

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2022

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____

Commission File Number 0-18277

VICOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

04-2742817
(I.R.S. Employer
Identification No.)

25 Frontage Road, Andover, Massachusetts 01810
(Address of Principal Executive Office)

(978) 470-2900
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	VICR	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Smaller reporting company
Accelerated filer Emerging growth company
Non-accelerated filer

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of each of the issuer's classes of Common Stock as of April 19, 2022 was:

Common Stock, \$.01 par value

32,209,071

VICOR CORPORATION

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VICOR CORPORATION

Part I – Financial Information

Item 1 – Financial Statements

 Condensed Consolidated Balance Sheets
 (In thousands, except share and per share amounts)
 (Unaudited)

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 191,050	\$ 182,418
Short-term investments	20,003	45,215
Accounts receivable, net	52,659	55,097
Inventories, net	73,861	67,322
Other current assets	7,021	6,708
Total current assets	344,594	356,760
Long-term deferred tax assets, net	206	208
Long-term investment, net	2,536	2,639
Property, plant and equipment, net	140,494	115,975
Other assets	1,519	1,623
Total assets	\$ 489,349	\$ 477,205
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 22,572	\$ 21,189
Accrued compensation and benefits	12,592	12,660
Accrued expenses	3,172	4,158
Short-term lease liabilities	1,214	1,551
Sales allowances	1,605	1,464
Accrued severance and other charges	—	93
Income taxes payable	21	66
Short-term deferred revenue and customer prepayments	8,384	7,912
Total current liabilities	49,560	49,093
Long-term deferred revenue	332	413
Long-term income taxes payable	574	569
Long-term lease liabilities	6,694	3,225
Total liabilities	57,160	53,300
Commitments and contingencies (Note 10)		
Equity:		
Vicor Corporation stockholders' equity:		
Class B Common Stock: 10 votes per share, \$.01 par value, 14,000,000 shares authorized, 11,758,218 shares issued and outstanding in 2022 and 2021	118	118
Common Stock: 1 vote per share, \$.01 par value, 62,000,000 shares authorized 43,842,974 shares issued and 32,208,168 shares outstanding in 2022; 43,789,528 shares issued and 32,154,722 shares outstanding in 2021	440	439
Additional paid-in capital	349,467	345,664
Retained earnings	222,632	217,633
Accumulated other comprehensive loss	(1,824)	(1,328)
Treasury stock at cost: 11,634,806 shares in 2022 and 2021	(138,927)	(138,927)
Total Vicor Corporation stockholders' equity	431,906	423,599
Noncontrolling interest	283	306
Total equity	432,189	423,905
Total liabilities and equity	\$ 489,349	\$ 477,205

See accompanying notes.

VICOR CORPORATION

Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 31,	
	2022	2021
Net revenues	\$88,282	\$88,796
Cost of revenues	50,681	44,096
Gross margin	37,601	44,700
Operating expenses:		
Selling, general and administrative	18,568	16,954
Research and development	14,253	13,026
Total operating expenses	32,821	29,980
Income from operations	4,780	14,720
Other income (expense), net:		
Total unrealized (losses) gains on available-for-sale securities, net	(103)	24
Less: portion of losses (gains) recognized in other comprehensive income	104	(23)
Net credit gains recognized in earnings	1	1
Other income (expense), net	161	231
Total other income (expense), net	162	232
Income before income taxes	4,942	14,952
Benefit for income taxes	(48)	(143)
Consolidated net income	4,990	15,095
Less: Net (loss) income attributable to noncontrolling interest	(9)	3
Net income attributable to Vicor Corporation	\$ 4,999	\$15,092
Net income per common share attributable to Vicor Corporation:		
Basic	\$ 0.11	\$ 0.35
Diluted	\$ 0.11	\$ 0.34
Shares used to compute net income per common share attributable to Vicor Corporation:		
Basic	43,952	43,455
Diluted	44,954	44,841

See accompanying notes.

VICOR CORPORATION

Condensed Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2022	2021
Consolidated net income	\$4,990	\$15,095
Foreign currency translation losses, net of tax (1)	(194)	(261)
Unrealized losses on available-for-sale securities, net of tax (1)	(316)	(128)
Other comprehensive loss	(510)	(389)
Consolidated comprehensive income	4,480	14,706
Less: Comprehensive loss attributable to noncontrolling interest	(23)	(17)
Comprehensive income attributable to Vicor Corporation	<u>\$4,503</u>	<u>\$14,723</u>

- (1) The deferred tax assets associated with foreign currency translation losses and unrealized losses on available-for-sale securities are completely offset by a tax valuation allowance as of March 31, 2022 and 2021. Therefore, there is no income tax benefit (provision) recognized for the three months ended March 31, 2022 and 2021.

See accompanying notes.

VICOR CORPORATION

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2022	2021
Operating activities:		
Consolidated net income	\$ 4,990	\$ 15,095
Adjustments to reconcile consolidated net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	3,296	2,806
Stock-based compensation expense	1,994	1,571
Decrease in long-term deferred revenue	(81)	(80)
Decrease (increase) in other assets	62	(26)
Increase in long-term income taxes payable	5	5
Deferred income taxes	2	2
Credit gain on available-for-sale securities	(1)	(1)
Change in current assets and liabilities, net	(5,682)	(1,599)
Net cash provided by operating activities	4,585	17,773
Investing activities:		
Purchases of short-term investments	—	(50,706)
Sales or maturities of short-term investments	25,000	5,000
Additions to property, plant and equipment	(22,683)	(9,264)
Net cash provided by (used for) investing activities	2,317	(54,970)
Financing activities:		
Proceeds from employee stock plans	1,810	3,050
Payment of contingent consideration obligations	—	(46)
Net cash provided by financing activities	1,810	3,004
Effect of foreign exchange rates on cash	(80)	(138)
Net increase (decrease) in cash and cash equivalents	8,632	(34,331)
Cash and cash equivalents at beginning of period	182,418	161,742
Cash and cash equivalents at end of period	<u>\$191,050</u>	<u>\$127,411</u>

See accompanying notes.

VICOR CORPORATION

 Condensed Consolidated Statements of Equity
 (In thousands)
 (Unaudited)

	Class B Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Vicor Corporation Stockholders' Equity	Noncontrolling Interest	Total Equity
Three months ended March 31, 2022									
Balance on December 31, 2021	\$ 118	\$ 439	\$ 345,664	\$ 217,633	\$ (1,328)	\$ (138,927)	\$ 423,599	\$ 306	\$ 423,905
Issuance of Common Stock under employee stock plans		1	1,809				1,810		1,810
Stock-based compensation expense			1,994				1,994		1,994
Components of comprehensive income (loss), net of tax:									
Net income (loss)				4,999			4,999	(9)	4,990
Other comprehensive loss					(496)		(496)	(14)	(510)
Total comprehensive income (loss)							4,503	(23)	4,480
Balance on March 31, 2022	<u>\$ 118</u>	<u>\$ 440</u>	<u>\$ 349,467</u>	<u>\$ 222,632</u>	<u>\$ (1,824)</u>	<u>\$ (138,927)</u>	<u>\$ 431,906</u>	<u>\$ 283</u>	<u>\$ 432,189</u>
Three months ended March 31, 2021									
Balance on December 31, 2020	\$ 118	\$ 433	\$ 328,392	\$ 161,008	\$ (204)	\$ (138,927)	\$ 350,820	\$ 335	\$ 351,155
Issuance of Common Stock under employee stock plans		2	3,048				3,050		3,050
Stock-based compensation expense			1,571				1,571		1,571
Components of comprehensive income (loss), net of tax:									
Net income				15,092			15,092	3	15,095
Other comprehensive loss					(369)		(369)	(20)	(389)
Total comprehensive income (loss)							14,723	(17)	14,706
Balance on March 31, 2021	<u>\$ 118</u>	<u>\$ 435</u>	<u>\$ 333,011</u>	<u>\$ 176,100</u>	<u>\$ (573)</u>	<u>\$ (138,927)</u>	<u>\$ 370,164</u>	<u>\$ 318</u>	<u>\$ 370,482</u>

See accompanying notes.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
March 31, 2022
(unaudited)**1. Basis of Presentation**

The accompanying unaudited Condensed Consolidated Financial Statements of Vicor Corporation and its consolidated subsidiaries (collectively, the “Company”) have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, these interim financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for any other interim period or the year ending December 31, 2022. The balance sheet at December 31, 2021 presented herein has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 filed by the Company with the SEC on March 1, 2022 (“2021 Form 10-K”).

2. Inventories

Inventories were as follows (in thousands):

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 57,547	\$ 51,289
Work-in-process	11,998	12,514
Finished goods	4,316	3,519
	<u>\$ 73,861</u>	<u>\$ 67,322</u>

3. Short-Term and Long-Term Investments

As of March 31, 2022 and December 31, 2021, the Company held \$20,003,000 and \$45,215,000, respectively, of short-term investments, consisting of obligations of the U.S. Treasury, all of which were debt securities with original maturities greater than three months but less than one year at the time of purchase.

As of March 31, 2022 and December 31, 2021, the Company held one auction rate security with a par value of \$3,000,000 and an estimated fair value of approximately \$2,536,000 and \$2,639,000, respectively, purchased through and held in custody by a broker-dealer affiliate of Bank of America, N.A., that has experienced failed auctions (the “Failed Auction Security”) since February 2008. The Failed Auction Security held by the Company is Aaa/AA+ rated by major credit rating agencies, is collateralized by student loans, and is guaranteed by the U.S. Department of Education under the Federal Family Education Loan Program. Management is not aware of any reason to believe the issuer of the Failed Auction Security is presently at risk of default. Through March 31, 2022, the Company has continued to receive interest payments on the Failed Auction Security in accordance with the terms of its indenture. Management believes the Company ultimately should be able to liquidate the Failed Auction Security without significant loss primarily due to the overall quality of the issue held and the collateral securing the substantial majority of the underlying obligation. However, current conditions in the auction rate securities market have led management to conclude the recovery period for the Failed Auction Security exceeds 12 months. As a result, the Company continued to classify the Failed Auction Security as long-term as of March 31, 2022.

VICOR CORPORATION
Notes to Condensed Consolidated Financial Statements
March 31, 2022
(unaudited)

Details of our investments are as follows (in thousands):

	March 31, 2022		
	Cash and Cash Equivalents	Short-Term Investments	Long- Term Investment
Measured at fair value:			
Available-for-sale debt securities:			
Money market funds	\$ 119,506	\$ —	\$ —
U.S. Treasury Obligations	—	20,003	—
Failed Auction Security	—	—	2,536
Total	119,506	20,003	2,536
Other measurement basis:			
Cash on hand	71,544	—	—
Total	<u>\$ 191,050</u>	<u>\$ 20,003</u>	<u>\$ 2,536</u>

	December 31, 2021		
	Cash and Cash Equivalents	Short-Term Investments	Long- Term Investment
Measured at fair value:			
Available-for-sale debt securities:			
Money market funds	\$ 94,282	\$ —	\$ —
U.S. Treasury Obligations	—	45,215	—
Failed Auction Security	—	—	2,639
Total	94,282	45,215	2,639
Other measurement basis:			
Cash on hand	88,136	—	—
Total	<u>\$ 182,418</u>	<u>\$ 45,215</u>	<u>\$ 2,639</u>

The following is a summary of the available-for-sale securities (in thousands):

March 31, 2022	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury Obligations	\$ 20,137	\$ —	\$ 134	\$20,003
Failed Auction Security	3,000	—	464	2,536

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
March 31, 2022
(unaudited)

<u>December 31, 2021</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
U.S. Treasury Obligations	\$ 45,238	\$ —	\$ 23	\$45,215
Failed Auction Security	3,000	—	361	2,639

As of March 31, 2022, the Failed Auction Security had been in an unrealized loss position for greater than 12 months.

The amortized cost and estimated fair value of the available-for-sale securities on March 31, 2022, by type and contractual maturities, are shown below (in thousands):

	<u>Cost</u>	<u>Estimated Fair Value</u>
U.S. Treasury Obligations:		
Maturities greater than three months but less than one year	<u>\$20,137</u>	<u>\$20,003</u>
Failed Auction Security:		
Due in twenty to forty years	<u>\$3,000</u>	<u>\$ 2,536</u>

4. Fair Value Measurements

The Company accounts for certain financial assets at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions market participants would use in pricing an asset or liability. A three-level hierarchy is used to show the extent and level of judgment used to estimate fair value measurements.

VICOR CORPORATION
Notes to Condensed Consolidated Financial Statements
March 31, 2022
(unaudited)

Assets and liabilities measured at fair value on a recurring basis included the following as of March 31, 2022 (in thousands):

	Quoted Prices in Active Markets (Level 1)	Using Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value as of March 31, 2022
Cash equivalents:				
Money market funds	\$ 119,506	\$ —	\$ —	\$ 119,506
Short-term investments:				
U.S. Treasury Obligations	20,003	—	—	20,003
Long-term investment:				
Failed Auction Security	—	—	2,536	2,536

Assets and liabilities measured at fair value on a recurring basis included the following as of December 31, 2021 (in thousands):

	Quoted Prices in Active Markets (Level 1)	Using Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2021
Cash equivalents:				
Money market funds	\$ 94,282	\$ —	\$ —	\$ 94,282
Short-term investments:				
U.S. Treasury Obligations	45,215	—	—	45,215
Long-term investment:				
Failed Auction Security	—	—	2,639	2,639

The change in the estimated fair value calculated for the investment valued on a recurring basis utilizing Level 3 inputs (i.e., the Failed Auction Security) for the three months ended March 31, 2022 was as follows (in thousands):

Balance at the beginning of the period	\$2,639
Credit gain on available-for-sale security included in Other income (expense), net	1
Loss included in Other comprehensive income	(104)
Balance at the end of the period	<u>\$2,536</u>

Management utilized a probability weighted discounted cash flow model to determine the estimated fair value as of March 31, 2022.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
March 31, 2022
(unaudited)5. Revenues

The following tables present the Company's net revenues disaggregated by geography based on the location of the customer, by product line (in thousands):

	Three Months Ended March 31, 2022		
	Brick Products	Advanced Products	Total
United States	\$ 14,061	\$ 10,626	\$24,687
Europe	7,042	2,768	9,810
Asia Pacific	13,521	39,495	53,016
All other	733	36	769
	<u>\$ 35,357</u>	<u>\$ 52,925</u>	<u>\$88,282</u>

	Three Months Ended March 31, 2021		
	Brick Products	Advanced Products	Total
United States	\$ 18,583	\$ 8,549	\$27,132
Europe	8,196	995	9,191
Asia Pacific	27,328	24,653	51,981
All other	352	140	492
	<u>\$ 54,459</u>	<u>\$ 34,337</u>	<u>\$88,796</u>

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
March 31, 2022
(unaudited)

The following tables present the Company's net revenues disaggregated by the category of revenue, by product line (in thousands):

	Three Months Ended March 31, 2022		
	Brick Products	Advanced Products	Total
Direct customers, contract manufacturers and non-stocking distributors	\$ 24,401	\$ 47,471	\$71,872
Stocking distributors, net of sales allowances	10,764	3,744	14,508
Non-recurring engineering	192	1,386	1,578
Royalties	—	306	306
Other	—	18	18
	<u>\$ 35,357</u>	<u>\$ 52,925</u>	<u>\$88,282</u>

	Three Months Ended March 31, 2021		
	Brick Products	Advanced Products	Total
Direct customers, contract manufacturers and non-stocking distributors	\$ 43,808	\$ 29,057	\$72,865
Stocking distributors, net of sales allowances	10,547	4,138	14,685
Non-recurring engineering	104	1,071	1,175
Royalties	—	53	53
Other	—	18	18
	<u>\$ 54,459</u>	<u>\$ 34,337</u>	<u>\$88,796</u>

The following table presents the changes in certain contract assets and (liabilities) (in thousands):

	March 31, 2022	December 31, 2021	Change
Short-term deferred revenue and customer prepayments	\$ (8,384)	\$ (7,912)	\$ (472)
Long-term deferred revenue	(332)	(413)	81
Deferred expenses	610	560	50
Sales allowances	(1,605)	(1,464)	(141)

Deferred expenses are included in Other current assets in the accompanying Condensed Consolidated Balance Sheets.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
March 31, 2022
(unaudited)

The Company records deferred revenue, which represents a contract liability, when cash payments are received or due in advance of performance under a contract with a customer. The Company recognized revenue of approximately \$155,000 and \$671,000 for the three months ended March 31, 2022 and 2021, respectively, that was included in deferred revenue at the beginning of the respective period.

6. Stock-Based Compensation

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock option awards, whether they possess time-based vesting provisions or performance-based vesting provisions, and awards granted under the Vicor Corporation 2017 Employee Stock Purchase Plan (“ESPP”), as of their grant date. Stock-based compensation expense was as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Cost of revenues	\$ 251	\$ 228
Selling, general and administrative	1,207	853
Research and development	536	490
Total stock-based compensation	<u>\$1,994</u>	<u>\$ 1,571</u>

Compensation expense by type of award was as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Stock options	\$1,759	\$ 1,331
ESPP	235	240
Total stock-based compensation	<u>\$1,994</u>	<u>\$ 1,571</u>

7. Rental Income

Income, net under the Company’s operating lease agreement, for its owned facility leased to a third party in California, was approximately \$198,000 for the three months ended March 31, 2022 and 2021.

8. Income Taxes

The benefit for income taxes is based on the estimated annual effective tax rate for the year, which includes estimated federal, state and foreign income taxes on the Company’s projected pre-tax income.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
March 31, 2022
(unaudited)

The benefit for income taxes and the effective income tax rates were as follows (dollars in thousands):

	Three Months Ended	
	March 31,	
	2022	2021
Benefit for income taxes	\$ (48)	\$ (143)
Effective income tax rate	(1.0)%	(1.0)%

The effective tax rates were lower than the statutory tax rates for the three months ended March 31, 2022 and 2021 primarily due to the Company's full valuation allowance position against domestic deferred tax assets. The benefit for income taxes for the three months ended March 31, 2022 and 2021 included estimated federal, state and foreign income taxes in jurisdictions in which the Company does not have sufficient tax attributes, offset by excess tax benefits related to stock based compensation during those periods.

As of March 31, 2022, the Company has a valuation allowance of approximately \$43,329,000 against all net domestic deferred tax assets, for which realization cannot be considered more likely than not at this time. Management assesses the need for the valuation allowance on a quarterly basis. In assessing the need for a valuation allowance, the Company considers all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and past financial performance. Despite recent positive operating results as a result of increases in bookings, the Company is in a cumulative loss position as of March 31, 2022, primarily due to tax deductions on 2020 and 2021 exercises of stock-based compensation. The Company faces uncertainties in forecasting its operating results due to supply and factory capacity constraints, certain process issues with the production of Advanced Products and the unpredictability in certain markets. This operating uncertainty also makes it difficult to predict the availability and utilization of tax benefits over the next several years. As a result, management has concluded, at this time, it is more likely than not the Company's net domestic deferred tax assets will not be realized, and a full valuation allowance against all net domestic deferred tax assets is still warranted as of March 31, 2022. The valuation allowance against these deferred tax assets may require adjustment in the future based on changes in the mix of temporary differences, changes in tax laws, and operating performance. If the positive operating results and increases in bookings continue, and the Company's concerns about industry uncertainty and world events, supply and factory capacity constraints, and process issues with the production of Advanced Products are resolved, and the amount of tax benefits the Company is able to utilize to the point that the Company believes future taxable income can be more reliably forecasted, the Company may release all or a portion of the valuation allowance in the near-term. If and when the Company determines the valuation allowance should be released (i.e., reduced), the adjustment would result in a tax benefit reported in that period's Consolidated Statements of Operations, the effect of which would be an increase in reported net income.

The Company was informed in September 2021 by the Internal Revenue Service of their intention to examine the Company's 2019 Federal income tax return. There are no other audits or examinations in process in any other jurisdiction.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
March 31, 2022
(unaudited)9. Net Income per Share

The following table sets forth the computation of basic and diluted net income per share (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2022	2021
Numerator:		
Net income attributable to Vicor Corporation	\$ 4,999	\$15,092
Denominator:		
Denominator for basic net income per share-weighted average shares (1)	43,952	43,455
Effect of dilutive securities: Employee stock options (2)	1,002	1,386
Denominator for diluted net income per share – adjusted weighted-average shares and assumed conversions	44,954	44,841
Basic net income per share	\$ 0.11	\$ 0.35
Diluted net income per share	\$ 0.11	\$ 0.34

- (1) Denominator represents weighted average number of shares of Common Stock and Class B Common Stock outstanding.
- (2) Options to purchase 291,880 and 40,339 shares of Common Stock for the three months ended March 31, 2022 and 2021, respectively, were not included in the calculations of net income per share as the effect would have been antidilutive.

10. Commitments and Contingencies

At March 31, 2022, the Company had approximately \$32,330,000 of cancelable and non-cancelable capital expenditure commitments, principally for manufacturing equipment, and approximately \$6,781,000 of capital expenditure items which had been received and included in Property, plant and equipment in the accompanying Condensed Consolidated Balance Sheets, but not yet paid for.

The Company is the defendant in a patent infringement lawsuit originally filed on January 28, 2011 by SynQor, Inc. (“SynQor”) in the U.S. District Court (the “District Court”) for the Eastern District of Texas (the “Texas Action”). The complaint, as amended, alleges that the Company’s products, including but not limited to, unregulated bus converters used in intermediate bus architecture power supply systems, infringe SynQor’s U.S. patent numbers 7,072,190, 7,272,021, 7,564,702, and 8,023,290 (“the ‘190 patent”, “the ‘021 patent”, “the ‘702 patent”, and “the ‘290 patent”, respectively). SynQor’s complaint seeks an injunction against further infringement and an award of unspecified compensatory and enhanced damages, interest, costs and attorney fees. However, because each of the asserted SynQor patents has expired, an injunction is no longer available as relief should SynQor prevail in the Texas Action. The Company has denied that its products infringe any of the SynQor patents, and has asserted that the SynQor patents are invalid and/or unenforceable. The Company has also asserted counterclaims seeking damages from SynQor for deceptive trade practices and tortious interference with prospective economic advantage arising from SynQor’s attempted enforcement of its patents against the Company.

VICOR CORPORATION

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(unaudited)

On November 24, 2015, the District Court ordered the Texas Action stayed pending completion of certain inter partes reexamination (“IPRx”) proceedings initiated by the Company at the United States Patent and Trademark Office (“USPTO”). In these IPRx proceedings, the Company challenged the validity of the SynQor patent claims asserted in the Texas Action. On November 16, 2021, the District Court issued an order lifting the stay. At a hearing on February 2, 2022, the District Court issued an order denying all pending summary judgment and other pre-trial motions without prejudice. The District Court further authorized the Company to file new motions for summary judgment, to be considered on an expedited schedule. The Company filed a motion for summary judgment of non-infringement on February 4, 2022. The District Court has not yet ruled on that motion. On March 1, 2022, the Company also filed a motion for involuntary dismissal of the ‘290 patent from the case. The District Court has also not yet ruled on that motion. On April 5, 2022, the Court entered a scheduling order setting a trial date of October 17, 2022.

The current status of the IPRx proceedings is as follows:

- ‘190 patent: Certain claims of the ‘190 patent were found unpatentable by the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) in a decision issued on March 13, 2015. The court remanded the remaining claims to the USPTO for further consideration. On February 20, 2019, the Patent Trial and Appeal Board (“PTAB”) of the USPTO issued a decision finding that all of the remaining challenged claims were unpatentable. SynQor appealed that decision. On February 22, 2021, the Federal Circuit issued a decision in that appeal. In a 2-1 ruling, the Federal Circuit vacated and remanded the PTAB’s decision, finding that the reasoning the PTAB had relied on in reaching its decision was precluded by certain prior PTAB rulings regarding the ‘290 and ‘702 patents and remanded the case to the PTAB for further proceedings. On April 7, 2021, the Company filed a petition for panel rehearing and rehearing en banc of the Federal Circuit’s February 22, 2021 decision. The Federal Circuit denied that petition on June 7, 2021. Accordingly, the matter was then remanded to the PTAB for further proceedings. On January 31, 2022, the PTAB issued a decision that reaffirmed the unpatentability of the claims of the ‘190 patent that had been found unpatentable by the Federal Circuit in its March 13, 2015 decision, and otherwise upheld the patentability of the remaining challenged claims of the ‘190 patent. On March 30, 2022, the Company filed an appeal of this decision to the Federal Circuit, where it remains pending.
- ‘021 patent: On August 30, 2017, the Federal Circuit issued a final decision upholding a PTAB decision finding all of the asserted claims of the ‘021 patent unpatentable. In addition, SynQor attempted to amend the ‘021 patent to add new claims during the IPRx. Those claims were rejected by the PTAB. SynQor subsequently filed an appeal with the Federal Circuit seeking to vacate that rejection as moot, in view of the expiry of the term of the ‘021 patent, and that appeal remains pending.
- ‘702 patent: On August 30, 2017, the Federal Circuit issued a final decision upholding a PTAB decision finding all of the asserted claims of the ‘702 patent to be patentable.
- ‘290 patent: On June 16, 2021, the PTAB issued a decision finding all of the claims of the ‘290 patent unpatentable. SynQor has filed an appeal of that decision to the Federal Circuit, where it remains pending.

On January 23, 2018, the 20-year terms of the ‘190 patent, the ‘021 patent, the ‘702 patent and the ‘290 patent expired. As a consequence of these expirations, the Company cannot be liable under any of the SynQor patents for allegedly infringing activities occurring after that date. In addition, any amended claims that may issue as a result of any of the still-pending IPRx proceedings will have no effective term and cannot be the basis for any liability by the Company. As noted above, the IPRx proceedings relating to the asserted claims of the ‘190 and ‘290 patents remain pending or on appeal.

The Company continues to believe none of its products, including its unregulated bus converters, infringe any valid claim of the asserted SynQor patents, either alone or when used in an intermediate bus architecture implementation. The Company believes SynQor’s claims lack merit and, therefore, it continues to vigorously defend itself against SynQor’s patent infringement allegations. The Company does not believe a loss is probable or reasonably possible for this matter. If a loss were to be incurred, however, the Company cannot estimate the amount of possible loss or range of possible loss at this time.

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In addition to the SynQor matter, the Company is involved in certain other litigation and claims incidental to the conduct of its business. While the outcome of lawsuits and claims against the Company cannot be predicted with certainty, management does not expect any current litigation or claims will have a material adverse impact on the Company's financial position or results of operations.

11. Impact of Recently Issued Accounting Standards

New pronouncements issued but not effective until after March 31, 2022 are not expected to have a material impact on the Company's consolidated financial statements.

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Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

The Company’s consolidated operating results are affected by a wide variety of factors that could materially and adversely affect revenues and profitability, including the risk factors described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, consolidated financial condition, and operating results, and the share price of its Common Stock. This document and other documents filed by the Company with the Securities and Exchange Commission (“SEC”) include forward-looking statements regarding future events and the Company’s future results that are subject to the safe harbor afforded under the Private Securities Litigation Reform Act of 1995 and other safe harbors afforded under the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. Forward-looking statements are based on our current beliefs, expectations, estimates, forecasts, and projections for the future performance of the Company and are subject to risks and uncertainties. Forward-looking statements are identified by the use of words denoting uncertain, future events, such as “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “future,” “goal,” “if,” “intend,” “may,” “plan,” “potential,” “project,” “prospective,” “seek,” “should,” “target,” “will,” or “would,” as well as similar words and phrases, including the negatives of these terms, or other variations thereof. Forward-looking statements also include, but are not limited to, statements regarding: our expectations that the Company has adequate resources to respond to financial and operational risks associated with the novel coronavirus (“COVID-19”) and regarding our and our customers’ ability to effectively conduct business during the pandemic; our ability to address certain supply chain risks; our ongoing development of power conversion architectures, switching topologies, materials, packaging, and products; the ongoing transition of our business strategically, organizationally, and operationally from serving a large number of relatively low-volume customers across diversified markets and geographies to serving a small number of relatively large volume customers; our intent to enter new market segments; the levels of customer orders overall and, in particular, from large customers and the delivery lead times associated therewith; anticipated new and existing customer wins; the financial and operational impact of customer changes to shipping schedules; the derivation of a portion of our sales in each quarter from orders booked in the same quarter; our intent to expand the percentage of revenue associated with licensing our intellectual property to third parties; our plans to invest in expanded manufacturing capacity, including the expansion of our Andover facility and the introduction of new manufacturing processes, and the timing, location, and funding thereof; our belief that cash generated from operations together with our available cash and cash equivalents and short-term investments will be sufficient to fund planned operational needs, capital equipment purchases, and planned construction, for the foreseeable future; our outlook regarding tariffs and the impact thereof on our business; our belief that we have limited exposure to currency risks; our intentions regarding the declaration and payment of cash dividends; our intentions regarding protecting our rights under our patents; and our expectation that no current litigation or claims will have a material adverse impact on our financial position or results of operations. These forward-looking statements are based upon our current expectations and estimates associated with prospective events and circumstances that may or may not be within our control and as to which there can be no assurance. Actual results could differ materially from those implied by forward-looking statements as a result of various factors, including but not limited to those described above, as well as those described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 under Part I, Item 1 — “Business,” under Part I, Item 1A — “Risk Factors,” under Part I, Item 3 — “Legal Proceedings,” and under Part II, Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those described in this Quarterly Report on Form 10-Q, particularly under Part I, Item 2 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The discussion of our business contained herein, including the identification and assessment of factors that may influence actual results, may not be exhaustive. Therefore, the information presented should be read together with other documents we file with the SEC from time to time, including our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, which may supplement, modify, supersede, or update the factors discussed in this Quarterly Report on Form 10-Q. Any forward-looking statement made in this Quarterly Report on Form 10-Q is based on information currently available to us and speaks only as of the date on which it is made. We do not undertake any obligation to update any forward-looking statements as a result of future events or developments, except as required by law.

VICOR CORPORATION

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We design, develop, manufacture, and market modular power components and power systems for converting electrical power for use in electrically-powered devices. Our competitive position is supported by innovations in product design and achievements in product performance, largely enabled by our focus on the research and development of advanced technologies and processes, often implemented in proprietary semiconductor circuitry, materials, and packaging. Many of our products incorporate patented or proprietary implementations of high-frequency switching topologies enabling power system solutions that are more efficient and much smaller than conventional alternatives. Our strategy emphasizes demonstrable product differentiation and a value proposition based on competitively superior solution performance, advantageous design flexibility, and a compelling total cost of ownership. While we offer a wide range of alternating current ("AC") and direct current ("DC") power conversion products, we consider our core competencies to be associated with 48V DC distribution, which offers numerous inherent cost and performance advantages over lower distribution voltages. However, we also offer products addressing other DC voltage standards (e.g., 380V for power distribution in data centers, 110V for rail applications, 28V for military and avionics applications, and 24V for industrial automation).

Based on design, performance, and form factor considerations, as well as the range of evolving applications for which our products are appropriate, we categorize our product portfolios as either "Advanced Products" or "Brick Products." The Advanced Products category consists of our more recently introduced products, which are largely used to implement our proprietary Factorized Power Architecture™ ("FPA"), an innovative power distribution architecture enabling flexible, rapid power system design using individual components optimized to perform a specific conversion function.

The Brick Products category largely consists of our broad and well-established families of integrated power converters, incorporating multiple conversion stages, used in conventional power systems architectures. Given the growth profiles of the markets we serve with our Advanced Products line and our Brick Products line, our strategy involves a transition in organizational focus, emphasizing investment in our Advanced Products line and targeting high growth market segments with a low-mix, high-volume operational model, while maintaining a profitable business in the mature market segments we serve with our Brick Products line with a high-mix, low-volume operational model.

The applications in which our Advanced Products and Brick Products are used are typically in the higher-performance, higher-power segments of the market segments we serve. With our Advanced Products, we generally serve large Original Equipment Manufacturers ("OEMs"), Original Design Manufacturers ("ODMs"), and their contract manufacturers, with sales currently concentrated in the data center and hyperscaler segments of enterprise computing, in which our products are used for voltage distribution on server motherboards, in server racks, and across datacenter infrastructure. We have established a leadership position in the emerging market segment for powering high-performance processors used for acceleration of applications associated with artificial intelligence ("AI"). Our customers in the AI market segment include the leading innovators in processor and accelerator design, as well as early adopters in cloud computing and high performance computing. We also target applications in aerospace and aviation, defense electronics, industrial automation, instrumentation, test equipment, solid state lighting, telecommunications and networking infrastructure, and vehicles (notably in the autonomous driving, electric vehicle, and hybrid vehicle niches of the vehicle segment). With our Brick Products, we generally serve a fragmented base of large and small customers, concentrated in aerospace and defense electronics, industrial automation, industrial equipment, instrumentation and test equipment, and transportation (notably in rail and heavy equipment applications). With our strategic emphasis on larger, high-volume customers, we expect to experience over time a greater concentration of sales among relatively fewer customers.

Our quarterly consolidated operating results can be difficult to forecast and have been subject to significant fluctuations. We plan our production and inventory levels based on management's estimates of customer demand, customer forecasts, and other information sources. Customer forecasts, particularly those of OEM, ODM, and contract manufacturing customers to which we supply Advanced Products in high volumes, are subject to scheduling changes on short notice, contributing to operating inefficiencies and excess costs. In addition, external factors such as supply chain uncertainties, which are often associated with the cyclicity of the electronics industry, regional macroeconomic and trade-related circumstances, and *force majeure* events (most recently evidenced by the COVID-19 pandemic), have caused our operating results to vary meaningfully. Our quarterly gross margin as a percentage of net revenues may vary, depending on production volumes, average selling prices, average unit costs, the mix of products sold during that quarter, and the level of importation of raw materials subject to tariffs. Our quarterly operating margin as a percentage of net revenues also may vary with changes in revenue and product level profitability, but our operating costs are largely associated with compensation and related employee costs, which are not subject to sudden or significant changes.

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Ongoing / Potential Impacts of the COVID-19 Pandemic on the Company

As of the date of this report, the number of Company employees diagnosed with COVID-19 and the corresponding absenteeism due to COVID-19 are negligible. We did experience higher rates of absenteeism due to COVID-19 in January 2022, as experienced in many parts of the country during that period. While the productivity of our factory is not currently impacted by COVID-19, productivity may be reduced if quarantine rates increase or if the number of employees diagnosed with COVID-19 requires further implementation of restrictive health and safety measures, including factory closure. We continue to operate with three shifts in our factory, and, with few exceptions, our engineering, sales, and administrative personnel are working from the Company's offices.

We are closely monitoring the operating performance and financial health of our customers, business partners, and suppliers, but an extended period of operational constraints brought about by the pandemic could cause financial hardship within our customer base and supply chain. Such hardship may continue to disrupt customer demand and limit our customers' ability to meet their obligations to us. Similarly, such hardship within our supply chain could continue to restrict our access to raw materials or services. Additionally, restrictions or disruptions of transportation, such as reduced availability of cargo transport by ship or air, could result in higher costs and inbound and outbound delays. We have taken steps to address certain supply chain risks, and we believe our actions have mitigated those risks to date; however, there are no assurances that those steps will continue to mitigate risks in the remainder of 2022 and beyond.

Although there is uncertainty regarding the extent to which the pandemic will continue to impact our operational and financial results in the future, the Company's high level of liquidity, flexible operational model, existing raw material inventories, and increased use of second sources for critical manufacturing inputs together support management's belief the Company will be able to effectively conduct business until the pandemic passes.

We are monitoring the rapidly changing circumstances, and may take additional actions to address COVID-19 risks as they evolve. Because much of the potential negative impact of the pandemic is associated with risks outside of our control, we cannot estimate the extent of such impact on our financial or operational performance, or when such impact might occur.

Summary of First Quarter 2022 Financial Performance Compared to Fourth Quarter 2021 Financial Performance

The following summarizes our financial performance for the first quarter of 2022, compared to the fourth quarter of 2021:

- Net revenues decreased 2.2% to \$88,282,000 for the first quarter of 2022, from \$90,281,000 for the fourth quarter of 2021. Net revenues for Brick Products decreased 9.1% compared to the fourth quarter of 2021, primarily due to market conditions in Europe and in the Asia Pacific region. Advanced Products revenue rose 3.0% sequentially compared to the fourth quarter of 2021. This growth, though, continued to be constrained by limited component availability due to global semiconductor supply allocation issues experienced during the quarter, along with certain internal processing and testing constraints.
- Export sales represented approximately 72.0% of total net revenues in the first quarter of 2022 as compared to 71.7% in the fourth quarter of 2021.
- Gross margin decreased to \$37,601,000 for the first quarter of 2022 from \$40,816,000 for the fourth quarter of 2021, and gross margin, as a percentage of net revenues, decreased to 42.6% for the first quarter of 2022 from 45.2% for the fourth quarter of 2021. Both the decrease in gross margin dollars and the decreased gross margin percentage were primarily due to the decrease in net revenues and increased costs.

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- Backlog, which represents the total value of orders for products for which shipment is scheduled within the next 12 months, was approximately \$423,738,000 at the end of the first quarter of 2022, as compared to \$345,594,000 at the end of the fourth quarter of 2021. The increase in backlog was primarily due to increased bookings.
- Operating expenses for the first quarter of 2022 increased \$906,000, or 2.8%, to \$32,821,000 from \$31,915,000 for the fourth quarter of 2021. Research and development expenses increased approximately \$957,000, primarily due to an increase in project and pre-production materials, a decrease in research and development ("R&D") personnel incurring time on production activities, compared to R&D activities, and an increase in compensation expense. Selling, general, and administrative expenses decreased approximately \$51,000, primarily due to a decrease in advertising expenses.
- We reported net income for the first quarter of 2022 of \$4,999,000, or \$0.11 per diluted share, compared to net income of \$8,880,000, or \$0.20 per diluted share, for the fourth quarter of 2021.
- For the first quarter of 2022, depreciation and amortization totaled \$3,296,000 and capital additions totaled \$22,683,000 as compared to depreciation and amortization of \$3,141,000 and \$16,819,000 of capital additions for the fourth quarter of 2021.
- Inventories increased by approximately \$6,539,000, or 9.7%, to \$73,861,000 at March 31, 2022, compared to \$67,322,000 at December 31, 2021, primarily in raw materials, due to the shortfall in revenue in the first quarter of 2022 caused by component and capacity issues which contributed to production delays and to support higher planned revenues later in the year.

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Net revenues for the first quarter of 2022 were \$88,282,000, a decrease of \$514,000, or 0.6%, as compared to \$88,796,000 for the first quarter of 2021. Net revenues, by product line, for the three months ended March 31, 2022 and 2021 were as follows (dollars in thousands):

	2022	2021	Increase (decrease)	
			\$	%
Brick Products	\$35,357	\$54,459	\$(19,102)	(35.1)%
Advanced Products	52,925	34,337	18,588	54.1%
Total	<u>\$88,282</u>	<u>\$88,796</u>	<u>\$ (514)</u>	<u>(0.6)%</u>

The increase in net revenues for Advanced Products was primarily the result of growth in the data center and high performance computing business, primarily in the United States and Asia Pacific markets. The decrease in net revenues for Brick Products was primarily due to unfavorable market conditions in the United States and Asia Pacific markets.

Gross margin for the first quarter of 2022 decreased \$7,099,000, or 15.9%, to \$37,601,000, from \$44,700,000 for the first quarter of 2021. Gross margin, as a percentage of net revenues, decreased to 42.6% for the first quarter of 2022, compared to 50.3% for the first quarter of 2021. The decrease in gross margin dollars and gross margin percentage was primarily due to an unfavorable change in product mix, a negative impact from production inefficiencies associated with initial production volumes of new products, and certain supply chain cost increases.

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Selling, general, and administrative expenses were \$18,568,000 for the first quarter of 2022, an increase of \$1,614,000, or 9.5%, from \$16,954,000 for the first quarter of 2021. Selling, general, and administrative expenses as a percentage of net revenues increased to 21.0% for the first quarter of 2022 from 19.1% for the first quarter of 2021. The components of the \$1,614,000 increase in selling, general and administrative expenses for the first quarter of 2022 from the first quarter of 2021 were as follows (dollars in thousands):

	Increase (decrease)	
Outside services	\$ 492	86.8%(1)
Legal fees	490	83.0%(2)
Compensation	485	4.3%(3)
Depreciation and amortization	318	39.9%(4)
Travel expense	136	60.8%
Audit and accounting fees	109	16.3%
Facilities allocations	(158)	(37.4)%
Commissions	(302)	(32.1)%(5)
Other, net	44	2.9%
	<u>\$1,614</u>	9.5%

- (1) Increase primarily attributable to an increase in the use of outside service providers at our Andover, MA facility.
- (2) Increase primarily attributable to an increase in activity related to the SynQor litigation (see Note 10 to the Condensed Consolidated Financial Statements) and for certain corporate legal matters.
- (3) Increase primarily attributable to annual compensation adjustments in May 2021 and higher stock-based compensation expense associated with stock options awarded in June 2021.
- (4) Increase attributable to net additions of furniture and fixtures and capitalization of building improvements.
- (5) Decrease primarily attributable to a decrease in net revenues subject to commissions.

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Research and development expenses were \$14,253,000 for the first quarter of 2022, an increase of \$1,227,000, or 9.4%, compared to \$13,026,000 for the first quarter of 2021. As a percentage of net revenues, research and development expenses increased to 16.1% for the first quarter of 2022 from 14.7% for the first quarter of 2021. The components of the \$1,227,000 increase in research and development expenses were as follows (dollars in thousands):

	Increase	
Compensation	\$ 393	4.2%(1)
Overhead absorption	187	35.8%(2)
Supplies	175	60.6%(3)
Depreciation and amortization	75	14.5%
Equipment set-up	57	47.8%
Computer expense	56	32.3%
Travel expense	47	212.9%
Other, net	237	8.0%
	<u>\$1,227</u>	<u>9.4%</u>

- (1) Increase primarily attributable to annual compensation adjustments in May 2021 and higher stock-based compensation expense associated with stock options awarded in June 2021.
- (2) Increase primarily attributable to a decrease in R&D personnel incurring time on production activities, compared to R&D activities.
- (3) Increase in engineering supplies.

The significant components of "Other income (expense), net" for the three months ended March 31, and the changes between the periods were as follows (in thousands):

	2022	2021	Increase (decrease)
Rental income	\$ 198	\$ 198	\$ —
Interest income	142	193	(51)
Foreign currency losses, net	(207)	(163)	(44)
Other, net	29	4	25
	<u>\$ 162</u>	<u>\$ 232</u>	<u>\$ (70)</u>

Our exposure to market risk fluctuations in foreign currency exchange rates relates to the operations of Vicor Japan Company, Ltd. ("VJCL"), for which the functional currency is the Japanese Yen, and all other subsidiaries in Europe and Asia, for which the functional currency is the U.S. Dollar. These subsidiaries in Europe and Asia experienced more unfavorable foreign currency exchange rate fluctuations in the first quarter of 2022 compared to the first quarter of 2021.

Income before income taxes was \$4,942,000 for the first quarter of 2022, as compared to \$14,952,000 for the first quarter of 2021.

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The benefit for income taxes and the effective income tax rates for the three months ended March 31, 2022 and 2021 were as follows (dollars in thousands):

	2022	2021
Benefit for income taxes	\$ (48)	\$(143)
Effective income tax rate	(1.0)%	(1.0)%

The effective tax rates were lower than the statutory tax rates for the three months ended March 31, 2022 and 2021 primarily due to the Company's full valuation allowance position against domestic deferred tax assets. The benefit for income taxes for the three months ended March 31, 2022 and 2021 included estimated federal, state and foreign income taxes in jurisdictions in which the Company does not have sufficient tax attributes, offset by excess tax benefits related to stock based compensation during those periods.

See Note 8 to the Condensed Consolidated Financial Statements for disclosure regarding our current assessment of the valuation allowance against all domestic deferred tax assets, and the possible release (i.e., reduction) of the allowance in the future.

We reported net income for the first quarter of 2022 of \$4,999,000, or \$0.11 per diluted share, compared to \$15,092,000, or \$0.34 per diluted share, for the first quarter of 2021.

Liquidity and Capital Resources

As of March 31, 2022, we had \$191,050,000 in cash and cash equivalents and \$20,003,000 of highly liquid short-term investments. The ratio of total current assets to total current liabilities was 7.0:1 as of March 31, 2022 and 7.3:1 as of December 31, 2021. Working capital, defined as total current assets less total current liabilities, decreased \$12,633,000 to \$295,034,000 as of March 31, 2022 from \$307,667,000 as of December 31, 2021.

The changes in working capital from December 31, 2021 to March 31, 2022 were as follows (in thousands):

	Increase (decrease)
Cash and cash equivalents	\$ 8,632
Short-term investments	(25,212)
Accounts receivable	(2,438)
Inventories, net	6,539
Other current assets	313
Accounts payable	(1,383)
Accrued compensation and benefits	68
Accrued expenses	1,079
Sales allowances	(141)
Short-term lease liabilities	337
Income taxes payable	45
Short-term deferred revenue	(472)
	<u>\$ (12,633)</u>

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The primary sources of cash for the three months ended March 31, 2022 were \$25,000,000 from the sale or maturities of short-term investments, \$4,585,000 generated from operations, and \$1,810,000 received in connection with the exercise of options to purchase our Common Stock awarded under our stock option plans and the issuance of Common Stock under our 2017 Employee Stock Purchase Plan. The primary uses of cash during the three months ended March 31, 2022 were for the purchase of property and equipment of \$22,683,000.

In November 2000, our Board of Directors authorized the repurchase of up to \$30,000,000 of our Common Stock (the "November 2000 Plan"). The November 2000 Plan authorizes us to make such repurchases from time to time in the open market or through privately negotiated transactions. The timing and amounts of Common Stock repurchases are at the discretion of management based on its view of economic and financial market conditions. We did not repurchase shares of Common Stock under the November 2000 Plan during the three months ended March 31, 2022. As of March 31, 2022, we had approximately \$8,541,000 remaining available for repurchases of our Common Stock under the November 2000 Plan.

As of March 31, 2022, we had a total of approximately \$32,330,000 of capital expenditure commitments, principally for manufacturing and production equipment, which we intend to fund with existing cash, and approximately \$6,781,000 of capital expenditure items which had been received and included in Property, plant and equipment in the accompanying Condensed Consolidated Balance Sheets, but not yet paid for. As of March 31, 2022, we had approximately \$19,100,000 of remaining capital expenditures expected to be incurred through the remainder of 2022 associated with the construction of a 90,000 sq. ft. addition to the Company's existing manufacturing facility and the installation of new manufacturing and production equipment. Our primary needs for liquidity are for making continuing investments in manufacturing and production equipment and for funding the construction of the additional manufacturing space adjoining our existing Andover manufacturing facility (as described above), including architectural and construction costs. We believe cash generated from operations together with our available cash and cash equivalents and short-term investments will be sufficient to fund planned operational needs, capital equipment purchases, and the planned construction, for the foreseeable future.

We do not consider the impact of inflation and changing prices on our business activities or fluctuations in the exchange rates for foreign currency transactions to have been significant during the last three fiscal years.

Critical Accounting Policies and Estimates

There have been no material changes in our judgments and assumptions associated with the development of our critical accounting estimates during the period ended March 31, 2022. Refer to the section entitled "Critical Accounting Policies and Estimates" in Part II, Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Item 3 — Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of market risks, including changes in interest rates affecting the return on our cash and cash equivalents, our short-term investments and fluctuations in foreign currency exchange rates. As our cash and cash equivalents and short-term investments consist principally of cash accounts, money market securities, and U.S. Treasury securities, which are short-term in nature, we believe our exposure to market risk on interest rate fluctuations for these investments is not significant. As of March 31, 2022, our long-term investment portfolio, recorded on our Condensed Consolidated Balance Sheet as “Long-term investment, net”, consisted of a single auction rate security with a par value of \$3,000,000, purchased through and held in custody by a broker-dealer affiliate of Bank of America, N.A., that has experienced failed auctions (the “Failed Auction Security”) since February 2008. While the Failed Auction Security is Aaa/AA+ rated by major credit rating agencies, collateralized by student loans and guaranteed by the U.S. Department of Education under the Federal Family Education Loan Program, continued failure to sell at its periodic auction dates (i.e., reset dates) could negatively impact the carrying value of the investment, in turn leading to impairment charges in future periods. Periodic changes in the fair value of the Failed Auction Security attributable to credit loss (i.e., risk of the issuer’s default) are recorded through earnings as a component of “Other income (expense), net”, with the remainder of any periodic change in fair value not related to credit loss (i.e., temporary “mark-to-market” carrying value adjustments) recorded in “Accumulated other comprehensive loss”, a component of Stockholders’ Equity. Should we conclude a decline in the fair value of the Failed Auction Security is other than temporary, such losses would be recorded through earnings as a component of “Other income (expense), net”. We do not believe there was an “other-than-temporary” decline in value in this security as of March 31, 2022.

Our exposure to market risk for fluctuations in foreign currency exchange rates relates to the operations of VJCL, for which the functional currency is the Japanese Yen, and changes in the relative value of the Yen to the U.S. Dollar. The functional currency of all other subsidiaries in Europe and other subsidiaries in Asia is the U.S. Dollar. While we believe the risk of fluctuations in foreign currency exchange rates for these subsidiaries is generally not significant, they can be subject to substantial currency changes, and therefore foreign exchange exposures.

Item 4 — Controls and Procedures

(a) Disclosure regarding controls and procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), management, with the participation of our Chief Executive Officer (“CEO”) (who is our principal executive officer) and Chief Financial Officer (“CFO”) (who is our principal financial officer), conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the last fiscal quarter (i.e., March 31, 2022). The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure information required to be disclosed by a company in the reports it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2022, our CEO and CFO concluded, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Accordingly, management, including the CEO and CFO, recognizes our disclosure controls or our internal control over financial reporting may not prevent or detect all errors and all fraud. The design of a control system must reflect the fact there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any control’s effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Vicor Corporation
March 31, 2022

(b) Changes in internal control over financial reporting.

There was no change in our internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Vicor Corporation
Part II – Other Information
March 31, 2022

Item 1 — Legal Proceedings

See Note 10. Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 – “Financial Statements.”

Item 1A — Risk Factors

There have been no material changes in the risk factors described in Part I, Item 1A – “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

Item 6 — Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation, dated February 28, 1990 (1)
3.2	Certificate of Ownership and Merger Merging Westcor Corporation, a Delaware Corporation, into Vicor Corporation, a Delaware corporation, dated December 3, 1990 (1)
3.3	Certificate of Amendment of Restated Certificate of Incorporation, dated May 10, 1991 (1)
3.4	Certificate of Amendment of Restated Certificate of Incorporation, dated June 23, 1992 (1)
3.5	Bylaws, as amended (2)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) (1) Filed as an exhibit to the Company’s Annual Report on Form 10-K filed on March 29, 2001 (File No. 000-18277) and incorporated herein by reference. (2) Filed as an exhibit to the Company’s Current Report on Form 8-K filed on June 4, 2020 (File No. 000-18277) and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VICOR CORPORATION

Date: May 5, 2022

By: /s/ Patrizio Vinciarelli
Patrizio Vinciarelli
Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)

Date: May 5, 2022

By: /s/ James F. Schmidt
James F. Schmidt
Vice President, Chief Financial Officer
(Principal Financial Officer)

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Patrizio Vinciarelli, certify:

1. I have reviewed this Quarterly Report on Form 10-Q of Vicor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 5, 2022

/s/ Patrizio Vinciarelli

Patrizio Vinciarelli
Chief Executive Officer
(Principal Executive Officer)

CHIEF FINANCIAL OFFICER CERTIFICATION

I, James F. Schmidt, certify:

1. I have reviewed this Quarterly Report on Form 10-Q of Vicor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 5, 2022

/s/ James F. Schmidt

James F. Schmidt

Vice President, Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vicor Corporation (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrizio Vinciarelli, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patrizio Vinciarelli

Patrizio Vinciarelli
President, Chairman of the Board and
Chief Executive Officer

May 5, 2022

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vicor Corporation (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James F. Schmidt, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James F. Schmidt

James F. Schmidt

Vice President, Chief Financial Officer

May 5, 2022

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.