

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

SITM.OQ - SiTime Corp at Morgan Stanley Technology, Media & Telecom Conference

EVENT DATE/TIME: MARCH 05, 2024 / 11:35PM GMT

CORPORATE PARTICIPANTS

Rajesh Vashist *SiTime Corp - Chief Executive Officer, Board Member*

Elizabeth Howe *SiTime Corp - Chief Financial Officer, Executive Vice President*

CONFERENCE CALL PARTICIPANTS

Mark Edelstone *Morgan Stanley & Co. LLC - Analyst*

PRESENTATION

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Good afternoon. Thank you, all, for joining us here on the second day of our conference. We appreciate it. I'm Mark Edelstone. And I'm really excited to have the management team from SiTime here with us today.

The company asked me to read their disclosures, so let me just quickly do that for you. These discussions include forward-looking statements that involve risks, uncertainties, and assumptions, which are further described in SiTime's SEC filings, including SiTime's most recent Form 10-Q; and that actual results could differ materially and adversely from those anticipated or implied.

SiTime assumes no obligation and does not intend to update any forward-looking statements. For more information, please visit SiTime's investor relations website at investor.sitime.com. And also, on our side, for important disclosures, please see the Morgan Stanley research disclosures website at www.morganstanley.com/researchdisclosures.

All right. So with that out of the way, it's great to be able to have this team with me here today. I've actually known the company for a long time, founded in 2005. And I think you've been here since 2007, and just -- I think just amazing achievements in terms of technology and applicability of it.

So maybe let's first start -- if you could -- I should mention Rajesh, the company's CEO; and Beth, the company's CFO, with us here on stage.

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Yeah, great to be here.

QUESTIONS AND ANSWERS

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Maybe just first kind of start off with your overall kind of strategy, how you see the technology, how it plays out, and just kind of the overall positioning that you have for the company.

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Yeah. I mean, for me, the strategy is very simple. We identified that timing chips, the need for timing, which includes the need for oscillators and clocks, is an insatiable demand over the last 50 years. It's been satisfied by non-semiconductors. It's been satisfied by quartz-based oscillators and resonators.

And we found, we thought, that the strategy should be to introduce semiconductor-based solutions into this market, which is what we did. And with that, we have created this precision timing, which is hard-to-do timing under tough environmental conditions. And that's what's brought the company to this level of success.

We had a lot of competitors, but at this point, we are a significant market share leader in this space. And we have -- it's kind of the who's who of customers in something like 300 different applications. So very diverse company, great customer base, amazing technology, and great financial results.

Mark Edelstone - Morgan Stanley & Co. LLC - Analyst

Okay, great. What do you think -- when you look at just the precision timing market, where do you think your market share is today? And then talk more broadly about where we are in the adoption phase of moving to your MEMS-based solutions versus the older technologies you're displacing.

Rajesh Vashist - SiTime Corp - Chief Executive Officer, Board Member

Right. So if you look at the timing market, it's about an \$8 billion, \$10 billion market. A decade ago, it was about \$5 billion. A decade from now, it's probably going to be \$15 billion to \$20 billion. In that market, SiTime has identified a SAM, a served market, of around \$3 billion.

When we went public about four years ago, we were probably \$600 million. So what we're doing is introducing really new products that expand our served market. In this market, as you know, the analysts have us at around slightly lower than \$200 million for this year.

So you can do the math and figure that out. But as far as precision timing, because we're inventing precision timing, the market is growing with us, if you will, since there isn't another person that can deliver all the value of precision timing. So you could almost argue that we are, at this point, the precision timing market.

Mark Edelstone - Morgan Stanley & Co. LLC - Analyst

Yup. Makes perfect sense. Maybe in that regard, talk a little about the core competencies that SiTime has. This has obviously been a long time coming. It's pretty difficult. But what are the things that you have that are differentiated that allow you to create this market opportunity?

Rajesh Vashist - SiTime Corp - Chief Executive Officer, Board Member

So, yeah, Mark, so I think of three innovations, three categories of innovations, that SiTime brings to the market. It's a third, a third, a third, if you will. A third of it is technology. A third of it is business innovations. I'll talk about that. And a third of it, surprisingly, is what I'll call culture innovations or building a culture of the company, which I think is remarkably innovative.

The easier one, first, if you will, is the innovation of the company on technology. And in the technology piece, we invented MEMS-based technology for this. So basically, we have silicon that moves. You and I have histories of silicon that is circuits.

And here we are talking about moving silicon that moves millions and millions of times a second for 30 years. We invented the technology. We invented the software that invents it. We invented the process that goes with it. We did the design work for it.

So the MEMS technology, we're on a fifth generation of that. And MEMS generation for timing, SiTime is the leader in the market. The next innovation is around the analog, the PLL, the regulators, the -- all the piece that makes an analog company an analog company. And the third is in putting these things together and making the system or a subsystem of timing.

All of this, probably, has 120 patents around it. But we have a huge amount of know-how around this. Because analog, as you know, is more art than science. And MEMS is definitely way more art than science. So barriers are high.

The second piece is the business innovation. Business innovation is, how do you go after an existing \$10 billion market? How do you go after a market that's been entrenched for 50 years? So we've innovated significantly.

For example, we believe that single sourcing is important in this market, which means our product must be highly differentiated. So we build a whole strategy, including around pricing, of a highly differentiated product.

And the third and probably the most difficult to do, and one of my biggest pride and joys, is the company has an absolutely unique culture that fosters relentlessness, fosters innovation, fosters egalitarian openness, transparency, risk taking. And that's probably one of the biggest factors of success in the company.

I mean, as you know, I've been there for 16, 17 years. So we've really got to build -- we have really successfully built this company based on these principles.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Great. Well, that's a lot there to unpack. Let me come back to those in a moment. But I did want to bring Beth in the conversation. And Beth, you've been in the company now, I think, for four months. And this is really, I think, your first time in semiconductors.

So it's great to pull strong executives into our industry. What are your observations? What attracted you to the company? And now that you've been here and really working the daily issues, what are your observations of the company and the opportunity?

Elizabeth Howe - *SiTime Corp - Chief Financial Officer, Executive Vice President*

Absolutely. So I come from more of a systems background and had been at companies that used various different semiconductors. So I knew it from a systems space. But coming in, was really excited about just the innovation and the technology and, really, the disruption that precision timing is bringing to this marketplace.

I've been at other companies where we're moving from analog to digital or that disruptive technology, whether it was SGI and silicon graphics or some of the work in printing and graphics in HP. So really excited by that disruptive characteristic, combined with the fact that, again, a strong management team that was really passionate about this topic.

And then finally, I look at it from an operational business perspective, strong business model in terms of both strong gross margins and strong ability to drive operating leverage in the market and for the business. And finally, over \$500 million in cash in the balance sheet. So from a business and a financial perspective, very strong business as well.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Yeah, it's a pretty nice package overall.

Elizabeth Howe - *SiTime Corp - Chief Financial Officer, Executive Vice President*

Absolutely.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

So maybe going back to the business a little bit then, Rajesh. We've been meeting for a long time, I mean, almost since I think you started at the company. And I was always amazed the technology itself was so differentiated, really interesting.

You could see how it would really be kind of breakthrough. But for a long time, yields were pretty tough. And it was hard for you, I think, to get to price points that would make sense and drive really good margins.

That's obviously not the case anymore. Today, you get really best-in-class margins. And so you've kind of mastered the technology, I assume, largely on the MEMS side.

But maybe just talk about that evolution over time. And how much more room is there to go that will allow you to continue to come on the cost curve and take the technologies into more applications and continue to replace more and more of the quartz market?

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Right. So timing is ubiquitous, right? Timing is everywhere. But the easiest entry point for us was less to do with the yield and more to do with the performance, the package of performance.

So typically, as you know, the quote -- the lowest, quote-unquote, performance is available in consumer markets. And they're sort of the easiest to get in, in a sense. That's where we started. So that's where we started and grew the company.

But we always knew that our goal was to deliver much higher-priced products at much, much higher performance levels, at much higher level of stickiness and customers. And that is, for us, the networking, telecommunications, enterprise, and now data center groups; that, for us, is one of our most priced categories.

The SAM of that market is \$800 million for us, using the oscillator market, which was native before a recent acquisition of Aura Semiconductor, which added another \$500 million. So now, as of this point, our total SAM in this market is about \$300 million.

So our strategy has been to deliver products for this market more than any other market, although, of course, we have consumer markets. Of course, we have the IoT markets, the industrial, the automotive, and not to forget, the military aerospace defense. But this is the main part of the company where it's focused on.

So we have driven performance in some cases, sort of almost ridiculous levels of performance from where we started -- ridiculously high levels of performance from where we started. It's almost like 3,000% better, 10,000x better. And yeah, so we've cracked that code.

And it's been -- by the way, not just in the MEMS area, but also in the analog. And lately, in the putting of these together, in the physical packaging, which is hard to do because these things are tiny -- our smallest chip is 0.8 millimeter by 1 -- by 10 millimeter -- by 1 millimeter on one side. So our biggest is 9 millimeters by 5 millimeters. So we make very small, very efficient chips. Yeah. So that's the learning.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Right. What's always impressed me, though, is you have this inherent platform that you can build off of. So maybe talk about the innovations there and effectively, what that platform allows you to do in terms of having base level products that can then fan out into many more usage models over time.

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Right. So for example, we launched a product we call Epoch. It's about a \$25 to \$30 part, so it's high ASP. It has multiple MEMS chips. It has two MEMS chips and two analog chips in it.

And it's a very complex package, very efficient. And the package size is one-ninth the size of the existing technology, the quartz-based technology. So it's very, very efficient.

We produce this for the high-end communications market, for the high-end core markets, and RRU's and telco. But it's also being used in data center. It's also being used in automotive. It's also being used in the aerospace and military markets.

So that's just the use case becomes very broad. But to your earlier point, because our parts are programmable, they can be programmed literally in millions of different ways. So we can program in such ways. We can build products for each of these use cases and markets and end use.

So that gives us an ability to take a base product or a platform product, as you said, and bring out 30, 40, 50, 100 part numbers out of it.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Right.

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

That gives us scale. So that's -- we have never -- another way of looking at it, Mark, is that we have never end-of-life'd a product. We've never obsoleted a product.

So we have products that we introduced from 2008 that are still shipping, because there's a need for them. And that's part of the analog model. That's how TI and ADI have these enormous gross margins with enormous operating incomes out of it. And that's how this company has been built.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Yeah. Have you modeled that, by the way? Because I've actually looked at some of the bigger analog companies, like you mentioned, ADI, TI, and just looked at the arc of time, say, how long it takes to generate 90% of the lifetime revenues of that product. Have you been able to do that for your products and get a pretty good sense of what that longevity really looks like?

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Yeah. And as of now, parts that were made in 2010 are still some of our largest-volume and largest-revenue shipping parts. And we don't see an end in sight. We don't see an end in sight because of the programmability. Of course, we've refreshed those parts, some. But the basic core of the product is the same.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Right. And then, Beth, maybe on that point, that's a great model to have in terms of operational excellence and the ability to really leverage the return profile, as those things stay in existence for a long time.

So what does that suggest to you for the margin model that this could ultimately get, as we layer year after year after year of putting in these multi-year, maybe multi-decade, products that will have life ahead of them?

Elizabeth Howe - *SiTime Corp - Chief Financial Officer, Executive Vice President*

Well, clearly, as you have those long tails in terms of the product viability, it allows you to recoup and to have very high ROI on those, but also provides the investment base to build back into the business.

I think that's one of the things you've seen over the last couple of years with the company, is really being able to expand that R&D and to really invest in the business and go from investing to deliver one or two products a year to delivering four, five, six, seven products per year in these platform kinds of scenarios, where then you can build derivatives from those and basically, be able to leverage that investment over a long period of time.

So if I think about our operating model, clearly, had a tough year in 2023. But the advantages that we have is that we've got that strong foundation from an operating expense perspective, for example, to be able to leverage that and have a lot of operating leverage in the model and be able to grow revenue with this product portfolio over many, many years and really drive those returns, and be able to build revenue on a relatively stable cost basis, and still be investing in the business and driving, again, those layered ROIs for generations to come. But even with what we have today, we've got a very strong investment base to be able to then drive revenue over a long period of time.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Great. So Rajesh, you've talked a little bit about the platform and why that's obviously beneficial to your R&D efforts, your ability to basically get pretty good ROI on that.

But maybe just so it's clear to everybody, just talk about the benefits that your customers get from using your precision timing solutions. What are -- how -- if you're just kind of rack and stack them effectively in terms of why they're all finding it to be helpful to move to these solutions as opposed to other opportunities.

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Yeah. So what we brought into the market is a system view of timing. Unfortunately, before us, a customer, any customer, any electronics manufacturer, was using resonators, was using oscillators, and was using clocks. And the people who brought these products to the market were completely different.

The clocking people, as you know, are semiconductor people. And so they're based mostly in the US, but very different people. And the resonator, oscillator, the so-called frequency generation people, really, are Asia-based. They're either Japan, largely, or a little bit Taiwan or increasingly China.

So what would happen is a customer would be confronted with a difficult timing problem. And they would have to procure various different clocking parts, various different frequency control oscillator product, and then put them together.

That was fine 50 years ago when the timing requirements weren't that great, when the latencies were low, when the data throughputs weren't there, when the compactness of systems wasn't there. But as systems have evolved, we're talking about some very, very difficult problems to solve. And SiTime sees this as a business opportunity to be the only system provider.

So I talked earlier about the Epoch product, which is physically a module, which is physically has clocks in it, and it has the oscillator functionality in it. So we continue to do this. We continue to bring a system-level view.

And this is where -- I alluded to it in my prepared remarks in our earnings call, where I said that there's a hyperscaler company that is now using a version of the clocking devices that we acquired, along with the oscillator, which is part of the goal. And there's a GPU company that's also doing the same thing in just the two months that this acquisition has happened.

So the speed of which this connection has happened is attributed to the fact that -- or a testament to the fact that the customers were kind of starved for this. And I heard anecdotally that some of our competitors, particularly in the clocking space, are now trying to do the same thing, which, of course, is very flattering because what they say about imitation. So I'm very happy to see that.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Right. It feels to me like we're in this environment of innovation that is, perhaps, the strongest we've ever seen in our careers. And cloud, AI -- these are all some pretty major drivers for it.

So as the rate of change of innovation accelerates, it seems like that would play well into your solution. It's programmable. You've got this ability to, basically, get people to use your solutions and get their products to market faster.

So just talk about some of the accelerators that you might see. And then what are some of the applications that you think are the most exciting to SiTime as you look over the next few years?

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Yeah. So I'll start with the applications first, because in some ways, everybody understands that the most easily, which is that AI, automated driving, cloud, personal computing, personal healthcare, robotics, and automation inside industrial areas, and unfortunately, the aerospace military piece.

So in all of these, what we are finding is that the data rates and the need for throughput is going higher. The latency requirements are tighter, meaning lower latency. The phase noise and jitter requirements are tighter and tighter.

And of course, we always know that the power has to be lower. Power consumption has to be lower, as well as size has to be lower. Everything is getting more and more packed.

So we think that these markets are about -- top 20, 30 applications in it. One is, for example, optical modules is one. For example, GPUs; GPU cards is another. Top-of-the-rack switch is a third in the data center.

In the automotive area, I think it's about ADAS and automated driving, whether it's level two, level two-plus, or level four. And so cameras or anything that senses the road -- cameras, radar, LIDAR -- the processing of that, the ADAS computer; and finally, the dispersal of that through the domain controllers and the ethernet in the car.

Now, this is regardless of whether it's an EV or a hydrogen vehicle, SiTime gets to play in these markets. And finally, we've been in personal watches for a long time. We're, for example, in the Garmin high-performance watch, which is a sport athlete -- athletic high-performance watch.

We also continue to be in the medical area. In the medical area, there's a lot of healthcare stuff that's coming. We're involved in that. We're involved in, for example, seismic sensors. That's a great market for us because of oil exploration and minerals and so on -- and satellites.

Satellites are entering into a whole different world with SpaceX and Kuiper and Blue Origin. So I think these are just some examples of some markets which are absolutely astonishingly viable. And they all demand the same thing: more performance under tougher environmental conditions of shock, vibration, heat. And that is the essence of precision timing. That's what we invented.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Right. So it's a pretty good setup in terms of what should be pretty strong unit growth for you. And at the same time, complexity increasing, good for ASPs, so that should help to accelerate the unit volume as well.

Where does that -- if you just take a look at the next decade or so -- and you kind of talked about how fast your TAM would grow or at least a pretty good-sized TAM as we move forward. And your SAM is going to grow into that as well.

Do you have a sense as to how you might bifurcate the growth between unit and pricing over time? And I shouldn't say price, but ASP, just value that you're delivering per unit.

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Right. So at the highest level, SiTime has always talked about a 30% growth rate. So on revenue alone, we've always talked about 30% growth rate. And we've had the last four years -- 4.5 years since our IPO, we've had an average -- there have been some great years, and there have been not-so-great years. But it's an average of around 27% growth rate.

An average growth rate through the tough times and the bad times, 27%, nothing to shake a stick at. We're also sticking our neck out and committing to a model that has 30% growth rate for the next four or five years.

I don't know about 10 years, but four or five years is close enough for me. So basically, we would have been growing at 35% -- if that's true, then we had been growing for 10 years, approximately, at 30% growth rates. That's kind of amazing.

Where it happens is -- comes from mostly -- in the beginning, in the coming years, it'll come -- the growth rate comes from more devices per end use case, so more units to your point; higher ASP; higher functionality; and finally, new markets. Many of these that are discussed -- for example, the watch -- these are all new markets.

It's hard to break down whether it's a volume game or an ASP game. It all depends upon how much, for example, we grow in the higher end of the market, which sells at \$5 to \$30 versus the lower end of the market, which is \$5 to \$0.50.

I think both are going to be equal contributors at this point. I think year on year, one may lead a little bit more; one may lag a little bit more. But that's kind of the beauty of the model. It gives it a certain robustness.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Right. Okay. And so we've kind of -- obviously, we know we're going to have secular growth. But there's going to be periods where things become more challenging. And it seemed like you had gotten through an inventory correction through the end of the year.

Obviously, it was a tough year last year. And then in this first quarter, it still seems like there's some inventory to work through. When you try to just cut through all of it and looking at all the applications that you go into, do you have a sense for what the real run rate of the business is, to cut through what was clearly some excess inventory build by customers in the channel and then now, obviously, depletion?

So at the peak, we were probably too hot. And now we're, obviously, too low in terms of what's happening with our business. Any sense, mark to market today, what the real run rate of the business should be?

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

That's an interesting one. I think it's a growth business, so it's hard to say what the run rate should be. Clearly, we're building the company for more than where we are because we think that we can get there.

I would just say that this is going to be a pretty rapid-growth-rate company at a 30% kind of CAGR or 30% growth rate on an average. I think this sets us to be well north of \$0.5 billion in a few years.

So that's certainly the goal of the company while maintaining a business model of 65% gross margin and 30% net profit margin. I think if we can pull it off, which I certainly am building the company to do, I think this would be an amazing company.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Yeah, for sure. And that kind of growth rate, we're effectively quadrupling every five years, which is pretty good. Anything you think you need to add into the company, either technologies, people, functions, those kinds of things, to basically be able to deliver those kind of growth rates for the next 5 to 10 years?

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Yeah. Well, I mean, Beth, for example, was a great addition to the team. She brings -- she came from HP, 17 years -- a broader system-level view of the world. She also happens to be very technical, out of Stanford.

And she brings an operational sense into the company, which is very important for a high-growth company. Because most companies, when they're in high-growth mode, that's where most of the challenges show up. They just haven't encountered problems, whereas Beth has been and will bring something like that. So I think people are always going to be added to the company just like that.

As far as technology, we just filled a huge hole, which we've always talked about, the acquisition of the Aura Semiconductor technology products. We acquired what's eventually going to be 50 products. That makes us a system-level player.

But as we go forward, we'll probably dream of continuing to be a higher-end timing company. I think there are many things in timing that are possible that SiTime is capable of doing. Timing is inherent to the company.

And we are already -- of course, we're a semiconductor company. But we're also a MEMS company, and we're also a module company in the sense that some of our products have multi-chips inside of it. And we do that routinely.

As of now, we would continue our path where we are, absorbing the products of Aura, delivering them to the market. We'd still have a lot of cash on hand. It puts us in an amazingly powerful position.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Right. So you talked a little about the strategic logic behind Aura, and I'm sure you did ample diligence. But as we've all kind of seen over time, until you're actually in and really understand the business and all the puts and takes, it's hard to know exactly what's going on there.

So what are your observations of the biggest upside surprises? And have there been any disappointments as you have brought that business in and been running it now for a couple months?

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Yeah. So no disappointments; that's a big deal. Also, most companies, as you know, stumble in the integration of the team and the integration of the products. And I'm happy to see that our team and their team has done a very good job of integration of the people. So I think the people integration piece has gone very, very well.

And the product integration is well underway. We've already launched something like 15 or 16 products in two months. We've already started to win design wins. I already talked about a couple of them in the earnings report, which is kind of amazing that we could crack so quickly.

And that is a testament to the attractiveness of the systems approach. And we have lots of products to come. So far, I see a lot of support from Aura Semi for this and very little pushback from our team. In fact, a big embrace of the concept, as well as the actual things. I'm very, very happy about it.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Fantastic. Let me see if there's any questions from the audience.

Yeah, the mic's right behind you.

Unidentified Participant

Yeah. Of the higher-end new timing products, data center and whatnot, are those all going through a channel as well?

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

That's right. Pretty much all our business goes through the channel. We use the channel -- as you know, I just described that we have highly programmed products. So these are not stocking products in the classic sense. They are customized products for that use case.

So we may have a customer of a server, for example, that may build 10 different servers using 10 different part numbers for the same basic part number. So we tend to use distribution as a fulfillment mechanism because it gets us back our money in 30 days or approximately that.

It takes a headache away. We give a few points -- lose a few points of margin to go through the disty, but it makes our life easier. At this point, I think that's the best for us.

Unidentified Participant

What have you learned about managing (inaudible)

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Right. So the question was, what have we learned about managing the channel in this time, where channel inventory buildup and so on?

So good news is that we've done a fabulous job of managing the distributor channel. So at no point did we ever get stymied by what was in the distributor channel. We understood that very well.

What we could have, perhaps, like a lot of other people could have done, is understand the whole channel as far as it relates to the customers' inventory. In other words, customers may have inventory under their name. Customers may have inventory under the CM's name.

So that has been a thing we have had to understand a little bit more. As you know, it's a lot more complex to understand because every OEM may have three or four or five CM's.

But that's one. And we've done a great job since then of figuring it out. And I think it's as good as you would expect it to be for a very complicated problem. Pretty happy with it.

Mark Edelstone - Morgan Stanley & Co. LLC - Analyst

Maybe just on that point, then, I'm sure you monitor what's in the channel because you can see that. What's the target inventory levels you have there in terms of days or weeks? And where do we stand relative to that target?

Rajesh Vashist - SiTime Corp - Chief Executive Officer, Board Member

Well, I don't know whether we shared about what we considered normal inventory levels. But what we did say is that we have been monitoring the decline of the excess part of it. And for the last few quarters, we've always said that we see a nice orderly decline of inventory in the channel.

And at this point, we think that most of it should be done by the June quarter. And that's what we see. And combine that with increased demand, I think it should be a very good second half of the year.

Mark Edelstone - Morgan Stanley & Co. LLC - Analyst

Right. Okay. But you don't think we're like below targeted channel inventories?

Rajesh Vashist - SiTime Corp - Chief Executive Officer, Board Member

No, I don't think so. I don't think so. I think channel inventories -- yeah.

Mark Edelstone - Morgan Stanley & Co. LLC - Analyst

Okay. Any other questions from the audience?

So maybe then talk -- you talked about the integration of Aura has gone really well. I would suggest that part of that's just due to the strong culture that you have created. And maybe just to start that off -- because I can sense it when I go and see the company.

Maybe, Beth, you can give your perspective of what you've seen in your four months on the job of how you would sort of characterize the company's culture. And then maybe Rajesh can talk a little more about how he's built it, and we can go from there.

Elizabeth Howe - SiTime Corp - Chief Financial Officer, Executive Vice President

Sure. No, I was definitely very impressed with the culture. I think that's one of the things that drew me to the company, meeting with Rajesh, meeting with the management team, meeting with the Board as I was going through the process.

And I think that, as Rajesh was talking earlier about the culture, the relentless focus on innovation, I think, is one of the distinguishing characteristics. And really pushing the envelope in terms of innovation technology quality is a relentless focus of the company.

I think it's also a very people-centered company and a very purposeful company in terms of -- Rajesh knows everybody by name, and the leadership team does as well. And so there's very much a very people-centric culture. And I think with a company that really is about people and innovation, that when people are engaged and appreciated, you see that in the innovation, you see that in the products, you see that how they engage with the customers.

And it creates that virtuous cycle that it's so important when you're driving kind of innovation and really those strong customer engagements, where they're trusting you with that key part of their technology. And so it's really important that we've got a strong culture and a really engaged employee base.

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Yeah. So that's good to hear. As you know, innovation begins by -- you can't mandate innovation. You can't mandate excellence. You can only inspire excellence. The only way to inspire excellence is to go to where the people are, to evoke that sense of giving more than they would normally give.

And the way to do that is by removing the obstacles from their path. So removing the financial obstacles from their path, removing the political obstacles from their path, removing the resource obstacles from their path, removing the what's-my-future, where's-my-growth obstacles.

You get down to the point where, really, the job is interesting as heck because you're changing the world as an engineer or as a marketing or sales or operations or finance person. You get to participate in some exciting growth, and there's a maximum amount of transparency. There's risk taking without a lot of the repercussions would come with it.

There is a relentlessness that's built in. There's a team spirit that's built in. There's a helpfulness built in. Because change begins with the people. If we don't go to where our teams are, wherever they are -- we have 11 different locations in the world. If we don't go metaphorically or even physically to where the teams are, we never get them to believe in this.

Because many of them have talked about culture. Yeah, yeah, they've always heard the little talk around it. But they don't see the meat behind it, so to speak. So we start with where people are and try to tell them this is about you and giving you a voice.

So just an example -- it's a kind of a silly example. But recently we had a meeting, a monthly meeting on review, which has something like 40, 50 people in the room. But everybody, metaphorically, gets a seat at the table. But everybody actually gets a seat at the table, which means that people sit around in a big circle well past the table to accommodate everybody in the room, to be at the table, and to speak up in the conversation.

Mark Edelstone - *Morgan Stanley & Co. LLC - Analyst*

Yeah, that's important. Maybe just in the last minute that we have, we've covered a lot of ground in terms of strategy, positioning, competitive differentiation, the market opportunities, and so on. But what are the one or two things you think that industries just don't really know about the company or maybe just underappreciate about SiTime?

Rajesh Vashist - *SiTime Corp - Chief Executive Officer, Board Member*

Right. So the problem is that when you invent a market, when you invent a precision timing market like SiTime has, the investors don't have a like comparison. There's nobody to look at and say, oh, here's company X, they perform like this in precision timing, and here's how SiTime performs. So they can recognize the value we bring.

So that's one thing that is not well understood. And so I would very much welcome a competitor coming in so that they can see how well we do against them. Kind of a silly thing to say, but I actually do welcome it.

The second thing is that people don't understand the central role of timing in getting great performance out. So for example, timing is not only ubiquitous; it is highly responsible for performance in all these great areas.

So I think both of these are gifts that keep on giving us for, as you said, decades for SiTime.

Mark Edelstone - Morgan Stanley & Co. LLC - Analyst

Right. Well, timing is everything. So with that, thank you both for being with us.

Rajesh Vashist - SiTime Corp - Chief Executive Officer, Board Member

Thank you.

Mark Edelstone - Morgan Stanley & Co. LLC - Analyst

And we'll end here.

Rajesh Vashist - SiTime Corp - Chief Executive Officer, Board Member

Thank you.

Elizabeth Howe - SiTime Corp - Chief Financial Officer, Executive Vice President

Thank you.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All Rights Reserved.