



Monolithic Power Systems, Inc. (MPWR)

Updated February 7th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$717	5 Year CAGR Estimate:	11.6%	Market Cap:	\$34.8 B
Fair Value Price:	\$476	5 Year Growth Estimate:	20.0%	Ex-Dividend Date:	03/31/2025
% Fair Value:	151%	5 Year Valuation Multiple Estimate:	-7.9%	Dividend Payment Date:	04/15/2025
Dividend Yield:	0.9%	5 Year Price Target	\$1,184	Years Of Dividend Growth:	8
Dividend Risk Score:	D	Retirement Suitability Score:	F	Rating:	Buy

Overview & Current Events

Monolithic Power Systems is a leading semiconductor company that designs, develops, and markets high-performance power solutions. The company utilizes its deep system-level and applications expertise to develop highly integrated monolithic systems used in computing and storage, automotive, industrial, communications, and consumer applications industries. Its mission is to reduce total energy consumption in its customers' systems with green, practical, and compact solutions. Monolithic Power generates around \$2.2 billion in annual revenues and is headquartered in Kirkland, Washington.

On February 6th, 2025, Monolithic Power raised its dividend by 24.8% to a quarterly rate of \$1.56.

On the same day, the company released its Q4 and full-year results for the period ending December 31st, 2024. For the quarter, revenues rose by 30.6% year-over-year to \$621.7 million. The increase in revenue resulted from higher sales in Enterprise Data (121.7%), Storage and Computing (2.1%), Automotive (4.9%), and Communications (10.2%), offset by declines in Consumer (-13.9%), and Industrial (14.6%) divisions. Adjusted EPS was \$4.09, up 42% year-over-year. For the year, adjusted EPS was \$14.12, up 19.9% year-over-year.

Monolithic expects Q1 revenues in the range of \$610 million to \$630 million, suggesting a year-over-year rise of 35.4% at the midpoint of this outlook. Based on this estimate and the current market fundamentals, we now see FY2025 adjusted EPS of \$17.00. Investors should keep in mind that adjusted EPS is a more meaningful valuation and performance metric than GAAP EPS due to Monolithic's high stock-based compensation expenses. However, all data shown in the table below reflects normalized results as originally reported in the company's 10K with the SEC.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.89	\$1.30	\$1.58	\$2.49	\$2.52	\$3.67	\$5.28	\$9.37	\$8.98	\$36.76	\$17.00	\$42.30
DPS	\$0.80	\$0.80	\$0.80	\$1.20	\$1.60	\$2.00	\$2.40	\$3.00	\$4.00	\$5.00	\$6.24	\$15.53
Shares¹	39.5	40.4	41.4	42.2	43.2	44.8	45.8	46.7	47.6	48.6	48.6	60.0

Monolith has experienced a remarkable surge in EPS over the last decade, driven by a rising demand for highly efficient analog semiconductor solutions. Notably, the company boasts an impressive 10-year EPS CAGR of nearly 29%. Its robust EPS growth can be attributed to the high demand for Monolith's cutting-edge products, which have propelled rapid sales expansion. In 2023, the company saw a temporary slowdown in growth, following a period of exuberant growth in previous years. However, we anticipate a return to double-digit sales growth in the medium-term. Our estimate is rooted in the strong growth projections of Monolith's integrated monolithic systems, whose demand is expected to rise in the coming years, driven by the increasing adoption of artificial intelligence and the expansion of data centers. Our EPS growth estimate stands at 20% through 2030.

In 2014, Monolithic initiated its quarterly dividend, which has grown with each new EPS plateau following higher

¹ Share count is in millions.

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profitability. We expect DPS growth of around 20% in the medium-term, lower than the latest dividend hike of 24.8%, to be prudent. We assume that the company will retain a healthy payout ratio moving forward.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	56.2	50.0	58.2	52.6	57.5	72.8	85.2	42.7	51.4	18.3	42.2	28.0
Avg. Yld.	1.6%	1.2%	0.9%	0.9%	1.1%	0.7%	0.5%	0.8%	0.7%	0.7%	0.9%	1.3%

Monolithic's historical P/E has averaged close to the mid-50s due to the company's constant rapid expansion. We think that the current valuation multiple is unreasonably high even when taking into account Monolithic's accelerated growth in recent years. We maintain our medium-term fair earnings multiple of 28. This is to account for potential headwinds caused by the cyclical nature of the semiconductor industry and the possibility for a slowdown in growth. Due to its rich valuation multiple, Monolithic's dividend payments have historically resulted in very low yields. Despite the likely rapid dividend growth, we expect dividends to remain a token of the total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

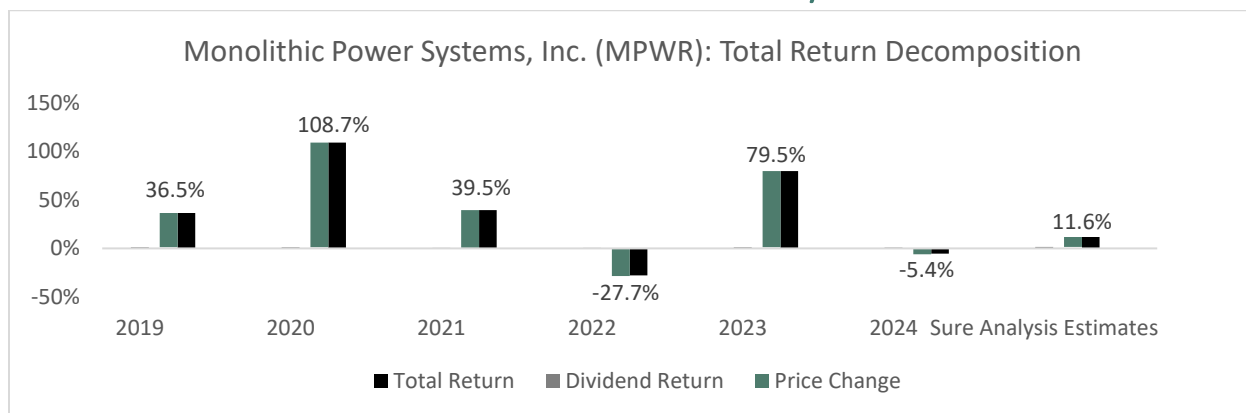
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	90%	62%	51%	48%	63%	54%	45%	32%	45%	14%	37%	37%

Monolithic's dividend is securely positioned, backed by a prudent payout ratio below 40% of our anticipated adjusted EPS and impressive profitability growth expectations. The company boasts strong attributes, including outstanding margins, zero long-term debt, and robust investments in R&D that secure its competitive edge. The highly competitive nature of the analog and mixed-signal semiconductor industry should be noted, nonetheless. Strong rivals like Analog Devices, Infineon Technologies, Maxim Integrated Products, and NXP Semiconductors are likely to pose a perpetual challenge. Thus, continuous innovation will be crucial to fend off potential market share threats. On a positive note, Monolithic has proven its recession resilience, posting robust sales during the Great Financial Crisis and accelerated growth during the COVID-19 pandemic.

Final Thoughts & Recommendation

Monolithic Power Systems has rewarded its shareholders with fabulous returns over the past decade, powered by spectacular top- and bottom-line growth. The rapid revenue growth should be sustained based on the current market trends for years to come. Therefore, we remain optimistic about its medium-term earnings growth potential. We see an annualized total return of 11.6% through 2030, supported by a 20% annual projected EPS growth and the starting 0.9% dividend yield, though partially tempered by potential valuation pressures. MPWR earns a buy rating. Note that small fluxes in Monolithic's growth rates can wildly swing total return estimates either way.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	283	333	389	471	582	628	844	1,208	1,794	1,821
Gross Profit	153	180	211	258	323	346	466	685	1,049	1,021
Gross Margin	54.0%	54.1%	54.3%	54.8%	55.4%	55.2%	55.2%	56.7%	58.5%	56.1%
SG&A Exp.	67	72	83	97	114	134	162	226	274	276
D&A Exp.	13	14	15	16	12	15	19	29	37	40
Operating Profit	27	42	54	79	115	105	167	269	535	482
Operating Margin	9.7%	12.6%	13.9%	16.7%	19.8%	16.7%	19.7%	22.3%	29.8%	26.5%
Net Profit	35	35	53	65	105	109	164	242	438	427
Net Margin	12.6%	10.6%	13.6%	13.8%	18.1%	17.3%	19.5%	20.0%	24.4%	23.4%
Free Cash Flow	65	54	71	68	119	120	212	225	188	581
Income Tax	1	7	5	18	13	4	5	30	87	78

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	399	431	511	653	793	956	1,208	1,589	2,059	2,434
Cash & Equivalents	126	91	113	83	173	173	335	189	289	528
Accounts Receivable	26	31	34	38	55	53	67	105	183	180
Inventories	41	63	71	99	136	128	157	259	447	384
Goodwill & Int. Ass.	13	12	10	8	7	7	7	6.6	6.6	6.6
Total Liabilities	53	63	80	131	153	183	242	342	390	384
Accounts Payable	13	13	17	23	23	27	38	83	61	63
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity	346	369	431	522	640	773	967	1,244	1,669	2,050
LTD/E Ratio	-	-	-	-	-	-	-	-	-	-

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	9.2%	8.5%	11.2%	11.2%	14.6%	12.4%	15.2%	17.3%	24.0%	19.0%
Return on Equity	10.6%	9.8%	13.2%	13.7%	18.1%	15.4%	18.9%	21.9%	30.1%	23.0%
ROIC	10.6%	9.8%	13.2%	13.7%	18.1%	15.4%	18.9%	21.9%	30.1%	23.0%
Shares Out.	38.7	39.5	40.4	41.4	42.2	43.2	44.8	47.9	48.4	49
Revenue/Share	7.10	8.15	9.27	10.81	13.06	13.72	17.96	25.22	37.10	37.34
FCF/Share	1.62	1.31	1.69	1.56	2.67	2.61	4.51	4.69	3.88	11.91

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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