

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



## Microchip In Industrial

***Ganesh Moorthy***  
***President and***  
***Chief Operating Officer***



# Corporate Overview

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- **Leading provider of:**
  - 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
- **~ \$3.9 Billion revenue run rate**
- **~13,500 employees**
- **Headquartered near Phoenix in Chandler, AZ**

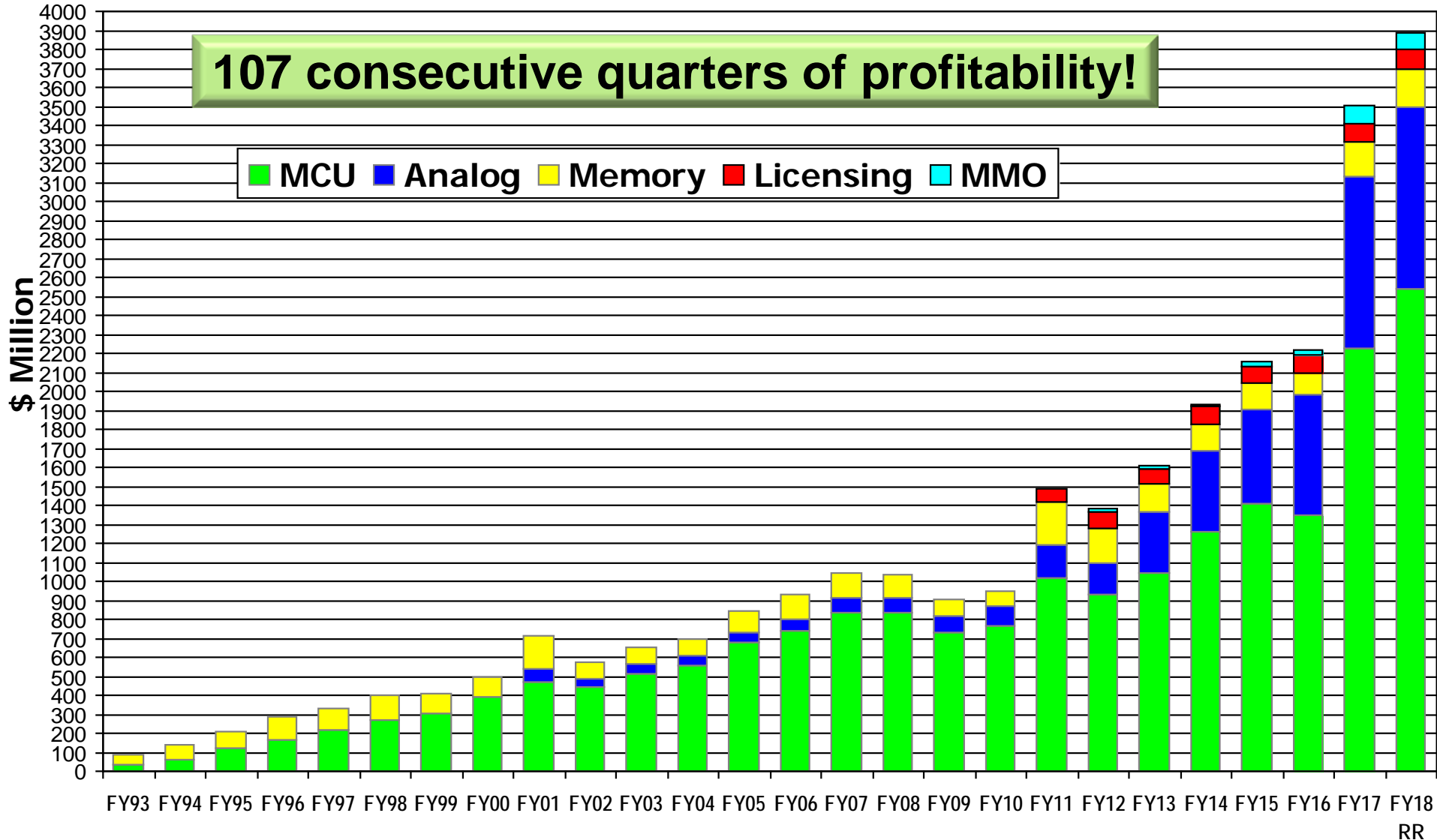
# Our Vision

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

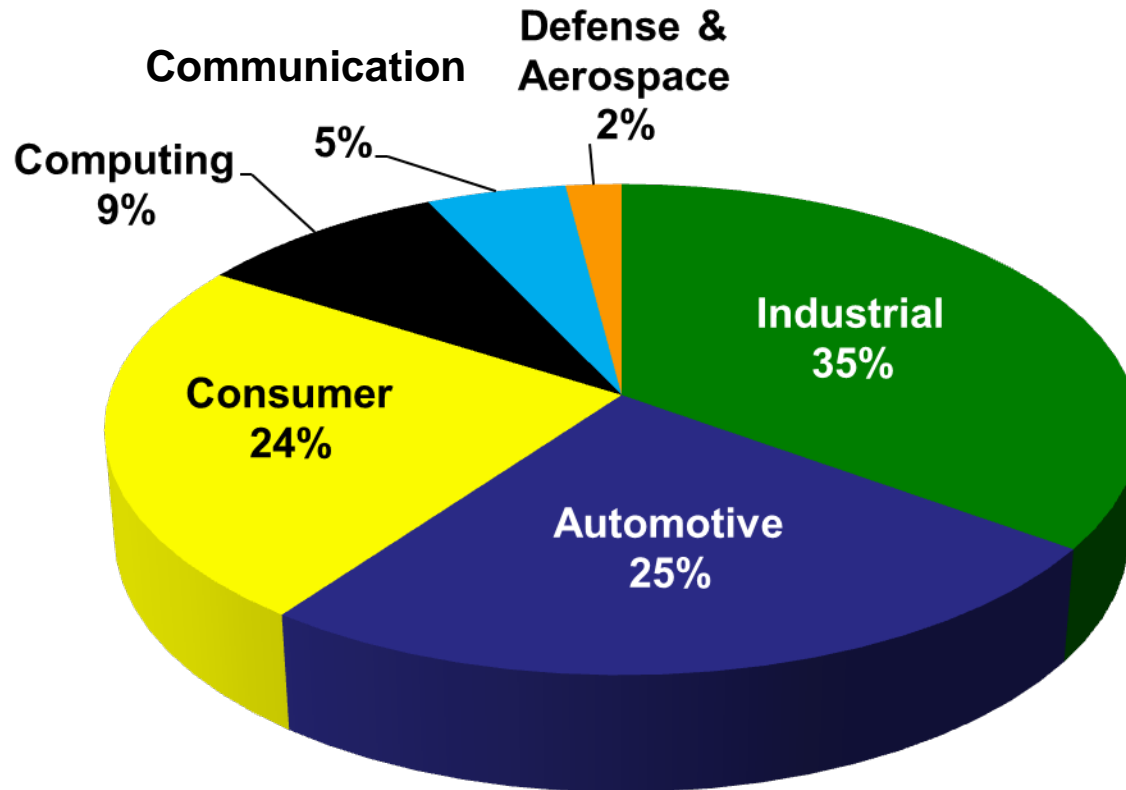


**SMART | CONNECTED | SECURE**

# Annual Net Sales Growth



# Revenue by End Market



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

# Industrial Market Characteristics

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- **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

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- **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



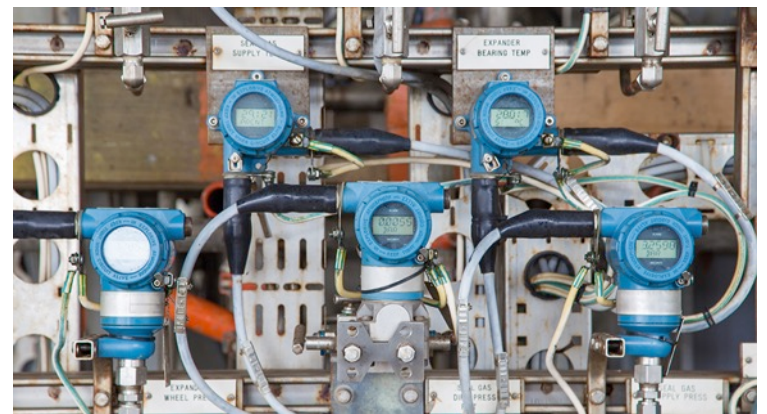
Flow Meters



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



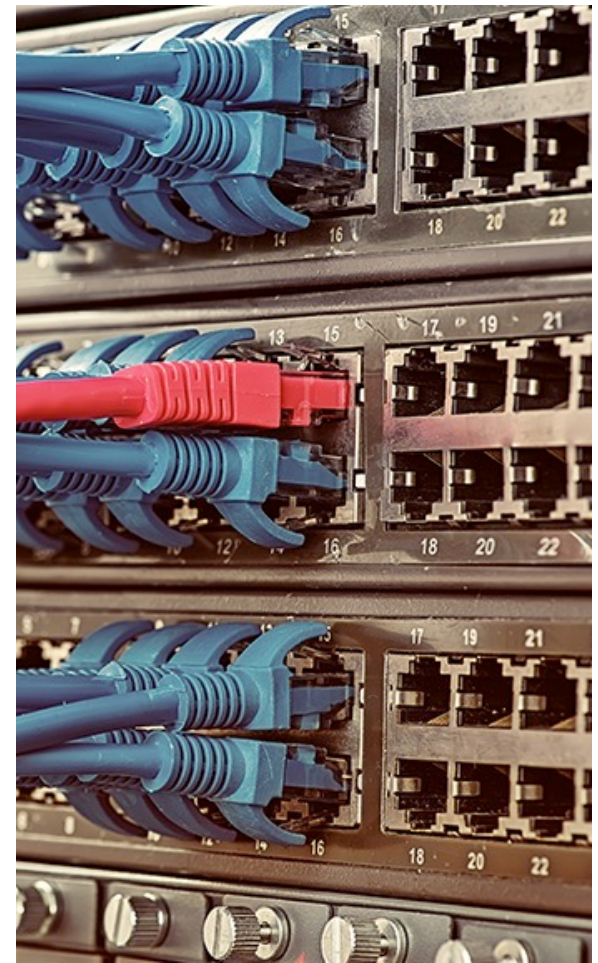
Machine-to-Machine (M2M) Communication



Video Surveillance



Communication Towers



Routers/Gateways



# Authentication



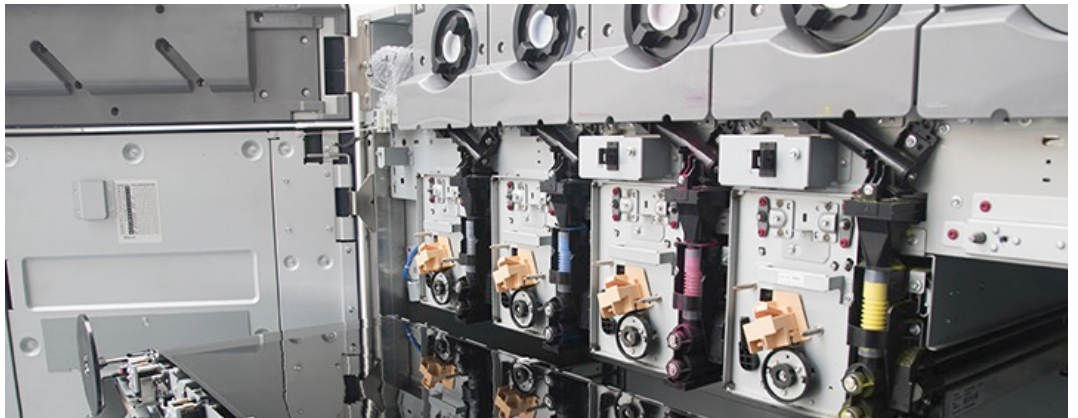
Bus Authentication



Access Control Systems



Secure POS Terminal



Cartridge Authentication



Defibrillators



CPAP Machines



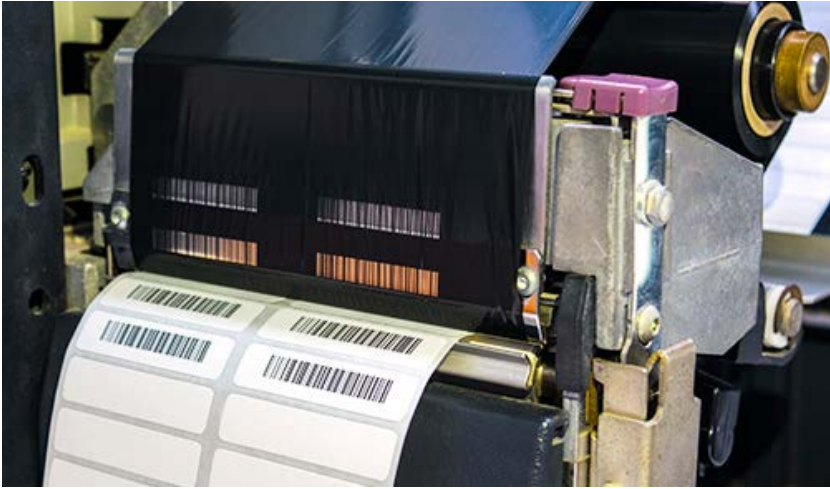
In-Home Patient Monitors



Ultrasound Machines



# Industrial Computing



Industrial Printers



Industrial Computers



Point-of-Sale Machines



Bar Code Scanners



Information Kiosks

# Building/Factory Automation



Assembly Line Automation



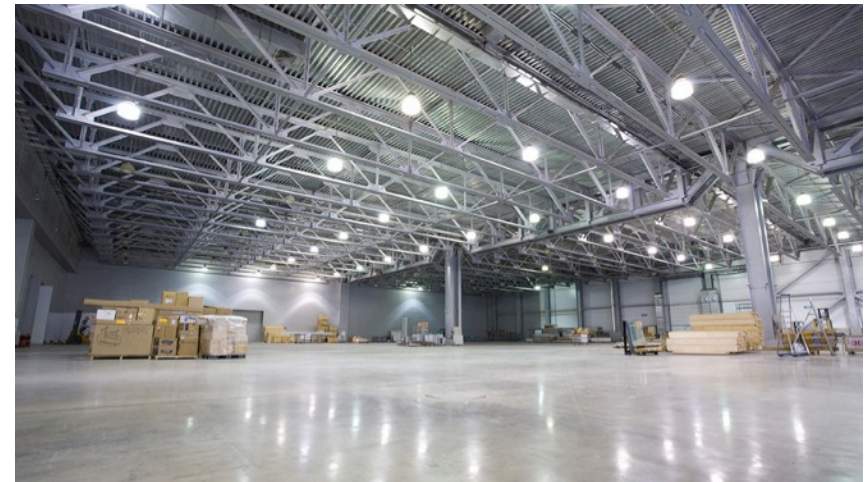
Boilers



HVAC



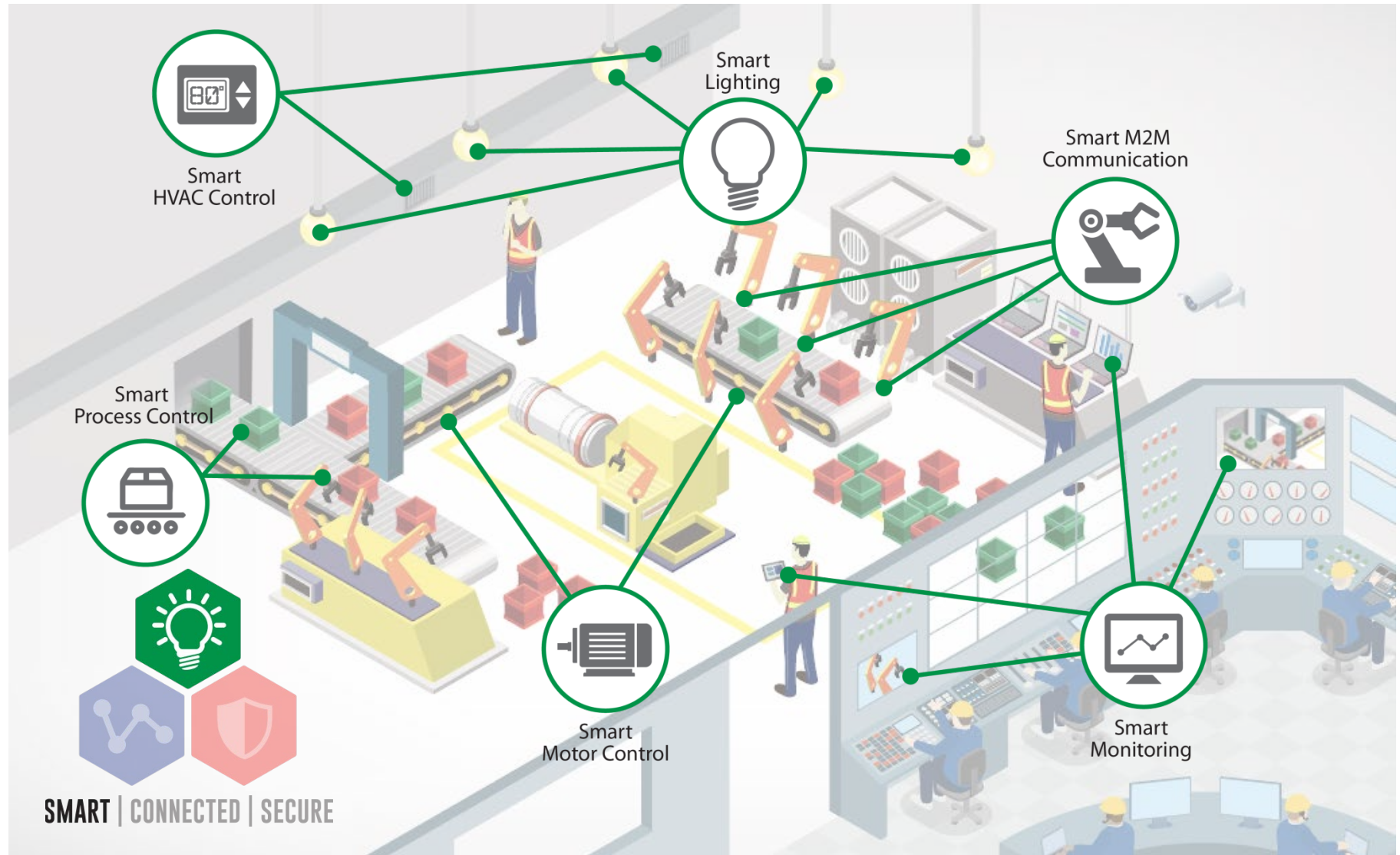
Machine Vision



Smart Lighting



# Industrial IoT Smart

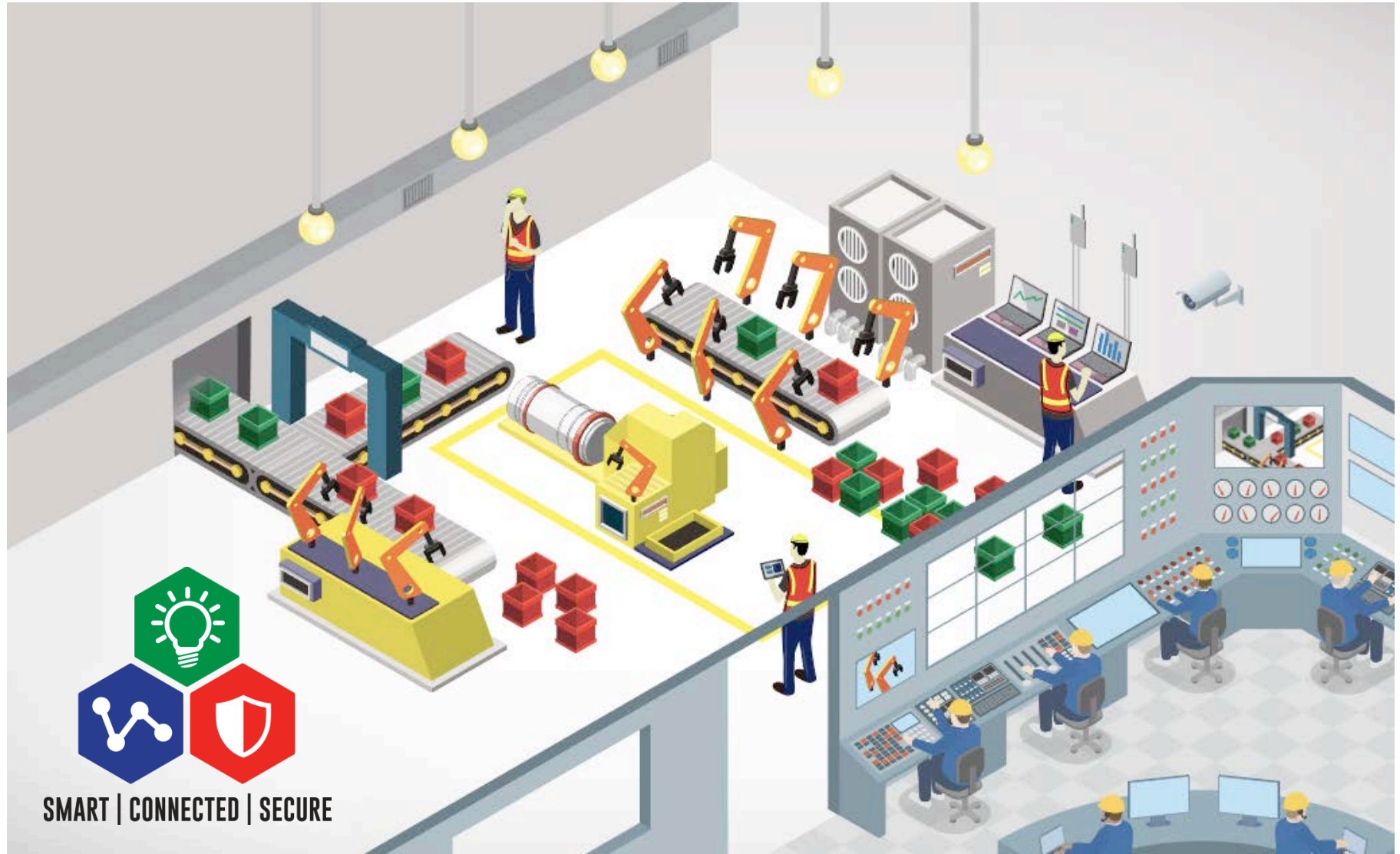


# Industrial IoT Connected





# Industrial IoT Smart, Connected & Secure



# 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**

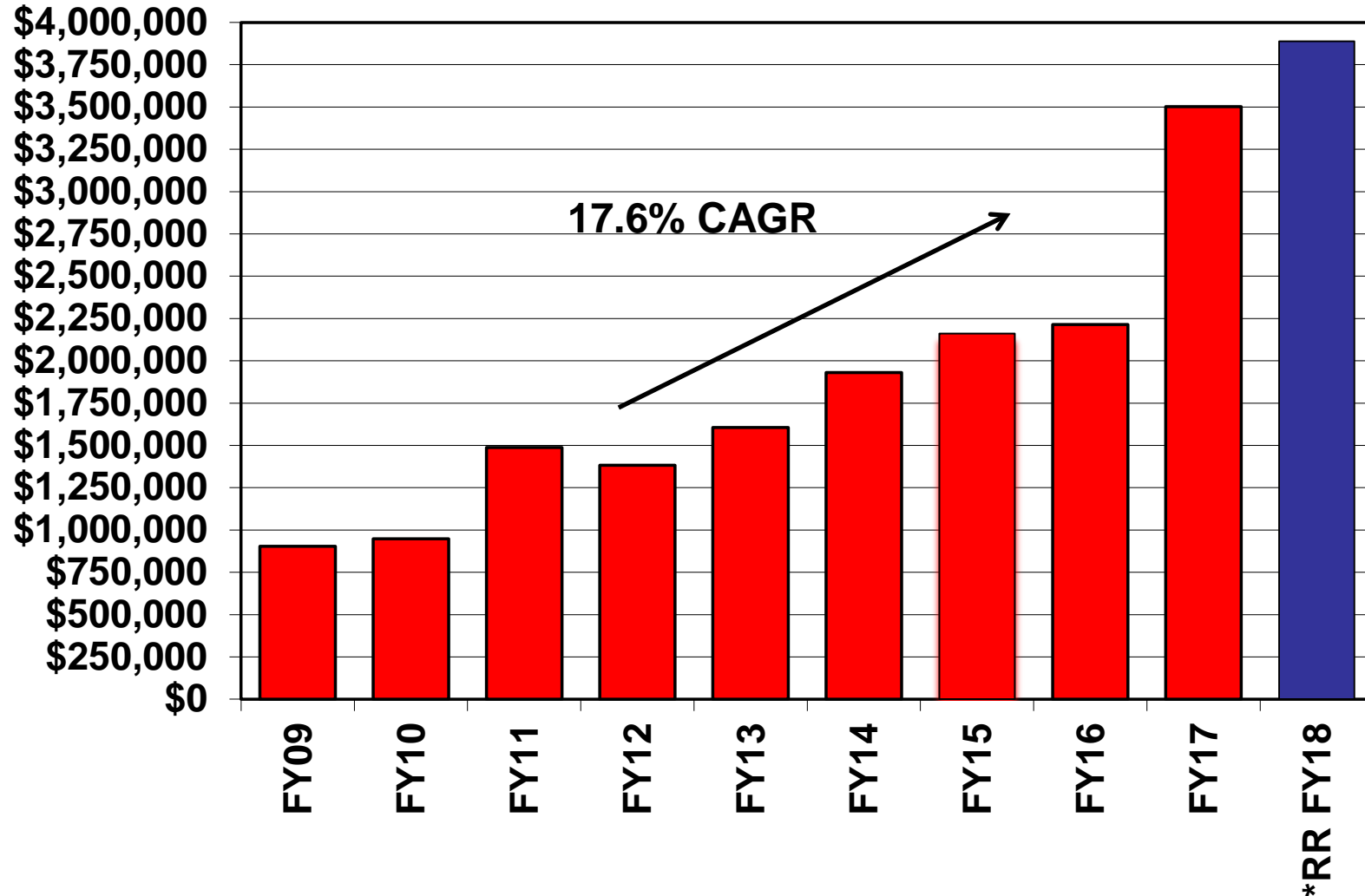


# Investment Thesis

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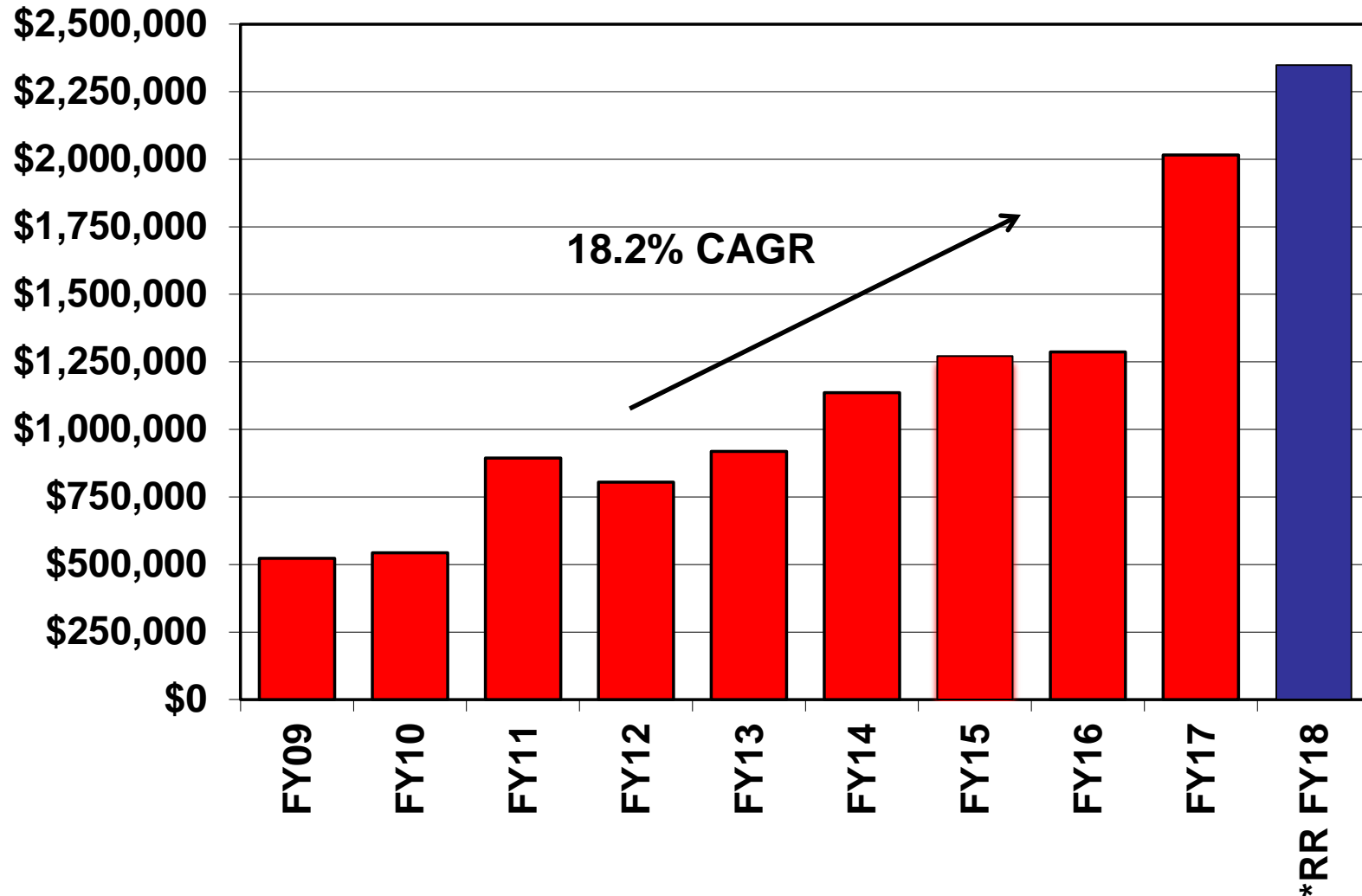
***Consistent and above market revenue growth, profitability, cash generation and return to shareholders***

# Non-GAAP Net Sales



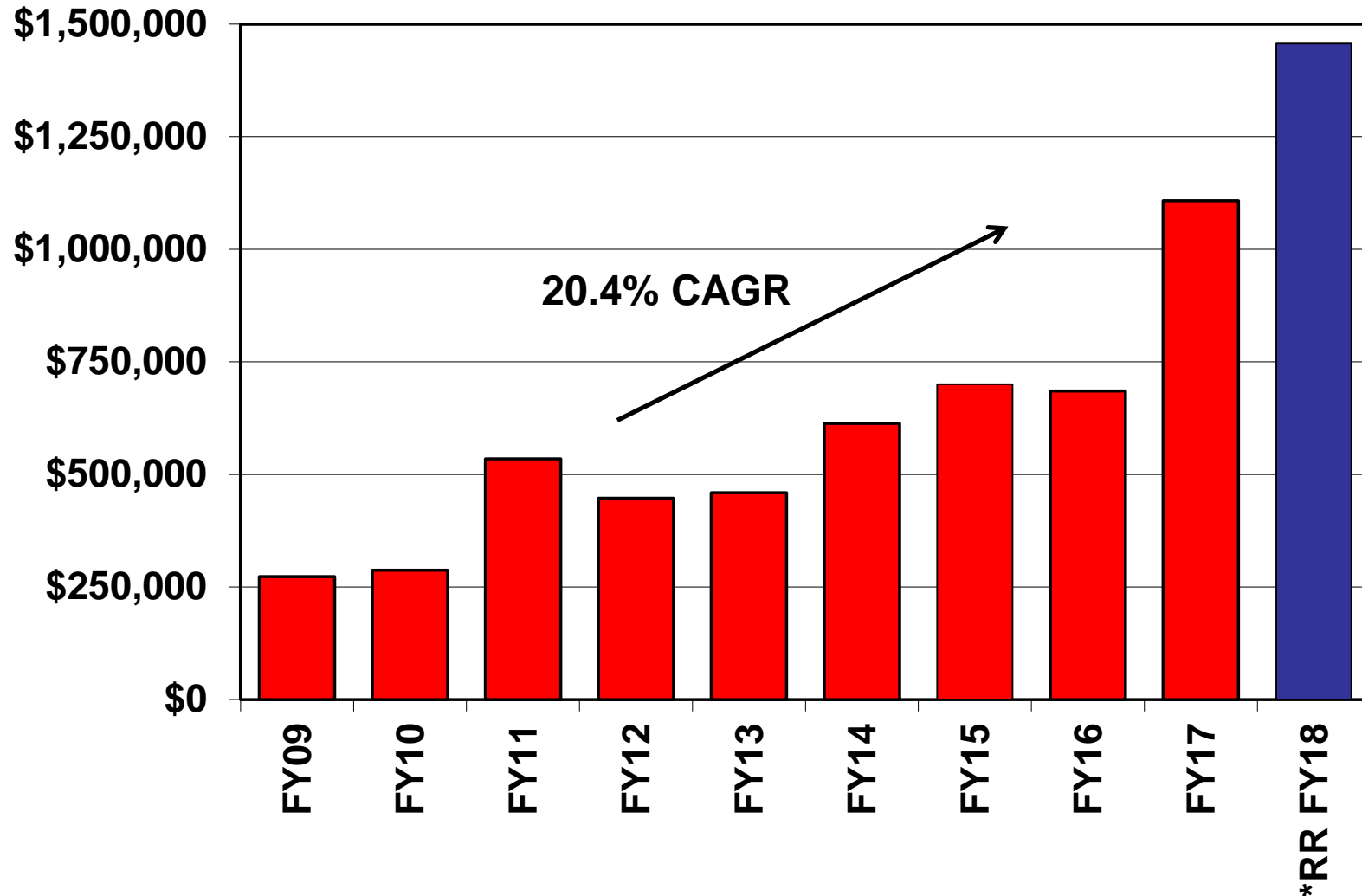
\* Run rate for FY18 represent Q1 FY18 actual results multiplied by four

# Non-GAAP Gross Profit



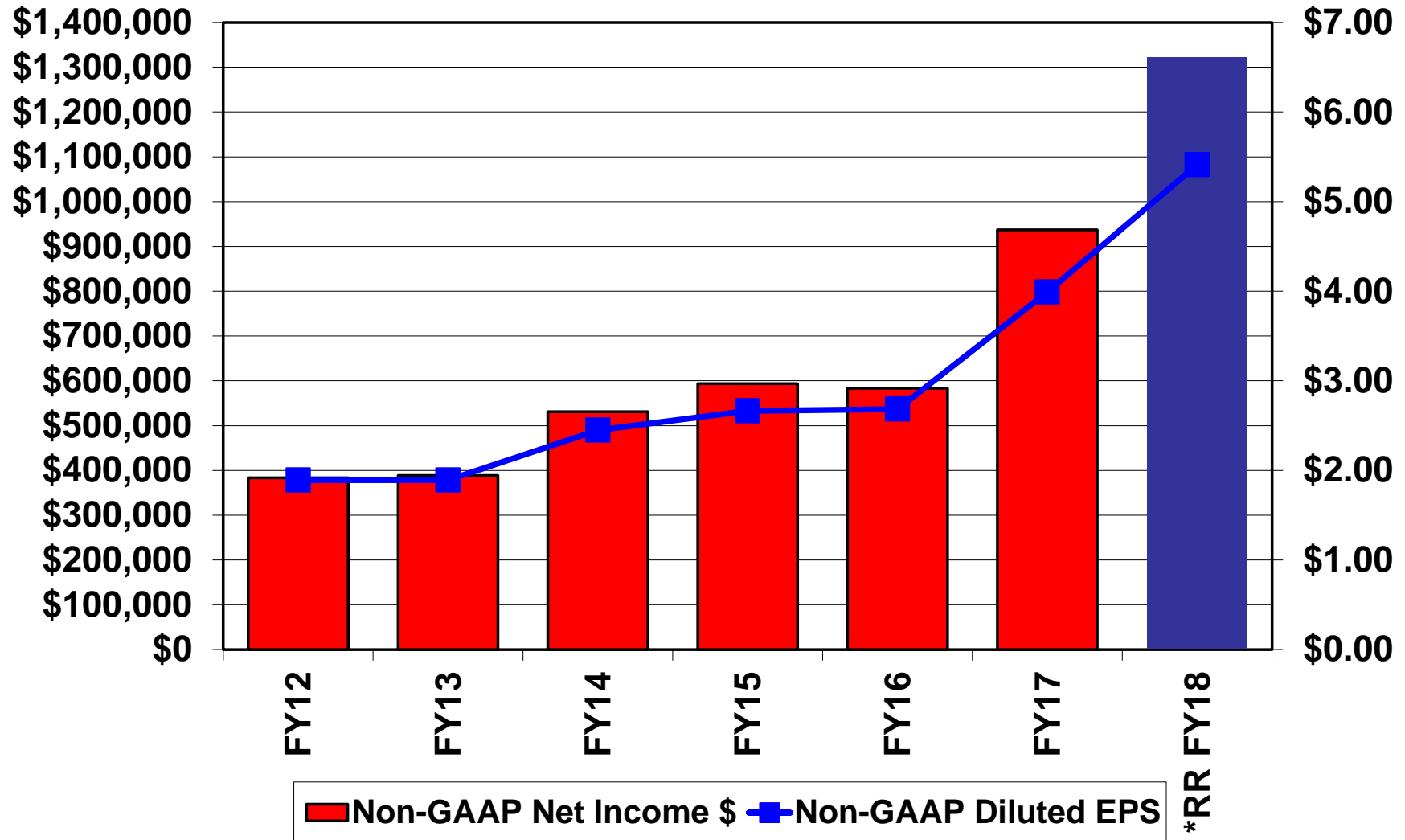
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# Non-GAAP Operating Income



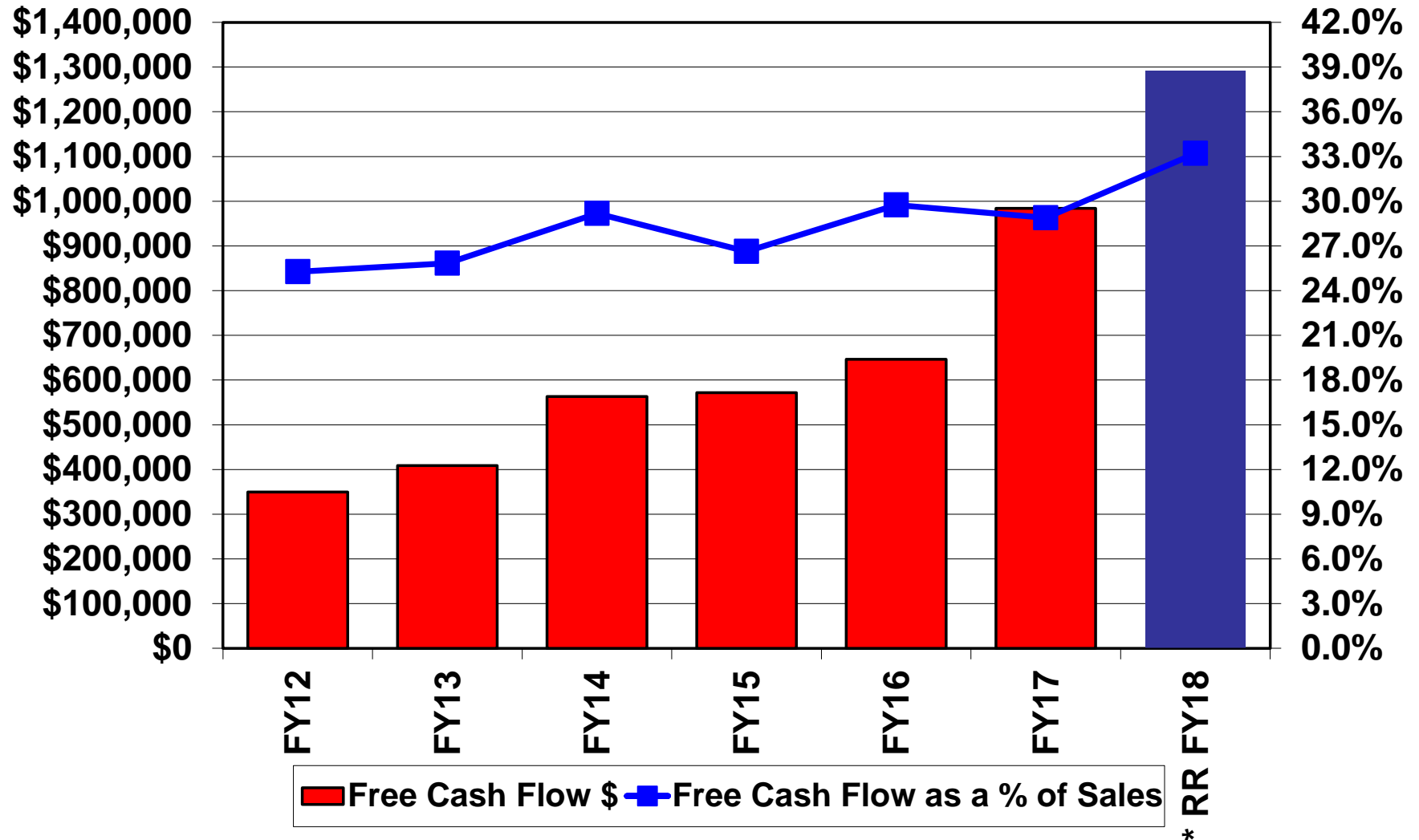
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# Non-GAAP Net Income and Diluted EPS Growth



\* Run rate for FY18 represent Q1 FY18 actual results multiplied by four

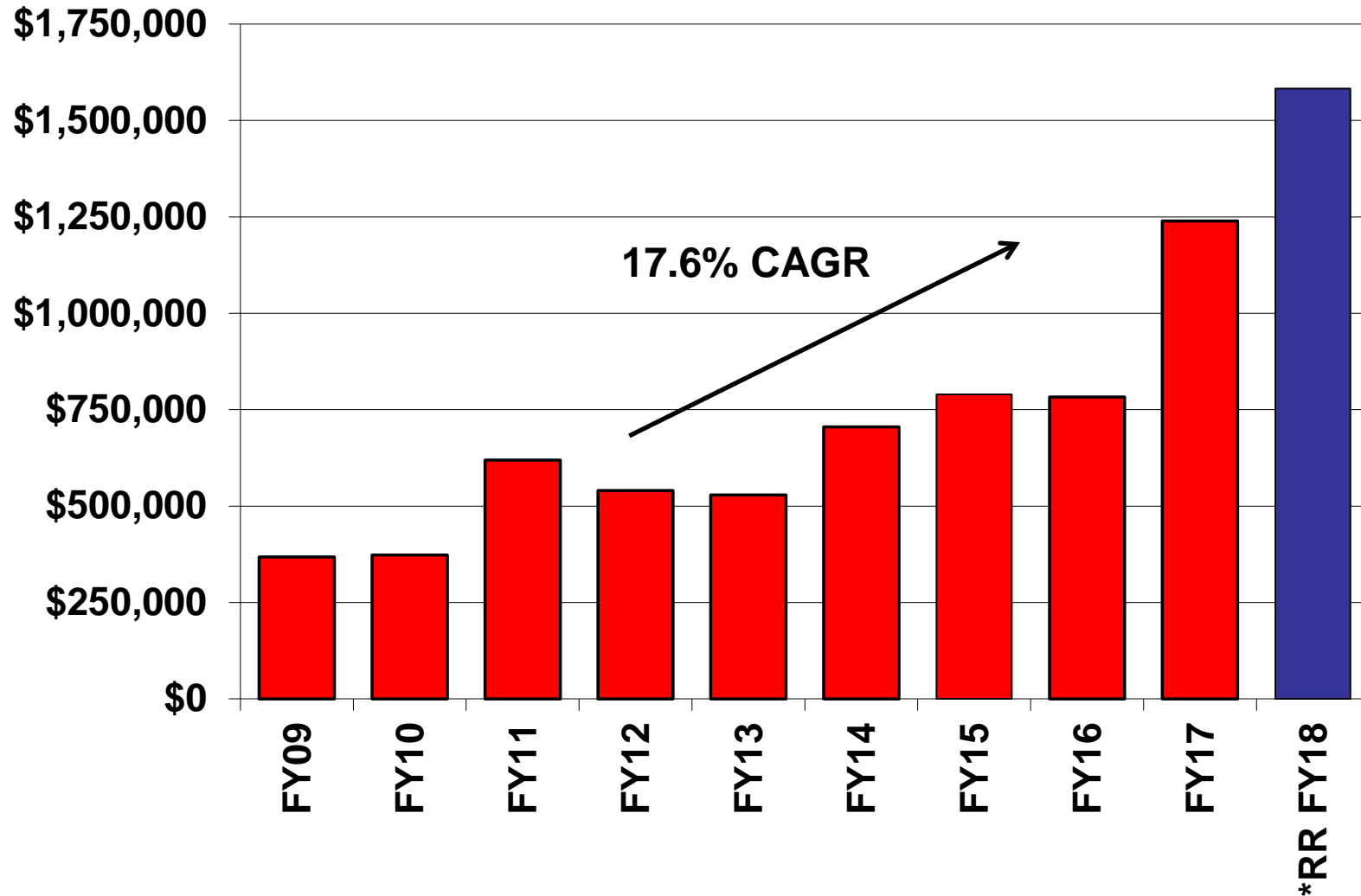
# Free Cash Flow as a % of Revenue



\* Run rate for FY18 represent Q1 FY18 actual results multiplied by four. Free cash flow = operating cash flow minus capital expenditures.

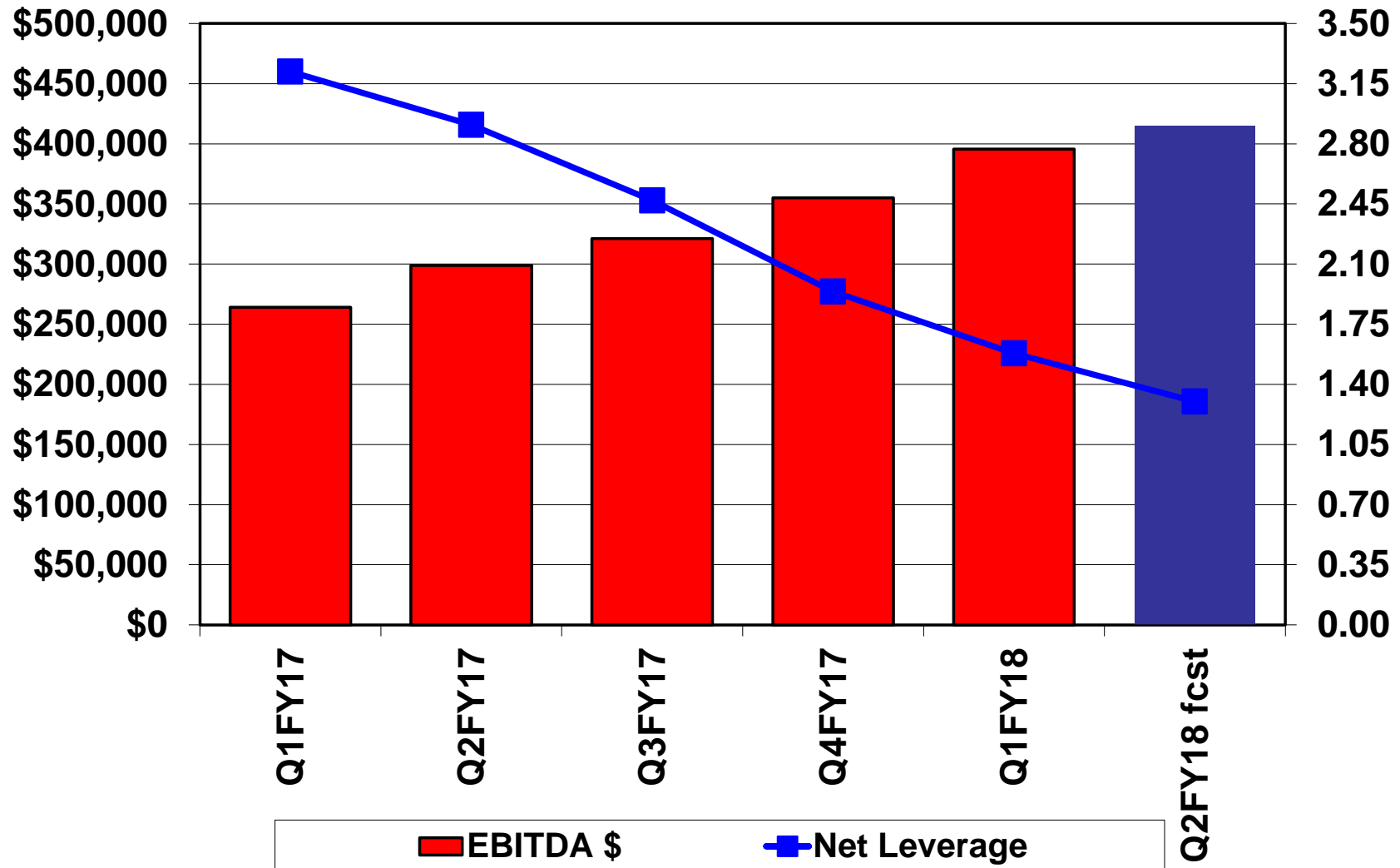


# EBITDA



\* Run rate for FY18 represent Q1 FY18 actual results multiplied by four

# 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

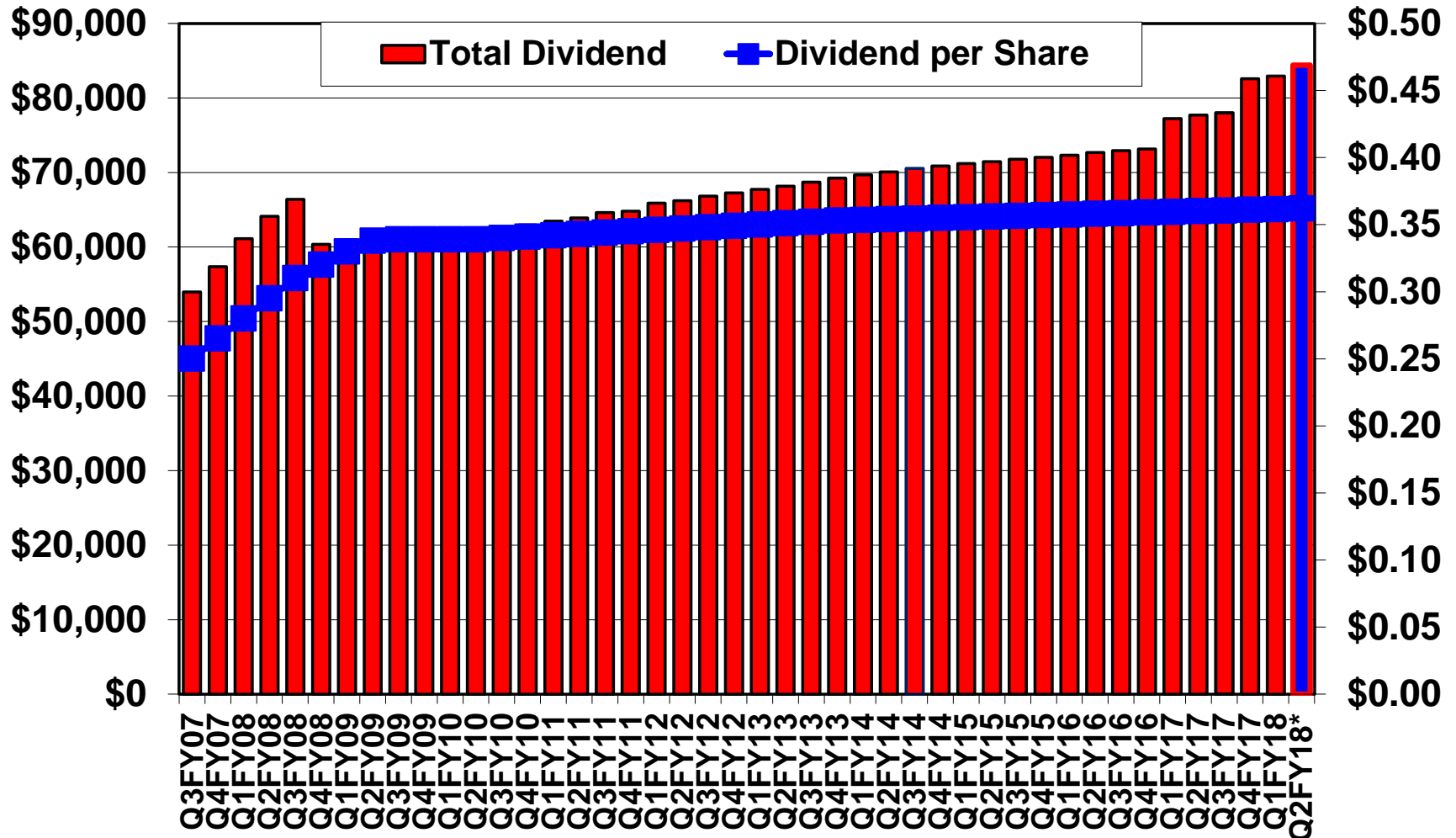
	Actual Results				
	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18
<b>Net Sales</b>	\$844.0	\$873.8	\$881.2	\$902.7	\$972.1
<b>Gross Profit</b>	\$471.1	\$499.9	\$509.7	\$534.7	\$587.2
<b>Gross Margin</b>	55.8%	57.2%	57.8%	59.2%	60.4%
<b>Operating Expense</b>	\$240.0	\$233.6	\$220.6	\$213.6	\$222.9
<b>Operating Income</b>	\$231.1	\$266.3	\$289.1	\$321.2	\$364.3
<b>Operating Margin</b>	27.4%	30.5%	32.8%	35.6%	37.5%
<b>Net Income</b>	\$194.0	\$219.6	\$246.5	\$276.9	\$319.1
<b>Diluted EPS</b>	\$0.84	\$0.94	\$1.05	\$1.16	\$1.31
<b>EBITDA</b>	\$264.1	\$298.8	\$321.3	\$356.5	\$395.6

Q2 FY18 Guidance	
<b>Net Sales</b>	\$1,001.3
<b>Gross Margin %</b>	60.5% -60.75%
<b>Operating Expense</b>	22.5% to 23%
<b>Operating Margin</b>	37.5% to 38.25%
<b>Diluted EPS</b>	\$1.33 - \$1.37

Long Term Model	
<b>Revenue Growth</b>	7% - 9%
<b>Gross Margin</b>	62.5%
<b>Operating Expense</b>	22.5%
<b>Operating Margin</b>	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](http://www.microchip.com).

# ~ \$4.7B Returned To Shareholders



**~ \$3.3B in dividends and ~\$1.4B in share buy-backs!**

# Microchip Summary

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- **Significant provider of Industrial semiconductor solutions with >25 years experience in Industrial market**
- **Dominate 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!**