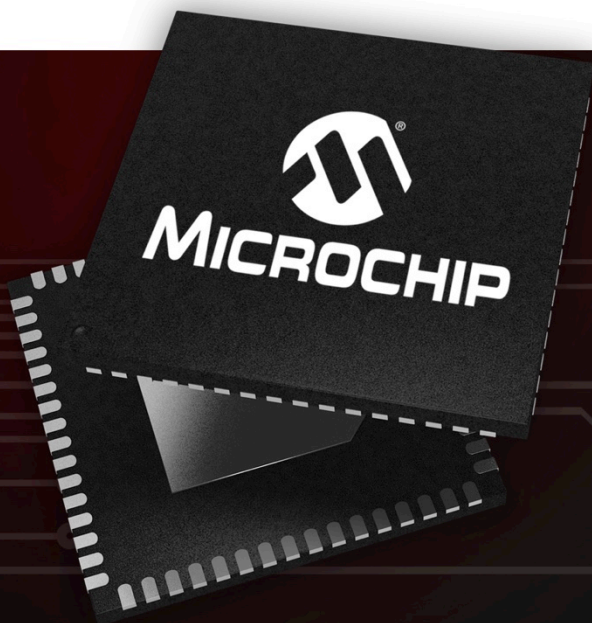
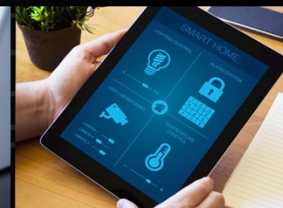




# MICROCHIP



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



**Bank of America Merrill Lynch  
2018 Global Technology Conference**

*Eric Bjornholt,  
Vice President and CFO*



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### **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, market size and our financial model. We will also make projections or other forward-looking statements regarding our pending acquisition of Microsemi including deal timing, deal benefits, synergies, integration plans, plans to finance the transaction, deal accretion and pro-forma financial information for the transaction. 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 the actual timing of the closing of the Microsemi acquisition, the satisfaction of the conditions to closing in the Microsemi acquisition agreement, any termination of the Microsemi acquisition agreement, the effect of the acquisition on Microchip's and Microsemi's existing relationships with customers and vendors and their operating results and businesses; the costs and outcome of any litigation involving Microchip, Microsemi or the acquisition transaction, our ability to successfully integrate the operations and employees, retain key employees and customers and otherwise realize the expected synergies and benefits of our Microsemi acquisition; the impact of any future significant acquisitions that we may make; 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; 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 and Microsemi's filings on Forms 10-K, 10-Q and 8-K. You can obtain copies of Forms 10-K, 10-Q, 8-K and other relevant documents for free at Microchip's website ([www.microchip.com](http://www.microchip.com)), Microsemi's website ([www.microsemi.com](http://www.microsemi.com)) or the SEC's website ([www.sec.gov](http://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.

### **Additional Information and Where to Find It**

In connection with the proposed acquisition, Microsemi will file a proxy statement and other related documents with the SEC. INVESTORS AND STOCKHOLDERS ARE ADVISED TO READ THESE DOCUMENTS WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and stockholders may obtain a free copy of these documents (when available) and other documents filed by Microsemi at the SEC's web site at [www.sec.gov](http://www.sec.gov) and at the Investor section of their website at <https://investor.microsemi.com/>.

Microchip, Microsemi and their directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Microsemi in connection with the Merger. Information regarding the special interests of these directors and executive officers in the transaction will be included in the proxy statement described above. Additional information regarding the directors and executive officers of Microchip is also included in Microchip's proxy statement for its 2017 Annual Meeting of Stockholders, which was filed with the SEC on July 13, 2017. Additional information regarding the directors and executive officers of Microsemi is also included in Microsemi's proxy statement for its 2018 Annual Meeting of Stockholders, which was filed with the SEC on December 20, 2017. These documents are available free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov) and as described above.



# Q1FY19 Business Update

- June quarter net sales guidance excluding Microsemi is growth of 1% to 6%, and non-GAAP EPS of \$1.39 to \$1.49
- We closed the Microsemi acquisition on May 29<sup>th</sup>; Aggregate borrowing was \$8.45B at a blended interest rate of just over 4%
- Expect net leverage of ~4.7X on 6/30/2018 excluding 2037 convertible debt
- Expect Microsemi to add \$160M to \$180M non-GAAP revenue in FQ1'19, and non GAAP-EPS of \$0.02 to \$0.06
- Microchip bookings have continued to be very strong and backlog is at record high levels.
- Latest Microcontroller market share data shows consistent market share gains across the 8/16/32-bit markets
- Executing on Microchip 2.0 - Total system solutions - Smart, Connected and Secure
- Combined long-term operating model is **63%** gross margin, **22.5%** operating expenses & **40.5%** operating margins

# Corporate Overview

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- **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
- **~ \$6 Billion revenue run rate including Microsemi**
- **~19,000 employees including Microsemi**
- **Headquartered near Phoenix in Chandler, AZ**

# Microchip 2.0

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



**SMART | CONNECTED | SECURE**

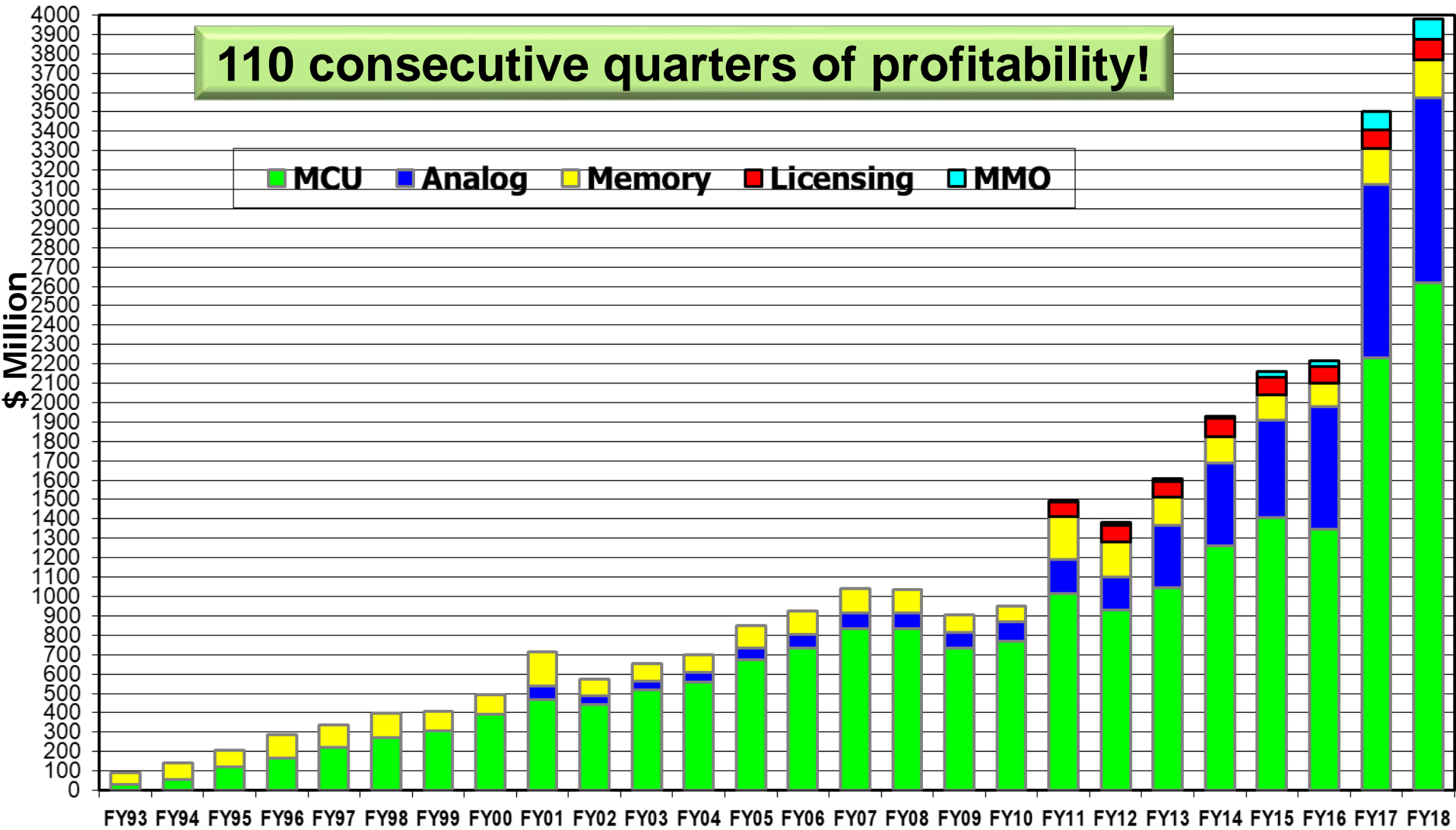
# Microchip 1.0

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- 1. Consistent growth**
- 2. Perennial market share gains**
- 3. High margin business model**
- 4. Shareholder friendly with consistently increasing dividends and free cash flow**
- 5. Successful M&A strategy**



# Annual Net Sales Growth





# Worldwide Microcontroller Market Share

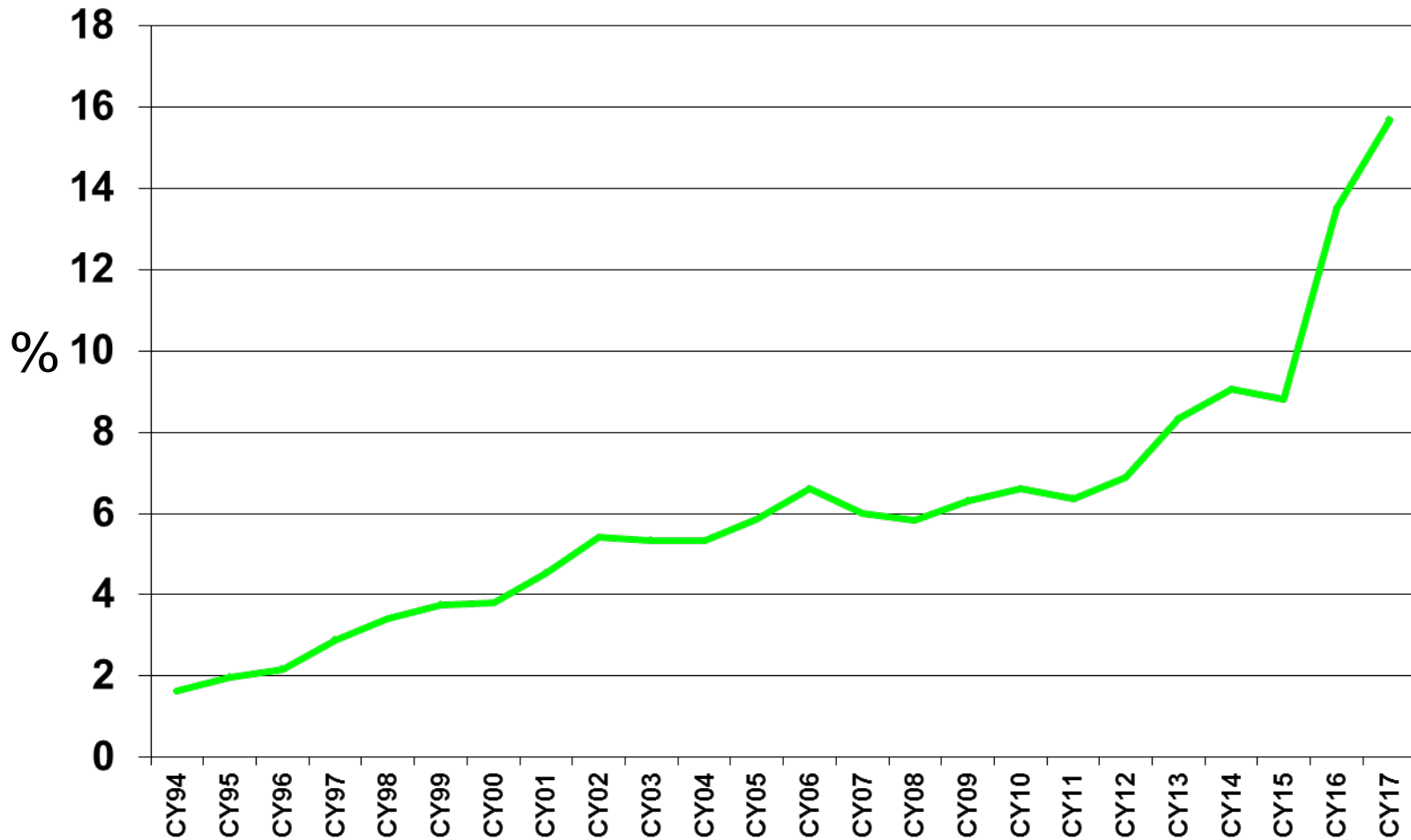
No.	2003 Rank	2008 Rank	2009 Rank	2010 Rank	2012 Rank	2014 Rank	2016 Rank	2017 Rank
1	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas	Renesas
2	Motorola	NEC	NEC	Freescale	Freescale	Freescale	NXP	NXP
3	NEC	Freescale	Freescale	Samsung	Infineon	ST-Micro	Microchip	Microchip
4	Matsushita	Infineon	Samsung	Microchip	Microchip	Microchip	ST-Micro	ST-Micro
5	Infineon	Samsung	Microchip	Atmel	ST-Micro	NXP	TI	TI
6	Fujitsu	Microchip	TI	TI	TI	TI	Infineon	Infineon
7	Toshiba	ST-Micro	Infineon	Infineon	Atmel	Infineon	Cypress	Cypress
8	Microchip	TI	ST-Micro	ST-Micro	NXP	Atmel	Samsung	Samsung
9	Samsung	Fujitsu	Fujitsu	Fujitsu	Fujitsu	Spansion	CEC Huada	Toshiba
10	ST-Micro	NXP	NXP	NXP	Samsung	Samsung	Toshiba	Si-Labs

Based on dollar shipment volume 2003-2017, Source: Gartner and Microchip

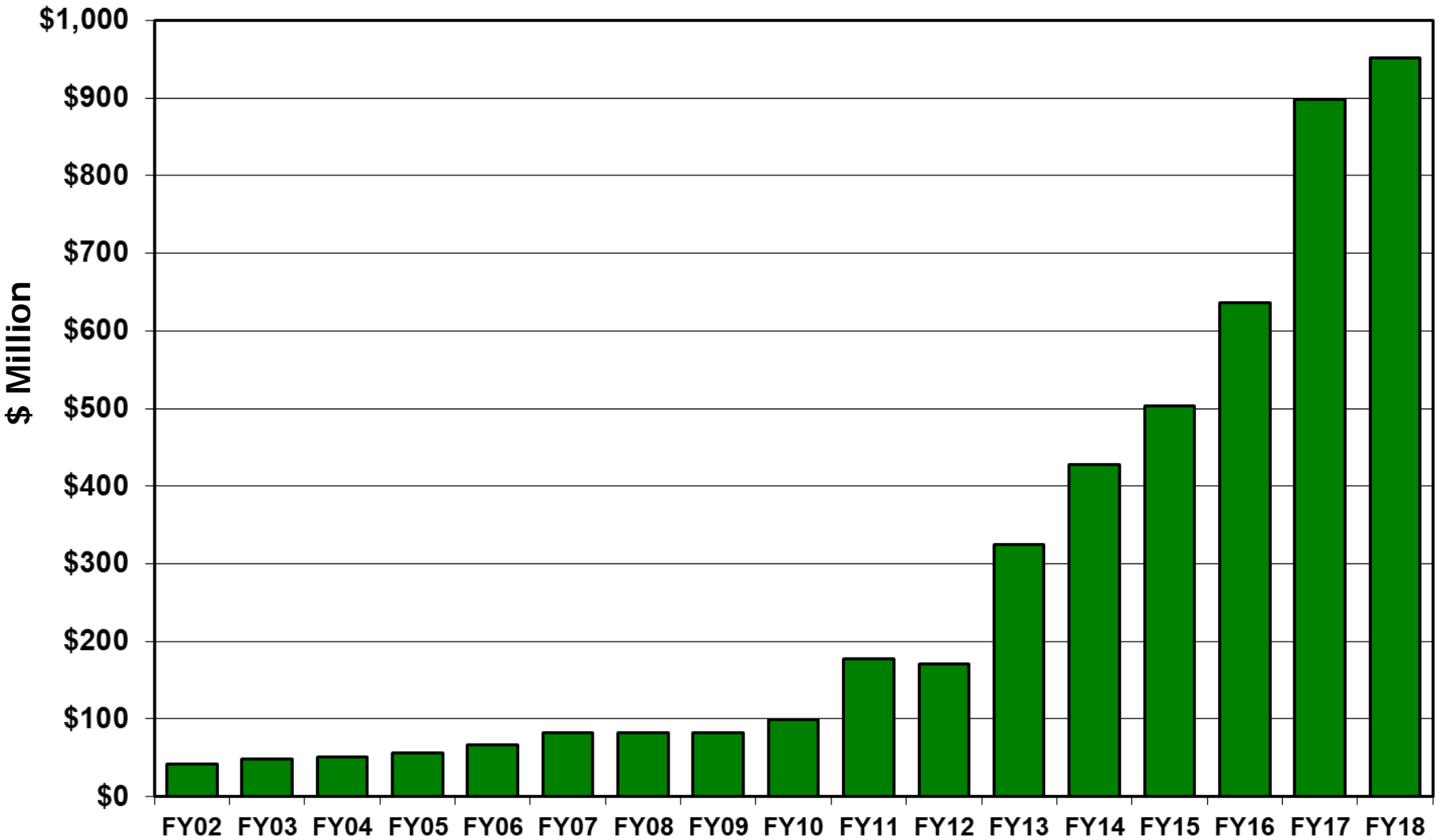




# Total MCU (8/16/32) Market Share %

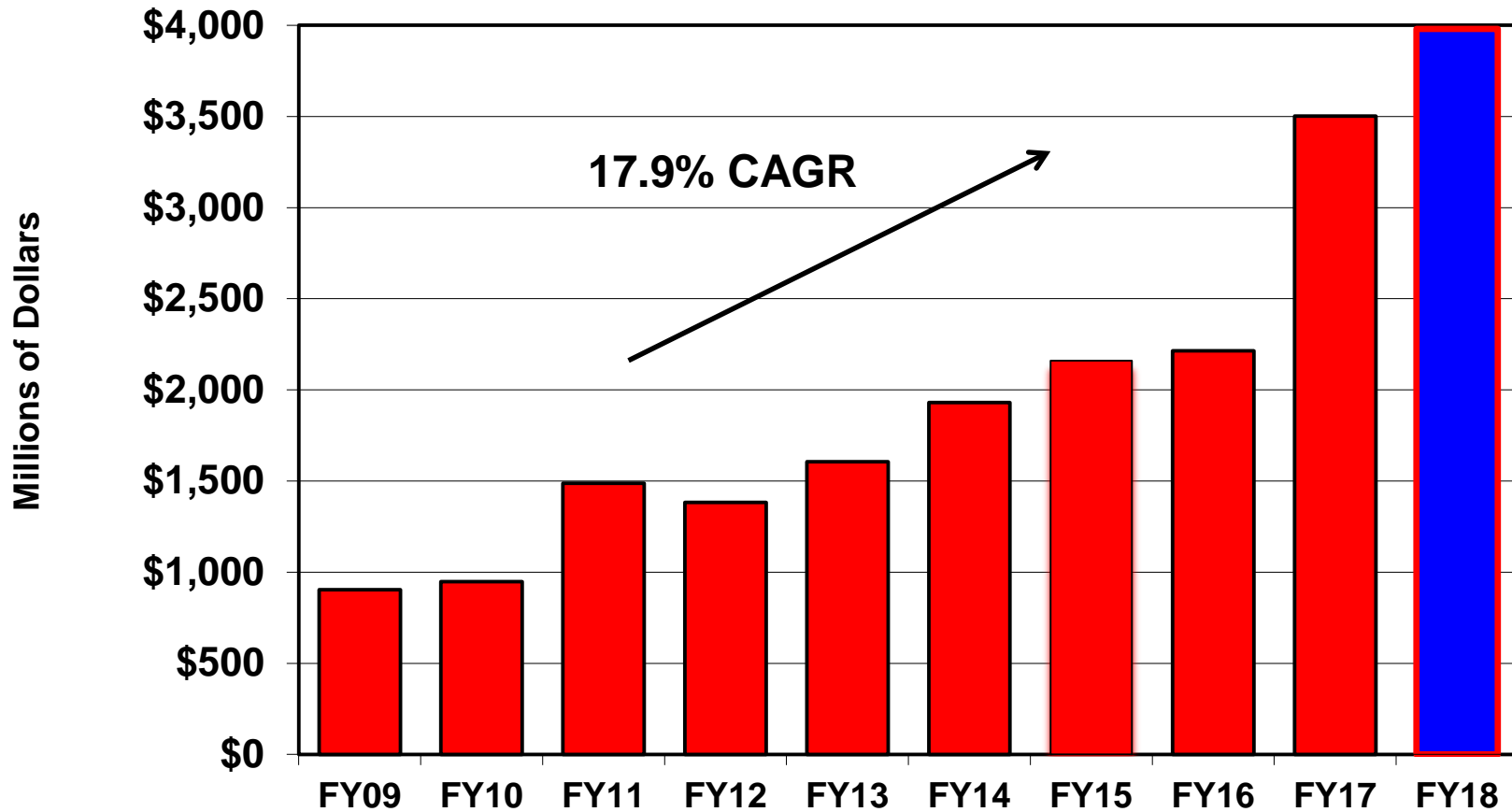


# Analog Yearly Revenue



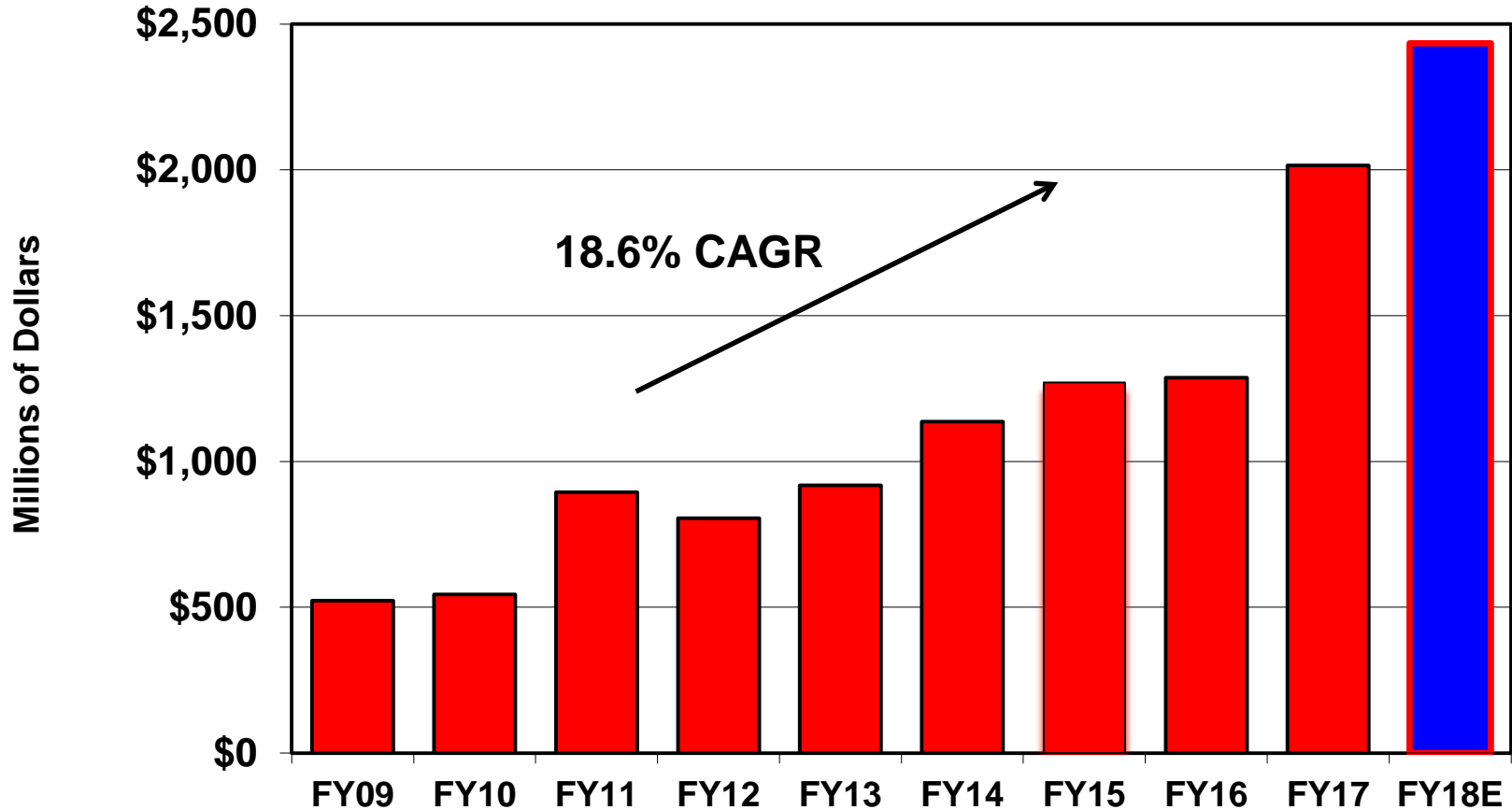


# Annual Non-GAAP Net Sales

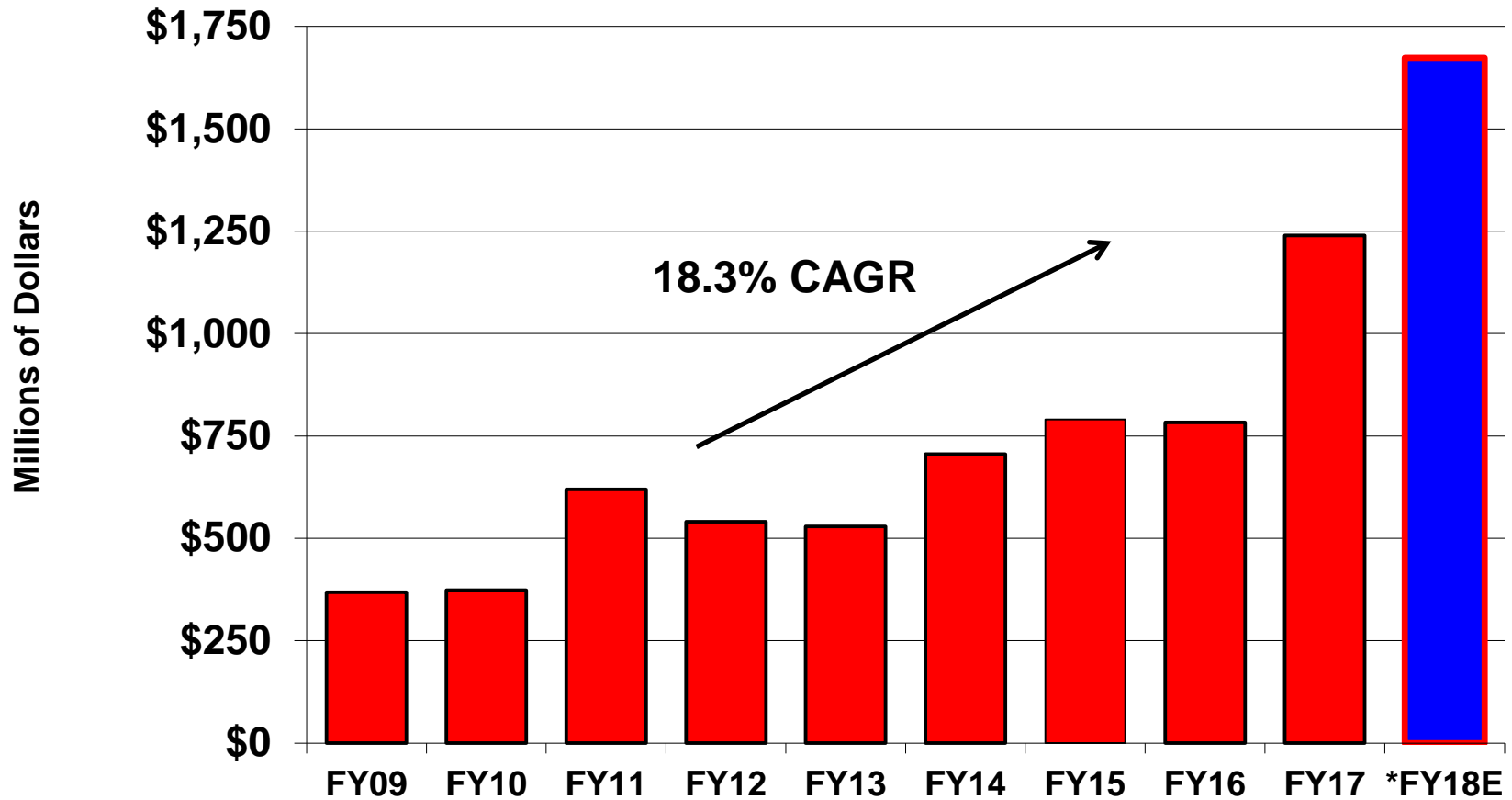




# Annual Non-GAAP Gross Profit



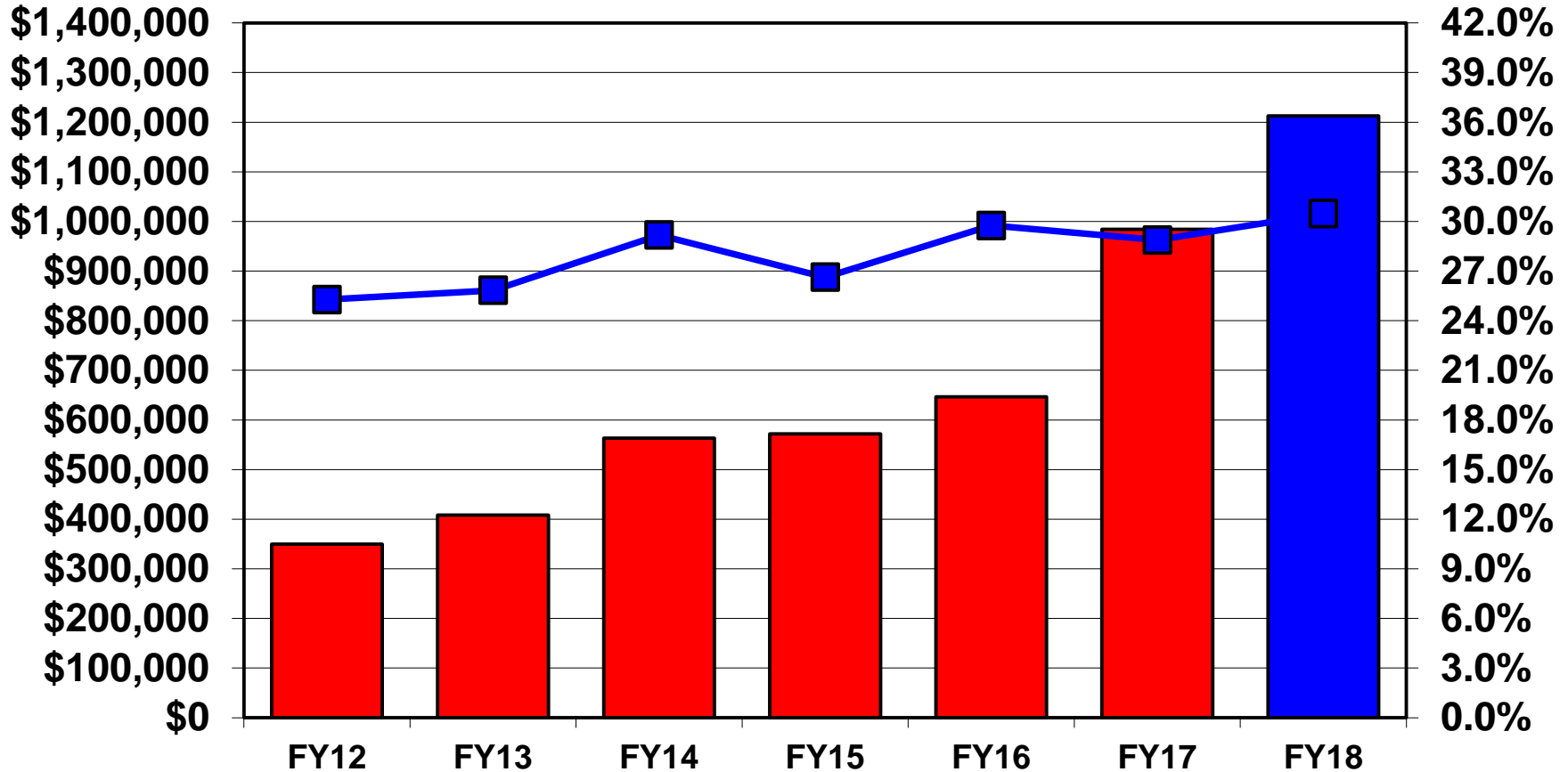
# EBITDA



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



# Free Cash Flow as a % of Revenue

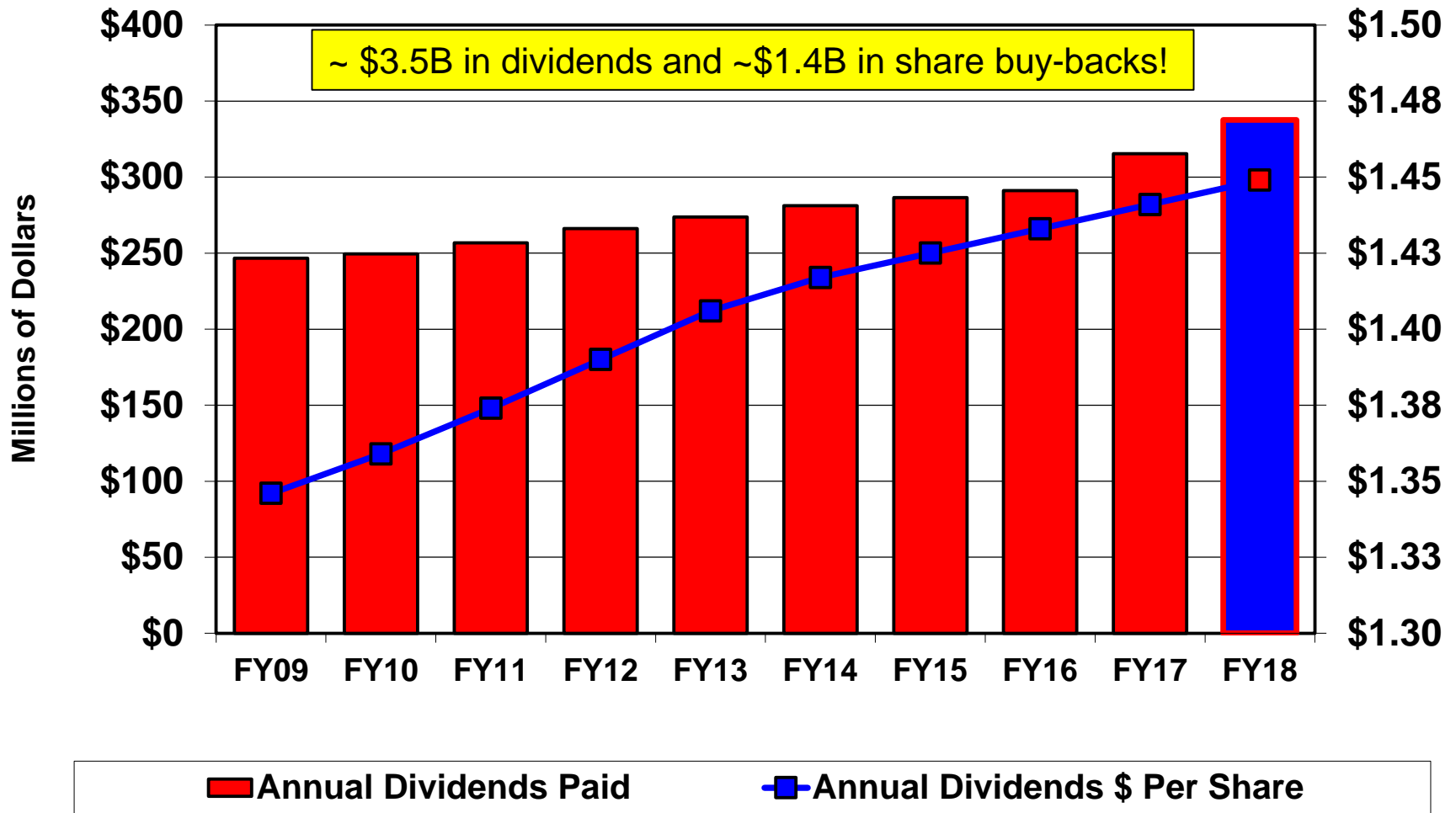


■ Free Cash Flow \$ 
 ■ Free Cash Flow as a % of Sales

\* 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.

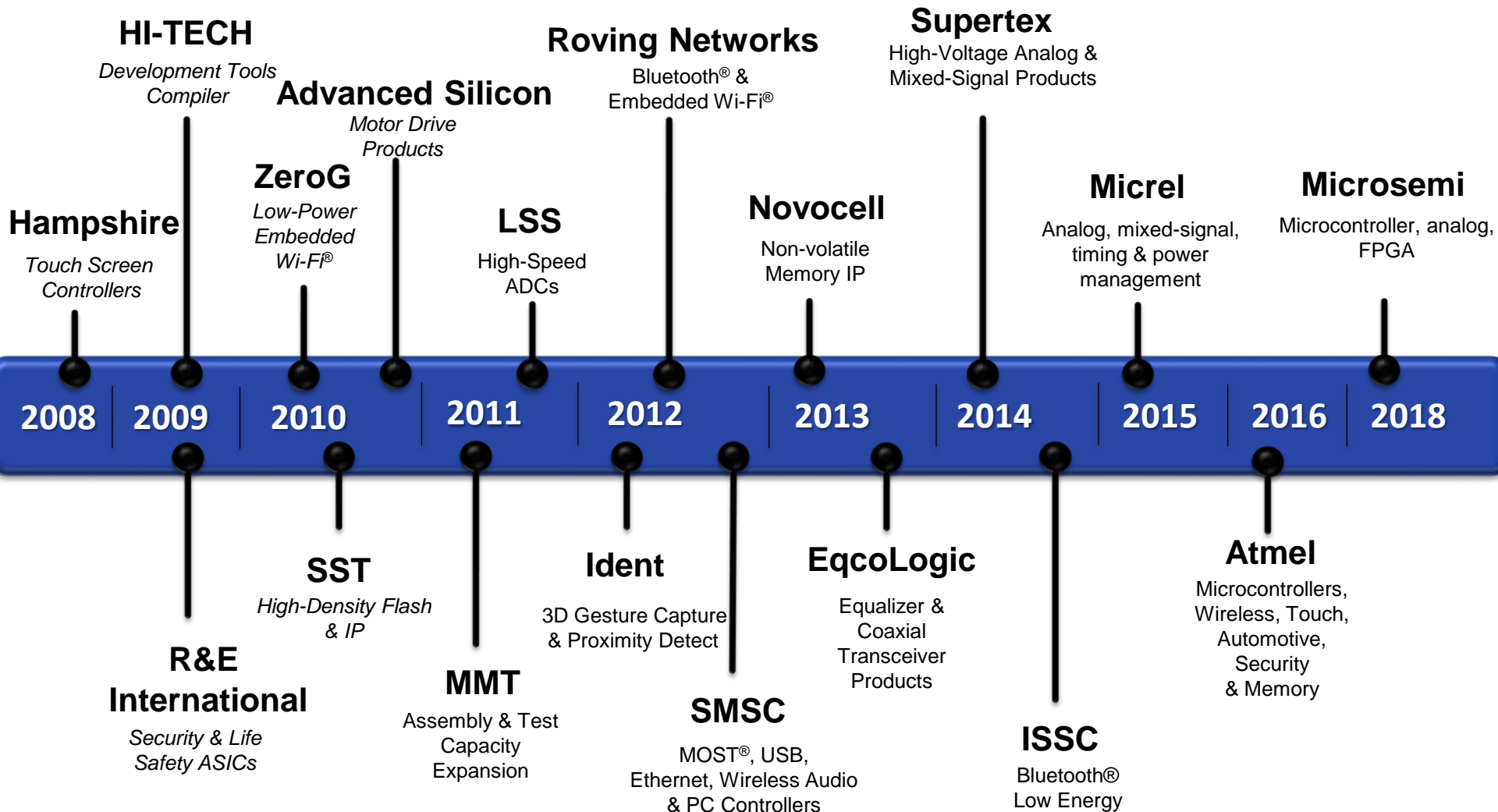


# ~\$5B Billion Returned to Shareholders





# Expanding Our Solutions Through Acquisitions







# Microsemi – A Strategically and Financially Compelling Transaction

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- **Strengthens Microchip's presence in Defense, Aerospace, Data Center and Communications markets**
- **Expands our Ethernet portfolio to serve Industrial IoT, Enterprise and Carrier markets**
- **Adds specialized Microcontrollers to serve the Enterprise Storage and Optical Networking markets**
- **Extends Microchip's portfolio of Timing, Low Power Wireless, Analog Power and Mixed Signal solutions**
- **Adds Discrete and FPGA as new product capabilities to add to portfolio**
- **Drives further scale in manufacturing, customer reach and sales channels**
- **Adds a patent portfolio of over 1500 patents to Microchip's strong IP portfolio**
- **Significant EPS accretion through growth and synergy with estimated \$300 million in synergies in year 3 after close**



# Microsemi Synergy and Accretion Expectations

- Transaction is expected to be immediately accretive to our non GAAP earnings per share
- Short term: Targeting 18% growth in non-GAAP EPS from FY18 to FY19 with accretion from Microsemi (assumes June 2018 close)
  - Microsemi adds ~75 cents of non-GAAP EPS accretion annualized run rate in the first year after close
- Long term: 3<sup>rd</sup> year after close (FY2021), we expect:
  - \$300M in synergy from cost savings and revenue growth
  - Microsemi to contribute ~\$1.75 of non GAAP EPS
  - Targeting consolidated Microchip non GAAP EPS of ~\$8/share
- Represents non GAAP EPS growth of over 14% per year for Microchip from FY18 through FY21
- Extends Microchip's record of organic as well as acquisition driven revenue and non GAAP EPS growth

# Microchip 2.0

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



**SMART | CONNECTED | SECURE**

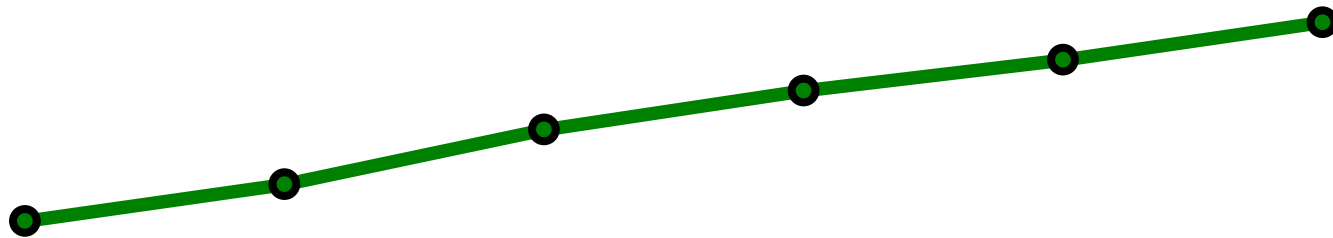
# Microchip 2.0

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- 1. Total System Solution in Embedded Control**
- 2. Leading customer preference to design with our MCUs**
- 3. Multiple growth drivers**
- 4. Record gross margin target with multiple drivers**
- 5. Record low opex**
- 6. End market mix skewed to Industrial and Automotive**
- 7. New LT model with industry leading operating profits**

# Total System Solution Results

## Parts/Project in Design



**Growing at 20%+ year over year**

FQ2017\_3

FQ2017\_4

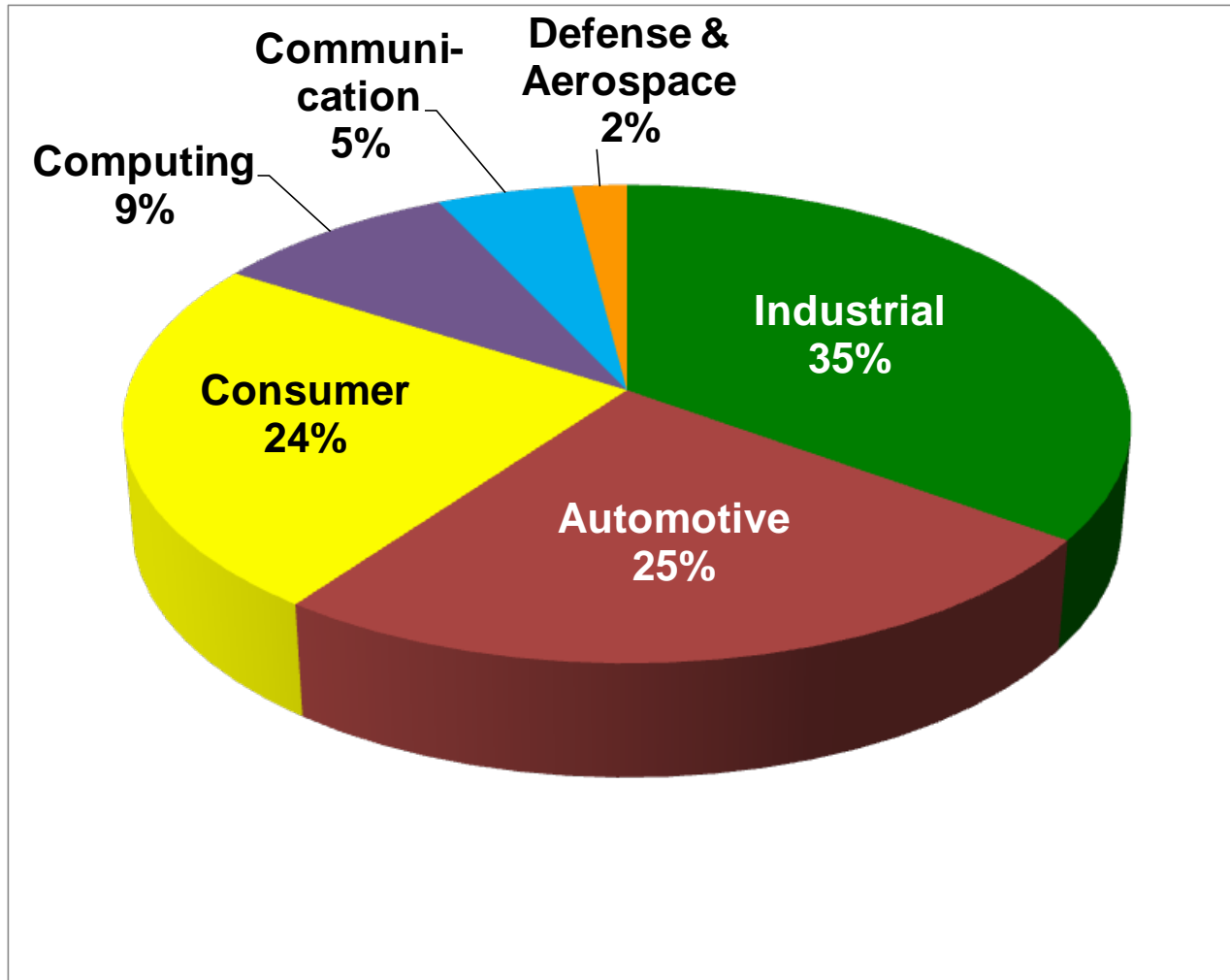
FQ2018\_1

FQ2018\_2

FQ2018\_3

FQ2018\_4

# Revenue by End Market





# Highly Profitable Financial Model \*

	Microchip	Microsemi	Microchip + Microsemi	Long Term Model
Revenue (\$M)	\$3,977	\$1,875	\$5,852	
Gross Margin (%)	61.4%	63.2%	62.0%	63%
R&D (%)	12.1%	18.5%	14.2%	13%
SG&A (%)	9.9%	12.5%	10.7%	9.5%
Op Income (\$M)	\$1,567	\$603	\$2,170	
Op Income (%)	39.4%	32.2%	37.1%	40.5%

\* In millions, except percentages. All figures are non-GAAP and are based on results for the December 2017 quarter. Revenue and operating income dollars are based on December 2017 quarter results which were annualized by multiplying the December quarter numbers by four.

# Summary

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- A consistent revenue grower and market share gainer with multiple growth drivers
- High margin business model and shareholder friendly
- June quarter non-GAAP revenue guided to sequential growth of between 17% and 24%.
- Premium long-term non-GAAP financial model (Microchip + Microsemi) of 63% gross margin, 22.5% operating expenses and 40.5% operating income
- Executing on Microchip 2.0 - Total system solutions - Smart, Connected and Secure
- Microsemi acquisition closed
- State of the union at Microchip is very strong





**MICROCHIP**

***Thank You!***



SMART | CONNECTED | SECURE