

# Investor Presentation Fiscal Third Quarter 2025



**MICROCHIP**

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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 (including our guidance) or future events, including our strategy, growth drivers, industry trends, end markets, our long-term profitability, inventory management, manufacturing cost savings, market size), PIC64 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 interest rates or high inflation, actions taken or which may be taken by the Trump administration or the new 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, 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 third 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



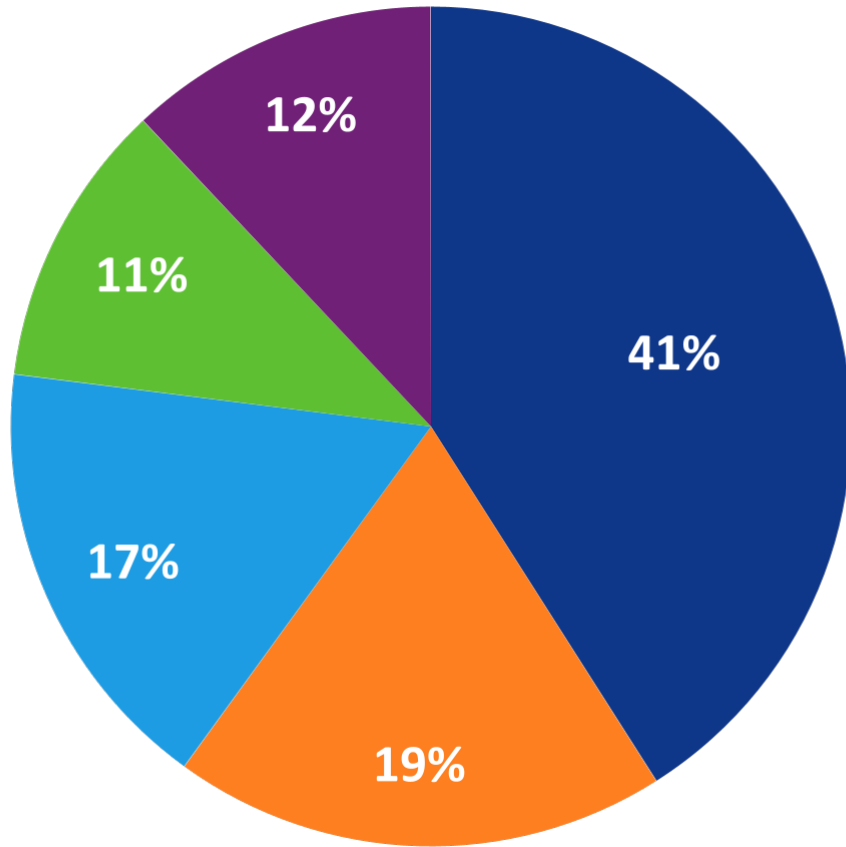
SMART | CONNECTED | SECURE

- **\$7.6 billion** in FY24 net sales
- Elite long-term non-GAAP profitability & returns
- Diversified and resilient business model
- Durable end markets
- Solid track-record of shareholder value creation

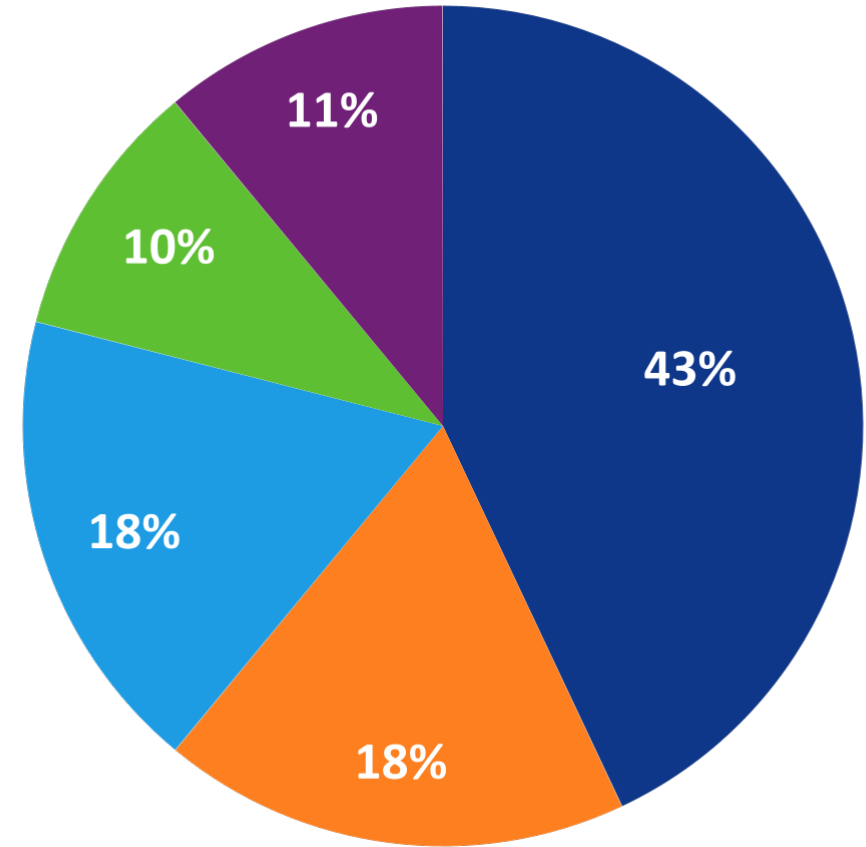
# Revenue By End Market\*

## Durable End Markets

FY23



FY24



■ Industrial

■ Data Center & Computing

■ Automotive

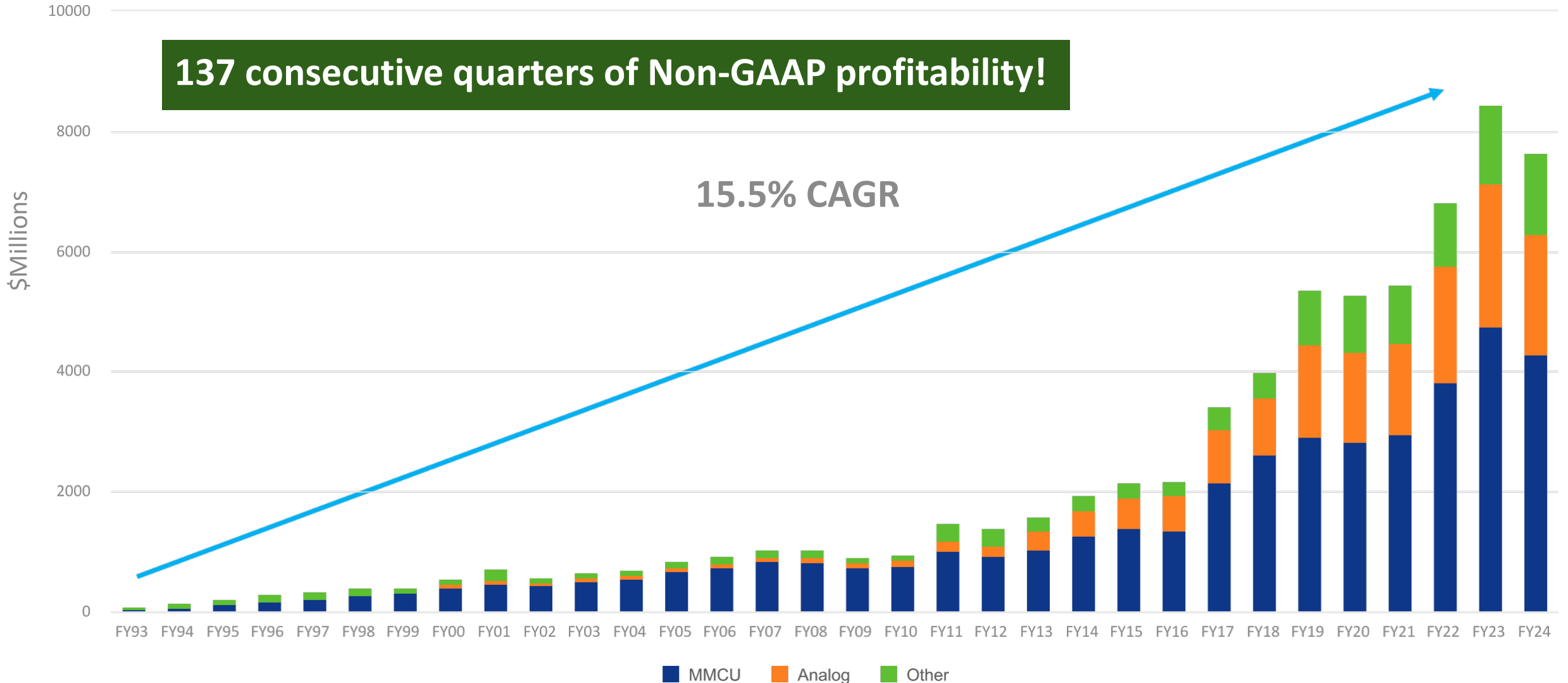
■ Communication

■ Consumer Appliance

# Net Sales Growth

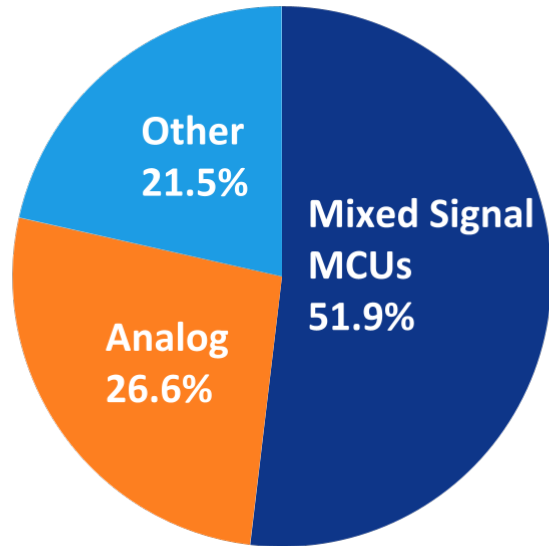
137 consecutive quarters of Non-GAAP profitability!

15.5% CAGR

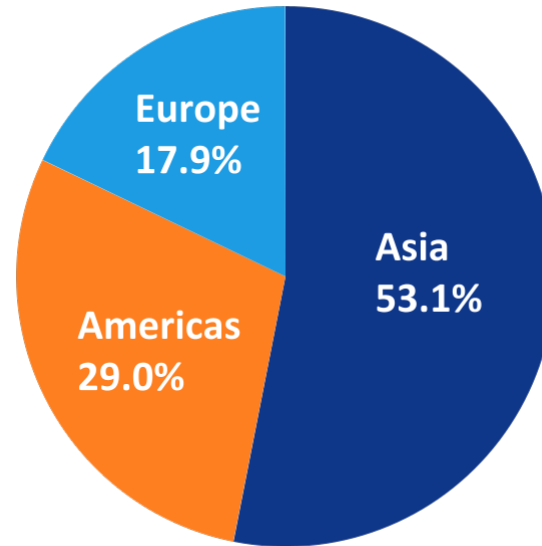


# Third Quarter FY2025 Revenue Mix

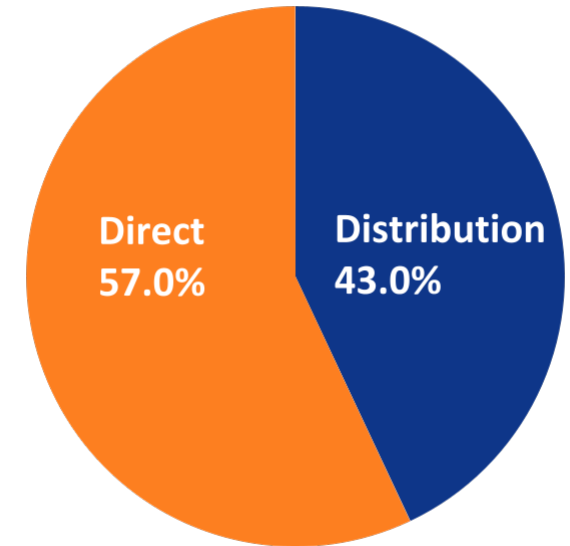
## Net Sales by Product Line



## 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

# Fiscal 3<sup>rd</sup> Quarter 2025 Results (Non-GAAP)

- GAAP Revenue of \$1.026 billion; declined 11.8% QoQ and 41.9% YoY
- Gross margin of 55.4%
- Operating margin of 20.5%
- Earnings per share of \$0.20
- Net debt increased by \$33.6 million
  - Cumulatively paid down ~\$6.0 billion of debt over the last 26 quarters
- Adj. TTM EBITDA\* of \$1.640 billion
- Adj. Free Cash Flow \$244.6 million or 23.8% of net sales
- Total cash return of \$244.6 million in dividends
- Announced dividend of 45.5 cents per share for Q4FY25 up 1.1% YoY

\*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

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

# Fiscal 4<sup>th</sup> Quarter 2025 Guidance (Non-GAAP)\*

	Q3 FY25 Actual	Q4 FY25 Mid-point Guidance*
GAAP Revenue (\$Millions)	\$1,026.0	\$960.0
Gross Margins	55.4%	53.0%
Operating Expenses	34.9%	39.1%
Operating Margins	20.5%	13.9%
Earnings Per Share	\$0.20	\$0.10

\*Represents guidance provided on February 6, 2025  
 Additional guidance metrics can be found in the Q3 FY2025 earning release. [Click here](#)



# 9-Point Strategic Review



## Manufacturing Footprint

- Fab 2 closure initiated
- Rotating schedules at Fab 4 & 5
- Backend facilities on reduces schedules
- Process transfers underway

**Est. savings: \$90M annually from FY26**

Evaluation of additional facilities ongoing



## Inventory Management

- Inventory days current: 266 (Dec '24)
- Foundry starts reduced significantly

**\$250M reduction planned by March '26**

DOI Target: 130-150 Days



## Growth Initiatives

- Megatrends/TSS review ongoing

Review in progress; to be disclosed March 3



## Business Units

- 21 units under review
- Deep dive analysis ongoing

Review in progress; to be disclosed March 3



## Distribution Strategy

- Updated demand creations policy
- Adjusted fulfillment margins

Changes implemented



## Customer Trust

- Top 1000 customer focus
- Active engagement & visits ongoing

Ongoing relationship building



## Business Model

- Long-term model review ongoing

Review in progress; to be disclosed March 3



## Operating Expenses

- Comprehensive review ongoing

Review in progress; to be disclosed March 3



## CHIPS Act

- Activity currently paused
- Awaiting new administration staffing

Will re-engage when appropriate

# Empowering Innovation In Diverse, Durable Markets



Consumer



Industrial



Space



Sustainability



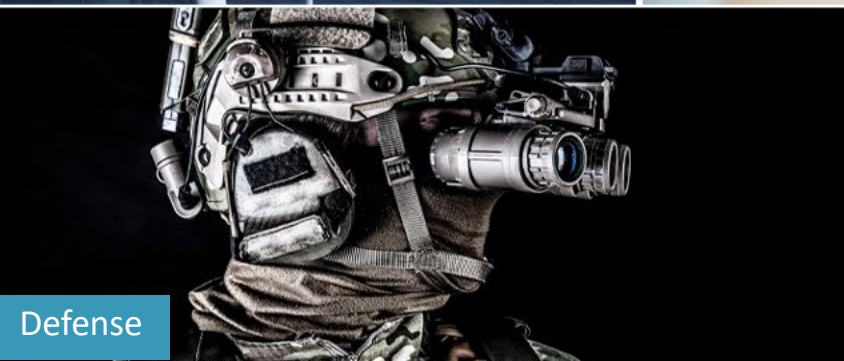
Automotive



Medical



Data Center



Defense



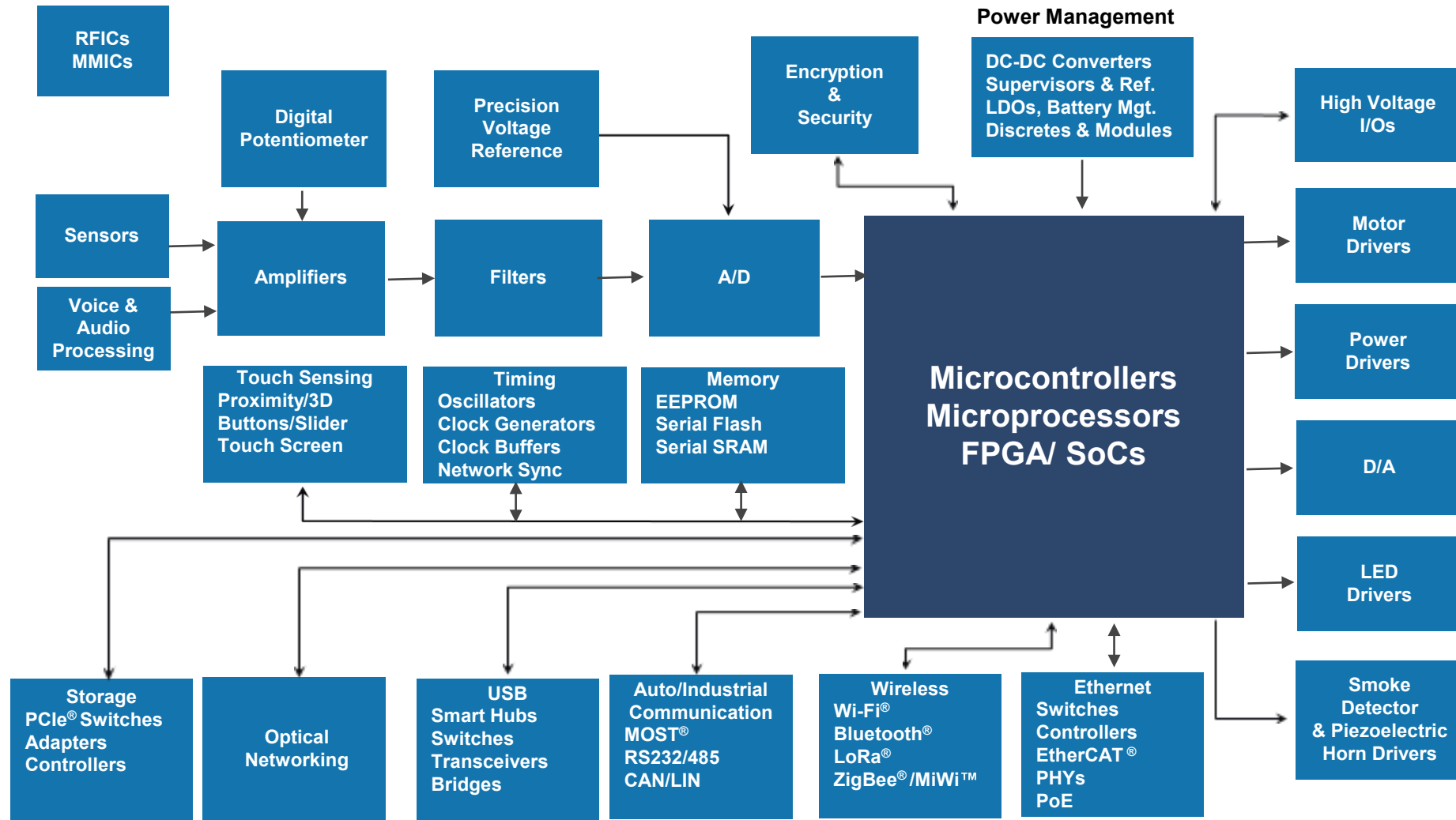
Communication Infrastructure



Aviation

# Providing Total System Solutions

## Portfolio of Hardware, Software and Services



# Strategic Focus and In-Depth Knowledge

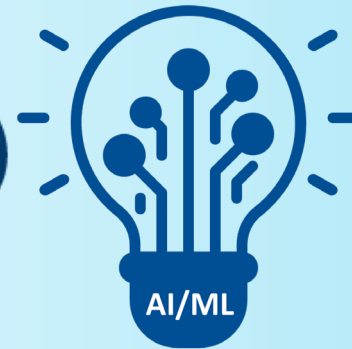
## Megatrends



IoT/Edge Computing



Data Centers



AI/ML



5G



Sustainability



ADAS/Autonomous Driving



E-Mobility

## Key Industries

Industrial



Data Center & Computing



Consumer Appliance



Communications



Aerospace & Defense



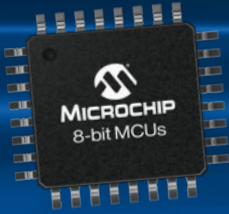
Automotive





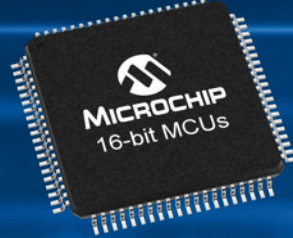
# Expanding Compute Portfolio with PIC64™

8-bit



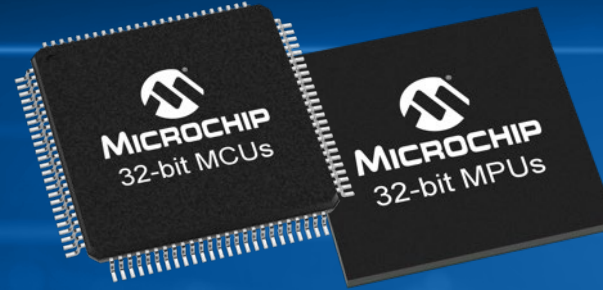
PIC® MCUs  
AVR® MCUs

16-bit



PIC® MCUs  
dsPIC® DSCs

32-bit



PIC® MCUs      SAM MPUs

64-bit



PIC® MPUs

Scalable Processing to Enable the Intelligent Edge

Performance levels from 8-to 64-Bits

Unified software tool MPLAB®, supports migration across compute landscape and agnostic to ISA

# PIC64™ Addresses a Wide Range of End Markets

Scalable Compute



Diverse End Markets

Scalable Radiation Performance



Rad-Hard

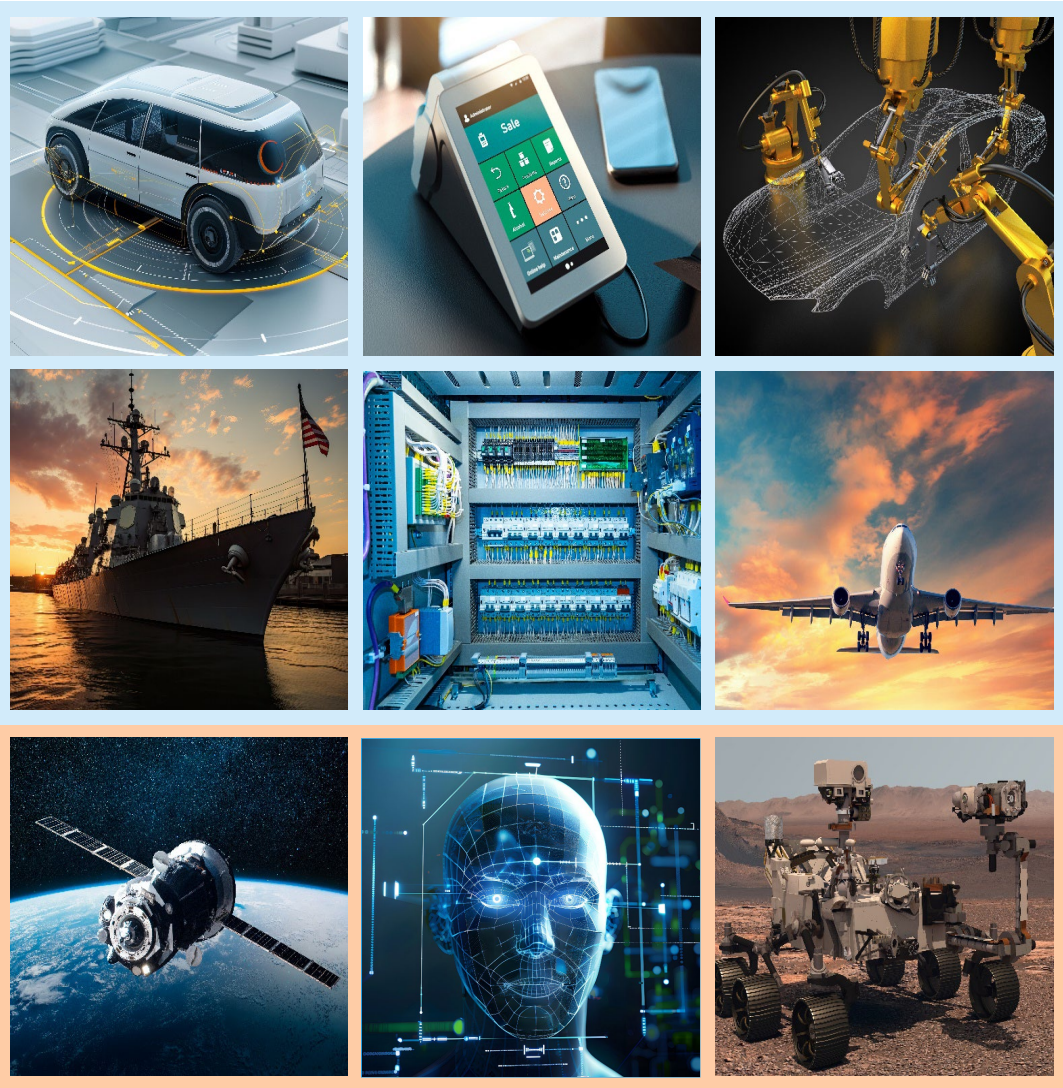


Rad-Tolerant



Engineering Model

Multiple Mission Profiles



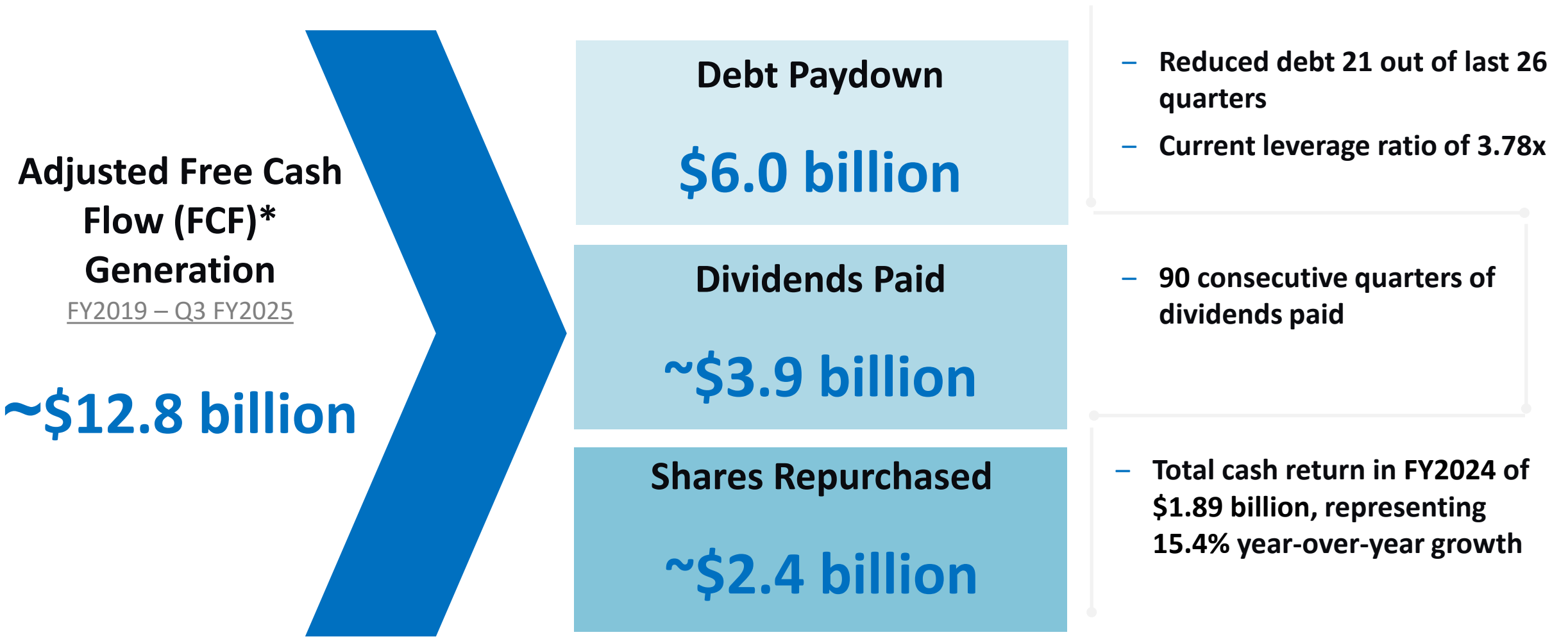
**EMBEDDED PROCESSING TAM**  
**\$4 - \$5 Billion\***

\*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.





# Consistent, Disciplined and Balanced Capital Return Strategy



**TARGETING 100% OF ADJUSTED FREE CASH FLOW**

\*Adj. FCF 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



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