February 2, 2023

Microchip Technology Announces Record Financial Results For Third Quarter of Fiscal Year 2023

- **Record net sales of $2.169 billion, up 4.6% sequentially and up 23.4% from the year ago quarter. The midpoint of our guidance provided on November 3, 2022 was net sales of $2.156 billion.**
- **On a GAAP basis: record gross margin of 67.8%; record operating income of $811.6 million and a record 37.4% of net sales; record net income of $580.3 million; and record EPS of $1.04 per diluted share. Our guidance provided on November 3, 2022 was for GAAP EPS of $1.03 to $1.07 per diluted share.**
- **On a Non-GAAP basis: record gross margin of 68.1%; record operating income of $1.030 billion and a record 47.5% of net sales; record net income of $863.7 million and record EPS of $1.56 per diluted share. Our guidance provided on November 3, 2022 was for Non-GAAP EPS of $1.54 to $1.56 per diluted share.**
- **Paid down $719.1 million of debt in the December 2022 quarter. Cumulatively paid down $6.2 billion of debt over the last 18 quarters.**
- **Returned approximately $409.8 million to shareholders in the December quarter through dividends of $180.3 million and the repurchase of approximately $229.5 million, or 3.1 million shares of our common stock, at an average price of $74.26 per share under our previously announced $4.0 billion stock buyback program. Cumulatively repurchased approximately $1.098 billion, or 15.2 million shares, over the last five quarters.**
- **Record quarterly dividend declared in the March quarter of 35.8 cents per share, an increase of 9.1% sequentially and 41.5% from the year ago quarter.**

CHANDLER, Ariz., Feb. 02, 2023 (GLOBE NEWSWIRE) -- **(NASDAQ: MCHP)** - Microchip Technology Incorporated, a leading provider of smart, connected, and secure embedded control solutions, today reported results for the three months ended December 31, 2022, as summarized in the table below.

	Three Months Ended December 31, 2022(1)			
Net sales	$2,169.2			
	GAAP	%	Non-GAAP(2)	%
Gross margin	$1,470.8	67.8%	$1,477.7	68.1%
Operating income	$811.6	37.4%	$1,029.8	47.5%
Other expense	$(49.4)		$(49.4)	
Income tax provision	$181.9		$116.7	
Net income	$580.3	26.8%	$863.7	39.8%
Net income per diluted share	$1.04		$1.56	

[1] In millions, except per share amounts and percentages of net sales.

[2] See the "Use of Non-GAAP Financial Measures" section of this release.

Net sales for the third quarter of fiscal 2023 were a record $2.169 billion, up 23.4% from net sales of $1.758 billion in the prior year's third fiscal quarter.

GAAP net income for the third quarter of fiscal 2023 was $580.3 million, or $1.04 per diluted share, up from GAAP net income of $352.8 million, or $0.62 per diluted share, in the prior year's third fiscal quarter. For the third quarters of fiscal 2023 and fiscal 2022, GAAP net income was adversely impacted by amortization of acquired intangible assets associated with our previous acquisitions.

Non-GAAP net income for the third quarter of fiscal 2023 was a record at $863.7 million, or $1.56 per diluted share, up from non-GAAP net income of $681.7 million, or $1.20 per diluted share, in the prior year's third fiscal quarter. For the third quarters of fiscal 2023 and fiscal 2022, our non-GAAP results exclude the effect of share-based compensation, 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, non-cash interest expense on our convertible debentures and losses on the settlement of debt. For the third quarters of fiscal 2023 and fiscal 2022, 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. A reconciliation of our non-GAAP and GAAP results is included in this press release.

Microchip announced today that its Board of Directors declared a record quarterly cash dividend on its common stock of 35.8 cents per share, up 9.1% from the cash dividend paid last quarter and up 41.5% from the year ago quarter. The quarterly dividend is payable on March 7, 2023 to stockholders of record on February 21, 2023.

"We are pleased to report our 9th consecutive revenue growth quarter and another quarter of record operating profit and net income," said Ganesh Moorthy, President and Chief Executive Officer. "Our fiscal third quarter revenue grew 4.6% sequentially and 23.4% year-over-year to $2.17 billion. Non-GAAP operating margins came in at 47.5%, which was ahead of our guidance range and above the high-end of our long-term operating model. Our consistent results demonstrate our team's relentless focus on operational excellence, which we believe positions us well to capture market share gains over the business cycle."

Mr. Moorthy added, "Supply is gradually improving, and for the first time in nine quarters we were able to modestly reduce our large unsupported backlog. We are starting to see improvements in lead times in select technology corridors and remain focused on strategically reducing our unsupported backlog in a disciplined manner, while preserving the quality of the new backlog that gets placed. With gradual supply improvements, we are aiming to better serve our customers by targeting lead times for most of our products to be 26 weeks or less by the second half of 2023. In addition, China's zero COVID policy, and the after-effects of their subsequent rapid lifting of lock-downs, resulted in disruptions which drove higher-than-normal inventory at customers and distributors. We remain cautiously optimistic that we can deliver a soft landing for our business and expect our operating metrics to once again demonstrate resiliency through this business cycle."

Steve Sanghi, Microchip's Executive Chair, said, “Microchip's Board of Directors approved a sequential increase in our dividend of 9.1% to a record 35.8 cents per share, which represents a 41.5% year-over-year increase. Given our strong cash flow generation during the December quarter, we are targeting to return $469.8 million to our shareholders in the March quarter through dividends and share repurchases, representing 62.5% of our adjusted free cash flow in the December quarter. Our adjusted cash flow excludes $385 million that we collected from our customers or paid to suppliers for long-term supply assurance payments. We are adjusting for these payments since they are refundable when customers fulfill their purchase commitments. Our board remains committed to increasing cash returns to shareholders, and we are announcing today that since we expect to exit the March quarter with our net leverage below 1.5X we will accelerate the percentage of free cash flow returned. Under this program, starting with the June quarter, we expect to increase the percentage of adjusted free cash flow we return to shareholders every quarter by 500 basis points, until we reach 100% of adjusted free cash flow returned which is targeted to occur in approximately eight quarters. Therefore in the June 2023 quarter we now expect to return 67.5% of our adjusted free cash flow from the March quarter to shareholders."

Eric Bjornholt, Microchip's Chief Financial Officer, said, "We continued to aggressively pay down our debt with another $719.1 million of payments during the December quarter, reflecting a cumulative debt pay down of almost $6.2 billion over the past 18 quarters, as we have actively managed the working capital requirements for the business. Our net debt to adjusted EBITDA was 1.56x for the December quarter. In addition, our capital return strategy is expected to give us the flexibility to continue to pay down high-interest debt. Our operating model has been a strong cash generator and is demonstrating significant operating leverage as we continue on our Microchip 3.0 journey."

Mr. Moorthy concluded, "Our backlog for the March quarter is strong and we have more capacity improvements coming into effect. However, we are also taking active steps to help customers with inventory positions to selectively push out some of their backlog. Considering these factors and the economic backdrop, we expect net sales in the March quarter to be up between 1% and 4% sequentially, and we expect to grow revenue sequentially again in the June quarter. At the mid-point of our guidance for the March quarter, net sales would be 20.6% higher than the year-ago quarter."

Microchip's Highlights for the Quarter Ended December 31, 2022:

- Introduced new Arm®-based PIC® microcontrollers designed to create an easier way to add Bluetooth® Low Energy Connectivity. Our PIC32CX-BZ2 MCU family includes built-in Bluetooth Low Energy and other wireless functionality with premium analog performance and comprehensive design support.

- Announced a smart metering platform available on a 32-bit MCU product family equipped with an MPL460 PLC modem. Our PIC32CXMT provides maximum flexibility with three tiered devices including a single core, dual core and system-on-chip (SOC) to streamline smart meter and communications infrastructure development.

- Launched new industrial Gigabit Ethernet transceivers that offer Precision Timing Protocol (PTP) to optimize process automation functionality. Our LAN8840 and LAN8841 are single-port Gigabit Ethernet transceivers delivering PTP-v2 (IEEE 1588-2008) time stamping for highly coordinated factory and process automation.

- Showcased RISC-V-based FPGA and space-compute solutions at RISC-V Summit. Microchip's PolarFire® devices lead in delivering 2X power efficiency, military grade security and highest reliability, which will be extended by the PolarFire 2 FPGA roadmap.

Fourth Quarter Fiscal Year 2023 Outlook:

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially.

	Microchip Consolidated Guidance		
Net Sales	$2.191 to $2.256 billion		
	GAAP	Non-GAAP Adjustments	Non-GAAP[(1)]
Gross Margin	67.8% to 68.0%	$6.5 to $7.0 million	68.1% to 68.3%
Operating Expenses[(2)]	30.3% to 30.7%	$215.9 to $219.9 million	20.6% to 20.8%
Operating Income	37.2% to 37.6%	$222.4 to $227.4 million	47.3% to 47.7%
Other Expense, net	$45.8 to $48.2 million	($0.2) to $0.2 million	$46.0 to $48.0 million
Income Tax Provision	$165.1 to $204.1 million[(3)]	$66.1 to $80.7 million	$99.0 to $123.4 million[(4)]
Net Income	$596.4 to $603.0 million	$288.3 to $308.3 million	$891.3 to $904.7 million
Diluted Common Shares Outstanding	Approximately 554.0 to 554.4 million shares		Approximately 554.0 to 554.4 million shares
Earnings per Diluted Share	$1.07 to $1.09	$0.54	$1.61 to $1.63

(1) See the "Use of Non-GAAP Financial Measures" section of this release for information regarding our non-GAAP guidance.

(2) We are not able to estimate the amount of certain Special Charges and Other, net that may be incurred during the quarter ending March 31, 2023. Therefore, our estimate of GAAP operating expenses excludes certain amounts that may be recognized as Special Charges and Other, net in the quarter ending March 31, 2023.

(3) The forecast for GAAP tax expense excludes any unexpected tax events that may occur during the quarter, as these amounts cannot be forecasted.

(4) Represents the expected cash tax rate for fiscal 2023, excluding any transition tax payments associated with the Tax Cuts and Jobs Act.

- Microchip's inventory days in the March 2023 quarter are expected to be in the range of 157 to 164 days, compared to 152 days on December 31, 2022. Our actual inventory level will depend on the inventory that our distributors decide to hold to support their customers, overall demand for our products, and our production levels.

- Capital expenditures for the quarter ending March 31, 2023 are expected to be between $154 million and $174 million. Capital expenditures for all of fiscal 2023 are expected to be between $525 million and $545 million. We continue to add capital equipment to maintain, grow and operate our internal manufacturing capabilities to support the expected growth of our business.

Under the GAAP revenue recognition standard, which we adopted on April 1, 2018, we are required to recognize revenue when control of the product changes from us to a customer or distributor. We focus our sales and marketing efforts on creating demand for our products in the end markets we serve and not on moving inventory into our distribution network. We also manage our manufacturing and supply chain operations, including our distributor relationships, towards the goal of having our products available at the time and location the end customer desires.

Use of Non-GAAP Financial Measures: Our non-GAAP adjustments, where applicable, include the effect of share-based compensation, 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, non-cash interest expense on our convertible debentures and losses on the settlement of debt. For the third quarters of fiscal 2023 and fiscal 2022, our non-GAAP income tax expense is presented based on projected cash taxes for the fiscal year, excluding transition tax payments under the Tax Cuts and Jobs Act.

We are required to estimate the cost of certain forms of share-based compensation, including employee stock options, restricted stock units, and our employee stock purchase plan, and to record a commensurate expense in our income statement. Share-based compensation expense is a non-cash expense that varies in amount from period to period and is affected by the price of our stock at the date of grant. The price of our stock is affected by market forces that are difficult to predict and are not within the control of management. Our other non-GAAP adjustments are either non-cash expenses, unusual or infrequent items, or other expenses related to transactions. Management excludes all of these items from its internal operating forecasts and models.

We are using non-GAAP operating expenses in dollars, including non-GAAP research and development expenses and non-GAAP selling, general and administrative expenses, non-GAAP other expense, net, and non-GAAP income tax rate, which exclude the items noted above, as applicable, to permit additional analysis of our performance.

Management believes these non-GAAP measures are useful to investors because they enhance the understanding of our historical financial performance and comparability between periods. Many of our investors have requested that we disclose this non-GAAP information because they believe it is useful in understanding our performance as it excludes non-cash and other charges that many investors feel may obscure our underlying operating results. Management uses non-GAAP measures to manage and assess the profitability of our business and for compensation purposes. We also use our non-GAAP results when developing and monitoring our budgets and spending. Our determination of these 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 these 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.

Generally, gross margin fluctuates over time, driven primarily by the mix of products sold and licensing revenue; variances in manufacturing yields; fixed cost absorption; wafer fab loading levels; costs of wafers from foundries; inventory reserves; pricing pressures in our non-proprietary product lines; and competitive and economic conditions. Operating expenses fluctuate over time, primarily due to net sales and profit levels.

Diluted Common Shares Outstanding can vary for, among other things, the trading price of our common stock, the exercise of options or vesting of restricted stock units, the potential for incremental dilutive shares from our convertible debentures (additional information regarding our share count is available in the investor relations section of our website under the heading "Supplemental Financial Information"), and repurchases or issuances of shares of our common stock. The diluted common shares outstanding presented in the guidance table above assumes an average Microchip stock price in the March 2023 quarter between $75 and $80 per share (however, we make no prediction as to what our actual share price will be for such period or any other period and we cannot estimate what our stock option exercise activity will be during the quarter).

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share amounts; unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Net sales	$ 2,169.2	$ 1,757.5	$ 6,206.0	$ 4,976.7
Cost of sales	698.4	604.2	2,027.4	1,747.5
Gross profit	1,470.8	1,153.3	4,178.6	3,229.2
Research and development	282.4	245.4	820.0	730.0
Selling, general and administrative	202.9	177.5	594.2	531.7
Amortization of acquired intangible assets	167.4	215.7	502.5	647.0
Special charges (income) and other, net	6.5	(0.3)	(6.1)	20.4
Operating expenses	659.2	638.3	1,910.6	1,929.1
Operating income	811.6	515.0	2,268.0	1,300.1
Other expense, net	(49.4)	(73.5)	(160.1)	(296.8)
Income before income taxes	762.2	441.5	2,107.9	1,003.3
Income tax provision	181.9	88.7	474.2	155.7
Net income	$ 580.3	$ 352.8	$ 1,633.7	$ 847.6
Basic net income per common share	$ 1.06	$ 0.64	$ 2.96	$ 1.54
Diluted net income per common share	$ 1.04	$ 0.62	$ 2.93	$ 1.50
Basic common shares outstanding	549.2	554.9	551.5	551.2
Diluted common shares outstanding	555.4	567.3	558.4	566.1

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions; unaudited)

ASSETS		
	December 31, 2022	March 31, 2022
Cash and short-term investments	$ 288.9	$ 319.4
Accounts receivable, net	1,175.0	1,072.6
Inventories	1,165.4	854.4
Other current assets	204.4	206.2
Total current assets	2,833.7	2,452.6
Property, plant and equipment, net	1,113.7	967.9
Other assets	12,168.7	12,779.0
Total assets	$ 16,116.1	$ 16,199.5

LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$ 1,611.1	$ 1,399.0
Total current liabilities	1,611.1	1,399.0
Long-term debt	6,588.7	7,687.4
Long-term income tax payable	660.3	704.6
Long-term deferred tax liability	40.3	39.8
Other long-term liabilities	904.1	473.9
Stockholders' equity	6,311.6	5,894.8
Total liabilities and stockholders' equity	$ 16,116.1	$ 16,199.5

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(in millions, except per share amounts and percentages; unaudited)

RECONCILIATION OF GAAP GROSS PROFIT TO NON-GAAP GROSS PROFIT

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Gross profit, as reported	$ 1,470.8	$ 1,153.3	$ 4,178.6	$ 3,229.2
Share-based compensation expense	6.9	8.4	21.1	26.3
Non-GAAP gross profit	$ 1,477.7	$ 1,161.7	$ 4,199.7	$ 3,255.5
GAAP gross profit percentage	67.8%	65.6%	67.3%	64.9%
Non-GAAP gross profit percentage	68.1%	66.1%	67.7%	65.4%

RECONCILIATION OF GAAP RESEARCH AND DEVELOPMENT EXPENSES TO NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Research and development expenses, as reported	$ 282.4	$ 245.4	$ 820.0	$ 730.0
Share-based compensation expense	(21.2)	(23.4)	(61.1)	(76.1)
Acquisition-related	(0.2)	(0.2)	(0.6)	(0.6)
Non-GAAP research and development expenses	$ 261.0	$ 221.8	$ 758.3	$ 653.3
GAAP research and development expenses as a percentage of net sales	13.0%	14.0%	13.2%	14.7%
Non-GAAP research and development expenses as a percentage of net sales	12.0%	12.6%	12.2%	13.1%

RECONCILIATION OF GAAP SELLING, GENERAL AND ADMINISTRATIVE EXPENSES TO NON-GAAP SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Selling, general and administrative expenses, as reported	$ 202.9	$ 177.5	$ 594.2	$ 531.7
Share-based compensation expense	(15.9)	(19.1)	(44.3)	(60.8)
Acquisition-related	(0.1)	(1.0)	(1.4)	(3.3)
Professional services associated with certain legal matters	—	(1.8)	(3.2)	(5.6)
IT security remediation	—	(0.2)	—	(0.2)
Non-GAAP selling, general and administrative expenses	$ 186.9	$ 155.4	$ 545.3	$ 461.8
GAAP selling, general and administrative expenses as a percentage of net sales	9.4%	10.1%	9.6%	10.7%
Non-GAAP selling, general and administrative expenses as a percentage of net sales	8.6%	8.8%	8.8%	9.3%

RECONCILIATION OF GAAP OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Operating expenses, as reported	$ 659.2	$ 638.3	$ 1,910.6	$ 1,929.1
Share-based compensation expense	(37.1)	(42.5)	(105.4)	(136.9)
Acquisition-related	(0.3)	(1.2)	(2.0)	(3.9)
Professional services associated with certain legal matters	—	(1.8)	(3.2)	(5.6)
IT security remediation	—	(0.2)	—	(0.2)
Amortization of acquired intangible assets	(167.4)	(215.7)	(502.5)	(647.0)
Special charges (income) and other, net	(6.5)	0.3	6.1	(20.4)
Non-GAAP operating expenses	$ 447.9	$ 377.2	$ 1,303.6	$ 1,115.1
GAAP operating expenses as a percentage of net sales	30.4%	36.3%	30.8%	38.8%
Non-GAAP operating expenses as a percentage of net sales	20.6%	21.5%	21.0%	22.4%

RECONCILIATION OF GAAP OPERATING INCOME TO NON-GAAP OPERATING INCOME

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Operating income, as reported	$ 811.6	$ 515.0	$ 2,268.0	$ 1,300.1
Share-based compensation expense	44.0	50.9	126.5	163.2
Acquisition-related	0.3	1.2	2.0	3.9
Professional services associated with certain legal matters	—	1.8	3.2	5.6
IT security remediation	—	0.2	—	0.2
Amortization of acquired intangible assets	167.4	215.7	502.5	647.0
Special charges (income) and other, net	6.5	(0.3)	(6.1)	20.4
Non-GAAP operating income	$ 1,029.8	$ 784.5	$ 2,896.1	$ 2,140.4
GAAP operating income as a percentage of net sales	37.4%	29.3%	36.5%	26.1%
Non-GAAP operating income as a percentage of net sales	47.5%	44.6%	46.7%	43.0%

RECONCILIATION OF GAAP OTHER EXPENSE, NET TO NON-GAAP OTHER EXPENSE, NET

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Other expense, net, as reported	$ (49.4)	$ (73.5)	$ (160.1)	$ (296.8)
Loss on settlement of debt	—	16.1	8.3	101.6
Non-cash other expense, net	—	9.2	0.1	30.2
Gains on equity investments	—	(5.5)	—	(5.5)
Non-GAAP other expense, net	$ (49.4)	$ (53.7)	$ (151.7)	$ (170.5)
GAAP other expense, net, as a percentage of net sales	(2.3)%	(4.2)%	(2.6)%	(6.0)%
Non-GAAP other expense, net, as a percentage of net sales	(2.3)%	(3.1)%	(2.4)%	(3.4)%

RECONCILIATION OF GAAP INCOME TAX PROVISION TO NON-GAAP INCOME TAX PROVISION

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Income tax provision as reported	$ 181.9	$ 88.7	$ 474.2	$ 155.7
Income tax rate, as reported	23.9%	20.1%	22.5%	15.5%
Other non-GAAP tax adjustment	(65.2)	(39.6)	(175.1)	(32.0)
Non-GAAP income tax provision	$ 116.7	$ 49.1	$ 299.1	$ 123.7
Non-GAAP income tax rate	11.9%	6.7%	10.9%	6.3%

RECONCILIATION OF GAAP NET INCOME AND GAAP DILUTED NET INCOME PER COMMON SHARE TO NON-GAAP NET INCOME AND NON-GAAP DILUTED NET INCOME PER COMMON SHARE

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Net income, as reported	$ 580.3	$ 352.8	$ 1,633.7	$ 847.6
Share-based compensation expense	44.0	50.9	126.5	163.2
Acquisition-related	0.3	1.2	2.0	3.9
Professional services associated with certain legal matters	—	1.8	3.2	5.6
IT security remediation	—	0.2	—	0.2
Amortization of acquired intangible assets	167.4	215.7	502.5	647.0
Special charges (income) and other, net	6.5	(0.3)	(6.1)	20.4
Loss on settlement of debt	—	16.1	8.3	101.6
Non-cash other expense, net	—	9.2	0.1	30.2
Gains on equity investments	—	(5.5)	—	(5.5)
Other non-GAAP tax adjustment	65.2	39.6	175.1	32.0
Non-GAAP net income	$ 863.7	$ 681.7	$ 2,445.3	$ 1,846.2
GAAP net income as a percentage of net sales	26.8%	20.1%	26.3%	17.0%
Non-GAAP net income as a percentage of net sales	39.8%	38.8%	39.4%	37.1%
Diluted net income per common share, as reported	$ 1.04	$ 0.62	$ 2.93	$ 1.50
Non-GAAP diluted net income per common share	$ 1.56	$ 1.20	$ 4.38	$ 3.26
Diluted common shares outstanding, as reported	555.4	567.3	558.4	566.1
Diluted common shares outstanding non-GAAP	555.4	567.3	558.4	566.1

RECONCILIATION OF GAAP CASH FLOW FROM OPERATIONS TO FREE CASH FLOW

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
GAAP cash flow from operations, as reported	$ 1,277.9	$ 853.4	$ 2,911.5	$ 2,095.0
Capital expenditures	(141.3)	(90.7)	(373.5)	(255.5)
Free cash flow	$ 1,136.6	$ 762.7	$ 2,538.0	$ 1,839.5
GAAP cash flow from operations as a percentage of net sales	58.9%	48.6%	46.9%	42.1%
Free cash flow as a percentage of net sales	52.4%	43.4%	40.9%	37.0%

Microchip will host a conference call today, February 2, 2023 at 5:00 p.m. (Eastern Time) to discuss this release. This call will be simulcast over the Internet at www.microchip.com. The webcast will be available for replay until February 16, 2023.

A telephonic replay of the conference call will be available at approximately 8:00 p.m. (Eastern Time) on February 2, 2023 and will remain available until 5:00 p.m. (Eastern Time) on February 16, 2023. Interested parties may listen to the replay by dialing 201-612-7415/877-660-6853 and entering access code 13735518.

Cautionary Statement:

The statements in this release relating to our consistent results demonstrating our team's relentless focus on operational excellence, which we believe positions us well to capture market share gains over the business cycle, supply gradually improving, starting to see improvements in lead times, remaining focused on strategically reducing our unsupported backlog in a disciplined manner, while preserving the quality of the new backlog that gets placed, aiming to better serve our customers by targeting lead times for most of our products to be 26 weeks or less by the second half of 2023, remaining cautiously optimistic that we can deliver a soft landing for our business and expect our operating metrics to once again demonstrate resiliency through this business cycle, targeting to return $469.8 million to our shareholders in the March quarter through dividends and share repurchases, remaining committed to increasing cash returns to shareholders, expecting to exit the March quarter with our net leverage below 1.5X, that we will accelerate the percentage of free cash flow returned, expecting to increase the percentage of adjusted free cash flow we return to shareholders every quarter by 500 basis points, until we reach 100% of adjusted free cash flow returned which is targeted to occur in approximately eight quarters, that we now expect to return 67.5% of our adjusted free cash flow from the March quarter to shareholders, aggressively paying down our debt, actively managing the working capital requirements for the business, that our capital return strategy is expected to give us the flexibility to continue to pay down high-interest debt, continuing on our Microchip 3.0 journey, that we have more capacity improvements coming into effect, taking active steps to help customers with inventory positions to selectively push out some of their backlog, that we expect net sales in the March quarter to be up between 1% and 4% sequentially, and we expect to grow revenue sequentially again in the June quarter, that at the mid-point of our guidance for the March quarter, net sales would be 20.6% higher than the year-ago quarter, our fourth quarter fiscal 2023 guidance for net sales and GAAP and non-GAAP gross margin, operating expenses, operating income, other expense, net, income tax provision, net income, diluted common shares outstanding, earnings per diluted share, expected inventory days in the March 2023 quarter, capital expenditures for the March 2023 quarter and for all of fiscal 2023, continuing to add capital equipment to maintain, grow and operate our internal manufacturing capabilities to support the expected growth of our business, our belief that non-GAAP measures are useful to investors and our assumed average stock price in the March 2023 quarter are forward-looking statements 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 rising 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 Ukraine-Russia military conflict), changes in demand or market acceptance of our products and the products of our customers and our ability to meet any continued increases in market demand; 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; 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; 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 to meet any continued increases in market demand; 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 preferred supply program and our long-term supply assurance program; changes or fluctuations in customer order patterns and seasonality; our ability to obtain a sufficient supply of wafers from third party wafer foundries to meet our increasing needs and the cost of such wafers, our ability to obtain additional capacity from our suppliers to increase production to meet any continued 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 Microsemi acquisition, the Microsemi business, intellectual property, customers, or other issues; the costs and outcome of any current or future tax audit or investigation regarding our business or the business of Microsemi, our actual average stock price in the March quarter and the impact such price will have on our share count; 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) or the SEC's website (www.sec.gov) or from commercial document retrieval services.

Stockholders of Microchip 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 this February 2, 2023 press release, or to reflect the occurrence of unanticipated events.

About Microchip:

Microchip Technology Incorporated is a leading provider of smart, connected and secure embedded control solutions. Its easy-to-use development tools and comprehensive product portfolio enable customers to create optimal designs, which reduce risk while lowering total system cost and time to market. The Company's solutions serve more than 125,000 customers across the industrial, automotive, consumer, aerospace and defense, communications and computing markets. Headquartered in Chandler, Arizona, Microchip offers outstanding technical support along with dependable delivery and quality. For more information, visit the Microchip website at www.microchip.com.

Note: The Microchip name and logo, the Microchip logo, IGLOO and PolarFire are registered trademarks of Microchip Technology Incorporated in the U.S.A. and other countries. SmartFusion is a registered trademark of Microchip Technology Incorporated in the U.S.A. All other trademarks mentioned herein are the property of their respective companies.

INVESTOR RELATIONS CONTACT:
J. Eric Bjornholt -- CFO (480) 792-7804

MICROCHIP

Source: Microchip Technology Inc.