

J.P.Morgan Automotive Investor Conference 2020



A Leading Provider of Smart, Connected and Secure Embedded Control Solutions



SMART | CONNECTED | SECURE

Ganesh Moorthy, President and COO
Eric Bjornholt, Senior Vice President and CFO

August 12, 2020

Safe Harbor

Forward Looking Statement Safe Harbor:

During the course of this presentation, we will make projections or other forward-looking statements regarding the future financial performance of the company (including our guidance) or future events, including our strategy, growth drivers, industry outlook, industry trends, market size, and our financial model. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause our actual results to differ materially, including, but not limited to: any continued economic uncertainty due to the impact of the COVID-19 pandemic, monetary policy, political, geopolitical, trade or other issues in the U.S. or internationally, any further unexpected fluctuations or weakness in the U.S. and global economies (including China), changes in demand or market acceptance of our products and the products of our customers; our ability to successfully integrate the operations and employees, retain key employees and customers and otherwise realize the expected synergies and benefits of our acquisitions; the impact of current and future changes in U.S. corporate tax laws (including the Tax Cuts and Jobs Act of 2017), foreign currency effects on our business; the mix of inventory we hold and our ability to satisfy short-term orders from our inventory; changes in utilization of our manufacturing capacity and our ability to effectively manage and expand our production levels; competitive developments including pricing pressures; the level of orders that are received and can be shipped in a quarter; changes or fluctuations in customer order patterns and seasonality; the impact of any future significant acquisitions that we may make; our ability to obtain a sufficient supply of wafers from third party wafer foundries and the cost of such wafers, the costs and outcome of any current or future litigation or other matters involving our Microsemi acquisition, the Microsemi business, intellectual property, customers, or other issues; the costs and outcome of any current or future tax audit or investigation regarding our business or the business of Microsemi, our actual average stock price in the September 2020 quarter and the impact such price will have on our share count; fluctuations in our stock price and trading volume which could impact the number of shares we acquire under our share repurchase program and the timing of such repurchases; disruptions in our business or the businesses of our customers or suppliers due to natural disasters (including any floods in Thailand), terrorist activity, armed conflict, war, worldwide oil prices and supply, public health concerns (including the COVID-19 pandemic) or disruptions in the transportation system; and general economic, industry or political conditions in the United States or internationally.

For a detailed discussion of these and other risk factors, please refer to Microchip's filings on Forms 10-K and 10-Q. You can obtain copies of Forms 10-K and 10-Q and other relevant documents for free at Microchip's website (www.microchip.com) or the SEC's website (www.sec.gov) or from commercial document retrieval services. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date such statements are made. Microchip does not undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after the date of this presentation or to reflect the occurrence of unanticipated events.

Use of Non-GAAP Financial Measures: In this presentation, we have included certain non-GAAP financial information, including for example, adjusted EBITDA, non-GAAP gross profit and free cash flow. We also disclose information about our end-market demand. Our non-GAAP results, where applicable, exclude the effect of share-based compensation, COVID-19 shelter-in-place restrictions on manufacturing activities, expenses related to our acquisition activities (including intangible asset amortization, inventory valuation costs, excess capacity charges to normalize acquired inventory levels, severance and other restructuring costs, and legal and other general and administrative expenses associated with acquisitions including legal fees and expenses for litigation and investigations related to our Microsemi acquisition), professional services associated with certain legal matters, IT security remediation costs, non-cash interest expense on our convertible debentures, losses on the settlement of debt, and gains and losses related to available-for-sale investments. For the fourth quarters of fiscal 2020 and fiscal 2019, our non-GAAP income tax expense is presented based on projected cash taxes for the fiscal year, excluding transition tax payments under the Tax Cuts and Jobs Act. Following our required adoption of the new revenue recognition standard effective April 1, 2018, we disclose "end market demand" which is the net dollar amount of our products, licensing revenue and other services delivered to our direct (non-distributor) customers and by our distributors to their customers. Our determination of our non-GAAP measures might not be the same as similarly titled measures used by other companies, and it should not be construed as a substitute for amounts determined in accordance with GAAP. There are limitations associated with using non-GAAP measures, including that they exclude financial information that some may consider important in evaluating our performance. Management compensates for this by presenting information on both a GAAP and non-GAAP basis for investors and providing reconciliations of the GAAP and non-GAAP results. Non-GAAP measures should not be considered in isolation or as an alternative to net income, cash from operations or other measures of profitability, liquidity or performance under GAAP. These non-GAAP and GAAP results are included in the appendix to this presentation. Certain supplemental information and reconciliations are available on our website at www.microchip.com/investors under the heading "Supplemental Financial Information".

Q1FY21 Business Results and Q2FY21 Guidance*

- Q1FY21 net sales of \$1.310 billion, down 1.3% sequentially and down 1.0% from a year ago quarter
- Q1FY21 Non-GAAP gross margin of 61.7%, operating margin of 38.6% and diluted EPS of \$1.56
- Q2FY21 net sales guidance of flat to down 8% sequentially with non-GAAP operating margins between 37.0% and 39.0%
- Q2FY21 guidance for non-GAAP diluted EPS to be between \$1.30 and \$1.52 per share.
- Record quarterly dividend declared of 36.80 cents per share.
- Paid down \$394 million of gross debt during Q1FY21
- Paid down \$2.62 billion of debt over the last eight quarters.

*Guidance was provided on August 4, 2020 and is as of such date.

Financial Results, Guidance and Long-Term Model*

Actual Results

	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Sales	\$844.0	\$873.8	\$881.2	\$902.7	\$972.1	\$1012.1	\$994.2	\$1002.3	\$1216.8	\$1513.3	\$1416.0	\$1329.8	\$1322.6	\$1337.8	\$1287.4	\$1326.4	\$1309.7
Gross Profit	\$471.1	\$499.9	\$509.7	\$534.7	\$587.2	\$617.8	\$610.6	\$618.4	\$756.7	\$933.7	\$881.1	\$826.9	\$820.1	\$832.7	\$791.2	\$822.3	\$807.5
Gross Margin	55.8%	57.2%	57.8%	59.2%	60.4%	61.0%	61.4%	61.7%	62.2%	61.7%	62.2%	62.2%	62.0%	62.2%	61.5%	62.0%	61.7%
Operating Expenses	\$240.0	\$233.6	\$220.6	\$213.6	\$222.9	\$227.3	\$218.9	\$222.8	\$283.2	\$354.5	\$351.1	\$342.8	\$341.6	\$341.9	\$339.1	\$336.6	\$302.3
Operating Income	\$231.1	\$266.3	\$289.1	\$321.2	\$364.3	\$390.5	\$391.7	\$395.6	\$473.5	\$579.3	\$530.0	\$484.1	\$478.5	\$490.8	\$452.1	\$485.7	\$505.2
Operating Margin	27.4%	30.5%	32.8%	35.6%	37.5%	38.6%	39.4%	39.5%	38.9%	38.3%	37.4%	36.4%	36.2%	36.7%	35.1%	36.6%	38.6%
Net Income	\$194.0	\$219.6	\$246.5	\$276.9	\$319.1	\$344.1	\$341.2	\$351.3	\$405.8	\$454.6	\$405.6	\$370.4	\$357.6	\$365.7	\$340.8	\$375.5	\$401.9
Diluted EPS	\$0.84	\$0.94	\$1.05	\$1.16	\$1.31	\$1.41	\$1.36	\$1.40	\$1.61	\$1.81	\$1.66	\$1.48	\$1.41	\$1.43	\$1.32	\$1.46	\$1.56
EBITDA	\$264.1	\$298.8	\$321.3	\$356.5	\$395.6	\$422.5	\$425.9	\$429.6	\$537.5	\$574.0	\$556.3	\$544.4	\$537.1	\$540.2	\$503.4	\$548.1	\$562.6

Q2 FY22 Guidance from 8/4/20

Net Sales	\$1.205 - \$1.310B
Gross Profit %	61.2% - 62.2%
Operating Expense %	23.2% to 24.2%
Operating Income	37.0% to 39.0%
Diluted EPS	\$1.30 - \$1.52

Long Term Model Including Microsemi

Gross Margin	63.0%
Operating Expense	22.5%
Operating Margin	40.5%

* Amounts above are reflected in millions of dollars except for diluted EPS and percentages. Microchip does not utilize a GAAP long-term model. All figures are Non-GAAP except for net sales. Figures prior to Q4 FY19 and are measured off of end market demand (instead of GAAP net sales). In Q4 FY19, based on discussions with the SEC, Microchip changed to providing Non-GAAP guidance based on GAAP revenue. Non-GAAP results exclude share-based compensation, acquisition related charges, and other items. A reconciliation of our GAAP to non-GAAP results is available at www.microchip.com.

Corporate Snapshot

Leading Total Systems Solutions Provider:

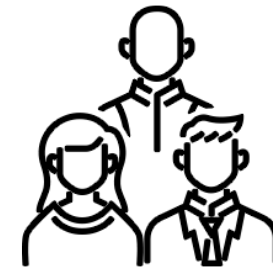
- High-performance standard and specialized Microcontrollers, Digital Signal Controllers and Microprocessors
- Mixed-Signal, Analog, Interface and Security solutions
- Clock and Timing solutions
- Wireless and Wired Connectivity solutions
- FPGA solutions
- Non-volatile EEPROM and Flash Memory solutions
- Flash IP solutions



\$5.3 Billion Revenue
FY2020



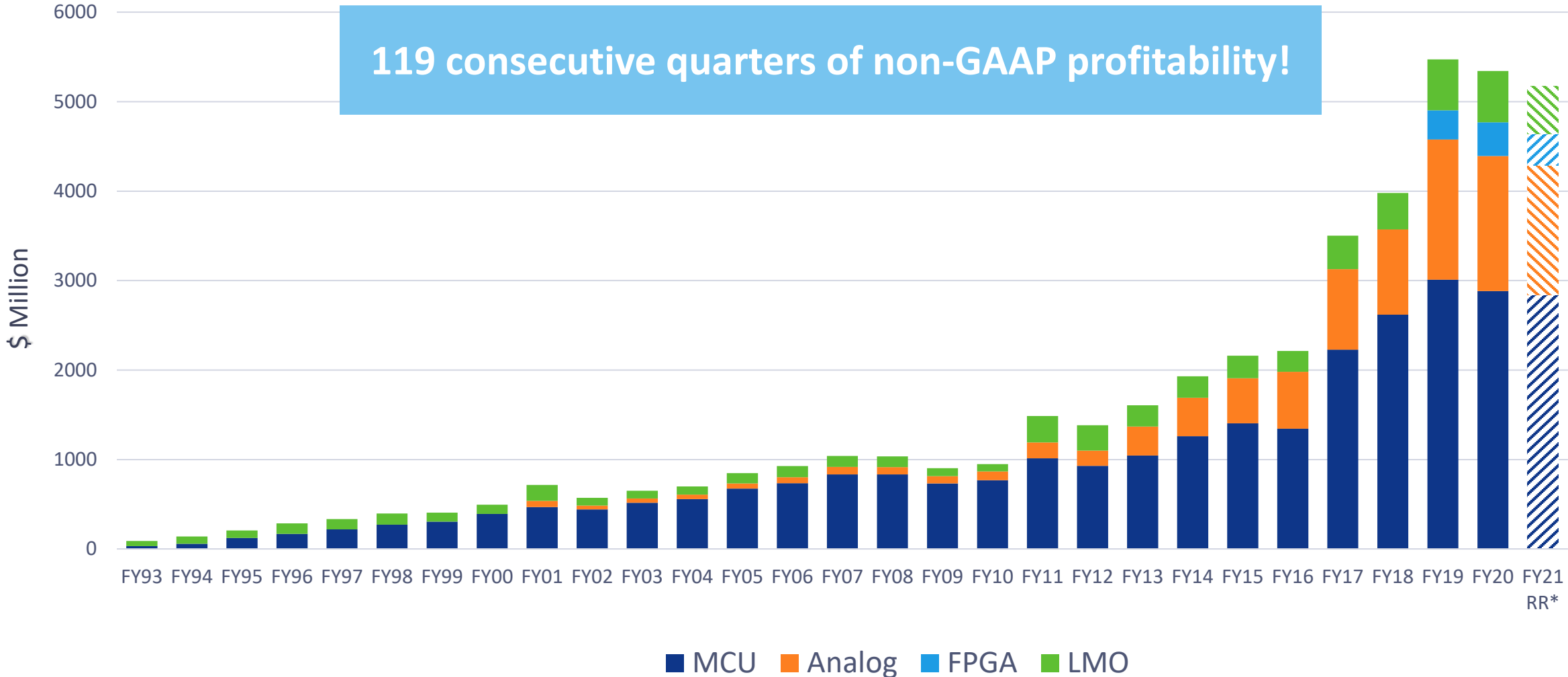
Headquartered near
Phoenix in Chandler, AZ



~18,000
Employees

Annual Growth

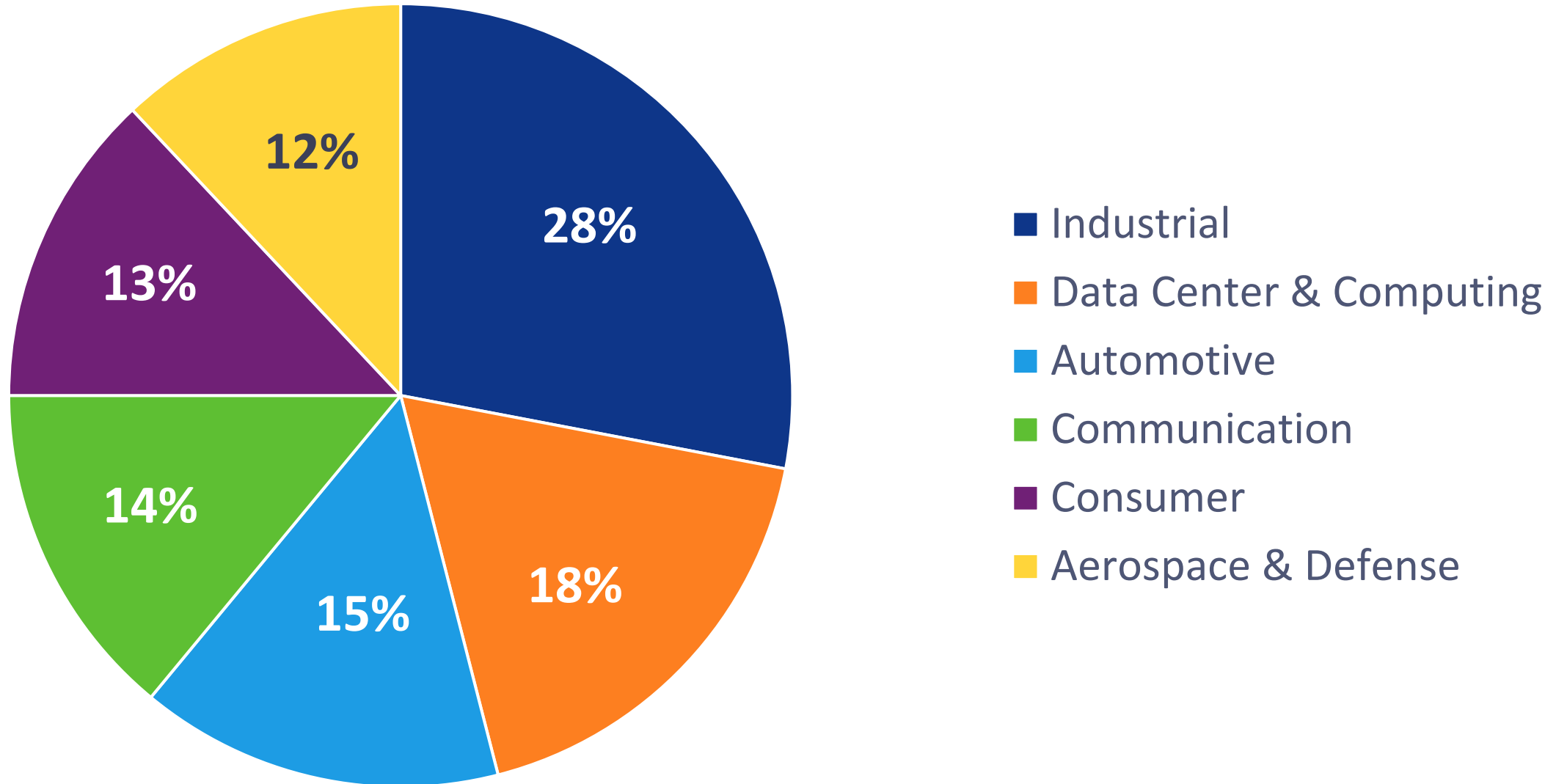
End Market Demand



* FY21 run rate is first quarter of FY21 multiplied by 4.



Revenue By End Market*



* End market diversification based on management estimates for the fiscal year ending March 31, 2020

Microchip Proprietary and Confidential



Market Megatrends

Converging in the Car of Tomorrow

Market Megatrends



Market Megatrends...

... go hand in hand with the automotive future



Connected & Secure

One hour per day in the vehicle
& enabling features – revenue
potential



Automated

> 1 Million fatalities globally
through road traffic, driver
convenience, fleet cost reduction



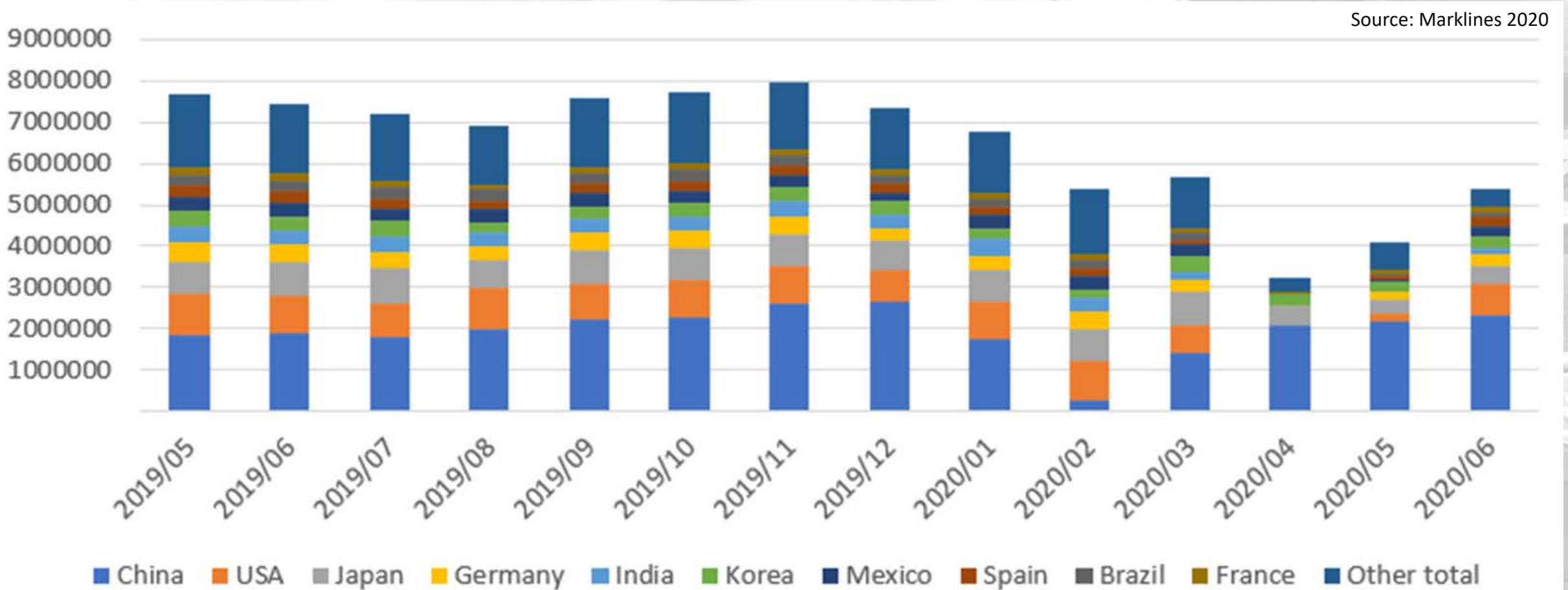
Electrified

CO2 emission regulations,
“green” consumer consciousness

Automotive Market - COVID-19 Impact

Automotive Market – Monthly Production in Units

- 1H'2020 production disrupted significantly by Covid-19 Pandemic related shut-downs
- Global car production dropped by ~30% in CQ2'20 as compared to CQ2'19
- China production recovered in CQ2'20 with sequential and YoY growth during each month

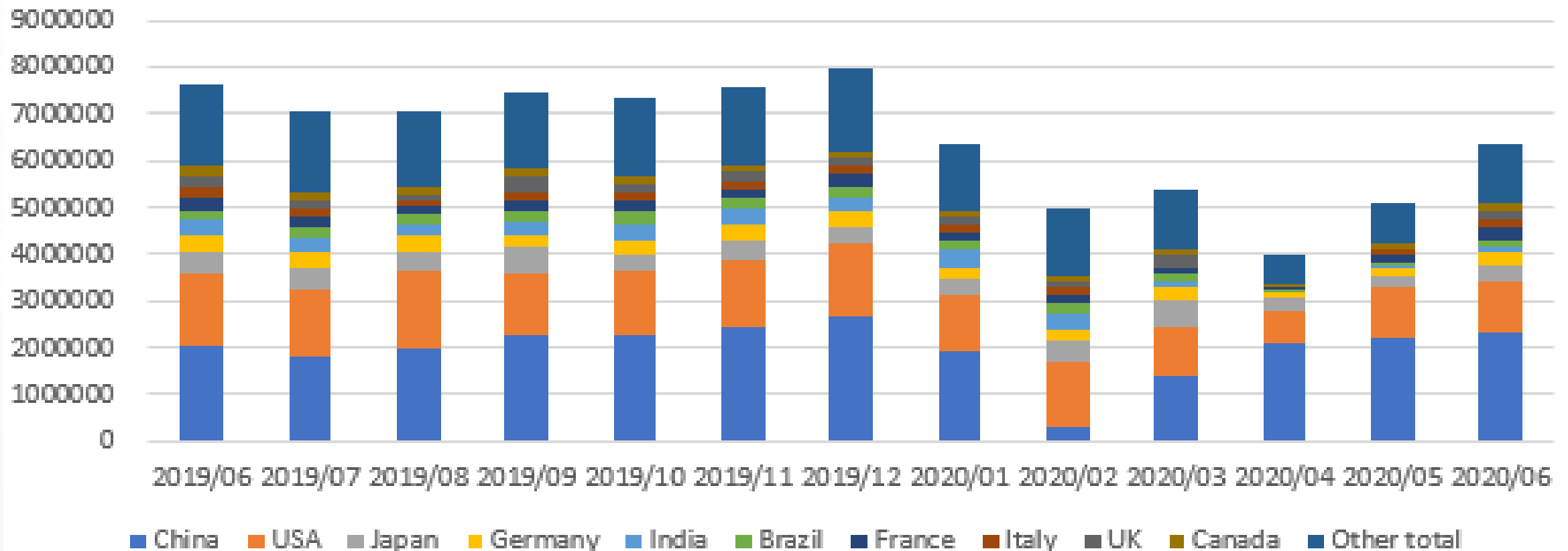


Automotive Market – Monthly Sales in Units

- 1.6M more cars sold than produced in 1H'2020 – helps 2H'2020 production
- China sales recovered with sequential and YoY growth during each month of CQ2'20
- Americas, Europe and Japan sales recovered in June 2020 to ~70% of June 2019

Monthly Sales by Country

Source: Marklines 2020



Summary

Summary

- **Microchip is effectively navigating the COVID-19 challenges**
 - 38.6% non GAAP operating margin in FQ1'2021
 - Paid down \$2.62B of debt over the last 8 quarters
- **Microchip's market segments are well aligned with Six Global Megatrends**
- **The three Automotive Megatrends: Connected & Secure, Automated, & Electrified align with our Six Global Megatrends**
- **Microchip's broad product portfolio is the enabler for our Total System Solutions approach**
- **Microchip is well positioned to participate in the long-term growth of the automotive market**

Thank You
