

Investor Presentation Fiscal First Quarter 2024



MICROCHIP

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, our financial model, Microchip 3.0, managing a soft landing, actions to lower inventory, 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 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 or customer requests to reschedule or cancel orders; the mix of inventory we hold, our ability to satisfy 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 continued 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 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 September 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. 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 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 first 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 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

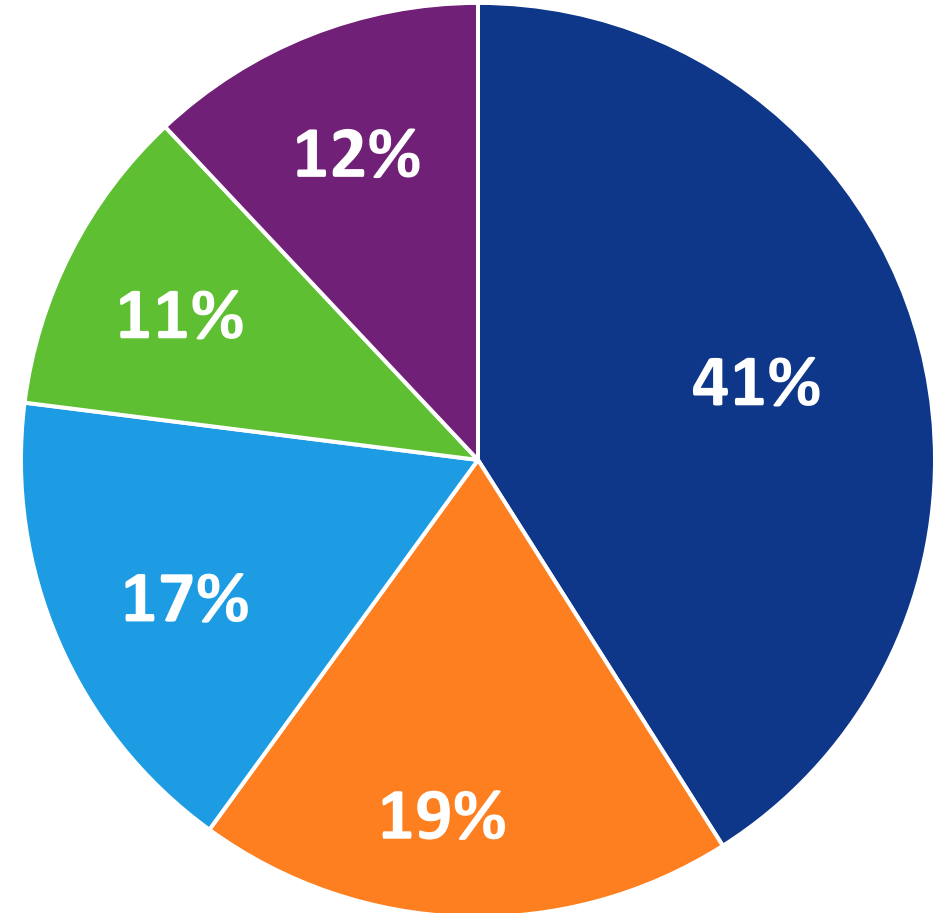
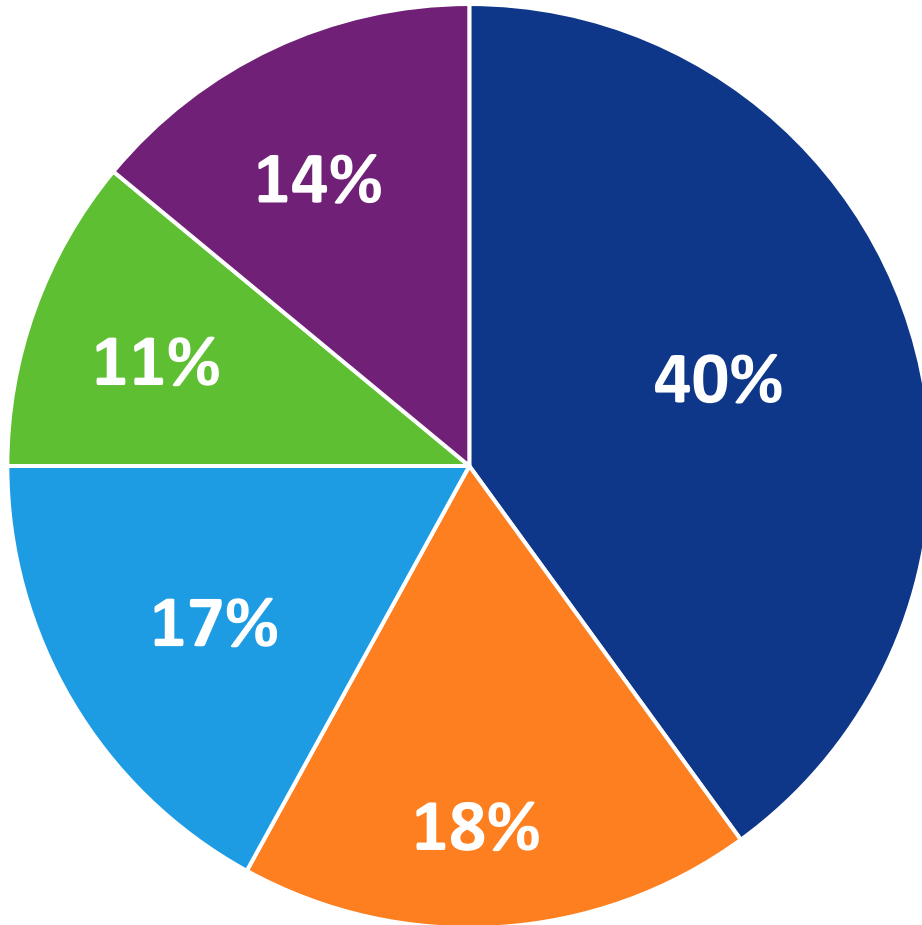
- **\$8.4 Billion** in FY23 net sales
- Elite long-term non-GAAP profitability & returns
- Diversified and resilient business model
- Durable end markets
- Solid track-record of shareholder value creation

Revenue By End Market

FY22

Durable End Markets

FY23

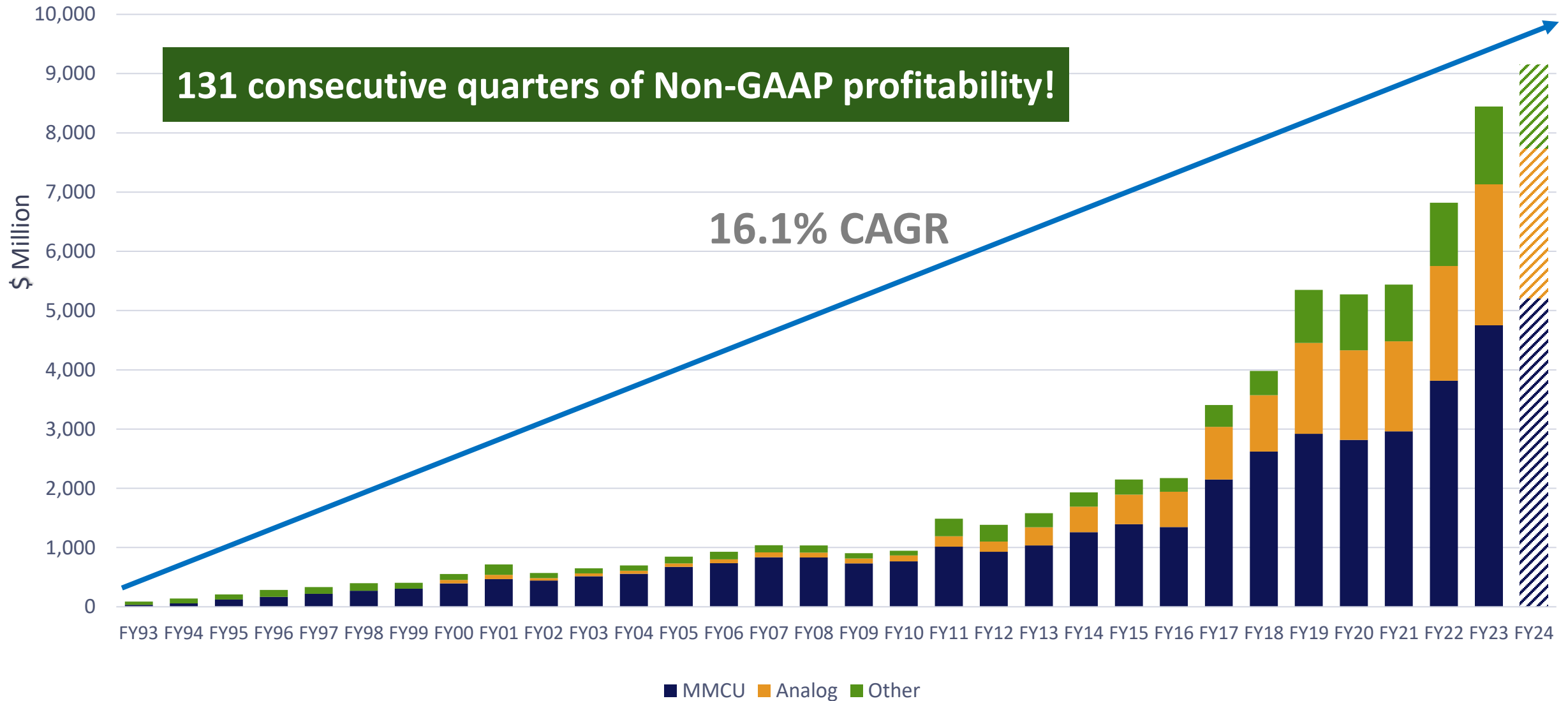


■ Industrial
■ Communication

■ Data Center & Computing
■ Consumer Appliance
■ Automotive

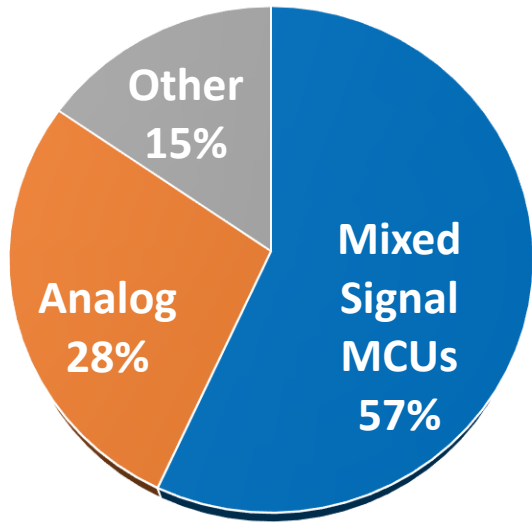
*Based on Microchip estimates

Net Sales Growth

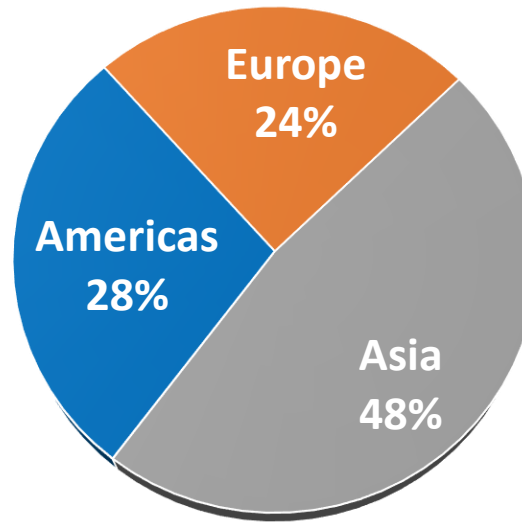


First Quarter FY2024 Revenue Mix

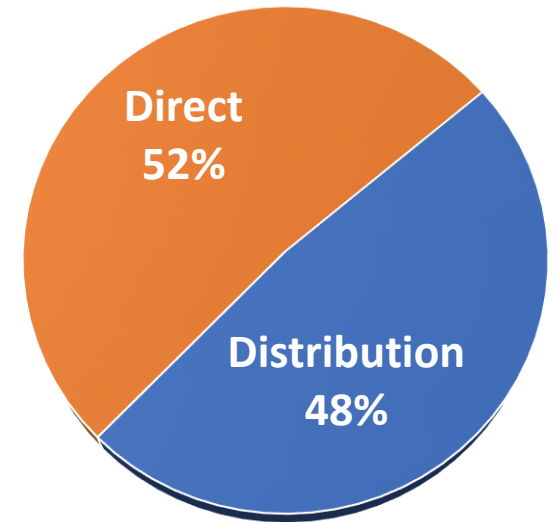
Net Sales by Product Line



Net Sales by Geography



Net Sales by Channel



- Sustained growth from organic 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

Record Fiscal 1st Quarter 2024 Results (non-GAAP)

- **Record revenue of \$2.29 billion; grew 2.5% QoQ and 16.6% YoY**
 - 11 consecutive quarters of revenue growth
- **Record gross margin of 68.4%; increased 130 basis points YoY**
- **Record operating margin of 48.1%; increased 250 basis points YoY**
- **Record earnings per share of \$1.64; increased 19.8% YoY**
- **Reduced total debt by \$413.0 million**
 - Cumulatively paid down ~\$6.8 billion of debt over the last 20 quarters
- **Record adj. TTM EBITDA of \$4.47 billion or 51.0% of TTM revenue**
- **Achieved net debt to adj. EBITDA ratio of 1.29x**
- **Total cash return of \$349.2 million**
 - Dividends of \$208.9 million and share repurchases of \$140.3 million
- **Announced record dividend of 41.0 cents per share for Q2FY24 and planned share repurchases of \$339.6M**

Fiscal 2nd Quarter 2024 Guidance (non-GAAP)*

	Q1 FY24 Actual	Q2 FY24 Guide @ mid-point	Long Term Model
Revenue (\$ Million)	\$2,288.6 2.5% QoQ 16.6% YoY	\$2,266.0 -1.0% QoQ 9.3% YoY	FY22 – 26 CAGR of 10% to 15%
Gross Margins	68.4%	68.4%	67.5% to 68.5%
Operating Expenses	20.3%	20.3%	22.5% to 23.5%
Operating Margins	48.1%	48.1%	44% to 46%
Earnings per share	\$1.64 19.8% YoY	\$1.62** 11.0% YoY	

*Represents guidance provided on August 03, 2023

**Includes increase in cash tax rate in FY24

Additional guidance metrics can be found in the Q1 FY2024 earning release. [Click here](#)

Navigating a Soft Landing

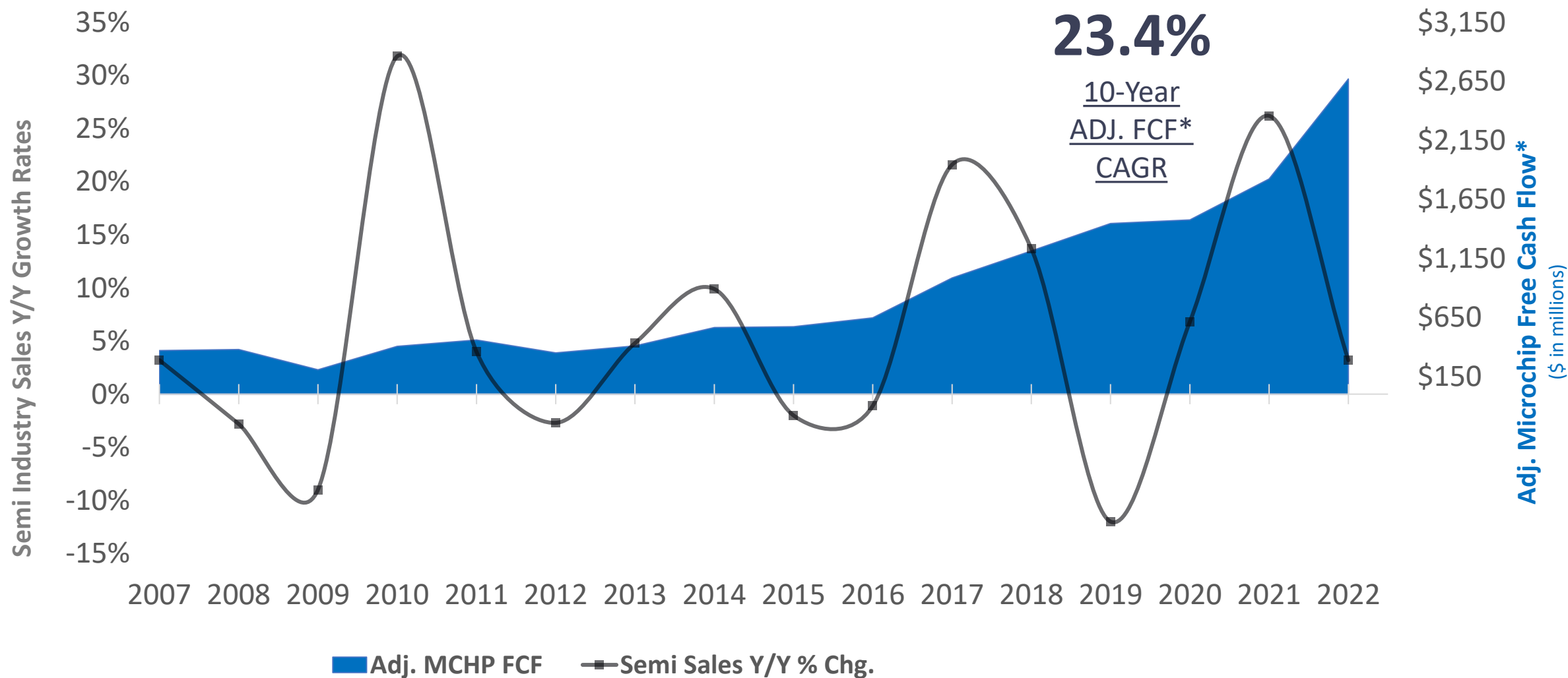
- **PSP backlog that is >>50% of our total backlog**
- **Growing base of multi-year supply agreements with several large customers**
- **Actively helping customers with inventory positions to push out or redeploy backlog**
- **Investing in internal inventory to be well positioned for when the uncertain macroeconomy strengthens again**
 - Reduced capex with targeted actions to lower balance sheet inventory
- **Above average secular growth trends provided by TSS and Megatrends strategy**
- **Normally have much lower capital needs which will help drive free cash flow**
- **High variable compensation buffers operating expenses**

Semi Industry Sales YoY Growth Through Cycles



Semi Sales Y/Y Growth is sourced from SIA
CY2022 est. annual global sales is based on World Semiconductor Trade Statistics Organization (WSTS) industry forecast

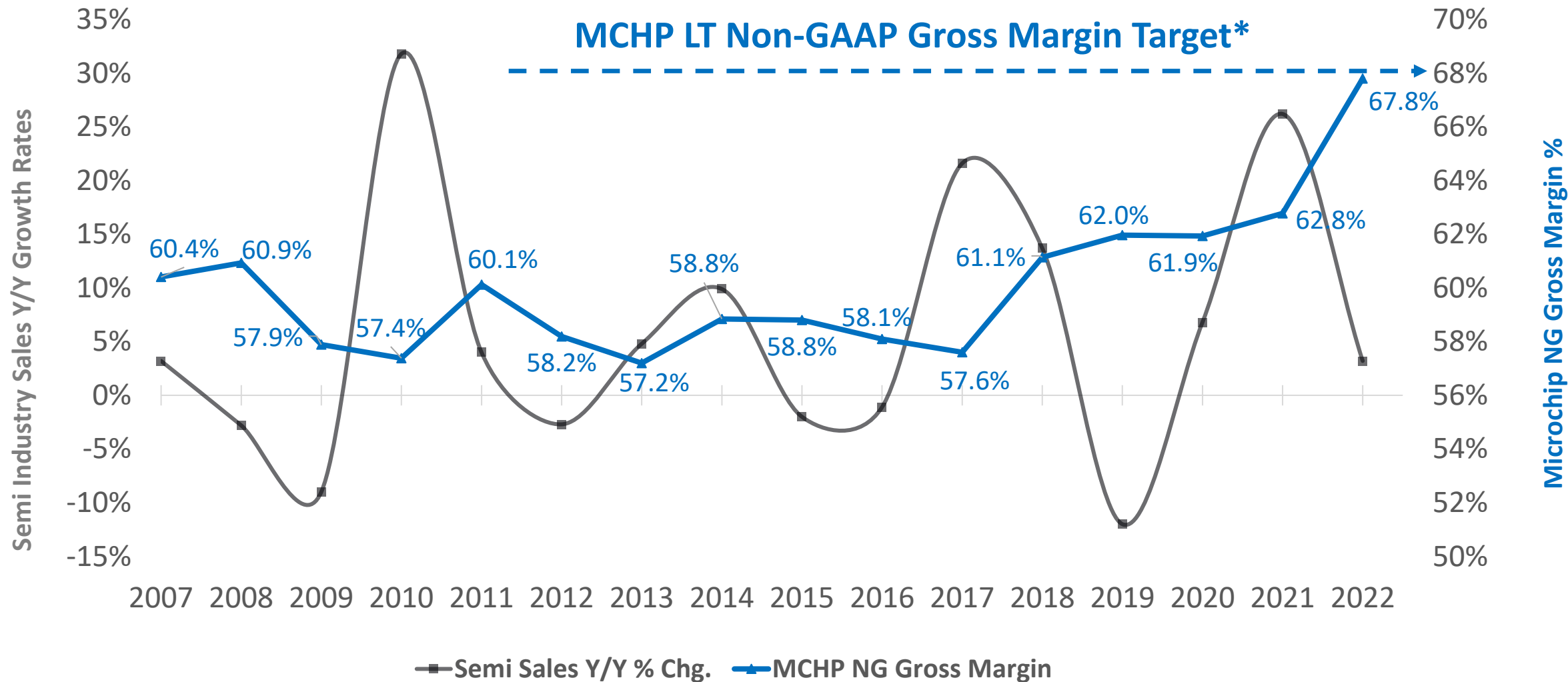
Strong Cash Generation Through Cycles



- 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).

Resilient Profitability Through Cycles

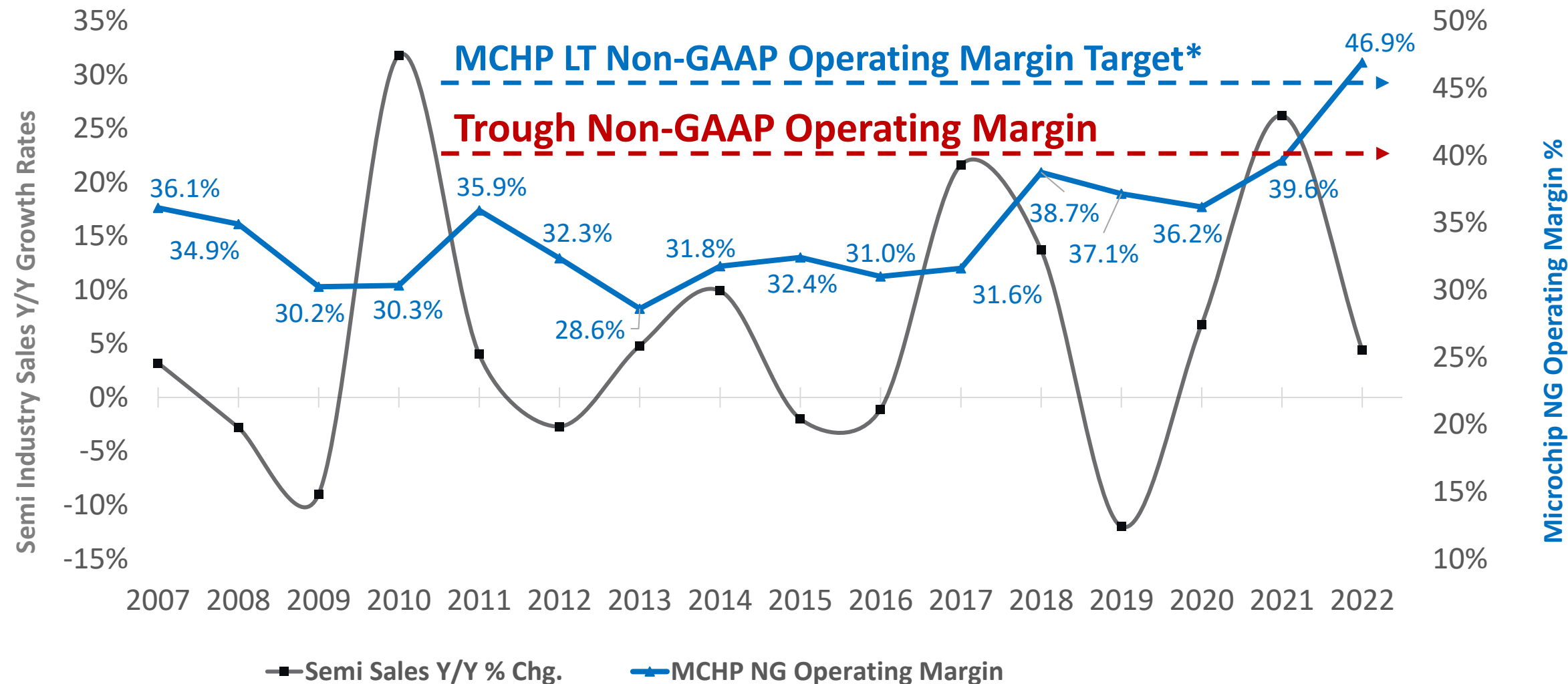


*Long-term target range 67.5% to 68.5%

- MCHP's non-GAAP gross margin % is based on fiscal year ending March 31. Non-GAAP gross margin for 2022, represents actual results for FY23

- 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 gross margin for 2022, represents actual results for FY23

- 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

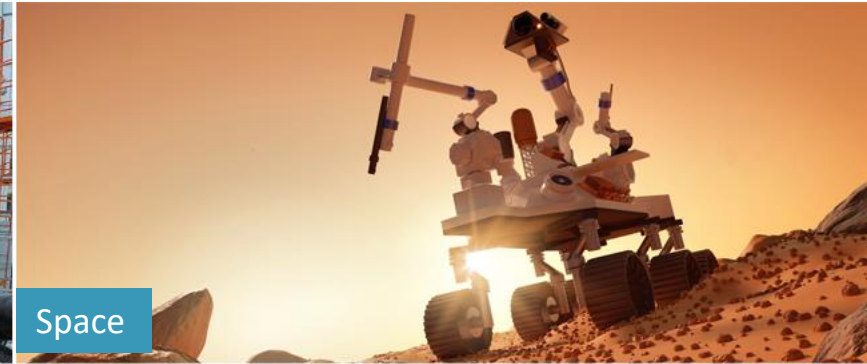
Empowering Innovation In Diverse, Durable Markets



Consumer



Industrial



Space



Sustainability



Automotive



Medical



Data Center



Defense



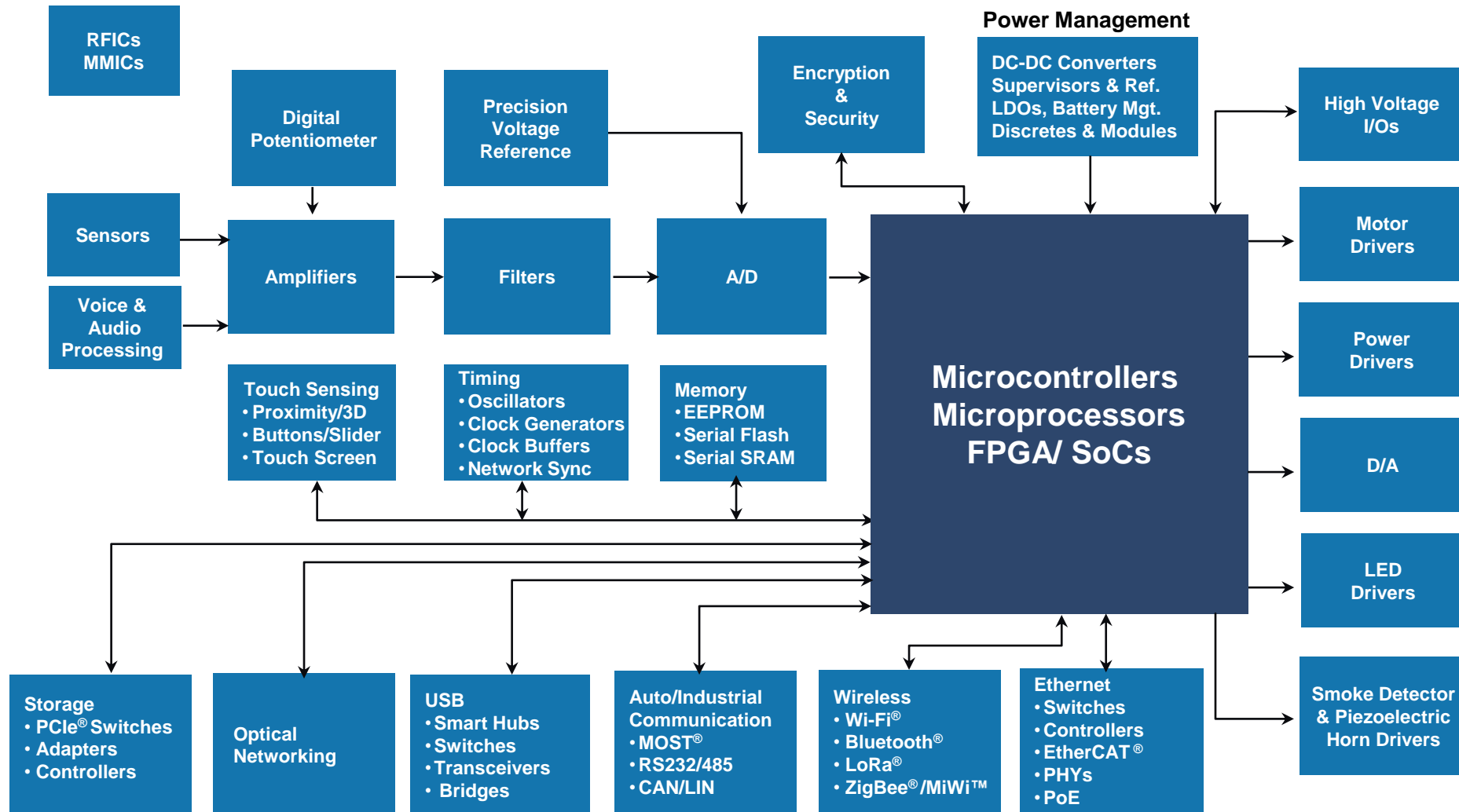
Communication Infrastructure



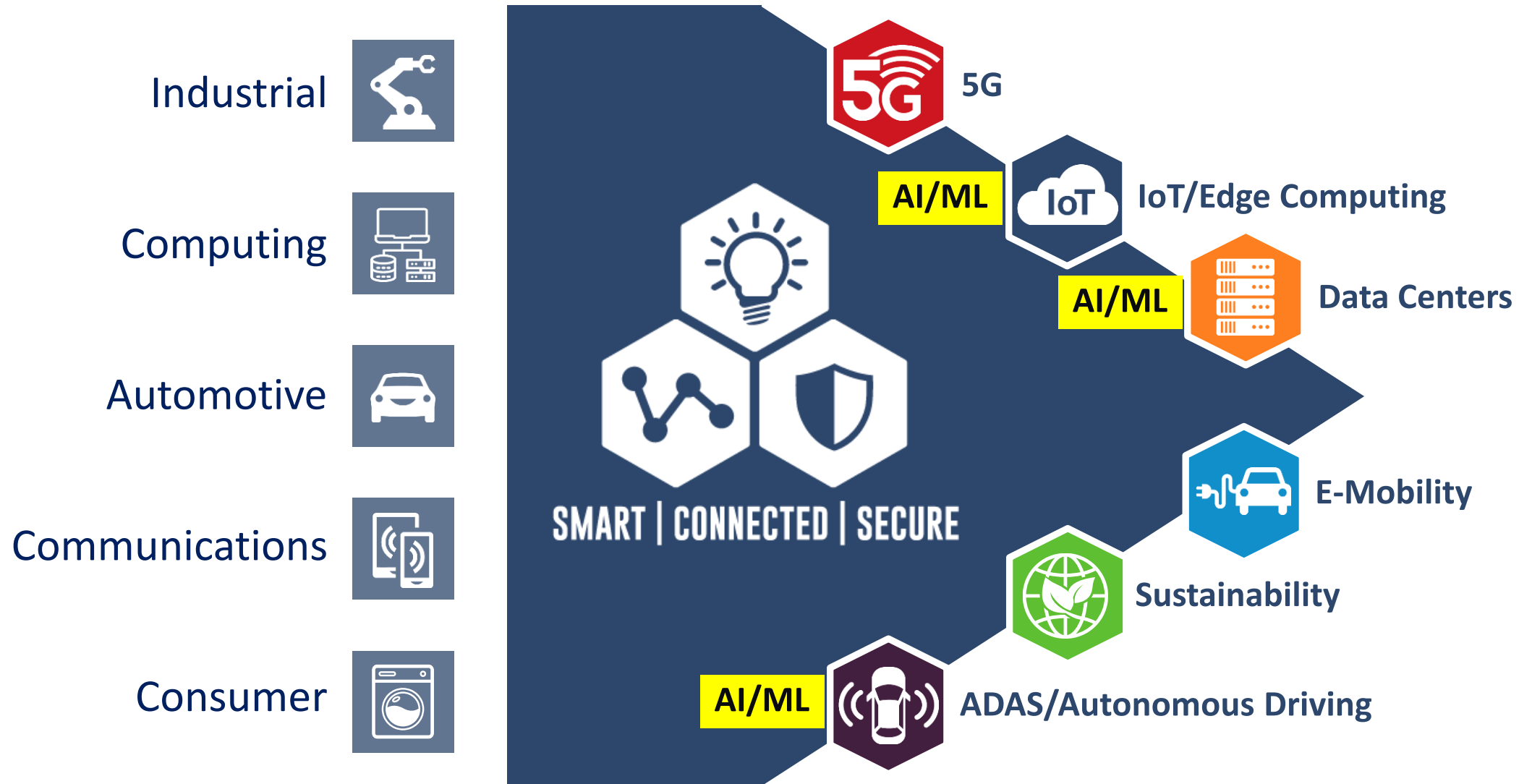
Aviation

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

**~\$10.7
Billion**

Debt Paydown

\$6.8 Billion

Dividends Paid

~\$2.5 Billion

Shares Repurchased

~\$1.5 Billion

- Actively reducing debt post 2018 M&A activity
- 20 consecutive quarters of debt paydown
- Current leverage ratio of 1.29x
- 84 consecutive quarters of dividends paid
- Growing meaningfully every quarter
- Active formulaic \$4B share buyback program
- Total cash return in FY2023 of \$1.6 billion, representing 76.6% year-over-year growth

**ACCELERATING CASH RETURNS; TARGETING 100%
OF FREE CASH FLOW IN ~6 QUARTERS**

Microchip 3.0

Sustained revenue growth from organic efforts focused on TSS and Megatrends

5-year Organic Revenue CAGR of 10% - 15% using FY21 as baseline

Elite long-term non-GAAP business model of 67.5% - 68.5% Gross Margin 44% - 46% Operating Margin

Adjusted EBITDA Margin target of $\geq 48\%$ and adjusted FCF target of $\geq 38\%$ of revenue

Diversified end-market mix creates consistent and resilient results

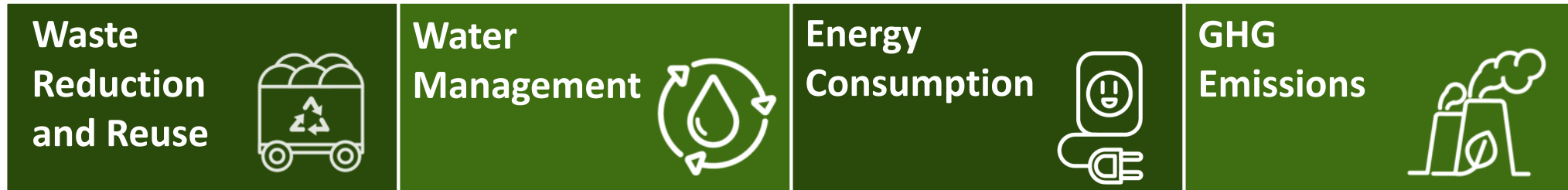
Investment in inventory – 130 - 150 days over business cycles

Investment in capacity for specialized trailing-edge technologies – capital expenditures of 3% - 6% of revenue

Increase capital returned to shareholders to 50% of Adj. FCF, rising to 100% of Adj. FCF as net leverage drops to $\leq 1.5X$

Strong business foundation based on culture and sustainability

Environmental Stewardship



NET ZERO BY
2040



Microchip's Winning Formula

Grow revenue
~10% - 15%
organically while
significantly
expanding gross and
operating margins

Generate significant
cash and increase
capital returned to
owners to 100% of
Adj. Free Cash Flow

Extend our strong
foundation built on
culture and
sustainability

Delivering Differentiated Results!

THANK YOU



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



SMART | CONNECTED | SECURE