

December 2, 2014



Microchip Technology Raises Guidance For Third Quarter Of Fiscal 2015

CHANDLER, Ariz., Dec. 2, 2014 /PRNewswire/ -- Microchip Technology Incorporated (NASDAQ: MCHP), a leading provider of microcontroller, mixed-signal, analog and Flash-IP solutions, today revised its financial guidance for its fiscal third quarter of 2015 ending December 31, 2014. Microchip now expects net sales to be down between 2% and 5% sequentially, and non-GAAP earnings per share to be between 60 and 64 cents per share. Microchip previously provided guidance on October 30, 2014 for net sales to be down between 2% and 7% sequentially and non-GAAP earnings per share to be between 59 and 64 cents per share. We expect GAAP earnings per share to be between 30 to 33 cents per share compared to our previous guidance for GAAP earnings per share of 29 to 33 cents per share.



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"We have continued to see an improvement in our bookings and billings since our earnings call on October 30, 2014," said Steve Sanghi, Microchip's President and CEO.

"We are now even more confident that the small correction that we experienced in the September quarter is behind us, and we currently expect to provide guidance of a low single digit sequential revenue increase for the March 2015 quarter when we announce our fiscal third quarter of 2015 results in late January," Mr. Sanghi added.

There will be no conference call associated with this press release. Microchip will be presenting at the Credit Suisse 18th Annual Technology Conference on Wednesday, December 3, 2014 at 2:00 p.m. (Mountain Time). A live webcast and replay of that presentation can be accessed on the Microchip website at www.microchip.com/investors.

Updated Third Quarter Fiscal Year 2015 Outlook:

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

| | Microchip Consolidated Guidance | | |
|---|------------------------------------|----------------------------------|------------------------------------|
| | GAAP | Non-GAAP Adjustments | Non-GAAP ¹ |
| Net Sales | \$511.8 to \$528.2 million | \$7.1 million | \$518.9 to \$535.3 million |
| Gross Margin ² | 56.5% to 56.7% | \$11.8 to \$12.1 million | 58.0% to 58.2% |
| Operating Expenses ² | 39.55% to 40.05% | \$62.3 to \$64.4 million | 27.0% to 27.5% |
| Other Expense | \$9.8 million | \$2.5 million | \$7.3 million |
| Income Tax Expense | 11.4% to 11.8% | \$7.7 to \$7.8 million | 10.6% to 11.0% |
| Net Income before noncontrolling interest | \$65.6 to \$71.6 million | \$68.7 to \$71.2 million | \$134.3 to \$142.8 million |
| Less Net Income (Loss) from noncontrolling interest | (\$1.5 million) | \$1.9 million | \$0.3 million |
| Net Income | \$67.2 to \$73.1 million | \$66.8 to \$69.4 million | \$134.0 to \$142.5 million |
| Diluted Common Shares Outstanding ³ | Approximately 223.4 million shares | Approximately 0.7 million shares | Approximately 222.7 million shares |
| Earnings per Diluted Share | 30 to 33 cents | 30 to 31 cents | 60 to 64 cents |

¹ See the "Use of Non-GAAP Financial Measures" section of this release.

² Earnings per share have been calculated based on the diluted shares outstanding of Microchip on a consolidated basis.

³ See Footnote 3 under the "Use of Non-GAAP Financial Measures" section of this release.

¹ 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, inventory valuation costs, severance costs, and legal and other general and administrative expenses associated with acquisitions), non-cash interest expense on our convertible debentures, the related income tax implications of these items and non-recurring tax events. Our non-GAAP net sales reflect revenue from product in the acquired companies' distribution channel at the acquisition date that is not included in GAAP net sales.

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 or non-recurring expenses related to such transactions. Accordingly, management excludes all of these items from its internal operating forecasts and models.

We are using the non-GAAP items in the foregoing table 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 these non-GAAP measures to manage and assess the profitability of our business. Specifically, we do not consider such items when developing and monitoring our budgets and spending. Our determination of the above 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.

² Diluted Common Shares Outstanding can vary for, among other things, the trading price of our common stock, the actual 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 the repurchase or the issuance of stock. The diluted common shares outstanding presented in the guidance table above assumes an average Microchip stock price in the December 2014 quarter of \$44 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).

³ Generally, gross margin fluctuates over time, driven primarily by the mix of microcontrollers, mixed-signal products, analog products and memory 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.

Cautionary Statement:

The statements in this release relating to our revised expectations for net sales and non-GAAP and GAAP earnings per share in the December quarter, continuing to see improvement in our bookings and billings, our confidence that the correction we experienced in the September quarter is behind us, expecting to provide guidance of a low single digit revenue increase for the March 2015 quarter, and our updated third quarter fiscal 2015 guidance (GAAP and Non-GAAP as applicable) including net sales, gross margin, operating expenses, other expense, income tax expense, net income, net income before noncontrolling interest, net income (loss) from noncontrolling interest, diluted common shares outstanding, earnings per diluted share, and assumed average stock price in the December 2014 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 economic uncertainty due to U.S. or global monetary policy, political or other issues, any unexpected fluctuations or weakness in the U.S. and global economies, changes in demand or market acceptance of our products and the products of our customers; 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 our production levels; competitive developments including pricing pressures; the level of orders that are received and can be shipped in a quarter; the level of sell-through of our products through distribution; changes or fluctuations in customer order patterns and seasonality; foreign currency effects on our business; our ability to continue to realize the expected benefits of our acquisitions; the impact of any other significant acquisitions that we may make; our ability to obtain a sufficient supply of wafers from third party wafer foundries and the cost of such wafers, the costs and outcome of any current or future tax audit or any litigation involving intellectual property, customers or other issues; our actual average stock price in the December 2014 quarter and the impact such price will have on our share count; 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, ebola or other 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) 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 December 2 2014 press release, or to reflect the occurrence of unanticipated events.

About Microchip:

Microchip Technology Incorporated is a leading provider of microcontroller, mixed-signal, analog and Flash-IP solutions, providing low-risk product development, lower total system cost and faster time to market for thousands of diverse customer applications worldwide. 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.

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