



**MICROCHIP**

**Stephens 2013 Spring  
Investment Conference  
June 4 – 5, 2013**

*Eric Bjornholt,  
Vice President and Chief Financial Officer*



# Safe Harbor Statement

**This presentation contains guidance, projections and other forward-looking statements regarding the future financial performance of Microchip. These statements involve predictions and our actual results may vary materially. Please refer to Microchip's filings with the SEC which identify some important risk factors about the company. This presentation also contains information about Microchip and Microchip's industry as of a certain date and such data is time-sensitive and subject to change. This information is provided only as of the original date of such information and has not been updated since such date. Microchip does not undertake any obligation to update the existing published information or any forward-looking statements to reflect events, circumstances or new information occurring after the date thereof.**



# Today's Agenda

- Microchip's business characteristics
  1. Consistent growth
  2. Perennial market share gains
  3. High margin business model
  4. Track record of accretive acquisitions
  5. Shareholder friendly with consistently increasing dividends and free cash flow
- Current business conditions
- Opportunity for significant accretion as margins expand towards business model

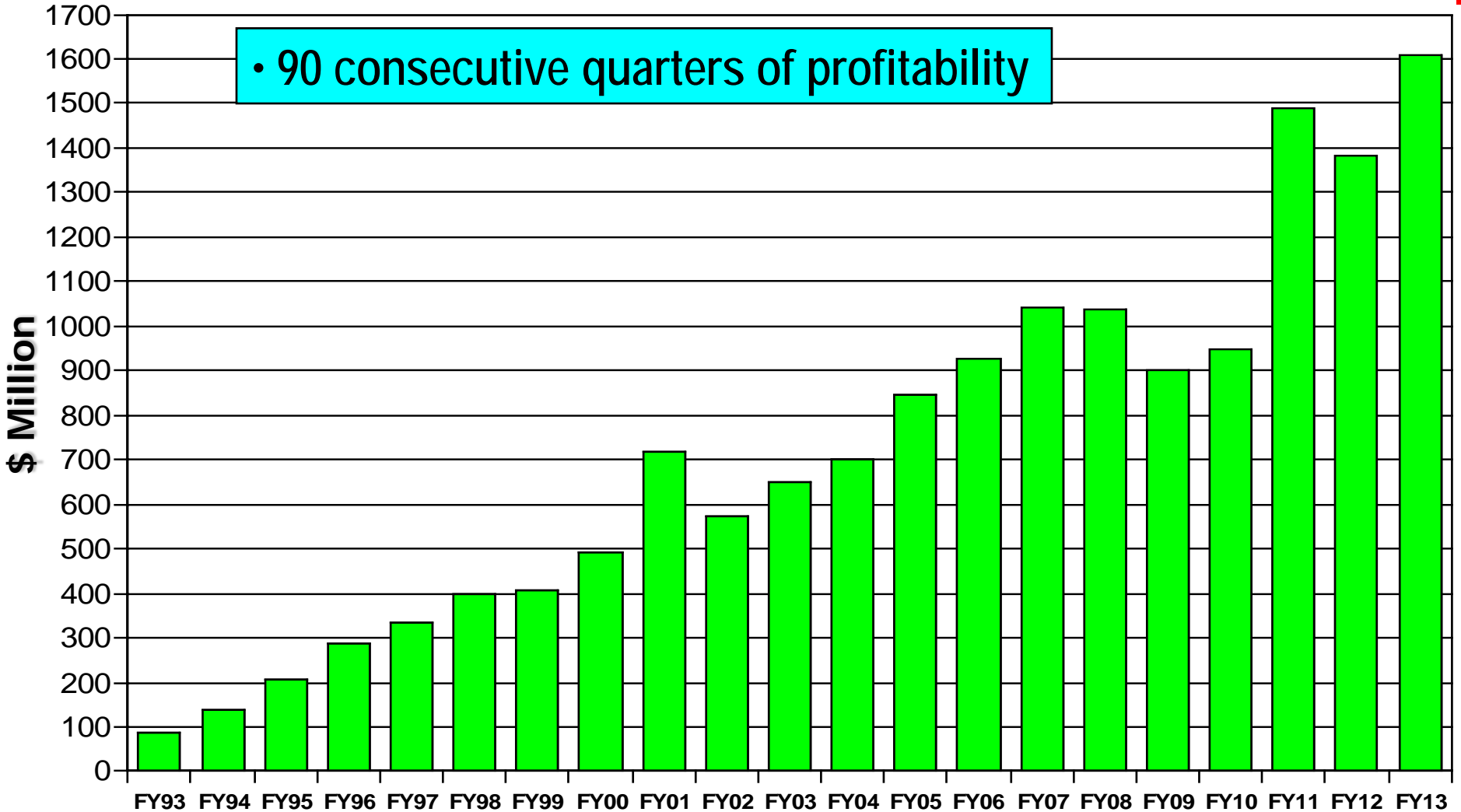


# Microchip Characteristics

1. Consistent growth
2. Perennial market share gains
3. High margin business model
4. Track record of accretive acquisitions
5. Shareholder friendly with consistently increasing dividends and free cash flow

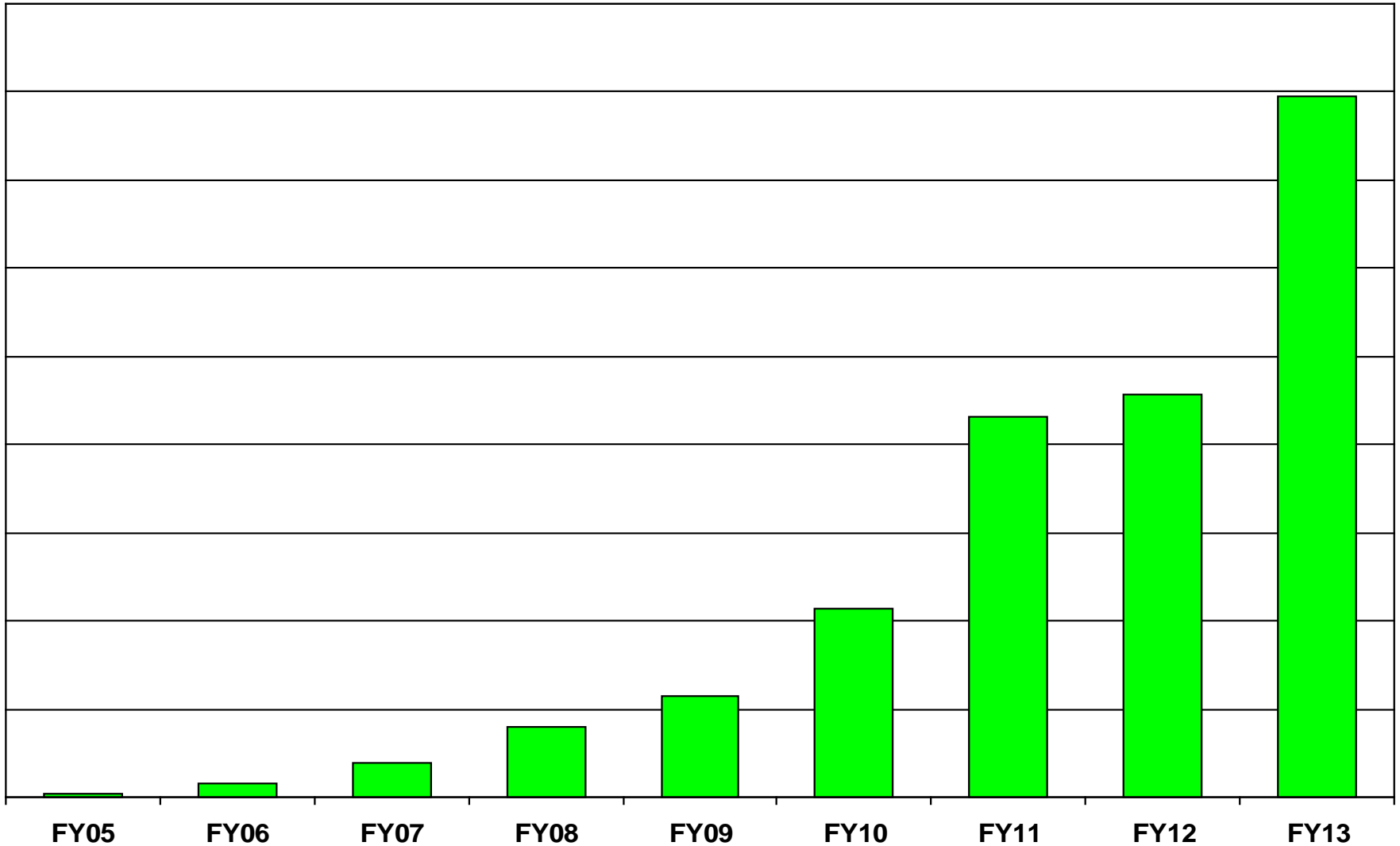


# Annual Net Sales Growth



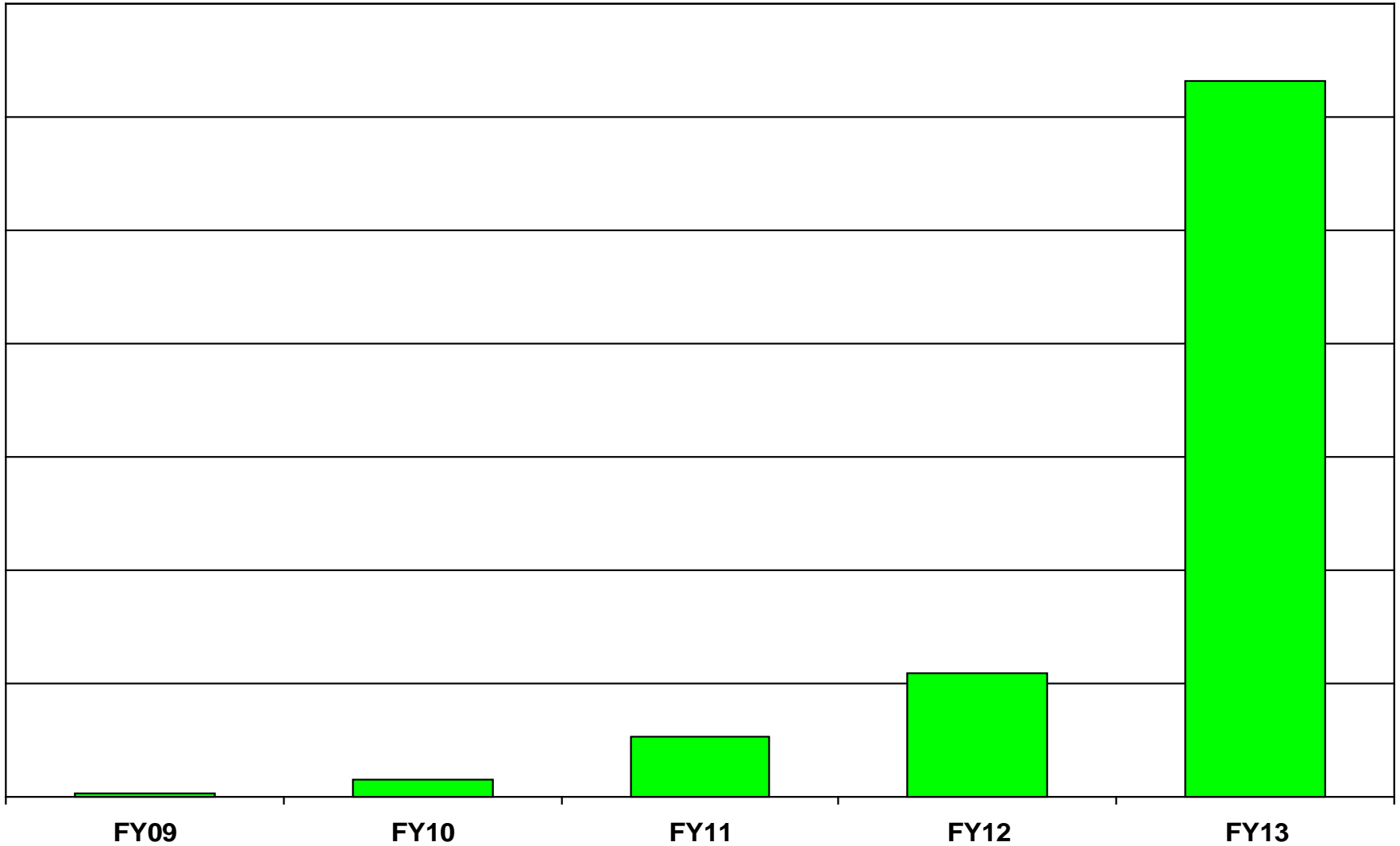


# 16-bit Revenue



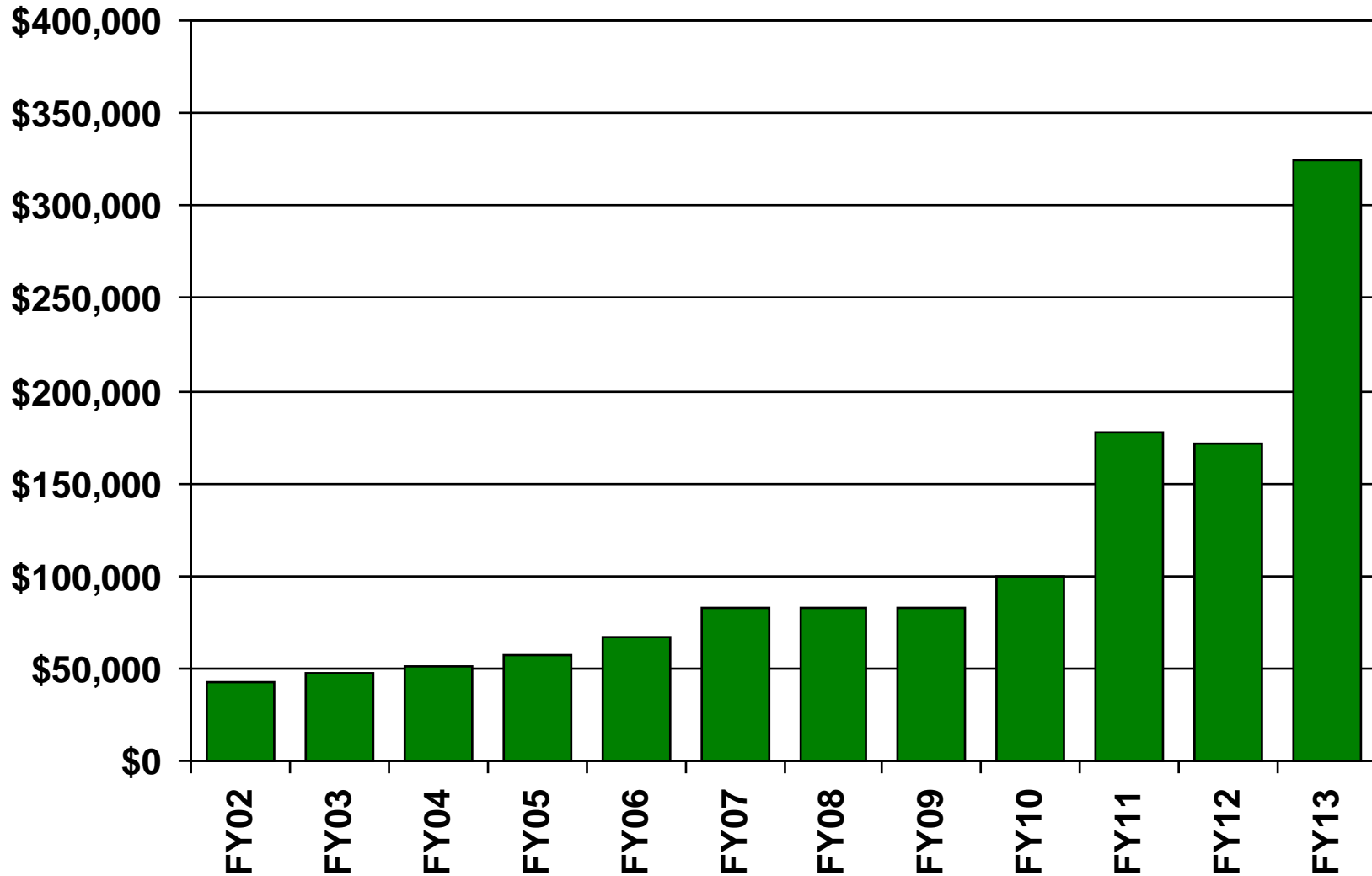


# 32-bit Revenue





# Analog Yearly Revenue (k\$)







# Microchip Characteristics

1. Consistent growth
2. Perennial market share gains
3. High margin business model
4. Track record of accretive acquisitions
5. Shareholder friendly with consistently increasing dividends and free cash flow



# Total MCU (4/8/16/32) Market Share %





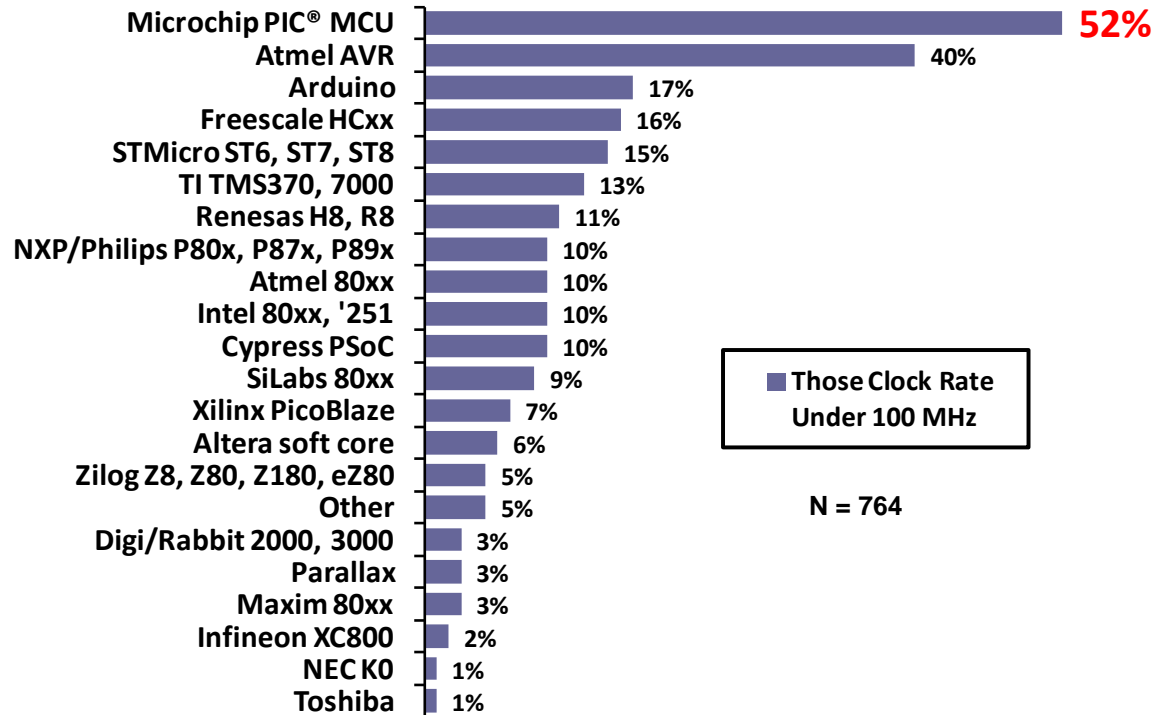
# Worldwide 8-Bit Microcontroller Market Share (Dollars)

No.	1991 Rank	1996 Rank	1998 Rank	2001 Rank	2005 Rank	2006-9 Rank	2010 Rank	2012 Rank
1	Motorola	Motorola	Motorola	Motorola	Motorola	Microchip	Renesas	Renesas
2	Intel	NEC	NEC	Hitachi	Renesas	NEC	Microchip	Microchip
3	Philips	Philips	ST-Micro	NEC	Microchip	ST-Micro	Atmel	Atmel
4	Mitsubishi	Hitachi	Philips	Microchip	NEC	Freescale	ST-Micro	ST-Micro
5	NEC	Mitsubishi	Hitachi	ST-Micro	ST-Micro	Atmel	Samsung	NXP
6	Hitachi	Toshiba	Mitsubishi	Philips	Atmel	Renesas	Freescale	Freescale
7	Toshiba	Matsushita	Microchip	Toshiba	Toshiba	NXP	NXP	Samsung
8	Siemens	SGS-Thomson	Toshiba	Atmel	Philips	Cypress	Cypress	Cypress
9	TI	Intel	Siemens	Matsushita	Fujitsu	Sony	Panasonic	Si Labs
10	Matsushita	Microchip	TI	Sanyo	Infineon	Fujitsu	Fujitsu	Panasonic
11	National	Siemens	Fujitsu	Samsung	Sanyo	Panasonic	Datang	Fujitsu
12	SGS-Thomson	Fujitsu	Sanyo	Mitsubishi	Samsung	Toshiba	NEC (1Q)	Sony
13	Ricoh	TI	Matsushita	Infineon	Matsushita	Samsung	Sony	Toshiba
14	MHS	Sony	Atmel	Sony	Sony	Datang	Toshiba	Holtek
15	IIT	Zilog	Zilog	TI	Sunplus	Si Labs	Si Labs	MELFAS
16	Sharp	Sharp	Sharp	Fujitsu	Micronas	Holtek	JSC	CEC Huada
17	Fujitsu	Temic	Sony	Sunplus	Novatek	Infineon	Holtek	JSC
18	Oki	Sanyo	Intel	Zilog	Intel	Elan	Infineon	Datang
19	Zilog	National	National	Novatek	Holtek	Winbond	Sonix	Infineon
20	Sony	Oki	LG Semi	Micronas	Winbond	Denso	Elan	Elan
23	Microchip							

Based on dollar shipment volume 1991-2012, Source: Gartner and Microchip



# Which of the following 8-bit chip families would you consider for your next embedded project?



Source: UBM 2013 Embedded Market Study



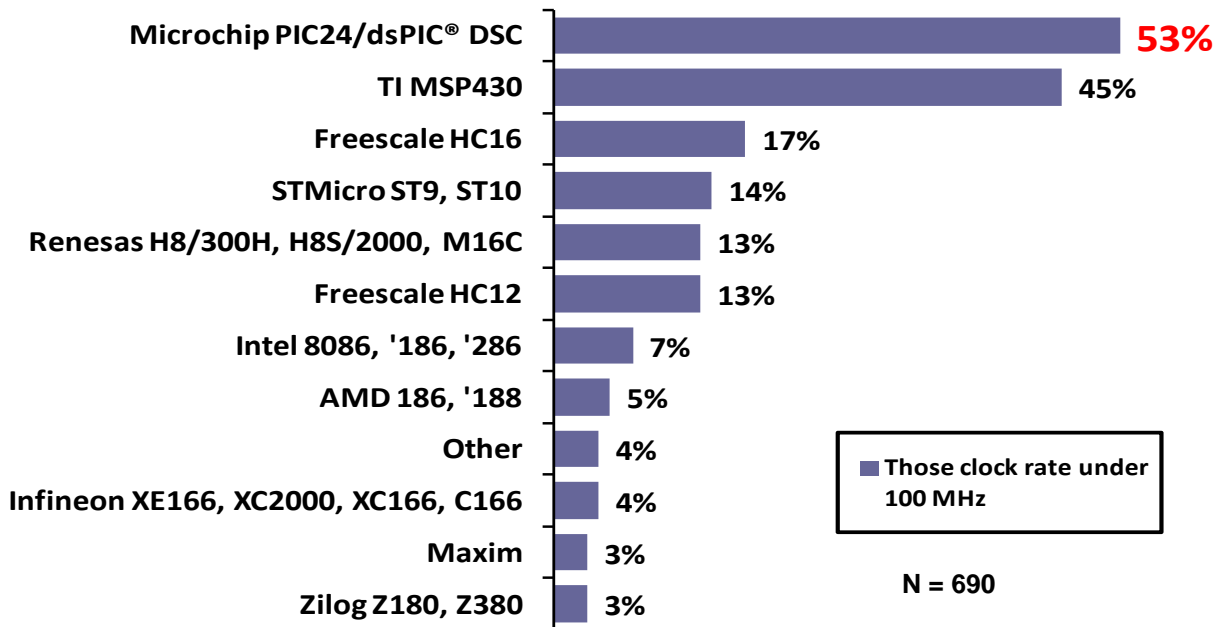
# Worldwide 16-Bit Microcontroller Market Share (Dollars)

No.	2004 Rank	2006 Rank	2008 Rank	2009 Rank	2010 Rank	2011 Rank	2102 Rank
1	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas
2	Infineon	Infineon	Infineon	Infineon	Infineon	Infineon	Infineon
3	Freescale	Freescale	Samsung	TI	TI	TI	TI
4	TI	Fujitsu	TI	Samsung	Samsung	Freescale	Freescale
5	NEC	TI	Freescale	Fujitsu	Freescale	Fujitsu	Fujitsu
6	Matsushita	Intel	Fujitsu	Freescale	Fujitsu	Toshiba	Samsung
7	Toshiba	Toshiba	Toshiba	Toshiba	Toshiba	Samsung	<b>Microchip</b>
8	Fujitsu	NEC	Intel	NEC	<b>Microchip</b>	<b>Microchip</b>	Toshiba
9	Intel	Sunplus	NEC	Intel	Intel	Intel	Intel
10	STMicro	Sony	Sony	<b>Microchip</b>	Sony	Sony	INSIDE
11	Oki	NXP	Panasonic	Panasonic	JSC Sitronics	JSC	Sony
12	Sony	Micronas	NXP	Sony	Sunplus I	Winbond	CEC Huada
13	Micronas	Winbond	Winbond	Winbond	Winbond	Ixys	JSC
14	Sunplus	Matsushita	<b>Microchip</b>	Sunplus I	NXP	Micronas	EM Micro
15	Winbond	<b>Microchip</b>	Micronas	Micronas	Micronas	Seiko Epson	Shanghai Fudan
16	<b>Microchip</b>	Samsung	Sunplus I	NXP	Sunplus MM	Shenzhen St	Sunplus
17	Samsung	Oki	Sunplus MM	Sunplus MM	Seiko Epson	Sunplus	Datang
18	Philips	National	Sharp	Seiko	Panasonic	Rohm	Winbond
19	Magnachip	Sharp	Rohm	Sharp	Rohm	Panasonic	Ixys
20	Sharp	STMicro	Seiko	Rohm			Seiko Epson

Based on dollar shipment volume 2004-2012, Source: Gartner and Microchip



# Which of the following 16-bit chip families would you consider for your next embedded project?



Source: UBM 2013 Embedded Market Study



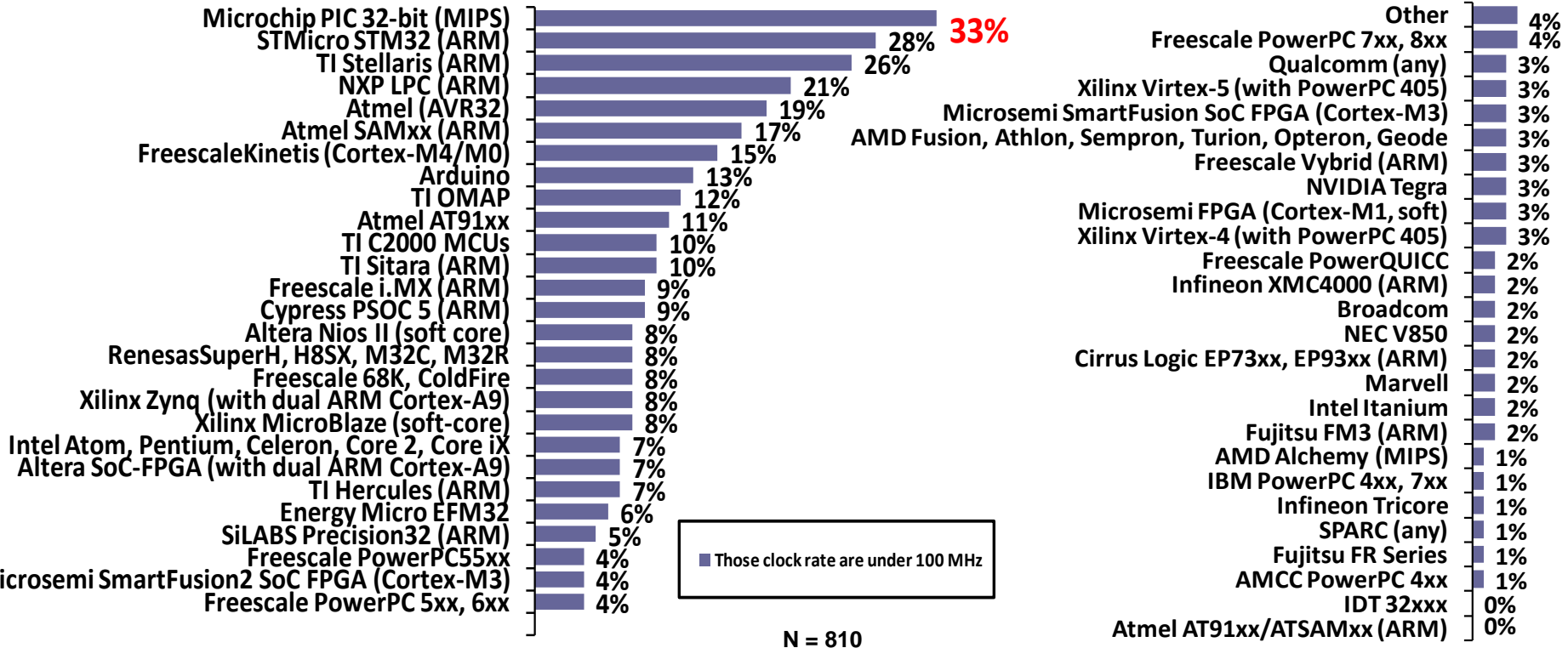
# Worldwide 32-bit Microcontroller Market Share (Dollars)

<u>No.</u>	<u>2010 Rank</u>	<u>2011 Rank</u>	<u>2012 Rank</u>
1	Renesas	Renesas	Renesas
2	Freescale	Freescale	Freescale
3	TI	TI	ST-Micro
4	ST-Micro	ST-Micro	TI
5	Denso	NXP	Atmel
6	Fujitsu	Denso	Denso
7	NXP	Atmel	Infineon
8	Atmel	Fujitsu	NXP
9	Toshiba	Infineon	Toshiba
10	Infineon	Toshiba	Fujitsu
11	Panasonic	Panasonic	Panasonic
12	EM Micro	EM Micro	<b>Microchip</b>
13	Rohm	Rohm	MELFAS
14	JSC	JSC	Samsung
15	Shenzhen St	<b>Microchip</b>	Rohm
16	Huahong	Shenzhen St	Energy Micro
17	Seiko Epson	Huahong	CEC Huada
18	Winbond	Winbond	Nationz
19	<b>Microchip</b>	Seiko Epson	Shanghai Fudan
20	Samsung	Samsung	Cypress

Based on dollar shipment volume 2010-2012, Source: Gartner and Microchip



# Which of the following 32-bit chip families would you consider for your next embedded project?



Source: UBM 2013 Embedded Market Study





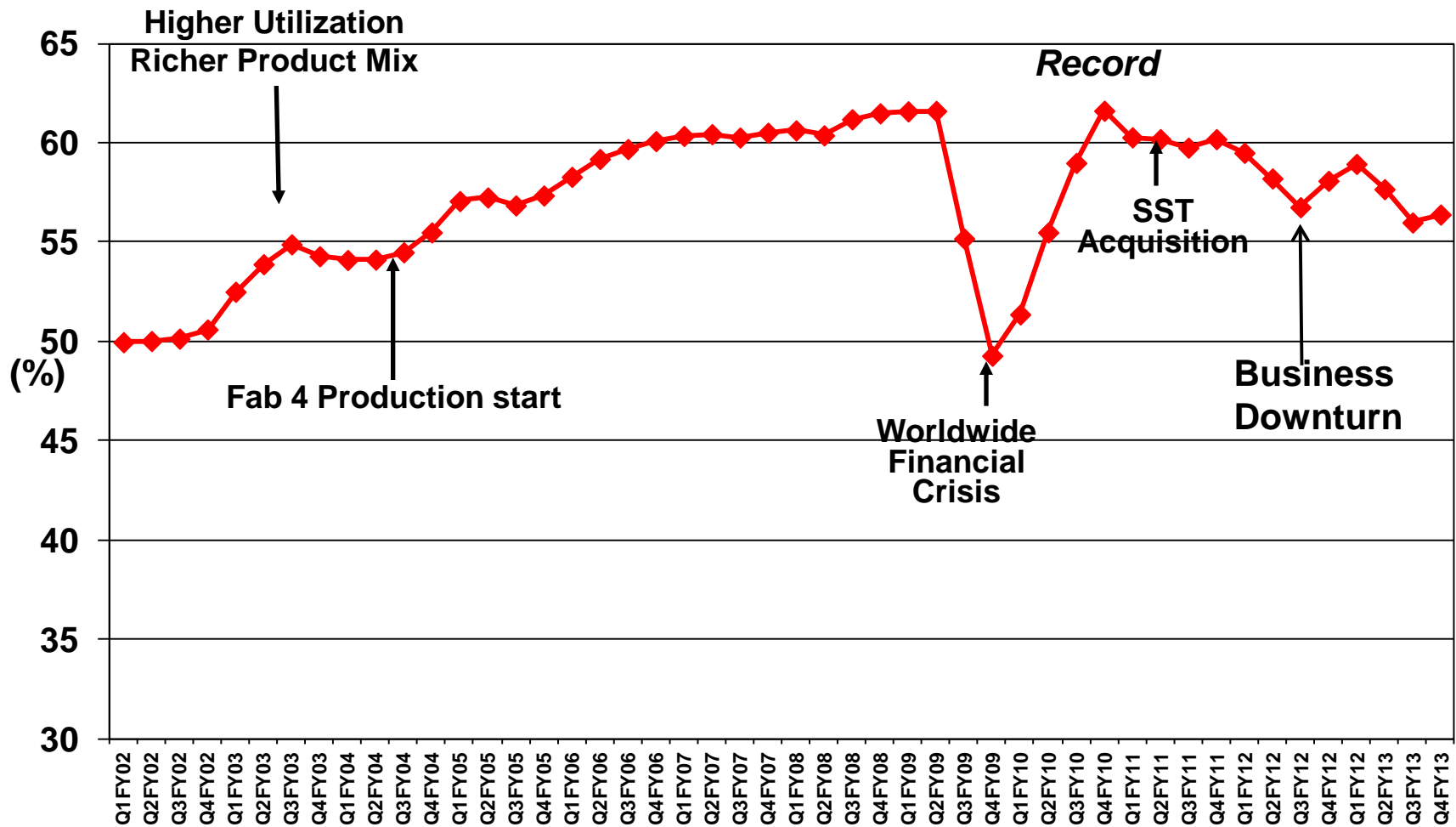
# Microchip Characteristics

---

1. Consistent growth
2. Perennial market share gains
3. High margin business model
4. Track record of accretive acquisitions
5. Shareholder friendly with consistently increasing dividends and free cash flow



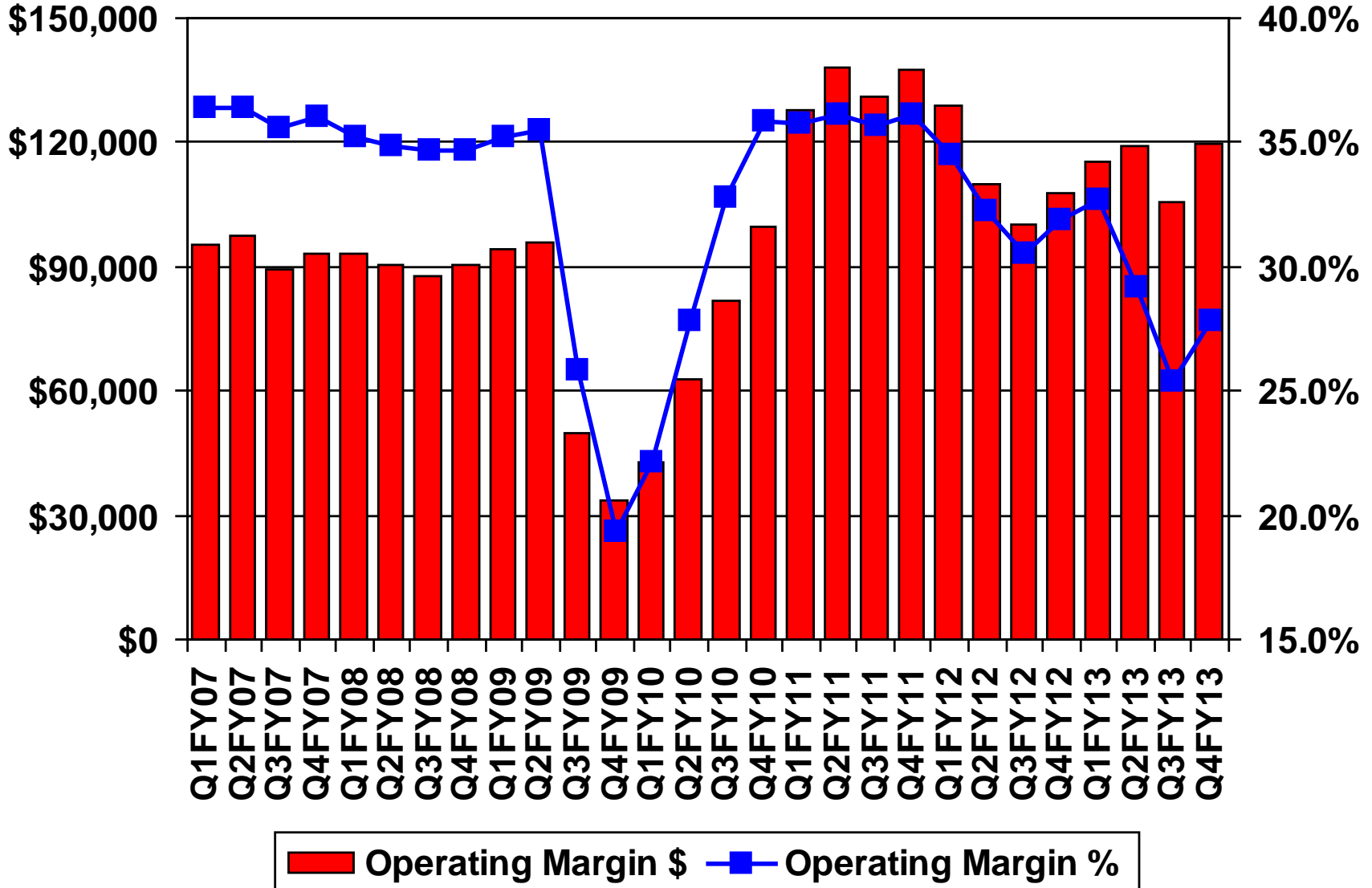
# Gross Margin % (Non-GAAP\*)



\*Excludes share-based compensation and acquisition-related expenses. A reconciliation of our GAAP to non-GAAP results is available at [www.microchip.com](http://www.microchip.com).



# Non-GAAP Operating Margin



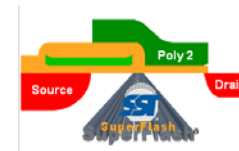


# Microchip Characteristics

1. Consistent growth
2. Perennial market share gains
3. High margin business model
4. Track record of accretive acquisitions
5. Shareholder friendly with consistently increasing dividends and free cash flow

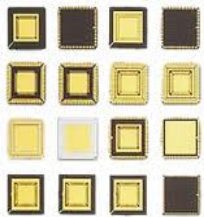


# Broadening Microchip Solutions Through Acquisitions



Hampshire	R&E	HI-TECH	ZeroG	SST	Adv Silicon Products
Oct '08	Apr '09	Mar '09	Jan '10	Apr '10	Oct '10
Touch Screen Controllers	Security / Life-Safety ASICs	Development Tools / Compiler	Low Power Embedded Wi-Fi	High-Density Flash / IP	Motor Drive Products

# Broadening Microchip Solutions Through Acquisitions



LSS



Smart Mixed-Signal Connectivity™

MMT	LSS	Ident	Roving Networks	SMSC
Feb '11	Oct '11	Feb'12	Apr '12	Aug '12
Assembly & Test Capacity Expansion	High Speed ADC	Gesture Recognition and Proximity	Bluetooth and WiFi Solutions	MOST® USB & Ethernet Wireless Audio PC Controllers



# Accretion from SMSC (Non-GAAP)

- FQ3 EPS accretion 6.5 cents/share
- FQ4 EPS accretion 8.5 cents/share
- FQ1 2014 accretion 9 to 10 cents/share
- FY 2014 accretion 40 to 45 cents/share



# SAM Expansion Focus Areas

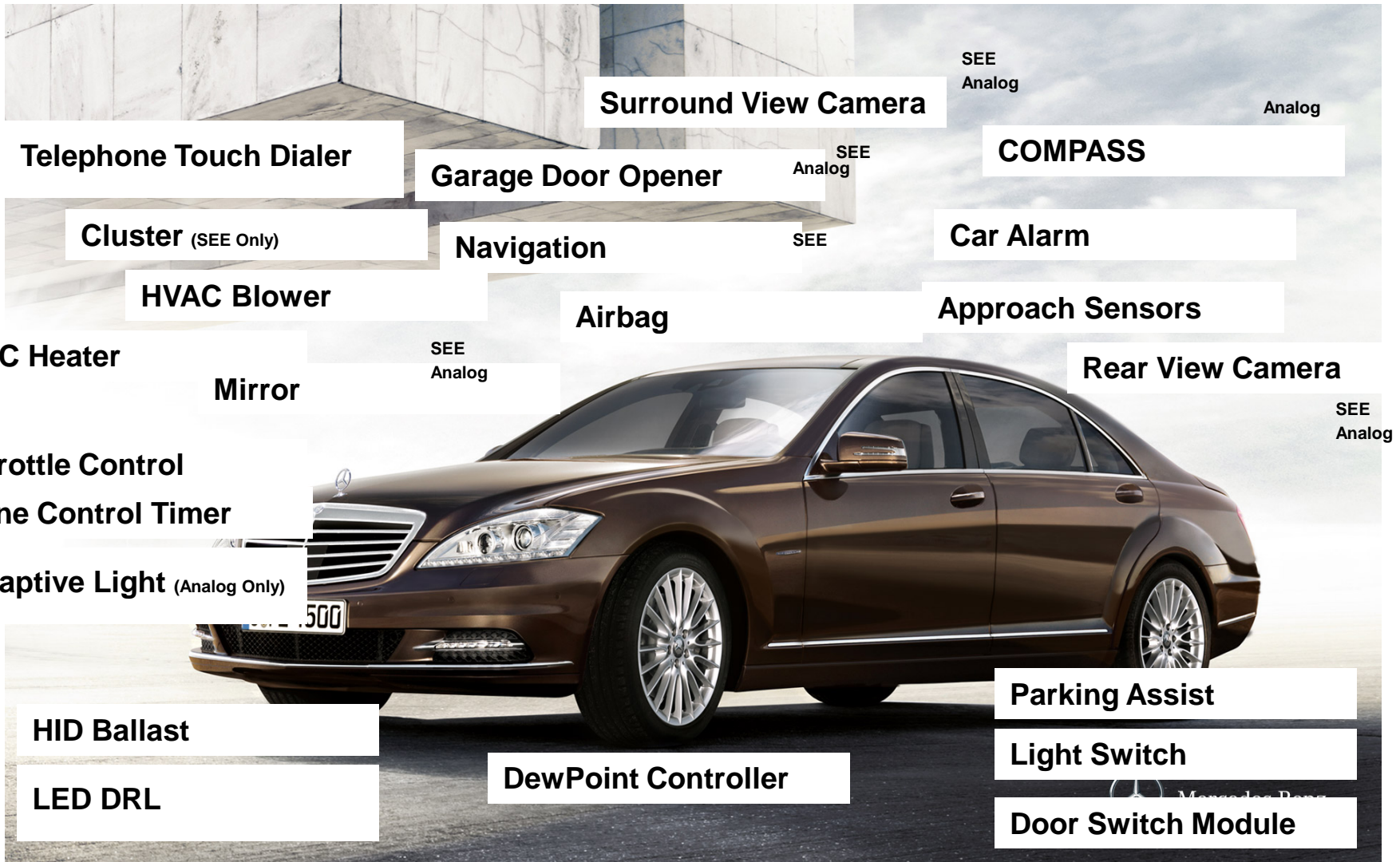
- eXtreme Low Power
- Infotainment in Cars
- Touch Sense
- Touch Screen
- Advanced Graphics
- USB Interface
- Ethernet Connectivity
- Wireless Connectivity
- Advanced Analog
- Wireless Audio
- Computing Embedded Controllers
- Motor Control
- Digital Power Supplies
- Energy Efficient Lighting
- Energy Harvesting and Monitoring
- Made for iPod and iPhone
- Medical Solutions





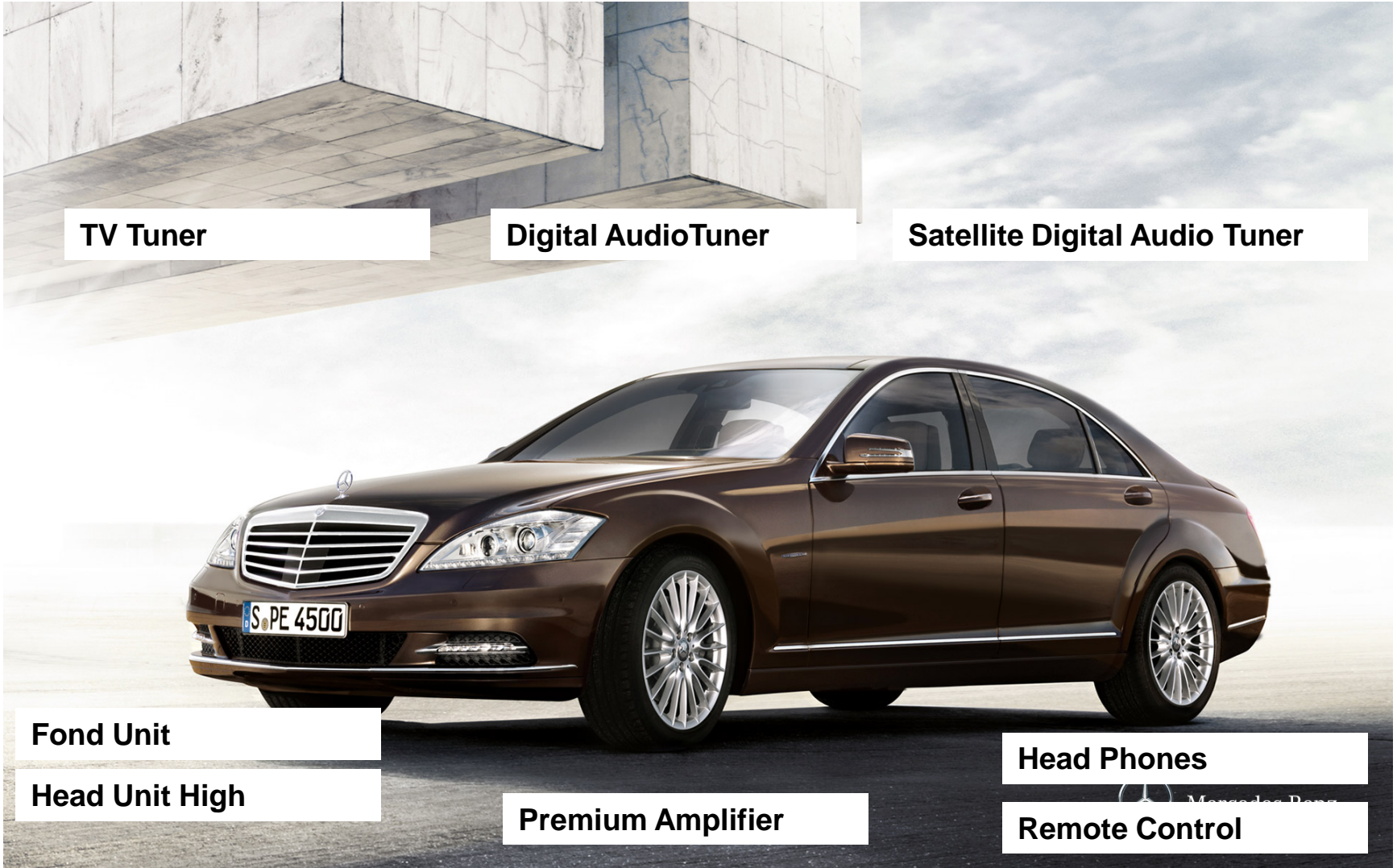
# MCHP Applications in S-Class

## 26 MCUs / 6 Analog / 6 Memory





# MCHP Applications in S-Class 6 MOST / 5 KLEER





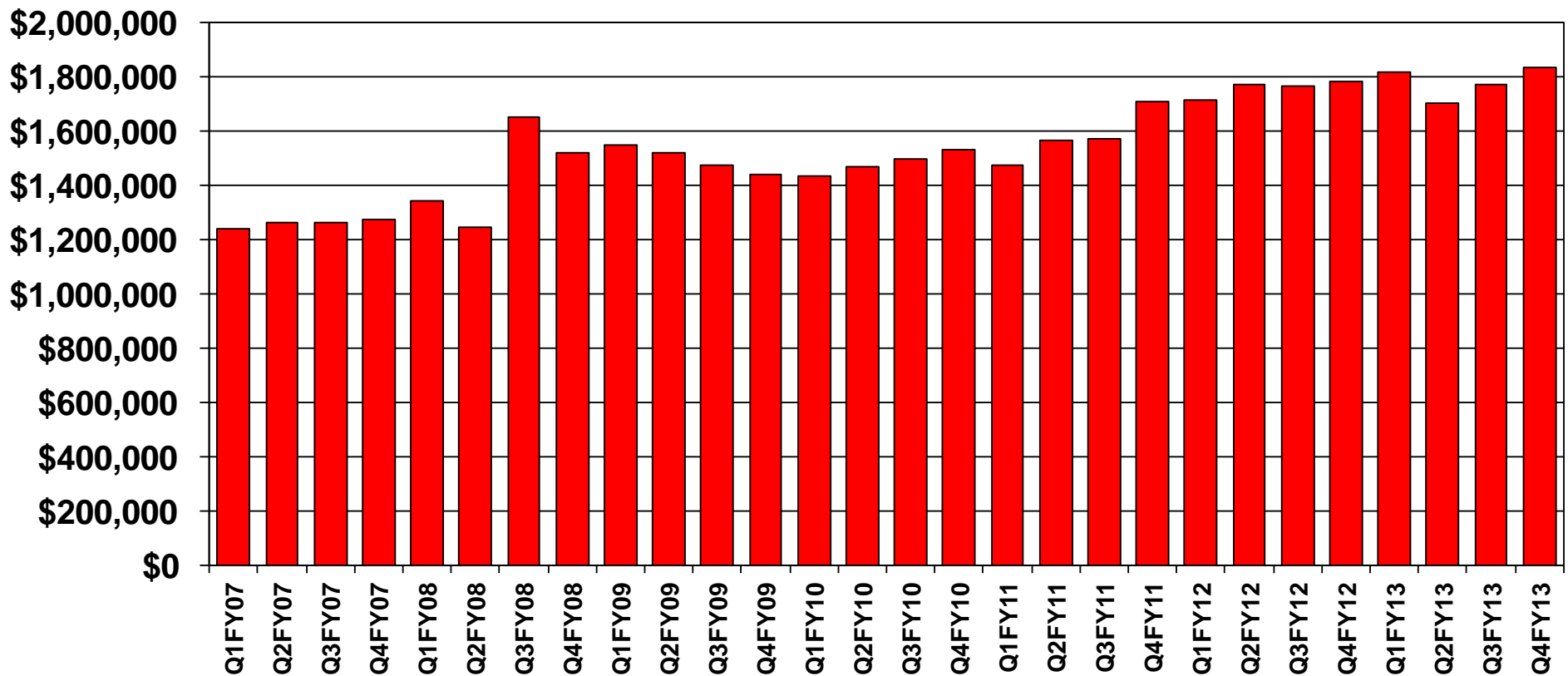
# Microchip Characteristics

---

1. Consistent growth
2. Perennial market share gains
3. High margin business model
4. Track record of accretive acquisitions
5. Shareholder friendly with consistently increasing dividends and free cash flow

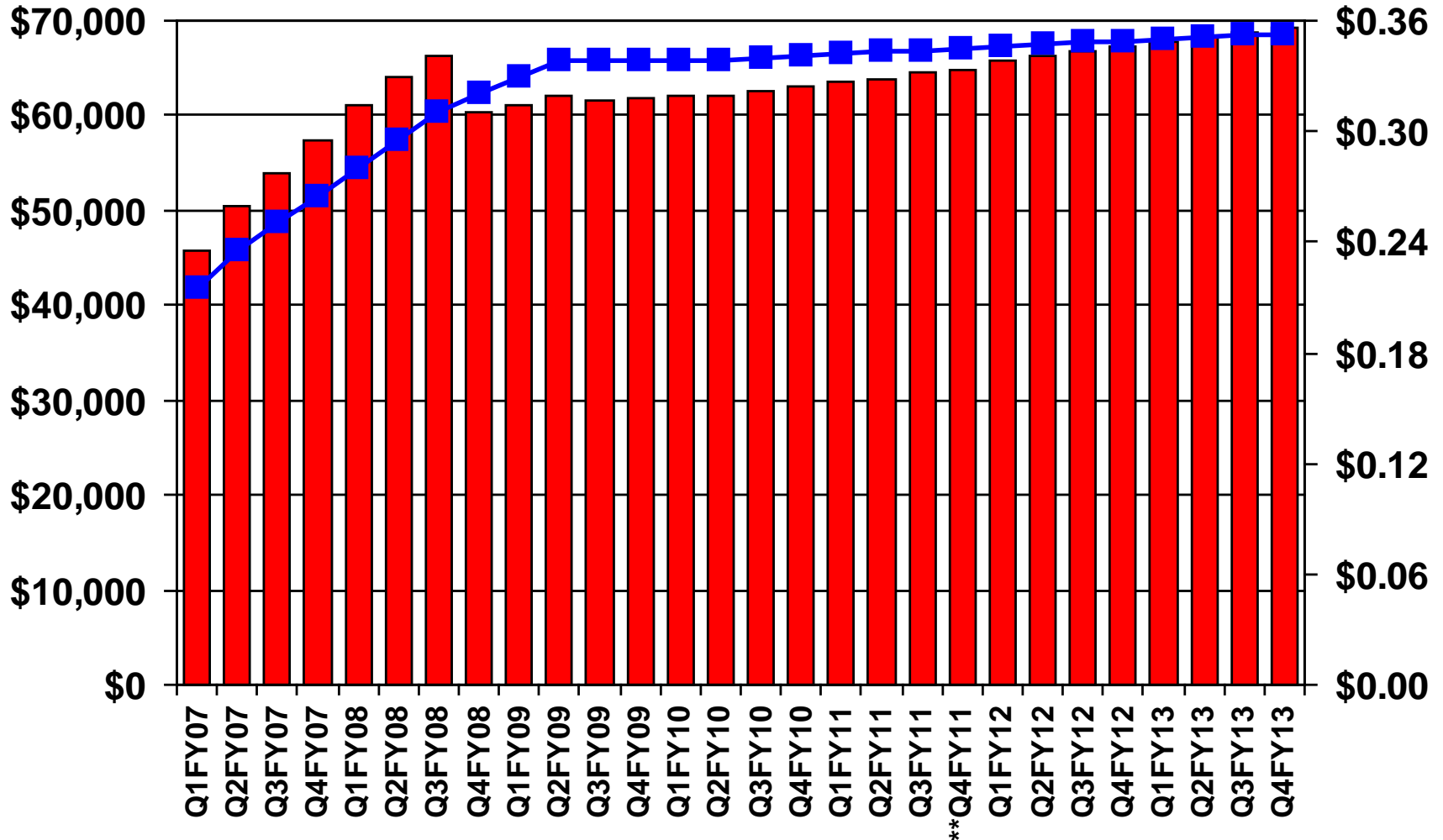


# Cash and Investment Balance





# \$2B Dividends Paid



■ Total Dividend   
 ■ Dividend per Share

\*\*Q4FY11 dividend accelerated into Q3FY11



# Topics to Cover

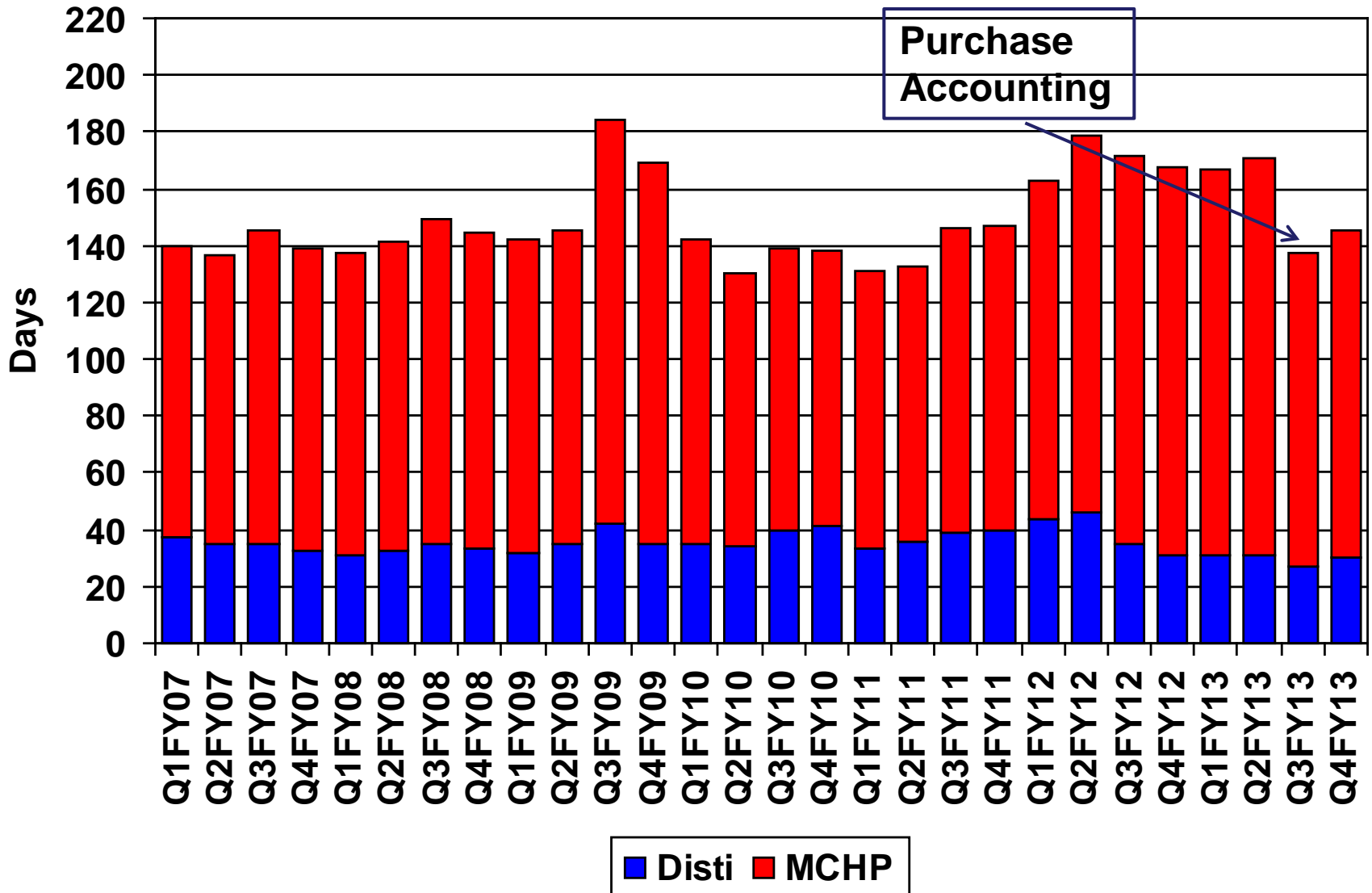
- The Characteristics of Microchip's Business
  1. Consistent growth
  2. Perennial market share gains
  3. High margin business model
  4. Track record of accretive acquisitions
  5. Shareholder friendly with consistently increasing dividends and free cash flow
- Current business conditions
- Opportunity for significant accretion as margins expand towards business model



# Current Business Conditions

- March quarter results were better than what we guided during our February 2013 earnings call. Net sales were above the midpoint of our guidance. Non-GAAP gross margin, operating expenses, operating profit and EPS were better than the high end of our guidance.
- Continuing to experience very strong bookings activity.
- Inventory is within the target range at 116 days, but our internally produced inventory is a bit high and our inventory purchased from third-party foundries is low. We expect these inventory balances to be better balanced by the end of the June quarter.
- After a record low distribution inventory at the end of December, distributors built 3 days of inventory in the March quarter and it seems that distributors will build some additional inventory in June. Microchip recognizes distributor revenue on a sell-through basis worldwide.

# Total Inventory (Disti/MCHP)







# Topics to Cover

- The Characteristics of Microchip's Business
  1. Consistent growth
  2. Perennial market share gains
  3. High margin business model
  4. Track record of accretive acquisitions
  5. Shareholder friendly with consistently increasing dividends and free cash flow
- Current business conditions
- Opportunity for significant accretion as margins expand towards business model



# MCHP Updated Financial Guidance

	<b>Previous (05/02/2013) Q1FY14 Guidance <u>June 30, 2013</u></b>	<b>Updated (06/04/2013) Q1FY14 Guidance <u>June 30, 2013</u></b>
Net Sales (\$MM Non-GAAP)	\$438.7 – 456.0	\$447.35 - \$460.25
Gross Margin*	56.5% - 57.0%	56.75% - 57.25%
Operating Expenses* (% of Sales)	27.75% - 28.25%	27.25% - 28.0%
Operating Profit	28.25% - 29.25%	28.75% - 30.0%
EPS (Non-GAAP*)	\$0.50 – 0.54	\$0.52 – 0.56
EPS (GAAP)	\$0.30 – 0.34	\$0.32 – 0.36

\* Excludes share-based compensation, acquisition related charges, non-recurring items and adoption of ASC Subtopic 470-20. The Q4 FY13 GAAP and non-GAAP EPS includes a benefit of ~ 3 cents for the reinstatement of the R&D tax credit. A reconciliation of our GAAP to non-GAAP results is available at [www.microchip.com](http://www.microchip.com).



# MCHP Financial Information Consolidated

	<u>Actual</u>	<u>Guidance</u>	
	<u>Actual Mar. 31, 2013</u>	<u>Q1FY14 Guidance June 30, 2013</u>	<u>Long-Term Model</u>
Net Sales (\$MM Non-GAAP)	\$430.1	\$447.35 – 460.25	
Gross Margin*	56.4%	56.75% - 57.25%      ~ 60% ± .5%	
Operating Expenses* (% of Sales)	28.6%	27.25% - 28.0%      ~ 27.5% ± .5%	
Operating Profit	27.8%	28.75% - 30.00%      ~ 32.5% ± .5%	
EPS (Non-GAAP*)	\$0.52	\$0.52 – 0.56	
EPS (GAAP)	\$0.28	\$0.32 – 0.36	

\* Excludes share-based compensation, acquisition related charges, non-recurring items and adoption of ASC Subtopic 470-20. The Q4 FY13 GAAP and non-GAAP EPS includes a benefit of ~ 3 cents for the reinstatement of the R&D tax credit. A reconciliation of our GAAP to non-GAAP results is available at [www.microchip.com](http://www.microchip.com).



# Summary

- Microchip is a consistent revenue grower
- Microchip is a perennial market share gainer
- Microchip has consistently maintained a high margin business model
- Microchip has shown a consistent track record of accretive acquisitions
- Microchip is shareholder friendly with consistently increasing dividends and free cash flow
- Current business conditions are showing very strong bookings
- Investors have an opportunity for significant EPS accretion as margins expand towards the long term business model



**MICROCHIP**

***Thank You!***