

Microchip Technology

Light Dec Guide As Expected On Weak Demand Environment/Customer Inventory Adjustments; Solid ~\$4 of Earnings Power At Trough

MCHP reported in-line Sep-Qtr results reflecting the expected business slowdown, which the team began to see in early-June. The weakness has broadened out to different end markets (except aerospace & defense) and geographies and with China demand still weak. Moreover, average lead-times continue to come down and are now under 13 weeks (vs prior expectation under 13 weeks by the end of the year) and the team expects average leadtimes to be under 8 weeks by the end of the year. As a result of the weaker demand environment, macro uncertainty, and lower lead-times, this is driving lower bookings and continued order pushouts / cancellations (although we believe cancellation/push out activity has stabilized so far this quarter). Accordingly, the team provided a soft Dec-Qtr outlook (down 17.5% Q/Q, at the mid-point) that was below consensus expectations (down 7% Q/Q) and signaled for a Q/Q decline for the Mar-Qtr. Overall the weaker outlook is directionally in-line with management's prior expectation (anticipated a magnified seasonal decline for the Dec-Qtr) and the magnitude of decline is not entirely surprising in light of the revenue guide downs from other broad-based semiconductor peers (e.g. ADI, TXN). Despite a softer revenue outlook, the team expressed confidence in sustaining 40%+ OPM on a trailing 12-month basis through this downcycle and should buffer earnings power. We do anticipate that the Mar-Qtr should mark the bottom for Microchip with peak-to-trough quarterly revenue decline of ~24%. Pricing power remains strong in this current down cycle, which is helping to limit the decline in revenues. Distribution inventory days were up 6 days Q/Q to 35 days and at the mid end of its historical range of 27-47 days due to weaker channel sell-through activity. On continued solid FCF generation, the team increased its dividend by 7% Q/Q in the Sep-Qtr and continued to repurchase shares (\$340M in the Sep-Qtr and targeted \$115M in the Dec-Qtr). The team continued to increase its % of FCF return (increase 5 ppt every quarter) and expects to return 100% FCF return in the next few quarters. We decrease our forward estimates, and decrease our PT to \$95 (from \$110). We reiterate our OW rating on the stock.

- In-line Sep-Q results reflecting expected business slowdown.** Revenues of \$2.25B (down 1.5% Q/Q and up 9% Y/Y) were largely in-line with consensus. MCU revenues grew 8.5% Y/Y to \$1280M and analog revenues grew 9% Y/Y to \$623M. Gross margin was 68.1%, slightly below consensus. OPM for the quarter was 48.1% on solid operating leverage. EPS of \$1.61 was in-line with consensus. On a Q/Q basis Asia was down, Europe was about flattish, and Americas was slightly up. Near-term macro headwinds and declining leadtimes drove lower bookings and increasing order pushouts / cancellations - although we believe the activity level around pushouts/cancellations has stabilized so far this quarter.

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

See page 10 for analyst certification and important disclosures.

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Overweight

MCHP, MCHP US
Price (02 Nov 23):\$73.60

▼ **Price Target (Dec-24):\$95.00**
Prior (Dec-24):\$110.00

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Key Changes (FYE Mar)

	Prev	Cur
Adj. EPS - 24E (\$)	5.83	5.37
Adj. EPS - 25E (\$)	5.83	4.83

Quarterly Forecasts (FYE Mar)

Adj. EPS (\$)	2023A	2024E	2025E
Q1	1.37	1.64A	1.08
Q2	1.46	1.62A	1.23
Q3	1.56	1.13	1.26
Q4	1.64	0.97	1.26
FY	6.02	5.37	4.83

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	46	45	44	53	22
Growth	64	51	59	76	73
Momentum	57	38	34	72	84
Quality	10	35	42	40	42
Low Vol	26	31	29	55	30
ESGQ	26	18	22	90	83

Price Performance



	YTD	1m	3m	12m
Abs	4.8%	-6.1%	-18.5%	21.4%
Rel	-7.7%	-6.8%	-14.1%	6.5%

Company Data

Shares O/S (mn)	549
52-week range (\$)	94.30-58.61
Market cap (\$ mn)	40,421.12
Exchange rate	1.00
Free float(%)	97.9%
3M - Avg daily vol (mn)	4.51
3M - Avg daily val (\$ mn)	356.6
Volatility (90 Day)	33
Index	S&P 500
BBG BUY HOLD SELL	17 9 0

Key Metrics (FYE Mar)

\$ in millions	FY23A	FY24E	FY25E
Financial Estimates			
Revenue	8,439	8,132	7,645
Adj. EBIT	3,960	3,633	3,296
Adj. EBITDA	4,959	4,609	4,272
Adj. net income	3,353	2,943	2,624
Adj. EPS	6.02	5.37	4.83
BBG EPS	6.02	6.09	6.10
Cashflow from operations	3,621	3,727	2,837
FCFF	3,319	3,608	2,736
Margins and Growth			
Revenue growth	23.7%	(3.6%)	(6.0%)
EBIT margin	46.9%	44.7%	43.1%
EBIT growth	33.5%	(8.2%)	(9.3%)
EBITDA margin	58.8%	56.7%	55.9%
EBITDA growth	20.4%	(7.0%)	(7.3%)
Net margin	39.7%	36.2%	34.3%
Adj. EPS growth	30.4%	(10.8%)	(10.0%)
Ratios			
Adj. tax rate	10.9%	14.2%	14.3%
Interest cover	24.0	21.2	17.5
Net debt/Equity	0.4	0.0	NM
Net debt/EBITDA	0.6	0.0	NM
ROE	54.0%	37.9%	28.8%
Valuation			
FCFF yield	8.1%	8.9%	6.8%
Dividend yield	1.5%	2.5%	3.5%
EV/Revenue	5.1	5.0	-
EV/EBITDA	8.7	8.8	-
Adj. P/E	12.2	13.7	15.2

Summary Investment Thesis and Valuation

Investment Thesis

We are Overweight MCHP based on the following:

Post the merger with Microsemi, Microchip has gained significant share/scale while broadening its product portfolio. We believe the combined entity stands to gain additional share in a fragmented market, especially in growth areas such as automotive, industrial, and IoT.

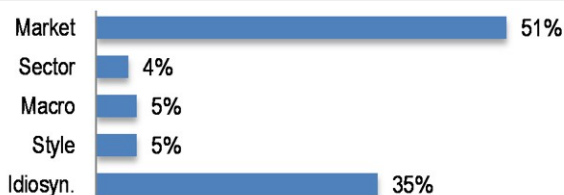
We believe the merger synergy and accretion targets laid out by the management team could be conservative in light of a merger schedule that closed ahead of expectations and the company's history of delivering additional upside in prior acquisitions.

We expect the company to drive additional revenue synergies from complementary sales of analog products, which has proven to be an effective strategy in the past. We believe Microchip's strength in distribution and customer support will help capture this opportunity.

Valuation

Our Dec-24 PT of \$95 assumes that MCHP trades at a semi peer group multiple of 16-20x, applied to FY25 exit run-rate earnings power of ~\$5.00.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI US	0.71	0.72
Sect: Technology	0.33	0.30
Ind: Semicond & S Equip	0.30	0.42
Macro:		
Non-Energy Commodity	0.16	0.22
US 10yr Breakeven	0.34	-0.17
Economic Surprise	0.22	0.16
Quant Styles:		
LowVol	-0.33	-0.28
Size	-0.39	-0.28
Momentum	-0.09	-0.27

- **Soft Dec-Q guide reflecting continued broad-based weakness and customer inventory adjustments; expects Q/Q decline for the Mar-Qtr.** Dec-Qtr revenue guide was \$1.86B (down 17.5% Q/Q and down 14% Y/Y) at the midpoint, well-below consensus of \$2.11B driven by the broadening of end market weakness, customer inventory adjustments, and lower lead-times/visibility. The team expects headwinds to persist into the Mar-Qtr and has signaled for Q/Q decline. Non-GAAP gross margin was guided to 64.5% at the midpoint, below street expectations. EPS guidance of \$1.13 was below consensus.
- **Channel distribution inventory remains healthy - at the mid end of historical range- but signals that channel sell-through in Sept-Qtr was lower than expected.** Distribution inventory days were up 6 days Q/Q to 35 days (versus historical range of 27-47 days) on weaker sell-through activity. The company's inventory exiting the Sep quarter was at 167 days, flat Q/Q, and above the company's long-term target of 130-150 days.
- **Strong shareholder returns – continued quarterly dividend increases and share repurchases.** Microchip increased its dividend by 7% Q/Q in the Sep-Qtr. In addition, the company continued to repurchase shares (\$340M in the Sep-Qtr and targets \$115M in the Dec-Qtr). The team continues to increase its current pace of % of FCF return (increase 5 ppt every quarter) and expects to start returning 100% of the quarterly FCF in the next 5 quarters.
- **Decreasing our forward estimates and our price target - reiterate OW rating on MCHP.** We are decreasing our forward estimates and decreasing our PT to \$95 (from \$110), which assumes that MCHP trades at a semi peer group multiple of 16-20x, applied to FY25 exit run-rate earnings power of ~\$5.00.

Table 1: Microchip F2Q24 (Sep-Q) Earnings and F3Q24 (Dec-Q) Outlook Summary

\$ in millions

	F2Q24 (Sep-Q)				F3Q24E (Dec-Q)	
	Actual	JPM Est.	Diff	Consensus	Guidance	Consensus
Non-GAAP Revenue (\$M)	\$2,254.3	\$2,266.0	(\$11.7)	\$2,264.0	\$1,859.5	\$2,112.0
Q/Q Change	-1.5%	-1.0%	-1%	-1.1%	-17.5%	-7%
Gross Margin (Non-GAAP)	68.1%	68.4%	-0.3%	68.4%	64.5%	67.5%
Op Margin	48.1%	48.1%	0.0%	48.1%	41.5%	45.6%
Non-GAAP Net Income (\$M)	\$889.3	\$893.3	-\$4.0	\$891.6	\$617.6	\$784.4
Non-GAAP EPS	\$1.62	\$1.62	\$0.00	\$1.62	\$1.13	\$1.44

Source: Company reports, Bloomberg Finance L.P., and J.P. Morgan estimates

Table 2: Microchip F2Q24 (Sep-Q) Business Segment Results

\$ in millions

	F2Q24	F1Q23	Growth	% of Revenue
Microcontrollers	\$1,280.1	\$1,301.7	-1.7%	56.8%
Analog, mixed signal	\$623.0	\$633.6	-1.7%	27.6%
Other	\$351.2	\$353.3	-0.6%	15.6%

Source: Company reports

Balance Sheet and Cash Flow

For the Sep-Q, Microchip generated cash flow from operations of \$616M and ended the quarter with cash and total investments (long and short-term) of \$256M, down from \$271M in F1Q24. Capital expenditures were \$74 million in F2Q24. Inventory days of 167 were flat Q/Q in F1Q24, above the company's long-term target of 130-150 days. Inventory at distributors was 35 days, up 6 days from the Jun-Q. Microchip increased its debt by \$46M Q/Q in the Sep quarter.

Appendix I: Comp and Group Valuation

Table 3: Semiconductor Comp and Group Valuation

JPM		Market	11/2/23	Non-GAAP EPS		P/E		Revenue		P/S		Consensus Non-GAAP EPS		Consensus Sales		Consensus P/E		Consensus P/S	
Rating	Cap		Price	C23E	C24E	C23E	C24E	C23E	C24E	C23E	C24E	C23E	C24E	C23E	C24E	C23E	C24E	C23E	C24E
Harlan Sur, Lead Coverage																			
phone: 415-315-6700, email: harlan.sur@jpmchase.com																			
PC Semiconductors																			
INTC	UW	\$159,433	\$37.70	\$0.96	\$1.90	39.3	19.8	\$53,923	\$61,641	3.0	2.6	\$0.95	\$1.87	\$53,939	\$61,605	39.6	20.2	3.0	2.6
NVDA	OW	\$1,087,215	\$435.06	\$10.49	\$14.95	41.5	29.1	\$53,488	\$72,981	20.3	14.9	\$9.92	\$16.94	\$50,580	\$80,286	43.8	25.7	21.5	13.5
AMD	N	\$175,655	\$107.83	\$2.84	\$4.20	38.0	25.7	\$22,861	\$27,005	7.7	6.5	\$2.67	\$3.84	\$22,704	\$26,722	40.5	28.1	7.7	6.6
Memory																			
MU	OW	\$77,132	\$70.44	N/A	N/A	N/A	N/A	\$15,856	\$21,931	4.9	3.5	(\$5.10)	\$1.00	\$16,188	\$24,474	(13.8)	70.1	4.8	3.2
WDC	NR	\$13,618	\$42.16	N/A	N/A	N/A	N/A	\$11,033	\$13,456	1.2	1.0	(\$6.25)	\$1.12	\$11,195	\$14,113	(6.7)	37.7	1.2	1.0
Enterprise/Networking/Datacenter Semiconductors																			
MRVL	OW	\$42,098	\$48.90	\$1.53	\$2.32	32.0	21.1	\$5,525	\$6,419	7.6	6.6	\$1.53	\$2.26	\$5,513	\$6,401	32.1	21.6	7.6	6.6
AVGO	NR	\$372,045	\$871.30	\$43.02	\$49.57	20.3	17.6	\$36,183	\$40,519	10.3	9.2	\$42.65	\$46.69	\$36,123	\$39,215	20.4	18.7	10.3	9.5
Mobile Devices																			
SWKS	N	\$14,365	\$89.50	\$8.20	\$9.70	10.9	9.2	\$4,739	\$5,174	3.0	2.8	\$8.24	\$9.32	\$4,733	\$5,061	10.9	9.6	3.0	2.8
QRVO	UW	\$8,427	\$85.48	\$3.98	\$6.97	21.5	12.3	\$3,284	\$4,000	2.6	2.1	\$4.64	\$6.97	\$3,389	\$3,991	18.4	12.3	2.5	2.1
Analog/Microcontrollers																			
TXN	OW	\$134,936	\$147.31	\$7.04	\$6.58	20.9	22.4	\$17,542	\$17,781	7.7	7.6	\$7.14	\$6.70	\$17,550	\$17,732	20.6	22.0	7.7	7.6
ADI	OW	\$82,746	\$164.34	\$9.19	\$8.95	17.9	18.4	\$11,739	\$11,498	7.0	7.2	\$9.54	\$8.55	\$11,936	\$11,182	17.2	19.2	6.9	7.4
NXPI	N	\$46,405	\$177.59	\$13.85	\$15.00	12.8	11.8	\$13,223	\$14,024	3.5	3.3	\$13.92	\$14.84	\$13,244	\$13,887	12.8	12.0	3.5	3.3
MCHP	OW	\$40,421	\$73.60	\$6.25	\$5.49	11.8	13.4	\$8,827	\$8,261	4.6	4.9	\$6.34	\$5.83	\$8,888	\$8,528	11.6	12.6	4.5	4.7
Diversified/Consumer/Standard Components/Other																			
ON	N	\$30,030	\$66.63	\$5.11	\$4.92	13.0	13.5	\$8,235	\$8,243	3.6	3.6	\$5.11	\$4.78	\$8,238	\$8,108	13.0	14.0	3.6	3.7
MTSI	N	\$5,195	\$72.75	\$2.45	\$3.10	29.7	23.5	\$622	\$709	8.4	7.3	\$2.48	\$2.95	\$623	\$699	29.3	24.7	8.3	7.4
Foundries																			
GFS	OW	\$28,011	\$50.38	\$2.07	\$2.50	24.3	20.2	\$7,399	\$7,855	3.8	3.6	\$2.04	\$2.52	\$7,422	\$8,188	24.8	20.0	3.8	3.4
Semiconductor Capital Equipment																			
AMAT	OW	\$116,764	\$138.51	\$7.73	\$8.72	17.9	15.9	\$25,895	\$27,610	4.5	4.2	\$7.79	\$7.88	\$26,064	\$26,424	17.8	17.6	4.5	4.4
LRGX	OW	\$83,000	\$623.28	\$26.82	\$29.81	23.2	20.9	\$14,259	\$15,558	5.8	5.3	\$26.77	\$29.95	\$14,261	\$15,786	23.3	20.8	5.8	5.3
KLAC	OW	\$67,090	\$489.34	\$22.48	\$25.82	21.8	19.0	\$9,635	\$10,340	7.0	6.5	\$22.51	\$24.40	\$9,642	\$10,128	21.7	20.1	7.0	6.6
Chip Design Automation Software																			
ARM	OW	\$54,332	\$52.82	\$0.81	\$1.12	65.6	47.1	\$2,831	\$3,281	19.2	16.6	\$0.91	\$1.12	\$2,889	\$3,334	57.8	47.4	18.8	16.3
CDNS	N	\$66,603	\$244.48	\$5.10	\$5.97	47.9	40.9	\$4,080	\$4,560	16.3	14.6	\$5.11	\$5.88	\$4,086	\$4,578	47.9	41.6	16.3	14.5
SNPS	OW	\$74,164	\$478.64	\$11.37	\$13.29	42.1	36.0	\$6,000	\$6,763	12.4	11.0	\$11.37	\$13.02	\$5,970	\$6,698	42.1	36.8	12.4	11.1
Large Cap Semi Average						24.5	18.9			7.4	6.6					25.0	19.0	7.6	6.4
Small-Mid Cap Semi Average						21.4	16.4			4.9	4.4					20.3	17.0	4.8	4.4
Semi Group Average (ex-outliers)						21.2	16.9			5.4	5.1					20.9	17.2	5.4	5.1
SOX Index			3,369	124	171	27.1	19.7			5.3	4.8					27.1	19.7	5.3	4.8
S&P500			4,318	217	243	19.9	17.8			2.4	2.3					19.9	17.8	2.4	2.3

Source: Company reports, Bloomberg Finance L.P., and J.P. Morgan estimates. Prices as of market close 11/02/2023.

Appendix II: Financial Tables

Table 4: Microchip Income Statement

\$ in millions, except per share data

	Jun-21	Sep-21	Dec-21	Mar-22		Jun-22	Sep-22	Dec-22	Mar-23		Jun-23	Sep-23	Dec-23	Mar-24		Jun-24	Sep-24	Dec-24	Mar-25	
FY end: Mar (in \$ mm)	1Q22	2Q22	3Q22	4Q22	FY22E	1Q23	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24E	4Q24E	FY24E	1Q25E	2Q25E	3Q25E	4Q25E	FY25E
Total Revenue (non-GAAP)	1569.4	1649.8	1757.5	1844.2	6,820.9	1963.6	2073.2	2169.2	2232.7	8,438.7	2288.6	2254.3	1859.5	1729.3	8,131.7	1815.8	1942.9	1942.9	1942.9	7,644.5
% Change Y/Y	19.8%	26.0%	30.0%	25.7%	25.4%	25.1%	25.7%	23.4%	21.1%	23.7%	16.6%	8.7%	-14.3%	-22.5%	-3.6%	-20.7%	-13.8%	4.5%	12.4%	-6.0%
% Change Q/Q	7.0%	5.1%	6.5%	4.9%		6.5%	5.6%	4.6%	2.9%		2.5%	-1.5%	-17.5%	-7.0%		5.0%	7.0%	0.0%	0.0%	
Cost of Goods Sold	561.8	581.5	604.2	623.8	2,371.3	653.7	675.3	698.4	713.4	2,740.8	730.2	726.9	667.6	646.8	2,771.4	657.3	683.9	670.3	662.5	2,674.1
Gross Profit (non-GAAP)	1016.4	1077.4	1161.7	1228.4	4,483.9	1317.6	1404.4	1477.7	1525.4	5,725.1	1565.2	1534.8	1199.6	1090.3	5,389.9	1166.2	1266.7	1280.3	1288.1	5,001.3
Gross Margin (non-GAAP)	64.8%	65.3%	66.1%	66.6%	65.7%	67.1%	67.7%	68.1%	68.3%	67.8%	68.4%	68.1%	64.5%	63.0%	66.3%	64.2%	65.2%	65.9%	66.3%	65.4%
R&D	238.4	246.2	245.4	259.1	989.1	269.0	268.6	282.4	298.3	1118.3	298.5	292.6	286.7	283.9	1161.7	288.1	292.5	292.5	295.4	1168.4
% Total Revenue	15.2%	14.9%	14.0%	14.0%	14.5%	13.7%	13.0%	13.0%	13.4%	13.3%	13.0%	13.0%	15.4%	16.4%	14.3%	15.9%	15.1%	15.1%	15.2%	15.3%
SG&A	174.3	179.9	177.5	187.2	718.9	188.9	202.4	202.9	203.5	797.7	203.6	196.6	186.7	168.0	754.9	170.5	172.2	172.2	174.0	688.9
% Total Revenue	11.1%	10.9%	10.1%	10.2%	10.5%	9.6%	9.8%	9.4%	9.1%	9.5%	8.9%	8.7%	10.0%	9.7%	9.3%	9.4%	8.9%	8.9%	9.0%	9.0%
Amortization and Special Charges	226.1	225.9	215.4	224.6	892.0	150.7	171.8	173.9	169.5	665.9	153.2	153.2	153.2	153.2	612.8	153.2	153.2	153.2	153.2	612.8
% Total Revenue	14.4%	13.7%	12.3%	12.2%	13.1%	7.7%	8.3%	8.0%	7.6%	7.9%	6.7%	6.8%	8.2%	8.9%	7.5%	8.4%	7.9%	7.9%	7.9%	8.0%
OpEx (GAAP)	638.8	652.0	638.3	670.9	2,600.0	608.6	642.8	659.2	671.3	2,581.9	655.3	642.4	626.6	605.1	2,529.4	611.9	617.9	617.9	622.5	2,470.2
% Total Revenue	40.7%	39.5%	36.3%	36.4%	38.1%	31.0%	31.0%	30.4%	30.1%	30.6%	28.6%	28.5%	33.7%	35.0%	31.1%	33.7%	31.8%	31.8%	32.0%	32.3%
OpEx (non-GAAP)	361.3	376.7	377.2	403.5	1,518.7	422.7	433.0	447.9	461.7	1,765.3	464.8	450.1	427.7	413.9	1,756.5	420.7	426.7	426.7	431.3	1,705.4
% Total Revenue	23.0%	22.8%	21.5%	21.9%	22.3%	21.5%	20.9%	20.6%	20.7%	20.9%	20.3%	20.0%	23.0%	23.9%	21.6%	23.2%	22.0%	22.0%	22.2%	22.3%
Operating Income	368.8	416.3	515.0	549.5	1,849.6	701.3	755.1	811.6	848.0	3,116.0	903.1	885.0	565.3	477.5	2,830.9	546.6	641.1	654.7	657.8	2,500.3
Operating Margin	23.5%	25.2%	29.3%	29.8%	27.1%	35.7%	36.4%	37.4%	38.0%	36.9%	39.5%	39.3%	30.4%	27.6%	34.8%	30.1%	33.0%	33.7%	33.9%	32.7%
Operating Income (non-GAAP)	655.1	700.7	784.5	824.9	2,965.2	894.9	971.4	1,029.8	1,063.7	3,959.8	1,100.4	1,084.7	771.9	676.4	3,633.4	745.5	840.0	853.6	856.7	3,295.9
Operating Margin (non-GAAP)	41.7%	42.5%	44.6%	44.7%	43.5%	45.6%	46.9%	47.5%	47.6%	46.9%	48.1%	48.1%	41.5%	39.1%	44.7%	41.1%	43.2%	43.9%	44.1%	43.1%
Loss on equity method investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0					0.0
Interest/Other Expenses, net	(71.8)	(151.5)	(73.5)	(70.3)	(367.1)	(54.7)	(56.0)	(49.4)	(46.2)	(206.3)	(54.8)	(51.4)	(52.0)	(59.0)	(217.2)	(61.0)	(61.0)	(61.0)	(61.0)	(244.0)
Interest/Other Expenses (non-GAAP)	(60.6)	(56.2)	(53.7)	(50.1)	(220.6)	(48.4)	(53.9)	(49.4)	(46.2)	(197.9)	(45.7)	(48.3)	(52.0)	(59.0)	(205.0)	(61.0)	(61.0)	(61.0)	(61.0)	(244.0)
Pretax Income	297.0	264.8	441.5	479.2	1,482.5	646.6	699.1	762.2	801.8	2,909.7	848.3	833.6	513.3	418.5	2,613.7	485.6	580.1	593.7	596.8	2,256.3
% Total Revenue	18.9%	16.1%	25.1%	26.0%	21.7%	32.9%	33.7%	35.1%	35.9%	34.5%	37.1%	37.0%	27.6%	24.2%	32.1%	26.7%	29.9%	30.6%	30.7%	29.5%
Income Tax (Benefit)	44.2	22.8	88.7	41.3	197.0	139.4	152.9	181.9	197.8	672.0	181.9	167.0	121.1	102.6	572.7	119.1	142.2	145.6	146.3	553.2
Income Tax (non-GAAP)	35.7	38.9	49.1	10.2	133.9	79.3	103.1	116.7	109.7	408.8	149.4	147.1	102.7	86.6	485.7	96.0	109.2	111.1	111.6	427.9
% Pretax Income (Tax Rate, non-GAAP)	6.0%	6.0%	6.0%	1.3%	4.9%	9.4%	11.2%	11.9%	10.8%	10.9%	14.2%	14.2%	14.3%	14.0%	14.2%	14.2%	14.0%	14.0%	14.0%	14.0%
Diluted Common Shares (non-GAAP)	565.2	565.9	567.3	565.1	565.9	561.5	558.3	555.4	553.9	557.3	551.4	549.2	546.5	545.5	548.2	544.5	543.5	542.5	541.5	543.0
Net Income (non-GAAP)	558.8	605.6	681.7	764.6	2,610.7	767.2	814.4	863.7	907.8	3,353.1	905.3	889.3	617.3	530.8	2,942.7	588.5	669.8	681.5	684.2	2,624.0
EPS (non-GAAP, ex Amort ex Op)	\$ 0.99	\$ 1.07	\$ 1.20	\$ 1.35	\$ 4.61	\$ 1.37	\$ 1.46	\$ 1.56	\$ 1.64	\$ 6.02	\$ 1.64	\$ 1.62	\$ 1.13	\$ 0.97	\$ 5.36	\$ 1.08	\$ 1.23	\$ 1.26	\$ 1.26	\$ 4.83
% Change Y/Y	26.8%	37.3%	48.4%	46.1%	40.0%	38.2%	36.3%	29.4%	21.1%	30.5%	20.2%	11.0%	-27.4%	-40.6%	-10.9%	-34.2%	-23.9%	11.2%	29.8%	-9.9%
% Change Q/Q	6.8%	8.2%	12.3%	12.6%		1.0%	6.8%	6.6%	5.4%		0.2%	-1.4%	-30.2%	-13.8%		11.1%	14.0%	1.9%	0.6%	

Source: Company reports and J.P. Morgan estimates

Table 5: Microchip Balance Sheet

\$ in millions

	Jun-21	Sep-21	Dec-21	Mar-22		Jun-22	Sep-22	Dec-22	Mar-23		Jun-23	Sep-23	Dec-23	Mar-24		Jun-24	Sep-24	Dec-24	Mar-25	
FY end: Mar (in \$ mm)	1Q22	2Q22	3Q22	4Q22	FY22E	1Q23	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24E	4Q24E	FY24E	1Q25E	2Q25E	3Q25E	4Q25E	FY25E
Total Revenue (non-GAAP)	1569.4	1649.8	1757.5	1844.2	6,820.9	1963.6	2073.2	2169.2	2232.7	8,438.7	2288.6	2254.3	1859.5	1729.3	8,131.7	1815.8	1942.9	1949.9	1942.9	7,644.5
% Change Y/Y	19.8%	26.0%	30.0%	25.7%	25.4%	25.1%	25.7%	23.4%	21.1%	23.7%	16.6%	8.7%	-14.3%	-22.5%	-3.6%	-20.7%	-13.8%	4.5%	12.4%	-6.0%
% Change Q/Q	7.0%	5.1%	6.5%	4.9%		6.5%	5.6%	4.6%	2.9%		2.5%	-1.5%	-17.5%	-7.0%		5.0%	7.0%	0.0%	0.0%	
Cost of Goods Sold	561.8	581.5	604.2	623.8	2,371.3	653.7	675.3	698.4	713.4	2,740.8	730.2	726.9	667.6	646.8	2,771.4	657.3	683.9	670.3	662.5	2,674.1
Gross Profit (non-GAAP)	1016.4	1077.4	1161.7	1228.4	4,483.9	1317.6	1404.4	1477.7	1525.4	5,725.1	1565.2	1534.8	1199.6	1090.3	5,389.9	1166.2	1266.7	1280.3	1288.1	5,001.3
Gross Margin (non-GAAP)	64.8%	65.3%	66.1%	66.6%	65.7%	67.1%	67.7%	68.1%	68.3%	67.8%	68.4%	68.1%	64.5%	63.0%	66.3%	64.2%	65.2%	65.9%	66.3%	65.4%
R&D	238.4	246.2	245.4	259.1	989.1	269.0	268.6	282.4	298.3	1118.3	298.5	292.6	286.7	283.9	1161.7	288.1	292.5	292.5	295.4	1168.4
% Total Revenue	15.2%	14.9%	14.0%	14.0%	14.5%	13.7%	13.0%	13.0%	13.4%	13.3%	13.0%	13.0%	15.4%	16.4%	14.3%	15.9%	15.1%	15.1%	15.2%	15.3%
SG&A	174.3	179.9	177.5	187.2	718.9	188.9	202.4	202.9	203.5	797.7	203.6	196.6	186.7	168.0	754.9	170.5	172.2	172.2	174.0	688.9
% Total Revenue	11.1%	10.9%	10.1%	10.2%	10.5%	9.6%	9.8%	9.4%	9.1%	9.5%	8.9%	8.7%	10.0%	9.7%	9.3%	9.4%	8.9%	8.9%	9.0%	9.0%
Amortization and Special Charges	226.1	225.9	215.4	224.6	892.0	150.7	171.8	173.9	169.5	665.9	153.2	153.2	153.2	153.2	612.8	153.2	153.2	153.2	153.2	612.8
% Total Revenue	14.4%	13.7%	12.3%	12.2%	13.1%	7.7%	8.3%	8.0%	7.6%	7.9%	6.7%	6.8%	8.2%	8.9%	7.5%	8.4%	7.9%	7.9%	7.9%	8.0%
OpEx (GAAP)	638.8	652.0	638.3	670.9	2,600.0	608.6	642.8	659.2	671.3	2,581.9	655.3	642.4	626.6	605.1	2,529.4	611.9	617.9	617.9	622.5	2,470.2
% Total Revenue	40.7%	39.5%	36.3%	36.4%	38.1%	31.0%	31.0%	30.4%	30.1%	30.6%	28.6%	28.5%	33.7%	35.0%	31.1%	33.7%	31.8%	31.8%	32.0%	32.3%
OpEx (non-GAAP)	361.3	376.7	377.2	403.5	1,518.7	422.7	433.0	447.9	461.7	1,765.3	464.8	450.1	427.7	413.9	1,756.5	420.7	426.7	426.7	431.3	1,705.4
% Total Revenue	23.0%	22.8%	21.5%	21.9%	22.3%	21.5%	20.9%	20.6%	20.7%	20.9%	20.3%	20.0%	23.0%	23.9%	21.6%	23.2%	22.0%	22.0%	22.2%	22.3%
Operating Income	368.8	416.3	515.0	549.5	1,849.6	701.3	755.1	811.6	848.0	3,116.0	903.1	885.0	565.3	477.5	2,830.9	546.6	641.1	654.7	657.8	2,500.3
Operating Margin	23.5%	25.2%	29.3%	29.8%	27.1%	35.7%	36.4%	37.4%	38.0%	36.9%	39.5%	39.3%	30.4%	27.6%	34.8%	30.1%	33.0%	33.7%	33.9%	32.7%
Operating Income (non-GAAP)	655.1	700.7	784.5	824.9	2,965.2	894.9	971.4	1,029.8	1,063.7	3,959.8	1,100.4	1,084.7	771.9	676.4	3,633.4	745.5	840.0	853.6	856.7	3,295.9
Operating Margin (non-GAAP)	41.7%	42.5%	44.6%	44.7%	43.5%	45.6%	46.9%	47.5%	47.6%	46.9%	48.1%	48.1%	41.5%	39.1%	44.7%	41.1%	43.2%	43.9%	44.1%	43.1%
Loss on equity method investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0					0.0
Interest/Other Expenses, net	(71.8)	(151.5)	(73.5)	(70.3)	(367.1)	(54.7)	(56.0)	(49.4)	(46.2)	(206.3)	(54.8)	(51.4)	(52.0)	(59.0)	(217.2)	(61.0)	(61.0)	(61.0)	(61.0)	(244.0)
Interest/Other Expenses (non-GAAP)	(60.6)	(56.2)	(53.7)	(50.1)	(220.6)	(48.4)	(53.9)	(49.4)	(40.2)	(197.9)	(45.7)	(48.3)	(52.0)	(59.0)	(205.0)	(61.0)	(61.0)	(61.0)	(61.0)	(226.0)
Pretax Income	297.0	264.8	441.5	479.2	1,482.5	646.6	699.1	762.2	861.8	2,909.7	848.3	833.6	513.3	418.5	2,613.7	485.6	580.1	593.7	596.8	2,256.0
% Total Revenue	18.9%	16.1%	25.1%	26.0%	21.7%	32.9%	33.7%	35.1%	35.9%	34.7%	37.1%	37.0%	27.6%	24.2%	32.1%	26.7%	29.9%	30.0%	30.7%	29.5%
Income Tax (Benefit)	44.2	22.8	88.7	41.3	197.0	139.4	152.9	181.9	197.8	672.0	181.9	167.0	121.1	102.6	572.7	119.1	142.2	145.6	146.3	553.2
Income Tax (non-GAAP)	35.7	38.9	49.1	10.2	133.9	79.3	103.1	116.7	109.7	408.8	149.4	147.1	102.7	86.6	485.7	96.0	109.2	111.1	111.6	427.9
% Pretax Income (Tax Rate, non-GAAP)	6.0%	6.0%	6.7%	1.3%	4.9%	9.4%	11.2%	11.9%	10.8%	10.9%	14.2%	14.2%	14.3%	14.0%	14.2%	14.0%	14.0%	14.0%	14.0%	14.0%
Diluted Common Shares (non-GAAP)	565.2	565.9	567.3	565.1	565.9	561.5	558.3	555.4	553.9	557.3	551.4	549.2	546.5	545.5	548.2	544.5	543.5	542.5	541.5	543.0
Net Income (non-GAAP)	558.8	605.6	681.7	764.6	2,610.7	767.2	814.4	863.7	907.8	3,353.1	905.3	889.3	617.3	530.8	2,942.7	588.5	669.8	681.5	684.2	2,624.0
EPS (non-GAAP, ex Amort ex OpEx)	\$ 0.99	\$ 1.07	\$ 1.20	\$ 1.35	\$ 4.61	\$ 1.37	\$ 1.46	\$ 1.56	\$ 1.64	\$ 6.02	\$ 1.64	\$ 1.62	\$ 1.13	\$ 0.97	\$ 5.36	\$ 1.08	\$ 1.23	\$ 1.26	\$ 1.26	\$ 4.83
% Change Y/Y	26.8%	37.3%	48.4%	46.1%	40.0%	38.2%	36.3%	29.4%	21.1%	30.5%	20.2%	11.0%	-27.4%	-40.6%	-10.9%	-34.2%	-23.9%	11.2%	29.8%	-9.9%
% Change Q/Q	6.8%	8.2%	12.3%	12.6%		1.0%	6.8%	6.6%	5.4%		0.2%	-1.4%	-30.2%	-13.8%		11.1%	14.0%	1.9%	0.6%	

Table 6: Microchip Cash Flow Statement

\$ in millions

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
FY end: Mar (in \$ mm)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Cash flows from operating activities																	
Net Income	116.0	252.8	242.0	352.8	437.9	507.2	546.2	580.3	604.0	666.4	666.6	392.2	315.9	366.5	437.9	448.1	450.5
Income adjustment for Telcom quarter ended March 31, 2000																	
Adjustments																	
Share based Compensation Expense	55.0	56.6	55.7	50.9	47.0	41.2	41.3	44.0	43.9	44.5	45.4	38.0	38.0	38.0	38.0	38.0	38.0
Convertible Debt Derivatives																	
Amortization of Debt Discount on Convertible Debt	13.6	12.6	11.6	10.7	10.0	1.8	1.8	1.8									
Amortization of Debt Issuance Costs	3.9	3.5	2.9	2.8	2.3	2.3	2.4	2.4									
Losses on Equity Method Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0									
Special Charges and Others	79.4	1.2	80.4	10.5	3.1	6.0	0.0	1.9									
Depreciation and amortization	287.8	272.2	277.5	300.6	303.0	259.4	251.8	244.0	244.0	244.0	244.0	244.0	244.0	244.0	244.0	244.0	244.0
Amortization of purchased technology																	
Deferred income taxes	(56.0)	20.1	(31.3)	17.3	1.8	74.7	56.6	54.1	54.1	54.1	54.1	54.1	54.1	54.1	54.1	54.1	54.1
Tax benefit from share based compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase) decrease in accounts receivable	(103.9)	(3.0)	15.1	55.5	(142.5)	(72.4)	11.8	(41.8)	(130.3)	(159.7)	(241.2)	398.3	91.6	(60.8)	(89.4)	0.0	0.0
(Increase) decrease in inventories	0.90	(19.2)	(30.6)	(55.2)	(72.80)	(65.0)	(125.2)	(134.6)	(159.5)	(11.5)	5.5	109.1	38.0	(19.3)	(48.7)	24.9	14.2
Increase (decrease) in accounts payable and accrued liabilities	11.0	(0.9)	4.2	70.5	118.9	152.4	(8.1)	81.2	(109.3)	(100.5)	69.4	58.8	41.8	(21.2)	(53.5)	27.4	15.6
Increase(decrease) in deferred income on shipments to disti	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in other assets and liabilities	41.5	34.0	(15.8)	37.0	39.0	(67.2)	14.6	444.6	162.6	255.9	(227.6)						
Net cash provided by operating activities	449.2	629.9	611.7	853.4	747.7	840.4	793.2	1,277.9	709.5	993.2	616.2	1,294.5	823.4	601.3	582.4	836.5	816.4
Cash flows from investing activities																	
Sales (purchases) of short term investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0									
Sales (purchases) of long term investments	0.0	(26.4)	(17.5)	43.9	0.0	(32.3)	(20.5)	52.8									
Purchase of Fab 4																	
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0										
Proceeds (investments) from sale of assets	(7.8)	0.0	0.0	(79.5)	(28.1)	0.4	0.0	(75.6)									
Capital expenditures	(55.4)	(86.3)	(78.5)	(90.7)	(114.6)	(121.9)	(110.3)	(141.3)	(112.7)	(111.1)	(74.4)	(60.0)	(60.0)	(75.0)	(75.0)	(80.0)	(80.0)
Net cash used in investing activities	(63.2)	(112.7)	(96.0)	(126.3)	(142.7)	(153.8)	(130.8)	(164.1)	(112.7)	(111.1)	(74.4)	(60.0)	(60.0)	(75.0)	(75.0)	(80.0)	(80.0)
Cash flows from financing activities																	
Repayment of lines of credit	4,822.3	(1,408.0)	(132.0)	(2,213.5)	1,806.0	(199.0)	(228.0)	(4,740.1)									
Payment of cash dividends	(106.6)	(113.1)	(121.2)	(128.7)	(140.8)	(153.0)	(166.1)	(180.3)	(195.9)	(208.9)	(222.8)	(237.5)	(258.9)	(282.2)	(307.6)	(335.3)	(408.2)
Payments on long-term debt	(2,434.1)	0.0	0.0	(362.8)	362.8	(73.5)	(96.9)	0.0	(153.0)	(413.0)							
Payments on capital lease obligations	0.0	0.0	0.0	(0.6)	(0.2)	0.0	0.0	(0.6)									
Sale/(Repurchase) of common stock	20.1	12.2	21.2	(152.3)	(236.2)	(181.8)	(222.8)	(213.0)	(273.9)	(140.3)	(339.8)	(114.6)	(759.6)	(370.5)	(179.3)	(159.5)	(348.3)
Proceeds from Debt Issuance	(2,721.6)	997.0	(263.6)	2,213.6	(2,374.7)	0.0	0.0	4,021.0									
Others	(56.8)	(7.6)	(44.5)	(22.6)	(18.0)	(19.6)	(20.9)	(16.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by (used in) financing activities	(476.7)	(519.5)	(540.1)	(666.9)	(601.1)	(626.9)	(734.7)	(1,129.7)	(622.8)	(762.2)	(562.6)	(352.1)	(1,018.5)	(652.7)	(486.8)	(494.8)	(756.5)
Net (decrease) increase in cash and cash equivalents	(90.7)	(2.3)	(24.4)	60.2	3.9	59.7	(72.3)	(15.9)	(26.0)	119.9	(20.8)	882.4	(255.1)	(126.4)	20.6	261.7	(20.0)
Effect of foreign exchange on cash and cash eq																	
Cash and cash equivalents at beginning of the period	370.7	280.0	277.7	253.3	313.5	317.4	377.1	304.8	288.9	262.9	382.8	362.0	1,244.4	989.3	862.9	883.5	1,145.2
Cash and cash equivalents at end of period	280.0	277.7	253.3	313.5	317.4	377.1	304.8	288.9	262.9	382.8	362.0	1,244.4	989.3	862.9	883.5	1,145.2	1,125.2

Source: Company reports and J.P. Morgan estimates

Investment Thesis, Valuation and Risks

Microchip Technology (*Overweight; Price Target: \$95.00*)

Investment Thesis

We are Overweight MCHP based on the following:

Post the merger with Microsemi, Microchip has gained significant share/scale while broadening its product portfolio. We believe the combined entity stands to gain additional share in a fragmented market, especially in growth areas such as automotive, industrial, and IoT.

We believe the merger synergy and accretion targets laid out by the management team could be conservative in light of a merger schedule that closed ahead of expectations and the company's history of delivering additional upside in prior acquisitions.

We expect the company to drive additional revenue synergies from complementary sales of analog products, which has proven to be an effective strategy in the past. We believe Microchip's strength in distribution and customer support will help capture this opportunity

Valuation

Our Dec-24 PT of \$95 assumes that MCHP trades at a semi peer group multiple of 16-20x, applied to FY25 exit run-rate earnings power of ~\$5.00.

Risks to Rating and Price Target

Post merging with Microsemi, Microchip derives a significant portion of its revenues from microcontrollers. If Microchip loses material market share in microcontrollers to a competitor, this could lead to a decrease in our revenue and EPS estimates, which could cause us to reassess our Overweight rating.

Also, because Microchip's products are representative of the global economy as a whole, any pressure or recession in the world—European, North American, or Asian—economy would negatively affect the company's business.

Microchip Technology: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly				
	FY22A	FY23A	FY24E	FY25E	FY26E		1Q24A	2Q24A	3Q24E	4Q24E
Revenue	6,821	8,439	8,132	7,645	-	Revenue	2,289A	2,254A	1,860	1,729
COGS	(2,371)	(2,741)	(2,771)	(2,674)	-	COGS	(730)A	(727)A	(668)	(647)
Gross profit	4,450	5,698	5,360	-	-	Gross profit	1,558A	1,527A	1,192	1,083
SG&A	(719)	(798)	(755)	(689)	-	SG&A	(204)A	(197)A	(187)	(168)
Adj. EBITDA	4,119	4,959	4,609	4,272	-	Adj. EBITDA	1,344A	1,329A	1,016	920
D&A	(903)	(666)	(613)	(153)	-	D&A	(153)A	(153)A	(153)	(153)
Adj. EBIT	2,965	3,960	3,633	3,296	-	Adj. EBIT	1,100A	1,085A	772	676
Net Interest	(367)	(206)	(217)	(244)	-	Net Interest	(55)A	(51)A	(52)	(59)
Adj. PBT	2,745	3,762	3,428	3,052	-	Adj. PBT	1,055A	1,036A	720	617
Tax	(197)	(672)	(573)	(553)	-	Tax	(182)A	(167)A	(121)	(103)
Minority Interest	-	-	-	-	-	Minority Interest	-	-	-	-
Adj. Net Income	2,611	3,353	2,943	2,624	-	Adj. Net Income	905A	889A	617	531
Reported EPS	2.27	4.02	3.72	3.14	-	Reported EPS	1.21A	1.21A	0.72	0.58
Adj. EPS	4.61	6.02	5.37	4.83	-	Adj. EPS	1.64A	1.62A	1.13	0.97
DPS	0.00	1.07	1.86	2.60	-	DPS	0.42A	0.44A	0.48	0.52
Payout ratio	0.0%	26.6%	49.9%	82.9%	-	Payout ratio	34.5%A	36.2%A	66.7%	90.1%
Shares outstanding	566	557	548	543	-	Shares outstanding	551A	549A	547	546
Balance Sheet & Cash Flow Statement						Ratio Analysis				
	FY22A	FY23A	FY24E	FY25E	FY26E		FY22A	FY23A	FY24E	FY25E
Cash and cash equivalents	319	234	884	1,020	-	Gross margin	65.2%	67.5%	65.9%	-
Accounts receivable	1,073	1,305	1,216	1,367	-	EBITDA margin	60.4%	58.8%	56.7%	55.9%
Inventories	854	1,325	1,184	1,213	-	EBIT margin	43.5%	46.9%	44.7%	43.1%
Other current assets	206	205	233	233	-	Net profit margin	38.3%	39.7%	36.2%	34.3%
Current assets	2,453	3,069	3,517	3,832	-	ROE	46.5%	54.0%	37.9%	28.8%
PP&E	968	1,178	1,145	1,092	-	ROA	16.0%	20.6%	17.9%	15.7%
LT investments	-	-	-	-	-	ROCE	26.8%	35.8%	31.8%	27.9%
Other non current assets	12,779	12,123	11,868	11,868	-	SG&A/Sales	10.5%	9.5%	9.3%	9.0%
Total assets	16,200	16,370	16,530	16,792	-	Net debt/equity	0.7	0.4	0.0	NM
Short term borrowings	0	1,398	0	0	-	P/E (x)	16.0	12.2	13.7	15.2
Payables	1,399	1,720	1,301	1,333	-	P/BV (x)	6.9	6.2	4.3	4.1
Other short term liabilities	0	0	0	0	-	EV/EBITDA (x)	10.8	8.7	8.8	-
Current liabilities	1,399	3,119	1,301	1,333	-	Dividend Yield	0.0%	1.5%	2.5%	3.5%
Long-term debt	4,287	1,642	1,015	1,015	-	Sales/Assets (x)	0.4	0.5	0.5	0.5
Other long term liabilities	4,618	5,096	5,187	5,239	-	Interest cover (x)	11.2	24.0	21.2	17.5
Total liabilities	10,305	9,857	7,503	7,586	-	Operating leverage	147.7%	141.4%	226.6%	155.0%
Shareholders' equity	5,895	6,514	9,027	9,206	-	Revenue y/y Growth	25.4%	23.7%	(3.6%)	(6.0%)
Minority interests	0	0	0	0	-	EBITDA y/y Growth	24.5%	20.4%	(7.0%)	(7.3%)
Total liabilities & equity	16,200	16,370	16,530	16,792	-	Tax rate	4.9%	10.9%	14.2%	14.3%
BVPS	10.63	11.84	16.93	17.82	-	Adj. Net Income y/y Growth	46.1%	28.4%	(12.2%)	(10.8%)
y/y Growth	0.3%	11.4%	43.1%	5.3%	-	EPS y/y Growth	39.8%	30.4%	(10.8%)	(10.0%)
Net debt/(cash)	3,968	2,806	131	(5)	-	DPS y/y Growth	-	-	73.8%	40.0%
Cash flow from operating activities	2,843	3,621	3,727	2,837	-					
o/w Depreciation & amortization	1,153	999	976	976	-					
o/w Changes in working capital	34	(46)	328	(211)	-					
Cash flow from investing activities	(478)	(561)	(306)	(310)	-					
o/w Capital expenditure	(370)	(486)	(306)	(310)	-					
as % of sales	5.4%	5.8%	3.8%	4.1%	-					
Cash flow from financing activities	(2,328)	(3,621)	(2,300)	(2,391)	-					
o/w Dividends paid	(504)	(695)	(928)	(1,333)	-					
o/w Net debt issued/(repaid)	572	4,021	0	0	-					
Net change in cash	37	(561)	1,122	136	-					
Adj. Free cash flow to firm	2,822	3,319	3,608	2,736	-					
y/y Growth	14.9%	17.6%	8.7%	(24.2%)	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Mar. o/w - out of which

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Microchip Technology (MCHP, MCHP US) Price Chart



Date	Rating	Price (\$)	Price Target (\$)
06-Nov-20	OW	59.19	67.5
05-Feb-21	OW	71.87	90
07-May-21	OW	73.26	92.5
04-Aug-21	OW	73.41	96
05-Nov-21	OW	82.92	104
04-Feb-22	OW	74.17	105
10-May-22	OW	64.31	100
03-Aug-22	OW	69.27	92
03-Feb-23	OW	84.53	110

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Dec 13, 2002. All share prices are as of market close on the previous business day.

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