



**MICROCHIP**

**Susquehanna  
Technology, Media and Telecom Conference**

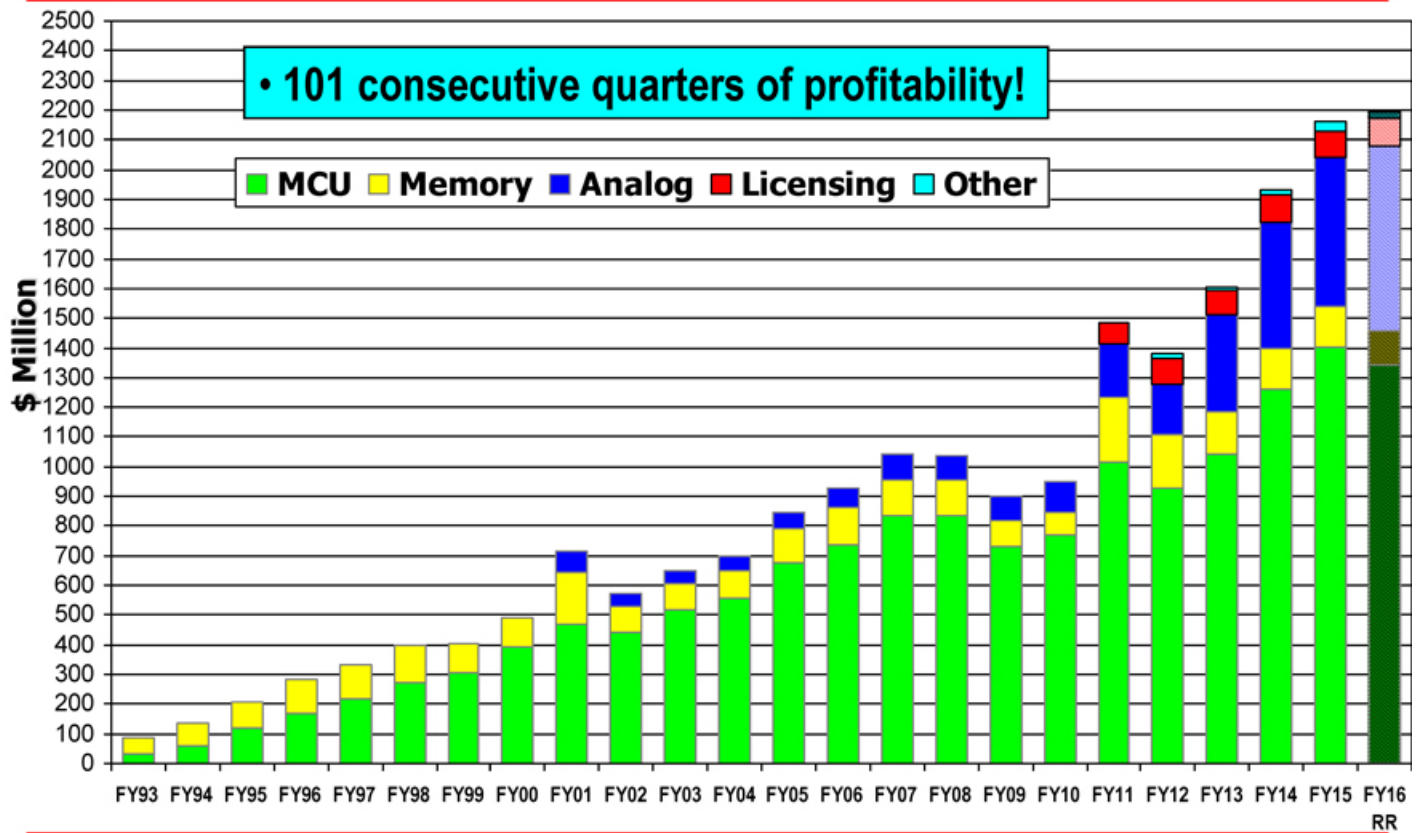
*Eric Bjornholt, Vice President and CFO*

# Today's Agenda

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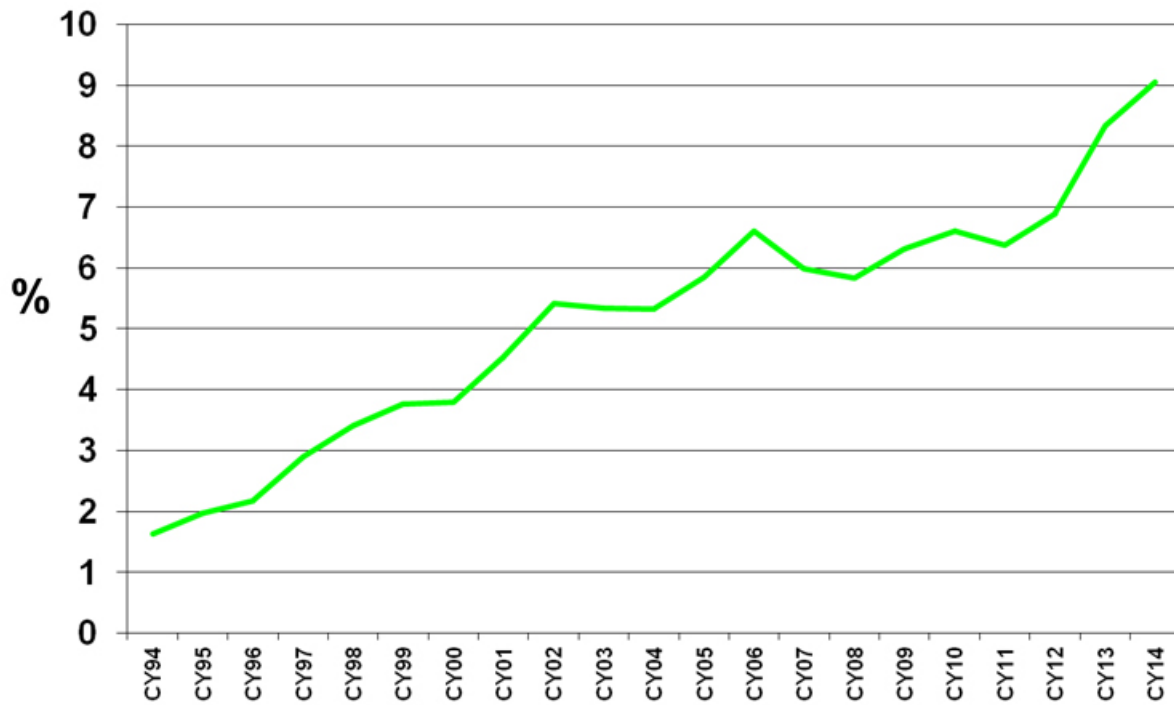
- **Microchip's business characteristics**
  1. Consistent growth
  2. Perennial market share gains
  3. High margin business model
  4. Shareholder friendly with consistently increasing dividends and free cash flow
- **Microchip's acquisition strategy has been a success**
  - Breaking out organic versus inorganic growth
- **Atmel acquisition**
- **Opportunity for significant accretion as margins expand towards updated business model**

# Annual Net Sales Growth

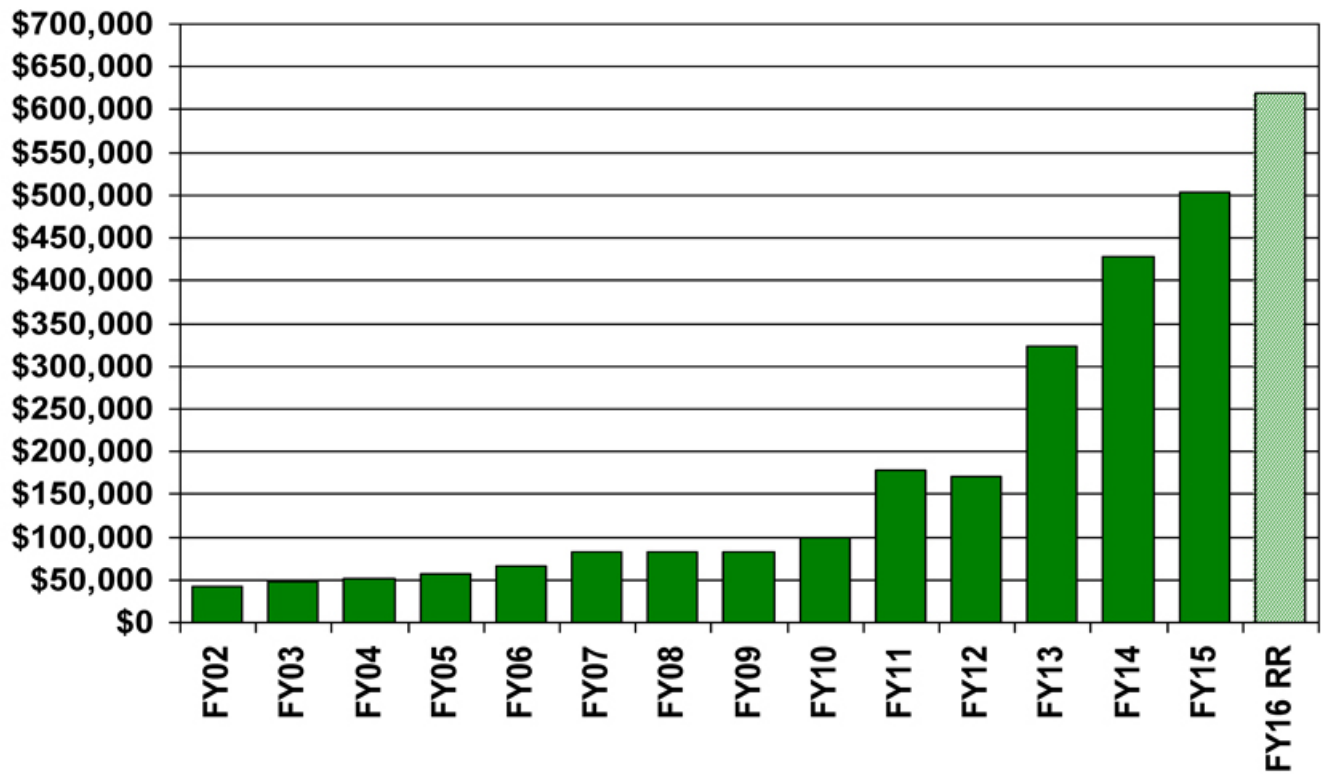




# Total MCU (8/16/32) Market Share %

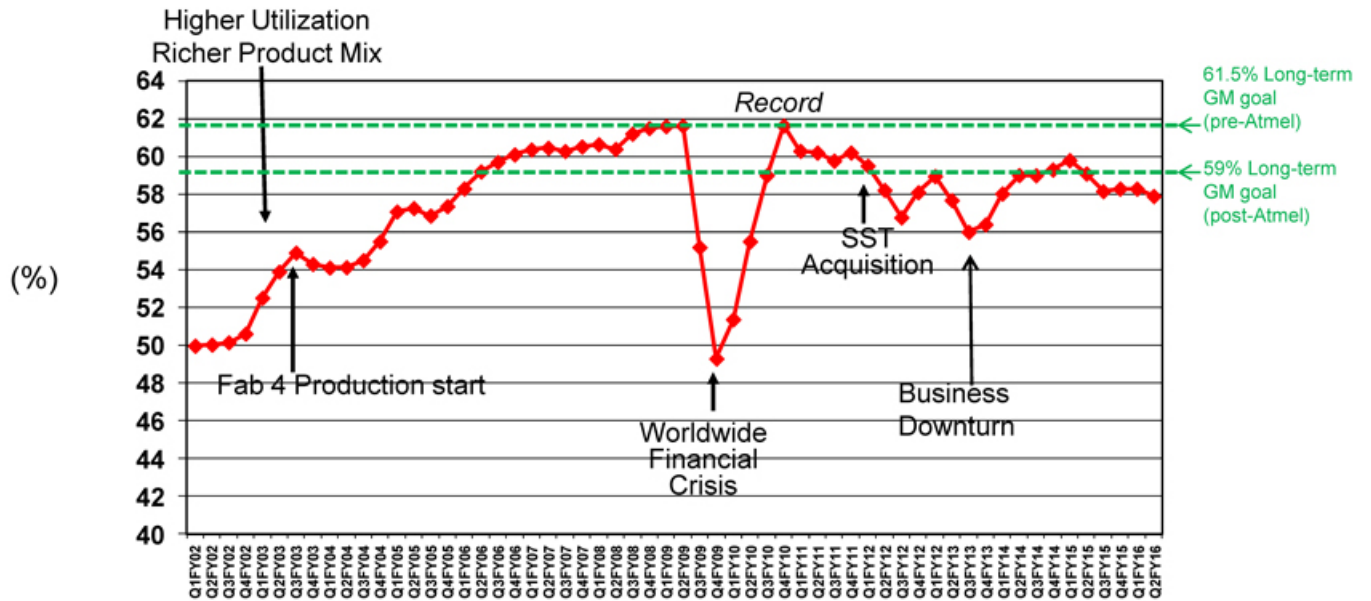


# Analog Yearly Revenue (k\$)





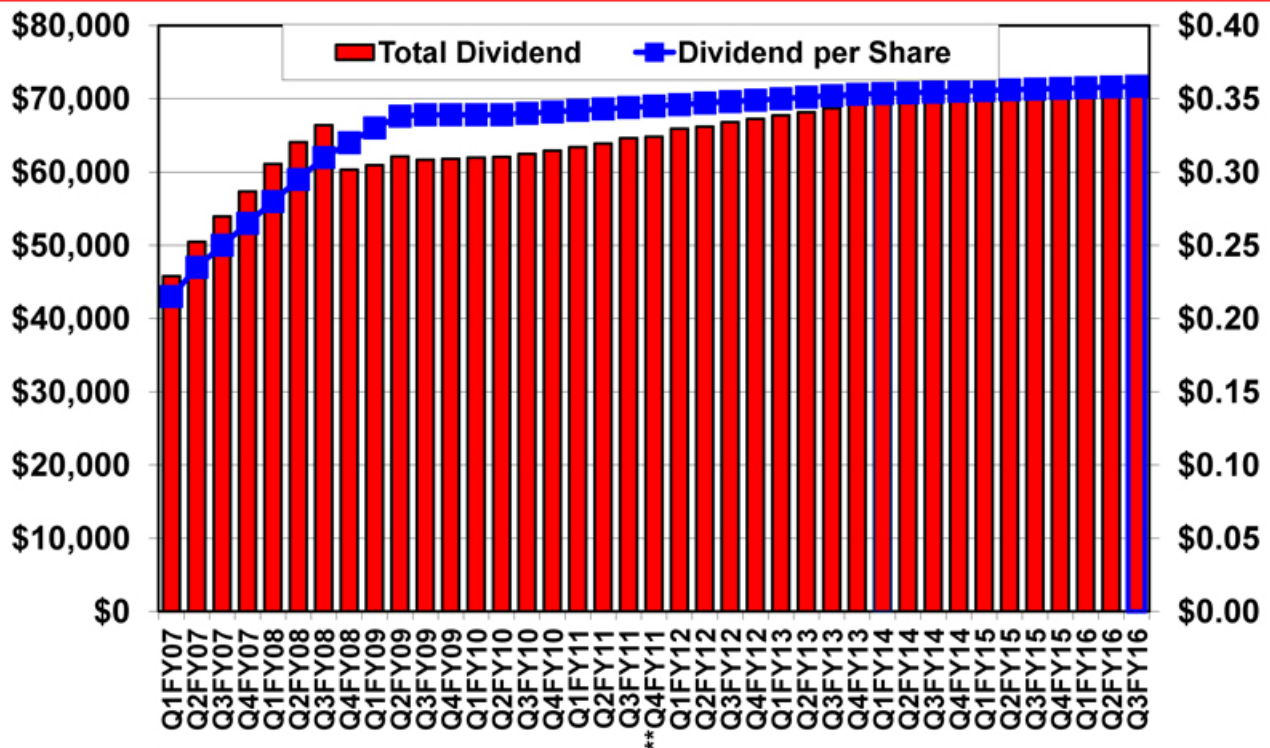
# Gross Margin % (Non-GAAP\*)



\*Excludes share-based compensation and acquisition-related expenses. A reconciliation of our GAAP to non-GAAP results is available at [www.microchip.com](http://www.microchip.com).

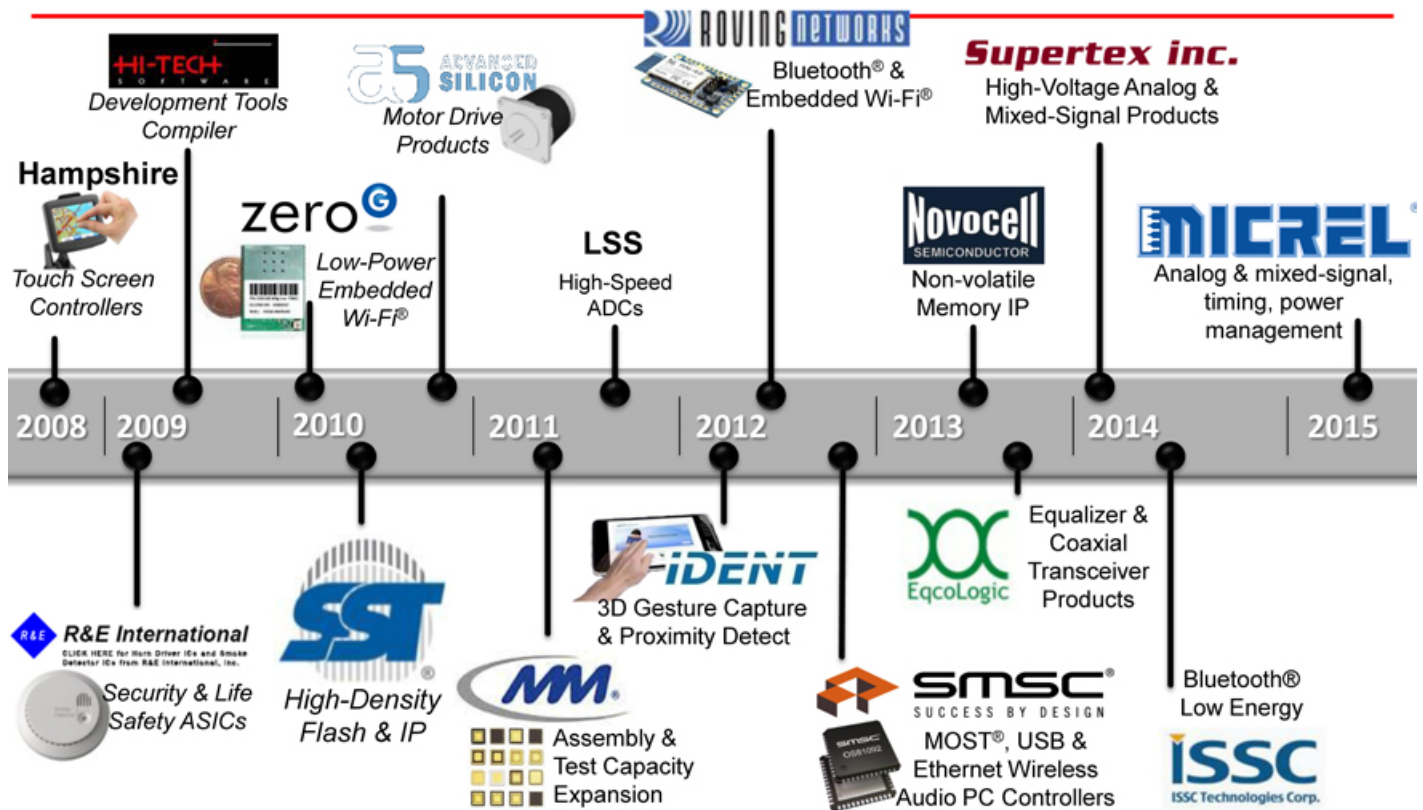


# > \$4B Returned To Shareholders





# Expanding Microchip Solutions Through Acquisitions







## 6 Yr CAGR Comparison of Net Sales \*

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● Microchip Technology (Total)	17.3%
● Microchip Technology (Organic)	8.3%
● Linear Technology	8.1%
● Analog Devices	8.1%
● Semiconductor Industry	6.8%
● Silicon Labs	6.5%
● Maxim	5.1%
● Freescale	4.1%
● Texas Instruments	3.7%
● Atmel	- 0.6%



# 5 Yr CAGR Comparison of Net Sales \*

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● Microchip Technology (Total)	9.6%
● Silicon Labs	5.5%
● Analog Devices	3.4%
● Semiconductor Industry	2.4%
● Microchip Technology (Organic)	2.1%
● Freescale	0.0%
● Linear Technology	-0.1%
● Maxim	-0.7%
● Texas Instruments	-1.4%
● Atmel	- 6.5%



# Explanatory Notes

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- **Non GAAP Financial Measures:**

We are using non-GAAP net sales and non-GAAP diluted earnings per share which exclude the items noted below, as applicable, to permit additional analysis of our performance. 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, severance costs, and legal and other general and administrative expenses associated with acquisitions), GAAP non recognition of revenue for inventory in the distribution channel at the acquisition dates for our acquisitions, non-cash interest expense on our convertible debentures, the related income tax implications of these items and non-recurring tax events. We believe that our disclosure of non-GAAP net sales provides investors with useful information regarding the actual end market demand for our products.

Management believes these non-GAAP measures are useful to investors because they enhance the understanding of our historical financial performance and comparability between periods. Many of our investors have requested that we disclose this non-GAAP information because they believe it is useful in understanding our performance as it excludes non-cash and other charges that many investors feel may obscure our underlying operating results. Management uses these non-GAAP measures to manage and assess the profitability of our business. Specifically, we do not consider such items when developing and monitoring our budgets and spending. Our determination of the above 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.

A reconciliation of Microchip's GAAP to non-GAAP revenue and diluted earnings per share can be found on Microchip's website at [www.microchip.com](http://www.microchip.com)

- **Explanation of Organic Net Sales, non-GAAP Earnings Per Share and Comparisons of Net Sales:**

For purposes of separating Microchip's organic revenue and earnings from revenue and earnings from acquisitions, Microchip takes the first full quarter of revenue and earnings from an acquired company following the date of acquisition as its baseline revenue and earnings. Any increases or decreases in revenue and earnings after the first full quarter are included as organic revenue and earnings.

Revenue for each of the companies listed is based on publicly available information from such companies for the periods ended December 31, 2015; except that the revenue for Analog Devices is presented based on their 12 month period ending in January 2016. The revenue for Freescale is based on the midpoint of their guidance for the December 2015 quarter. Freescale did not publish its actual results for such quarter since Freescale was acquired by NXP in December 2015.

- **Semiconductor Industry revenue CAGR:**

The information presented for the semiconductor industry CAGR is from [www.semiconductor.org](http://www.semiconductor.org).



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- **Cautionary Statement:**

Statements about the expected timing, financial impact and effects of the proposed transaction, and other statements in this presentation that are not historical facts, 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 actual results to differ materially from such forward looking statements. Such risks and uncertainties include the actual timing of the closing of the acquisition, the satisfaction of the conditions to closing in the acquisition agreement, any termination of the acquisition agreement, the effect of the acquisition on Microchip's and Atmel's existing relationships with customers, employees and vendors and on Microchip's and Atmel's respective operating results and businesses; general economic, industry or political conditions in the U.S. or internationally; and the risks described from time to time in SEC reports including filings on Forms 10-K, 10-Q and 8-K. You can obtain copies of applicable Forms 10-K, 10-Q and 8-K and other relevant documents for free at Microchip's website ([www.microchip.com](http://www.microchip.com)), at Atmel's website ([www.atmel.com](http://www.atmel.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 these forward-looking statements, which speak only as of the date such statements are made. We do not undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after the date hereof.

- **Additional Information and Where to Find It**

Microchip will file a Registration Statement on Form S-4 that will include a proxy statement of Atmel in connection with the acquisition transaction. Investors and security holders are urged to read such document when it becomes available because it will contain important information about the transaction. Investors and security holders may obtain free copies of such document (when it becomes available) and other documents filed with the SEC at the SEC's web site at [www.sec.gov](http://www.sec.gov). Microchip, Atmel and their directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Atmel in connection with the acquisition transaction. Information regarding the special interests of these directors and executive officers in the transaction will be included in the proxy statement/prospectus described above. Additional information regarding the directors and executive officers of Microchip is also included in Microchip's proxy statement for its 2015 Annual Meeting of Stockholders, which was filed with the SEC on July 10, 2015. Additional information regarding the directors and executive officers of Atmel is also included in Atmel's proxy statement for its 2015 Annual Meeting of Stockholders, which was filed with the SEC on April 3, 2015. These documents are available free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov) and as described above.



# Atmel Overview

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- **Synergistic Embedded Control franchise with attractive broad-based product portfolio spanning Microcontroller, Wireless, Touch, Automotive, Security and Memory solutions**
  - **Diversified global customer base with over 80% of revenue from Asia and Europe**
  - **Diversified channels with ~60% of revenue through distribution**
  - **Tradition of technology leadership and innovation**
  - **CY2015 revenue of ~\$1.17B as of 12/31/2015**
    - 47.5% non-GAAP gross margin; 12.0% non-GAAP operating margin
  - **\$155M cash and investments, net of debt, on the balance sheet at 12/31/2015**
  - **Headquartered in San Jose, CA**
    - Approximately 4700 employees worldwide





# Strategically and Financially Compelling Transaction

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- **Creates a Microcontroller powerhouse with #3 market share position worldwide**
- **Creates a market leader in IoT by adding to Microchip's strong IoT solutions more products in wireless including WiFi, Bluetooth, BLE and other RF protocols**
- **Expands Microchip's portfolio of Automotive, Touch, Memory and Security solutions**
- **Drives further scale in manufacturing, customer reach and sales channels**
- **Adds a patent portfolio of over 2400 patents to Microchip's strong IP portfolio**
- **Significant EPS accretion through growth and synergy with over \$200 million in synergies in fiscal year 2020**



# Highly Profitable Financial Model \*

	Microchip	Atmel	Microchip + Atmel	Long Term Model
Revenue (\$M)	\$2,208	\$1,046	\$3,254	
Gross Margin (%)	57.9%	47.5%	54.6%	59%
R&D (%)	16.2%	19.5%	17.3%	14.5%
SG&A (%)	12.3%	18.4%	14.3%	11.5%
Op Income (\$M)	\$649	\$100	\$750	
Op Income (%)	29.4%	9.6%	23.0%	33%

\* In millions, except percentages. All figures are non-GAAP and are based on preliminary results for the December 31, 2015 quarter contained in Microchip's press release dated January 19, 2016 and Atmel's press release dated January 13, 2016. Revenue and operating income dollars are based on preliminary December 2015 quarter results which were annualized by multiplying the December quarter numbers by four.



# Synergy and Accretion Expectations

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- Transaction is expected to be immediately accretive to our non GAAP earnings per share
- Microchip expects to buyback all the shares issued in the transaction subject to market conditions, but will not buy back shares immediately, based on investor concerns on leverage
- Short term: Targeting 20% growth in non-GAAP EPS from FY16 to FY17 with accretion from Micrel and Atmel.
  - Atmel adds ~25 cents in FY 2017 (Assuming May 2016 close and no stock buyback)
- Long term: 3<sup>rd</sup> year after close (FY2019), we expect:
  - \$170M in synergy from cost savings and revenue growth
  - Atmel to contribute ~90 cents/share of non GAAP EPS
  - Targeting consolidated Microchip non GAAP EPS of \$4.25/share
- Represents non GAAP EPS growth of over 17% per year for Microchip over the next 3 years.
- Full synergy of over \$200M in the 4<sup>th</sup> year (FY 2020)
- Extends Microchip's record of organic as well as acquisition driven revenue and non GAAP EPS growth





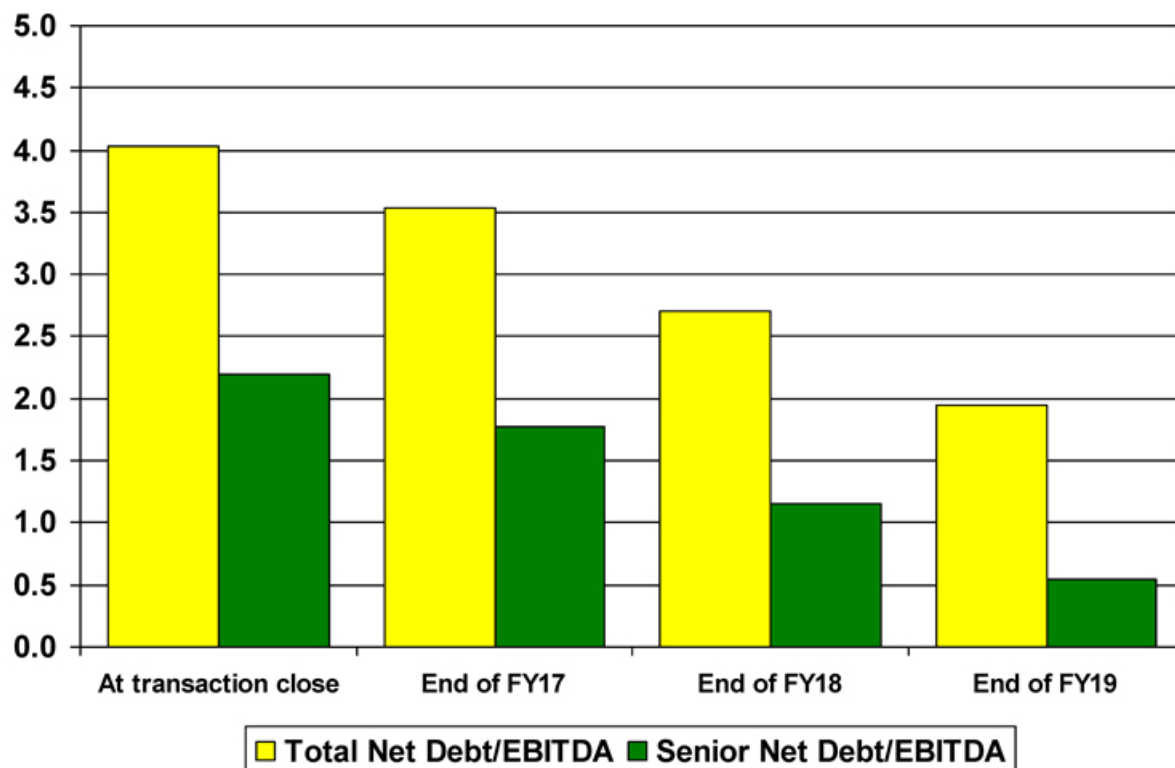
# Transaction Summary And Financing

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- **Transaction value of \$3.56B representing \$8.15/share**
  - \$3.4B net of Atmel's cash, investments and debt at 12/31/2015
  - Atmel stockholders will receive \$7.00/share in cash and \$1.15/share in Microchip stock
- **Transaction is being funded through a combination of:**
  - Approximately \$2.175B of cash from our balance sheet
  - Approximately \$786M cash from our existing line of credit
  - Approximately \$485M in Microchip stock
  - The \$114M difference in the funding amounts and the transaction value represents the assumed value of employee equity awards
- **Blended cost of capital ~ 1.8% per annum**
- **Pro forma Gross Debt/EBITDA leverage well below line of credit covenants:**
  - Senior leverage = 2.2 (covenant 3.0) before synergy
  - Total leverage = 4 (covenant 5.0) before synergy
  - Synergy and paying down debt with profits will decrease leverage further
- **Expect transaction to close in CQ2 2016, subject to customary closing conditions, and stockholder as well as regulatory approvals**



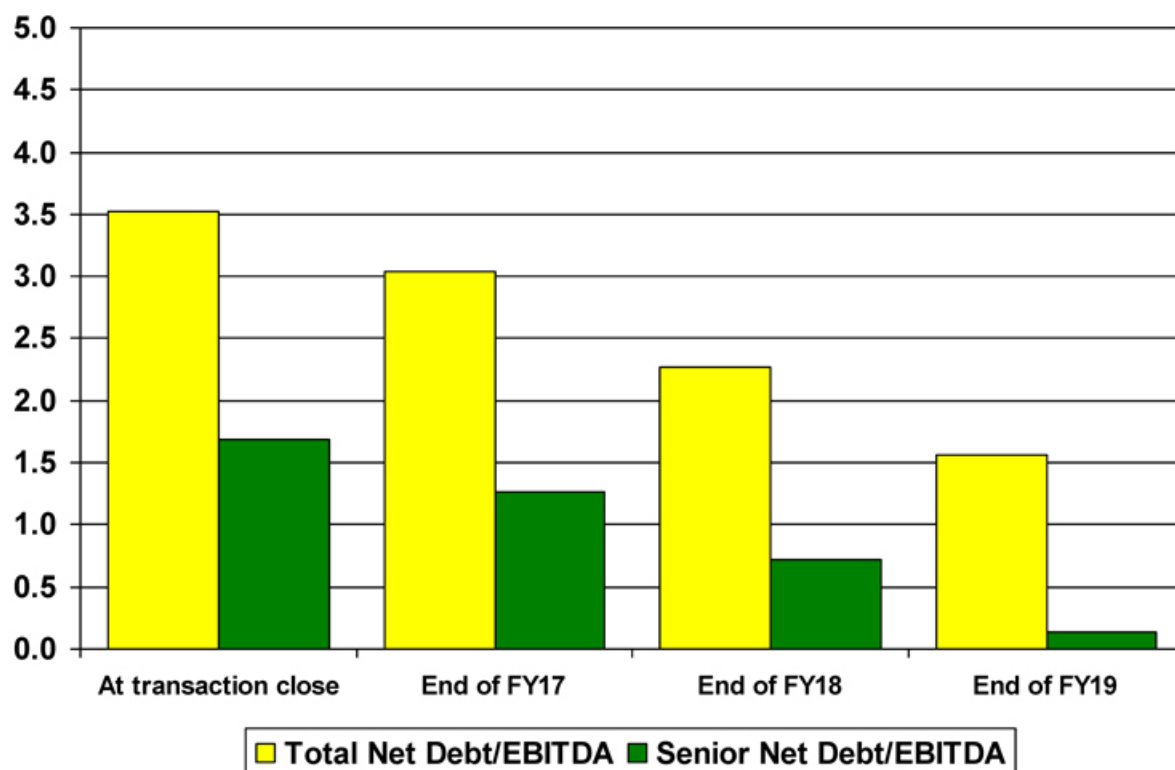
## Microchip's Projected Net Debt/EBITDA Ratio\* With Stock Buyback



\*Includes projected cash and investments on Microchip's balance sheet and assumes stock issued in Atmel transaction is repurchased immediately



## Microchip's Projected Net Debt/EBITDA Ratio\* Without Stock Buyback



\*Includes projected cash and investments on Microchip's balance sheet and assumes stock issued in Atmel transaction is not repurchased



# Microchip Vision and Growth Strategy

## *Our Vision*

***Be The Very Best Embedded Control Solutions Company Ever***

## *Our Strategy*

- ***Enable the growing market for Smart, Connected and Secure solutions for Automotive, Industrial, Office Automation, Consumer and Telecom markets***
- ***Be a powerhouse solutions provider for the emerging Internet of Things (IoT) market***

# Summary

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- **Atmel acquisition is a strong strategic fit aligned with our vision and strategy**
- **Adds operational and customer scale in a consolidating industry**
- **Creates significant stockholder value from strong non GAAP EPS accretion**
- **Atmel acquisition is the next step in Microchip's track record of successful M&A**

***A Compelling Transaction!***



# MCHP Financial Information Consolidated

	<u>Actual</u>	<u>Guidance</u>	
	<u>Actual</u> <u>Dec. 31, 2015</u>	<u>Q4FY16</u> <u>Guidance</u> <u>Mar. 31, 2016</u>	<u>Long-Term</u> <u>Model With</u> <u>Atmel</u>
Net Sales (\$MM Non-GAAP)	\$552.0	\$552.0 – 568.5	
Gross Margin*	57.9%	57.9% - 58.1%	~ 59%
Operating Expenses* (% of Sales)	28.4%	27.3% - 27.9%	~ 26%
Operating Profit	29.5%	30.0% - 30.8%	~ 33%
EPS (Non-GAAP**)	\$0.64	\$0.65 – 0.69	
EPS (GAAP)	\$0.28		

\* Excludes share-based compensation, acquisition related charges, non-recurring items and adoption of ASC Subtopic 470-20.

\*\*A reconciliation of our GAAP to non-GAAP results is available at [www.microchip.com](http://www.microchip.com).



**MICROCHIP**

***Thank You!***