

# Investor Presentation Fiscal Fourth Quarter 2025



**MICROCHIP**

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A Leading Provider of Smart, Connected and Secure Embedded Solutions

# SAFE HARBOR

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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 long-term model, inventory reduction targets, manufacturing cost savings, market size), PIC64 opportunity, 10Base-T1S opportunity, market megatrends, resilient business model, TSS solutions, capital return strategy including debt paydown, dividends, and buybacks. 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 and Europe) due to changes in the scope and level of tariffs, interest rates or high inflation, actions taken or which may be taken by the Trump 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 respond to any increases or decreases 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; foreign currency effects on our business; changes in utilization of our manufacturing capacity and our ability to effectively manage our production levels to meet any increases or decreases 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; 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); 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 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, cybersecurity incident expenses, COVID-19 shelter in place restrictions on manufacturing activities, manufacturing excursion, other manufacturing adjustments, restructuring charges 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, gains and losses related to equity investments, and dividend on preferred stock. For the fourth quarters of fiscal 2024 and fiscal 2025, 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

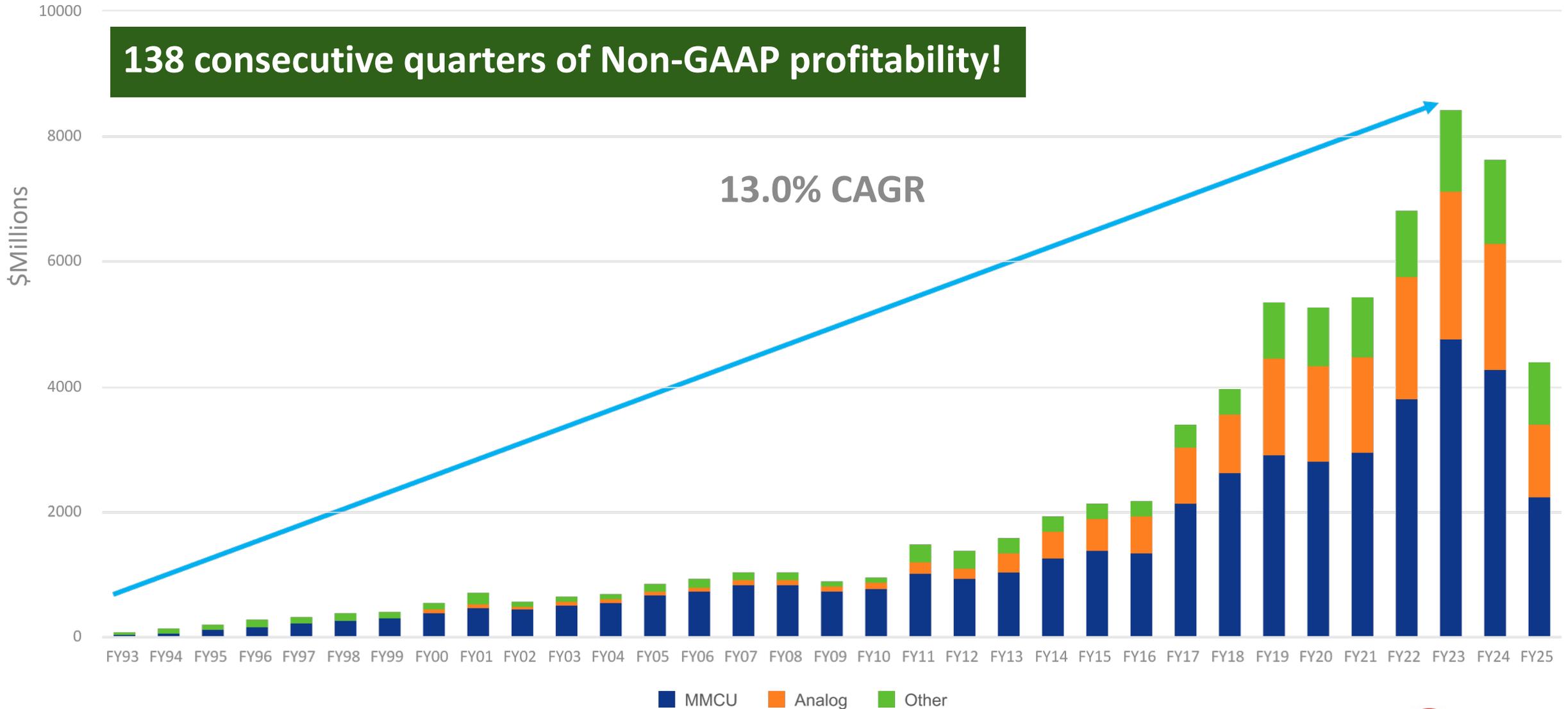
- High-performance standard and specialized Mixed-Signal Microcontroller, Digital Signal Controller and Microprocessor solutions
- Mixed-Signal, Analog, Interface and Security solutions
- Clock and Timing solutions
- Wireless and Wired Connectivity solutions
- FPGA solutions
- Non-volatile EEPROM and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



SMART | CONNECTED | SECURE

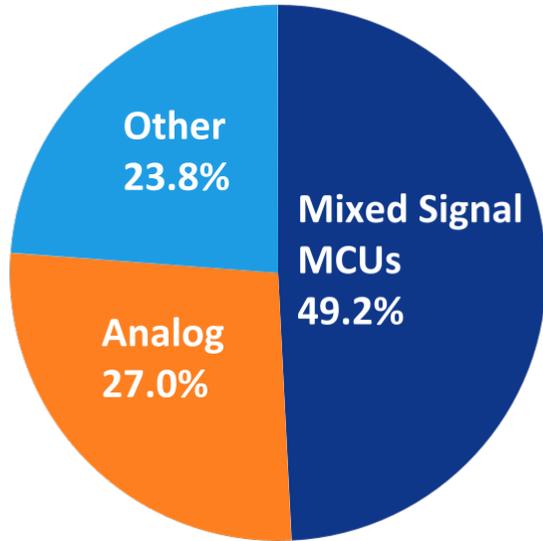
- **\$4.4 billion** in FY25 net sales
- Enhanced profitability through operation efficiency
- Anchored in market with long-term growth drivers
- Consistent focus on shareholder value creation

# Net Sales Growth

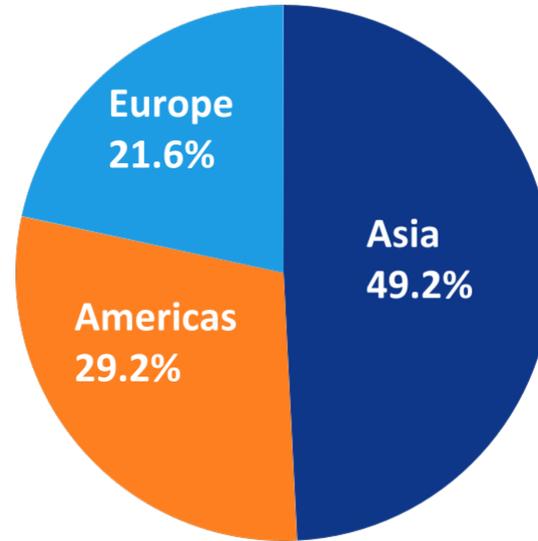


# Fourth Quarter FY2025 Revenue Mix

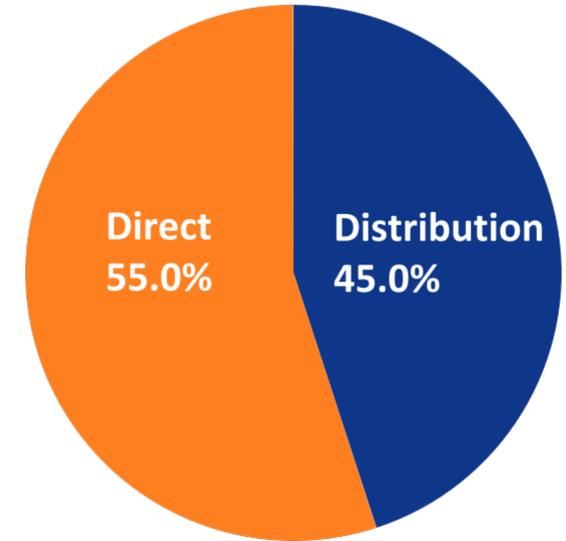
## Net Sales by Product Line



## Net Sales by Geography



## Net Sales by Channel



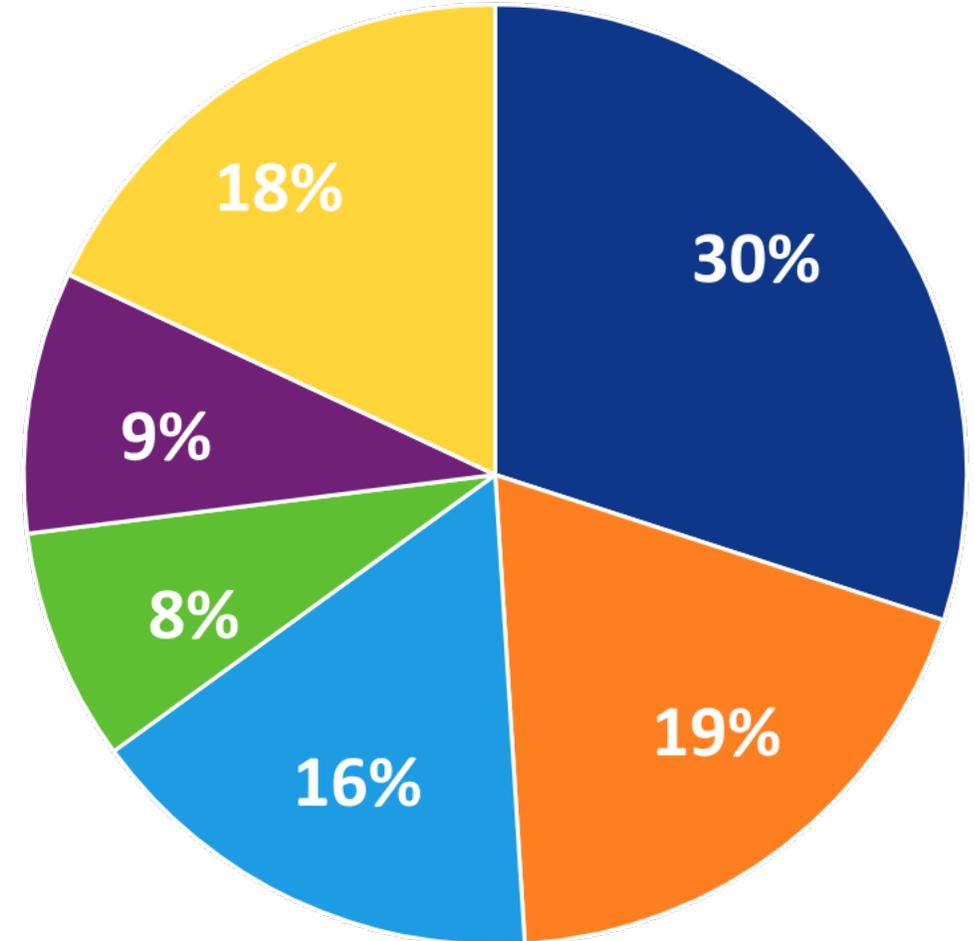
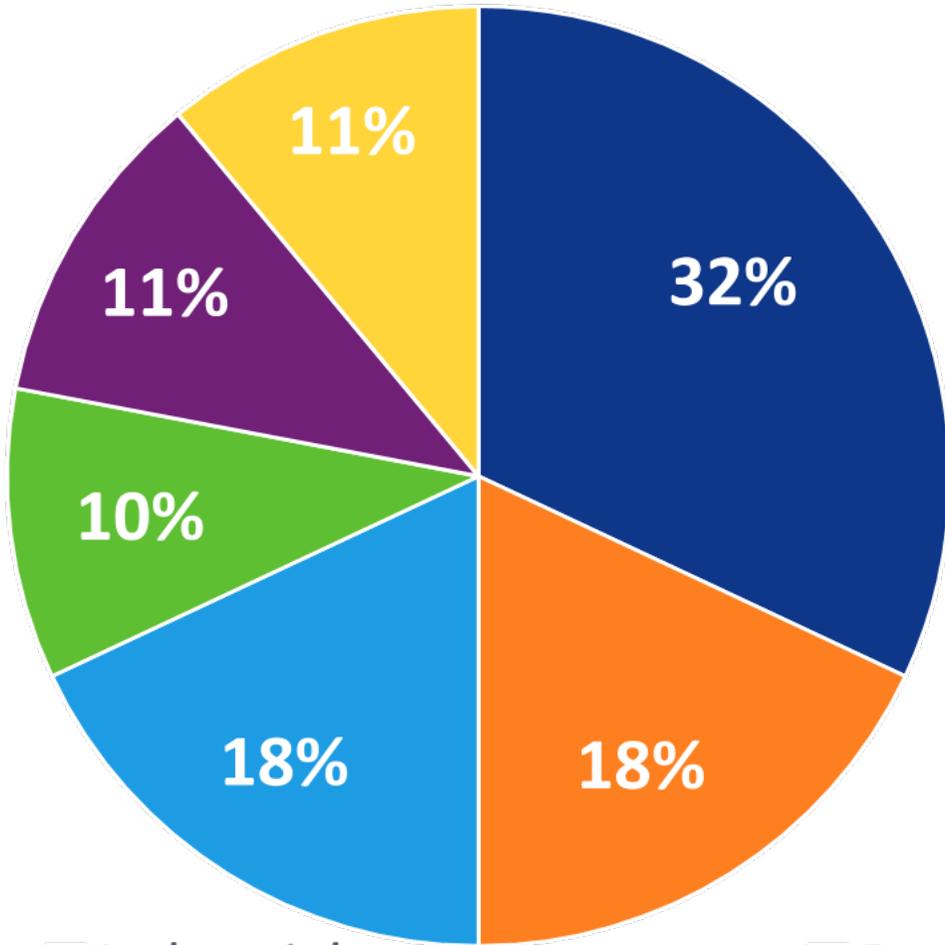
- Organic growth efforts focused on TSS and Megatrends
- Synergistic product portfolio empowers disruptive growth trends
- Diversified product portfolio with long process technology and life cycles
- Customer driven obsolescence policy create high-quality revenue streams

# Revenue By End Market

FY24

Durable End Markets

FY25



■ Industrial

■ Communication

■ Data Center & Computing

■ Consumer Appliance

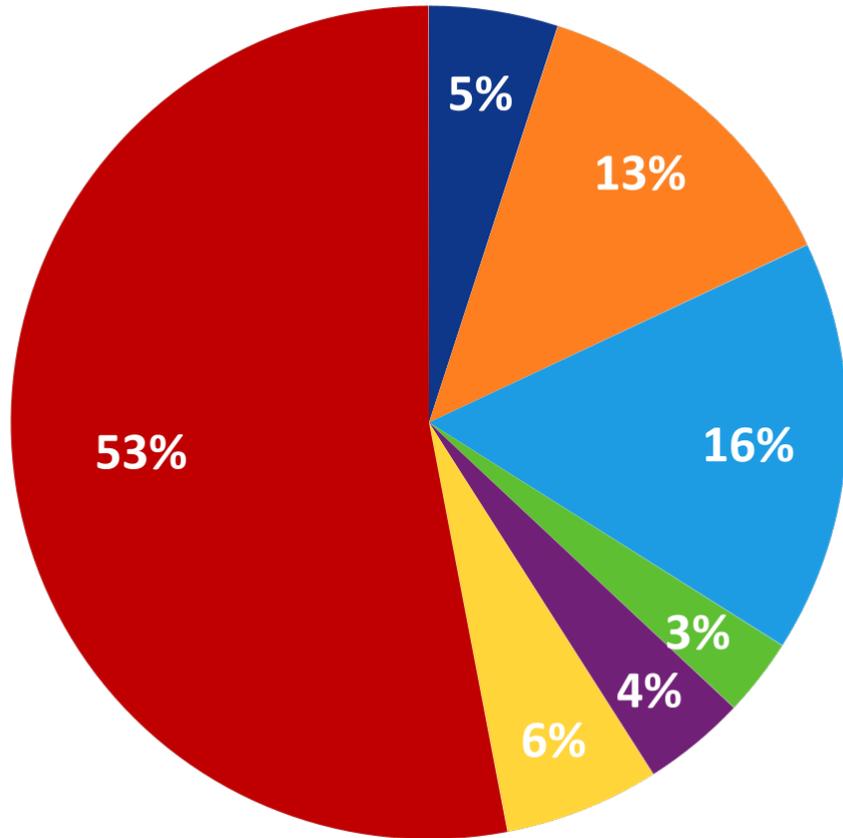
■ Automotive

■ Aerospace & Defense

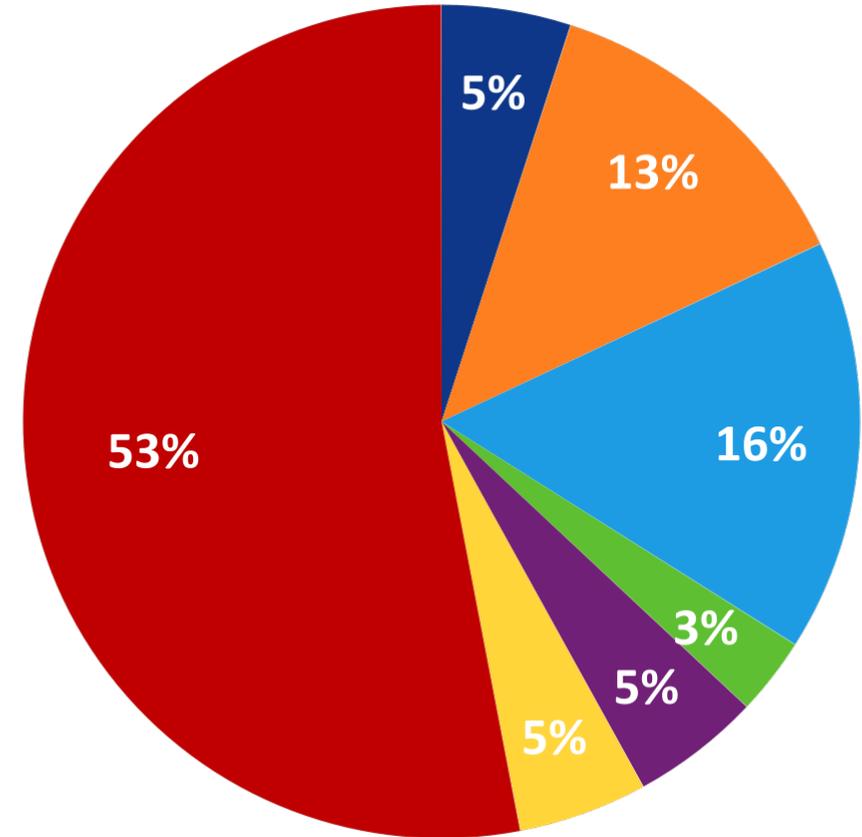
# Revenue By Megatrend\*

## Durable End Markets

FY24



FY25



■ 5G

■ IoT

■ Data Center

■ EV

■ ADAS

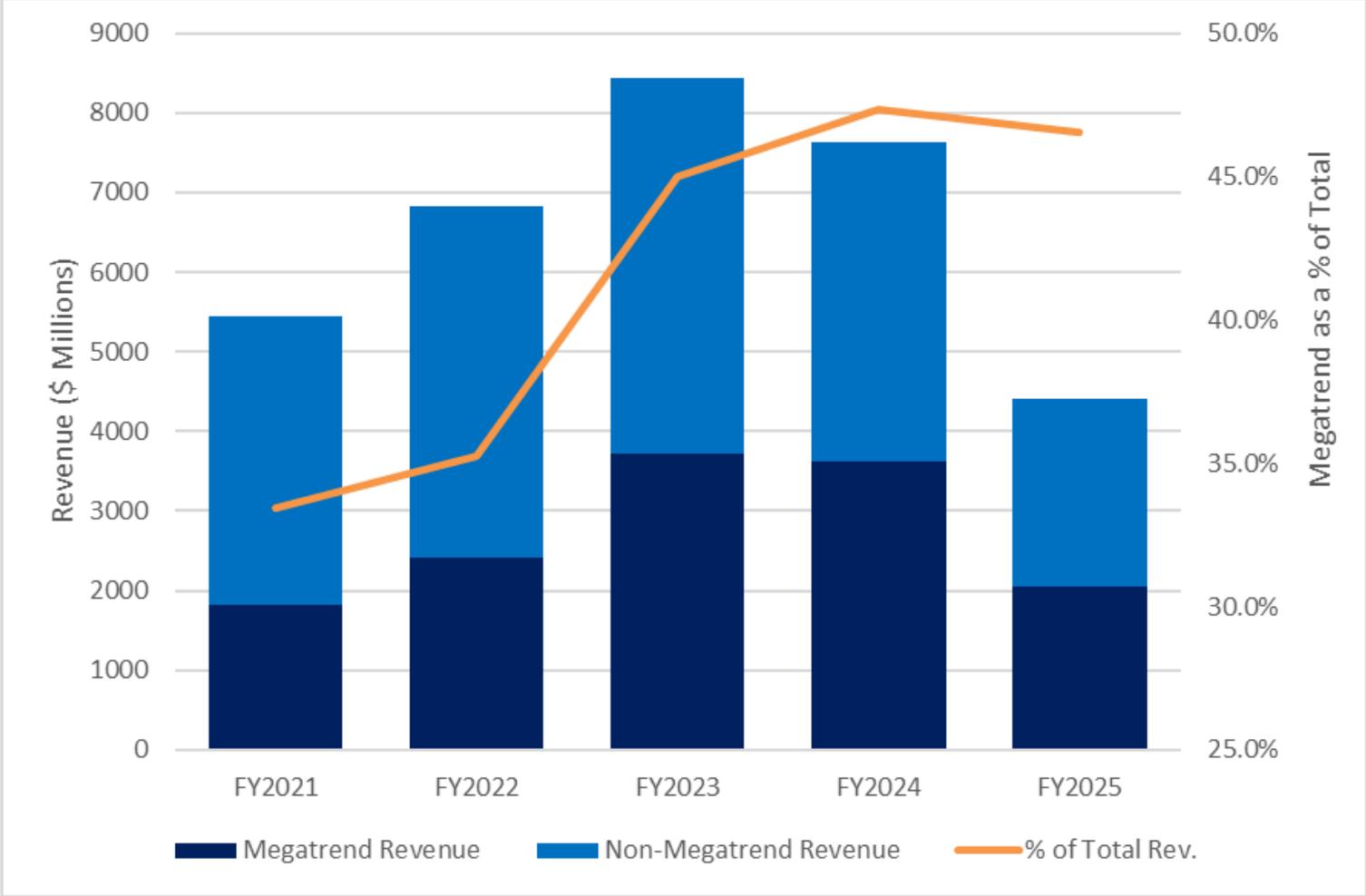
■ Sustainability

■ Other

\*Based on Microchip Internal estimates

7 For FY2026 replaced 5G with AI/ML and added Networking and Connectivity which includes the ADAS megatrend

# Strategic Pivot: Growing Where it Matters



### Key Highlights:

- Megatrend success leverages TSS strategy to increase products-per-design win
- Strategic shift to Megatrend business increasing from 33% to 47% of total revenue
- Successfully transitioning to higher-growth market segments
- Strong design funnel with improving growth opportunities
- Creating foundation for accelerated growth as market conditions improve

# Fiscal 4<sup>th</sup> Quarter 2025 Results (Non-GAAP)

- GAAP Revenue of \$970.5 million; declined 5.4% QoQ and 26.8% YoY
- Gross Margin of 52.0%
- Operating Margin of 14.0%
- Diluted Earnings Per Share of \$0.11
- Net debt decreased by \$1,310.4 million
- Adj. TTM EBITDA\* of \$1,337.2 million
- Adj. Free Cash Flow\*\* \$182.6 million or 18.8% of net sales
- Total cash return of \$244.8 million in dividends
- Announced common stock dividend of 45.5 cents per share for Q1FY26

\*Adjusted EBITDA is as defined in the Company's Amended and Restated Credit Agreement

\*\*Adjusted Free Cash Flow is defined as cash flow from operations less capital expenditures, cash collected under long-term supply arrangements, and amortization of capped call issued in connection with the 0.75% 2024 Sr. Convertible Debt and the 7.50% Series A Mandatory Convertible Preferred Stock

For our GAAP results, please refer to the reconciliations referred to in the safe harbor statement

# Fiscal Year 2025 Results (Non-GAAP)

- **GAAP Revenue of \$4.402 billion**
- **Gross Margin: \$2.510 billion (57.0% Gross Margin)**
- **Operating Margin: \$1.078 billion (24.5% Operating Margin)**
- **Diluted Earnings Per Share of \$1.31**
- **Total debt decreased by \$356.2 million**
- **Adj. TTM EBITDA\* of \$1,337.2 million**
- **Adj. free cash flow\*\* of \$742.5 million or 16.9% of revenue**
- **Total cash return of \$1,065.7 million**
  - Dividends of \$975.7 million and share repurchases of \$90.0 million
- **Record annual dividend of \$1.82 per share, increased 8.0% YoY**
- **Net Debt to adj. EBITDA ratio of 3.66x at March 31, 2025**

\*Adjusted EBITDA is as defined in the Company's Amended and Restated Credit Agreement

\*\*Adjusted Free Cash Flow is defined as cash flow from operations less capital expenditures, cash collected under long-term supply arrangements, and amortization of capped call issued in connection with the 0.75% 2024 Sr. Convertible Debt and the 7.50% Series A Mandatory Convertible Preferred Stock

For our GAAP results, please refer to the reconciliations referred to in the safe harbor statement

# Fiscal 1<sup>st</sup> Quarter 2026 Guidance (Non-GAAP)\*

	Q4 FY25 Actual	Q1 FY26 Guide @ mid-point	Long Term Model (Through Cycles)
GAAP Revenue (\$Millions)	\$970.5	\$1,045.0	Industry Gr. Plus
Gross Margins	52.0%	53.2%	65.0%
Operating Expenses	38.0%	34.1%	25.0%
Operating Margins	14.0%	19.1%	40.0%
Earnings per share	\$0.11	\$0.22*	

\*Represents guidance provided on May 8, 2025

Additional guidance metrics can be found in the Q4 FY2025 earning release. [Click here](#)

# 9-Point Strategic Review Update



## Inventory Reduction

- Dec 24': 266 Days → Mar 25': 251 Days
- Target: 130-150 Days
- Reduction goal of >\$350M by 3/31/26



## Growth Initiatives

- Strategy review complete
- Stronger performance vs. non-megatrends
- Organizational alignment complete



## Customer Relationships

- Achieved preferred/approved status at 78% of clients where our relationship had deteriorated
- Back to normal course of business; concern is closed



## Business Unit Review

- Deep dive completed
- Organizational changes implemented



## Distribution Strategy

- Review completed
- Changes implemented
- No negative channel impact observed



## Manufacturing Footprint

- Tempe Fab2 closing (mid-May)
- Actions at Fab4 (OR) & Fab5 (CO) complete
- Assembly/Test facilities restructuring complete



## Operating Expenses

- ~10% workforce reduction complete
- Revenue-to-expense ratio still high
- Ongoing optimization via growth & attrition



## CHIPS Act

- Tariff discussion dominating
- Limited progress to date



## New LT Business Model

(Through cycles)

- |                      |                             |
|----------------------|-----------------------------|
| – Revenue            | <b>Industry Growth Plus</b> |
| – Gross Margins      | <b>65%</b>                  |
| – Operating Expenses | <b>25%</b>                  |
| – Operating Margins  | <b>40%</b>                  |

# Empowering Innovation In Diverse, Durable Markets



Consumer



Industrial



Space



Sustainability



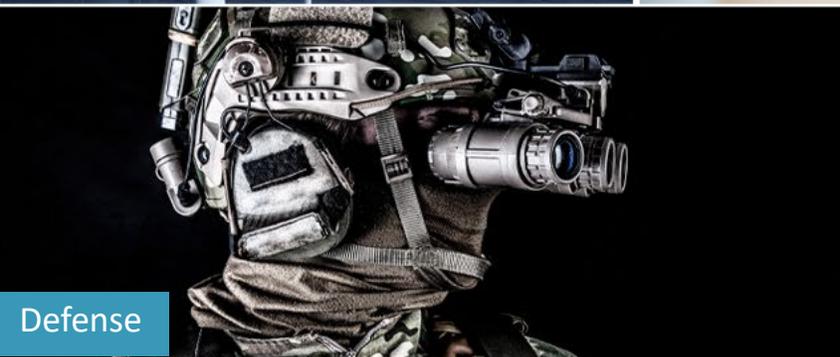
Automotive



Medical



Data Center



Defense



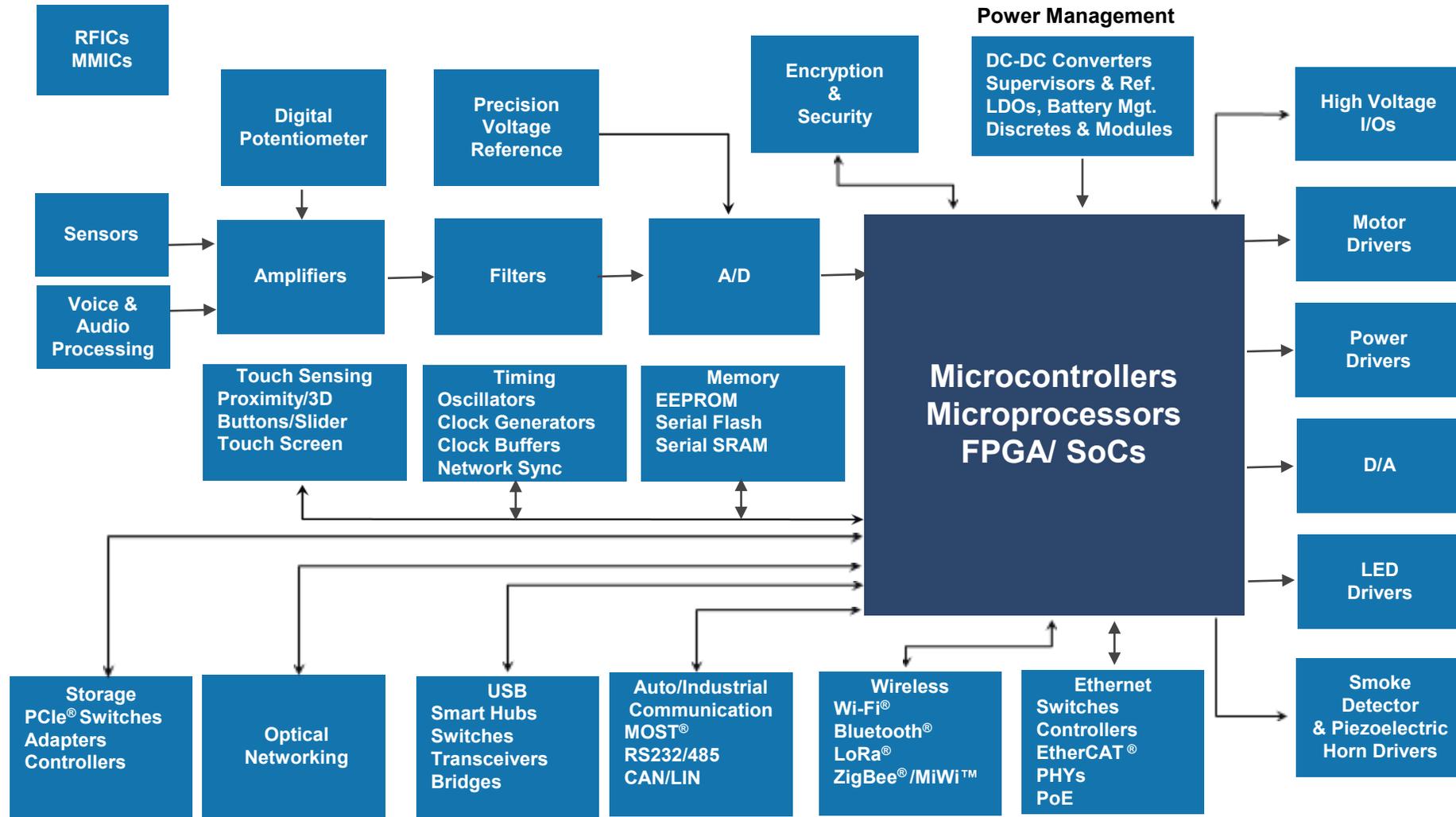
Communication Infrastructure



Aviation

# Providing Total System Solutions

## Portfolio of Hardware, Software and Services



# Strategic Focus and In-Depth Knowledge



# PIC64™ Addresses a Wide Range of End Markets

Scalable Compute



2k DMIPs



5k DMIPs



26K DMIPs

Diverse End Markets

64bit Embedded Processing TAM

~\$5 Billion\*

Scalable Radiation Performance



Rad-Hard



Rad-Tolerant



Pre Flight Proto

Multiple Mission Profiles

Industrial



Defense



Automotive



Aviation



Consumer



Communications



Satellites



Spacecraft



Rovers/Landers



\*Source: 2023 Gartner Semiconductor Market Share Report. Defined as: Gartner microprocessor embedded segment and includes wired and wireless communication electronics, Industrial & Military/Civil Aerospace, Automotive electronics segments.

# 10BASE-T1S addressing a Wide Range of End Markets

## Scalable Interfaces



MII, RMII



SPI



OA3p

Diverse End Markets

*First to Market!*

Industrial



Automotive



Defense



**Significant Growth Opportunity**

## Pre-Programmed MCUs



Control



Lighting



Audio

Diverse Applications

*Emerging Markets*

In-cabinet



Battery



Microphones



Robotics



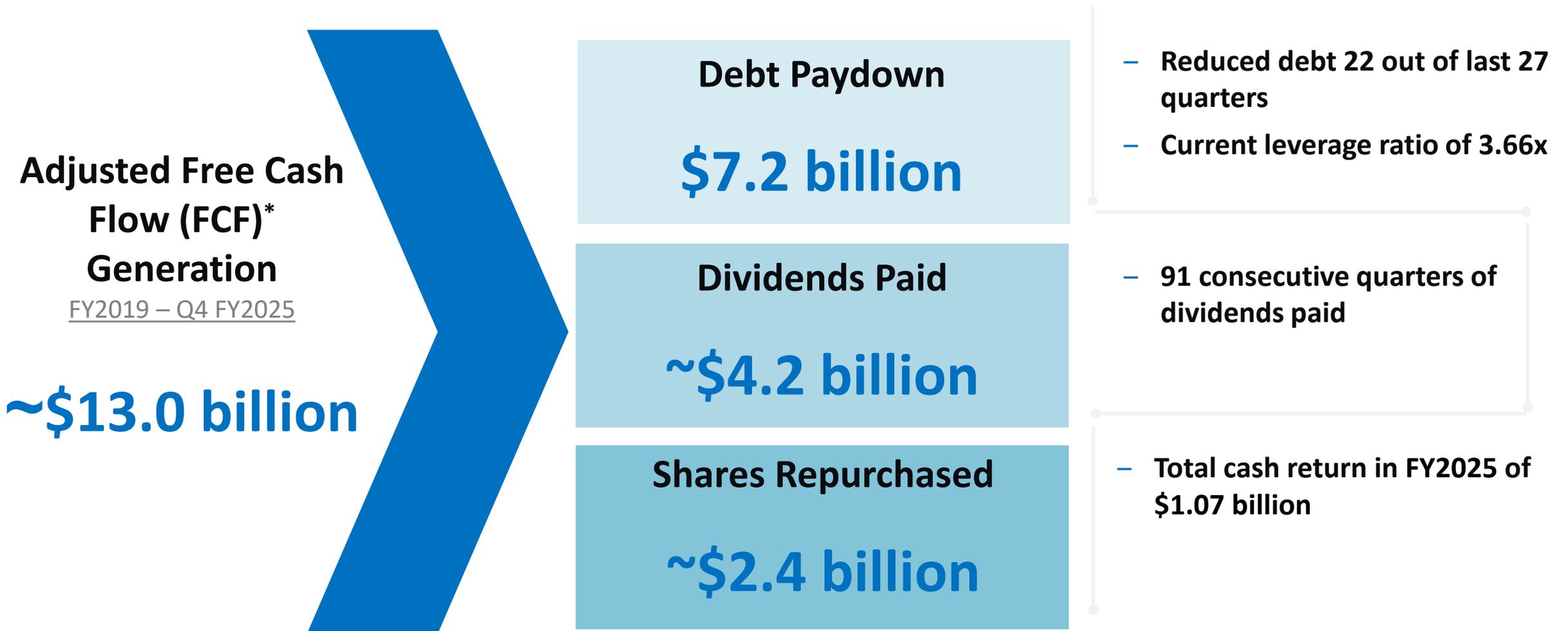
LED Lighting



Autonomous



# Consistent, Disciplined and Balanced Capital Return Strategy



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