Microchip Technology Incorporated (MCHP)

Updated August 20th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$77	**5 Year Annual Expected Total Return:**	13.7%	**Market Cap:**	$42.0 B
Fair Value Price:	$66	**5 Year Growth Estimate:**	15.0%	**Ex-Dividend Date:**	08/24/2026
% Fair Value:	117%	**5 Year Valuation Multiple Estimate:**	-3.1%	**Dividend Payment Date:**	09/09/2026
Dividend Yield:	2.4%	**5 Year Price Target**	$132	**Years Of Dividend Growth:**	22
Dividend Risk Score:	A	**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 generated 4.7 billion in revenue last year 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 after FQ3-2025, breaking this streak. The annual streak remains as FY2025 DPS was actually $1.816.

On August 6th, 2026, Microchip Technology posted its fiscal Q1-27 results for the quarter ending June 30th, 2026. Net sales were $1.485 billion, up 38.0% from the same period last year and 13.2% sequentially, exceeding the high end of management's guidance. Improving demand, continued customer inventory normalization, and stronger factory utilization supported the quarter, while inventory days declined from 185 to 175 and bookings remained strong.

GAAP gross margin grew to 63.2% from 53.6% a year earlier. Stronger sales and improved operating leverage supported GAAP net income attributable to common stockholders of $202.0 million, or $0.37 per diluted share, compared with a net loss of $46.4 million, or $0.09 per diluted share, in the prior-year quarter. On an adjusted basis, EPS rose to $0.76 from $0.27 last year. For fiscal Q2, management expects net sales of $1.589 billion to $1.618 billion and adjusted EPS of $0.91 to $0.95. We see adjusted EPS of $3.65 for FY2027.

Growth on a Per-Share Basis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
EPS	$0.38	$0.55	$0.75	$1.19	$0.67	$2.33	$4.07	$3.52	($0.01)	$0.22	***$3.65***	***$7.34***
DPS	$0.72	$0.72	$0.73	$0.73	$0.75	$0.91	$1.26	$1.68	$1.82	$1.82	***$1.82***	***$3.66***
Shares[1]	469.6	497.8	499.8	512.4	541.2	565.9	557.3	548.0	537.3	545.2	***550.5***	***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, industry conditions are now improving following a prolonged inventory correction, with customer inventories normalizing, bookings strengthening, and factory utilization recovering.

Over the medium term, we expect annual EPS growth of 15%, driven by revenue recovery across industrial and automotive markets, growing design activity in data center and AI applications, demand for high-speed connectivity and compute solutions, continued aerospace and defense strength, operating leverage from higher factory loading, and management's margin-expansion initiatives under its recovery plan.

[1] Share count is in millions.

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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.

Valuation Analysis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Now	2032
Avg. P/E	113.2	64.5	62.3	50.2	118.5	30.6	17.7	35.6	---	---	***21.1***	***18.0***
Avg. Yld.	1.7%	2.0%	1.6%	1.2%	0.9%	1.3%	1.8%	1.3%	2.3%	2.8%	***2.4%***	***2.8%***

Microchip is now trading at a P/E of 21.1 our expected FY2027 adjusted EPS estimate. This multiple reflects the market's expectation for a strong rebound in earnings growth from FY2027 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

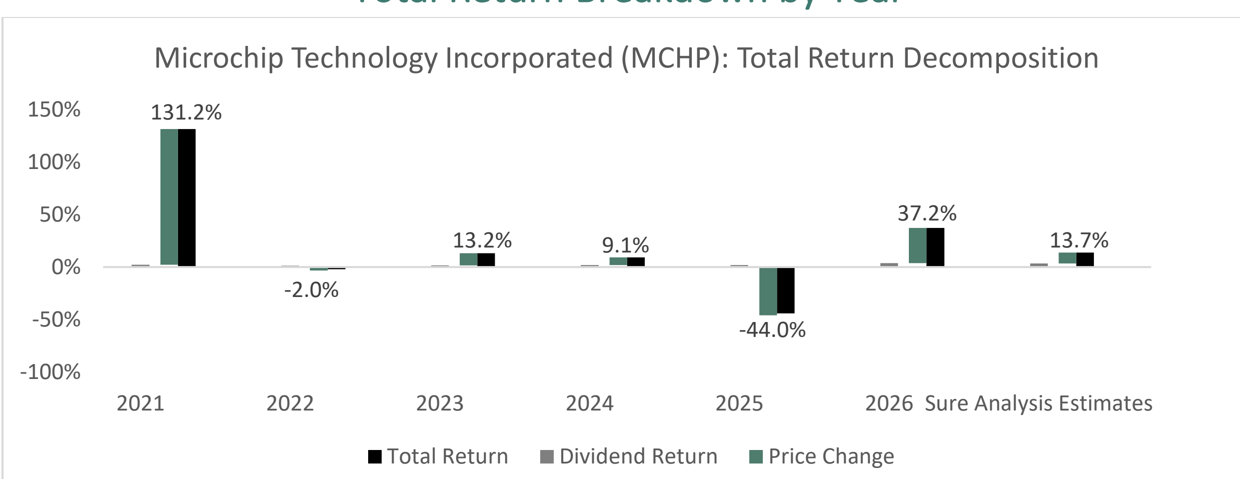
Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
Payout	189%	131%	97%	61%	112%	39%	31%	48%	---	---	***50%***	***50%***

Microchip's dividend should remain covered by operating cash flows under normal conditions. The 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). Microchip 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 $5.13 billion vs. $10.70 billion in 2018). Still, Microchip faces several noteworthy risks, including fierce competition, global industrial cyclicality 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 FY2027 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 13.7% through FY2032 despite the possibility of a multiple compression, due to a strong rebound in EPS being possible. Shares earn a hold rating due to MCHP's impressive dividend growth track record.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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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.