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Microchip Technology Updates December 2024 Quarter Revenue Guidance, and Announces Manufacturing Restructuring Plans

CHANDLER, Ariz., Dec. 02, 2024 (GLOBE NEWSWIRE) -- Microchip Technology Incorporated, a leading provider of smart, connected, and secure embedded control solutions, provided lower updated revenue guidance for the December 2024 quarter and announced manufacturing restructuring plans.

"In the first two weeks of my newly appointed role as Interim CEO and President, I have done a deep dive into the operations of the Company and determined that certain actions are necessary. I want to clarify for investors that I plan to stay in this role, even though the title is interim, for as long as it is necessary, so there is no definitive timeline for my successor," said Steve Sanghi, Microchip's CEO, President and Chair of the Board. Mr. Sanghi continued, "We indicated in our November 2, 2024 earnings call that significant turns orders were required to achieve the midpoint of our December 2024 quarter revenue guidance. Those turns orders have been slower than anticipated and we now expect our December 2024 revenue to be close to the low end of our original guidance which is \$1.025 billion."

Mr. Sanghi added, "With inventory levels high and having ample capacity in place, we have decided to shut down our Tempe wafer fabrication facility that we refer to as Fab 2. Many of the process technologies that run in Fab 2 also run in our Oregon and Colorado factories, which both have ample clean room space for expansion. We expect to be able to shut down Fab 2 in the September 2025 quarter at which time we expect that it will generate annual cash savings of approximately \$90 million. Due to the high inventory of the products which are manufactured in Fab 2, we do not expect to see P&L savings from the shutdown until the start of the June 2026 quarter based on a First-In First-Out basis. We expect that the Fab 2 closure will begin to help us moderate our inventory levels beginning in the March 2025 quarter. We anticipate near-term restructuring costs to be between \$3 million and \$8 million from these actions, and it is possible that we could incur other restructuring and shut-down costs in the future of up to an additional \$15 million. The estimates of the restructuring costs will be refined over time as more information becomes available."

Mr. Sanghi concluded, "I want to ensure investors of my confidence in the long-term growth and profitability of Microchip. Our design-in momentum continues to remain strong, driven by our Total System Solutions strategy and key market megatrends. The fab restructuring is a big step in right-sizing our manufacturing footprint, and we will continue to evaluate any further actions that are required to position Microchip for outsized growth and financial performance."

Microchip will be participating in and presenting at the UBS Global Technology and AI Conference on December 3 and 4, 2024.

Cautionary Statement:

The statements in this release relating to Mr. Sanghi planning to stay in the CEO and President role for as long as it is necessary, no definitive timeline for his successor, that turns orders have been slower than anticipated and that we now expect our December 2024 revenue to be close to the low end of our original guidance which is \$1.025 billion, that we have ample capacity in place, that our Oregon and Colorado factories both have ample clean room space for expansion, that we expect to be able to shut down Fab 2 in the September 2025 quarter at which time it is expected to generate annual cash savings of approximately \$90 million, that we do not expect to see P&L savings from the shutdown until the start of the June 2026 quarter, that we expect that the Fab 2 closure will begin to help us moderate our inventory levels beginning in the March 2025 quarter, that we anticipate near-term restructuring costs to be between \$3 million and \$8 million, that it is possible that we could incur other restructuring and shut-down costs of up to an additional \$15 million, ensuring investors of my confidence in the long-term growth and profitability of Microchip, that our design-in momentum continues to remain strong driven by our Total System Solutions strategy and key market megatrends, that the fab restructuring is a big step in right sizing our manufacturing footprint, that we will continue to evaluate any further actions that are required to position Microchip for outsized growth and financial performance 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 continued uncertainty, fluctuations or weakness in the U.S. and world economies (including China and Europe) due to changes in interest rates, high inflation, actions taken or which may be taken by the Biden administration or the U.S. Congress or by the incoming Trump administration and the incoming 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; 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 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; 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) 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, 2024 press release, or to reflect the occurrence of unanticipated events.

About Microchip:

Microchip Technology Incorporated is a leading provider of smart, connected and secure embedded control solutions. Its easy-to-use development tools and comprehensive product portfolio enable customers to create optimal designs, which reduce risk while lowering total system cost and time to market. Our solutions serve approximately 116,000 customers across the industrial, automotive, consumer, aerospace and defense, communications and computing markets. 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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