

A Leading Provider of Microcontroller,
Mixed-Signal, Analog & Flash-IP Solutions



Microchip In Industrial

Ganesh Moorthy
President and
Chief Operating Officer



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 or future events, including our strategy, growth drivers, industry outlook, industry trends, products, financial guidance and our financial model. We wish to caution you that such statements are just predictions and that actual events or results may differ materially. These statements are subject to a number of risks and uncertainties, including any economic uncertainty due to monetary policy, political or other issues in the U.S. or internationally, any 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; changes in U.S. corporate tax laws as a result of the Tax Cuts and Jobs Act of 2017 or other future legislation, 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; the level of sell-through of our products through distribution; changes or fluctuations in customer order patterns and seasonality; 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 tax audit or any litigation or other matters involving intellectual property, customers, or other issues; our ability to successfully integrate the operations and employees, retain key employees and customers and otherwise realize the expected synergies and benefits of our past and any future acquisitions; 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 or disruptions in the transportation system; and general economic, industry or political conditions in the United States or internationally. Actual results may differ materially from the expected results. For a detailed discussion of these and other risk factors, please refer to Microchip's filings on Forms 10-K, 10-Q and 8-K. You can obtain copies of our Forms 10-K, 10-Q, 8-K 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. These documents contain and identify other important factors that could cause our actual results to differ materially from those contained in our projections or forward-looking statements. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date such statements are made. We do not undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after this presentation or to reflect the occurrence of unanticipated events.

Non-GAAP Information

In this presentation, we have included certain non-GAAP financial results with respect to some or all of the following items: net sales, gross margin, gross profit, operating expenses, operating margin, operating income, net income, diluted EPS and EBITDA. Our non-GAAP results exclude, as applicable, the effect of discontinued operations, share-based compensation, expenses related to our acquisition activities (including intangible asset amortization, inventory valuation costs, severance costs, and legal and other general and administrative expenses associated with acquisitions), revenue recognition changes related to Atmel distributors resulting from changes to business practices with those distributors, non-cash interest expense on our convertible debentures, a loss on the settlement of our convertible debentures, an impairment on an available-for-sale investment, the related income tax implications of these items, tax adjustments in accordance with ASC 740-270, non-recurring tax events, including the impact of the Tax Cuts and Jobs Act, the effect of a manufacturing excursion issue with one of our suppliers, preclusion of revenue recognition under GAAP for inventory in the distribution channel on the acquisition dates of our acquisitions, a gain on an equity method investment, and the related income tax implications of these items. Reconciliations of our non-GAAP and GAAP results are included in our quarterly press releases which are available at Microchip's website (www.microchip.com).

Corporate Overview

- **Leading Total Systems Solutions provider:**
 - High-performance Microcontrollers, Digital Signal Controllers and Microprocessors
 - Mixed-Signal, Analog, Interface and Security solutions
 - Clock and Timing solutions
 - Wireless and Wired Connectivity solutions
 - Non-volatile EEPROM and Flash Memory solutions
 - Flash IP solutions
- **~ \$4 Billion revenue run rate**
- **~13,500 employees**
- **Headquartered near Phoenix in Chandler, AZ**

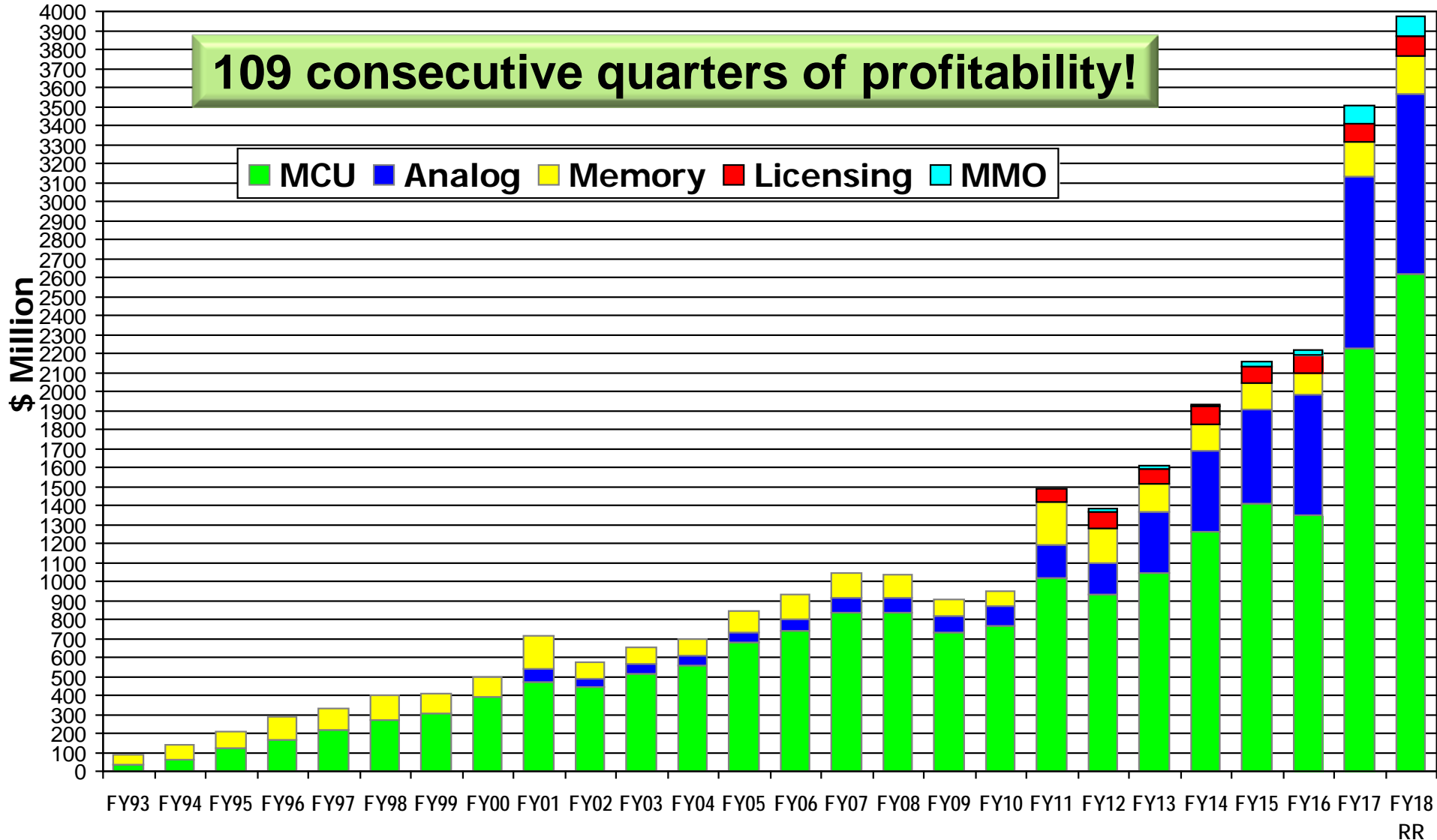
Our Vision

***Be The Very Best Embedded
Control Solutions Company Ever***

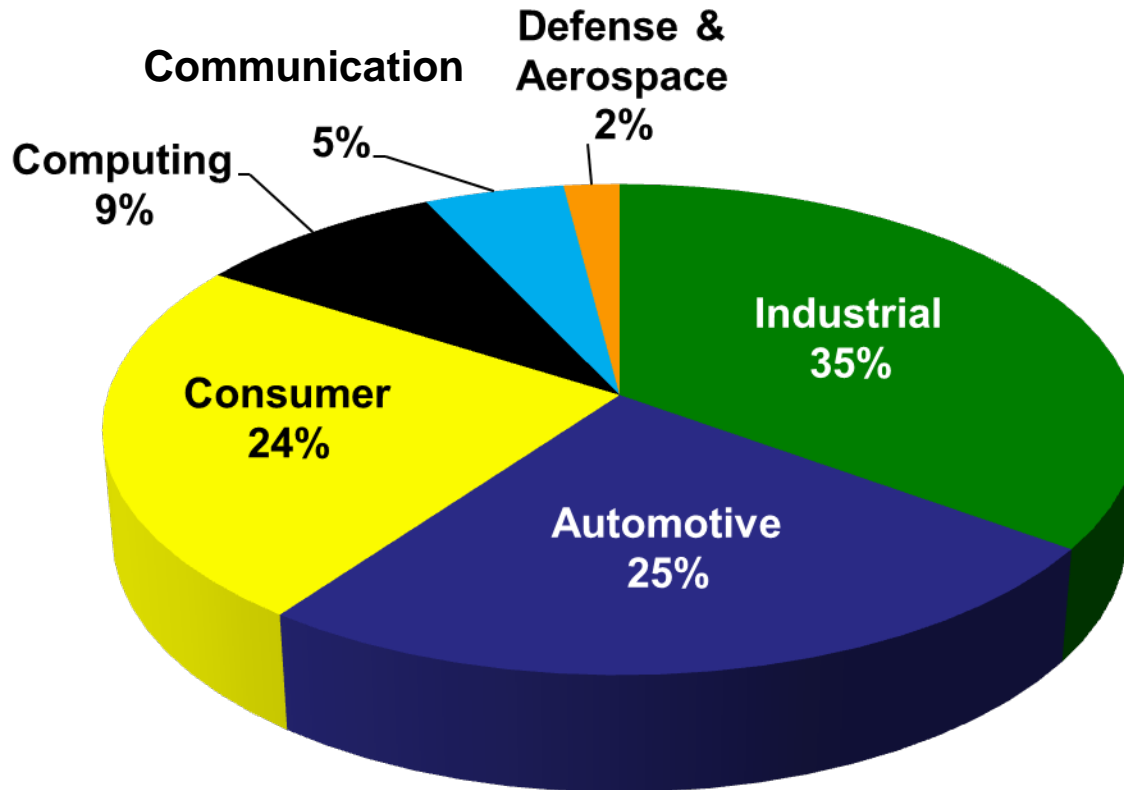


SMART | CONNECTED | SECURE

Annual Net Sales Growth



Revenue by End Market



Microchip is a top 10 semiconductor supplier to the Industrial and Automotive Markets

Industrial Market Characteristics

- **Products need to work in harsh and/or remote environments**
- **Suppliers need patience and persistence**
 - Design-in cycles are complex and take 2 to 3 years – much longer than consumer applications
 - Volume is slow to ramp.....and then often lasts for 10 to 20 years
- **Switching costs are high, requiring long-time (> 20 years) component supply capability**
 - Counter to most semiconductor companies' practice
- **Growing adoption of smart, connected and secure (IoT) solutions to grow revenue, save cost and mitigate risk**



Microchip's Business Model Is Designed For Industrial Markets

- **All our products are designed to operate robustly in harsh environments**
- **Organizational DNA is suited for long design-in cycles and long product life cycles**
 - No distraction from mobile phone market
 - Low exposure to consumer electronics market
- **Have practiced customer driven product obsolescence for >25 years**
 - Low risk and high value for Industrial market
- **Strong portfolio of Smart, Connected and Secure solutions for Industrial IoT requirements**
 - Complemented by software, tools and technical support tailored for industrial market customers

Industrial Process Control



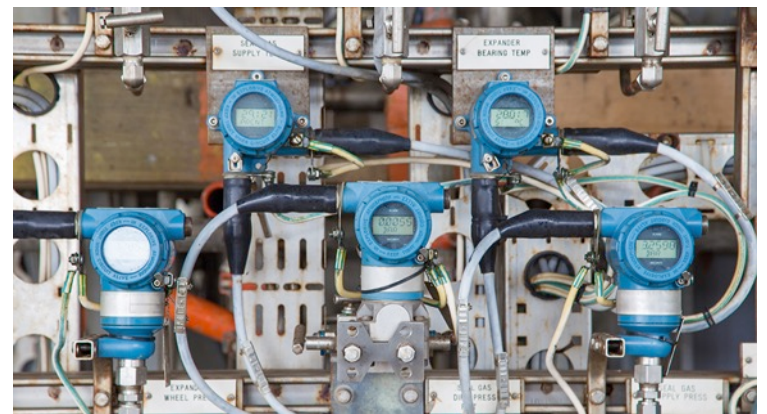
Flow Meters



Pumps



Touch Panels and Buttons



Pressure Gauges

Metering and Measurement



Test Equipment



Electric Meters



Gas Meters



Fuel Evaluation



Water Meters

Safety and Security



Smoke Detectors



Surveillance Cameras



Security Touchpads



Motion Sensors



Carbon Monoxide Detectors

Smart Cities



Grid Infrastructure



Energy Management



Smart Street Lighting

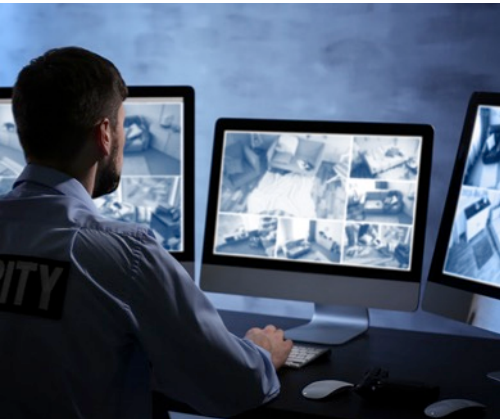


Street Signs

Communication/Networking



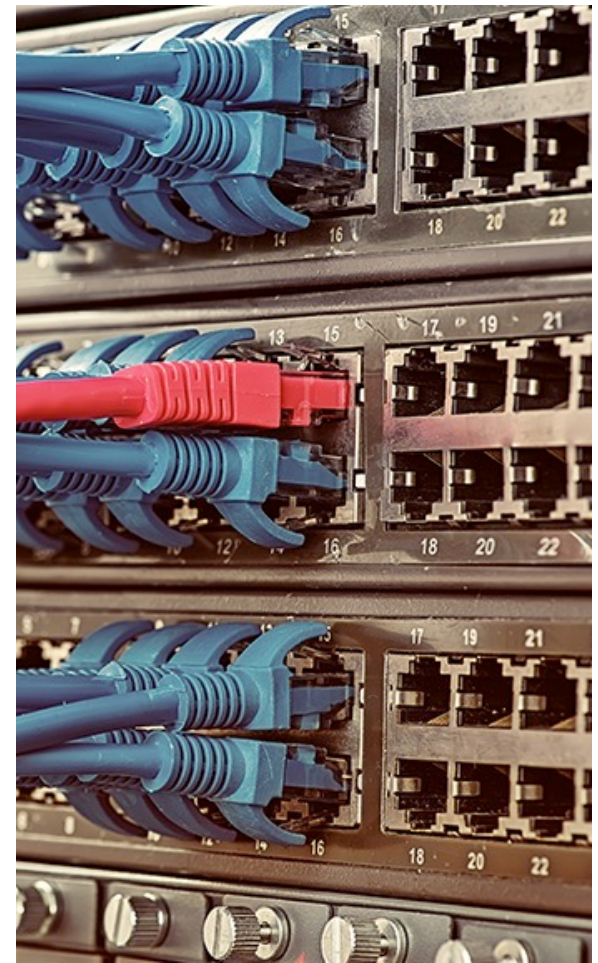
Machine-to-Machine (M2M) Communication



Video Surveillance



Communication Towers



Routers/Gateways

Authentication



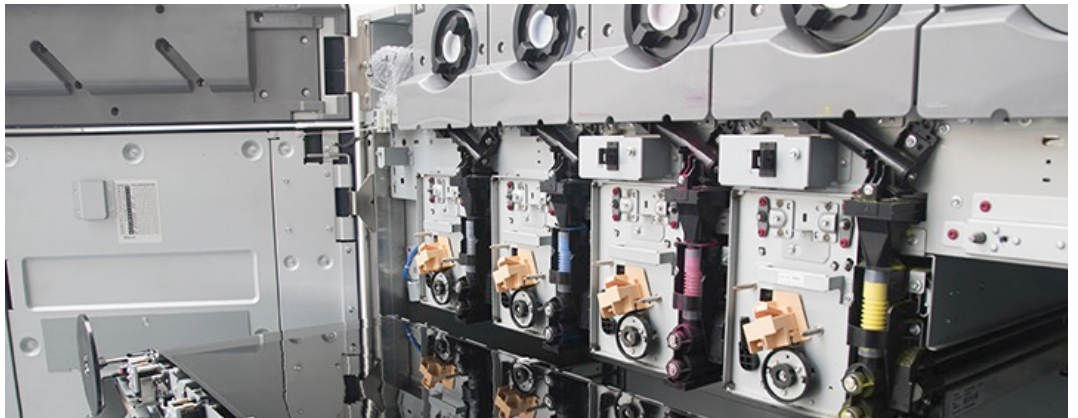
Bus Authentication



Access Control Systems



Secure POS Terminal



Cartridge Authentication

Medical



Defibrillators



CPAP Machines

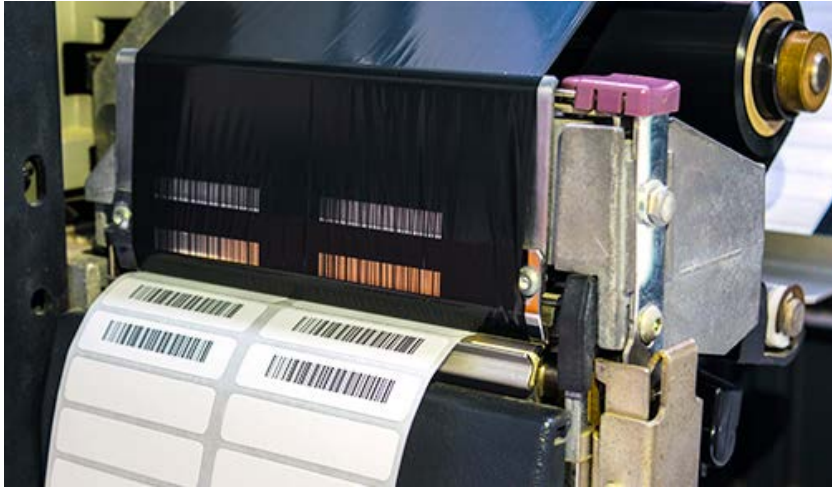


In-Home Patient Monitors



Ultrasound Machines

Industrial Computing



Industrial Printers



Industrial Computers



Point-of-Sale Machines



Bar Code Scanners



Information Kiosks

Building/Factory Automation



Assembly Line Automation



Boilers



HVAC

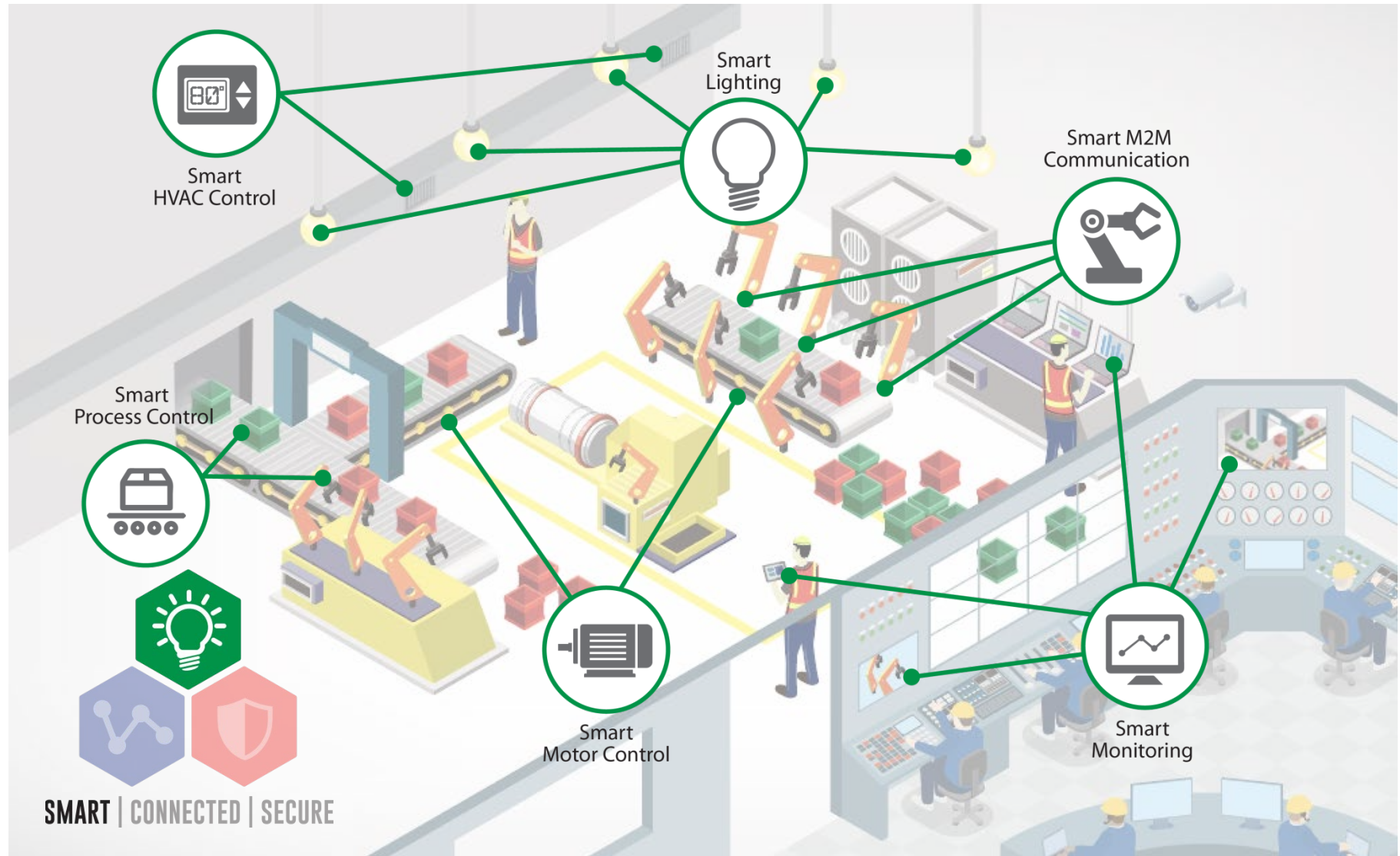


Machine Vision



Smart Lighting

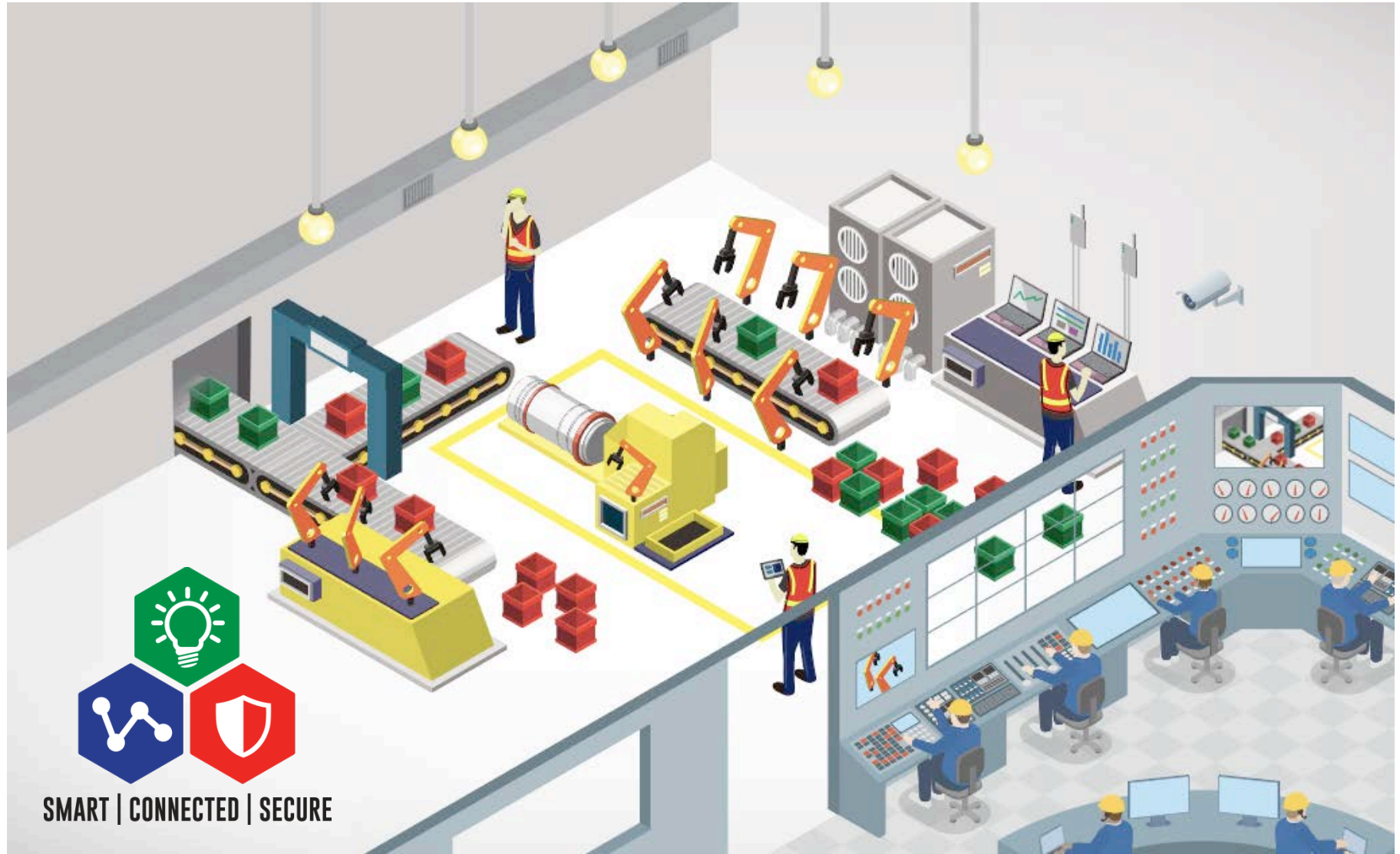
Industrial IoT Smart



Industrial IoT Connected



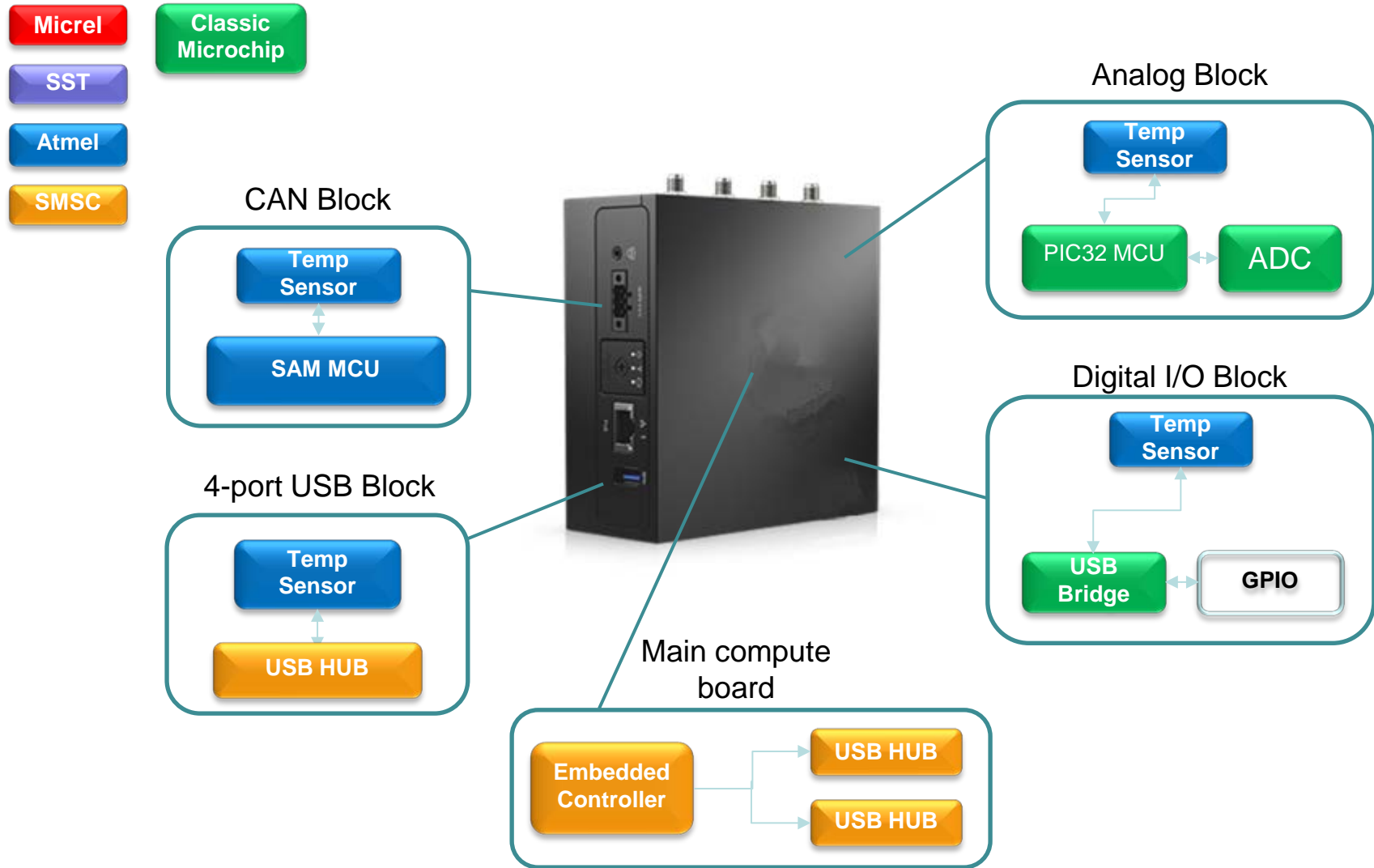
Industrial IoT Smart, Connected & Secure






SMART | CONNECTED | SECURE

Industrial IOT Gateway



Industrial OEMs Using Microchip Solutions

NEC

SUNPOWER®

Honeywell

AAEON®

ADVANTECH

ABB



DATALOGIC™



SIEMENS



EMERSON™



TRIDONIC



tyco



Itron

EAT•N



NOVOMATIC

MITAC 

OMRON



BOSCH

Schneider
Electric

WINCOR
NIXDORF



PHILIPS

BECKHOFF



ZTE中兴

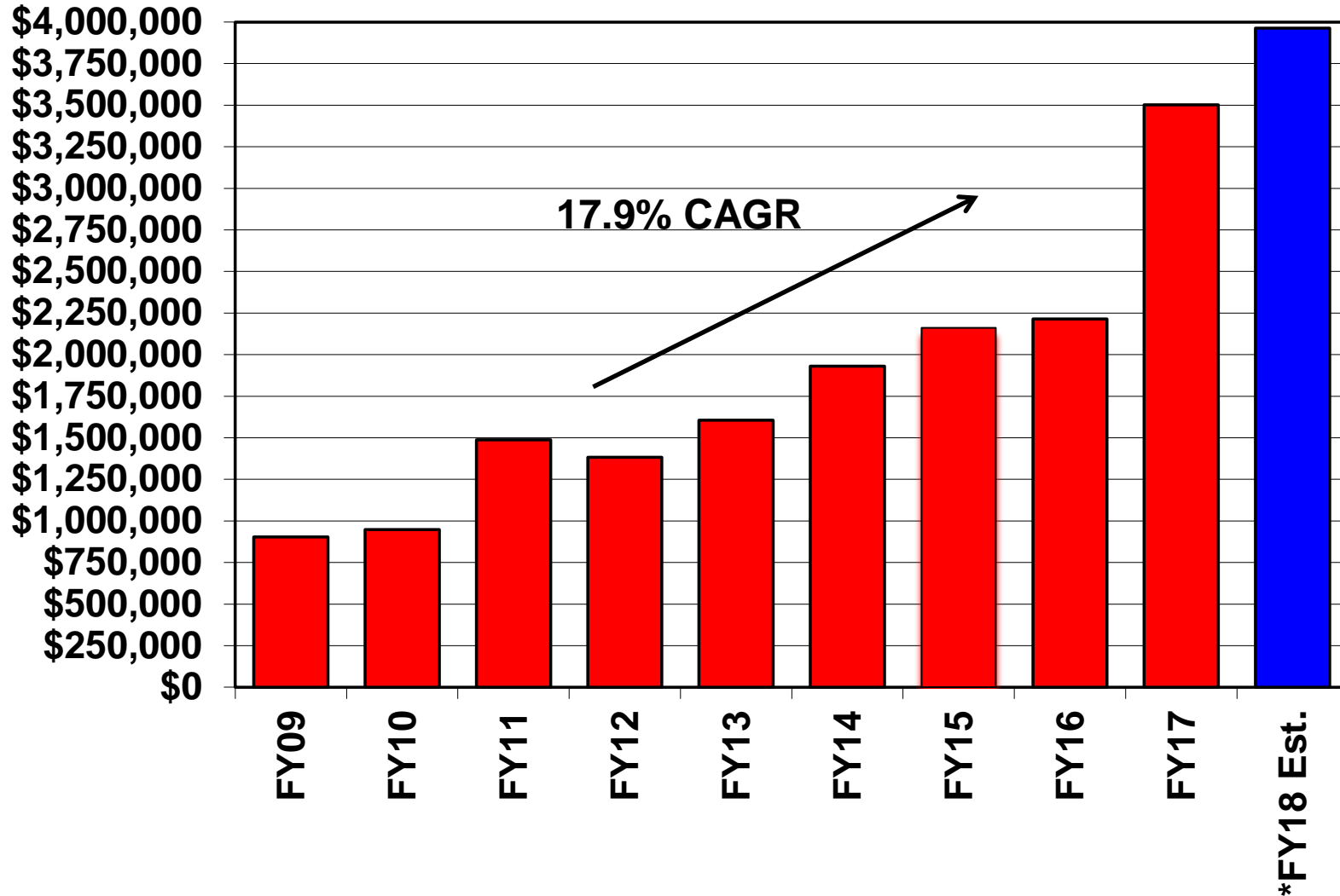
nest™

Rockwell
Automation

Investment Thesis

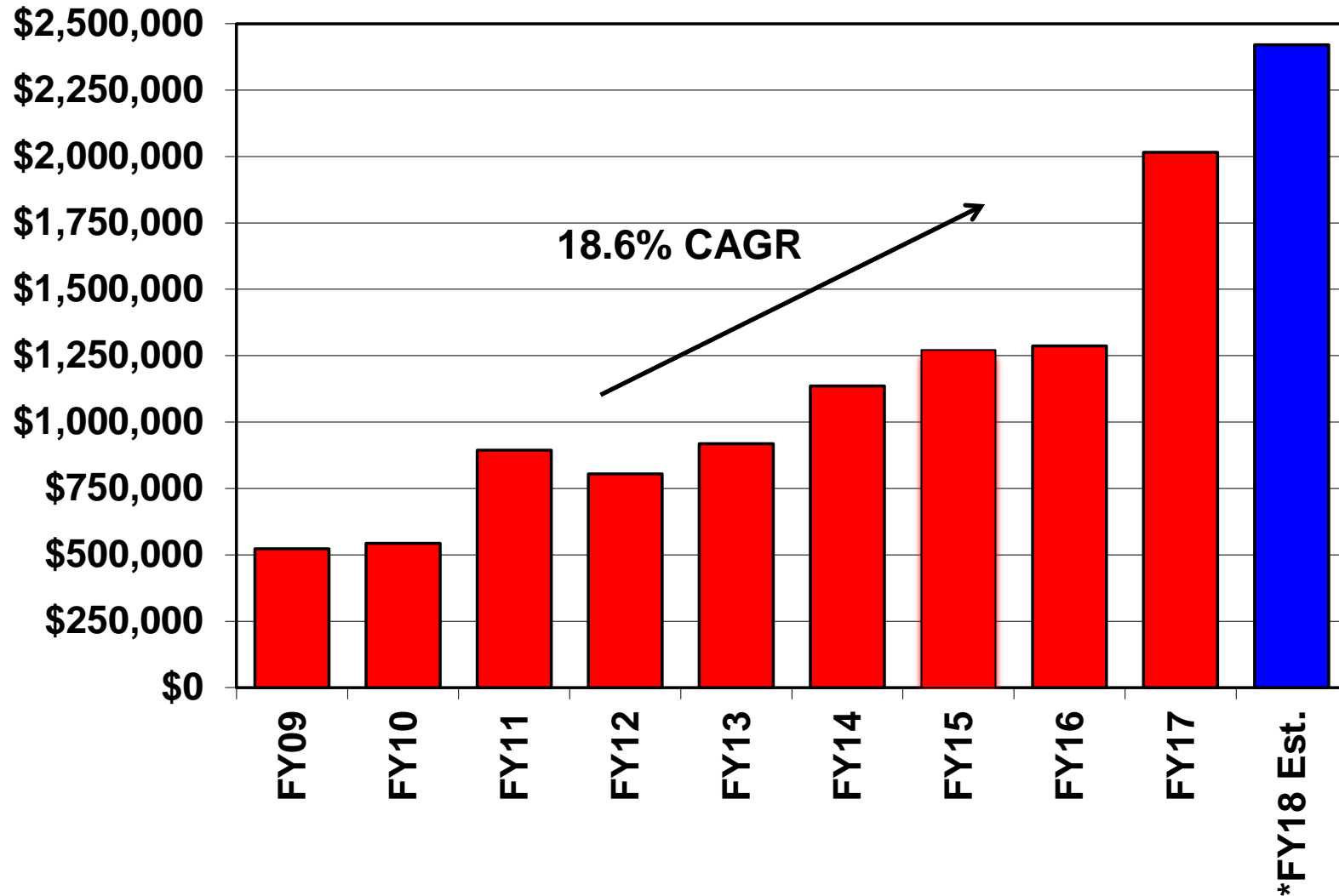
***Consistent and above market
revenue growth, profitability,
cash generation and return to
shareholders***

Non-GAAP Net Sales



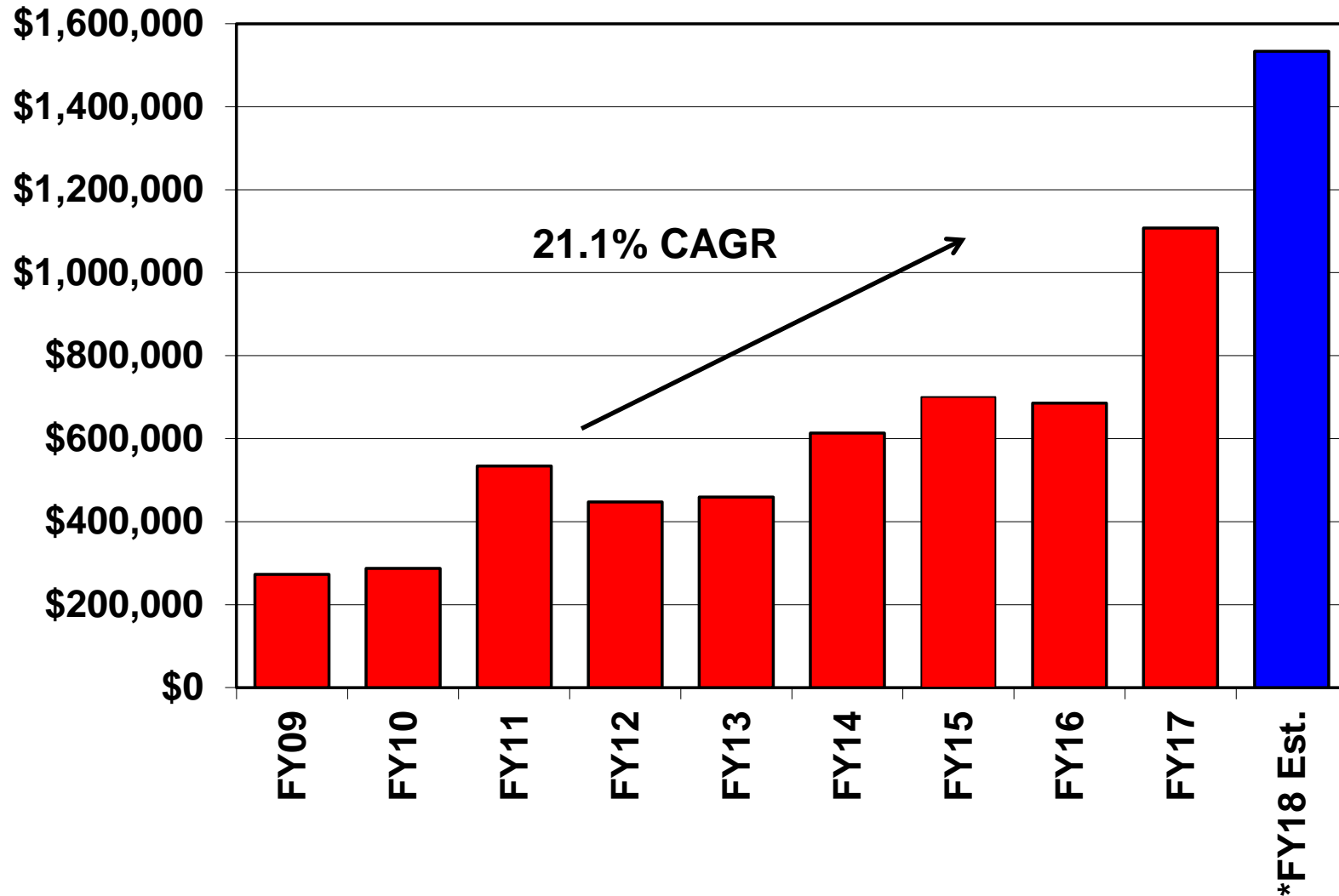
* FY18 represents Q1 – Q3 FY18 actual results plus midpoint of Q4 guidance

Non-GAAP Gross Profit



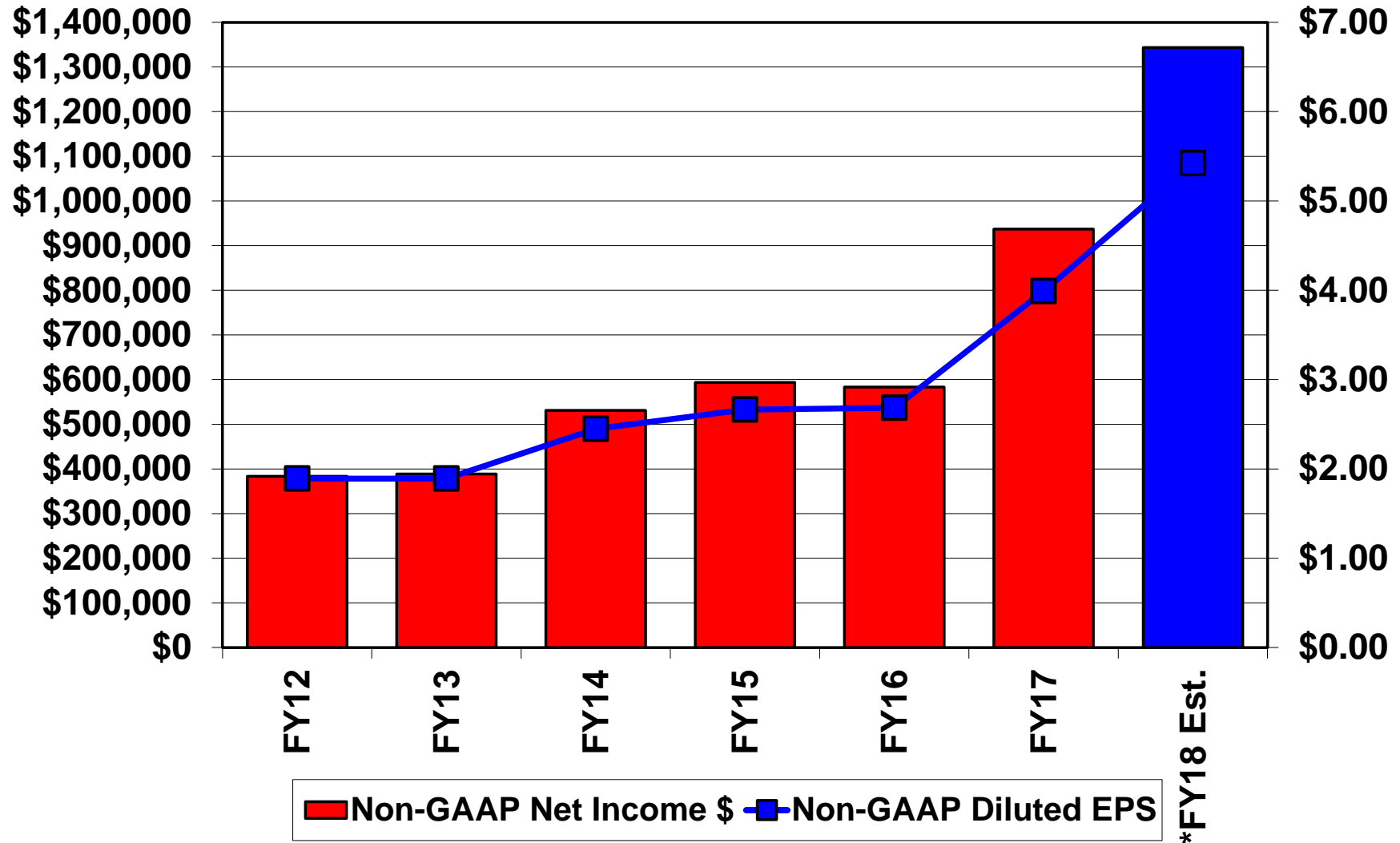
* FY18 represents Q1 – Q3 FY18 actual results plus midpoint of Q4 guidance

Non-GAAP Operating Income



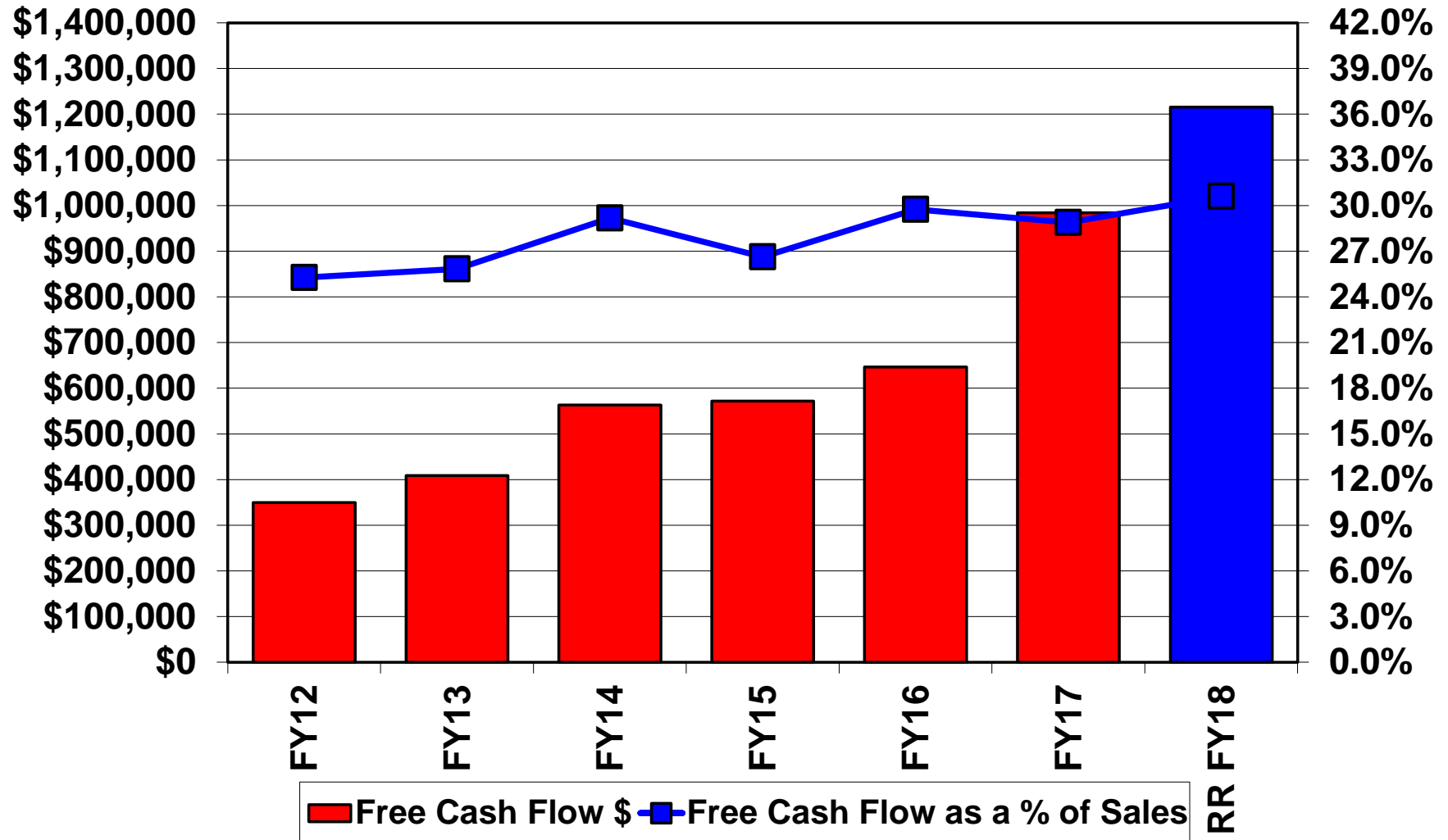
* FY18 represents Q1 – Q3 FY18 actual results plus midpoint of Q4 guidance

Non-GAAP Net Income and Diluted EPS Growth



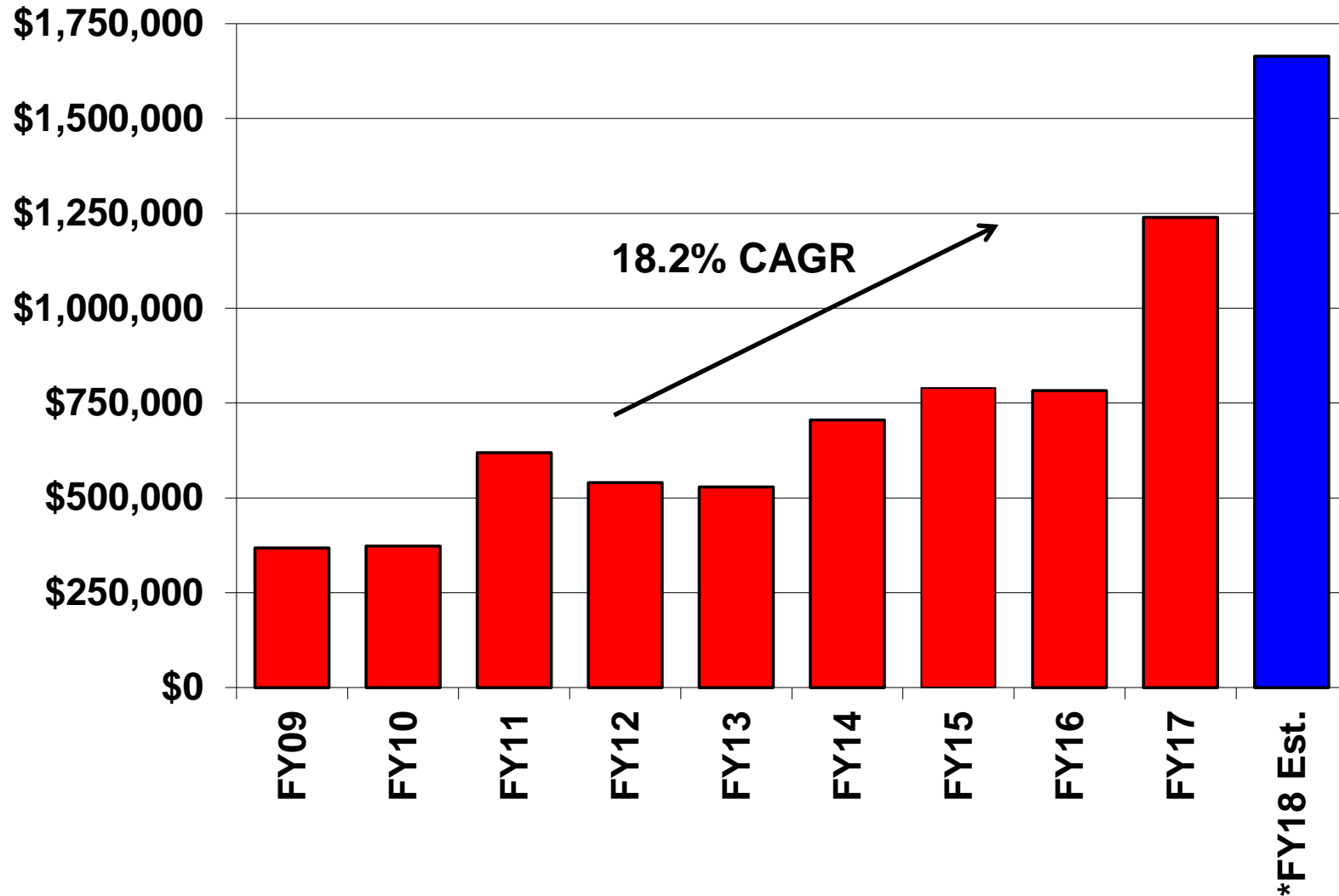
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Free Cash Flow as a % of Revenue



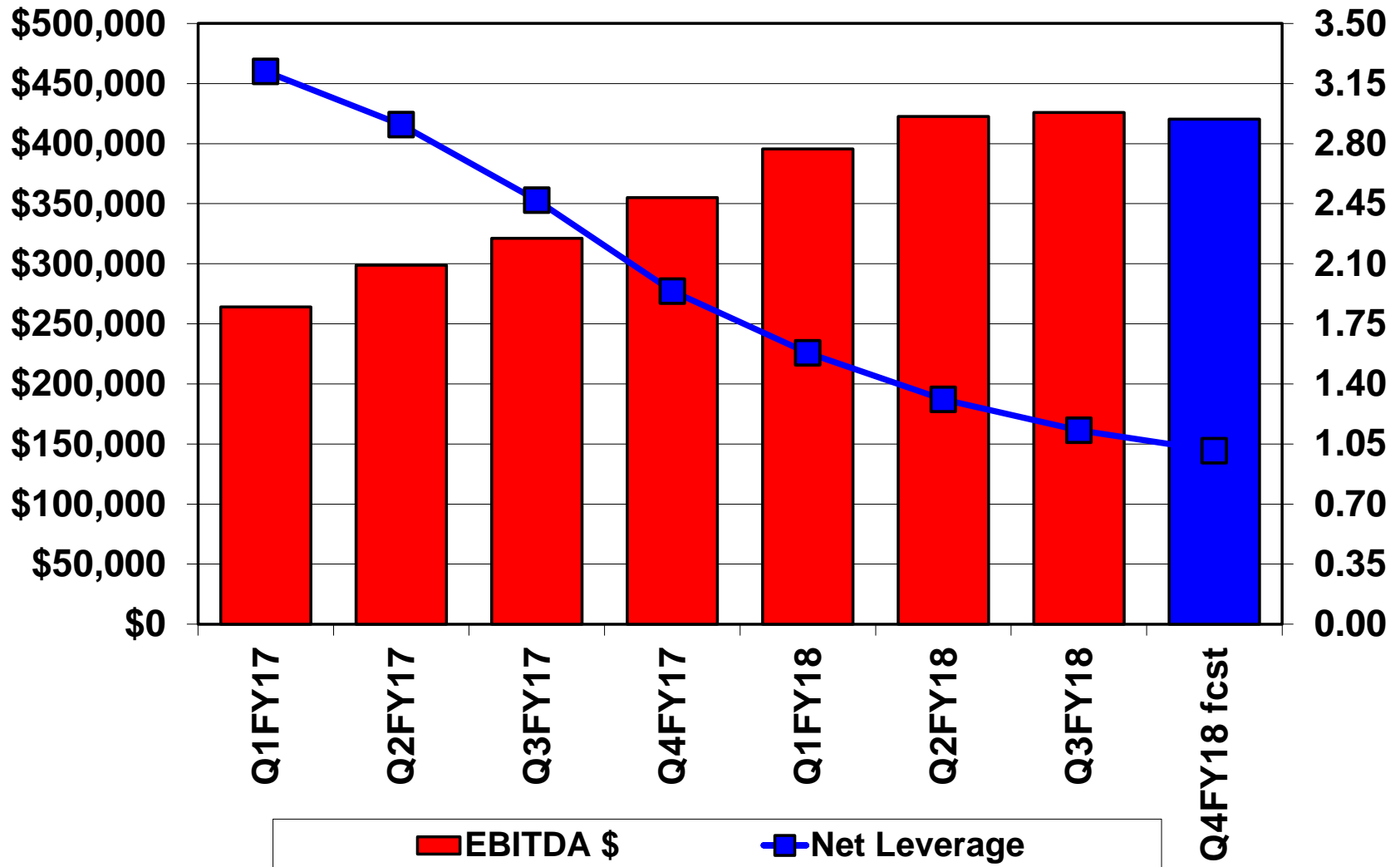
* FY18 run rate is first three quarter of FY18 divided by 3 and multiplied by 4. Free cash flow = operating cash flow minus capital expenditures.

EBITDA



* FY18 represents Q1 – Q3 FY18 actual results plus Q4 estimate based on midpoint of financial guidance

EBITDA and Net Leverage



* EBITDA as calculated in accordance with Microchip's Credit Facility. Net leverage excludes 2037 convertible debt, consistent with Credit Facility



Financial Results, Guidance and Long-Term Model

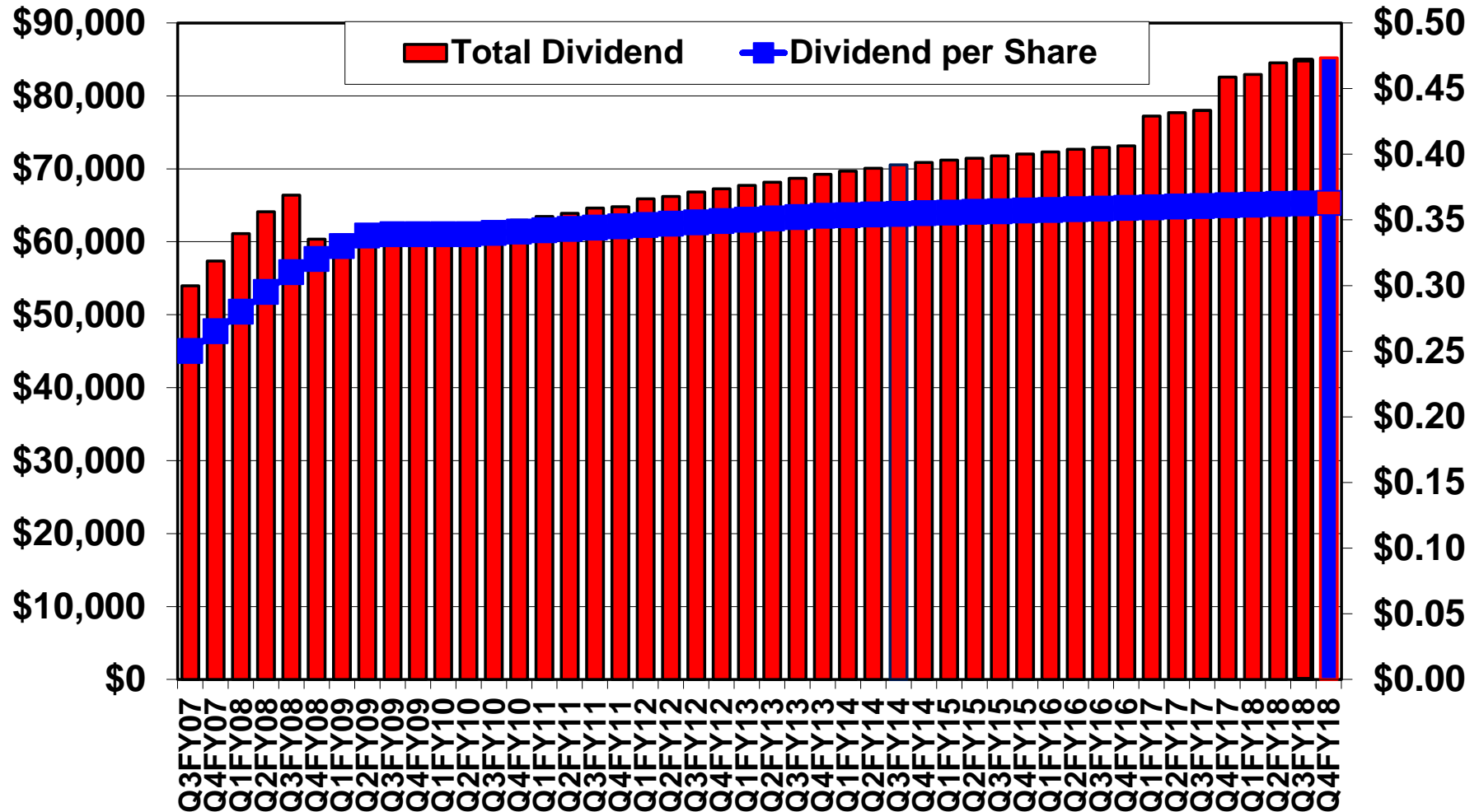
	Actual Results						
	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18
Net Sales	\$844.0	\$873.8	\$881.2	\$902.7	\$972.1	\$1,012.1	\$994.2
Gross Profit	\$471.1	\$499.9	\$509.7	\$534.7	\$587.2	\$617.8	\$610.6
Gross Margin	55.8%	57.2%	57.8%	59.2%	60.4%	61.0%	61.4%
Operating Expenses	\$240.0	\$233.6	\$220.6	\$213.6	\$222.9	\$227.3	\$218.9
Operating Income	\$231.1	\$266.3	\$289.1	\$321.2	\$364.3	\$390.5	\$391.7
Operating Margin	27.4%	30.5%	32.8%	35.6%	37.5%	38.6%	39.4%
Net Income	\$194.0	\$219.6	\$246.5	\$276.9	\$319.1	\$344.1	\$341.2
Diluted EPS	\$0.84	\$0.94	\$1.05	\$1.16	\$1.31	\$1.41	\$1.36
EBITDA	\$264.1	\$298.8	\$321.3	\$356.5	\$395.6	\$422.5	\$425.9

Q4 FY18 Guidance	
Net Sales	\$964.4 - \$1,004.1
Gross Margin %	61.3% - 61.7%
Operating Expense %	22.0% to 22.4%
Operating Margin	38.9% to 39.7%
Diluted EPS	\$1.30 - \$1.39

Long Term Model	
Revenue Growth	7% - 9%
Gross Margin	62.5%
Operating Expenses	22.5%
Operating Margin	40.0%

Microchip does not utilize a GAAP long-term model. All figures in long-term model are non-GAAP. Excludes share-based compensation, acquisition related charges, non-recurring items. A reconciliation of our GAAP to non-GAAP results is available at www.microchip.com.

~ \$4.9B Returned To Shareholders



~ \$3.5B in dividends and ~\$1.4B in share buy-backs!

Microchip Summary

- **Significant provider of Industrial semiconductor solutions with >25 years experience in Industrial market**
- **Leadership of multiple application areas in the Industrial market**
- **Well-positioned for Industrial IoT growth with a broad range of Smart, Connected and Secure solutions**
- **Consistent and above market revenue growth, profitability, cash generation and return to shareholders**



MICROCHIP

Thank you!