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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 September 30, 2021

☐ **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 October 22, 2021 was:

Common Stock, $.01 par value	32,010,275
Class B Common Stock, $.01 par value	11,758,218

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VICOR CORPORATION

Part I – Financial Information
Item 1 – Financial Statements

Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 178,663	$ 161,742
Short-term investments	50,217	50,166
Accounts receivable, net	51,080	40,999
Inventories, net	63,409	57,269
Other current assets	6,633	6,756
Total current assets	350,002	316,932
Long-term deferred tax assets, net	221	226
Long-term investments, net	2,598	2,517
Property, plant and equipment, net	104,446	74,843
Other assets	1,563	1,721
Total assets	$ 458,830	$ 396,239
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 18,346	$ 14,121
Accrued compensation and benefits	13,994	14,094
Accrued expenses	3,589	2,624
Short-term lease liabilities	1,625	1,629
Sales allowances	1,661	597
Income taxes payable	10	139
Short-term deferred revenue and customer prepayments	3,390	7,309
Total current liabilities	42,615	40,513
Long-term deferred revenue	493	733
Contingent consideration obligations	—	227
Long-term income taxes payable	564	643
Long-term lease liabilities	3,504	2,968
Total liabilities	47,176	45,084
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 2021 and 2020	118	118
Common Stock: 1 vote per share, $.01 par value, 62,000,000 shares authorized 43,635,881 shares issued and 32,001,075 shares outstanding in 2021; 43,204,671 shares issued and 31,569,865 shares outstanding in 2020	437	433
Additional paid-in capital	342,014	328,392
Retained earnings	208,753	161,008
Accumulated other comprehensive loss	(1,040)	(204)
Treasury stock at cost: 11,634,806 shares in 2021 and 2020	(138,927)	(138,927)
Total Vicor Corporation stockholders' equity	411,355	350,820
Noncontrolling interest	299	335
Total equity	411,654	351,155
Total liabilities and equity	$ 458,830	$ 396,239

See accompanying notes.

VICOR CORPORATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net revenues	$84,911	$78,112	$269,083	$212,274
Cost of revenues	42,098	44,765	131,699	121,278
Gross margin	42,813	33,347	137,384	90,996
Operating expenses:				
Selling, general and administrative	17,322	15,212	50,865	47,036
Research and development	13,519	12,032	39,818	38,197
Total operating expenses	30,841	27,244	90,683	85,233
Income from operations	11,972	6,103	46,701	5,763
Other income (expense), net:				
Total unrealized gains on available-for-sale securities, net	37	36	81	81
Less: portion of gains recognized in other comprehensive income	(36)	(35)	(78)	(78)
Net credit gains recognized in earnings	1	1	3	3
Other income (expense), net	393	333	996	712
Total other income (expense), net	394	334	999	715
Income before income taxes	12,366	6,437	47,700	6,478
(Benefit) provision for income taxes	(886)	651	(30)	(249)
Consolidated net income	13,252	5,786	47,730	6,727
Less: Net (loss) income attributable to noncontrolling interest	(7)	1	(15)	10
Net income attributable to Vicor Corporation	$13,259	$ 5,785	$ 47,745	$ 6,717
Net income per common share attributable to Vicor Corporation:				
Basic	$ 0.30	$ 0.13	$ 1.10	$ 0.16
Diluted	$ 0.29	$ 0.13	$ 1.06	$ 0.15
Shares used to compute net income per common share attributable to Vicor Corporation:				
Basic	43,710	43,164	43,573	41,814
Diluted	45,034	44,743	44,905	43,567

See accompanying notes.

VICOR CORPORATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Consolidated net income	$13,252	$5,786	$47,730	$6,727
Foreign currency translation (losses) gains, net of tax (1)	(12)	84	(283)	110
Unrealized (losses) gains on available-for-sale securities, net of tax (1)	(215)	35	(574)	78
Other comprehensive (loss) income	(227)	119	(857)	188
Consolidated comprehensive income	13,025	5,905	46,873	6,915
Less: Comprehensive (loss) income attributable to noncontrolling interest	(7)	7	(36)	18
Comprehensive income attributable to Vicor Corporation	$13,032	$5,898	$46,909	$6,897

(1) The deferred tax assets associated with foreign currency translation (losses) gains and unrealized (losses) gains on available-for-sale securities are completely offset by a tax valuation allowance as of September 30, 2021 and 2020. Therefore, there is no income tax benefit (provision) recognized for the three and nine months ended September 30, 2021 and 2020.

See accompanying notes.

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VICOR CORPORATION

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating activities:		
Consolidated net income	$ 47,730	$ 6,727
Adjustments to reconcile consolidated net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	8,564	8,175
Stock-based compensation expense	5,005	4,286
Decrease in long-term deferred revenue	(240)	(241)
Decrease in contingent consideration obligations	(74)	—
Gain on disposal of equipment	—	(9)
Decrease in other assets	56	135
(Decrease) increase in long-term income taxes payable	(79)	8
Deferred income taxes	5	16
Credit gain on available-for-sale securities	(3)	(3)
Provision for doubtful accounts	—	23
Change in current assets and liabilities, net	(20,737)	(3,742)
Net cash provided by operating activities	40,227	15,375
Investing activities:		
Purchases of short-term investments	(50,706)	—
Sales or maturities of short-term investments	50,000	—
Additions to property, plant and equipment	(30,942)	(16,837)
Proceeds from sale of equipment	—	9
Net cash used for investing activities	(31,648)	(16,828)
Financing activities:		
Proceeds from employee stock plans	8,621	10,836
Payment of contingent consideration obligations	(153)	(186)
Proceeds from public offering of Common Stock	—	109,681
Net cash provided by financing activities	8,468	120,331
Effect of foreign exchange rates on cash	(126)	59
Net increase in cash and cash equivalents	16,921	118,937
Cash and cash equivalents at beginning of period	161,742	84,668
Cash and cash equivalents at end of period	$178,663	$203,605

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 Income (Loss)	Treasury Stock	Total Vicor Corporation Stockholders' Equity	Noncontrolling Interest	Total Equity
Three months ended September 30, 2021									
Balance on June 30, 2021	$ 118	$ 436	$336,278	$195,494	$ (813)	$(138,927)	$ 392,586	$ 306	$392,892
Issuance of Common Stock under employee stock plans		1	3,869				3,870		3,870
Stock-based compensation expense			1,867				1,867		1,867
Components of comprehensive income (loss), net of tax:									
Net income				13,259			13,259	(7)	13,252
Other comprehensive loss					(227)		(227)	—	(227)
Total comprehensive income (loss)							13,032	(7)	13,025
Balance on September 30, 2021	$ 118	$ 437	$342,014	$208,753	$ (1,040)	$(138,927)	$ 411,355	$ 299	$411,654

	Class B Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Vicor Corporation Stockholders' Equity	Noncontrolling Interest	Total Equity
Nine months ended September 30, 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		4	8,617				8,621		8,621
Stock-based compensation expense			5,005				5,005		5,005
Components of comprehensive income (loss), net of tax:									
Net income				47,745			47,745	(15)	47,730
Other comprehensive loss					(836)		(836)	(21)	(857)
Total comprehensive income (loss)							46,909	(36)	46,873
Balance on September 30, 2021	$ 118	$ 437	$342,014	$208,753	$ (1,040)	$(138,927)	$ 411,355	$ 299	$411,654

	Class B Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Vicor Corporation Stockholders' Equity	Noncontrolling Interest	Total Equity
Three months ended September 30, 2020									
Balance on June 30, 2020	$ 118	$ 431	$320,988	$144,030	$ (316)	$(138,927)	$ 326,324	$ 319	$326,643
Issuance of Common Stock under employee stock plans		2	3,449				3,451		3,451
Additional expenses associated with issuance of Common Stock in public offering			(51)				(51)		(51)
Stock-based compensation expense			1,640				1,640		1,640
Components of comprehensive income, net of tax:									
Net income				5,785			5,785	1	5,786
Other comprehensive income					113		113	6	119
Total comprehensive income							5,898	7	5,905
Balance on September 30, 2020	$ 118	$ 433	$326,026	$149,815	$ (203)	$(138,927)	$ 337,262	$ 326	$337,588

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 Income (Loss)	Treasury Stock	Total Vicor Corporation Stockholders' Equity	Noncontrolling Interest	Total Equity
Nine months ended September 30, 2020									
Balance on December 31, 2019	$ 118	$ 405	$201,251	$143,098	$ (383)	$(138,927)	$ 205,562	$ 308	$205,870
Issuance of Common Stock under employee stock plans		10	10,826				10,836		10,836
Issuances of Common Stock in public offering		18	109,663				109,681		109,681
Stock-based compensation expense			4,286				4,286		4,286
Components of comprehensive income, net of tax:									
Net income				6,717			6,717	10	6,727
Other comprehensive income					180		180	8	188
Total comprehensive income							6,897	18	6,915
Balance on September 30, 2020	$ 118	$ 433	$326,026	$149,815	$ (203)	$(138,927)	$ 337,262	$ 326	$337,588

See accompanying notes.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
September 30, 2021
(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 and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for any other interim period or the year ending December 31, 2021. The balance sheet at December 31, 2020 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, 2020 filed by the Company with the SEC on March 1, 2021 ("2020 Form 10-K").

2. Inventories

Inventories are valued at the lower of cost (determined using the first-in, first-out method) or net realizable value. Fixed production overhead is allocated to the inventory cost per unit based on the normal capacity of the production facilities. Abnormal production costs, including fixed cost variances from normal production capacity, if any, are charged to cost of revenues in the period incurred. All shipping, handling and customs (e.g., tariff) costs incurred in connection with the sale of products are included in cost of revenues.

Inventory that is estimated to be excess, obsolete or unmarketable is written down to net realizable value. The Company's estimation process for assessing net realizable value is based upon management's estimate of expected future utility which is derived based on backlog, historical consumption and expected market conditions. If the Company's estimated demand and/or market expectation were to change or if product sales were to decline, the Company's estimation process may cause larger inventory reserves to be recorded, resulting in larger charges to cost of revenues.

Inventories were as follows (in thousands):

	September 30, 2021	December 31, 2020
Raw materials	$ 46,912	$ 42,556
Work-in-process	11,207	7,424
Finished goods	5,290	7,289
	$ 63,409	$ 57,269

3. Short-Term and Long-Term Investments

As of September 30, 2021 and December 31, 2020, the Company held $50,217,000 and $50,166,000, 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.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
September 30, 2021
(unaudited)

As of September 30, 2021 and December 31, 2020, the Company held one 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. 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 September 30, 2021, 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 September 30, 2021.

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

	September 30, 2021		
	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments
Measured at fair value:			
Available-for-sale debt securities:			
Money market funds	$ 89,254	$ —	$ —
U.S. Treasury Obligations	—	50,217	—
Failed Auction Security	—	—	2,598
Total	89,254	50,217	2,598
Other measurement basis:			
Cash on hand	89,409	—	—
Total	$ 178,663	$ 50,217	$ 2,598

	December 31, 2020		
	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments
Measured at fair value:			
Available-for-sale debt securities:			
Money market funds	$ 69,493	$ —	$ —
U.S. Treasury Obligations	19,998	50,166	—
Failed Auction Security	—	—	2,517
Total	89,491	50,166	2,517
Other measurement basis:			
Cash on hand	72,251	—	—
Total	$ 161,742	$ 50,166	$ 2,517

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

September 30, 2021	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury Obligations	$50,216	$ 1	$ —	$50,217
Failed Auction Security	3,000	—	402	2,598

December 31, 2020	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury Obligations	$70,172	$ —	$ 8	$70,164
Failed Auction Security	3,000	—	483	2,517

As of September 30, 2021, 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 September 30, 2021, by type and contractual maturities, are shown below (in thousands):

	Cost	Estimated Fair Value
U.S. Treasury Obligations:		
Maturities greater than three months but less than one year	$50,216	$50,217
	$50,216	$50,217

	Cost	Estimated Fair Value
Failed Auction Security:		
Due in twenty to forty years	$3,000	$ 2,598

Based on the fair value measurements described in Note 4, the fair value of the Failed Auction Security on September 30, 2021, with a par value of $3,000,000, was estimated by the Company to be approximately $2,598,000. The gross unrealized loss of $402,000 on the Failed Auction Security consists of two types of estimated loss: an aggregate credit loss of $30,000 and an aggregate temporary impairment of $372,000. In determining the amount of credit loss, the Company compared the present value of cash flows expected to be collected to the amortized cost basis of the security, considering credit default risk probabilities and changes in credit ratings as significant inputs, among other factors.

The following table represents a rollforward of the activity related to the credit loss recognized in earnings on the Failed Auction Security for the nine months ended September 30 (in thousands):

	2021	2020
Balance at the beginning of the period	$ 33	$ 37
Reductions in the amount related to credit gain for which other-than- temporary impairment was not previously recognized	(3)	(3)
Balance at the end of the period	$ 30	$ 34

At this time, the Company has no intent to sell the impaired Failed Auction Security and does not believe it is more likely than not the Company will be required to sell this security. If current market conditions deteriorate further, the Company may be required to record additional unrealized losses. If the credit rating of the security deteriorates, the Company may be required to adjust the carrying value of the investment through impairment charges recorded in the Condensed Consolidated Statements of Operations, and any such impairment adjustments may be material.

Based on the Company’s ability to access cash and cash equivalents, its short-term investments and its expected operating cash flows, management does not anticipate the current lack of liquidity associated with the Failed Auction Security held will affect the Company’s ability to execute its current operating plan.

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.

Assets and liabilities measured at fair value on a recurring basis included the following as of September 30, 2021 (in thousands):

	Using			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value as of September 30, 2021
Cash equivalents:				
Money market funds	$ 89,254	$ —	$ —	$ 89,254
Short-term investments:				
U.S. Treasury Obligations	50,217	—	—	50,217
Long-term investment:				
Failed Auction Security	—	—	2,598	2,598

Assets and liabilities measured at fair value on a recurring basis included the following as of December 31, 2020 (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, 2020
Cash equivalents:				
Money market funds	$ 69,493	$ —	$ —	$ 69,493
U.S. Treasury Obligations	19,998	—	—	19,998
Short-term investments:				
U.S. Treasury Obligations	50,166	—	—	50,166
Long-term investment:				
Failed Auction Security	—	—	2,517	2,517
Liabilities:				
Contingent consideration obligations	—	—	(227)	(227)

As of September 30, 2021, there was insufficient observable auction rate security market information available to determine the fair value of the Failed Auction Security using Level 1 or Level 2 inputs. As such, the Company's investment in the Failed Auction Security was deemed to require valuation using Level 3 inputs. Management, after consulting with advisors, valued the Failed Auction Security using analyses and pricing models similar to those used by market participants (i.e., buyers, sellers, and the broker-dealers responsible for execution of the Dutch auction pricing mechanism by which each issue's interest rate was set). Management utilized a probability weighted discounted cash flow ("DCF") model to determine the estimated fair value of this security as of September 30, 2021. The major assumptions used in preparing the DCF model were similar to those described in Note 5 - Fair Value Measurements in the Notes to the Consolidated Financial Statements contained in the Company's 2020 Form 10-K.

Quantitative information about Level 3 fair value measurements as of September 30, 2021 is as follows (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Failed Auction Security	$ 2,598	Discounted cash flow	Cumulative probability of earning the maximum rate until maturity	0.15%
			Cumulative probability of principal return prior to maturity	94.71%
			Cumulative probability of default	5.14%
			Liquidity risk premium	5.00%
			Recovery rate in default	40.00%

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
September 30, 2021
(unaudited)

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 nine months ended September 30, 2021 was as follows (in thousands):

Balance at the beginning of the period	$2,517
Credit gain on available-for-sale security included in Other income (expense), net	3
Gain included in Other comprehensive income	78
Balance at the end of the period	$2,598

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the nine months ended September 30, 2021.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
September 30, 2021
(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 September 30, 2021		
	Brick Products	Advanced Products	Total
United States	$ 19,741	$ 12,178	$31,919
Europe	6,185	1,324	7,509
Asia Pacific	14,936	29,934	44,870
All other	582	31	613
	$ 41,444	$ 43,467	$84,911

	Nine Months Ended September 30, 2021		
	Brick Products	Advanced Products	Total
United States	$ 58,032	$ 35,083	$ 93,115
Europe	24,605	3,604	28,209
Asia Pacific	66,309	79,926	146,235
All other	1,309	215	1,524
	$ 150,255	$ 118,828	$269,083

	Three Months Ended September 30, 2020		
	Brick Products	Advanced Products	Total
United States	$ 16,905	$ 4,391	$21,296
Europe	4,456	2,050	6,506
Asia Pacific	25,878	23,926	49,804
All other	454	52	506
	$ 47,693	$ 30,419	$78,112

	Nine Months Ended September 30, 2020		
	Brick Products	Advanced Products	Total
United States	$ 57,880	$ 17,205	$ 75,085
Europe	18,451	5,218	23,669
Asia Pacific	60,917	50,076	110,993
All other	2,390	137	2,527
	$ 139,638	$ 72,636	$212,274

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
September 30, 2021
(unaudited)

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

	Three Months Ended September 30, 2021		
	Brick Products	Advanced Products	Total
Direct customers, contract manufacturers and non-stocking distributors	$ 29,801	$ 36,066	$65,867
Stocking distributors, net of sales allowances	11,405	2,075	13,480
Non-recurring engineering	238	3,846	4,084
Royalties	—	1,462	1,462
Other	—	18	18
	$ 41,444	$ 43,467	$84,911

	Nine Months Ended September 30, 2021		
	Brick Products	Advanced Products	Total
Direct customers, contract manufacturers and non-stocking distributors	$ 111,223	$ 97,767	$208,990
Stocking distributors, net of sales allowances	38,586	10,847	49,433
Non-recurring engineering	446	8,643	9,089
Royalties	—	1,518	1,518
Other	—	53	53
	$ 150,255	$ 118,828	$269,083

	Three Months Ended September 30, 2020		
	Brick Products	Advanced Products	Total
Direct customers, contract manufacturers and non-stocking distributors	$ 40,916	$ 27,422	$68,338
Stocking distributors, net of sales allowances	6,661	1,463	8,124
Non-recurring engineering	116	1,499	1,615
Royalties	—	17	17
Other	—	18	18
	$ 47,693	$ 30,419	$78,112

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
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(unaudited)

	Nine Months Ended September 30, 2020		
	Brick Products	Advanced Products	Total
Direct customers, contract manufacturers and non-stocking distributors	$ 116,127	$ 62,233	$178,360
Stocking distributors, net of sales allowances	23,097	6,101	29,198
Non-recurring engineering	414	4,231	4,645
Royalties	—	17	17
Other	—	54	54
	$ 139,638	$ 72,636	$212,274

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

	September 30, 2021	December 31, 2020	Change
Accounts receivable	$ 51,080	$ 40,999	$10,081
Short-term deferred revenue and customer prepayments	(3,390)	(7,309)	3,919
Long-term deferred revenue	(493)	(733)	240
Deferred expenses	848	1,650	(802)
Sales allowances	(1,661)	(597)	(1,064)

The increase in accounts receivable was primarily due to an increase in net revenues of approximately $9,224,000 in August through September 2021 compared to November through December 2020. The decrease in short-term deferred revenue and customer prepayments was primarily due to the recognition of approximately $2,410,000 of the associated revenue during the second quarter of 2021. The increase in sales allowances was primarily due to the increase in the year-to-date net revenues in 2021.

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

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 $874,000 and $3,955,000 for the three and nine months ended September 30, 2021, respectively, and $388,000 and $1,736,000 for the three and nine months ended September 30, 2020, respectively, that was included in deferred revenue at the beginning of each respective period.

VICOR CORPORATION

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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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenues	$ 259	$ 296	$ 739	$ 692
Selling, general and administrative	1,033	846	2,665	2,313
Research and development	575	498	1,601	1,281
Total stock-based compensation	$1,867	$1,640	$5,005	$4,286

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock options	$1,661	$1,420	$4,328	$3,663
ESPP	206	220	677	623
Total stock-based compensation	$1,867	$1,640	$5,005	$4,286

The increase in stock option compensation expense for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020, was primarily due to an increase in the number of stock options granted and higher stock-based compensation expense associated with June 2021 stock option awards.

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 and $594,000 for the three and nine months ended September 30, 2021 and 2020, respectively.

8. Income Taxes

The (benefit) provision 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(Benefit) provision for income taxes	$ (886)	$ 651	$ (30)	$ (249)
Effective income tax rate	(7.2)%	10.1%	(0.1)%	(3.8)%

The effective tax rates were lower than the statutory tax rates for the three and nine months ended September 30, 2021 and 2020 primarily due to the Company's full valuation allowance position against domestic deferred tax assets and excess tax benefits related to stock based compensation during those periods. The (benefit) provision for income taxes for the three and nine months ended September 30, 2021 and 2020 included estimated federal, state and foreign income taxes in jurisdictions in which the Company does not have sufficient tax attributes to fully offset taxable income.

As of September 30, 2021, the Company had a valuation allowance of approximately $37,856,000 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. While recent positive operating results, as a result of increases in bookings, caused the Company to be in a cumulative income position as of September 30, 2021, the Company faces uncertainties in forecasting its operating results due to continued negative impacts on the Company's supply chain, certain process issues with the production of Advanced Products and 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 was still warranted as of September 30, 2021. 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 quarterly earnings and increases in bookings continue, and the Company's concerns about industry uncertainty and world events, including continued negative impacts on the Company's supply chain, 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. However, the valuation allowance against certain state tax credits will likely never be released due to uncertainty on the utilization of these credits. 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

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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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income attributable to Vicor Corporation	$13,259	$ 5,785	$47,745	$ 6,717
Denominator:				
Denominator for basic net income per share-weighted average shares (1)	43,710	43,164	43,573	41,814
Effect of dilutive securities:				
Employee stock options (2)	1,324	1,579	1,332	1,753
Denominator for diluted net income per share – adjusted weighted-average shares and assumed conversions	45,034	44,743	44,905	43,567
Basic net income per share	$ 0.30	$ 0.13	$ 1.10	$ 0.16
Diluted net income per share	$ 0.29	$ 0.13	$ 1.06	$ 0.15

(1) Denominator represents weighted average number of shares of Common Stock and Class B Common Stock outstanding.
(2) Options to purchase 76,114 and 134,822 shares of Common Stock for the three and nine months ended September 30, 2021, respectively, and options to purchase 265,725 and 130,027 shares of Common Stock for the three and nine months ended September 30, 2020, respectively, were not included in the calculations of net income per share as the effect would have been antidilutive.

10. Commitments and Contingencies

At September 30, 2021, the Company had approximately $22,046,000 of capital expenditure commitments, principally for manufacturing equipment, and approximately $6,607,000 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. In addition to these commitments, the Company has, in the aggregate, approximately $20,000,000 of remaining budgeted capital expenditures expected to be incurred through the first half 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 production equipment.

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 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 sought an injunction against further infringement and an award of unspecified compensatory and enhanced damages, interest, costs and attorney fees. 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.

The Texas Action is currently stayed by the District Court pending completion of certain inter partes reexamination (“IPRx”) proceedings initiated by the Company at the United States Patent and Trademark Office (“USPTO”) (including any appeals to the United States Court of Appeals for the Federal Circuit (the “Federal Circuit”)). In these IPRx proceedings, the Company challenged the validity of the SynQor patent claims asserted in the Texas Action. On March 17, 2021, SynQor filed a motion to lift the stay in the Texas Action. The Company has opposed that motion, which remains pending.

The current status of the IPRx proceedings is as follows:

- ‘190 patent: Certain claims of the ‘190 patent were found unpatentable by the 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, that matter has been remanded to the PTAB for further proceedings.
- ‘021 patent: On August 30, 2017, the Federal Circuit issued a final decision finding all of the asserted claims of the ‘021 patent unpatentable.
- ‘702 patent: On August 30, 2017, the Federal Circuit issued a final 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’s relating to the asserted claims of the ‘190 and ‘290 patents remain pending or on appeal. In addition, SynQor attempted to add new claims during the IPRx of the ‘021 patent. 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.

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 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.

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

In December 2019, the Financial Accounting Standards Board (“FASB”) issued guidance designed to simplify the accounting for income taxes by eliminating certain exceptions to the general principles in Topic 740, Income Taxes, and also improve consistent application of and simplify U.S. GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This new guidance was effective for the Company for its fiscal year beginning after December 15, 2020, with early adoption permitted. The Company adopted the new guidance as of January 1, 2021. The adoption did not have a material impact on the Company’s consolidated financial statements and disclosures.

Other new pronouncements issued but not effective until after September 30, 2021 are not expected to have a material impact on the Company’s consolidated financial statements.

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operation
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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, 2020. 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 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, 2020 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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Overview

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 cyclicality 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.

VICOR CORPORATION

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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 employees diagnosed with COVID-19 and the corresponding absenteeism due to COVID-19 are negligible. 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 very 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 for the remainder of 2021 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 and/or increase again. 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 Third Quarter 2021 Financial Performance Compared to Second Quarter 2021 Financial Performance

The following summarizes our financial performance for the third quarter of 2021, compared to the second quarter of 2021:

- Net revenues decreased 11.0% to $84,911,000 for the third quarter of 2021, from $95,376,000 for the second quarter of 2021. Net revenues for Brick Products decreased 23.7%, primarily due to market conditions in Europe and Asia Pacific. Advanced Products revenue rose 6.0% sequentially compared to the second 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 62.4% of total net revenues in the third quarter of 2021 as compared to 64.3% in the second quarter of 2021.
- Gross margin decreased to $42,813,000 for the third quarter of 2021 from $49,871,000 for the second quarter of 2021, and gross margin, as a percentage of net revenues, decreased to 50.4% for the third quarter of 2021 from 52.3% for the second 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 lower absorption of overhead expenses.
- Backlog, which represents the total value of orders for products for which shipment is scheduled within the next 12 months, was approximately $295,695,000 at the end of the third quarter of 2021, as compared to $210,565,000 at the end of the second quarter of 2021.

- Operating expenses for the third quarter of 2021 increased $979,000, or 3.3%, to $30,841,000 from $29,862,000 for the second quarter of 2021. Selling, general, and administrative expenses increased approximately $733,000, primarily due to increases in compensation, outside services, legal fees and sales commissions. Research and development expenses increased approximately $246,000, primarily due to an increase in compensation expense, partially offset by a decrease in project and pre-production materials.
- We reported net income for the third quarter of 2021 of $13,259,000, or $0.29 per diluted share, compared to net income of $19,394,000 or $0.43 per diluted share, for the second quarter of 2021.
- For the third quarter of 2021, depreciation and amortization totaled $2,946,000 and capital additions totaled $15,160,000 as compared to depreciation and amortization of $2,812,000 and $6,518,000 of capital additions for the second quarter of 2021.
- Inventories increased by approximately $6,280,000, or 11.0%, to $63,409,000 at September 30, 2021, compared to $57,129,000 at June 30, 2021, primarily with raw materials, due to the revenue in the third quarter of 2021 falling below expectations, primarily caused by component and capacity issues which contributed to production delays.

Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020

Net revenues for the third quarter of 2021 were $84,911,000, an increase of $6,799,000, or 8.7%, as compared to $78,112,000 for the third quarter of 2020. Net revenues, by product line, for the three months ended September 30, 2021 and 2020 were as follows (dollars in thousands):

			Increase (decrease)	
	2021	2020	$	%
Brick Products	$41,444	$47,693	$ (6,249)	(13.1)%
Advanced Products	43,467	30,419	13,048	42.9%
Total	$84,911	$78,112	$ 6,799	8.7%

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 Asia Pacific markets, offset by increases from customers in the United States and Europe.

Gross margin for the third quarter of 2021 increased $9,466,000, or 28.4%, to $42,813,000, from $33,347,000 for the third quarter of 2020. Gross margin, as a percentage of net revenues, increased to 50.4% for the third quarter of 2021, compared to 42.7% for the third quarter of 2020. The increase in gross margin dollars and gross margin percentage was primarily due to the increase in net revenues and an improved mix of higher-margin products shipped.

Selling, general, and administrative expenses were $17,322,000 for the third quarter of 2021, an increase of $2,110,000, or 13.9%, from $15,212,000 for the third quarter of 2020. Selling, general, and administrative expenses as a percentage of net revenues increased to 20.4% for the third quarter of 2021 from 19.5% for the third quarter of 2020. The components of the $2,110,000 increase in selling, general and administrative expenses for the third quarter of 2021 from the third quarter of 2020 were as follows (dollars in thousands):

	Increase	
Compensation	$ 725	7.0% (1)
Legal fees	568	178.7% (2)
Commissions	205	29.5% (3)
Travel expense	169	94.7% (4)
Outside services	152	29.9% (5)
Advertising	148	22.9% (6)
Employment recruiting	131	179.1% (7)
Other, net	12	0.5%
	$2,110	13.9%

(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 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 an increase in net revenues subject to commissions.
(4) Increase primarily attributable to a resumption of travel by the Company’s sales and marketing personnel, though still at levels significantly lower than prior to the COVID 19 pandemic.
(5) Increase primarily attributable to an increase in the use of outside service providers at our Andover, MA facility.
(6) Increase primarily attributable to increases in sales support expenses, direct mailings, and advertising in trade publications.
(7) Increase primarily attributable to an increase in employee recruitment activities at Andover.

Research and development expenses were $13,519,000 for the third quarter of 2021, an increase of $1,487,000, or 12.4%, compared to $12,032,000 for the third quarter of 2020. As a percentage of net revenues, research and development expenses increased to 15.9% for the third quarter of 2021 from 15.4% for the third quarter of 2020. The components of the $1,487,000 increase in research and development expenses were as follows (dollars in thousands):

	Increase (decrease)	
Compensation	$ 710	7.9% (1)
Project and pre-production materials	583	42.3% (2)
Deferred costs	149	43.2% (3)
Employment recruiting	99	464.7%
Outside services	42	57.1%
Overhead absorption	(209)	(69.7)% (4)
Other, net	113	5.1%
	$1,487	12.4%

(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 increased prototype development costs for Advanced Products.
(3) Increase primarily attributable to a decrease in deferred costs capitalized for certain non-recurring engineering projects for which the related revenues had been deferred.
(4) Decrease primarily attributable to an increase in research and development ("R&D") personnel incurring time on production activities, compared to R&D activities.

The significant components of ''Other income (expense), net'' for the three months ended September 30, and the changes between the periods were as follows (in thousands):

	2021	2020	Increase (decrease)
Interest income	$ 267	$ 7	$ 260
Rental income	198	198	—
Foreign currency (losses) gains, net	(110)	140	(250)
Gains on disposals of equipment	39	3	36
Other, net	—	(14)	14
	$ 394	$334	$ 60

Interest income increased due to an increase in interest bearing investments in the third quarter of 2021 compared to the third quarter of 2020, due to the investment of the net proceeds of approximately $109.7 million from our underwritten public offering of our Common Stock completed in June 2020. 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 third quarter of 2021 compared to the third quarter of 2020.

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Income before income taxes was $12,366,000 for the third quarter of 2021, as compared to $6,437,000 for the third quarter of 2020.

The (benefit) provision for income taxes and the effective income tax rates for the three months ended September 30, 2021 and 2020 were as follows (dollars in thousands):

	2021	2020
(Benefit) provision for income taxes	$(886)	$ 651
Effective income tax rate	(7.2)%	10.1%

The effective tax rates were lower than the statutory tax rates for the three months ended September 30, 2021 and 2020 primarily due to the Company's full valuation allowance position against domestic deferred tax assets and excess tax benefits related to stock based compensation during those periods. The (benefit) provision for income taxes for the three months ended September 30, 2021 and 2020 included estimated federal, state and foreign income taxes in jurisdictions in which the Company does not have sufficient tax attributes to fully offset taxable income.

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 third quarter of 2021 of $13,259,000, or $0.29 per diluted share, compared to $5,785,000, or $0.13 per diluted share, for the third quarter of 2020.

Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

Net revenues for the nine months ended September 30, 2021 were $269,083,000, an increase of $56,809,000, or 26.8%, from $212,274,000 for the nine months ended September 30, 2020. Net revenues, by product line, for the nine months ended September 30, 2021 and the nine months ended September 30, 2020 were as follows (dollars in thousands):

			Increase	
	2021	2020	$	%
Brick Products	$150,255	$139,638	$10,617	7.6%
Advanced Products	118,828	72,636	46,192	63.6%
Total	$269,083	$212,274	$56,809	26.8%

The increase in net revenues for Advanced Products was primarily the result of growth in the data center and high performance computing business, in the United States and Asia Pacific markets. The increase in net revenues for Brick Products was primarily due to increases from customers in the United States and Europe, offset by a decrease in net revenues from customers in the European markets. The increases in net revenues for both Brick Products and Advanced Products were also the result of increases in new orders for Advanced Products and Brick Products for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase in bookings largely reflected our customers' response to the 20% to 30% increase in lead-times for our Brick Products and Advanced Products, respectively, plus growth in our data center business, for Advanced Products.

Gross margin for the nine months ended September 30, 2021 increased $46,388,000, or 51.0%, to $137,384,000 from $90,996,000 for the nine months ended September 30, 2020. Gross margin, as a percentage of net revenues, increased to 51.1% for the nine month period ended September 30, 2021, as compared to 42.9% for the nine month period ended September 30, 2020. The increase in gross margin dollars and gross margin percentage was primarily due to the increase in net revenues, an improved mix of higher-margin products shipped, process yield improvements and lower tariff charges.

Selling, general and administrative expenses were $50,865,000 for the nine months ended September 30, 2021, an increase of $3,829,000, or 8.1%, compared to $47,036,000 for the nine months ended September 30, 2020. Selling, general and administrative expenses as a percentage of net revenues decreased to 18.9% for the nine months ended September 30, 2021 from 22.2% for the nine months ended September 30, 2020, primarily due to the overall increase in net revenues. The components of the $3,829,000 increase in selling, general and administrative expenses for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 were as follows (dollars in thousands):

	Increase (decrease)		
Compensation	$1,920	6.2%	(1)
Legal fees	756	51.5%	(2)
Advertising expense	399	20.0%	(3)
Outside services	224	15.1%	(4)
Employment recruiting	210	112.9%	(5)
Depreciation and amortization	155	6.7%	(6)
Commissions	129	5.2%	
Facilities allocations	127	11.6%	
Other, net	(91)	(1.9)%	
	$3,829	8.1%	

(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 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 increases in sales support expenses, direct mailings, and advertising in trade publications.
(4) Increase primarily attributable to an increase in the use of outside service providers at our Andover, MA facility.
(5) Increase primarily attributable to an increase in employee recruitment activities at Andover.
(6) Increase attributable to net additions of furniture and fixtures and capitalization of building improvements.

Research and development expenses were $39,818,000 for the nine months ended September 30, 2021, an increase of $1,621,000, or 4.2%, from $38,197,000 for the nine months ended September 30, 2020. As a percentage of net revenues, research and development expenses decreased to 14.8% for the nine month period ended September 30, 2021 from 18.0% for the nine month period ended September 30, 2020, primarily due to the overall increase in net revenues. The components of the $1,621,000 increase in research and development expenses for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 were as follows (dollars in thousands):

	Increase (decrease)	
Compensation	$ 1,678	6.2% (1)
Project and pre-production materials	229	3.9% (2)
Facilities allocations	206	11.1% (3)
Deferred costs	166	25.7% (4)
Supplies	92	9.4%
Employment recruiting	85	169.6%
Freight	74	72.6%
Computer expense	73	15.0%
Overhead absorption	(1,039)	(133.8)% (5)
Other, net	57	1.7%
	$ 1,621	4.2%

(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 increased prototype development costs for Advanced Products.
(3) Increase primarily attributable to an increase in utilities and building maintenance expenses.
(4) Increase primarily attributable to a decrease in deferred costs capitalized for certain non-recurring engineering projects for which the related revenues had been deferred.
(5) Decrease primarily attributable to an increase in R&D personnel incurring time on production activities, compared to R&D activities.

The significant components of ‘‘Other income (expense), net’’ for the nine months ended September 30, 2021 and the nine months ended September 30, 2020 and the changes from period to period were as follows (in thousands):

	2021	2020	Increase (decrease)
Interest income	$ 736	$ 77	$ 659
Rental income	594	594	—
Foreign currency (losses) gains, net	(285)	23	(308)
(Losses) gains on disposals of equipment	(67)	9	(76)
Other, net	21	12	9
	$ 999	$715	$ 284

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Interest income increased due to an increase in interest bearing investments in 2021 compared to 2020, due to the investment of the net proceeds of approximately $109.7 million from our underwritten public offering of our Common Stock completed in June 2020. Our exposure to market risk fluctuations in foreign currency exchange rates relates to the operations of 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 2021 compared to 2020.

Income before income taxes was $47,700,000 for the nine months ended September 30, 2021, as compared to $6,478,000 for the nine months ended September 30, 2020.

The benefit for income taxes and the effective income tax rates for the nine months ended September 30, 2021 and 2020 were as follows (dollars in thousands):

	2021	2020
Benefit for income taxes	$ (30)	$(249)
Effective income tax rate	(0.1)%	(3.8)%

The effective tax rates were lower than the statutory tax rates for the nine months ended September 30, 2021 and 2020 primarily due to the Company's full valuation allowance position against domestic deferred tax assets and excess tax benefits related to stock based compensation during those periods. The benefit for income taxes for the nine months ended September 30, 2021 and 2020 included estimated federal, state and foreign income taxes in jurisdictions in which the Company does not have sufficient tax attributes to fully offset taxable income.

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 nine months ended September 30, 2021 of $47,745,000, or $1.06 per diluted share, as compared to $6,717,000, or $0.15 per diluted share, for the nine months ended September 30, 2020.

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Liquidity and Capital Resources

As of September 30, 2021, we had $178,663,000 in cash and cash equivalents and $50,217,000 of highly liquid short-term investments. The ratio of total current assets to total current liabilities was 8.2:1 as of September 30, 2021 and 7.8:1 as of December 31, 2020. Working capital, defined as total current assets less total current liabilities, increased $30,968,000 to $307,387,000 as of September 30, 2021 from $276,419,000 as of December 31, 2020.

The changes in working capital from December 31, 2020 to September 30, 2021 were as follows (in thousands):

	Increase (decrease)
Cash and cash equivalents	$ 16,921
Short-term investments	51
Accounts receivable	10,081
Inventories, net	6,140
Other current assets	(123)
Accounts payable	(4,225)
Accrued compensation and benefits	100
Accrued expenses	(965)
Sales allowances	(1,064)
Short-term lease liabilities	4
Income taxes payable	129
Short-term deferred revenue	3,919
	$ 30,968

The primary sources of cash for the nine months ended September 30, 2021 were $50,000,000 from the sale or maturities of short-term investments, $40,227,000 of cash generated from operations, and $8,621,000 of cash 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 nine months ended September 30, 2021 were $50,706,000 for the purchases of short-term investments and $30,942,000 for the purchase of property and equipment.

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 nine months ended September 30, 2021. As of September 30, 2021, we had approximately $8,541,000 remaining available for repurchases of our Common Stock under the November 2000 Plan.

As of September 30, 2021, we had approximately $22,046,000 of capital expenditure commitments, principally for manufacturing equipment, which we intend to fund with existing cash, and approximately $6,607,000 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. In addition to these commitments, we have, in aggregate, approximately $20,000,000 of remaining budgeted capital expenditures expected to be incurred through the first half 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 production equipment. Our primary needs for liquidity are for making continuing investments in manufacturing equipment and for funding the construction of the additional manufacturing space adjoining our existing Andover manufacturing facility, noted 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.

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 September 30, 2021, our long-term investment portfolio, recorded on our Condensed Consolidated Balance Sheet as “Long-term investments, 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 September 30, 2021.

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., September 30, 2021). 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 September 30, 2021, 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.

(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 September 30, 2021, 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
September 30, 2021

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 Form10-K for the year ended December 31, 2020.

Item 6 — Exhibits

Exhibit Number	Description
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.

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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: November 3, 2021	By: /s/ Patrizio Vinciarelli Patrizio Vinciarelli Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
Date: November 3, 2021	By: /s/ James F. Schmidt James F. Schmidt Vice President, Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

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: November 3, 2021

/s/ Patrizio Vinciarelli

Patrizio Vinciarelli
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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: November 3, 2021

/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 September 30, 2021 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

November 3, 2021

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.

Exhibit 32.2

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 September 30, 2021 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

November 3, 2021

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.