Forward-Looking Statements/Non-GAAP Metrics

These slides accompany an oral presentation by Power Integrations, Inc., which contains forward-looking statements. Each statement relating to events that will or may occur in the future is a forward-looking statement. The Company’s actual results may differ materially from those suggested in the presentation. Information concerning factors that could cause such a difference is contained in the Company’s most recent report on Form 10-K.

This presentation may also contain certain non-GAAP financial information. Reconciliations of non-GAAP financial metrics to GAAP results are available on the investor page of the Power Integrations website, http://investors.power.com.
Secular Growth Story in Analog Semis

- **Leading innovator in high-voltage power conversion**
- **Clean-tech enabler**
  - Efficient appliances, LED lighting
  - Industrial DC motor drives
  - Renewable energy
  - Electric transportation
- **Expanding market opportunity**
  - Rapid charging for mobile devices
  - Connected appliances / smart-home / IoT
  - Battery-driven tools, e-bikes
  - IGBT drivers for high-power applications
Comprehensive Expertise in High-Voltage

- Ultra-simple power converters
  - Fewer components
  - Shorter design cycles
  - Easier to manufacture
  - Higher reliability
- BOM cost similar to discrete designs
- Highly energy-efficient
Highly Integrated Power Converters Replacing Legacy Technologies

Discrete power supply: 70 components

Linear transformer:
weighs 12 oz.

Equivalent power supply with POWI:
36 components, smaller board

Adapter with POWI:
weighs 2 oz.
The Power Integrations Advantage

Conventional Phone Charger - More than 60 Components
The Power Integrations Advantage

InnoSwitch™
- Switching MOSFET
- Current sense
- FluxLink™ replaces opto-coupler
- Synchronous rectification driver
- Output current and voltage control

Phone-charger Power Supply Using InnoSwitch-CH – only 24 parts
Radically Simplifying Power Supplies

HiperPFS™, HiperLCS™ / HiperTFS™ ICs replace up to 100 components
Power Everywhere – A Vast Addressable Market
Addressable Market Now Exceeds $3B

- LED lighting
- Home/building automation
- Smart meters
- Industrial controls
- Battery-powered tools
- UPS
- Industrial motor drives
- Wind/solar inverters
- Electric trains/buses
- DC transmission
- Medical
- Desktop/server standby
- Desktop main
- Notebook adapters
- LCD monitors
- Printers
- White goods
- Air conditioners
- TV standby / TV main
- Small appliances
- Set-top boxes
- DVD players
- Game consoles
- Mobile phone chargers
- Cordless phone adapters
- Broadband modems
- VoIP phones
- Wireless routers

High-power applications in red
Long-Term Secular Growth Drivers

- Ongoing transition to IC-based power supplies
  - Integration saves labor and materials, improves reliability
Leading Transition to IC-Based Power Supplies

- Sanken
- ST Micro
- ON Semi
- Infineon

POWI

Integrates

Discretes
- Infineon
- ON Semi
- ST Micro
- NXP
- Dialog

Linear Transformers

- Diodes
- Richtek
- Leadtrend
- OnBright
- Others

1970
1994
Today
InnoSwitch™: A New Level of Integration

- First IC to integrate primary and secondary sides of power supply across safety barrier
  - Enabled by FluxLink™ technology
- Enables drastic reduction in component count, complexity
- Highly energy-efficient
  - Very high efficiency
  - Very low standby consumption

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Long-Term Secular Growth Drivers

- **Ongoing transition to IC-based power supplies**
  - Integration saves labor and materials, improves reliability

- **Energy-efficient electronics & appliances**
  - Driven by standards and consumer awareness
Recognized Leader in Clean Technology

- **Member of clean-tech stock indices**
  - The Cleantech Index (CTIUS)
  - Nasdaq Clean Edge Green Energy (CELS)
  - Ardour Global Index (AGIGL)

- **Twice named a top 20 sustainable stock by SustainableBusiness.com**

- **ENERGY STAR® award recipient**

- **Star of Energy Efficiency award recipient**
Energy Specs Continue to Tighten

- U.S. Dept. of Energy tightened federal standards for external power supplies effective 2016
- ENERGY STAR® “Most Efficient” label rewards top performers
- SEAD competition recognizes most efficient TVs
- European standby power limitation tightened to 0.5 W in 2013
- Traditional incandescent bulbs banned in U.S.
“Zero” Series Eliminates Waste

- LinkZero™ cuts waste to 0.00 W in chargers and auxiliary power supplies
- CAPZero™ removes waste from X-cap bleed resistors
- SENZero™ disconnects sense resistors in main power supply
Energy Vampire vs. LinkZero™
Long-Term Secular Growth Drivers

- **Ongoing transition to IC-based power supplies**
  - Integration saves labor and materials, improves reliability

- **Energy-efficient electronics & appliances**
  - Driven by standards and consumer awareness

- **Expanding market opportunity**
  - Rapid charging for mobile-device market
  - LED lighting
  - Home & building automation / smart appliances / IoT
  - Battery-powered tools, e-bikes, electric transportation
  - High-power business adds $1B to SAM
Rapid Charging – Emerging Trend in Mobility

- More power needed to charge bigger batteries faster
- Demands ICs with high integration and maximum efficiency
- InnoSwitch™ + ChiPhy™ Interface Chip = More POWI content
Well-Positioned in LED Lighting

- Traditional light sources phasing out
- LEDs need efficient, reliable AC-DC drivers
- Integration brings reliability, efficiency, size advantage
- LYTSwitch™ products offer highest level of integration available
Increasing IoT Footprint

Connected Power Strips / U Sockets

Connected smoke alarms, occupancy sensors, smart lighting
IGBT Drivers for High-Power Market

- Acquired CT-Concept in 2012
- Addressing applications 10 kW to 1 GW
  - High-efficiency industrial motors, renewable energy, electric transportation, DC transmission
- New SCALE-iDriver™ broadens the addressable market from ~$500M to ~ $1B
- High-power now ~10% of POWI revenues

SCALE™ drivers reduce component count, enhance efficiency, reliability
Serving the Clean-Power Ecosystem

Energy Ecosystem

Energy Generation
Energy Transmission
Energy Consumption

End Markets

Wind Turbines
Solar Power

HVDC Transmission

Motor Control
HEV/EV
Locomotive
Medical

Power Semiconductors

Driver

IGBT Module

Driver optimizes efficiency, operating performance and lifespan
High-voltage switches arranged to increase power capability

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SCALE-iDriver™ with FluxLink™

- Introduced May 2016; key synergy of Concept acquisition
- FluxLink provides isolation without optocouplers
- Adds ~$500M to addressable market
SCALE-iDriver Applications: 10-100 KW

Motor Drives

UPS

Medical

Welding / Cutting

Solar

Commercial Vehicles
Expanded Power Range = Larger SAM

- AC/DC
- LED
- IGBT

- TOPSwitch™
- TinySwitch™
- LinkSwitch™ / InnoSwitch™
- LED Driver Products – LYTSwitch™
- Hiper™ Family
  - CAPZero™ / SENZero™
  - Qspeed
- SCALE-iDriver™+ SCALE™-2

Power Range:

- 0W 2W 5W 20W 50W 100W 200W 500W
- 10 kW 100 kW 1 GW
Worldwide Field Support and Operations

- Headquartered in San José, California
- Design centers in San José, Ottawa, Switzerland, UK
- 16 field labs worldwide, each with in-house EMI test capability
Target Financial Model

- Double-digit revenue growth
  - 13% growth in 2016

- Non-GAAP gross margin 50-55%
  - 50.6% in 2016

- Non-GAAP operating margin 20%+
  - 19.3% in 2016

- Non-GAAP tax rate ~5%
  - 3.4% in 2016

Note: Non-GAAP results exclude amortization of acquisition-related intangible assets and stock-based compensation expenses
Track Record of Growth

Note: Revenues shown in chart are prior to ASC 606 recast; see company website for recast financial data for 2015-2016
Recent Results – A Return to Growth

- **13% top-line growth in 2016**
  - 16% year/year growth in Q4

- **~30% growth in communications end market in 2016**
  - Driven by InnoSwitch adoption for rapid charging

- **Consumer revenues up double digits in 2016, industrial up mid-single-digits**
Well-Diversified Revenue Mix

Higher-margin industrial & consumer markets now ~2/3 of revenues
Strong Cash Flow: 15% FCF CAGR (2008-2016)

$M

- Cash flow from operations
- CAPEX
- FCF (with FCF Margin)

FCF = Cash flow from operations less capital expenditures

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Four-Prong Approach to Capital Management

- Cash-rich Business Model
- Effective Tax Strategy
- Healthy Balance Sheet, Domestic Cash Resources
  - Accelerated Internal Investment
  - Targeted M&A
  - Opportunistic Buybacks
  - Dividends
**Strong Balance Sheet**

*At December 31, 2016*

- **$250M cash and investments**
  - Used $116M for Concept acquisition
  - Repurchased >$330M of stock since 2008
- **No debt**
- **Quarterly dividend of $0.14/share**
- **Share count down 8% since 2008**