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




Credit Suisse 23rd Annual Technology Conference

Steve Sanghi, Chairman & CEO
December 4th, 2019

microchip.com

MICROCHIP

Forward Looking Statement Safe Harbor:

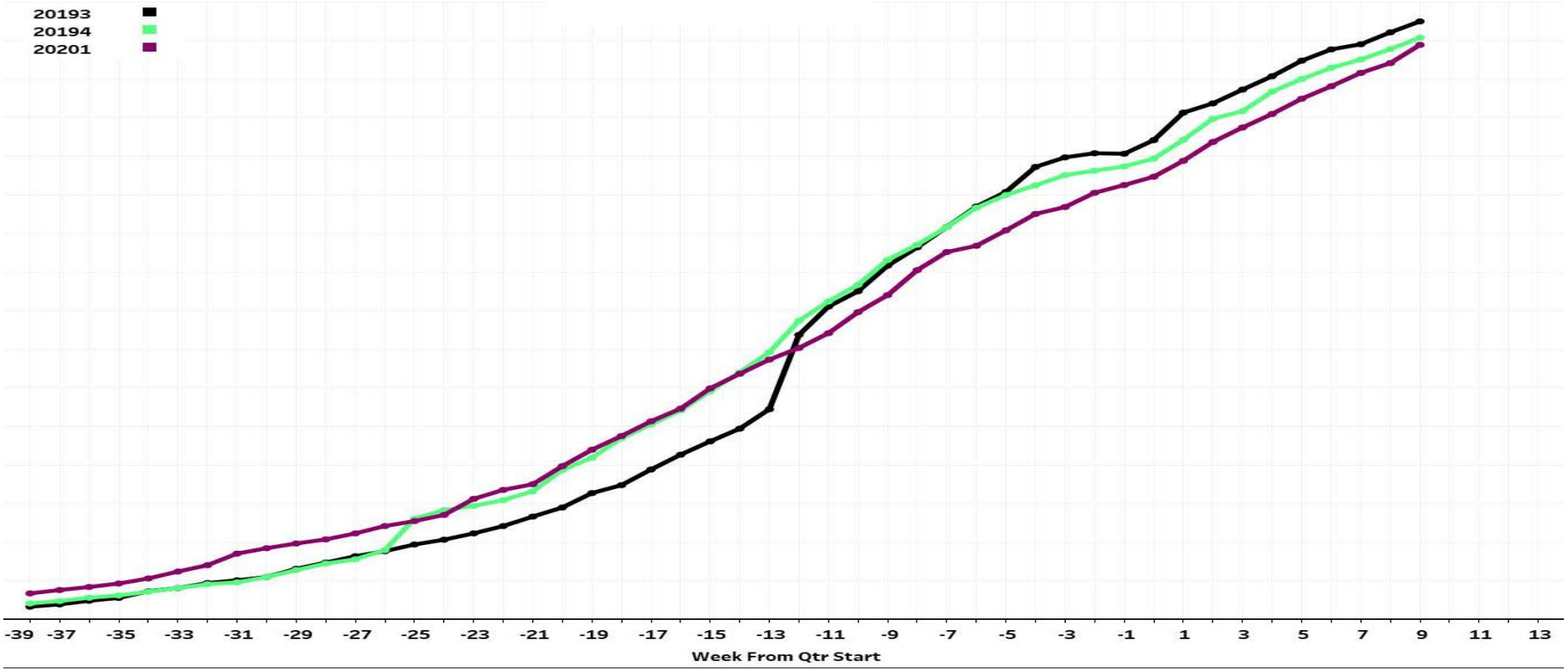
During the course of this presentation, we will make projections or other forward-looking statements regarding the future financial performance of the company (including our guidance) or future events, including our strategy, growth drivers, industry outlook, industry trends, market size and our financial 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 monetary policy, political, trade 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; 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 (including our acquisition of Microsemi Corporation); 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 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 December 2019 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 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. Our non-GAAP adjustments include, where applicable, the effect of share-based compensation, expenses related to our acquisition activities (including intangible asset amortization, inventory valuation costs, 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), 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. 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. Reconciliations of certain of our non-GAAP and GAAP results are available on our website at www.microchip.com/investors.

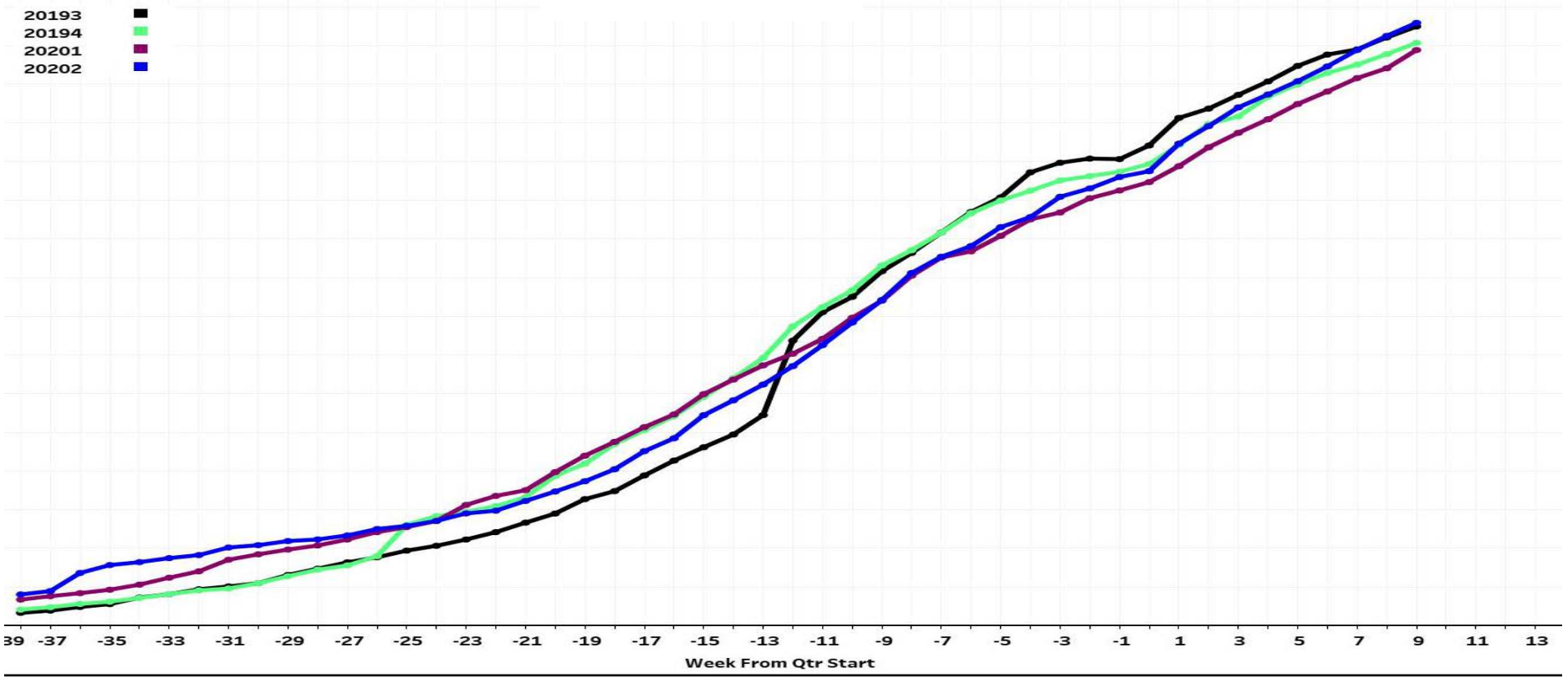
Q2FY20 Business Results & Q3FY20 Guidance

- Q2FY20 net sales of $1.338B, up 1.1% sequentially and down 6.6% from a year ago quarter.
- Non- GAAP gross margin of 62.24% near a record high.
- Lowest distribution inventory in fifteen years except one quarter (FQ3 2013).
- Record quarterly dividend declared of 36.65 cents per share.
- Issued revised guidance on December 3, 2019 for net sales to be between down 3% to down 7% sequentially (prior guidance was down 2% to down 10% sequentially).
- Revised guidance for non-GAAP diluted EPS to be between $1.19 and $1.30 per share (prior guidance $1.12 to $1.32 per share)

Microchip Total Billings + Backlog: FQ3’19, FQ4’19 & FQ1’20



Microchip Total Billings + Backlog: FQ2’20 Added



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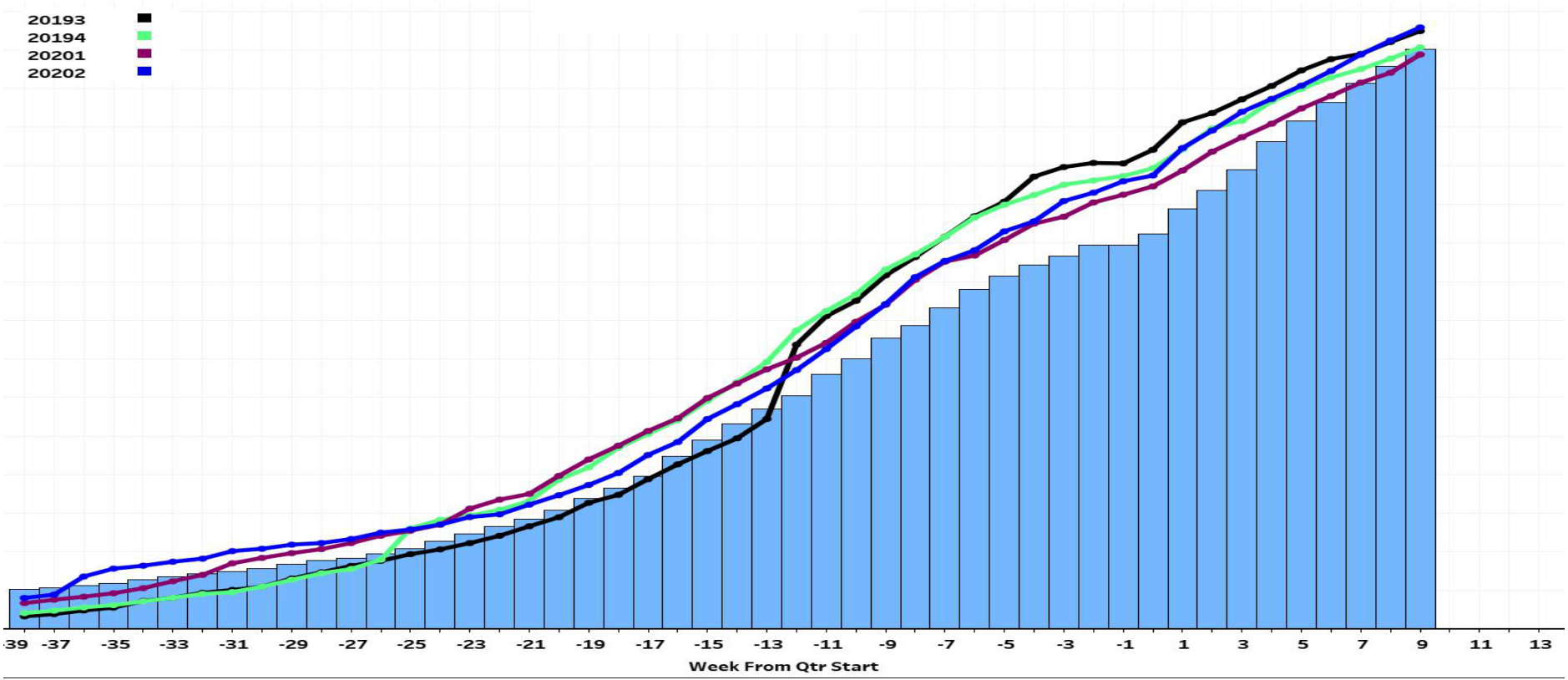
Microchip Total Billings + Backlog: FQ3’20 Added



MICROCHIP

Six Megatrends

5G

Data Centers

ADAS/Autonomous Driving

IoT

Electric Vehicles

AI/Machine Learning

Microchip in 5G

5G Infrastructure

Radio & Small Cell

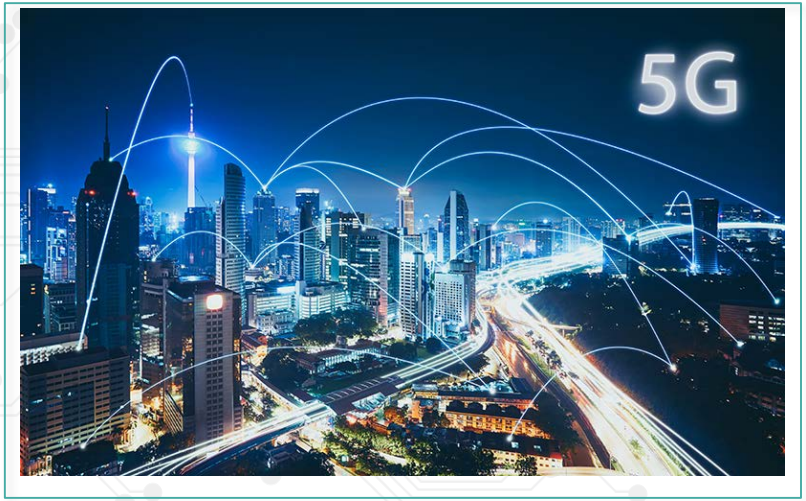
Precision Oscillators
Network Synchronization
SAW Filters
Power over Ethernet
Ethernet Switch/PHY
FPGA
Security
AC-DC, DC-DC

Baseband

Precision Oscillators
Network Synchronization
FPGA
Security
AC-DC, DC-DC

X-Haul

Ethernet PHYs w/ Security & Timing
OTN / Ethernet Fronthaul Processors
Precision Oscillators
Network Synchronization
FPGA
Security
AC-DC, DC-DC



Edge Compute

FPGA / MPU / MCU
Flash/Storage Controllers
PCIe Switch
Network Synchronization
FPGA
Security
AC-DC, DC-DC

5G Enabled Markets

Automotive

Ethernet, PCIe®
FPGA / MPU / MCU
SAW Filters
Timing
Security
AC-DC, DC-DC

Industry 4.0

Ethernet,
FPGA
MPU / MCU
SAW Filters
Timing
Security
AC-DC, DC-DC

Medical Devices

FPGAs
MPU / MCU
SAW Filters
Security
AC-DC, DC-DC

Smart Home

MPU / MCU
SAW Filters
Security
AC-DC, DC-DC

MICROCHIP

Microchip in IoT

Smart Factory

Sensor & Actuators

Environmental sensors
Motor Control
Machine Vision
Precision Analog/Power

AI/Machine Learning

Object Detection/ Identification
Predictive Maintenance
Human Safety / OSHA

Security/Authentication

Data Protection/Encryption
Hardware Root of Trust
Secure Boot/Firmware Update
Secure Provisioning

Time Sensitive Networking

EtherCAT®
LoRa
10Base T1S Ethernet
Switches

Clock/Timing
5G
Power over Ethernet
CoaXPress®

Asset Management

LoRa®
Battery Management

Smart Home / Smart Building

Voice & HMI

Voice/Audio Chips
Touch Screens
Capacitive Touch Buttons
Graphics
Proximity Detection

Security/Authentication

Data Protection/Encryption
Hardware Root of Trust
Secure Boot/Firmware Update
Secure Provisioning

Wireless

Wi-Fi®
LoRa
Bluetooth®
zigbee®

AI/Machine Learning

Facial Recognition
Predictive Maintenance

Sensor & Actuators

Environmental Sensors
Motor Control
Camera Systems
Precision Analog/Power

Smart City / Smart Utility

Connectivity

LoRa
Power over Ethernet
DALI, DMX, 5G

Lighting

Lighting Control
Coordination

Security/Authentication

Data Protection/Encryption
Hardware Root of Trust
Secure Boot/Firmware Update
Secure Provisioning

Sensor & Actuators

Environmental Sensors
Motor control
GPS/ Micropositioning
Flow Meters
Electric Meters
Precision Analog/Power

AI/Machine Learning

Object Recognition/ Identification
Predictive Maintenance
Advertisement Signage
Road Signage
Waste Management

MICROCHIP

Microchip in Data Center

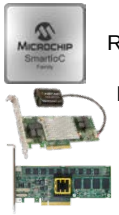
Simplified IT

Wireless Maintenance
Graphical/Touch Displays
Front/Rear Panel I/O

System Management

Temp Sensing
Power/Current Sensing
Predictive Fan Control
BMC Lite/BMC Companion
GPIO Expansion

Storage & Compute Infrastructure



IO Controllers and Host Bus Adapters
RAID IO Controllers and RAID Adapters
SAS Expanders
PCIe Switches, Fabrics, and Retimers
Tachyon IO Controllers
Universal Backplane Management

Storage End Point Solutions

Flashtec™ SSD Controllers
Performance & Mainstream
Flashtec NVRAM Drives

Memory Infrastructure

Smart Memory Controllers
CXL/GenZ Controllers &
Bridges

Data Center Interconnect

Terabit Ethernet PHYs & OTN
Processors w/ Security &
400GE/FlexE

Power Conversion

Digital Server Power Supply
AC-DC, DC-DC, PFC
DEPA Controllers
Power Modules
PWM/POL Controllers
PMIC
LDO/Switchers

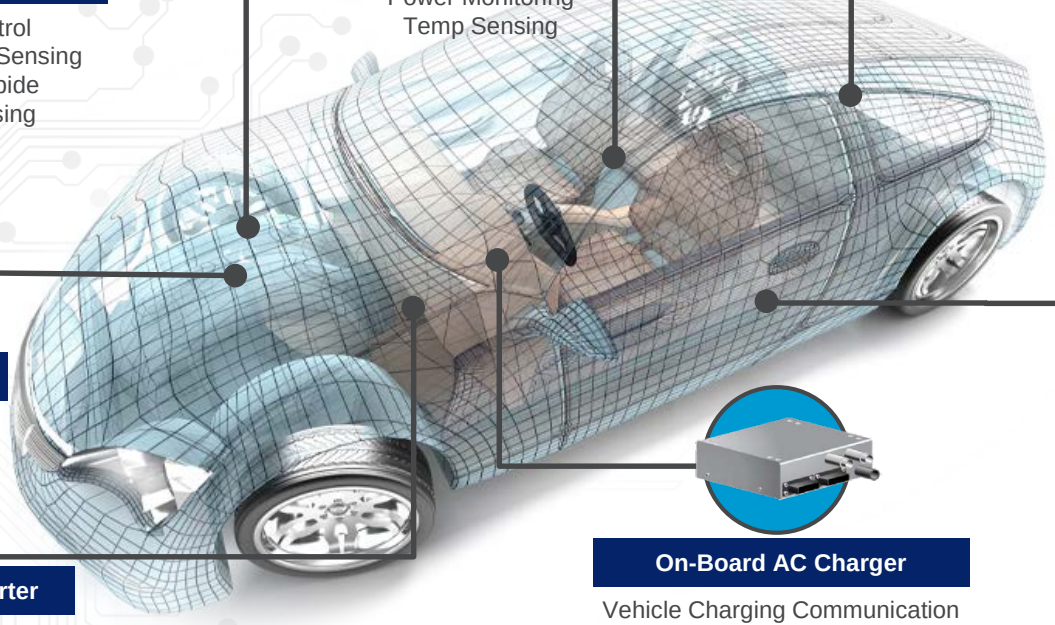
Security/Authentication

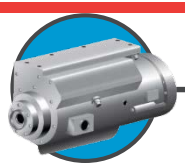
Data Protection/Encryption
Hardware Root of Trust
Secure Boot/Firmware Update
Secure Provisioning
Authenticated Devices
Secure Debug

Timing & Sync Solutions

Network Synchronization
NTP & PTP Grand Masters
PCIe® Gen4/5 Generators/Buffers
Atomic Clocks
GNSS Security
Crystal & MEMS Oscillators

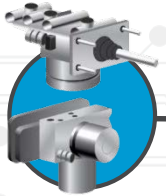
Microchip in Electric Vehicles





Electric Motor

Motor Control
Motor Position Sensing
Silicon Carbide
Temp Sensing



Regenerative Braking System

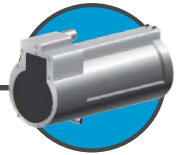
Inverter
Pedal Inductive
Sensing

DC/DC Converter

Silicon Carbide MOSFETs
Temp Sensing
MCU Control

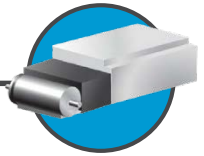
eSound

DSP Processing
Networking
Power Monitoring
Temp Sensing



Thermal System/Compressor

Motor Control
Temp
Sensing
Networking



Battery Management System

Networking
Thermal Management
Power / Current Monitoring

On-Board AC Charger

Vehicle Charging Communication
Temp Sensing
Silicon Carbide
MCU Control

Microchip in ADAS & Autonomous Driving

- Lane Keep Assist
- Lane Departure
- Front Collision Avoidance
- Pedestrian Detection
- Blind Spot Detection
- Adaptive Cruise Control
- Back up Camera
- Surround View Camera
- Autonomous Parking
- Parking Sensors
- Tire Pressure Management
- Rain Sensor
- Adaptive Lighting
- LED Matrix Lighting
- Automatic Emergency Braking
- Traffic Sign Recognition
- Hands on Steering Wheel Detection

Sensor Processing

MCUs, MPUs & FPGAs
Oscillators
Memory
Power Management
Amplifiers
ADC & DAC
Thermal Management

Communications

LIN
CAN& CANFD Controllers
802.3 Ethernet controllers
10Base-T1S Ethernet TRx
100Base-T1S Ethernet TRx
Network Synchronization
Security/Trust Anchor
CoaXPress ®

Vehicle Computer/ ADAS Controller

PCIe ® Switch & Retimers
FPGA & MPUs
Power Management
Ethernet
Security/Trust Anchor
MEMS Clock
Memory

MICROCHIP

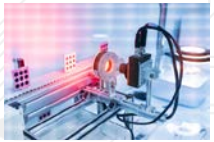
Microchip in AI/Machine Learning

Smart Embedded Vision

FPGA: Performance / watt
MCU: Broad portfolio
Analog: Broad portfolio
Security: Best in class


Medical Vision


Physical Security


Machine Vision

ML Training & Inference

PCIe® switch: Low latency, high port count
Storage controller: Market leading portfolio
FPGA: Compute on the Edge
Network connectivity: Terabit Ethernet PHYs
Analog, Power, Security


Data Center


Automotive

Preventive Maintenance

MCU: Broad portfolio
Analog: Broad portfolio
Security: Best in class


Power Grid


HVAC

Audio, Gesture Recognition and Control

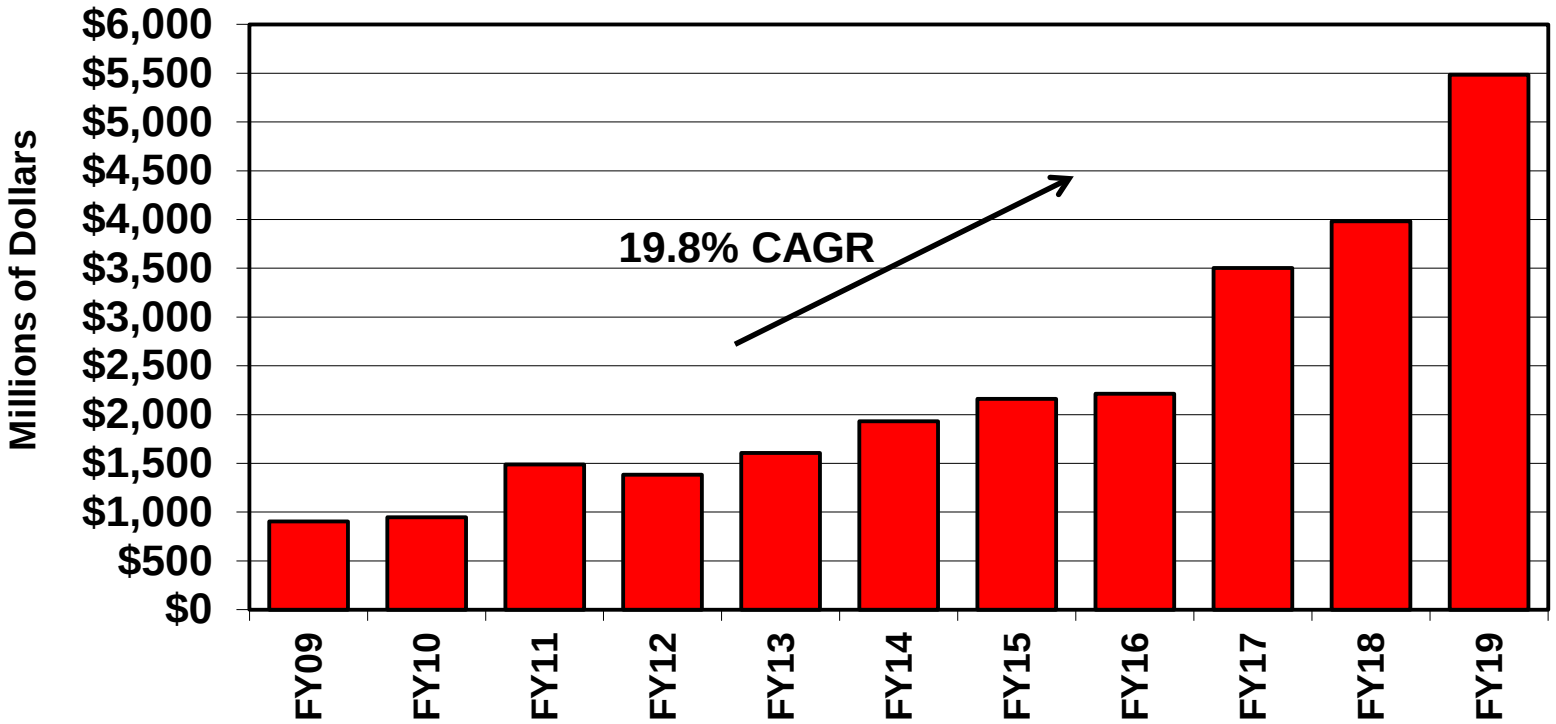
memBrain™ Silicon IP
Audio processing
Touch solutions
MCU: Broad portfolio
Analog: Broad portfolio
Security: Best in class


Automotive


Smart City

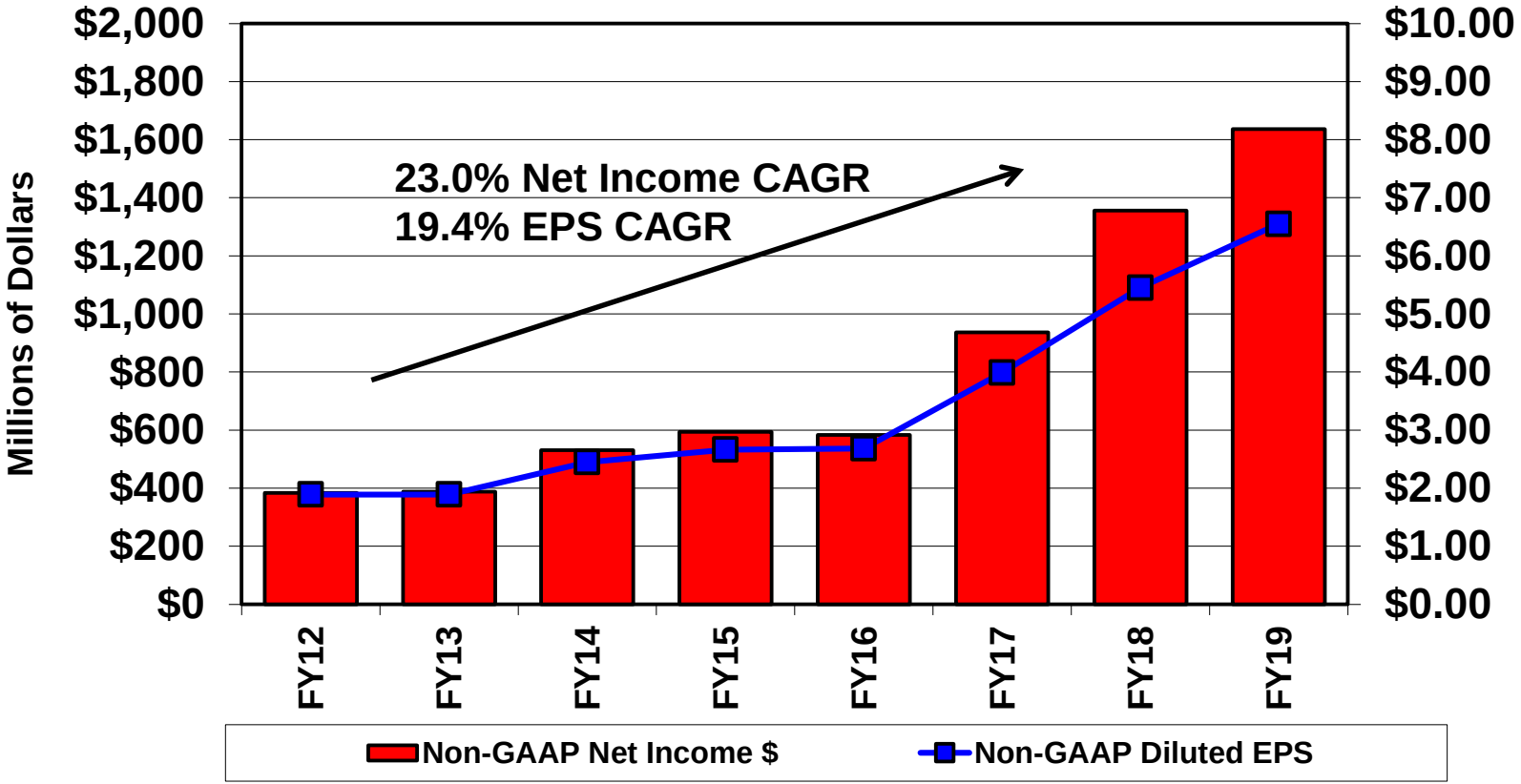

Smart Home

Annual End Market Demand*



* End market demand is defined as 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.

Annual Non-GAAP Net Income & Diluted EPS Growth



Non-GAAP Financial Results, Guidance & Long-Term Model*

	Actual Results													
	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20
Net Sales	$844.0	$873.8	$881.2	$902.7	$972.1	$1,012.1	$994.2	$1,002.3	$1,216.8	$1,513.3	$1,416.0	$1,329.8	$1,322.6	$1,337.8
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
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%
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
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
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%
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
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
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

Q3 FY20 Guidance	Updated on 12/3/19	Original from 11/5/19
Net Sales	$1,244 - $1,298	$1,204 - $1,311
Gross Margin %	61.0% - 61.4%	61.0% - 61.4%
Operating Expense %	26.4% to 27.4%	26.2% to 28.0%
Operating Margin	33.6% to 35.0%	33.0% to 35.2%
Diluted EPS	$1.19 - $1.30	$1.12 - $1.32

Long Term Model Including Microsemi	
Gross Margin	63.0%
Operating Expenses	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. Excludes share-based compensation, acquisition related charges, and other items. A reconciliation of our GAAP to non-GAAAP results is available at www.microchip.com.

Summary

- A consistent revenue grower with multiple growth drivers across six megatrends of the industry
- High margin business model and shareholder friendly
- Revised guidance to narrow the range and improve the mid point of the net sales and non-GAAP diluted EPS guidance
- Premium long-term non-GAAP financial model of 63% gross margin, 22.5% operating expenses and 40.5% operating income

Thank You!