

NASDAQ:VICR Q2 2025 Earnings Call Transcript

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Conference Operator | Moderator:

Hello, and welcome to VICOR's second quarter earnings conference call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. To ask the question during the session, you will need to press star 11 on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star 11 again. I would now like to turn the conference over to Jim Smith, Chief Financial Officer. You may begin.

Jim Schmidt | Chief Financial Officer:

Thank you. Good afternoon and welcome to Vicor Corporation's earnings call for the second quarter ended June 30th, 2025. I'm Jim Schmidt, Chief Financial Officer, and I'm in Andover with Patricio Vinciarelli, Chief Executive Officer, and Phil Davies, Corporate Vice President, Global Sales and Marketing. After the markets closed today, we issued a press release summarizing our financial results three and six months ended June 30th. This press release has been posted on the Investor Relations page of our website, www.vicorpower.com. We also filed a Form 8-K today related to the issuance of this press release. We remind listeners this conference call is being recorded and is the copyrighted property of Vicor Corporation. I also remind you various reports we make during this call. They constitute forward-looking statements for purpose of provisions under the Private Security Delegation Reform Act of 1995. Except for historical information contained in this call, the matters discussed on this call, including any statements regarding current and planned products, current and potential customers, potential market opportunities, expected events and announcements, and our capacity expansion, as well as management expectations for sales growth, spending, and profitability are forward-looking statements involving risks and uncertainties. In light of these risks and uncertainties, we can offer no assurance that any forward-looking statement will, in fact, be correct. Actual results may differ materially from those explicitly set forth in or implied by any of our remarks today. The risk and uncertainties we face are discussed in Item 1A of our 2024 Form 10-K, which we filed with the SEC on March 3, 2025. This document is available via the EDGAR system on the SEC's website. Please note the information provided during this conference call is accurate only as of today, Tuesday, July 22, 2025. VICOR undertakes no obligation to update any statement including forward-looking statements made during this call, and you should not rely upon such statements after the completion of this call. A webcast replay of today's call will be available shortly on the Investor Relations page of our website. I'll now turn to a review of our Q2 financial performance, after which Phil will review recent market developments, and Patricia, Phil, and I will take your questions. In my remarks, I will focus mostly on the sequential quarterly changes for P&L and balance sheet items and refer you to our press release or our upcoming 10Q for additional information. As stated in today's press release, VICOR recorded product revenues, licensing income, and a patent litigation settlement for the second quarter of \$141 million, up 50.1% sequentially from the first quarter of 2025, total of \$94 million, and up 64.3% in the second quarter of 2024, a total of \$85.9 million. Advanced products revenue increased 1.2% sequentially to \$60.6 million, and brick products revenue increased 4% sequentially to \$35.5 million. Shimmits to stocking distributors increased 18.9% sequentially and decreased 14.3% year-over-year. Exports for the second quarter decreased sequentially as a percentage of total revenue to approximately 51.9% from the prior quarter 60.8%. For Q2, advanced product share of total revenue decreased to 63.1% compared to 63.7% for the first quarter of 2025, with this product share correspondingly increasing to 36.9% of total revenue. Turning to Q2 gross margin, we recorded a consolidated gross profit margin of 65.3%, which is an 1,810 basis point increase for the quarter, primarily due to patent litigation settlement within the quarter. Tariff expense was approximately \$2 million. We'll now turn to Q2 operating expenses. Total operating expense increased 5% sequentially from the first quarter of

2025, So \$46.7 million. The sequential increase was primarily due to increase in selling, general, and administrative expenses, which was primarily attributable to \$5.1 million of incentive legal fees associated with the patent litigation settlement. The amounts of total equity-based compensation expense for Q2 included in cost of goods, SG&A, and R&D was \$900,000, \$1,790,000, and \$1,020,000 respectively, totaling approximately \$3.7 million. Turning to income taxes, we recorded a tax provision for Q2 of approximately \$7.8 million, representing an effective tax rate for the quarter of 16%. Net income for Q2 totaled \$41.2 million. GAAP diluted income per share was \$0.91, based on the fully diluted share count of 45,077,000 shares. While royalties, legal expenses, and income from patent litigation have become part of VICOR's ordinary course of business, I will point out that without the patent litigation settlement, net Q2 revenue would have increased by approximately \$2 million. Gross margin would have increased by approximately 200 basis points. Operating expenses would have declined by approximately \$3 million, and income before taxes would have increased from approximately \$3 million in Q1 to approximately \$9 million in Q2. Turning to our cash flow and balance sheet, cash and cash equivalents totaled \$338.5 million in Q2, an increase of \$42.4 million sequentially, and net of approximately \$17.5 million in share repurchases during the quarter. Accounts receivable net of reserves equal \$55.1 million a quarter, with DSOs for trade receivable for 31 days. Inventories net of reserves decreased 3.1% sequentially to \$95.5 million. Annualized inventory turns were 1.6. Operating cash flow totaled \$65.2 million for the quarter. Capital expenditures for Q2 totaled \$6.2 million. We ended the quarter with a construction and progress balance primarily for manufacturing equipment of approximately \$11.8 million and with approximately \$3.1 million remaining to be spent. I'll now address bookings and backlog. Q2 booked bill came in below 1. and one-year backlog decreased 9.6% for the prior quarter, closing at \$155.2 billion. As we said on last quarter earnings, fall 2025 is a year of uncertainty and opportunity. As of today, the quarterly and annual outcome in terms of top line and bottom line is subject to a relatively wide range of scenarios. Given the wide range of possible outcomes, We are unable to provide quarterly guidance until we are further along, resolving uncertainties and capitalizing on opportunities. With that, Phil will provide an overview of recent market developments, and then Patricio, Phil, and I will take your questions. I ask that you limit yourselves to one question and a related follow-up so that we can respond to as many of you as possible in the limited time available. If you have more than one topic to address, please get back in the queue. Phil?

Phil Davies | Corporate Vice President, Global Sales and Marketing:

Thank you, Jim. Our second quarter book-to-bill ratio came in below one due to order cancellations from customers in China and widespread order placement hesitancy around tariffs. FICO has instituted a 10% tariff surcharge applicable to all new orders and customer backlog shipping after July 2nd. This tariff surcharge is now in effect. Earlier this year, we brought to fruition our first ITC action. which has resulted in cease and desist orders against the named respondents and an exclusion order against their customers, both OEM and hyperscalers. We are pursuing additional actions against companies unknowingly infringing our IP while playing a game of catch me if you can. At the annual shareholders meeting on June 20th, I presented an update on our business strategy is fundamentally centered around our top 100 customers enabling high-performance modular power delivery networks. At the meeting, we showcased next-generation products providing significant advances in power and current density at levels far beyond our nearest competitors. These next-generation products are being sampled to lead customers across our four target markets, and customer engagements are expected to expand in Q3 and Q4. I am pleased to announce that our Gen5 vertical power delivery solution to a lead customer is coming to fruition with a current density exceeding its original target specification. Higher current density, thermally adapted and scalable VDD will enable us to engage with hyperscalers, AI processor and network processor companies to deliver solutions with superior performance and cost effectiveness. These engagements will begin with the delivery of VPD evaluation boards and online selection and simulation tools. As discussed at the ASM, we're also focused on the future AI megawatt rack, which will require 800 volt DC power delivery and conversion to 48 volts. RICO has pioneered high density, non-isolated 400 volt to 800 volt, and isolated 800 volt to 48 volt bus converters automotive applications. A new 800 volt power module, which will deliver 10 kilowatts at 48 volts in a package

smaller than an iPhone, will begin sampling in Q4. Beico will be uniquely positioned to offer front-end 800 volt to 48 volt bus converters and direct BPD 48 volt to sub-1 volt solutions, enabling a high efficiency high density power delivery network for our customers. The market SAM for these solutions is expected to exceed \$5 billion by 2027. Opportunities continue to grow in our automotive business. We have just concluded a successful audit with a large European OEM for initial low volume project, and we are now preparing for an audit by a large ASEAN OEM in Q3. It is very clear that 48-volt zonal architectures are the highest growth opportunity in automotive, followed by 800-volt to 48-volt conversion, which will allow us to scale and leverage technologies across our AI and automotive markets. The pipelines in our industrial and aerospace and defense businesses are healthy and growing. Our new product introductions will strengthen these businesses and put them firmly on a path to doubling in four to six years respectively. As presented at the EASM, we remain confident in our business strategy of innovation, customer focus, market focus, and a successful technology licensing practice. Thank you. We will now take your questions.

Conference Operator | Moderator:

Thank you. As a reminder, ladies and gentlemen, to ask the question, please press star 11 on your telephone, then wait for your name to be announced. To withdraw your question, please press star 11 again. Please limit yourself to one question and one follow-up. You may return to the queue for additional questions. Please stand by while we compile the Q&A roster. Our first question comes from the line of Quinn Bolton with Needleman Company. Your line is open.

Quinn Bolton | Analyst, Needleman Company:

Hey, guys. Congratulations on the patent litigation settlement. That's a very nice amount. Wanted to kind of start there. And at the annual shareholder meeting in late June, you guys talked about, you know, a return on the money spent on the ITC case somewhere in the, you know, round number \$200 million range. And I'm just kind of curious, as you look at that kind of return, I assume that that includes the patent litigation settlement that you just announced, but also just wanted to check, does that include the royalties from the OEM, the hyperscaler licenses, just in 2025 and 26, or does that include what you also recognized in 2024? Just want to make sure I've got the timeframe right on that \$200-ish million return. And then I've got a follow-up. so that's the approximate amount that we have locked in so far at 326. okay 326. got it got it okay perfect and then um uh either patricia or phil um book to bill was was below one in the june quarter i think you mentioned some hesitancy um around the tariff surcharge and just general tariff uncertainty in the business as well as some cancellations in China. Do you sort of feel like the bookings activity has reached a minimum? Have you seen any improvements in July on the bookings trend and any evidence that book-to-bill might be getting back above one-to-one in the September quarter? Or do you see this tariff uncertainty continuing? I know August 1st is an important date for reciprocal tariffs. So just kind of wondering if that tariff uncertainty... has continued here in the July timeframe?

Phil Davies | Corporate Vice President, Global Sales and Marketing:

So, Quinn, this is Phil. So we think that the hesitancy around Paris is now behind us. It's very clear now what we're doing. Customers are working with that expectation, and I think that, as I said, that's behind us now, and it's on to future quarters.

Quinn Bolton | Analyst, Needleman Company:

Perfect. I'll get back to the queue. Thank you.

Conference Operator | Moderator:

Thank you. Please stand by for our next question. Our next question comes from the line of John Tangwanting with CJS. Your line is open.

John Tangwanting | Analyst, CJS:

Hi, good afternoon. Thank you for taking my question, and congratulations on a nice settlement. I was wondering if you could talk a little bit more about the cancellations that you saw with what end markets those were in. Was that HPC or something else, industrial, automotive, aerospace? Any help there would be appreciated.

Phil Davies | Corporate Vice President, Global Sales and Marketing:

John, this is Phil. Mostly from the industrial market in China. We have customers there for many, many years using a lot of older products as well as some of our advanced products. It was widespread. It came through distribution channels across the board because the tariff there was pretty high initially. We had some order push-outs and some cancellations. It was a mix. That's the color on that.

John Tangwanting | Analyst, CJS:

Understood. Second, just on the royalty streams that you're seeing, are you expecting to continue growing those license streams into the future quarters? Is that part of the engagement that you're talking about, or is that mostly stable for now?

Patricio Vinciarelli | Chief Executive Officer:

So we completed the first ADC case with the CCNDC software and exclusion order that the ADC issued earlier this year. that's still rippling through the supply chain. We are aggressively pursuing infringers that are still trying to import products that are subject to exclusion, while also preparing additional actions in the fall. So as evidenced by the track record to date, We are very serious about protecting our intellectual property, and nobody should have any doubt that we're going to go to whatever length is necessary to preclude infringement. I believe the message is getting around, but needless to say, even an industry in which Our gas suppliers have been urged by OEMs and time cycle scalers to copy successful products. This is a practice that is going to take some time to change, but we have the work we do to make it happen, and we are very determined to make it happen. So far, so good. There's going to be a lot more of what has happened.

John Tangwanting | Analyst, CJS:

Okay, great. Thank you. I'll turn it back to you.

Conference Operator | Moderator:

Thank you. Please stand by for our next question. Our next question comes from the line of Richard Shannon with Craig Hallam. The line is open.

Richard Shannon | Analyst, Craig Hallam:

Well, thanks, guys, for letting me ask a question. My first one is going to be on this new license settlement. Congratulations on what seems like a very nice win here. Maybe you can describe this in a few different ways for us to the extent you're allowed or able to. Is this settlement, will we see any ongoing royalties from this customer, or is it fully paid up in any manner? Can you describe who this is, either by name or kind of a company, OEM, hyperscaler, et cetera? I guess let's just start with that one, please. Thanks.

Patricio Vinciarelli | Chief Executive Officer:

So I cannot disclose any of the details that you're looking for. I can only say stated at the shoulders meeting that there's been no license in connection with this particular action. So we should not assume that the parties were involved, got a license, and by mutual license, they're able to keep doing what may be subject to an exclusion order. and potentially other actions that were coming.

Richard Shannon | Analyst, Craig Hallam:

Okay. Just as a heads up for actually for all of you, I'm getting a little bit of scratchiness from the line here. I'm not sure I'm hearing everything here, but I think I caught most of it. With that said, I'll follow up with my second question here, which is to kind of understand the dynamics going forward with data licensing and certainly understand that you're not able to fully lay out your strategy here, but as I think Phil said in his prepared remarks about trying to play the infringers or providing or doing a catch-me-if-you-can strategy here, and obviously it seems like this patent settlement is one example of success there. I guess I'd love to understand the degree to which you think this is an example of that and will stop others, or are we going to see some back and forth here like what we saw last quarter with the licensee coming off? Thank you.

Patricio Vinciarelli | Chief Executive Officer:

So I can describe the strategy, and I think we've made history of it. The strategy is to protect IP, enforcing it selectively, smartly, by fundamentally going after the supply chain that in the price industry, as I mentioned earlier, relied on copying successful products. That's been part what some people call the ecosystem. It's an ecosystem that, for the most part, players that don't innovate, they tend to copy each other. And when a successful product comes to market and hyperscalers or OEMs want to have it and want to have it commoditized, these players will of these enablers. And so the supply chain starts at the top with the enablers. They enable copycat products. Then there are companies that incorporate them to higher-value assemblies, I speak in much higher-value assemblies. And then further down in the supply chain, OEMs and hyperscalers in a way, facilitating this kind of practice. We are committed to bringing this practice, at least in so far as LIGO IP is concerned, to an abrupt end. And that will entail, in some instances, companies going lying down because they know about their IP. They should respect it. If they don't, there are serious consequences to buy infringement. One of those is enjoyment or exclusion of others. And that's what's happened with our first action. There's more of that coming. So the strategy is crystal clear.

Conference Operator | Moderator:

Thank you. Please stand by for our next question. Our next question comes from the line of John Dillon with D&B Capital. Your line is open.

John Dillon | Analyst, D&B Capital:

Hi, guys. Congratulations on a nice settlement. Really nice to see. Phil, my question for you is at the annual shareholder meeting, you presented a chart that shared a timeline when you're going to be delivering Gen 5 vertical to your lead customer. So I'm wondering, is that still on target? Are you still going to meet all those dates? Does it still look solid? And I have a follow-up question after that.

Patricio Vinciarelli | Chief Executive Officer:

So, John, I'll take that. So things are progressing well, both with respect. The current multiplier piece had been challenging because of its very, very high current density, as well as the other building walls. So we're still, as you know, as this counselor showed this meeting, very much focused on addressing the needs of our lead customer. We're keeping our powder dry with respect to engaging with other venture customers. But shortly after satisfying the very high capacity needs of our lead customer, would be ready, as Phil pointed out earlier, with demo system boards and idea tools to see database scalable adoption cycles.

Phil Davies | Corporate Vice President, Global Sales and Marketing:

So I think the question, sorry John, the question was on the slide that we showed. We're still on target with that slide that we showed, John.

John Dillon | Analyst, D&B Capital:

Okay, so did you deliver the 83% solution then?

Patricio Vinciarelli | Chief Executive Officer:

Yes, we have provided relatively significant quantities of the 83% solution, which, by the way, was the backstop agreed upon with the customer to begin with, and we're on our way making good progress with respect to 100% and 130%.

John Dillon | Analyst, D&B Capital:

Excellent. Then my follow-up question would be, when do you expect to have a fully productized product that you can produce in quantities for the general market?

Patricio Vinciarelli | Chief Executive Officer:

I'm going to not spell that out. Again, I suggested earlier, John, we want to stay very, very focused on taking care of our lead customer first. And that's 100% of us at this point in time. That's not to say that we're not preparing for a general market introduction. As I mentioned earlier, we made great size, demo system tools, and general market capabilities. But we're only going to pull the figure on that once we're done with 100% card level that was initially targeted just before we get down to 30% reach goal.

John Dillon | Analyst, D&B Capital:

Excellent. Okay, I gotcha.

Phil Davies | Corporate Vice President, Global Sales and Marketing:

Let me just add to that just a little bit. That's not to say that, you know, the front end team is engaging with customers from a perspective of understanding their loads. So anybody that's looking at VPD, we're talking to them about their, their new next generation processors, networking chips, so forth. So So it's not that there's not any work going on. It's just that the front-end team isn't involved in, if you like, the development of the product for the lead customer. So we're able to have the resources available to talk and gather information such that when we do launch that out to the general market, you know, we're ready to hit those customers, you know, very, very quickly with solutions that they need. So that work is ongoing, and we've got a lot of engagement with anybody looking at APD right now.

John Dillon | Analyst, D&B Capital:

Will your lead customer be able to ship the product that you're shipping them to their customers? Is the quality going to be good enough that they can actually use it to ship to their customers? Are they still in the kind of evaluation stage?

Patricio Vinciarelli | Chief Executive Officer:

So I can't give you details for obvious reasons, but I can say this, that the customer is considering advertising the platform that we started to ship, but our objective is to enable a higher level of profitability and improve performance, and to do so ahead of the customer target market introduction date.

John Dillon | Analyst, D&B Capital:

Excellent. Thank you very much. It's very helpful. And again, congratulations.

Conference Operator | Moderator:

Thank you. Please stand by for our next question. We have a follow-up question from the line of Quinn Bolton with Needleman Company. Your line is open.

Quinn Bolton | Analyst, Needleman Company:

Hey, Patricia, at the annual shareholders meeting, you were asked, you know, is your outlook for 2025 to be still a record year? I think at the annual shareholder meeting, you had, you know, referenced some increased uncertainty around tariffs, but you still thought you got there. Obviously, with the June quarter results and the \$45 million patent litigation settlement, It certainly looks like you're tracking to a record year in 2025, but wondering if you had any updated thoughts on whether 2025 is a record year for revenue, and then I've got another follow-up.

Patricio Vinciarelli | Chief Executive Officer:

Yeah, it's suggested, I think, for double quarters, we do expect 2025 to be a record year.

Quinn Bolton | Analyst, Needleman Company:

Excellent. Okay. And then the follow-up question, I know you don't provide quarterly guidance, but just wondering if you could directionally give some comments. Your royalty revenue was on a very nice upward trajectory through 2024. In March and June, you sort of pulled back to the roughly \$10 million level. And I think you'd mentioned that one of the OEM licenses wasn't paying on a new generation product, but it looks like that royalty income level has stabilized. I'm just wondering, as you look into the back half of the year, would you generally expect royalty to begin to increase again, or does it stay in this \$10-ish million range? Could you give any sort of qualitative comment on how you think the royalty portion of the revenue stream might trend over the next couple of quarters?

Patricio Vinciarelli | Chief Executive Officer:

We're not going to commit to any specific level, but as evidenced by the results in Q2, I think it's safe to say that in any one quarter, there is a great deal of upside on a bigger scale than what happened in Q2. And that's the reason, frankly, why we can't provide a reliable forecast that there's a good deal of variance with different scenarios and you should say given a strategy and commitment to enforce the ap we don't want to be in effect committed hooked on any particular target in any one quarter lest that drive us to the leverage we need in order to successful in being about the right so that as you can imagine creates uncertainty which is at this point in time you know part of our you know IP business I think as we progress further along and we get a more diversified the licensee base the the licensing business is going to become a lot more predictable. At that point in time, the kind of challenging forecasting that we personally face will no longer be there.

Quinn Bolton | Analyst, Needleman Company:

Maybe just, Patricia, I understand that patent litigation settlements are difficult to forecast timing and probably the signing of new licenses to the extent they include a license payment is a little bit less predictable, but royalty payments, I would think on existing licenses might be a little bit more predictable. And I guess that's what I was asking about. I know you had, again, talked about some sort of headwinds in that royalty income with the OEM license. And I'm just kind of wondering at this level, do you think that those headwinds are now largely behind the company on the existing licenses? I'm not trying to get you to comment on new licenses or patent litigation settlement in the future, just more. Kind of wondering if that OEM license headwind that you had previously talked about might be behind you at this point.

Patricio Vinciarelli | Chief Executive Officer:

It's not behind us. You know, we are enforcing the existing exclusion order, and we're looking at additional actions for, in effect, making sure that the use of our IP does not go... without appropriate royalties or penalties for not paying royalties when they were due.

Quinn Bolton | Analyst, Needleman Company:

Understood. Okay. Thank you.

Conference Operator | Moderator:

Thank you. Please stand by for our next question. Our next question comes from the line of James Liberman with American Trust Investment Services. Your line is open.

James Liberman | Analyst, American Trust Investment Services:

Thank you. Great results. It's good to see the licensing and the settlement income coming in. You mentioned the automotive area and an event with a company in Europe and Asia. And in the past, you've mentioned you're seeing some continuing strength in the electric vehicle market in China. Can you give a little bit better overall color to how you see that playing out?

Phil Davies | Corporate Vice President, Global Sales and Marketing:

Yeah, so the automotive market, I mentioned at the annual shareholders meeting, there's pretty obvious to people that have dealt with the automotive market. You don't just enter that market. It's a hard slog. It's a grind. You have to really prove yourself as a supplier. So typically starting out with lower volume programs and platforms and then expanding the business from there once you've proven yourself. The critical steps through that are sort of collaborations on on different power delivery networks with EO1s and OEMs, which we've established. We're now going through the audit phase with a number of customers. That's a very critical step where they have teams that come in and look at all our quality systems and manufacturing systems and product development systems. So we're going through those now. So we're well on the journey, no pun intended, to becoming established at least as a lower volume platform supplier, but those do expand then fairly quickly after that. So we're very early days still. I think there's still a ways to go before that becomes a significant piece of our revenue, probably out in the 29, 30, 20, 30 timeframe. But we are excited about the activity that's going on there.

James Liberman | Analyst, American Trust Investment Services:

Thank you very much for that at this time.

Conference Operator | Moderator:

Thank you. Please stand by for our next question. Our next question comes from the line from a follow-up question from John with CJS. Your line is open.

John Tangwanting | Analyst, CJS:

Hi. Thanks for the follow-up. A couple months ago, the largest chip designer in the AI space disclosed their plans for 800-volt servers and the architecture they plan to use. They named a lot of partners in the press release there, and I was wondering, Since you weren't on the list that was announced, if there's an opportunity there at all, does that shut you out? Or is there still a way to participate in that ecosystem, either with this designer or with others, with the products that you have?

Patricio Vinciarelli | Chief Executive Officer:

So I think as mentioned in Phil's prepared remarks, we have a history of pioneering high voltage bus conversion with or without isolation, DL of IP. at various levels. I think anybody now pursuing high-density power system solutions involving bus conversion from 800 volt to 48 volt or in the general realm is going to be needing RIP or, you know, in effect, suffering consequences in terms of inferior power density. As Phil mentioned, we're bringing to fruition a new high-power module that is a good fit for a lot of these requirements in a 10-kilowatt block, which is very, very small. It's a small fraction. of the size of any competitive alternative that to our knowledge is being developed. So here again, we have leading technology, leading power density capability, and last but not least, a lot of significant IP that we think is going to become necessary for high performance solutions.

Phil Davies | Corporate Vice President, Global Sales and Marketing:

John, there's a long way between having a high-voltage discrete GAN or a silicon carbide product to a 800-volt multi-kilowatt rack power system. There's a lot of announcements there, but there's a long way from that to having a real high-performance system. high efficiency solution. So we shall see.

Patricio Vinciarelli | Chief Executive Officer:

And also a lot of misconceptions. You know, just frankly, there is a good deal of naivete when it comes to some of these things. So we've been making, uh, it undervolt bus converters for many, many years. Uh, we know where it takes and we're doing it in ways that, um, uh, as measured as an example, in terms of switching frequency or another money or greater, than what can be done with GANFAS or serial cut-by FAS.

John Tangwanting | Analyst, CJS:

Great. Thank you for that, Kala. That's much appreciated. Last one for Jim, if you could, just any thoughts on OPEX going forward compared to the current quarter that just ended?

Jim Schmidt | Chief Financial Officer:

Well, I think, you know, we won't guide on that, John, but I will say that, as I described in the results, that if you exclude the the 541 million incentive legal fee would have actually dropped sequentially. That would be because, in part and primarily because of a lull in the other legal expense we've had to incur on some of these cases. So I think we're in a good state right now relative to a nice balance of operating expense and revenue. I think as things heat up and we go forward with other actions, then we'll see. And it'll be lumpy, I think, in OPEX. We've said that. Is it going to be the case?

Patricio Vinciarelli | Chief Executive Officer:

Thank you. With respect to the first action, in terms of contingency, we are capped out. So we've paid out all the contingency fees related to the first action.

John Tangwanting | Analyst, CJS:

Understood. Good luck.

Conference Operator | Moderator:

Thank you. Please stand by for our next question. Our next question comes from the line of Don McKenna with DB McKenna and Company. Your line is open.

Don McKenna | Analyst, D.B. McKenna & Company:

Thank you. I wanted to ask about the settlement payment, if that represents the entirety of the settlement or if that's an initial payment. And secondly, Jim, I thought I heard you say there was some stock repurchases during the quarter. If that was the case, can you expand on that a little bit, the numbers of shares and price?

Jim Schmidt | Chief Financial Officer:

I think I'll let Patricio comment on the settlement. Yeah, so I cannot comment on the specifics of the settlement. So I think on the share repurchase, I mentioned in the prepared remarks, on the order of \$17.5 million worth of share repurchases last quarter, and on the order of \$200,000-ish shares repurchased during the period.

Don McKenna | Analyst, D.B. McKenna & Company:

Thank you.

Conference Operator | Moderator:

Thank you. Will you stand by for our next question? We have a follow-up from the line of John Dillon with D&B Capital. Your line is open.

John Dillon | Analyst, D&B Capital:

My question was answered, so thank you very much.

Conference Operator | Moderator:

Thank you. Will you stand by for our next question? We have a follow-up question from the line of Richard Chanin with Craig Hallam. Your line is open.

Richard Shannon | Analyst, Craig Hallam:

Great. Thanks for taking a couple more questions here, guys. I'm going to look at a couple of different comments you made both today and in past calls as well as the shareholders meeting. The first one is talking about record results of the year, and I heard your answer today. And then he also talked about a wide range of outcomes. As we look at your results today here, obviously a very large settlement, obviously it creates a very wide range here. But if we just look at your product revenue, how do we think about what can create these wide range of outcomes? And I'd like to take the tariffs off the table you've talked about that today But

how about maybe discussing and kind of giving some sense of where you see some of these? Positive outcomes by product as we go through the year that could create the you know record year even better.

Patricio Vinciarelli | Chief Executive Officer:

Thank you Yeah, so to be clear The the major source are certain the short term is with respect to licensing and litigation practice with respect to the product revenue, the near term sees us still making poor use in terms of commercialization of our first FAM, which represents obviously burden with respect to margins and our level of profitability. Even though we've been making good progress on the front, primarily because of the efficiencies associated with time and greater yields. And that always is our goal. But on the crowd front, which is, as I think I noted in my quotes associated with the press release, the crowd front is obviously very important. We're very much focused on that. We made tremendous investments. in advance to sell the art. And that's all being reflected in a product capability with, in particular, AI, the center of opportunities, point of load, as well as busing through political hubs and they've all evolved. It's the kind of product superiority and technology lead that will fill the gap. It's not going to happen overnight. It's something that will take some time. But you should say we're bringing troubles on that part of the strategy as well. But that's not what the New York Times uncertainty with respect to quarterly, top line, and bottom line numbers.

Richard Shannon | Analyst, Craig Hallam:

Okay. And I guess just following up on that, Patricio, certainly would – obviously, you've been talking about second-gen VPD and some of the newer products here. But relative to talking about the record year here, it doesn't seem like there's enough time for those new products to have that much of an effect to benefit this year. but I just want to make sure that was implied in your comment there. Thank you.

Patricio Vinciarelli | Chief Executive Officer:

They are not going to move the needle big time, but there's going to be progress and certainly a contribution in the second half of the year.

Richard Shannon | Analyst, Craig Hallam:

Okay, fair enough. I will jump out of line again. Thank you, guys. Thank you.

Conference Operator | Moderator:

Thank you. Ladies and gentlemen, as a reminder to ask the question, please press star 11 on your telephone. I'm showing no further questions in the queue.

Vicor Investor Relations | Investor Relations:

Thank you.

Conference Operator | Moderator:

Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect.