

June 3, 2013



# Microchip Technology Raises Guidance for First Quarter of Fiscal 2014

CHANDLER, Ariz.--(BUSINESS WIRE)-- 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 first quarter of 2014 ending June 30, 2013. Microchip now expects net sales to be up between 4% and 7% sequentially, and non-GAAP earnings per share to be between 52 and 56 cents per share. Microchip previously provided guidance on May 2, 2013 for net sales to be up between 2% and 6% and non-GAAP earnings per share to be between 50 and 54 cents per share. We expect GAAP earnings per share to be between 32 to 36 cents per share compared to our previous guidance for GAAP earnings per share of 30 to 34 cents per share. There will be no conference call associated with this press release. Microchip will be attending the Stephens 2013 Spring Technology Conference on Tuesday, June 4, 2013. A copy of Microchip's most recent investor presentation can be accessed on the Microchip website at [www.microchip.com/investors](http://www.microchip.com/investors).

"We have continued to see a very strong bookings and business environment in the June quarter. We have received excellent visibility from our customers, allowing us to build our products in a good mix and meet our customers' requirements for the quarter," said Steve Sanghi, Microchip's President and CEO.

Mr. Sanghi added, "We expect our inventory to be fully corrected by the end of the June 2013 quarter. Unless we take immediate action, the risk is that our inventory will go too low while the demand is strengthening. Therefore, we have taken immediate steps to end the rotating time off in our fabs and return our employees to full time work earlier than expected. We have asked our front-end as well as back-end manufacturing facilities to prepare to ramp production to meet the needs of our customers."

"The promise of rotating time off is that it allows us to seamlessly and very quickly ramp production. A layoff back in November of 2012 would have likely resulted in a much longer response time in hiring and training employees before production could be ramped. We instead implemented a rotating time off in our fabs. We proved this as an effective management process in calendar year 2010, and we are proving it again during this cycle," added Sanghi.

Sanghi concluded, "I want to thank all of our employees for their sacrifices during the down cycle and for keeping the company ready to ramp as the upturn materializes."

## **Updated First Quarter Fiscal Year 2014 Outlook:**

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

**Microchip Consolidated Guidance – Updated on June 3, 2013**

	<b>GAAP</b>	<b>Non-GAAP Adjustments</b>	<b>Non-GAAP</b>
Net Sales	\$447.35 to \$460.25 million		\$447.35 to \$460.25 million
Gross Margin	56.25% to 56.75%	\$2.2 to \$2.3 million	56.75% to 57.25%
Operating Expenses	35.85% to 36.85%	\$39.5 to \$39.6 million	27.25% to 28.0%
Other Expense	\$8.0 million	\$2.2 million	\$5.8 million
Income Tax Expense	13.35% to 13.85%	\$2.5 to \$2.9 million	10.75% to 11.25%
Net Income	\$67.9 to \$76.4 million	\$41.1 to \$41.6 million	\$109.0 to \$118.0 million
Diluted Common Shares Outstanding	Approximately 212.0 million shares	Approximately 0.3 million shares	Approximately 211.7 million shares
Earnings per Diluted Share	32 to 36 cents	about 20 cents	52 to 56 cents

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, restructuring costs, severance costs, earn-out adjustments and legal and other general and administrative expenses associated with acquisitions), and non-cash interest expense on our convertible debentures, the related income tax implications of these items and nonrecurring tax events. We are not able to include a reconciliation of our GAAP to Non-GAAP guidance at this time but will include a reconciliation of our GAAP and Non-GAAP results as part of the press release announcing our results for the June 30, 2013 quarter.

**Cautionary Statement:**

The statements contained in this release relating to expecting net sales to be up between 4% and 7% sequentially, non-GAAP earnings per share to be between 52 and 56 cents per share, and GAAP earnings per share to be between 32 and 36 cents per share, very strong bookings and business environment, excellent visibility from our customers, allowing us to build our products in a good mix and meet our customers' requirements, expecting our inventory to be fully corrected by the end of the June 2013 quarter, risk that inventory will go too low while the demand is strengthening, actions to prepare to ramp production to meet the needs of our customers, being able to seamlessly and very quickly ramp production, rotating time off proving to be an effective management process, keeping the company ready to ramp as the upturn materializes and our updated GAAP and Non-GAAP guidance with respect to net sales, gross margin, operating expenses, other expense, income tax expense, net income, diluted common shares outstanding and earnings per diluted share 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: the changes in the strength of the economic recovery or 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 ramp 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 SMSC acquisition; the impact of any other significant acquisitions that we may make; 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 June 2013 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, 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.

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 June 3, 2013 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](http://www.microchip.com).

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