and other assets	(2,302)	(1,085)	1,552
Accounts payable	2,926	2,038	(1,709)
Taxes payable and other accrued liabilities	(686)	(1,341)	3,399
Net cash provided by operating activities	16,585	24,098	74,597
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(4,082)	(5,767)	(14,700)
Proceeds from sale of property and equipment	-	-	1,202
Purchases of marketable securities	(36,922)	(28,576)	(15,121)
Proceeds from sales and maturities of marketable securities	22,693	11,151	108,817
Net cash provided by (used in) investing activities	(18,311)	(23,192)	80,198
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of common stock	3,098	-	3,057
Repurchase of common stock	(1,687)	(18,745)	(134,689)
Payments of dividends to stockholders	(10,868)	(10,263)	(10,656)
Net cash used in financing activities	(9,457)	(29,008)	(142,288)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,183)	(28,102)	12,507
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	105,372	133,474	158,117
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 94,189	$ 105,372	$ 170,624