



MICROCHIP

Stifel

2016 Technology, Internet & Media Conference

Eric Bjornholt, Vice President & Chief Financial Officer

Today's Agenda

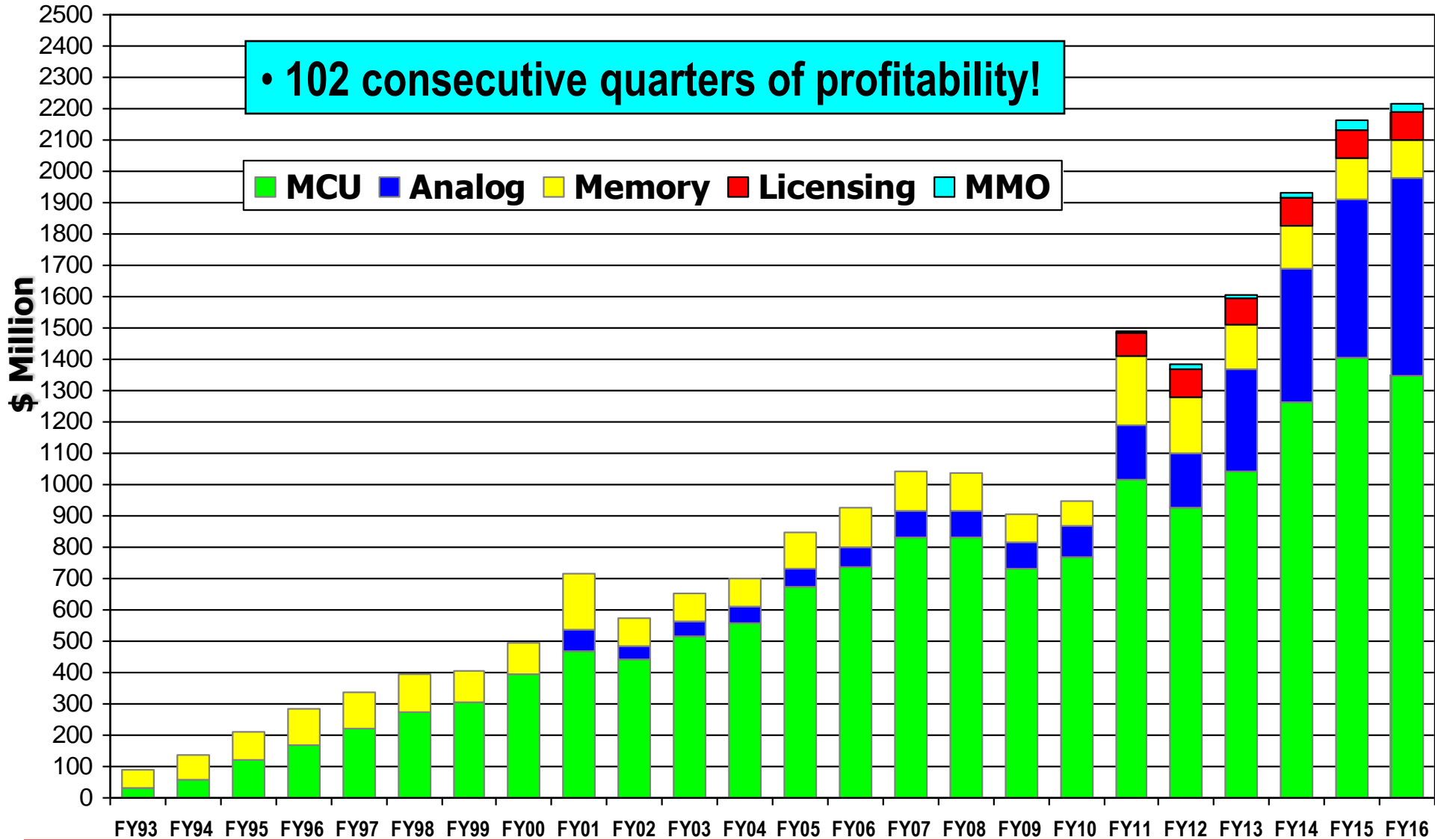
- **Microchip's business characteristics**
 1. Consistent growth
 2. Perennial market share gains
 3. High margin business model
 4. Shareholder friendly with consistently increasing dividends and free cash flow
- **Microchip's acquisition strategy has been a success**
- **Atmel acquisition**
- **Opportunity for significant accretion as margins expand towards updated business model**



Annual Net Sales Growth

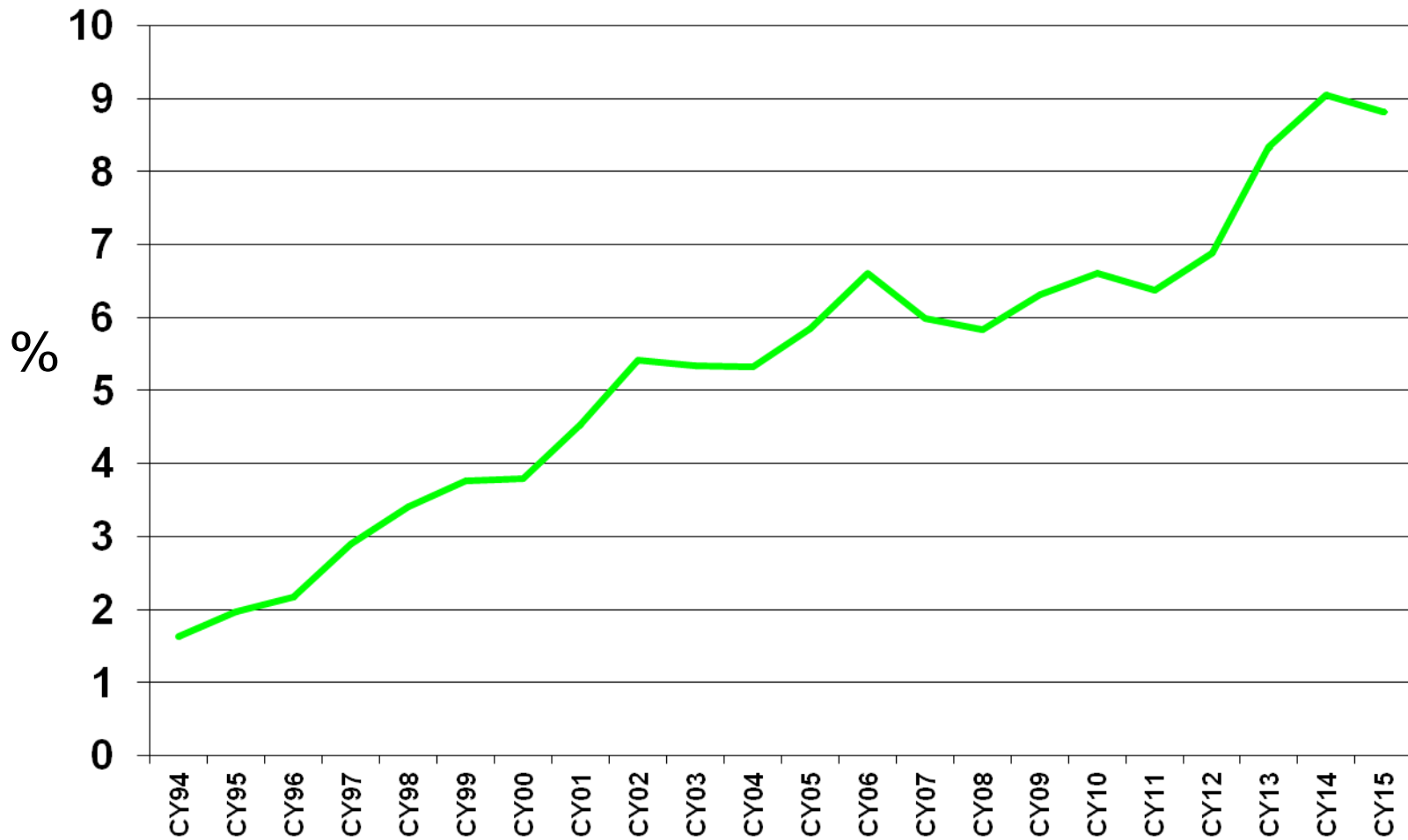
• 102 consecutive quarters of profitability!

MCU Analog Memory Licensing MMO



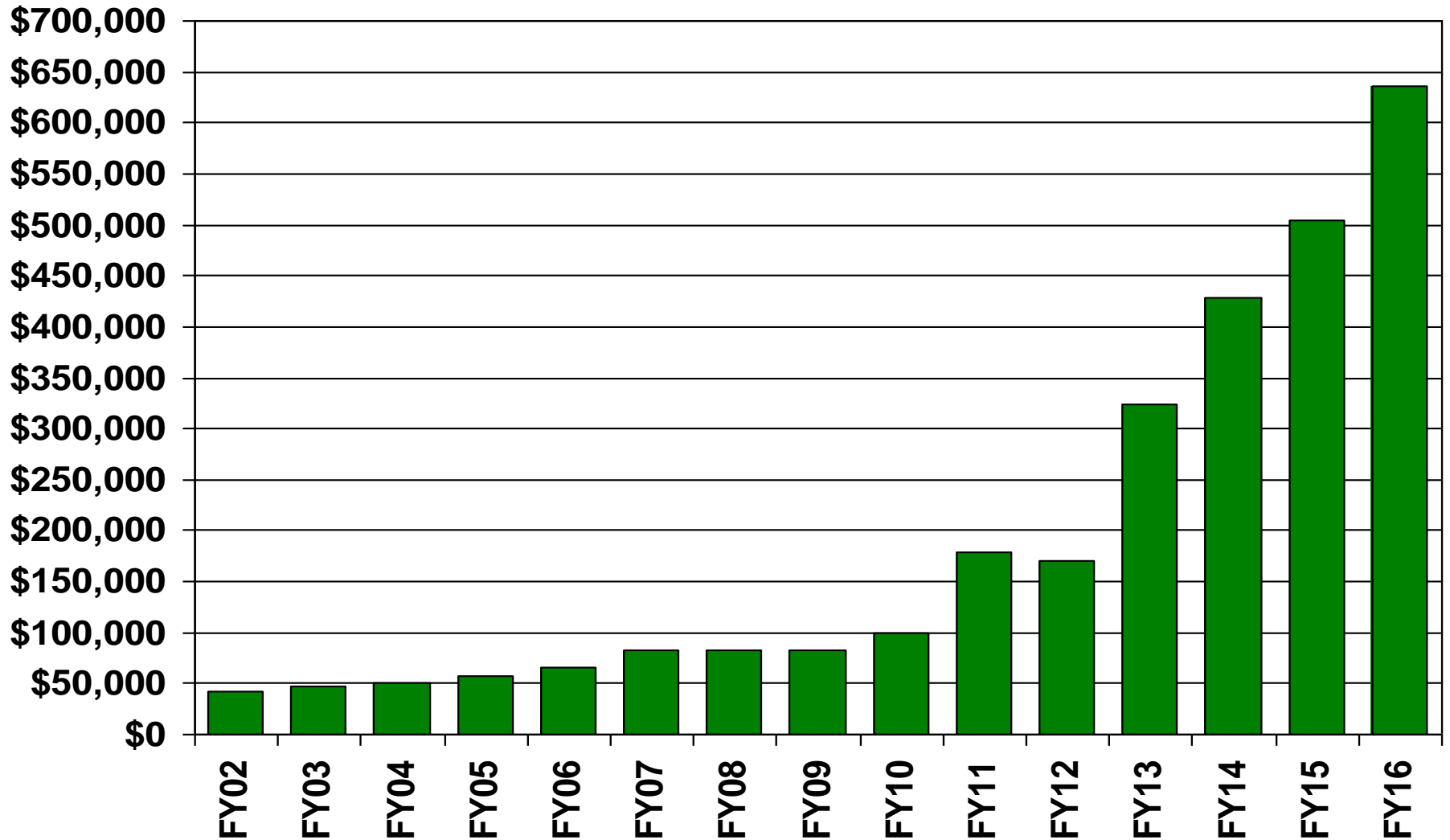


Total MCU (8/16/32) Market Share %



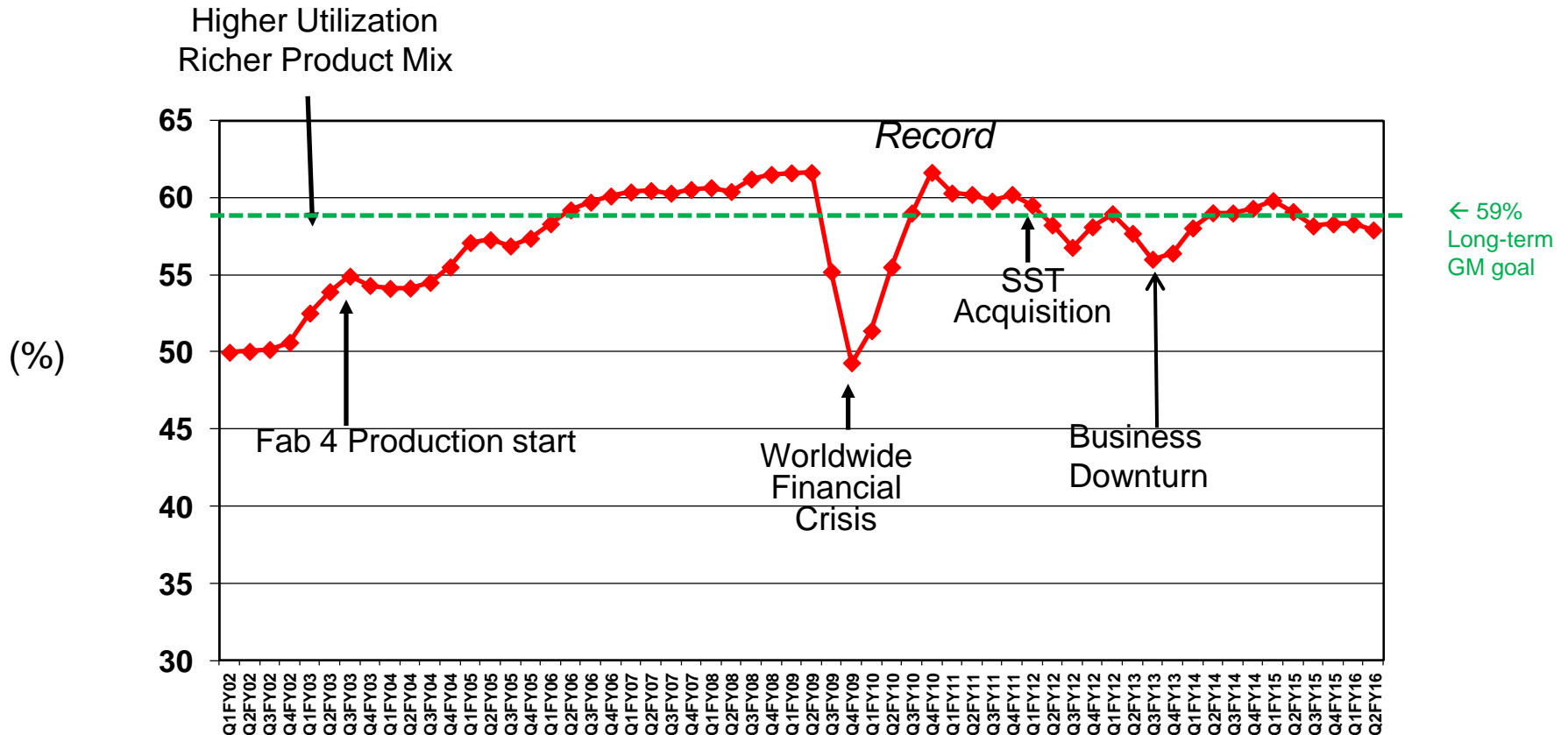


Analog Yearly Revenue (k\$)





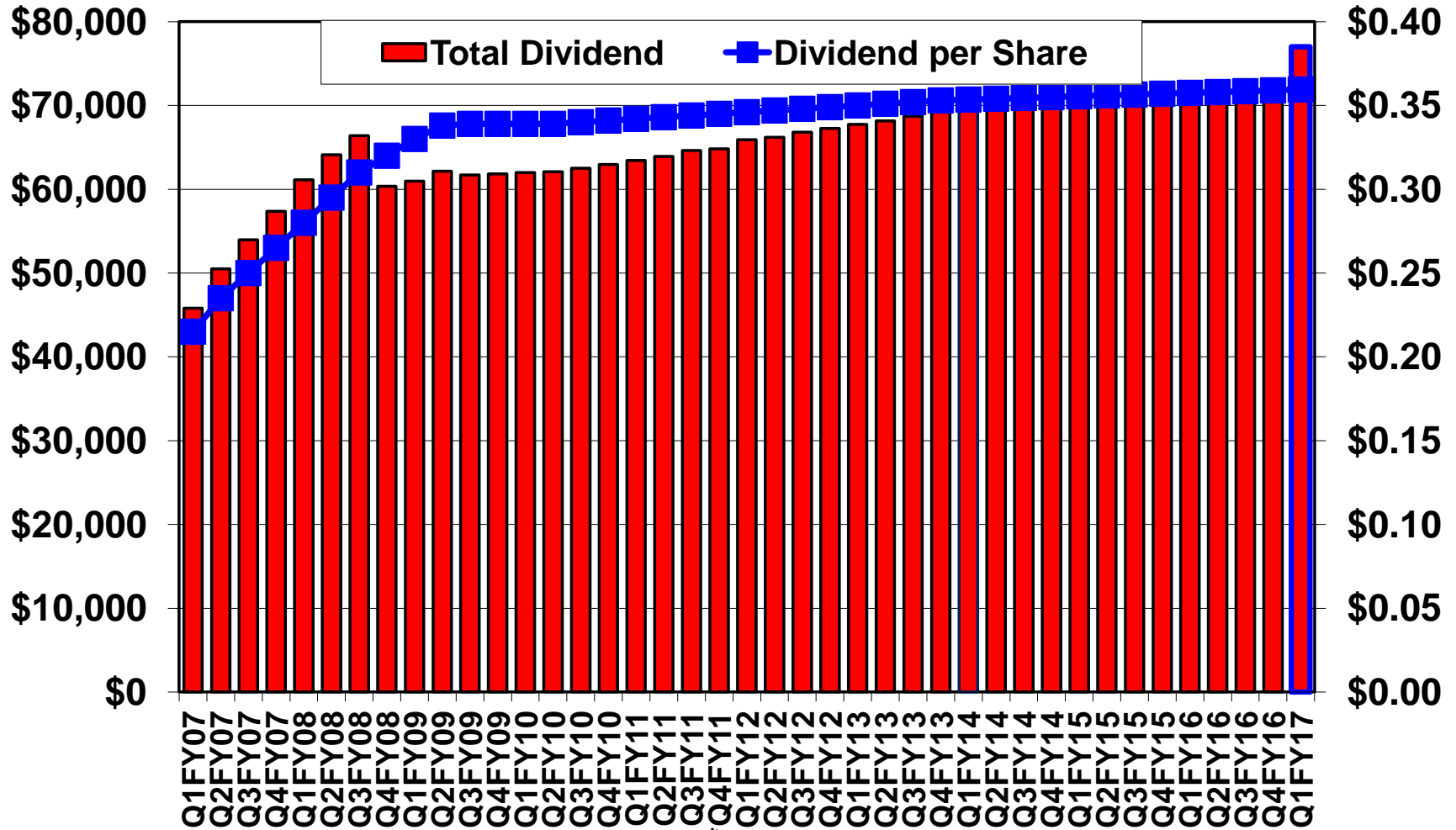
Gross Margin % (Non-GAAP*)



*Excludes share-based compensation and acquisition-related expenses. A reconciliation of our GAAP to non-GAAP results is available at www.microchip.com.

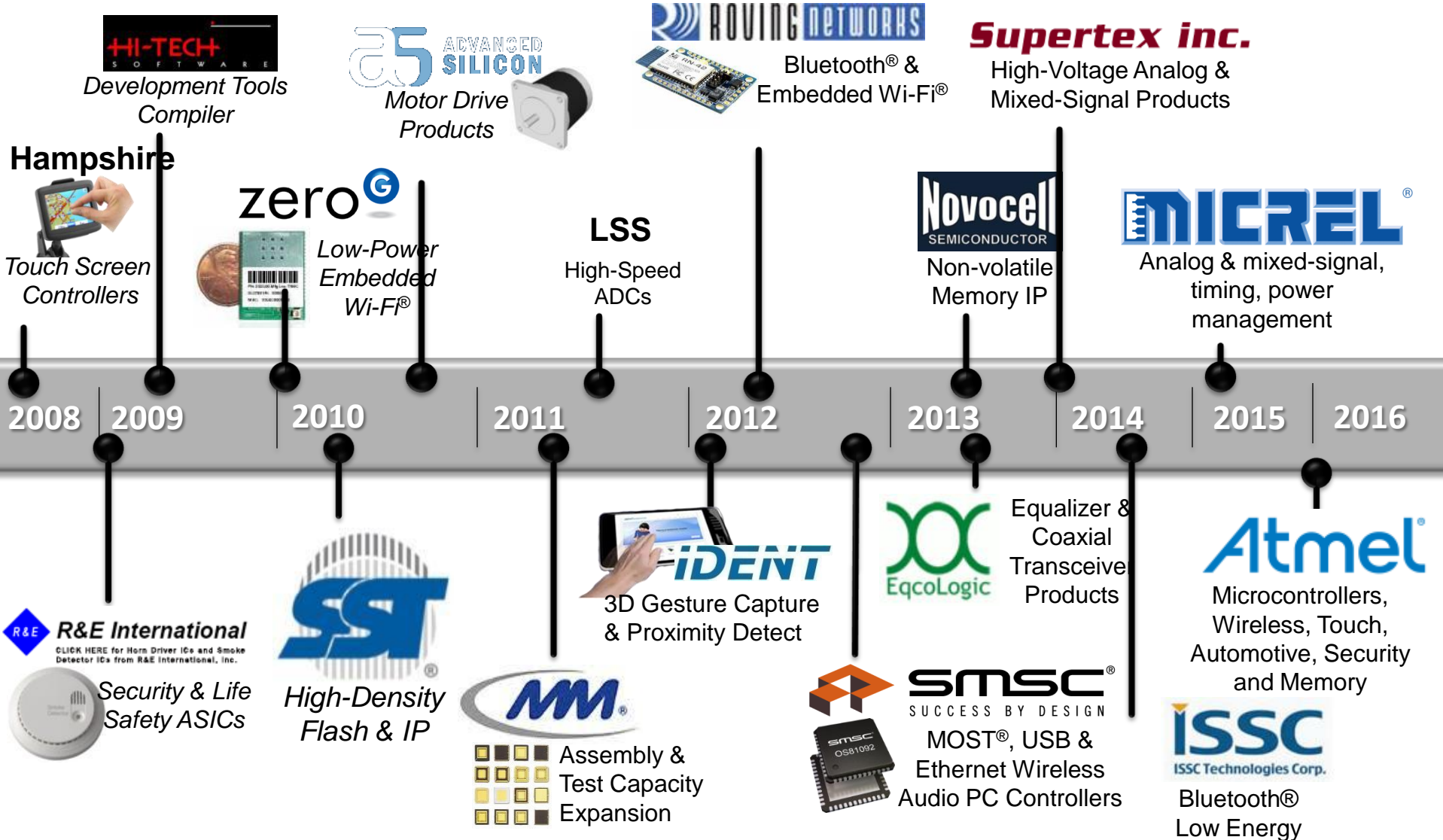


~ \$4.2B Returned To Shareholders



~ \$2.8B in dividends and ~\$1.4B in share buy-backs!

Expanding Microchip Solutions Through Acquisitions



Atmel Overview

- **Synergistic Embedded Control franchise with attractive broad-based product portfolio spanning Microcontroller, Wireless, Touch, Automotive, Security and Memory solutions**
- **Diversified global customer base with over 80% of revenue from Asia and Europe**
- **Diversified channels with ~60% of revenue through distribution**
- **Tradition of technology leadership and innovation**
- **CY2015 revenue of ~\$1.17B as of 12/31/2015**
 - 47.5% non-GAAP gross margin; 12.0% non-GAAP operating margin
- **Headquartered in San Jose, CA**
 - Approximately 4700 employees worldwide



Strategically and Financially Compelling Transaction

- **Creates a Microcontroller powerhouse with #3 market share position worldwide**
- **Creates a market leader in IoT by adding to Microchip's strong IoT solutions more products in wireless including WiFi, Bluetooth, BLE and other RF protocols**
- **Expands Microchip's portfolio of Automotive, Touch, Memory and Security solutions**
- **Drives further scale in manufacturing, customer reach and sales channels**
- **Adds a patent portfolio of over 2400 patents to Microchip's strong IP portfolio**
- **Significant EPS accretion through growth and synergy with over \$200 million in synergies in fiscal year 2020**



Highly Profitable Financial Model *

	Microchip	Atmel	Microchip + Atmel	Long Term Model
Revenue (\$M)	\$585.5	\$235.0	\$820.5	
Gross Margin (%)	58.4%	46.5%	55.0%	59%
Operating Expense (%)	26.45%	37.0%	29.5%	26%
Operating Income (\$M)	\$187.1	\$22.5	\$209.6	
Operating Income (%)	31.95%	9.5%	25.5%	33%

* Represents the midpoint of the non-GAAP financial guidance for the June 2016 quarter



Synergy and Accretion Expectations

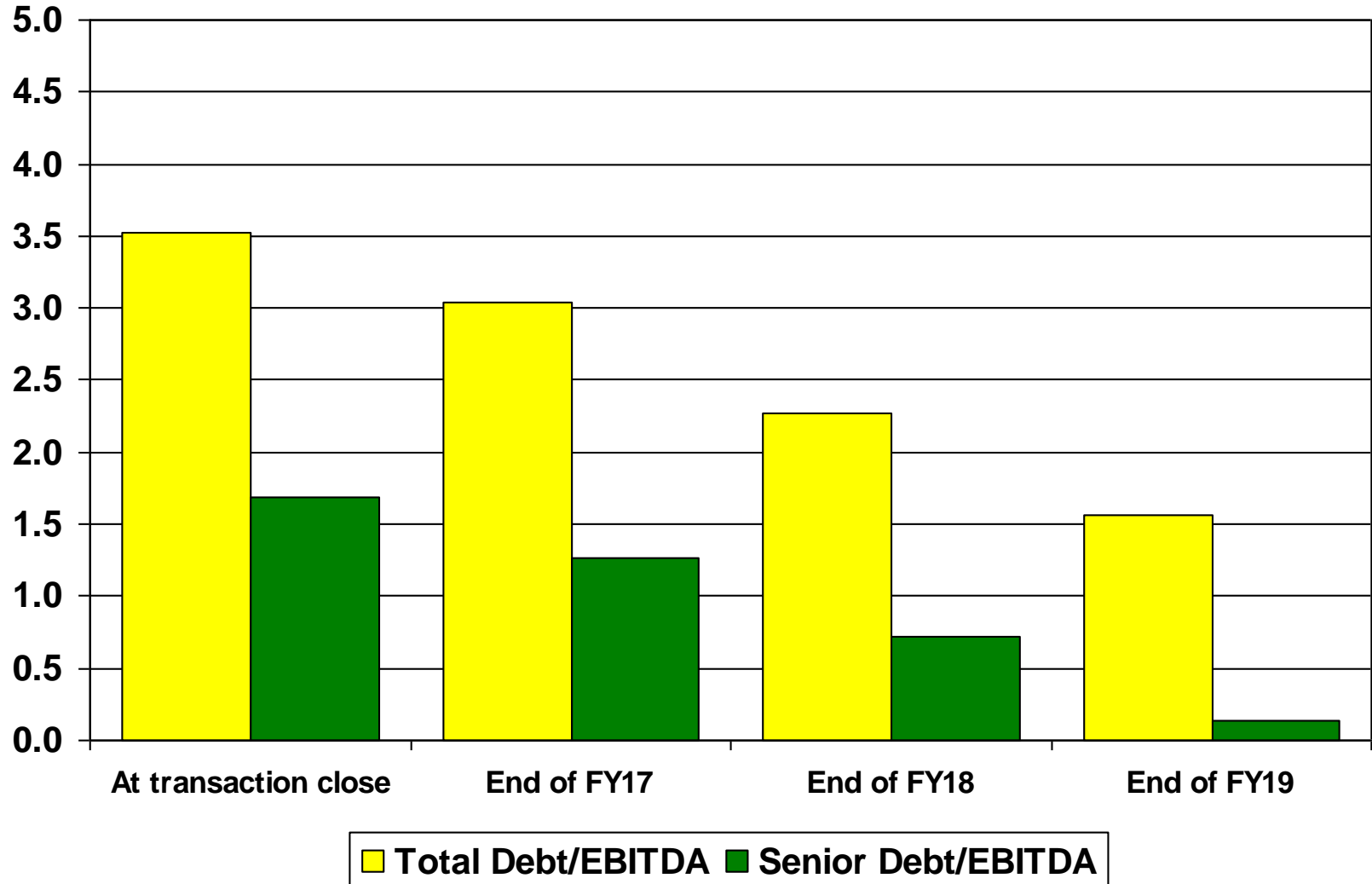
- Transaction is expected to be immediately accretive to our non GAAP earnings per share
- Short term: Targeting 18% growth in non-GAAP EPS from FY16 to FY17 with accretion from Micrel and Atmel.
 - Atmel adds ~25 cents in FY 2017
- Long term: 3rd year after close (FY2019), we expect:
 - \$170M in synergy from cost savings and revenue growth
 - Atmel to contribute ~90 cents/share of non GAAP EPS (this assumes shares issued in the Atmel transaction are purchased back prior to FY19)
 - Targeting consolidated Microchip non GAAP EPS of \$4.25/share
- Represents non GAAP EPS growth of approximately 17% per year for Microchip over the next 3 years.
- Full synergy of over \$200M in the 4th year (FY 2020)
- Extends Microchip's record of organic as well as acquisition driven revenue and non GAAP EPS growth

Transaction Summary And Financing

- **Transaction closed on April 4, 2016**
- **Transaction equity value of \$3.47B representing \$8.15/share**
 - \$3.43B net of Atmel's cash, investments and debt
 - Atmel stockholders received \$7.00/share in cash and \$1.15/share in Microchip stock
- **Transaction was being funded through a combination of:**
 - Approximately \$2.04B of cash from our balance sheet
 - Approximately \$940M cash from our line of credit
 - Approximately \$489M in Microchip stock
- **Blended cost of capital ~ 1.8% per annum**
- **Pro forma Debt/EBITDA leverage well below covenants**
- **Net leverage shown on the following slide**



Microchip's Projected Net Debt/EBITDA Ratio* Without stock buyback



*Includes projected cash and investments on Microchip's balance sheet and assumes stock issued in Atmel transaction is not repurchased

Microchip Vision and Growth Strategy

Our Vision

Be The Very Best Embedded Control Solutions Company Ever

Our Strategy

- ***Enable the growing market for Smart, Connected and Secure solutions for Automotive, Industrial, Office Automation, Consumer and Telecom markets***
- ***Be a powerhouse solutions provider for the emerging Internet of Things (IoT) market***

Atmel Acquisition Summary

- **Atmel acquisition is a strong strategic fit aligned with our vision and strategy**
- **Adds operational and customer scale in a consolidating industry**
- **Creates significant stockholder value from strong non GAAP EPS accretion**
- **Atmel acquisition is the next step in Microchip's track record of successful M&A**

A Compelling Transaction!



MCHP Financial Information Consolidated

	<u>Actual</u>	<u>Guidance</u>	
	<u>Actual</u> <u>Mar. 31, 2016</u>	<u>Q1FY17</u> <u>Guidance</u> <u>Jun. 30, 2016</u>	<u>Long-Term</u> <u>Model With</u> <u>Atmel</u>
Net Sales (\$MM Non-GAAP)	\$568.4	\$799.1 – 841.9	
Gross Margin*	58.4%	54.8% - 55.2%	~ 59%
Operating Expenses* (% of Sales)	27.0%	29.1% - 29.8%	~ 26%
Operating Profit	31.4%	25.0% - 26.1%	~ 33%
EPS (Non-GAAP**)	\$0.70	\$0.70 – 0.79	
EPS (GAAP)	\$0.31		

* Excludes share-based compensation, acquisition related charges, non-recurring items and adoption of ASC Subtopic 470-20.

** A reconciliation of our GAAP to non-GAAP results is available at www.microchip.com.



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Thank You!