

# Investor Presentation Fiscal Third Quarter 2024



**MICROCHIP**

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A Leading Provider of Smart, Connected and Secure Embedded Solutions

# 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 trends, end markets, our financial model, our business model, Microchip 3.0, market megatrends, performance in industry cycles, through margins, strong cash generation, capital return strategy including debt paydown, dividend growth, and buybacks and our winning formula. 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 uncertainty, fluctuations or weakness in the U.S. and world economies (including China) due to changes in interest rates, high inflation or the impact of the COVID-19 pandemic (including lock-downs in China), actions taken or which may be taken by the Biden administration or the U.S. Congress, monetary policy, political, geopolitical, trade or other issues in the U.S. or internationally (including the military conflicts in Ukraine-Russia and the Middle East), further changes in demand or market acceptance of our products and the products of our customers and our ability to meet any increases in market demand or customer requests to reschedule or cancel orders; the mix of inventory we hold, our ability to satisfy any short-term orders from our inventory and our ability to effectively manage our inventory levels; the impact that the CHIPS Act will have on increasing manufacturing capacity in our industry by providing incentives for us, our competitors and foundries to build new wafer manufacturing facilities or expand existing facilities; the amount and timing of any incentives we may receive under the CHIPS Act, the impact of current and future changes in U.S. corporate tax laws (including the Inflation Reduction Act of 2022 and the Tax Cuts and Jobs Act of 2017), foreign currency effects on our business; changes in utilization of our manufacturing capacity and our ability to effectively manage and expand our production levels to meet any increases in market demand or any customer requests to reschedule or cancel orders; the impact of inflation on our business; competitive developments including pricing pressures; the level of orders that are received and can be shipped in a quarter; our ability to realize the expected benefits of our long-term supply assurance program; changes or fluctuations in customer order patterns and seasonality; our ability to effectively manage our supply of wafers from third party wafer foundries to meet any decreases or increases in our needs and the cost of such wafers, our ability to obtain additional capacity from our suppliers to increase production to meet any future increases in market demand; 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 any future significant acquisitions or strategic transactions we may make; the costs and outcome of any current or future litigation or other matters involving our acquisitions (including the acquired business, intellectual property, customers, or other issues); the costs and outcome of any current or future tax audit or investigation regarding our business or our acquired businesses; 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 margin and operating profit margin and adjusted free cash flow. Our non-GAAP results exclude the effect, where applicable, of share-based compensation, COVID-19 shelter in place restrictions on manufacturing activities, manufacturing excursion, expenses related to our acquisition activities (including intangible asset amortization, 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 equity investments. For the third quarters of fiscal 2024 and fiscal 2023, our non-GAAP income tax expense is presented based on projected cash taxes for the applicable fiscal year, excluding transition tax payments under the Tax Cuts and Jobs Act. 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. 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".

# Corporate Overview

## Leading Total Systems Solutions Provider

- High-performance standard and specialized Mixed-Signal Microcontroller, Digital Signal Controller and Microprocessor solutions
- 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



SMART | CONNECTED | SECURE

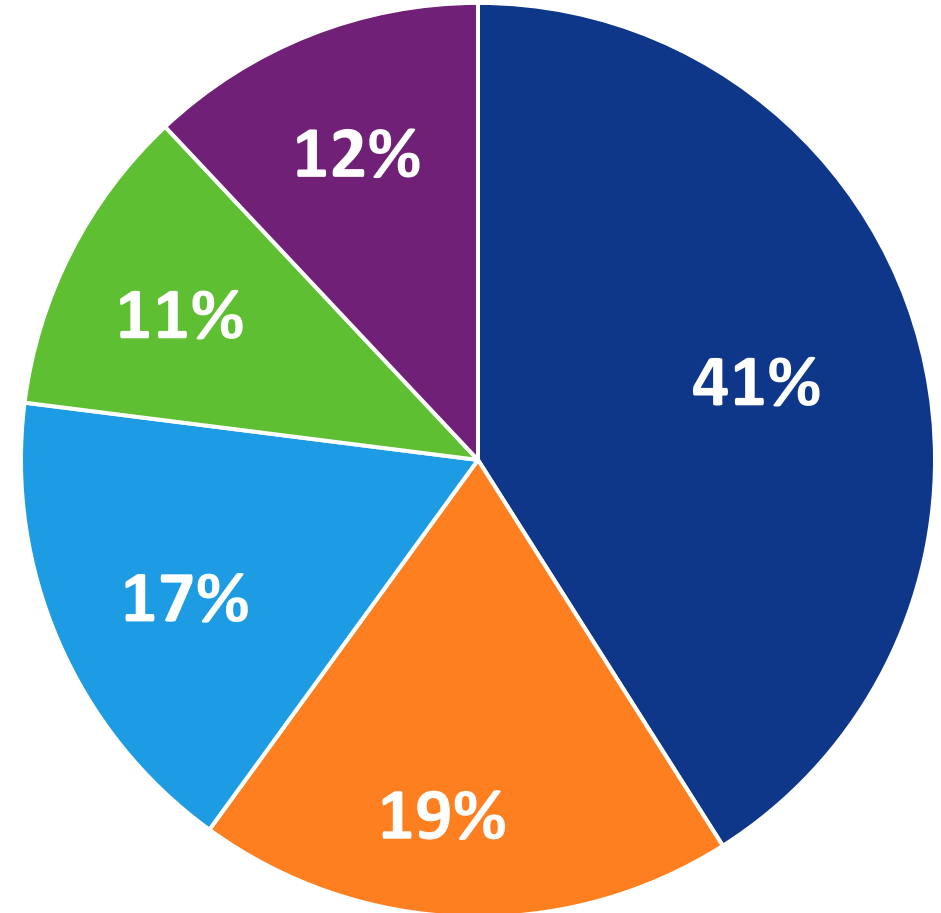
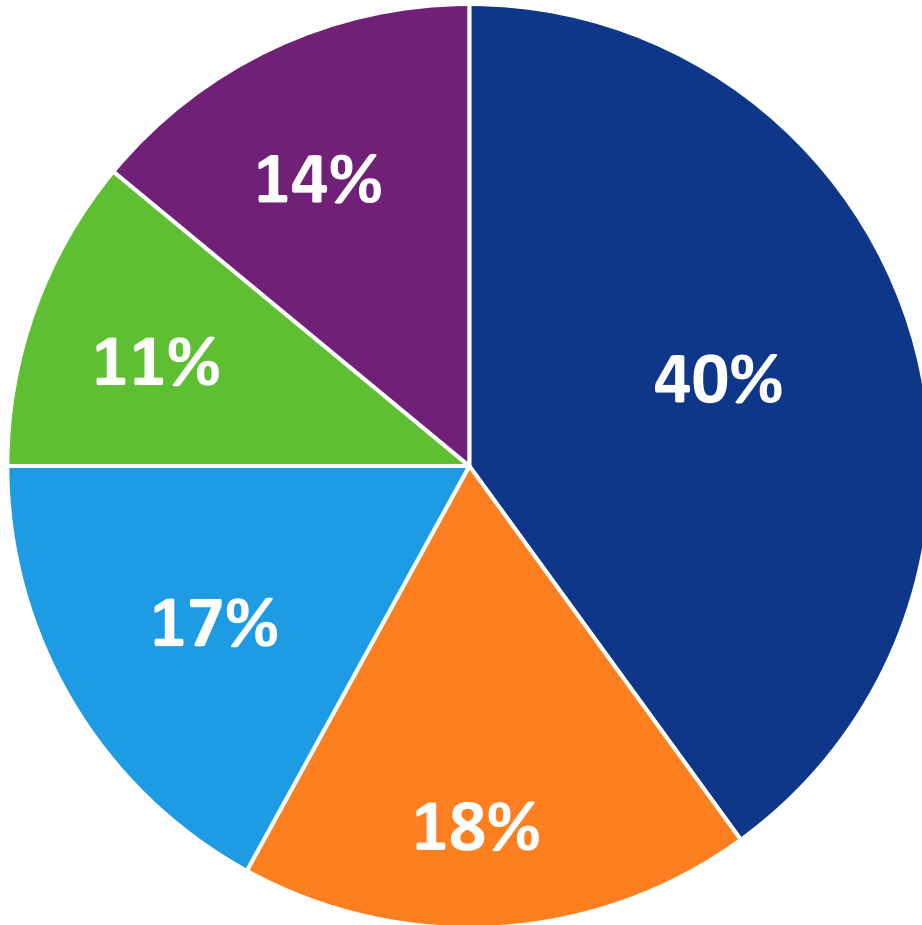
- **\$7.6 Billion** in FY24 net sales
- Elite long-term non-GAAP profitability & returns
- Diversified and resilient business model
- Durable end markets
- Solid track-record of shareholder value creation

# Revenue By End Market

FY22

Durable End Markets

FY23

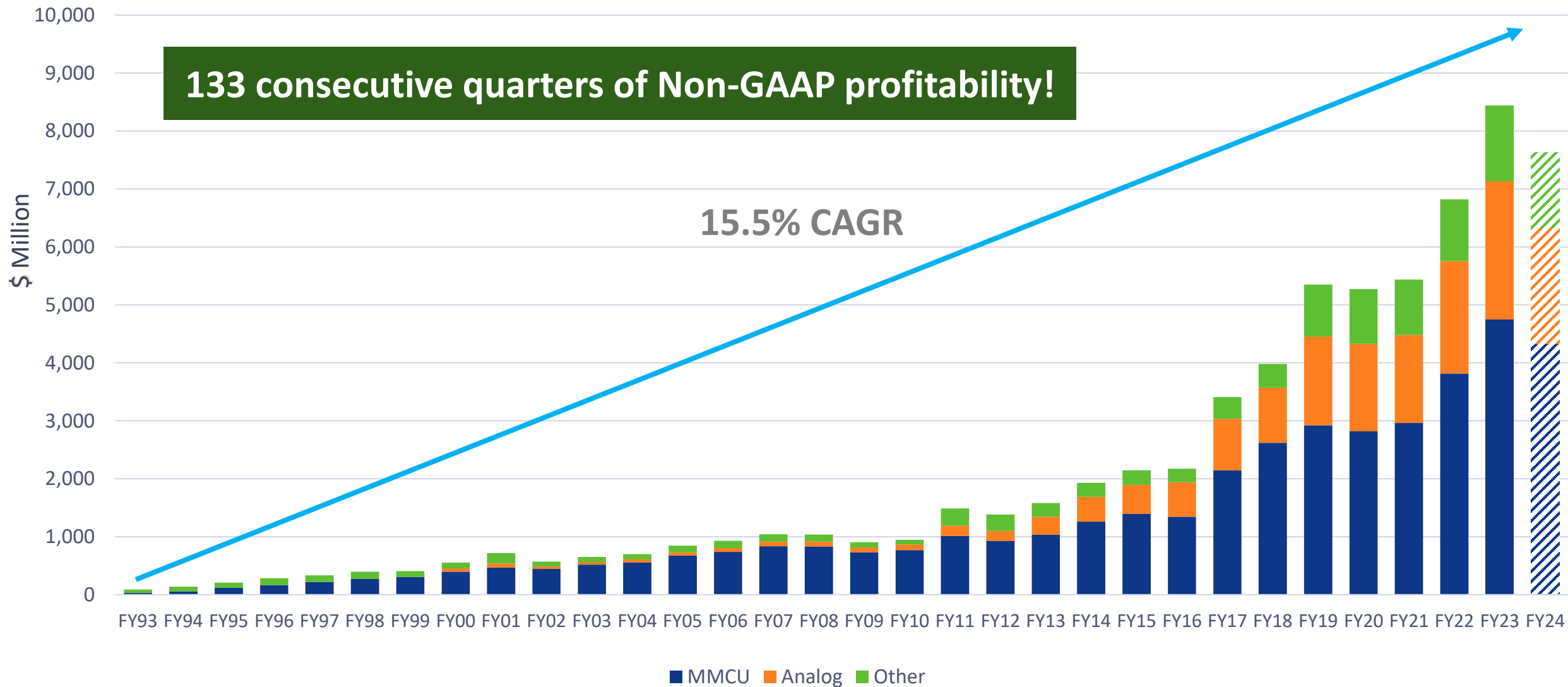


■ Industrial  
■ Communication

■ Data Center & Computing  
■ Consumer Appliance  
■ Automotive

\*Based on Microchip estimates

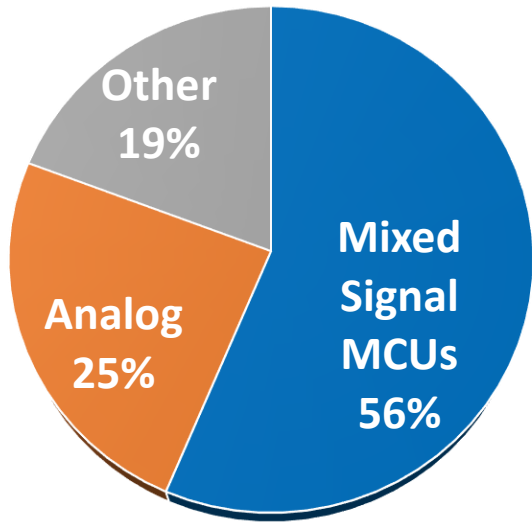
# Net Sales Growth



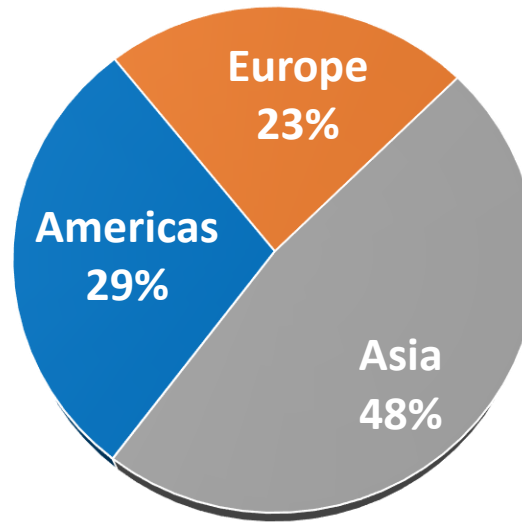
\* FY24 represents actual results for the first three quarters plus the mid-point of Q4 guidance

# Third Quarter FY2024 Revenue Mix

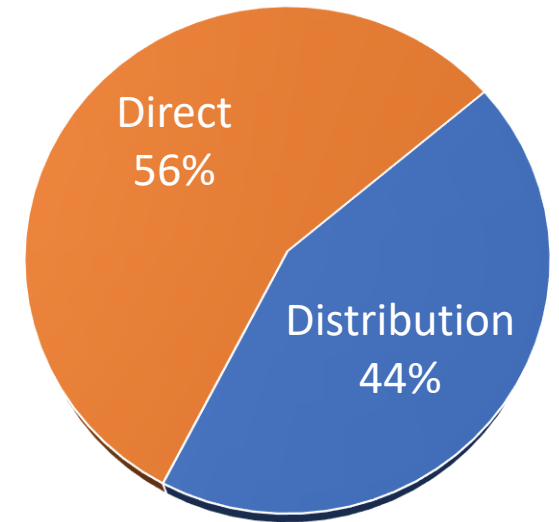
Net Sales by Product Line



Net Sales by Geography



Net Sales by Channel



- Organic growth efforts focused on TSS and Megatrends
- Synergistic product portfolio empowers disruptive growth trends
- Diversified product portfolio with long process technology and life cycles
- Customer driven obsolescence policy create high-quality revenue streams

# Fiscal 3<sup>rd</sup> Quarter 2024 Results (non-GAAP)

- **Revenue of \$1.77 billion; declined 21.7% QoQ and 18.6% YoY**
- **Gross margin of 63.8%; TTM gross margin of 67.3%**
- **Operating margin of 41.2%; TTM operating margin of 46.6%**
- **Earnings per share of \$1.08; TTM EPS of \$5.99**
- **Reduced total debt by \$392 million**
  - Cumulatively paid down ~\$7.1 billion of debt over the last 22 quarters
- **Adj. TTM EBITDA of \$4.26 billion representing 49.9% of TTM revenue**
- **Achieved net debt to adj. EBITDA ratio of 1.27**
- **Total cash return of \$352 million**
  - Share repurchases of \$114.6 million and Dividends of \$237.4 million
- **Announced record dividend of 45.0 cents per share for Q4FY24 and planned share repurchases of \$386.8 million**

# Fiscal 4<sup>th</sup> Quarter 2024 Guidance (non-GAAP)\*

	Q3 FY24 Actual	Q4 FY24 Guide @ mid-point	Long Term Model
Revenue (\$ Million)	\$1,765.7	\$1,325.0	
Gross Margins	63.8%	60.3%	67.5% to 68.5%
Operating Expenses	22.5%	28.8%	22.5% to 23.5%
Operating Margins	41.2%	31.5%	44% to 46%
Earnings per share	\$1.08	\$0.57**	

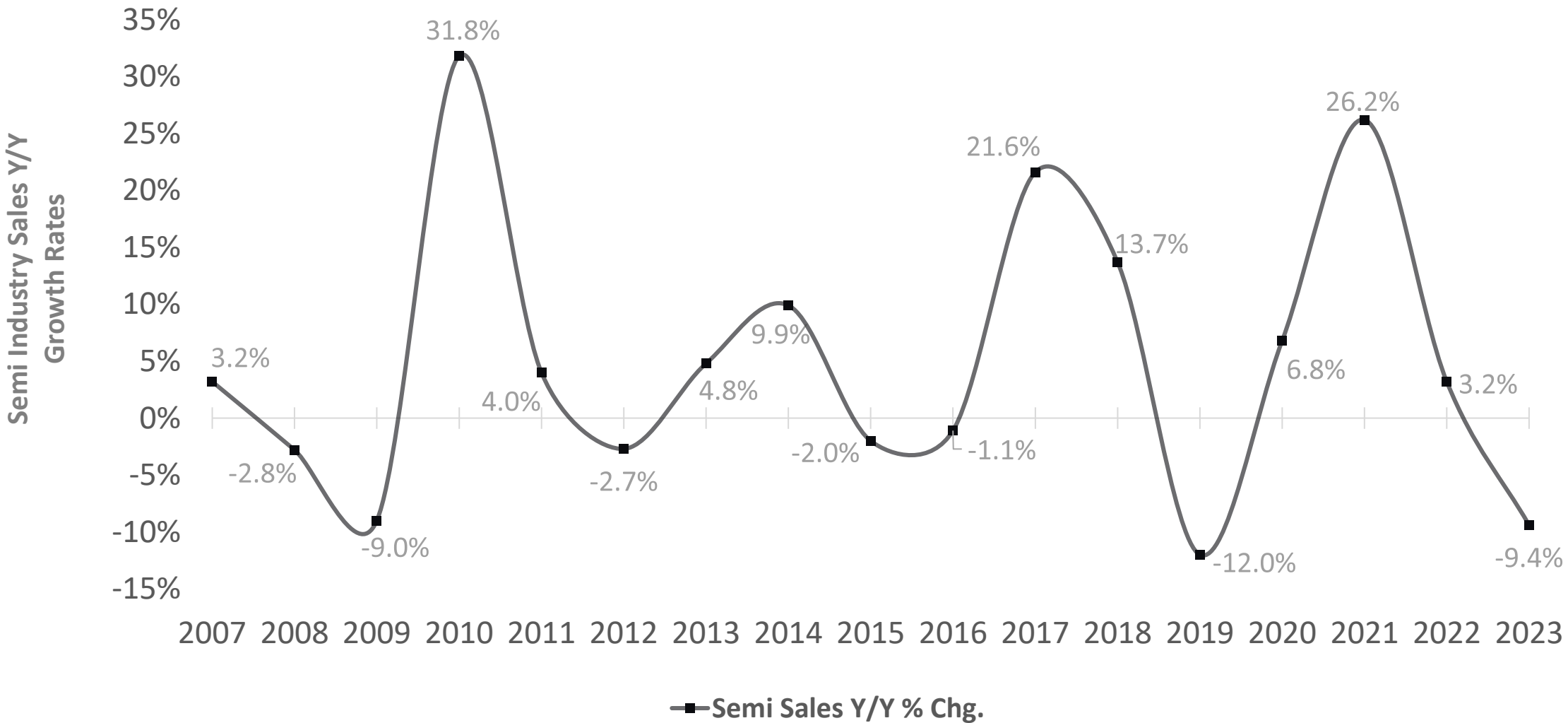
\*Represents guidance provided on February 01, 2024

\*\*Includes increase in cash tax rate in FY24

Additional guidance metrics can be found in the Q3 FY2024 earning release. [Click here](#)

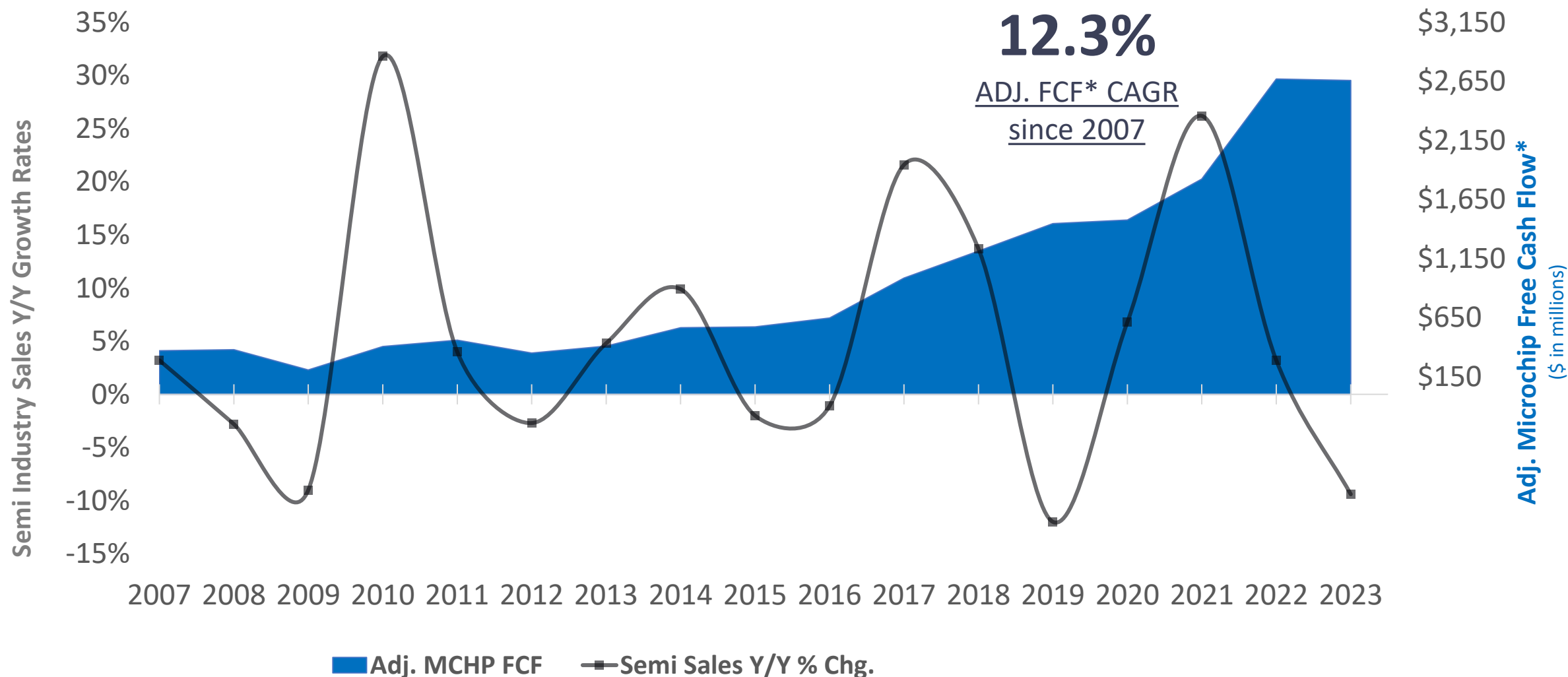


# Semi Industry Sales YoY Growth Through Cycles



Semi Sales Y/Y Growth is sourced from SIA  
CY2023 est. annual global sales is based on World Semiconductor Trade Statistics Organization (WSTS) industry forecast

# Strong Cash Generation Through Cycles

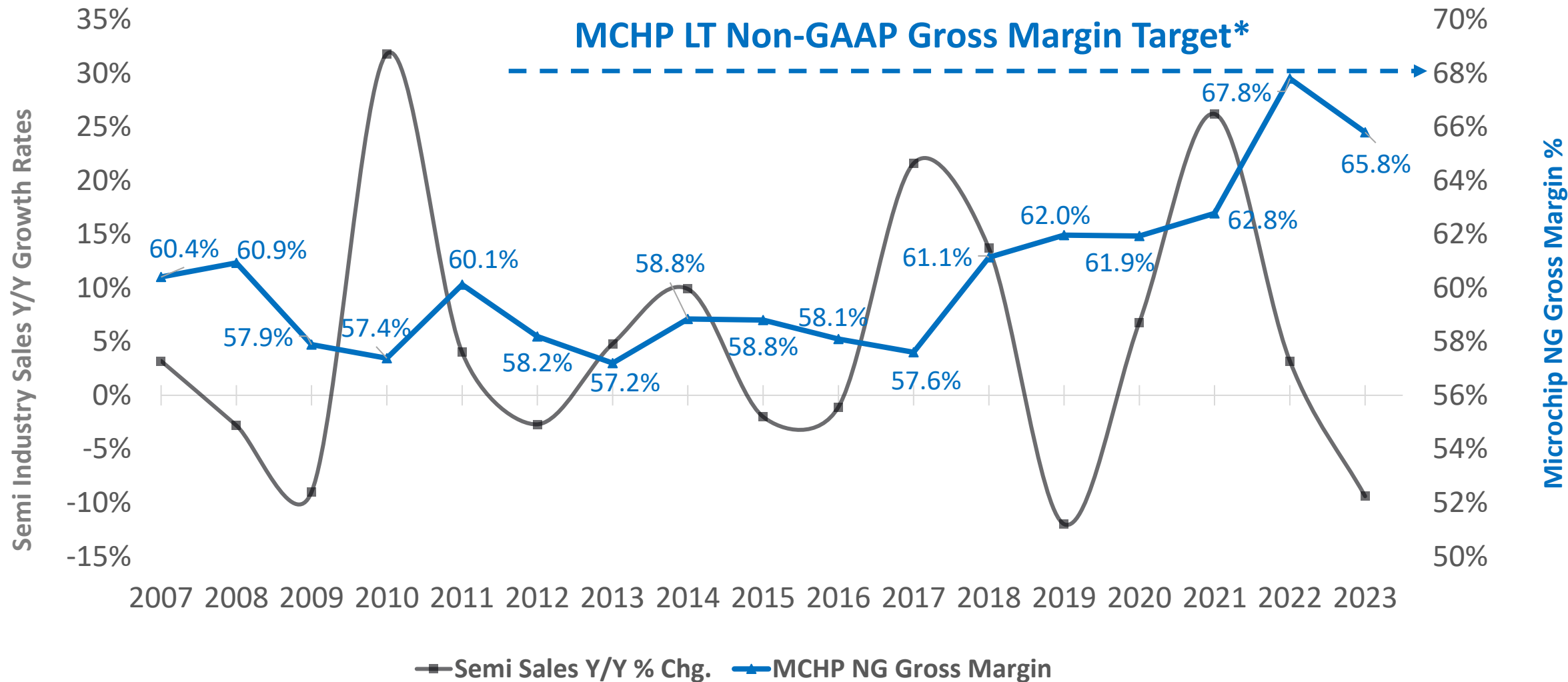


- Semi Sales Y/Y Growth is sourced from SIA

\*Microchip adj. free cash flow (adj. FCF) is based on fiscal year ending March 31. Adj. FCF is defined as cash flow from operations less (capital expenditures + cash collected/paid under long-term supply arrangements).

- Run rate for FY24 Adj. FCF represents (actual results for the first three quarters)/3 \* 4

# Resilient Profitability Through Cycles

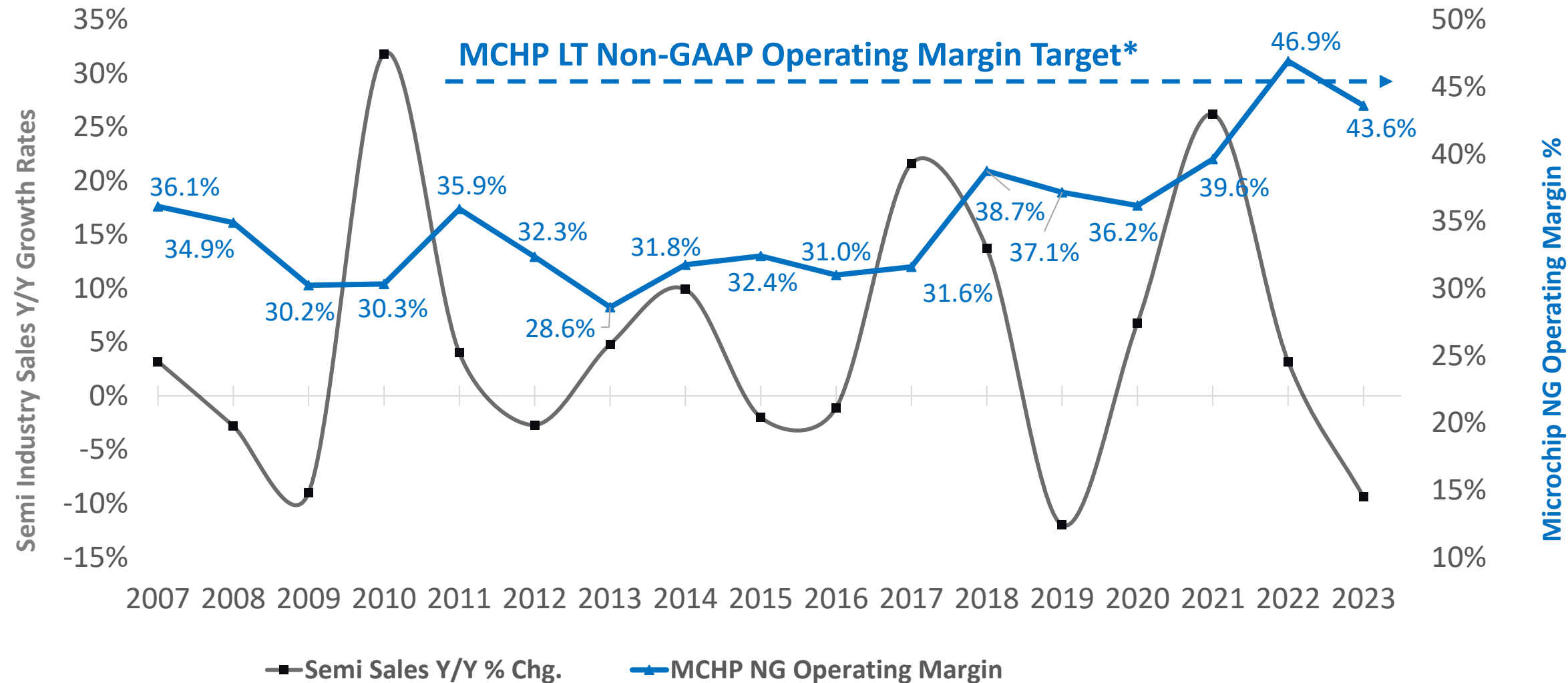


\*Long-term target range 67.5% to 68.5%

- MCHP's non-GAAP gross margin % is based on fiscal year ending March 31. Non-GAAP gross margin for 2023, represents actual results for the first 3 quarters + midpoint of Q4FY24 guidance

- Semi sales Y/Y growth is sourced from SIA

# Improving Efficiency Through Cycles



\*Long-term target range 44% to 46%  
- MCHP's non-GAAP operating margin % is based on fiscal year ending March 31. Non-GAAP operating margin for 2023, represents actual results for the first 3 quarters + midpoint of Q4FY24 guidance  
- Semi sales Y/Y growth is sourced from SIA



# Microchip Organic Growth Strategy

- Focus on Total System Solutions (TSS)
  - Diversified portfolio of Smart, Connected and Secure Solutions
  - Software, firmware, reference designs to speed customer's time to market
- Provide solutions in Megatrend growth areas
  - Drives growth  $\geq 2X$  corporate growth

***Empowering innovation which enhances the human experience by delivering smart, connected and secure solutions***



# Empowering Innovation In Diverse, Durable Markets



Consumer



Industrial



Space



Sustainability



Automotive



Medical



Data Center



Defense



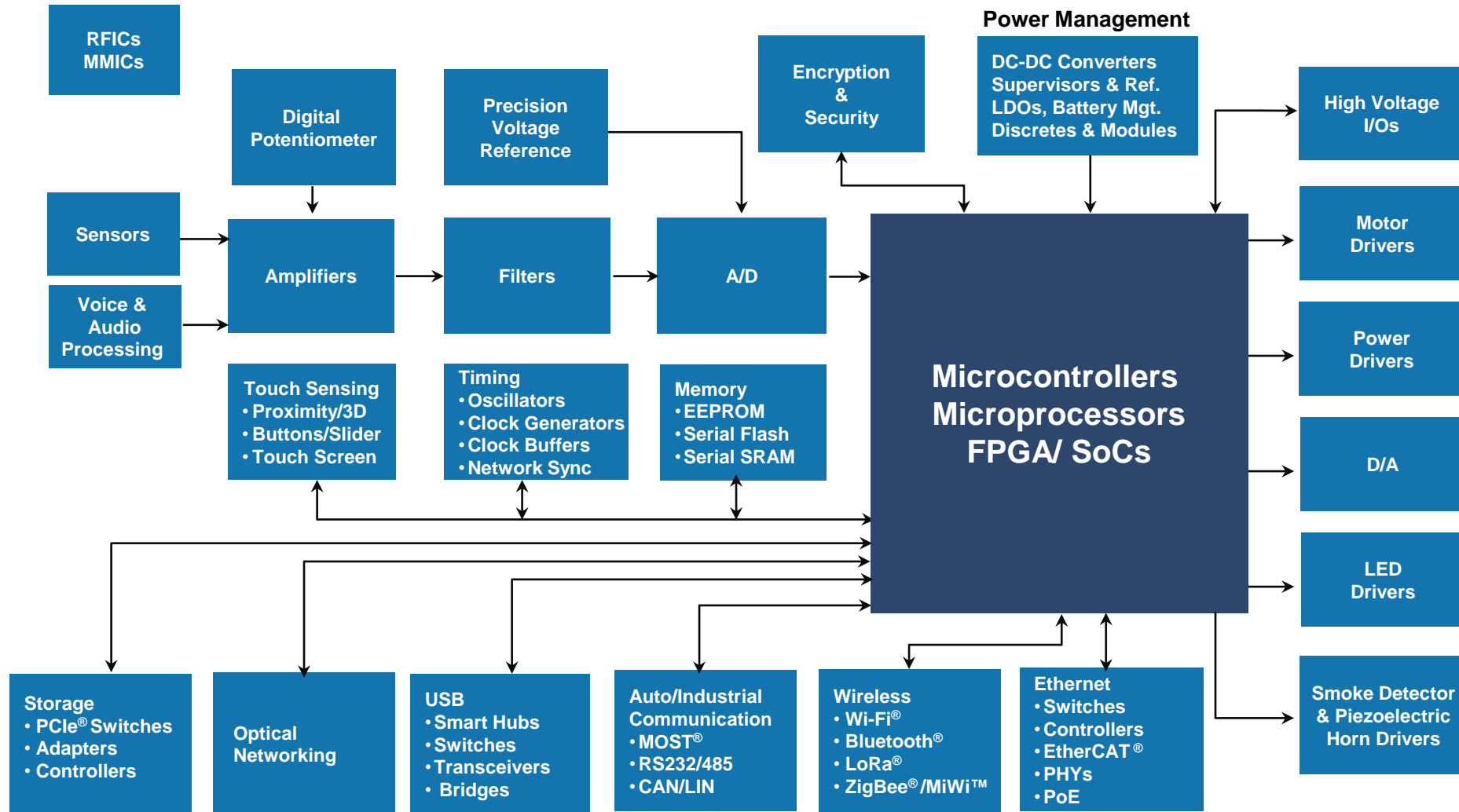
Communication Infrastructure



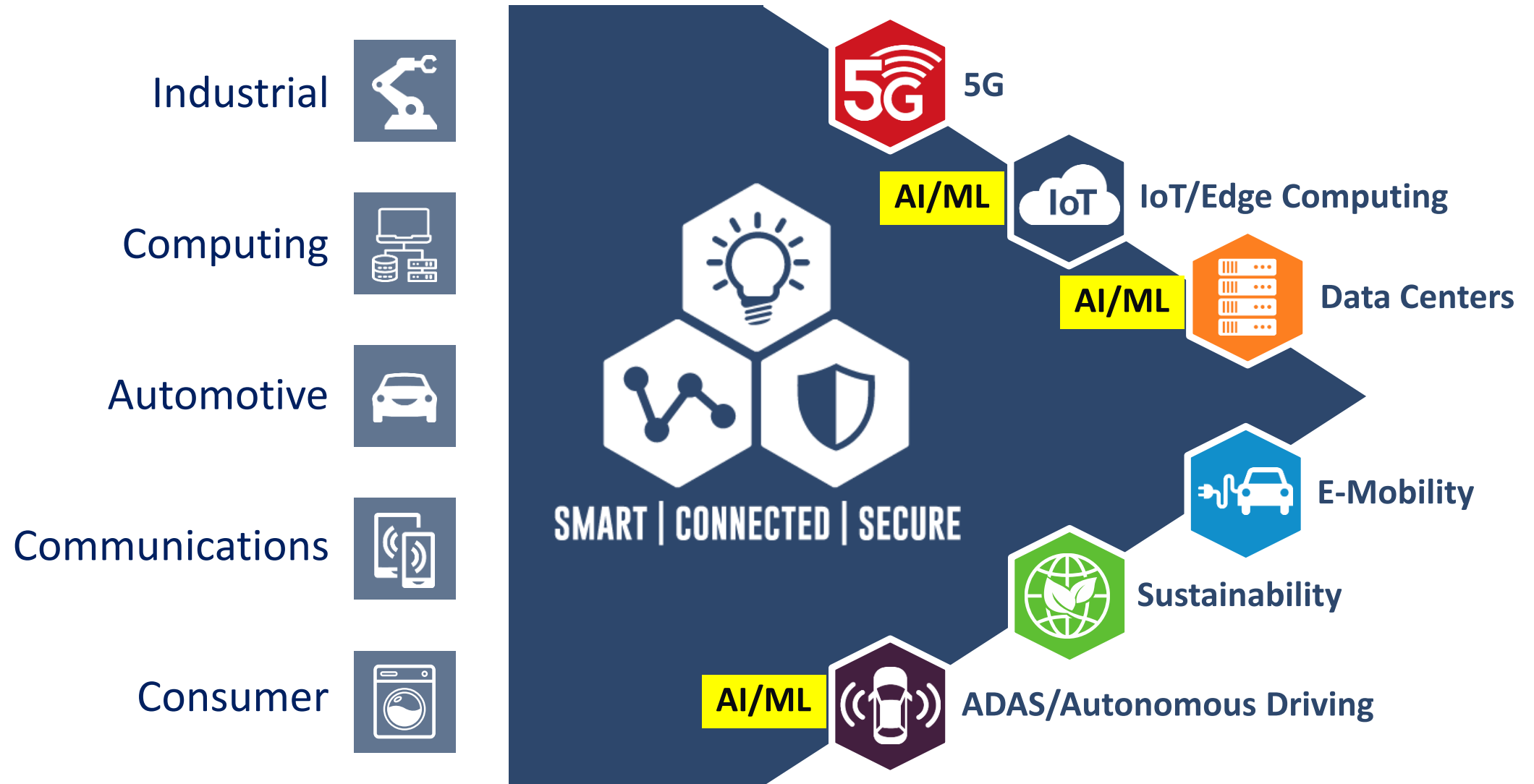
Aviation

# Providing Total System Solutions

## Portfolio of Hardware, Software and Services



# Market Megatrends





# Consistent, Disciplined and Balanced Capital Return Strategy

Adjusted Free Cash  
Flow (FCF)\*  
Generation

Since FY2019

**~\$12.1  
Billion**

Debt Paydown

**\$7.1 Billion**

Dividends Paid

**~\$3.0 Billion**

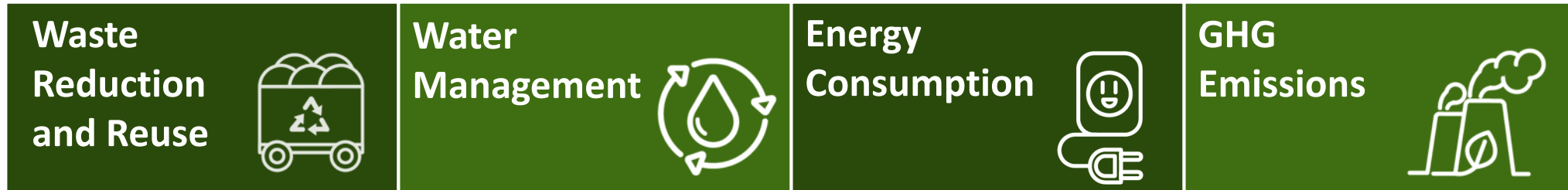
Shares Repurchased

**~\$2.0 Billion**

- Actively reducing debt post 2018 M&A activity
- Current leverage ratio of 1.27x
- 86 consecutive quarters of dividends paid
- Growing meaningfully every quarter
- Active formulaic \$4B share buyback program
- Total expected cash return in FY2024 of \$1.9 billion, representing 15.4% year-over-year growth

**ACCELERATING CASH RETURNS; TARGETING 100%  
OF FREE CASH FLOW IN ~4 QUARTERS**

# Environmental Stewardship



NET ZERO BY  
2040



[Click Here for Microchip's 2022 Sustainability Report](#)

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A Leading Provider of Smart, Connected and Secure Embedded Control Solutions



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