

# Investor Presentation



---

A Leading Provider of Smart, Connected and Secure Embedded Solutions



SMART | CONNECTED | SECURE

**Steve Sanghi/Ganesh Moorthy/Eric Bjornholt**

August 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](http://www.microchip.com)) or the SEC's website ([www.sec.gov](http://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](http://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.

# Competitor Revenue Results – June 2020 Quarter

	Sequential	
Analog Devices	1.04%	Qtr end April 30
<b>Microchip</b>	<b>-1.26%</b>	
Texas Instruments	-2.70%	
Maxim	-2.94%	
Silicon Labs	-3.42%	Incl. Redpine
Xilinx	-3.90%	
ON Semiconductor	-5.04%	
ST Microelectronics	-6.41%	
Renesas	-6.75%	
NXP Semiconductors	-10.09%	

	Year over Year	
Silicon Labs	0.40%	Incl. Redpine
<b>Microchip</b>	<b>-0.98%</b>	
Maxim	-2.00%	
ST Microelectronics	-3.96%	
ON Semiconductor	-9.96%	
Texas Instruments	-11.70%	
Renesas	-13.47%	
Analog Devices	-13.75%	Qtr end April 30
Xilinx	-14.47%	
NXP Semiconductors	-18.04%	

# Competitor Revenue Results – September 2020 Quarter Guidance versus September 2019

	Sept YOY	
ST Microelectronics	-4.03%	
Silicon Labs	-4.61%	Incl. Redpine
<b>Microchip</b>	<b>-6.00%</b>	
ON Semiconductor	-8.45%	
Renesas	-8.92%	
Xilinx	-9.36%	
Texas Instruments	-9.84%	
Analog Devices	-10.81%	Qtr end Aug. 1
NXP Semiconductors	-11.70%	

# Corporate Snapshot

## Leading Total Systems Solutions Provider:

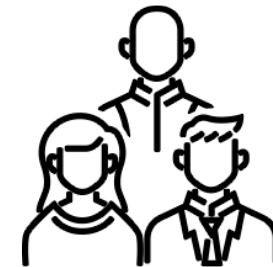
- High-performance standard and specialized Microcontrollers, Digital Signal Controllers and Microprocessors
- Mixed-Signal, Analog, Interface and Security solutions
- Clock and Timing solutions
- Wireless and Wired Connectivity solutions
- FPGA solutions
- Non-volatile EEPROM and Flash Memory solutions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



\$5.3 Billion Revenue  
FY2020



Headquartered near  
Phoenix in Chandler, AZ



~18,000  
Employees

# Our Vision

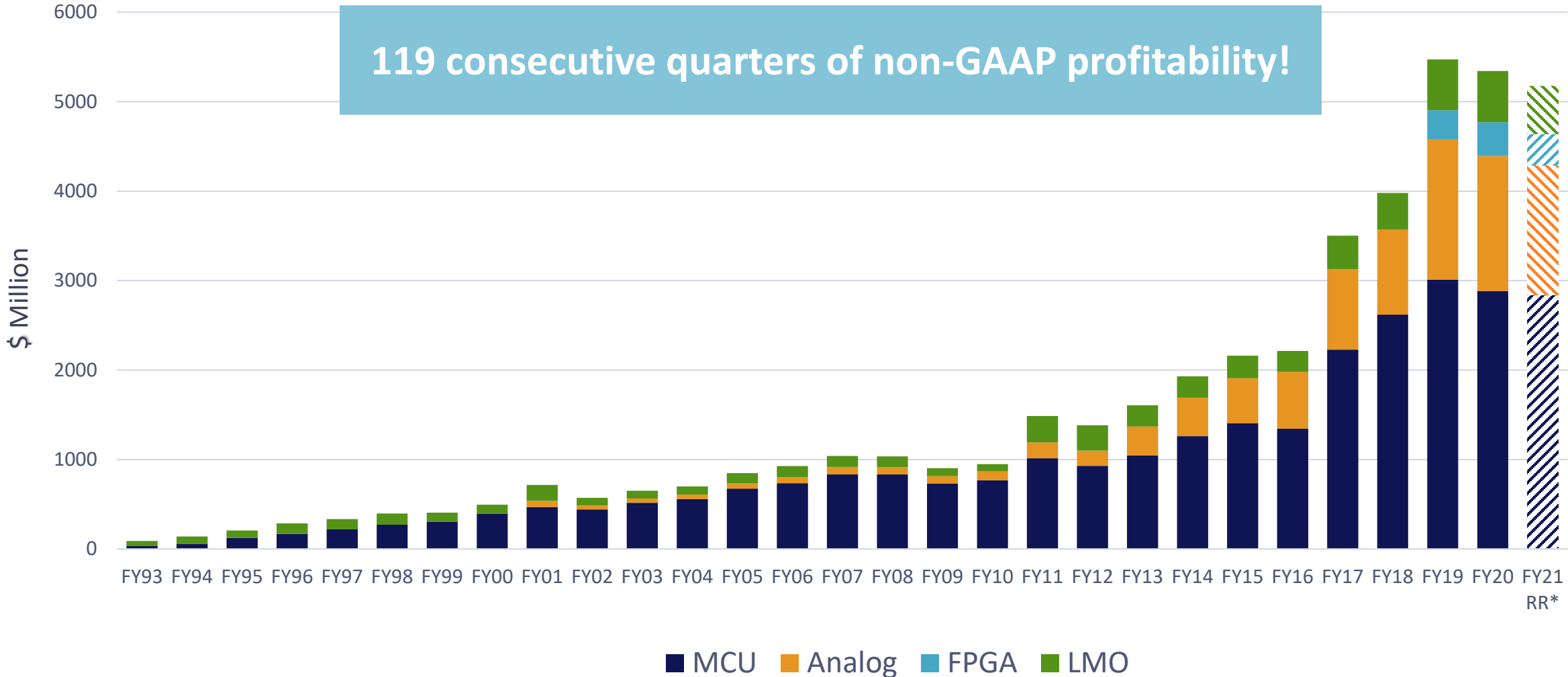
**Be The Very Best  
Embedded Control Solutions  
Company Ever**



**SMART | CONNECTED | SECURE**

# Annual Growth

## End Market Demand



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





# Worldwide 8-Bit Microcontroller Market Share

No.	1991 Rank	1996 Rank	2001 Rank	2005 Rank	2006-2009 Rank	2010 Rank	2014-2017 Rank	2017-2019 Rank
1	Motorola	Motorola	Motorola	Motorola	Microchip	Renesas	Microchip	Microchip
2	Intel	NEC	Hitachi	Renesas	NEC	Microchip	NXP	NXP
3	Philips	Philips	NEC	Microchip	STMicro	Atmel	Renesas	Renesas
4	Mitsubishi	Hitachi	Microchip	NEC	Freescale	STMicro	STMicro	STMicro
5	NEC	Mitsubishi	STMicro	STMicro	Atmel	Samsung	CEC Huada	Others
6	Hitachi	Toshiba	Philips	Atmel	Renesas	Freescale	Cypress	
7	Toshiba	Matsushita	Toshiba	Toshiba	NXP	NXP	Si Labs	
8	Siemens	SGS-Thomson	Atmel	Philips	Cypress	Cypress	Datang	
9	TI	Intel	Matsushita	Fujitsu	Sony	Panasonic	SH Fudan	
10	Matsushita	Microchip	Sanyo	Infineon	Fujitsu	Fujitsu	Holtek	
11	National	Siemens	Samsung	Sanyo	Panasonic	Detang	Unigroup	
12	SGS-Thomson	Fujitsu	Mitsubishi	Samsung	Toshiba	NEC (1Q)	Panasonic	
13	Ricoh	TI	Infineon	Matsushita	Samsung	Sony	Nationz	
14	MHS	Sony	Sony	Sony	Datang	Toshiba	ABOV	
15	IIT	Zilog	TI	Sunplus	SI Labs	SI Labs	Ixys	
16	Sharp	Sharp	Fujitsu	Micronas	Holtek	JSC	Toshiba	
17	Fujitsu	Temic	Sunplus	Novatek	Infineon	Holtek	Sony	
18	Oki	Sanyo	Zilong	Intel	Elan	Infineon	On Semi	
19	Zilog	National	Novatek	Holtek	Winbond	Sonix	Sonix	
20	Sony	Oki	Micronas	Winbond	Denso	Elan	HZ Silan	
23	Microchip							

Based on dollar shipment volume 1991-2019, Source: Gartner and Microchip

# Worldwide 16-Bit Microcontroller Market Share

No.	2004 Rank	2006 Rank	2008 Rank	2010 Rank	2012 Rank	2014 Rank	2015-2016 Rank	2017-2019 Rank
1	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas
2	Infineon	Infineon	Infineon	Infineon	Infineon	Infineon	Infineon	TI
3	Freescale	Freescale	Samsung	TI	TI	TI	NXP	Infineon
4	TI	Fujitsu	TI	Samsung	Freescale	Freescale	TI	NXP
5	NEC	TI	Freescale	Freescale	Fujitsu	Microchip	Microchip	Microchip
6	Matsushita	Intel	Fujitsu	Fujitsu	Samsung	Spansion	Cypress	Others
7	Toshiba	Toshiba	Toshiba	Toshiba	Microchip	Samsung	Toshiba	
8	Fujitsu	NEC	Intel	Microchip	Toshiba	Toshiba	EM Micro	
9	Intel	Sunplus	NEC	Intel	Intel	INSIDE	Maxim	
10	STMicro	Sony	Sony	Sony	INSIDE	EM Micro	Seiko	
11	Okii	NXP	Panasonic	JSC Sitronics	Sony	NXP	Ixys	
12	Sony	Micronas	NXP	Sunplus I	CEC Huada	Sunplus	Datang	
13	Micronas	Winbond	Winbond	Winbond	JSC	Sony	Sony	
14	Sunplus	Matsushita	Microchip	NXP	EM Micro	Ixys	RTI Group	
15	Winbond	Microchip	Micronas	Micronas	SH Fudan	Maxim	e2V	
16	Microchip	Samsung	Sunplus I	Sunplus MM	Sunplus	Datang	Wuxi Semico	
17	Samsung	Okii	Sunplus MM	Seiko Epson	Datang	CEC Huada	Panasonic	
18	Philips	National	Sharp	Panasonic	Winbond	SSM	Rohm	
19	Magnachip	Sharp	Rohm	Rohm	Ixys	Seiko Epsen	Seiko Epson	
20	Sharp	STMicro	Seiko		Seiko Epson	RTI Group	RTI Group	

Based on dollar shipment volume 1991-2019, Source: Gartner and Microchip

# Worldwide 32-Bit Microcontroller Market Share

No.	2010 Rank	2011 Rank	2012 Rank	2013 Rank	2014 Rank	2015 Rank	2016-2017 Rank	2019 Rank
1	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas
2	Freescale	Freescale	Freescale	Freescale	Freescale	ST-Micro	NXP	NXP
3	TI	TI	ST-Micro	ST-Micro	ST-Micro	NXP	ST-Micro	ST-Micro
4	ST-Micro	ST-Micro	TI	TI	TI	TI	TI	Microchip
5	Denso	NXP	Atmel	Atmel	Atmel	Infineon	Infineon	Infineon
6	Fujitsu	Denso	Denso	Infineon	NXP	Atmel	Microchip	TI
7	NXP	Atmel	Infineon	Denso	Infineon	Cypress	Cypress	Cypress
8	Atmel	Fujitsu	NXP	NXP	Denso	Denso	Samsung	Others
9	Toshiba	Infineon	Toshiba	Melfas	Microchip	Microchip	Denso	
10	Infineon	Toshiba	Fujitsu	Toshiba	Toshiba	Toshiba	Toshiba	
11	Panasonic	Panasonic	Panasonic	Microchip	Spansion	Nuvoton	Nuvoton	
12	Em Micro	EM Micro	Microchip	CEC-Huada	Cypress	Maxim	Giga Semi	
13	Rohm	Rohm	Melfas	Fujitsu	Samsung	Panasonic	Maxim	
14	JSC	JSC	Samsung	Spansion	Melfas	SI Labs	Panasonic	
15	Shenzhen St	Microchip	Rohm	Cypress	Winbond	Inside	SI Labs	
16	Huahong	Shenzhen St	Energy Micro	Panasonic	Panasonic	Giga Semi	Inside	
17	Seiko Epson	Huahong	CEC Huada	SH Huahong	Nationz Tech	ADI	ADI	
18	Winbond	Winbond	Nationz	SH Fudon	CEC Huada	Rohm	Rohm	
19	Microchip	Seiko Epson	SH Fudan	Winbond	Energy Micro	Datang	Datang	
20	Samsung	Samsung	Cypress	Datang	Rohm	Nationz Tech	Unigroup	

Based on dollar shipment volume 1991-2019, Source: Gartner and Microchip

# Worldwide Microcontroller Market Share

No.	1991 Rank	1996 Rank	2003 Rank	2008 Rank	2009 Rank	2014 Rank	2018 Rank	2019 Rank
1	Motorola	Motorola	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas
2	Intel	NEC	Motorola	NEC	NEC	Freescale	NXP	NXP
3	Philips	Philips	NEC	Freescale	Freescale	ST-Micro	Microchip	Microchip
4	Mitsubishi	Hitachi	Matsushita	Infineon	Samsung	Microchip	ST-Micro	ST-Micro
5	NEC	Mitsubishi	Infineon	Samsung	Microchip	NXP	TI	Infineon
6	Hitachi	Toshiba	Fujitsu	Microchip	TI	TI	Infineon	TI
7	Toshiba	Matsushita	Toshiba	ST-Micro	Infineon	Infineon	Cypress	Cypress
8	Siemens	SGS-Thom	Microchip	TI	St-Micro	Atmel	Samsung	Samsung
9	TI	Intel	Samsung	Fujitsu	Fujitsu	Spansion	Toshiba	CEC Huada
10	Matsushita	Microchip	ST-Micro	NXP	NXP	Samsung	CEC Huada	Toshiba
	↓							
23	Microchip							

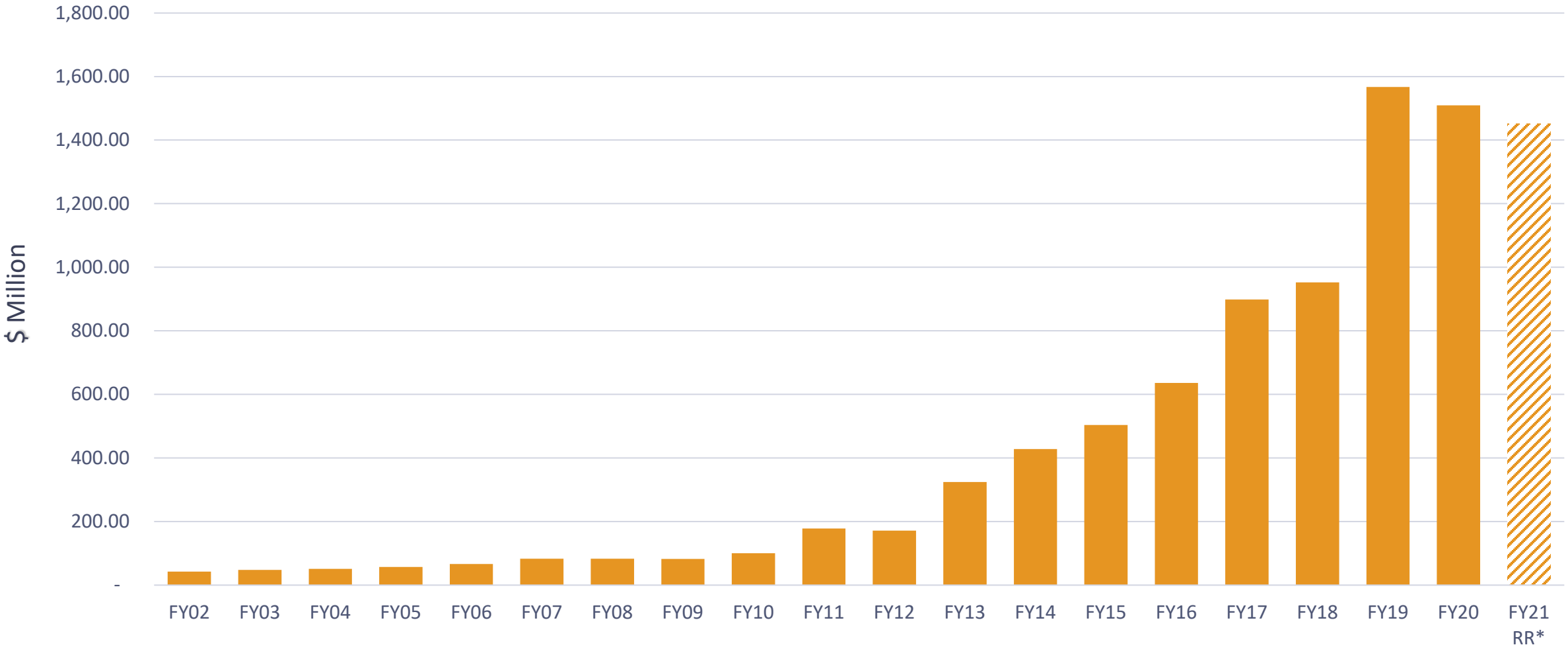
1991 & 1996 data extrapolated from 8-bit MCU: Source: Gartner and Microchip

Microchip Proprietary and Confidential



# Analog Growth

## End Market Demand



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



# Analog Market Share

## Leading Analog IC Suppliers (\$M)

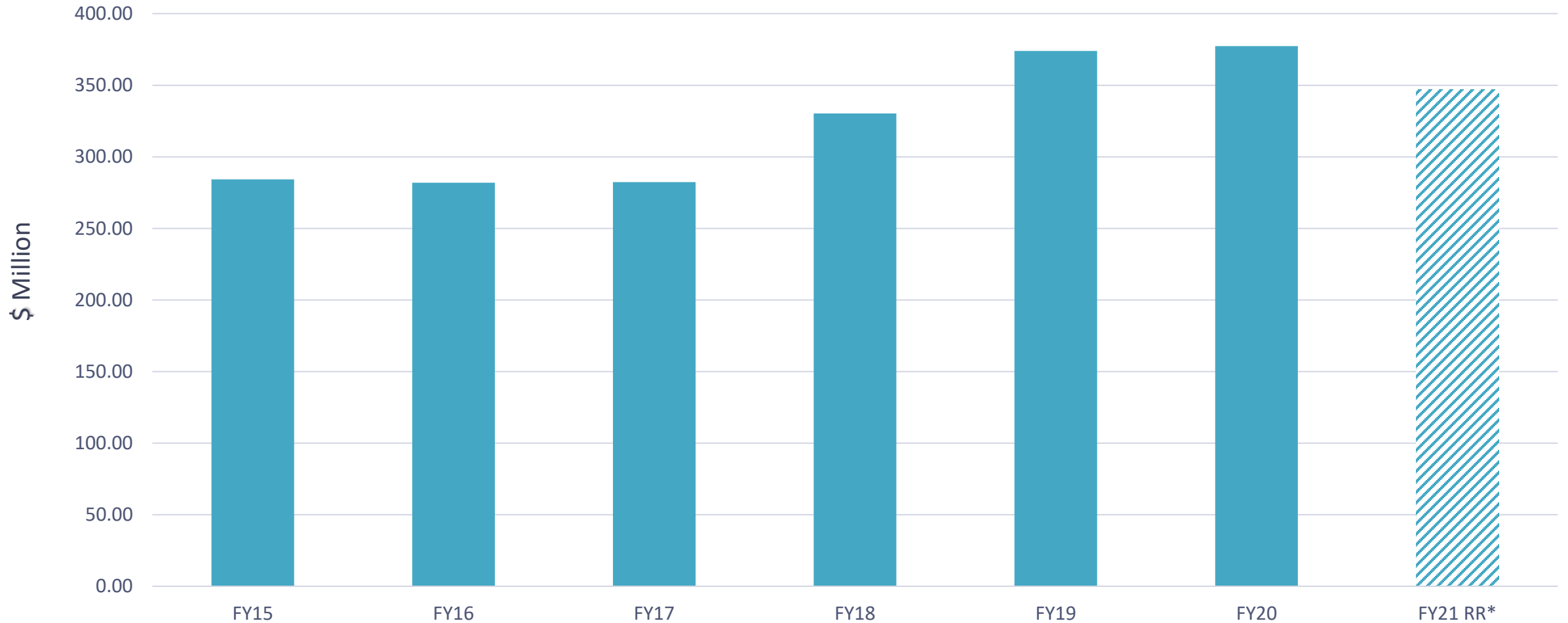
2019 Rank	Company	2018	2019	% Change	% Marketshare
1	Texas Instruments	10,801	10,223	-5%	19%
2	Analog Devices	5,505	5,169	-6%	10%
3	Infineon	3,810	3,755	-1%	7%
4	ST	3,373	3,283	-3%	6%
5	Skyworks Solutions	3,686	3,205	-13%	7%
6	NXP	2,645	2,564	-3%	5%
7	Maxim	2,125	1,850	-13%	4%
8	ON Semi	1,990	1,740	-13%	4%
9	Microchip	1,389	1,532	10%	3%
10	Renesas	900	860	-4%	2%

Source: IC Insights, company reports

***The only Analog company to grow in 2019!***

# FPGA Growth

## End Market Demand



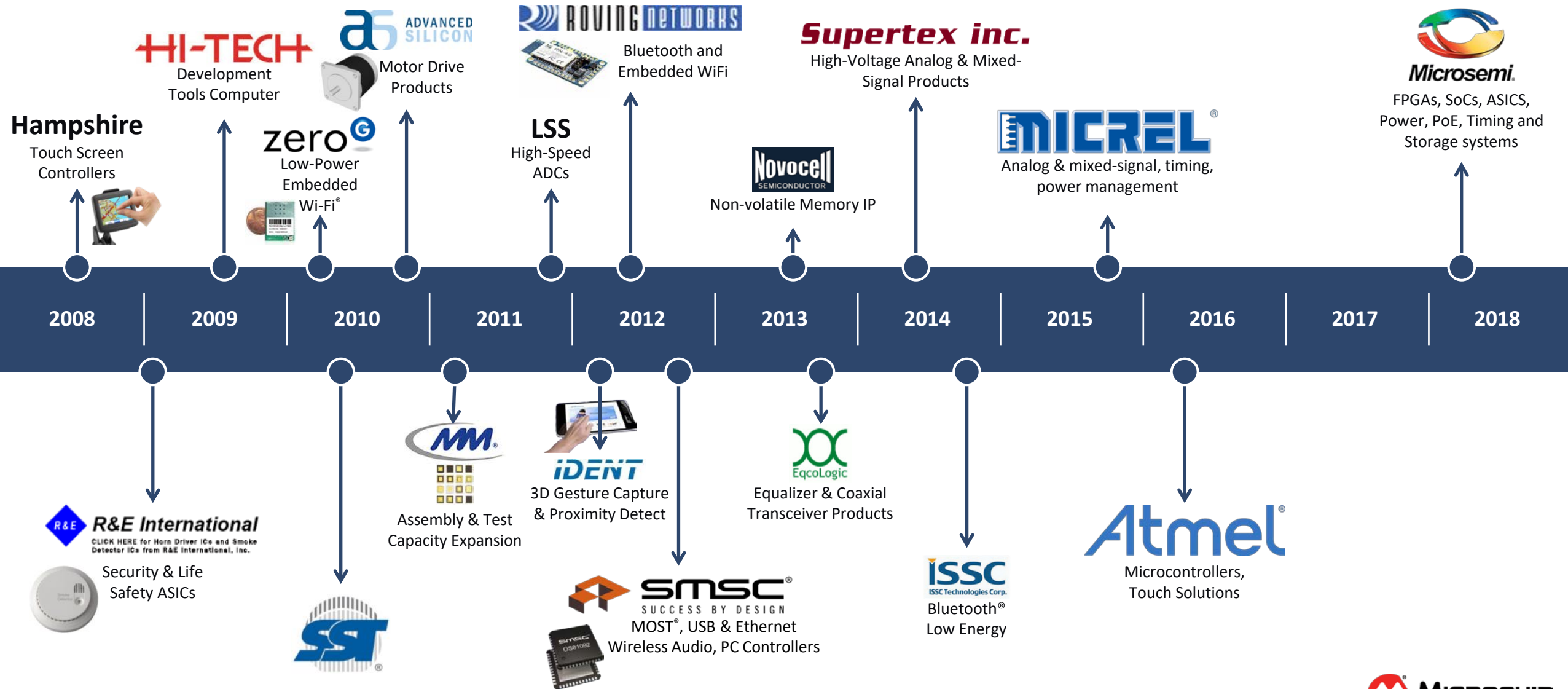
\* FY21 run rate is first quarter of FY21 multiplied by 4.

# Microchip 2.0

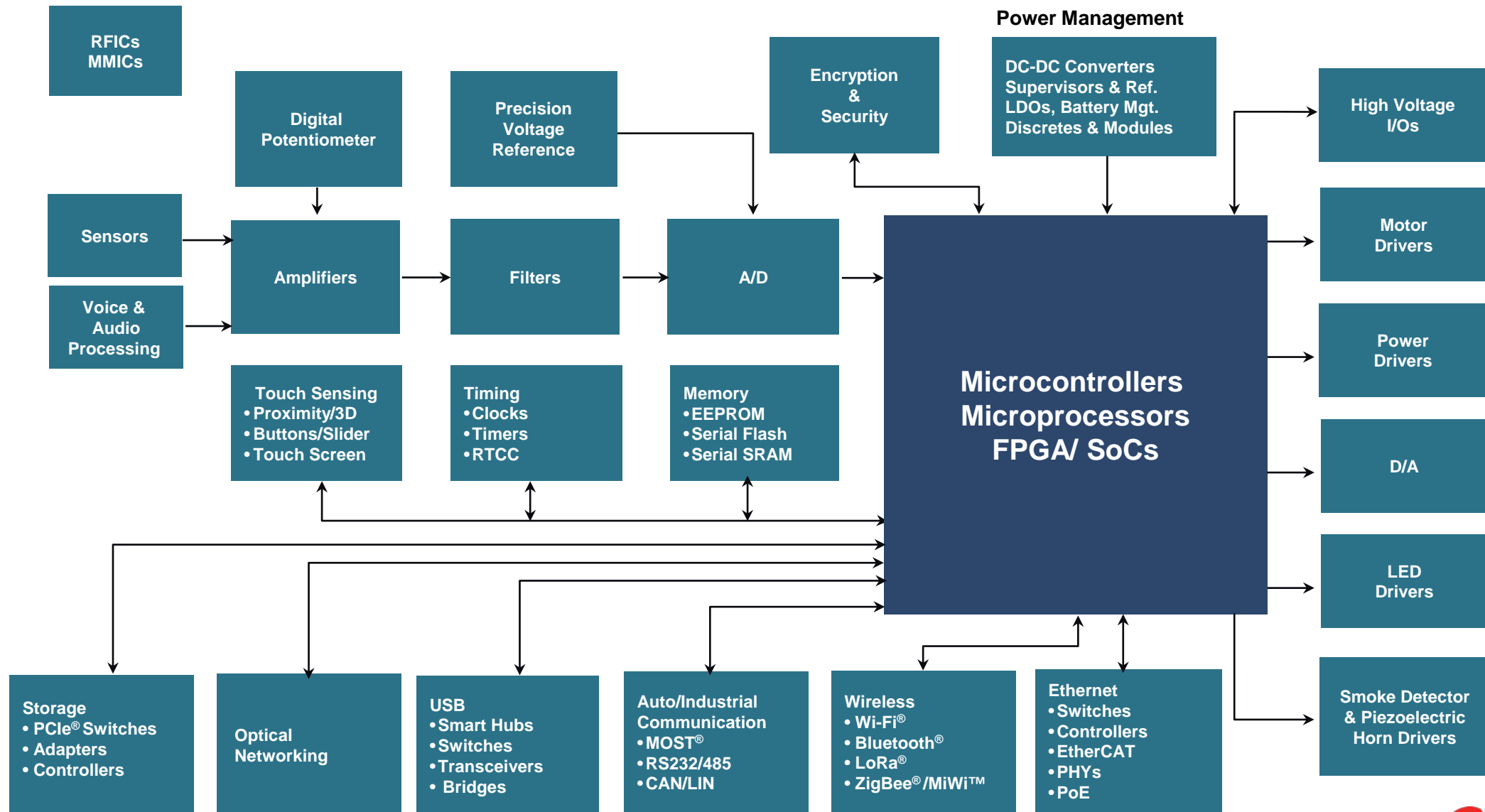
- **Total System Solution in Embedded Control**
- **Leading customer preference to design with our MCUs**
- **Multiple growth drivers**
- **Non-GAAP gross margin target of 63% of net sales with multiple drivers**
- **Non-GAAP operating expense target of 22.5% of net sales**
- **End market mix skewed to Industrial, Data centers, Automotive and Communications**
- **Smaller exposure to end markets of Consumer and Aerospace & Defense**
- **Long-term model with industry leading operating profits**



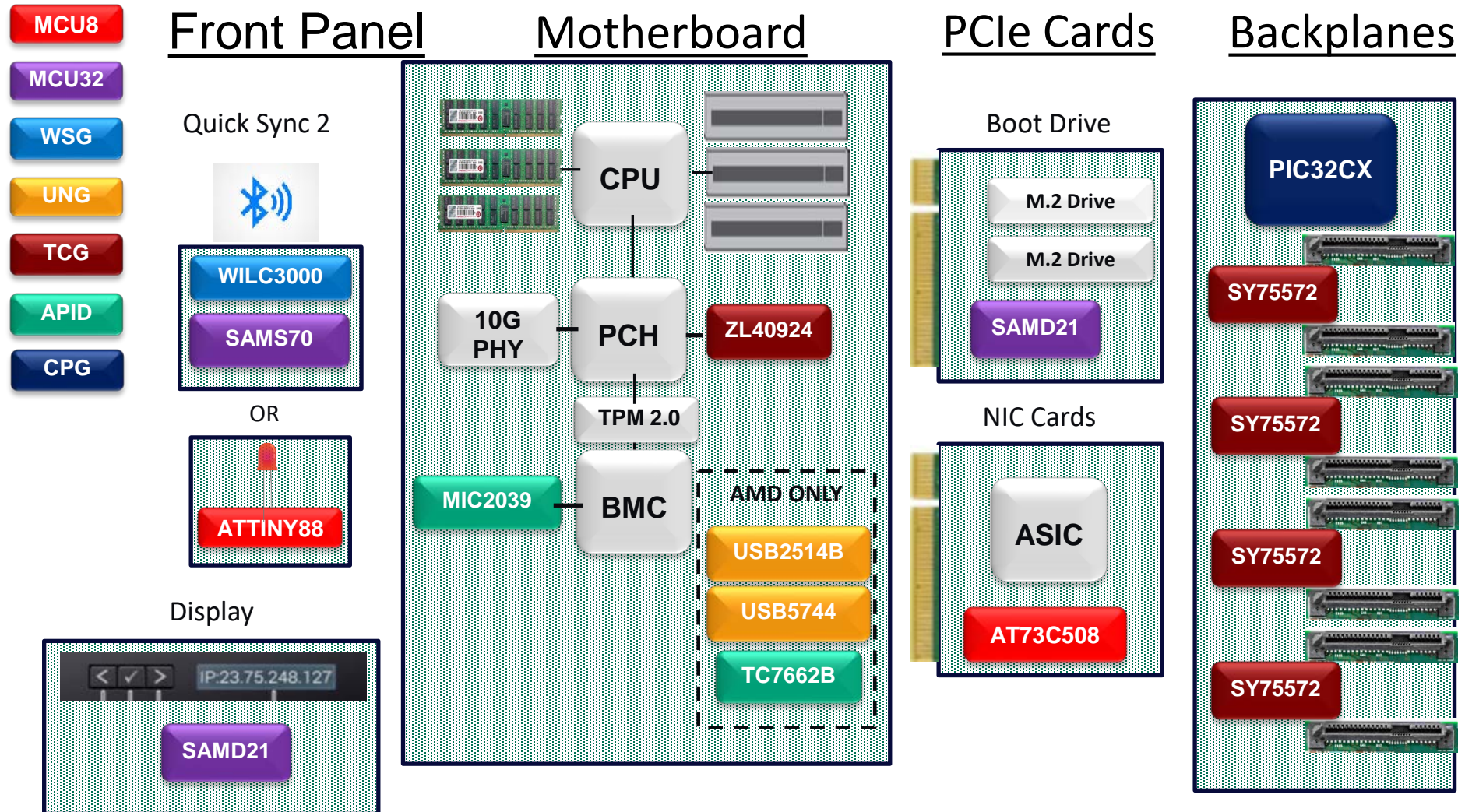
# Expanding Microchip Solutions Through Acquisitions



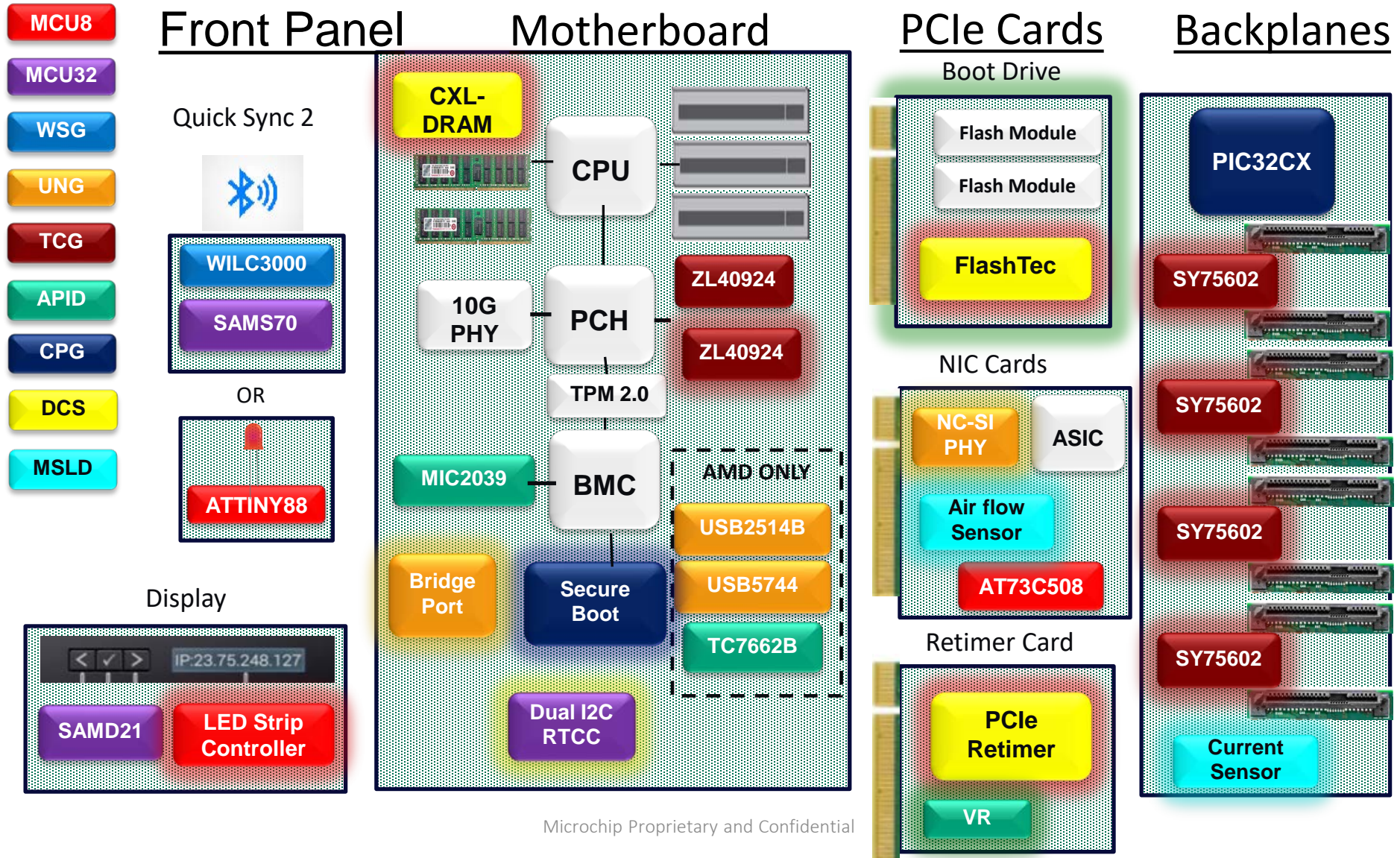
# Providing Total System Solutions



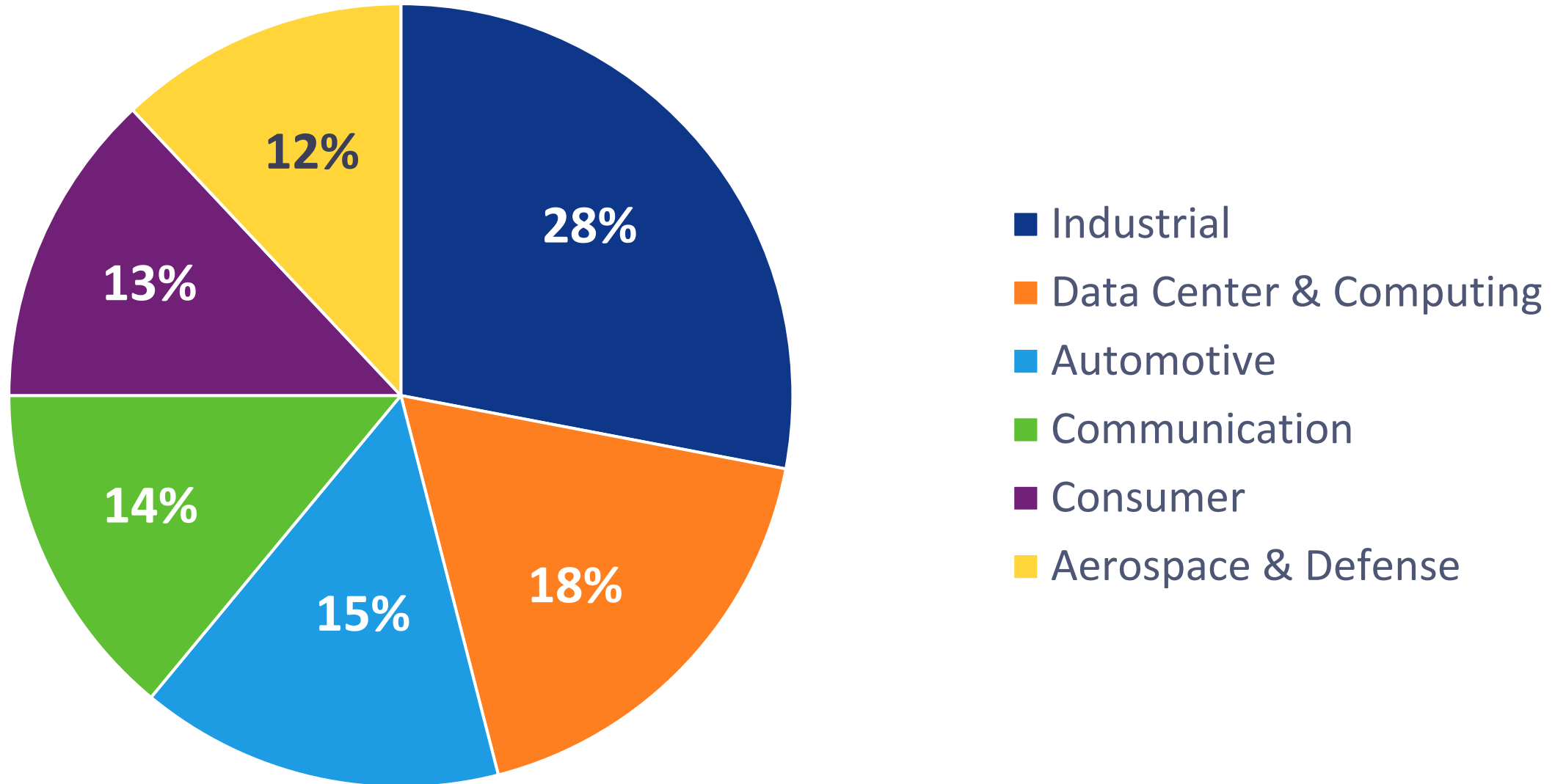
# Current Server Design



# Next Server Design



# Revenue By End Market\*



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

# 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

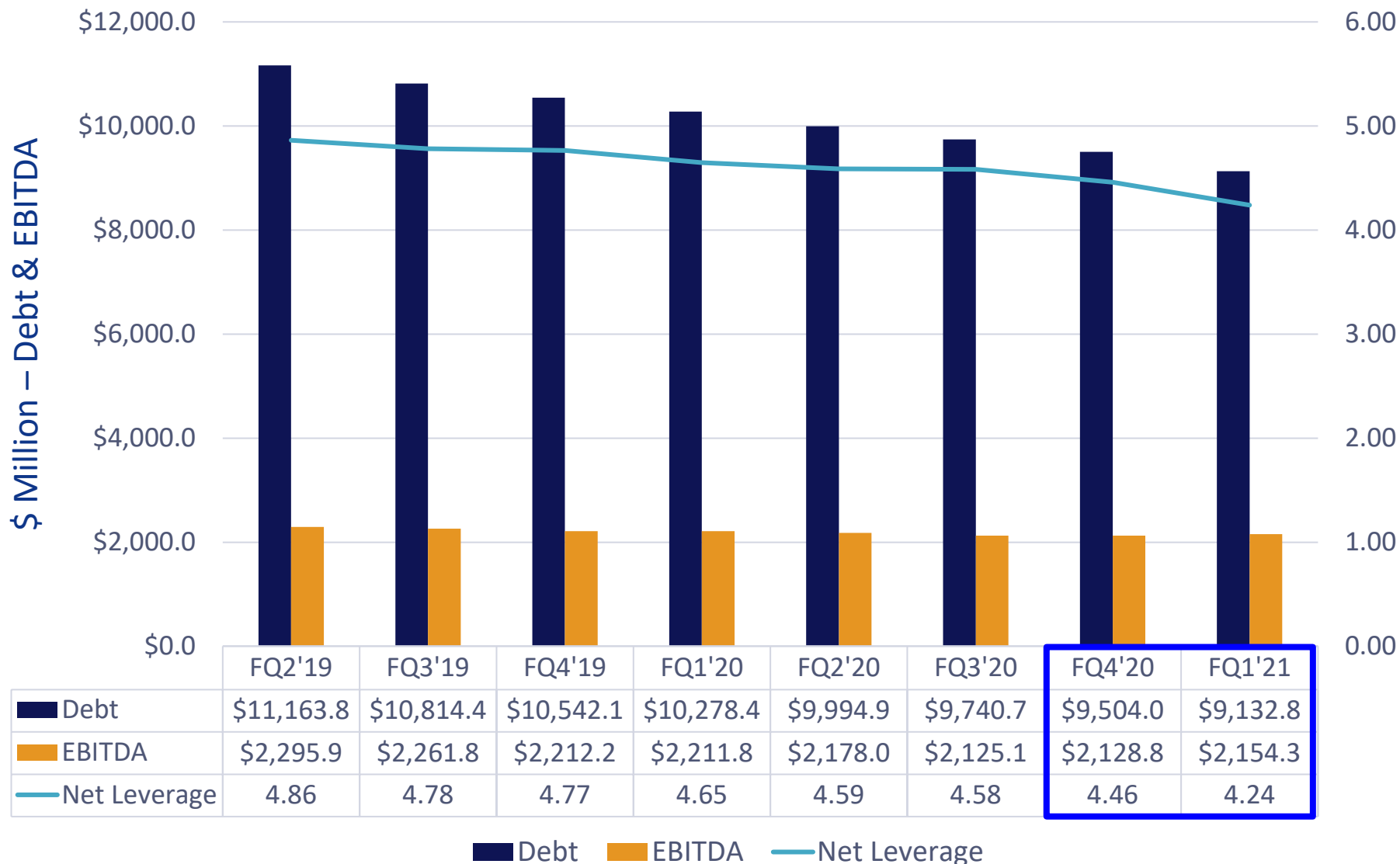
Net Sales	\$1.205 - \$1.310B
Gross Profit %	61.2% - 62.2%
Operating Expense %	23.2% to 24.2%
Operating Income	37.0% to 39.0%
Diluted EPS	\$1.30 - \$1.52

## 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](http://www.microchip.com).

# Net Debt\*, Adjusted EBITDA\*\* & Net Leverage



- Paid down **\$394M** of debt in FQ1
- Cumulative Debt paydown of **\$2.62B** over last 8 quarters
- EBITDA increased due to tight expense control and solid operational execution
- Net leverage (Debt/EBITDA) reduced to **4.24**

\* Net debt is total debt less cash/investment less 2037 convertible debentures

\*\*Adjusted EBITDA is as defined in the Company's Amended and Restated Credit Agreement dated as of March 31, 2020.

# Six Megatrends



5G



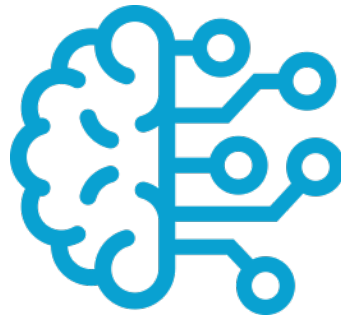
Internet of Things



Datacenter



Electric Vehicles



Artificial Intelligence/Machine Learning



ADAS/Autonomous Vehicles



# Summary

- **A consistent revenue grower with multiple growth drivers across six megatrends of the industry**
- **High margin business model and shareholder friendly**
- **Q2FY21 guidance for net sales to be flat to down 8% sequentially**
- **Paid down \$2.62 billion of debt over the last eight quarters and substantially all cash generation beyond dividend payments will be used to reduce leverage**
- **Premium long-term non-GAAP financial model of 63% gross margin, 22.5% operating expenses and 40.5% operating income**



# Thank You

---