

Up and to the right 2.0

Business Update – March 2025



MICROCHIP

A Leading Provider of Smart, Connected and Secure Embedded Solutions

SAFE HARBOR

Forward Looking Statement Safe Harbor:

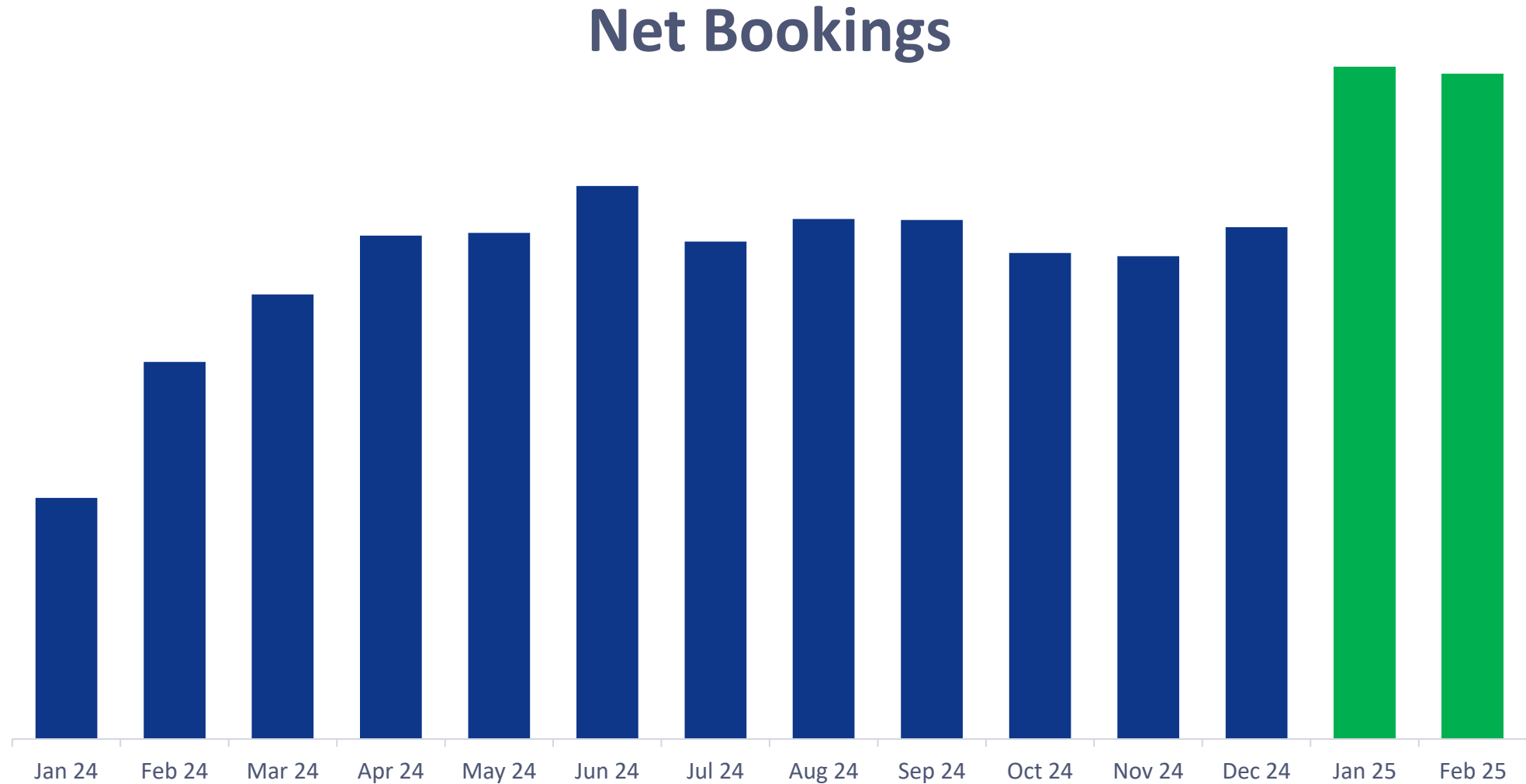
During the course of this presentation, we will make projections or other forward-looking statements regarding the future financial performance of the company or future events, including our financial guidance, inventory levels, our long-term non-GAAP business model, bookings trends, backlog trends, our nine-point recovery plan, changes to our manufacturing footprint and headcount, inventory trends, capital equipment needs, long term supply agreements and related charges, revenue growth initiatives and market size, TSS strategy, 64-bit products and market, 10BASE-T1S products and market, megatrend markets and revenue, China strategy, business unit organization changes, our channel strategy and distribution programs, strengthening customer relationships, operating expense reductions, CHIPS act matters and other matters related to our recovery plan. 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 interest rates, high inflation or tariffs, actions taken or which may be taken by the new 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 decreases or increases in demand or market acceptance of our products and the products of our customers and our ability to respond to any continued decreases or 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 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 our production levels to meet any continued decreases or 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 and new product introductions; the level of orders that are received and can be shipped in a quarter; the benefits and risks 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 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 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 or disruptions in the transportation system; and general economic, industry or political conditions in the United States or internationally. 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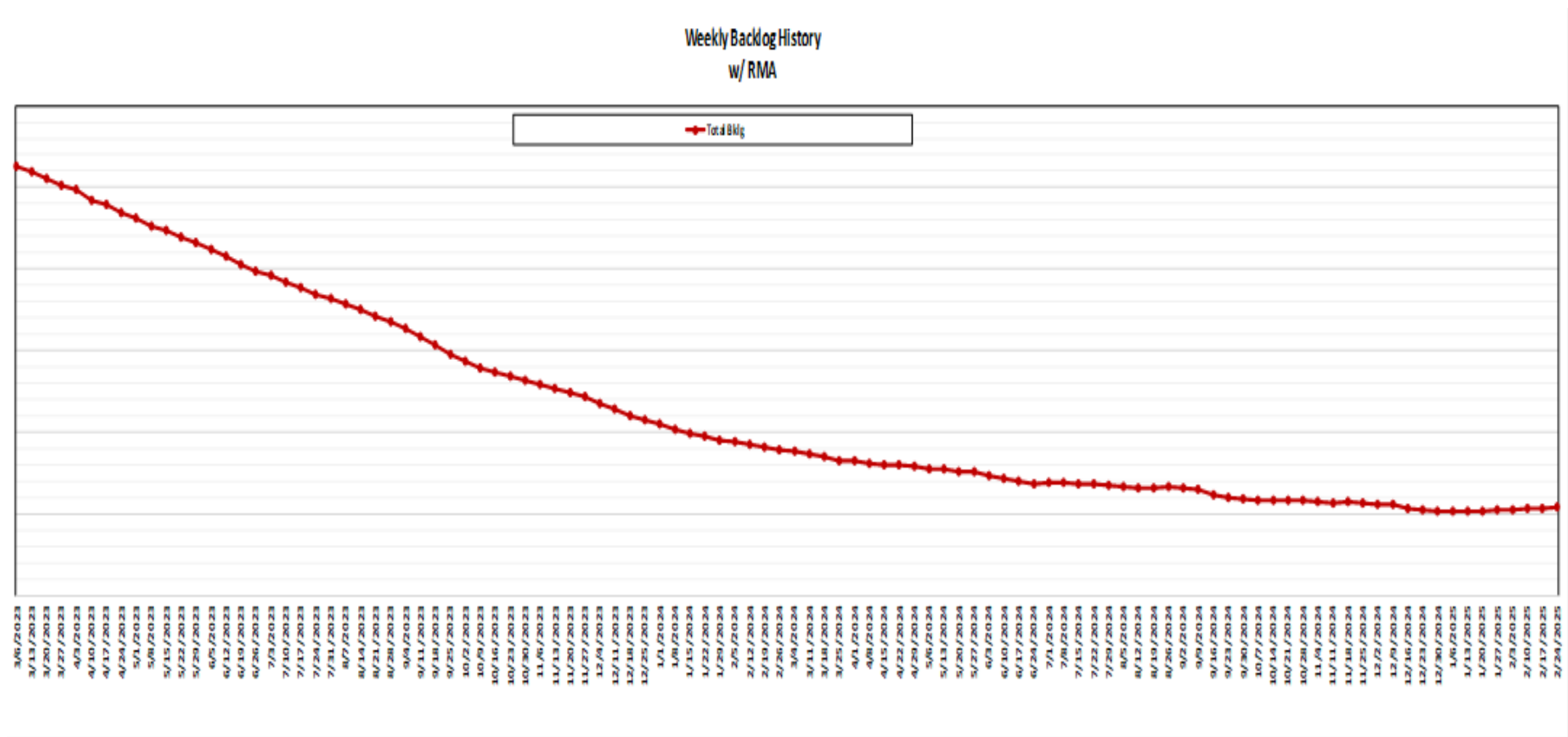
Business Summary

- **Our March quarter net sales are on track to the mid-point of our guidance provided on February 6, 2025.**
- **We believe our distribution net sales will bottom out in the March 2025 quarter. This means that we are getting close to having our distribution inventory corrected.**
- **The quantity of direct customer inventory is more difficult to pin down.**
- **We believe that we are at or near the bottom of this prolonged inventory correction.**
- **Bookings have seen meaningful improvement this quarter over the last quarter despite the lunar new year in February.**
- **Total backlog is no longer dropping and has a slight slope up.**


Net Bookings History



Total Backlog History



9-Point Recovery Plan

-  **1** **Resize manufacturing footprint**
-  **2** **Bring inventory down**
-  **3** **Review growth initiatives**
(TSS, Megatrends, AI)
-  **4** **Business Units deep dive**
-  **5** **Review channel strategy and programs worldwide**
-  **6** **Strengthen Customer Relationships**
-  **7** **Confirm or change long-term business model**
-  **8** **Streamline operational expenses under new model**
-  **9** **Review status of CHIPS Act**

1 Resize Manufacturing Footprint

Fab 2 Shutdown

- **We announced the closure of Fab 2 on December 2, 2024.**
- **Since then, we have been building buffer stock for customers.**
- **The last wafer starts in Fab 2 were made a week ago.**
- **Fab 2 closure has been pulled in from September 2025 to May 2025.**
- **The Fab 2 facility and equipment is available for sale.**
- **The closure of Fab 2 will save approximately \$90M annually**

Fab 4/5

- **We are right sizing Fab 4 and Fab 5 through a layoff.**
- **Both Fabs will be sized down to below the near term demand rate.**
- **When excess inventory is corrected, we will ramp back up to meet the demand rate.**
- **In Fab 4, there will be a two weeks RTO even after the layoff, thus allowing us the capability to ramp rapidly as needed.**
- **The layoff in Fab 4 and 5 will save approximately \$25M annually in employment related costs.**

Thailand (MTHAI/MMT)

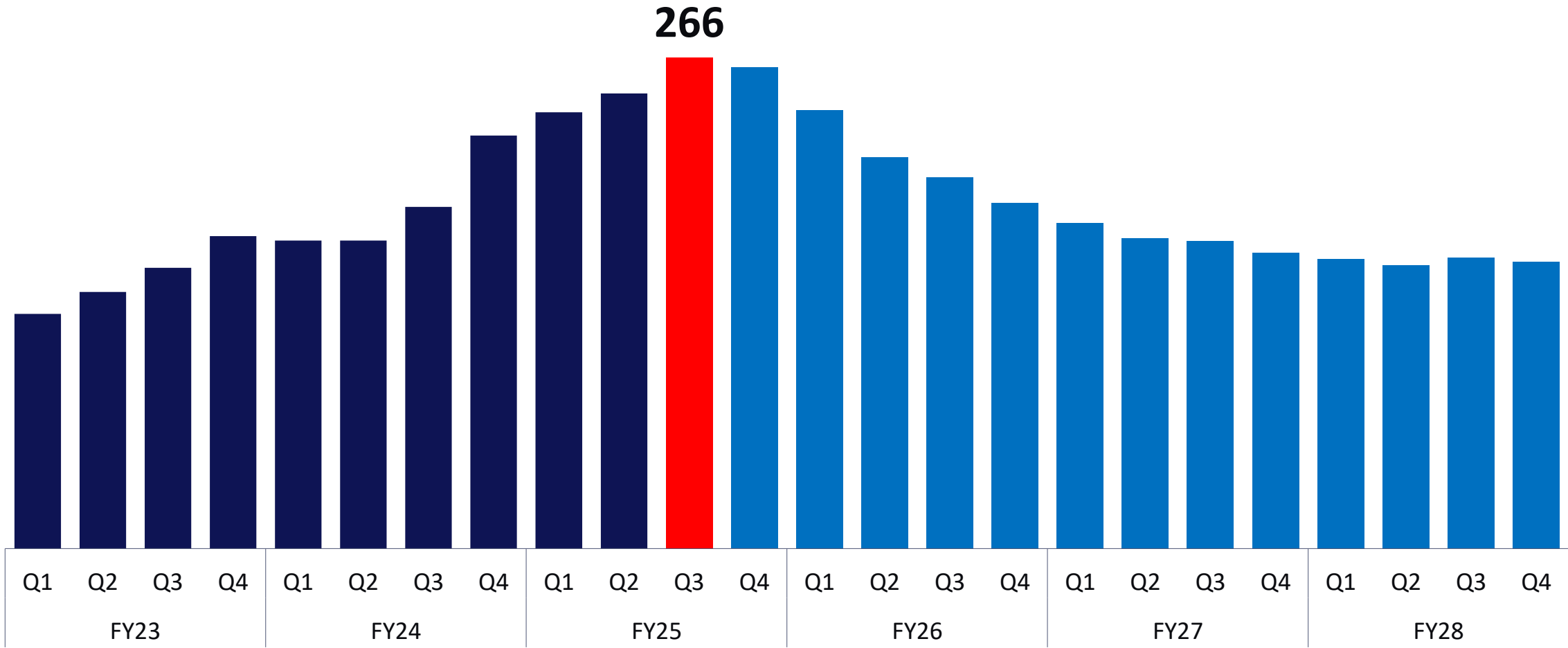
- These facilities perform Assembly, Test, FA/Reliability, New Product Engineering.
- We stopped replacing employee turnover in FY24Q1.
- With projected turnover, we feel headcount will match business at end of FY26Q1.

Philippines (MPHIL1/MPHIL3)

- These facilities perform Assembly, Test, FA/Reliability, BU and Customer Support.
- Stopped replacing employee turnover in FY24Q1.
- Turnover alone has not rightsized this facility.
- Planning a layoff to right size.

2 Bring Inventory Down

Inventory Days: Total



Days of Inventory (DOI) data starting in Q4 FY2025 is based on forecast of revenue and production output

Foundry Long Term Agreements (LTAs):

- Microchip signed several LTAs with foundries.
- These required Microchip to buy a certain amount of wafers.
- There were significant shortfall penalties if we did not buy the wafers specified per year.
- With demand down significantly, we have negotiated the cancellation of certain LTAs.
- We expect there will be approximately a \$45M charge for cancellation of certain LTAs recognized in the March 2025 quarter.
- We don't expect any large cash outflows. It will be mostly forfeiture of amounts paid in advance.

3

Review Growth Initiatives (TSS, Megatrends, AI)

Revenue Growth Initiatives

Total System Solution (TSS)

- **Currently MPU32, Data Center products, Networking products, MCUs and FPGAs are anchor products.**
- **Added PIC64 Anchor \$5B¹ TAM with 10% CAGR.**
- **Added Ethernet 10BASE-T1S² Anchor estimated \$4B TAM in 2030.**

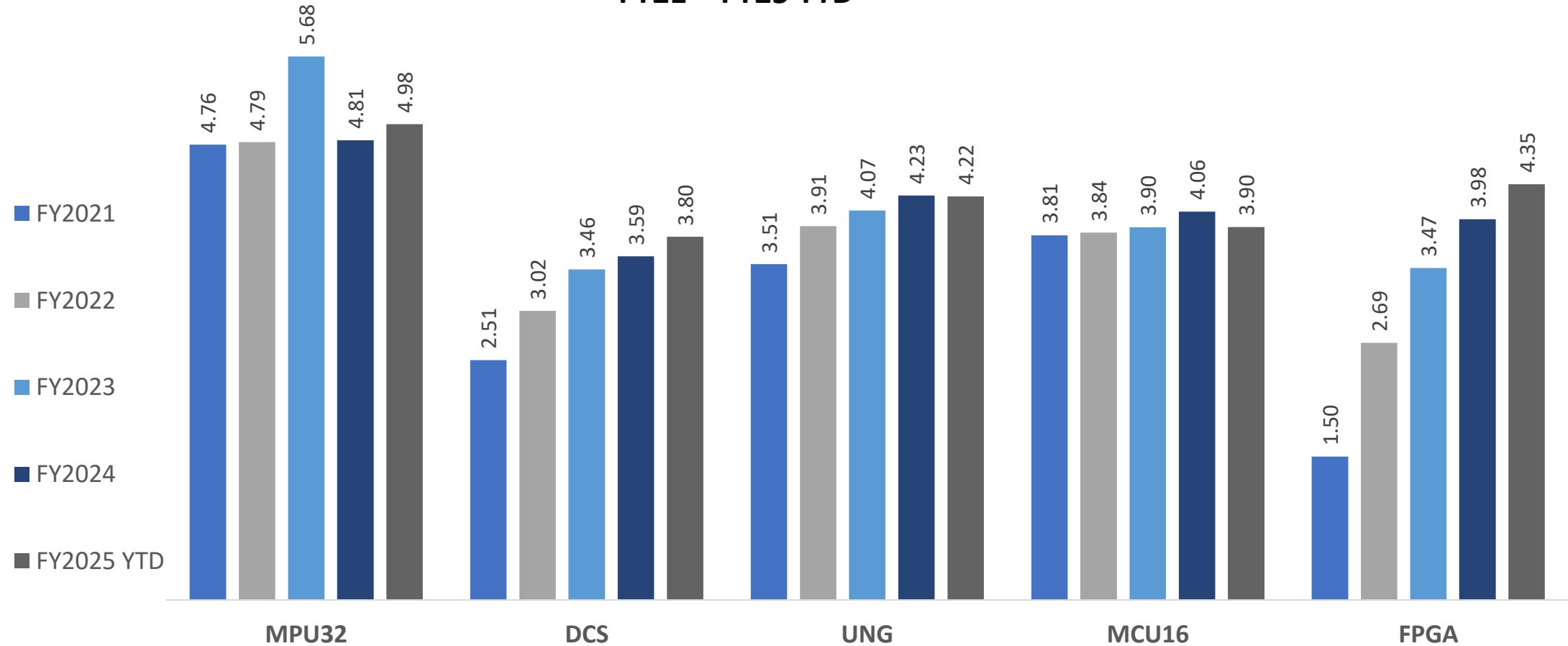
Sources: ¹PIC64 TAM Gartner & Microchip estimates, ² Ethernet 10BASE-T1S Yole Research, Strategy Analytics, Insight Partners, kbv Research and Microchip estimates

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TSS Anchor Teams – MPU32, DCS, UNG, MCU16, FPGA

Anchor Team TSS
FY21 – FY25 YTD



The bars indicate the attach rate per each anchor product based on Company estimates

Report Date: 1/28/2025



10BASE-T1S addressing a Wide Range of End Markets

Scalable Interfaces



MII, RMII



SPI



OA3p

Diverse End Markets

First to Market!

Industrial



Automotive



Defense



TAM: \$4B by 2030 *

Pre-Programmed MCUs



Control



Lighting



Audio

Diverse Applications

Emerging Markets

In-cabinet



Microphones



LED Lighting



Battery



Robotics



Autonomous



* Source: Yole Research, Strategy Analytics, Insight Partners, kbv Research and Microchip estimates

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 with 10%+ CAGR*

Scalable Radiation Performance



Rad-Hard



Rad-Tolerant



Pre Flight Proto

Multiple Mission Profiles

Industrial



Automotive



Consumer



Defense



Aviation



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.

Revenue Growth Initiatives

Megatrends

- **Megatrend Growth is exceeding the 2X multiplier for MCHP revenue.**
- **Added AI/ML \$1B TAM* for MCU/MPU/FPGA with 16% CAGR.**
- **Added Connectivity/Networking Megatrend- Ethernet outside of Data Center is a \$4B TAM** by 2030.**

* Source: Connectivity/ Networking TAM Yole Research, Strategy Analytics, Insight Partners, kbv Research and Microchip estimates

** For AI/ML TAM it is Researchdive and Company estimates

Megatrend Growth 2X Overall Microchip Growth

Fiscal Year	Total Revenue	Megatrend Revenue	Non-Megatrend Revenue
FY2021	5448	1817	3631
FY2022	6821	2405	4416
FY2023	8439	3725	4714
FY2024	7643	3616	4027
CAGR	11.95%	25.78%	3.51%

Strategic Focus and In-Depth Knowledge (New)



Source: Connectivity/ Networking TAM Yole Research, Strategy Analytics, Insight Partners, kbv Research and Microchip estimates
For AI/ML TAM its Researchdrive and Company estimates

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Microchip AI Coding Assistant 1st To Market

MPLAB AI Coding Assistant

- **40%+ Productivity Increase for developers**
- Chat w/Microchip-trained chatbot
- Generate code
- Automate manual or laborious tasks such as review, explain and comment code
- Autocomplete provides suggestions as user types
- Access Microchip datasheets without leaving the editor
- Launched 2/19

Microchip's strategy: China for China

- We have found a Chinese company (China Co) to perform our China for China strategy.
- This company has prior experience in assembly/test of ICs.
- We will sell our integrated circuit die to China Co.
- China Co will get the die assembled and tested at China assembly/test subcontractors.
- China Co will sell the finished product to the Chinese market through distributors and direct customers.
- China Co will have a Chinese brand, Chinese owners, Chinese website, Chinese data sheets, Chinese logo and Chinese development tools.



Business Units Deep Dive

Organization Changes

- **Combined 8 and 32-bit MCU and Development Tools business units under one group.**
 - Streamline decision making and one MCU strategy.
 - Offer a new generation of AI development tool support.
- **Combined our Power over Ethernet (POE) business with our Ethernet Connectivity business unit to bring sufficient mass to address the \$4B TAM by 2030.**
- **Moved our 16bit dsPIC with our analog power business to address the intelligent high-power markets emerging.**
- **Formed a central AI/ML BU to drive common architecture and tools among all Microchip business units.**

5

Channel Strategy & Programs Worldwide

Distribution Programs

Distributor Margin Programs

- **Audit of quoted business requests**
- **Demand creation sunset**
- **Lowered fulfilment margins**
- **Trimmed some small non-performing distributors**



Strengthen Customer Relationships

Focus Client Relationship Survey

Survey results: (1) Current Position and (2) Current versus Historical Position

Worldwide		Current vs Historical Position			Grand Total	% Total
		1) Improved	2) unchanged	3) Declined		
Current Position	1) Preferred	545	671	7	1223	18%
	2) Approved	997	3135	396	4528	67%
	3) Not Preferred	84	520	348	952	14%
	4) Blocked		23	49	72	1%
Grand Total		1626	4349	800	6775	
% Total		24%	64%	12%		

24% Clients
Our position
improved through
super-cycle

12% Clients
Our position
declined through
super-cycle

397 (6%) Clients
Our position declined to Not
Preferred or Blocked

Strengthening Client Relationships

- Apply First Principles and 5-step conversation guide to strengthen client relationships where our relationship declined over the super-cycle
- In these clients, our leadership is engaging with theirs
 - Meet with 293 highest priority clients within 100-days (Mar 31)
 - 235 (80%) complete, as of Feb 27
 - Meet with 400 additional clients with low survey scores within 100-days (Apr 30)
 - 166 (42%) complete, as of Feb 27

7 Long-term Business Model

Long-Term Non-GAAP Business Model Update

	Prior Long-Term Model	New Long-Term Model
Revenue (\$ Million)	FY '22-'26 CAGR of 10% to 15%	Industry growth plus
Gross Margins	67.5% to 68.5%	65%
Operating Expenses	22.5% to 23.5%	25%
Operating Margins	44% to 46%	40%



Streamline operational expenses

Opex % Reduction Strategy


- **Revenue Growth**
- **Attrition**
- **Layoff: A corporate wide layoff is being conducted in early March.**
- **Targeting ~10% reduction from office employees.**
- **The layoff of office employees will save us \$90 to \$100M in operating expenses.**
- **Subject to final decisions.**

9 Review status of CHIPS Act

Chips Grant

- **After I returned to Microchip as CEO, I paused the Chip grant.**
- **Expecting and waiting for new leadership at the Chips office.**
- **This will remain paused as we complete our review.**

Summary: 9-Point Recovery Plan

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Thank you

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