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PRESENTATION

Operator

Good afternoon, and welcome to SiTime's Fourth Quarter 2021 Financial Results Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded today, Wednesday, February 2, 2022.

I would now like to turn the call over to Brett Perry of Shelton Group Investor Relations. Brett, please go ahead.

Brett Perry - *Shelton Group - VP*

Thank you, Liz. Good afternoon, and welcome to SiTime's Fourth Quarter 2021 Financial Results Conference Call. On today's call from SiTime are Rajesh Vashist, Chief Executive Officer; and Art Chadwick, Chief Financial Officer.

Before we begin, I would like to point out that during the course of this call, the company may make forward-looking statements regarding expected future results, including financial position, strategy and plans, future operations, the timing market and other areas of discussion. It's not possible for the company's management to predict all risks nor can the company assess the impact of all factors on its business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed during this call may not occur and actual results could differ materially and adversely from those anticipated or implied. Neither the company nor any person assumes responsibility for the accuracy and completeness of the forward-looking statements. The company undertakes no obligation to publicly update forward-looking statements for any reason at the date of this call to conform these statements to actual results or to changes in the company's expectations.

For more detailed information on risks associated with our business, we refer you to the risk factors described in the 10-K filed on February 16, 2021, as well as the company's subsequent filings with the SEC.

Also during this call, we refer to certain non-GAAP financial measures, which we consider to be an important measure of company performance. These non-GAAP financial measures are provided in addition to and not as a substitute for or superior to measures of financial performance prepared in accordance with U.S. GAAP. The only difference between GAAP and non-GAAP results is stock-based compensation expense and related payroll taxes.

Please refer to the company's press release issued today for a detailed reconciliation between GAAP and non-GAAP financial results. With that, I'd now like to turn the call over to Rajesh. Please go ahead.

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

Thank you, Brett. Good afternoon, and thank you for joining on today's call. 2021 was an exceptional year for SiTime with 88% year-over-year revenue growth. We continue to believe these results are a new phase of sustained high growth and a fundamental acceleration at SiTime.

There are a number of secular trends that have served as driving factors and will continue to drive revenue in our target markets. In Q1 2021, I referenced our large opportunities in Communications, especially in 5G radios and small cells. We see growth in our Comms-Enterprise market and have accelerated new product introduction for these applications.

In '21, we laid out our strategy to quadruple our SAM, or served market, by 2024 to $1.3 billion through new products for the Comms-Enterprise market. We're on track to introduce 6 new products in '22, which is twice as many as in 2020 with more to come in 2023. Some of these new products will actually start contributing to revenue this year 2022.

SiTime continues its mission to be a leader in precision timing by launching innovative new products that are category creators. Recently, we announced XCalibur, which is our first product for a new category that of Active Resonators. This opens up a market with a served market or SAM, of at least $200 million for SiTime.

In a portion of the $4 billion resonator market, XCalibur offers advantages of performance and ease of use that customers value. Unlike the current solutions, there is no need to do circuit matching, specialized testing or repeated qualifications for different frequencies, which saves the customer months of development time. Additionally, XCalibur is also 10 to 20x more reliable than existing resonators.

In Q2 2021, I mentioned that our automotive business would generate over $100 million in a few years. We are well on our way to that with automotive revenues expected to double in 2022 over 2021.

Precision oscillators and clocks are replacing passive resonators, driven by technologies such as Radar, Lidar and high-speed RF required to transfer data in real-time at high rates.

In '21, we also expanded our focus to automotive semiconductor companies, and here, we are engaged with over 10 leaders for a variety of applications in automotive, and this gives us additional visibility into trends. It accelerates adoption and helps us build ever more compelling products.

In Q3 now, I mentioned that data center business would grow to $100 million. Again, we're well on our way and data center revenues are expected also to more than double in 2022.

As enterprises embrace cloudification, our high reliability, high-performance timing solutions are critical in increasing bandwidth and reducing latency. Design activity in this market is ramping and the wins in high-performance computing, optical modules and NIC cards are coming in. We're also seeing new applications such as active electrical cables where high-performance electronics and precision timing is embedded inside the cable that enables high-speed connectivity. Again, here, we are expanding our engagement with semiconductor leaders and closely engaged with over 15 companies in this space.

We believe that in diversity, there is strength, and we believe SiTime is the most diverse semiconductor company to go public in the past decade. An example of that is that we have more than 300 applications across 6 segments.

Looking back at incoming opportunities in '21, the Industrial segment led in the number of new opportunities while the Coms-Enterprise segment had the highest annual dollar value, which is more than double the next segment. Another aspect about the diversity of our business is that our unit price ranges from less than $1 to hundreds of dollars in volume depending on the application and use case. Our diverse pipeline consists of design wins that will go into production this year, next year and as far out as 2024.

In the longer term, there are several unique high-volume mainstream applications in the future, such as smart clothing, health monitoring, Precision Time and Navigation, also called PNT, and Internet of Things, or IoT. There are common themes in all these applications. Each of them requires higher precision, smaller sizes, reliable operations, again, in very tough or environmentally harsh conditions. All of these play to the natural strengths of SiTime solutions.

Specific to supply chain dynamics, SiTime has continued to benefit at the expense of alternatives due to our fabless model and product programmability combined with our supportive suppliers that view SiTime as a strategic growth opportunity. Over the last year, we have further partnered with the assembly and test houses, resulting in the doubling of our test capacity to meet anticipated demand for 2022 and 2023.

In closing, even when considering the tremendous growth we have achieved in the last year, I believe that SiTime's story is still in the very early innings. The world of timing is truly enormous and there are numerous areas we have yet to penetrate.

As the only semiconductor company, which is focused exclusively on timing, we believe that SiTime is uniquely positioned to achieve outsized growth for many years to come.

With that, I will now turn it over to Art Chadwick, our CFO.

Arthur D. Chadwick - *SiTime Corporation - Executive VP & CFO*

Thanks, Rajesh, and good afternoon, everyone. Today, I'll provide a quick financial summary of 2021, then discuss fourth quarter results and provide some guidance for the first quarter.

I'll focus my discussion on non-GAAP financial results and refer you to today's press release for a detailed description of our GAAP results as well as a reconciliation of GAAP to non-GAAP results.

To begin with, 2021 was a truly great year for us. We significantly advanced our technology, expanded our product portfolio, increased our worldwide workforce, and generated record revenue and profit. Revenue grew 88% from $116 million in 2020 to $219 million in 2021. Non-GAAP gross margins increased a full 14 points from 51% in 2020 to 65% in 2021, while operating margins expanded from 8% in 2020 to 30% in 2021. In addition, we raised $460 million during the year from our 2 stock offerings, all around a great year.

In Q4, we continued to experience exceptional strength in our business. It was an all-time record quarter on multiple fronts. We saw continued strong revenue growth, increased gross margins, increased operating margins, record net income and positive cash flow.

Revenue for the quarter was $75.7 million, up 20% sequentially and up 88% over the same quarter last year. Revenue increased sequentially and year-over-year in all 3 of our major market categories.

Sales into our Mobile, IoT and Consumer segment, which consists of sales into mobile phones, wearable devices, and consumer products, were $41.9 million or 55% of sales. This was up 31% sequentially and up 53% over the same quarter last year.

Sales into our Industrial, Automotive and Aerospace segment, which includes sales into automotive, industrial, medical, aerospace, military and broad-based sales, were $22.9 million or 30% of sales. This was up 9% sequentially and up 232% year-over-year.

Sales into our Communications and Enterprise segment, which consists of wireless infrastructure, including 5G, data center and networking were $11.0 million or 15% of sales. This was up 7% sequentially and up 80% over last year.

Sales to our largest end customer accounted for 18% of sales, which more than 90% was non-phone.

Gross margins increased again this quarter. Non-GAAP gross margins were 69.4%, up 250 basis points sequentially. This uptick in gross margins were due primarily to some unexpected short-term high-margin business.

Non-GAAP operating expenses were $23.1 million, comprised of $12.1 million in R&D and $11.0 million in SG&A.

Non-GAAP operating margins were 39%.

Non-GAAP net income was $29.2 million or $1.32 per share.

Stock-based compensation expense and related payroll taxes were $9.4 million, up from $8 million in Q3 due to new hire grants and a higher stock price. I expect stock-based comp expense will increase an additional few million dollars a quarter in Q1 due to new hire and other grants.

Receivables were $38.4 million with DSOs of 46 days.

Inventory was $23.6 million, up from $19.6 million last quarter.

In November, we completed our second stock offering of the year. We sold 1.3 million shares at $225 per share, netting $279 million after fees. In addition, MegaChips sold 1 million shares, reducing their ownership in the company to just under 25%.

In regards to cash flow, we generated $24.7 million in positive cash flow from operations, invested $11.3 million in equipment and assets, added $279 million from our stock offering, and ended the quarter with $559 million in cash and no bank debt.

I'd now like to provide some guidance for 2022. We expect 2022 will be another great year for the company. Our customers continue to book orders well in advance, giving us excellent visibility into the year. Market trends that require precision timing are stronger than ever, including growth in 5G, data centers, networking, automotive, medical, aerospace and other markets we serve. Given our backlog visibility, strong market trends and new product ramps, we believe we can grow revenue in 2022 by at least 35%.

As we have experienced in past years, we will see some seasonality in Q1. Revenue will be less than Q4, but substantially higher than the year ago quarter. We expect revenue in Q1 will be approximately $65 million, plus or minus, which at that midpoint would be up 83% over the same quarter last year.

We expect Q1 non-GAAP gross margins would trend to a more normalized 65%, plus or minus, since we do not expect a repeat of the short-term high-margin business we had in Q4. As I mentioned on our last call, wafer and other manufacturing costs will increase this year. For example, TSMC is raising prices by 20% or more across the board on the nodes we use. These increased costs will negatively impact gross margins by 2 to 3 points beginning in Q2.

I'd like to offer a few additional comments about gross margins. Longer term, gross margins should expand as new products become a larger portion of our overall sales since our newer products are generally higher performance, higher ASP and higher gross margin. However, in the meantime, we are targeting gross margins to be in the 60% to 65% range. We could be more aggressive on pricing and drive margins higher, but there are trade-offs between higher gross margins and top line growth. Our intention is to find that right balance that keeps gross margins in the low to mid-60s while maximizing top line growth.

For Q1, we expect non-GAAP operating expenses will be between $24 million and $25 million, up sequentially due to increased head count and beginning of the year payroll taxes.

Basic share count in Q1 will be approximately 21.0 million shares. The dilutive effect of employee RSUs will add an additional 2.0 million shares, taking the total diluted share count to approximately 23.0 million shares.

Based on this guidance, we expect first quarter non-GAAP EPS will be between $0.65 and $0.85 per share.

And with that, I'd like to turn the call back to the operator for Q&A. Thank you very much.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Blayne Curtis with Barclays.

Thomas James O'Malley - *Barclays Bank PLC, Research Division - Research Analyst*

This is Tom O'Malley on for Blayne Curtis. Really nice results. I guess the first question is out of all the outstanding things you saw in Q4, the margins really stand out. You talked about some short-term business that was higher margin. You talked about TSMC raising prices with the 200 to 300-bp impact. But you're guiding them down a bit more than that. Do you think that there's some sustainability in the higher margins that you're giving yourself some cushion on? Or could you just walk through the puts and takes of why this shouldn't end up somewhere in the middle versus down a bit more sequentially? That would be really helpful to start.

Arthur D. Chadwick - *SiTime Corporation - Executive VP & CFO*

Sure. So as I mentioned, Q4 was an exceptional quarter. We had some short-term very high-margin business that I don't expect to continue into Q1. So that kind of brings the margins back to the mid-60s.

If we were not expecting increases in wafer and other manufacturing costs, I think that would be kind of what we'd be looking at through the course of the year, somewhere in the mid-60s. And as I mentioned, we could push margins higher by being more aggressive on pricing, but we think that's not the right trade-off here. We're in high-growth mode. We want to continue to be in high-growth mode. So, we're going to maintain the right balance there.

So that being in the mid-60s with the cost increases, that drops margins by a few points. And I think that's the right way to think about it. Now as we walk through the year, it's very possible that we will get more high-margin business and margins could be higher than that.

And what I also think is important, and I mentioned this in my script, is that longer term, we do expect gross margin expansion. We've got a lot of new products that we've recently introduced. We've got a lot of products in the pipeline. All of these products are much higher performance, generally higher ASP and higher gross margins than our current products.

So as those new products become a larger and larger percentage of our sales going forward. And I'm talking next year, the year after, the year after that, the year after that, I would expect a general expansion of our gross margins. So those are kind of the puts and the takes, and we'll update folks as we walk through the year.

Thomas James O'Malley - *Barclays Bank PLC, Research Division - Research Analyst*

That's helpful. And then just to check in, you guys have talked about the supply chain, and you're benefiting at the expense of alternatives. Can you talk about the traditional Crystal suppliers? You've seen some struggle there. Are you seeing any effort to ramp capacity there? Is there any tangible effort there that's having success? Can you just talk about where you're positioned versus that traditional competition and if you think that there's any capacity coming online anytime soon?

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

Yes, I do think that there -- I anticipate I don't have any data around it, but I anticipate that there'll be more capacity coming on. I particularly think that in general, with the large expansion of all component capacity in China, in Mainland China, I think they will also be expanding.

But to me, I don't know if I think of that as competition because we -- our products are significantly differentiated from those products to really matter. As an example, the XCalibur product, the active resonator product is a very, very distinct product.

In fact, it is its own category, as I mentioned. So, I don't know how much that impacts us directly, it impacts us in the general way that customers have come to us because of shortages, maybe that gets a little bit slower.

On the other hand, I think because of the products that I mentioned that we are coming out with, the pace of new customer acquisition gets higher. So net-net, I think we're in a good place.

Operator

Our next question comes from John Pitzer with Credit Suisse.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

Art, I just want to go back to your comments about increasing cost hitting gross margins starting in the June quarter. I mean TSMC is raising pricing kind of across the board. We're hearing that with many of their customers. But the vast majority of them are just being able to pass those costs along. I'm kind of curious, given that you've exhibited perhaps stronger pricing power than a lot of other chip players in calendar year '21. Why all of a sudden, this is an issue this year and why you just can't pass those cost increases along?

Arthur D. Chadwick - *SiTime Corporation - Executive VP & CFO*

Yes. So, I think there's a couple of pieces to the answer there. First of all, these wafer cost price increases began at the beginning of the year. And so, we did not have to worry about that last year. I can't speak to 2023 because we don't know what will happen there. But in 2022, wafer prices are going up, and they went up at the beginning of the year.

You don't see that in our P&L in Q1 because essentially, the finished goods that we're selling in Q1 is coming from wafer as we bought in Q4. So that's why it doesn't impact Q1, but it starts impacting in Q2. And that's a real cost increase, it's solid, it's real.

So your question is, why can't we increase pricing? We have increased some pricing. As I mentioned, we can increase pricing even more, but there's that trade-off between increasing pricing to our customers and growth, and we're trying to find the right balance there. And the 2 to 3-point decrease -- that incorporates some increased pricing. If you look at our wafer cost and other manufacturing costs going up 20-plus percent, that's more than just 2 or 3 points. So the 2 or 3 points is kind of net of price increases that we're anticipating. And not all customers will accept price increases. If you just look at some of our large customers, you can imagine how they would say, we're really not interested in that. So I don't know if that helps answer that, but I tried to add a little flavor to it.

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

Yes. And also I'll add to that, that you said all of a sudden, I don't think this is all of a sudden, we've been saying this all through that the sweet spot of our gross margin is a few points lower than this because I think it's a very appropriate trade-off between growth and margins at the position that SiTime is right now in our history. I think growth is paramount at very nice, very solid gross margins, and we'd like to sort of do that. We are -- remember that we are single-sourced with a vast majority of our customers. And I think that a partnership-oriented price increase is better off for the longer term than just purely passing it on to our customer just because they're single sourced with us.

Arthur D. Chadwick - *SiTime Corporation - Executive VP & CFO*

John, I'll just add a little math to this to help folks. If, for example, our material cost was 30% of revenue, right? That would be 70% material margins. And if our costs did go up 20% across the board for all manufacturing costs, that would be 6 points of margin. So my 2 to 3 points is kind of halfway in between.

So that says that about half of that cost increase we are able to pass on and about half we've -- we're not passing on either by choice on our side or by choice on our customer side.

And I think longer term, what is important, and I'll repeat what I said earlier, our newer products are going to be much higher margin than our legacy products. So longer term, we do expect further gross margin expansion a year from now, 2 years from now, 3 years from now. And I think that's quite relevant to our long-term strategy here.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

That's helpful guys. And then I appreciate the color on the full year revenue growth. I'm wondering if you could give us a little bit more sort of qualitative detail around that. I mean if you just take the midpoint of your March guidance and grow $7 million a quarter, you kind of get to that full year growth rate of 35%. I'm assuming things aren't going to be that linear, but maybe they are.

Maybe if you can give us some color there. And I guess, importantly, as you look at the 3 major kind of segment categories, where do you expect growth to be sort of fastest to slowest within that 35% full year growth?

Arthur D. Chadwick - *SiTime Corporation - Executive VP & CFO*

Sure. Fair question. Well, first of all, nothing in the world is totally linear. But it is clear that the back half of this year, we expect to be higher than the first half of this year. That's been the case for the last few years, and that will be the case, I believe, for this year. The growth longer term comes from our Coms-Enterprise market. We're putting a lot of development dollars into products to address that market.

As Rajesh mentioned, we've been talking about a SAM in that market of $500 million going to $1.3 billion in the next couple of years, that should drive significant growth for us, both this year and in the following years. So I think as a percentage, that's where we expect a lot of our growth. Obviously, those segments are lower amount of our total sales today, but that's, I think, the right way to think about longer-term growth.

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

And thanks for the question, John. I appreciate the asking for what is the pattern of growth. So as you know, the 3 markets that we are deeply interested in, one is Coms Enterprise Data Center; the second is Automotive; and the third is Mil/Aero.

I'm happy to say that all of these 3 are going to grow significantly in the year. The other 3, which are Mobile, IoT and Consumer -- Consumer in Industrial, are also going to grow and probably the slowest growth is going to be pure-play consumer. But I think if I was to rank order them as a percentage, I would say, Mil/Aero, Coms Enterprise, Automotive, and at the bottom would be Consumer.

Operator

Our next question comes from Alex Vecchi with William Blair.

Sabrina Baxamusa - *William Blair & Company L.L.C., Research Division - Research Analyst*

This is Sabrina on for Alex. In regard to the new product releases, you mentioned 6 this upcoming calendar year, how should we think about the new product releases split between resonators, clock ICs and oscillators? And are these products targeting specific end markets?

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

Yes. I think the end markets point is back in. They're heavily focused on coms enterprise market, followed by the IoT and mobile markets. So I think we're sort of -- we've talked before about sort of that products that we develop for the coms enterprise market today are used a little bit later in automotive and a little bit later again in Mil/Aero as well as industrial. So in other words, think of the coms enterprise market as the sort of feeder for these other markets.

On the other side, the products developed for mobile IoT are also feeders into automotive, feeders into consumer, feeders into industrial. So the second category that we're bringing products out for is mobile IoT. As far as splitting it up by clocking and oscillators, the bulk of the products are oscillators followed by clocks. At this point, we are not focusing, as I said before, that much investment on the resonators, primarily because they're the lowest priced product. They're typically priced below $0.20 in comparison to our other products, which are anywhere from $1 to $20. So we think bang for the buck, that's the way to go.

Operator

Our next question comes from Quinn Bolton with Needham.

Nathaniel Quinn Bolton - *Needham & Company, LLC, Research Division - Senior Analyst*

Just wanted to sort of follow up on the gross margin question. I realized you're not guiding beyond the March quarter. But as we think through some of the dynamics that the higher wafer product pricing gets sort of captured in inventory in Q1 doesn't really start to hit the income statement until Q2, as you mentioned. I'm wondering, does it all hit in Q2? Or do you see sort of an additional pressure into the third quarter? I ask because typically, in the second half, you noted the stronger second half revenue and you tend to see better absorption. And so all things equal, usually, your gross margin has a lift in the second half of the year just with revenue. So I'm just trying to think through the puts and takes for gross margin as you look into Q2 and Q3.

Arthur D. Chadwick - *SiTime Corporation - Executive VP & CFO*

Yes, fair question. So yes, I mean, the full brunt of the cost increases hit in Q2 because essentially, we run with about a quarter's worth of inventory. So it takes about 3 months to go from a wafer all the way to finished goods and shipment. So the full brunt in Q2. What happens in the back half of the year, I don't want to be that specific yet. It's only the beginning of February. But your comment is valid in that with the higher expected revenue that will give us more leverage on our manufacturing overhead.

So all else being equal, that would argue for some improved margins in the back half of the year, at least compared to Q2. So let me leave it at that as we march through the year, I'll be a lot more specific on our guidance and where we think it goes.

Bottom line, I don't think we're too worried about gross margins. Again, we've got some flexibility to raise prices if we choose to. We've chosen not to in many cases. I think we're looking at some very high growth rates this year. As I mentioned, we expect to grow revenue at least, and I will emphasize the at least 35%. And that means that it could be higher than that. And that also would improve gross margins. So a couple of different concepts in there, but very, very fair question.

Nathaniel Quinn Bolton - *Needham & Company, LLC, Research Division - Senior Analyst*

Got it. And then just, Rajesh, you mentioned XCalibur active resonator product line. Wondering if you could give us some sense, one, timing, when do you think these might start to contribute to revenue? And perhaps more importantly, you mentioned, I think, in answer to another question that you're tending not to focus on resonators because they tend to be lower ASP and margin. I'm wondering with the XCalibur line, the fact that they're active resonators are these going to sort of meet your new product margin characteristics where they could come in actually above your corporate average?

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

Yes. So first off, let me be clear, SiTime will do resonators as stand-alone products. We already did one. We are shipping one. We're just choosing to put our expenses, R&D expenses into oscillators and clocks because they are much higher priced and higher dollar margin. Now active resonators are kind of, call it, a smart way or a cunning way, if you would, to address the resonator market. while not making resonators.

The XCalibur product is a new category, as I mentioned, it's an active resonator. So it behaves like an oscillator but it looks and feels to the designer in pin-out and so on as a resonator. So it gives them a backup to go get resonators for that. Now for that value, SiTime always about value. For that value, SiTime does charge a fair price, which gives us our corporate gross margin. So we don't break out whether one product has higher gross margin or not. But suffice it to say, that would be very difficult for us to introduce products that don't meet corporate guidelines in margin or higher.

So I think XCalibur is going to be extremely profitable, and we will start shipping this year. This is one of those products that I said that we have been building that will actually do well this year. So I think we're going to be in good shape and I'm very, very, very excited about this.

Operator

Our next question comes from Tore Svanberg with Stifel.

Tore Egil Svanberg - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Congratulations on the strong results and no need to apologize for 60% to 65% gross margins. My first question is on the topic that you mentioned, Rajesh, about partnering or working with other semiconductor companies. I know you talked about that when addressing automotive, I think you mentioned about 10 players there and then about 15 in the data center space. Just wondering what that means contextually for your business I mean does it open up the door for more new customers that you may not have been able to address in the past? Or is there even a sort of a reference platform to some of those engagements?

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

Yes. So, it's exactly that. The easy answer is that it's a leveraged strategy. So, as we know, people who -- semiconductor companies that do chips for various markets, they build reference platforms that customers consume and buy according to that. So obviously, a key part of the strategy is to get part to be part of that.

We have just taken it to a higher level with a significant amount of our resources now being spent upon that. And we have a decent sized sales force that's working on it. What all that allows us to do is not only to answer products, needs for today, but go further upstream in time and get products that are going to be introduced in later years, later in '22, later in '23, later in '24. So, it becomes important.

There's also a category of products where semiconductor companies actually ship for revenue with our product, not as references, but ship product for revenue. So that's another category that we are playing in, and that's very valuable. Where, again, the shortage has helped is because these companies -- these semiconductor companies are experiencing shortages of timing devices, just like end customers are. So it's very helpful for us to be there for them. And being semiconductor companies, they see the value of our product which is a semiconductor product over the existing solution, which, of course, as you know, is a non-semiconductor passive product. So we talk their same talk, and we are able to solve their problems, and we're able to go further out in time.

Tore Egil Svanberg - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Yes. My follow-up is on supply. So there's a lot of talks about TSMC, which is obviously your silicon supplier, but there has not been a whole lot of discussions on your MEMS suppliers. So just wondering how things stand there from a capacity perspective. Is it tight? Do you feel like the capacity getting from your partner there is in very good shape?

Arthur D. Chadwick - *SiTime Corporation - Executive VP & CFO*

Yes. So, I'll answer that. So just to recap, right, our MEMS is manufactured at Bosch. It's our process. And we have not had any issue in getting the wafers, the MEMS wafers that we need to support our revenue or our expected revenue this year. And TSMC, of course, those are the CMOS wafers that are the analog chips that our resonators get attached to.

Again, as everybody knows, wafer supply is tight. But we are a good customer of TSMC, and they've been able to satisfy our need, and we believe that we will be able to get the supply we need to support our expected growth rate this year.

So bottom line, yes, it's a little bit tight out there, but we believe we're in good shape. And you also have to remember, we're not that large, and we get a lot of die on a wafer. The wafers that we get from TSMC, we get something like 10,000 die on them. And the die -- the MEMS die that we get on our Bosch wafers are like 100,000 die. So we get a lot of product with not that many wafers. So bottom line, we feel like we're in reasonably good shape.

Operator

Our next question comes from Suji Desilva with ROTH Capital.

Suji Desilva - *ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Congrats on strong '21. Just another question on gross margin, if you don't mind. I'm just trying to understand, are there any segments that are relatively harder or easier to pass the cost increases along? I'm just trying to get some color on the challenges you're having there.

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

Yes. I think, generally speaking, pricing, the ability in shortages to price high is quite high. In other words, it doesn't really go by customer, categories or markets. It really goes by which are the customers we want to have solid long-term relationships with, which is the bulk of them. So, because of that, I think customers understand that times are tight, so they understand pricing and so on. And in some cases, we choose to hold back that pricing.

In some cases, we choose to be more aggressive on pricing. It's really quite a case-by-case basis. And SiTime as a premium company in this market knows how to do this very well. So, I think while I understand the focus on the gross margin lowering my recommendation would be to look at that as a little bit of a distraction and to focus on where the growth is really coming from.

Suji Desilva - *ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

It sounds strategic and that point definitely come across, Rajesh. Also, just a question on the cash balance. You have a very strong cash balance now. Obviously, strong funding position and cash flow. And then just can you remind us your cash strategy, acquisition strategy and if buybacks are in the cards? Or is that -- it's a little early for that versus organic investment?

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

Yes. I think buybacks are too early to contemplate that. We just put out some more stock. I think the stock can do with more liquidity, not less. As far as acquisitions, we've talked about it, we are always looking at either solutions that further our product line that we don't possess technologies that we don't possess and going after that or in the area of clocks or clocking, I think, is particularly one area where it is dispersed among existing semiconductor companies whose names you are very well familiar with, and they're not focused on them. It's either a cash cow or it's neglected that makes it a bit of a challenge to do those acquisitions. But to the extent that we are able to, we certainly would like to wherever we can.

Operator

Our next question comes from Melissa Fairbanks with Raymond James.

Melissa Ann Dailey Fairbanks - *Raymond James & Associates, Inc., Research Division - Research Analyst*

I was just wondering if you might be able to give us some color on expectations by segment for the March quarter. Obviously, Consumer is probably seasonally down the most, but just wondering if you could give us a little bit of guidance there. And then also, in the recent quarters, you've been giving us kind of expectations what the contribution from your largest customer would be just looking for any kind of color?

Arthur D. Chadwick - *SiTime Corporation - Executive VP & CFO*

Sure. So yes, I talked about the seasonality briefly in my discussion. And bottom line is I think the decrease from Q4 to Q1 is going to be primarily Consumer, right? So it's not surprising, and that's really what drives the seasonality.

And then in terms of our largest customer, they were 18% of our sales in Q4. And I think that percentage is going to stay relatively constant in Q1.

Melissa Ann Dailey Fairbanks - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Okay. Great. And then just as a quick follow-up, the short-term high-value revenue that you were able to capture in the December quarter, are you able to tell us what segment that came in on?

Arthur D. Chadwick - *SiTime Corporation - Executive VP & CFO*

I would prefer not to. It's across all segments. But yes, I think that's just a little more detail than we need to go into, if that's okay.

Operator

That concludes today's question-and-answer session. I'd like to turn the call back to Management for closing remarks.

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

I think that we closed out absolutely stellar year in 2021. I'm looking to consolidating those gains in 2022 and growing the company significantly per our guidance. And I'm very, very bullish on how we see the future.

Arthur D. Chadwick - *SiTime Corporation - Executive VP & CFO*

So on that note, I guess, we'll conclude our call. Thank you, everybody, for spending the time. We really appreciate it.

Rajesh Vashist - *SiTime Corporation - Chairman, President & CEO*

Thank you all. Bye-bye.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.
