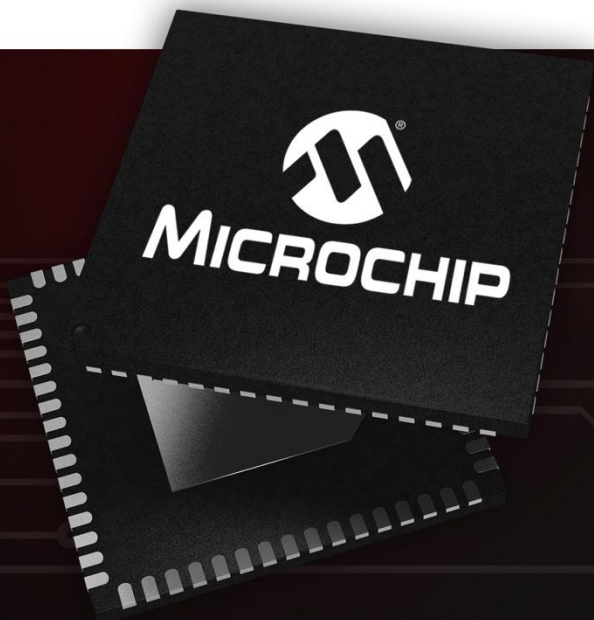




# MICROCHIP



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

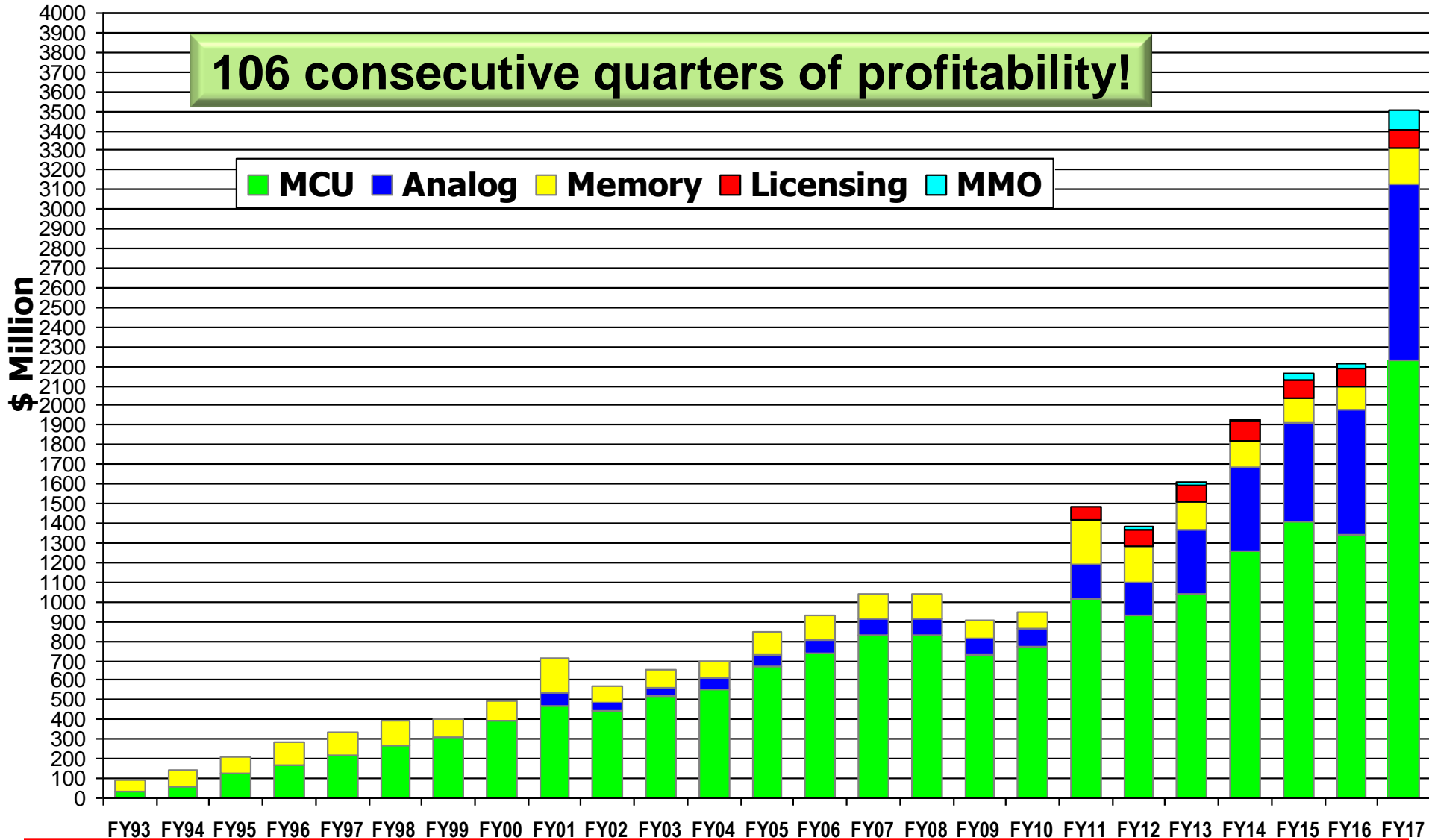


**Steve Sanghi, CEO**  
**Eric Bjornholt, CFO**

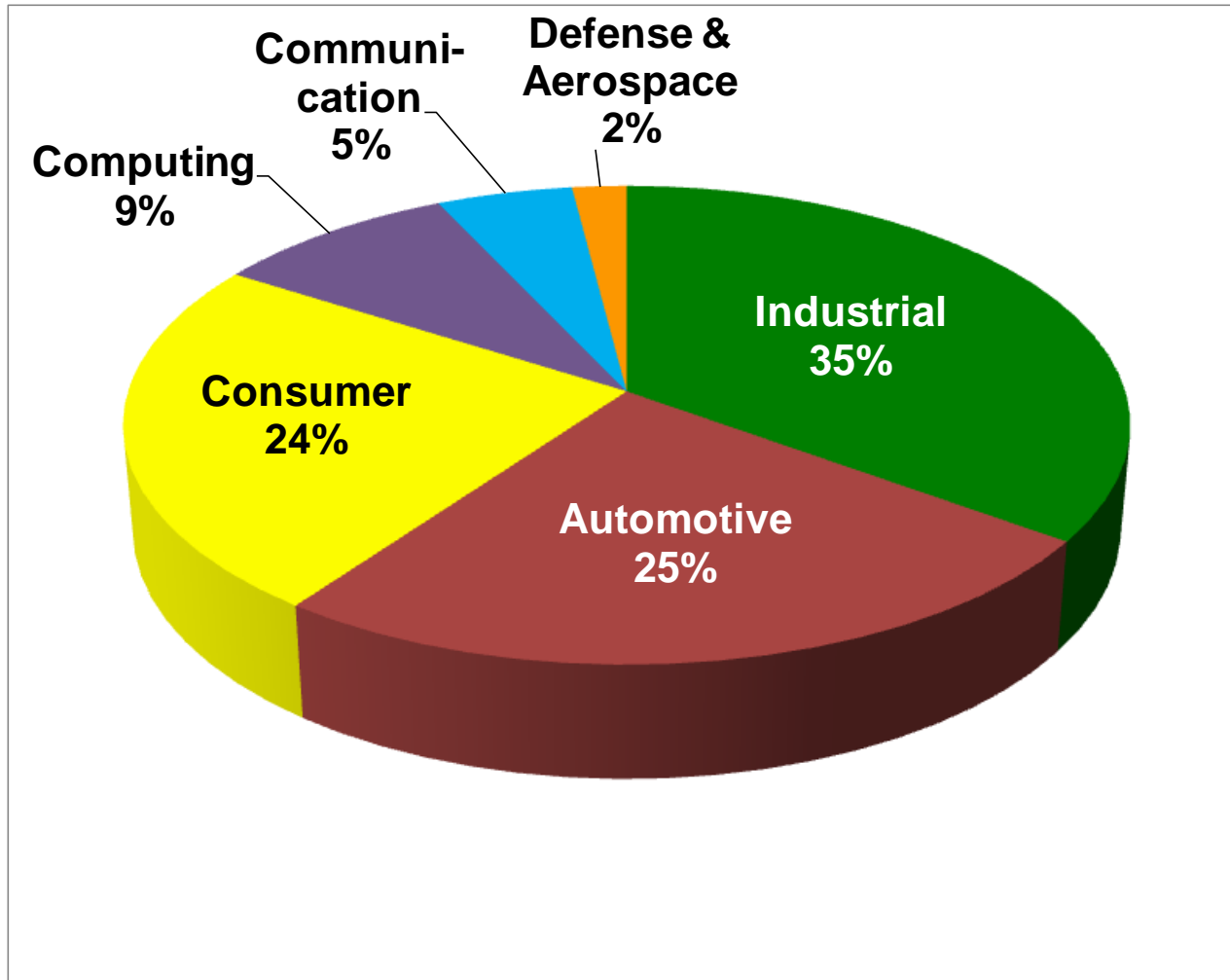


# Annual Net Sales Growth

106 consecutive quarters of profitability!



# Revenue by End Market





# New Business Model

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	<u>FQ4 17</u>	<u>Long-Term Model</u>
<b>Net Sales</b>	<b>100%</b>	<b>100%</b>
<b>Gross Margin</b>	<b>59.24%</b>	<b>62.5%</b>
<b>Op ex %</b>	<b>23.66%</b>	<b>22.5%</b>
<b>Op profit %</b>	<b>35.58%</b>	<b>40.0%</b>

\* Microchip does not utilize a GAAP long-term model. All figures in long-term model are non-GAAP.

# Multiple Growth Drivers

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1. Microcontroller market growth and share gains
2. Analog growth and attach opportunity
3. Wireless/IoT/Connectivity
4. Automotive networking, car access and electronics
5. Security
6. Technology licensing

# Gross Margin Drivers

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1. Increasing Fab utilization
2. Savings from Micrel Fab closure
3. Increasing back end plants utilization
4. Porting Atmel products to Microchip assembly/test technology
5. Transfer of Micrel and Atmel's U.S. test areas to Thailand
6. Stable to rising pricing environment
7. Richening product mix

# Operating expense leverage drivers

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1. Consolidation of Atmel's G&A
2. Synergy in roadmaps on MCU, analog, wireless and memory
3. Convergence of Microchip and Atmel to common process technology platforms
4. Synergy in common development of IP libraries
5. Synergy in convergence of development tools
6. Synergy in marketing - trade shows, technical conferences, website, training
7. Lower incremental opex for sales growth

# Summary

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- **Experiencing significant organic growth from multiple growth drivers.**
- **Gross margin enhancement to 62.5% through multiple gross margin drivers.**
- **Leverage to get to 22.5% operating expenses through a number of drivers.**
- **A long-term path to 40% operating margin through 62.5% gross margin and 22.5% operating expenses.**