



Microchip Technology Incorporated (MCHP)

Updated November 10th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$55	5 Year Annual Expected Total Return:	7.2%	Market Cap:	\$30.4 B
Fair Value Price:	\$26	5 Year Growth Estimate:	20.0%	Ex-Dividend Date:	11/24/2025
% Fair Value:	214%	5 Year Valuation Multiple Estimate:	-14.1%	Dividend Payment Date:	12/09/2025
Dividend Yield:	3.3%	5 Year Price Target	\$65	Years Of Dividend Growth:	22
Dividend Risk Score:	B	Sector:	Technology	Rating:	Hold

Overview & Current Events

Microchip Technology develops, manufactures, and sells smart, connected and secure embedded control solutions used for a wide variety of applications. These include disruptive growth trends such as 5G, artificial intelligence, Internet of Things (IoT), and autonomous driving, amongst others, in key end markets such as automotive, aerospace and defense, communications. The company's strategic focus is that these solutions are cost-effective, offer high performance, with a wide voltage range operation, at extremely low power usage. Microchip Technology generates around \$6 billion in annual revenues and is based in Chandler, Arizona.

On November 5th, 2024, Microchip Technology raised its dividend by 0.2% to a quarterly rate of \$0.455. On a year-over-year basis, the dividend grew by 3.6%. It marked the 61st consecutive sequential increase. The company didn't raise the dividend again in FQ3, breaking this streak.

On November 6th, 2025, Microchip Technology posted its fiscal Q2 2026 results for the quarter ending September 30th, 2025. For the quarter, net sales were \$1.14 billion, down 2.0% from the same period last year but up 6.0% sequentially, reflecting early signs of recovery within the semiconductor industry. Management noted that operational improvements are driving financial progress even as the broader market recovery develops gradually.

GAAP gross margins declined to 55.9% from 57.4% a year earlier. Despite sequential growth, continued cost pressures, and lower year-over-year sales led to net income of \$13.9 million, or \$0.03 per diluted share, compared to \$78.4 million, or \$0.14 per share, in the prior-year quarter. On an adjusted basis, EPS was \$0.35 versus \$0.46 last year.

Non-GAAP results are more meaningful in understanding Microchip's operating performance as it excludes its high share-based compensation, manufacturing excursion, high depreciation & amortization, and other factors. We use non-GAAP figures to accurately value the stock and assess its future returns, but all other figures in the table are GAAP-based, as officially shown in the company's filings with the SEC.

We expect the ongoing weakness to persist as customers and channel partners continue to reduce inventory, though the company's commentary and bookings trends suggest gradual recovery momentum. We see non-GAAP EPS of \$1.44 for FY2026.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$0.80	\$0.38	\$0.55	\$0.75	\$1.19	\$0.67	\$2.33	\$4.07	\$3.52	(\$0.01)	\$1.44	\$3.58
DPS	\$0.72	\$0.72	\$0.72	\$0.73	\$0.73	\$0.75	\$0.91	\$1.26	\$1.68	\$1.82	\$1.82	\$3.66
Shares¹	434.8	469.6	497.8	499.8	512.4	541.2	565.9	557.3	548.0	537.3	545.0	580.0

Microchip Technology's EPS has struggled to improve meaningfully over the past decade despite the company growing its revenues relatively consistently. This has been mostly due to higher operating and R&D expenses, as well as increased financial expenses. However, with management's goal to expand margins while taking advantage of the ongoing sky-high demand for chips, non-GAAP EPS started to snowball post-pandemic. While weakness in the industry is likely to pressure EPS this year, we expect growth of 20% over the medium-term, which reflects starting off a depressed based in

¹ Share count is in millions.

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FY2024. In terms of its dividend, Microchip has hiked it 82 times (including a track record of 61 consecutive sequential hikes that ended in FQ3-2025) over the past 22 years. These quarter-over-quarter increases were quite marginal in some cases (look at 2014 to 2021 for example). That said, we see DPS growth of 15% moving forward to reflect the recent DPS growth acceleration and management’s goal of returning 100% of Microchip’s adjusted free cash flow to shareholders.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	38.4	113.2	64.5	62.3	50.2	118.5	30.6	17.7	35.6	---	38.5	18.0
Avg. Yld.	2.3%	1.7%	2.0%	1.6%	1.2%	0.9%	1.3%	1.8%	1.3%	2.3%	3.3%	5.7%

Microchip is now trading at a P/E of 38.5 our expected FY2026 adjusted EPS estimate. This multiple reflects the market’s expectation for a strong rebound in earnings growth from FY2026 onwards. Nevertheless, this multiple also implies a natural valuation headwind from our fair multiple of 18.0x EPS. The yield is now hovering at rather attractive levels, but we expect it to rise further following a multiple compression and the possibility of continued dividend hikes.

Safety, Quality, Competitive Advantage, & Recession Resiliency

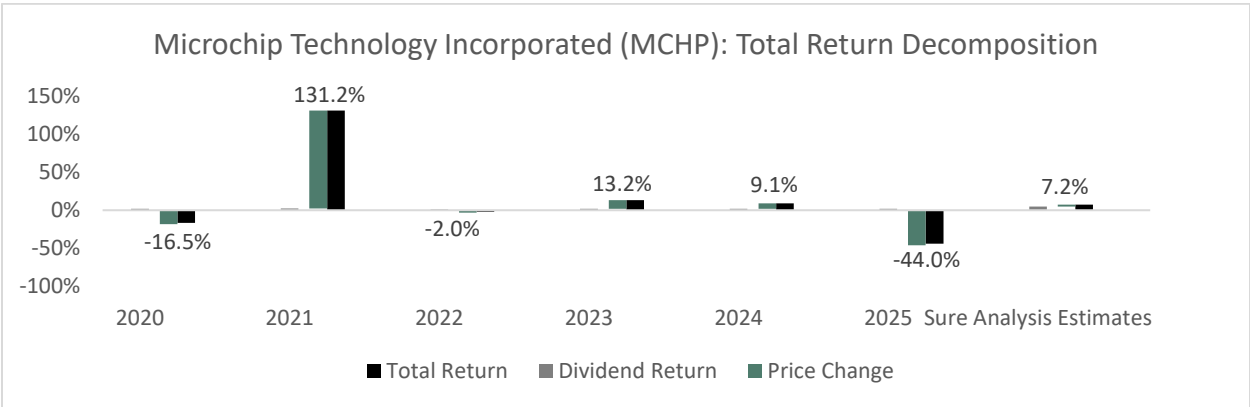
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	90%	189%	131%	97%	61%	112%	39%	31%	48%	---	126%	102%

Microchip’s dividend should remain covered by operating cash flows under normal conditions, despite the 126% payout ratio currently. The normalized payout ratio seems high in previous years as well, but only due to the company’s GAAP results, which carry heavy stock-based compensation expenses and depreciation & amortization (a non-cash item). The company enjoys several qualities and positive catalysts, including a solid backlog that should provide predictable cash flows moving forward. Further, the company’s net debt position has been on the decline (now \$5.18 billion vs. \$10.70 billion in 2018). Still, Microchip faces several noteworthy risks, including fierce competition, global industrial cyclicity effects, limited visibility to product shipments, and international risks such as FX fluctuations due to its global clientele. A global recession could adversely impact the company’s results, though global demand for chips remains far ahead of supply capabilities, at least for now.

Final Thoughts & Recommendation

Shares of Microchip Technologies have been under pressure lately. Despite another weak quarter, the company should continue to grow EPS at a rapid pace from FY2026 onwards. Further, management should remain committed to growing the dividend, despite scraping its track record of sequential hikes in FQ3-2025, which should add to total returns. We see annualized returns of 7.2% through fiscal year 2031 despite the possibility of a heavy multiple compression, as a strong rebound in EPS is possible. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	2,173	3,408	3,981	5,350	5,274	5,438	6,821	8,439	7,634	4,402
Gross Profit	1,206	1,757	2,421	2,931	3,242	3,379	4,450	5,698	4,996	2,468
Gross Margin	55.5%	51.6%	60.8%	54.8%	61.5%	62.1%	65.2%	67.5%	65.4%	56.1%
SG&A Exp.	302	500	452	683	677	610	719	798	734	618
D&A Exp.	283	469	616	876	1,216	1,153	1,144	998	880	750
Operating Profit	356	374	954	748	694	1,000	1,879	3,112	2,559	376
Operating Margin	16.4%	11.0%	24.0%	14.0%	13.2%	18.4%	27.5%	36.9%	33.5%	8.5%
Net Profit	324	165	255	356	571	349	1,286	2,238	1,907	(0.5)
Net Margin	14.9%	4.8%	6.4%	6.7%	10.8%	6.4%	18.9%	26.5%	25.0%	0%
Free Cash Flow	647	984	1,213	1,446	1,476	1,824	2,473	3,135	2,608	772
Income Tax	(43)	(81)	482	(151)	(420)	(10)	197	672	459	39

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	5538	7687	8257	18350	17426	16479	16200	16370	15,870	15,370
Cash & Equivalents	2093	909	901	429	401	280	317	234	320	772
Accounts Receivable	290	478	564	881	934	998	1070	1,300	1,142	684
Inventories	307	417	476	712	686	665	854	1,300	1,316	1,294
Goodwill & Int. Ass.	1619	4447	3961	13350	12367	11465	10720	1325	9,457	9,074
Total Liabilities	3387	4416	4977	13063	11841	11142	10300	9857	9,215	8,296
Accounts Payable	79	149	144	226	247	292	345	397	213	161
Long-Term Debt	2453	2951	3068	10307	9482	8904	7687	6440	6,000	5,630
Shareholder's Equity	2151	3271	3280	5288	5586	5337	5895	6514	6,658	7,078
LTD/E Ratio	1.14	0.90	0.94	1.95	1.70	1.67	1.30	0.99	0.90	0.80

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	6.3%	2.5%	3.2%	2.7%	3.2%	2.1%	7.9%	13.7%	11.8%	0%
Return on Equity	15.4%	6.1%	7.8%	8.3%	10.5%	6.4%	22.9%	36.1%	29.0%	0%
ROIC	7.6%	3.0%	4.1%	3.2%	3.7%	2.4%	9.2%	16.9%	14.9%	0%
Shares Out.	217.4	234.8	248.9	249.9	256.2	270.6	565.9	557.3	548	537.3
Revenue/Share	10.00	14.51	15.99	21.41	20.59	20.10	12.05	15.14	13.93	8.19
FCF/Share	2.97	4.19	4.87	5.79	5.76	6.74	4.37	5.63	4.76	1.44

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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