

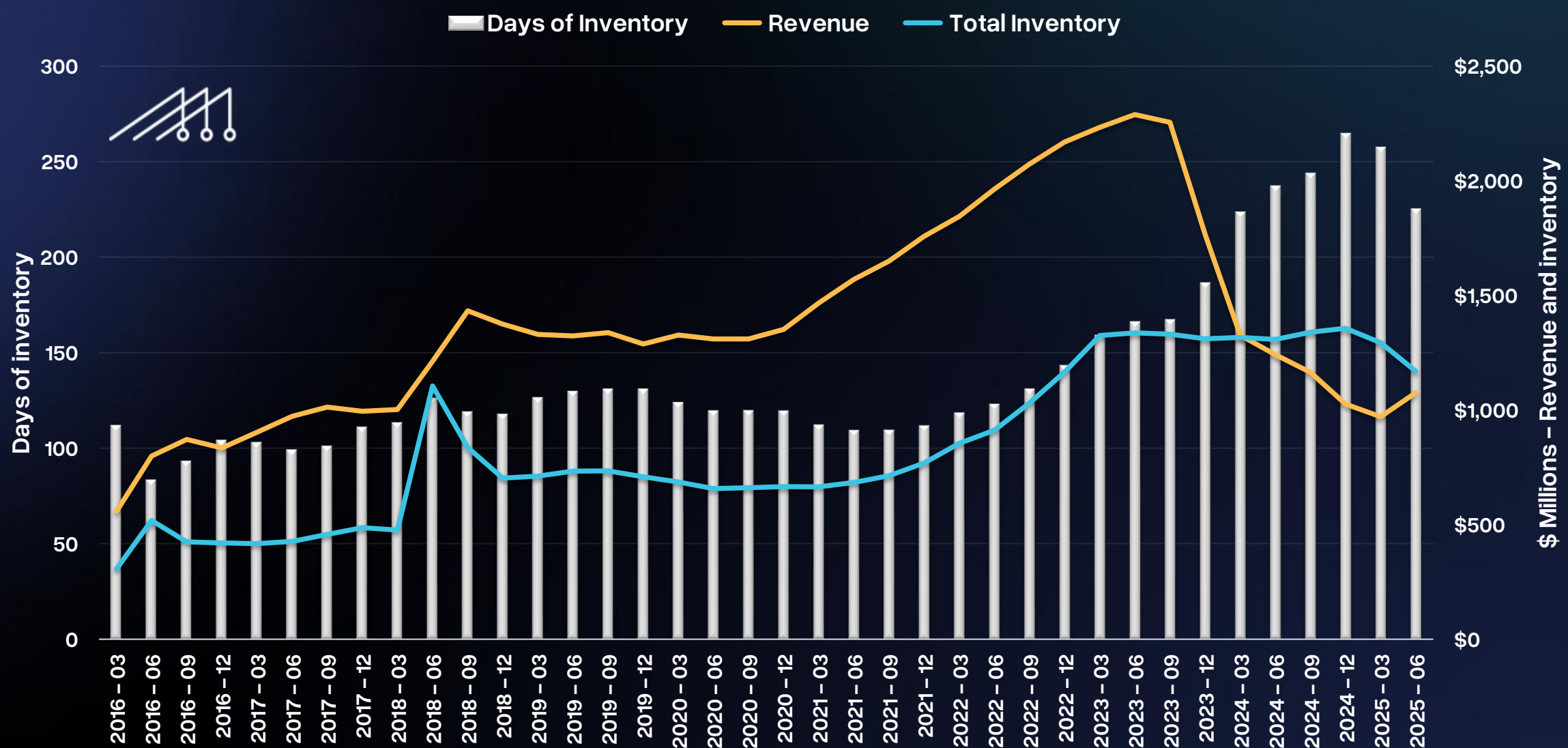
The 1–Minute Brief

Microchip FY Q1'26 (CY Q2'25) Earnings

Announced on 07 Aug'25

Key Takeaways

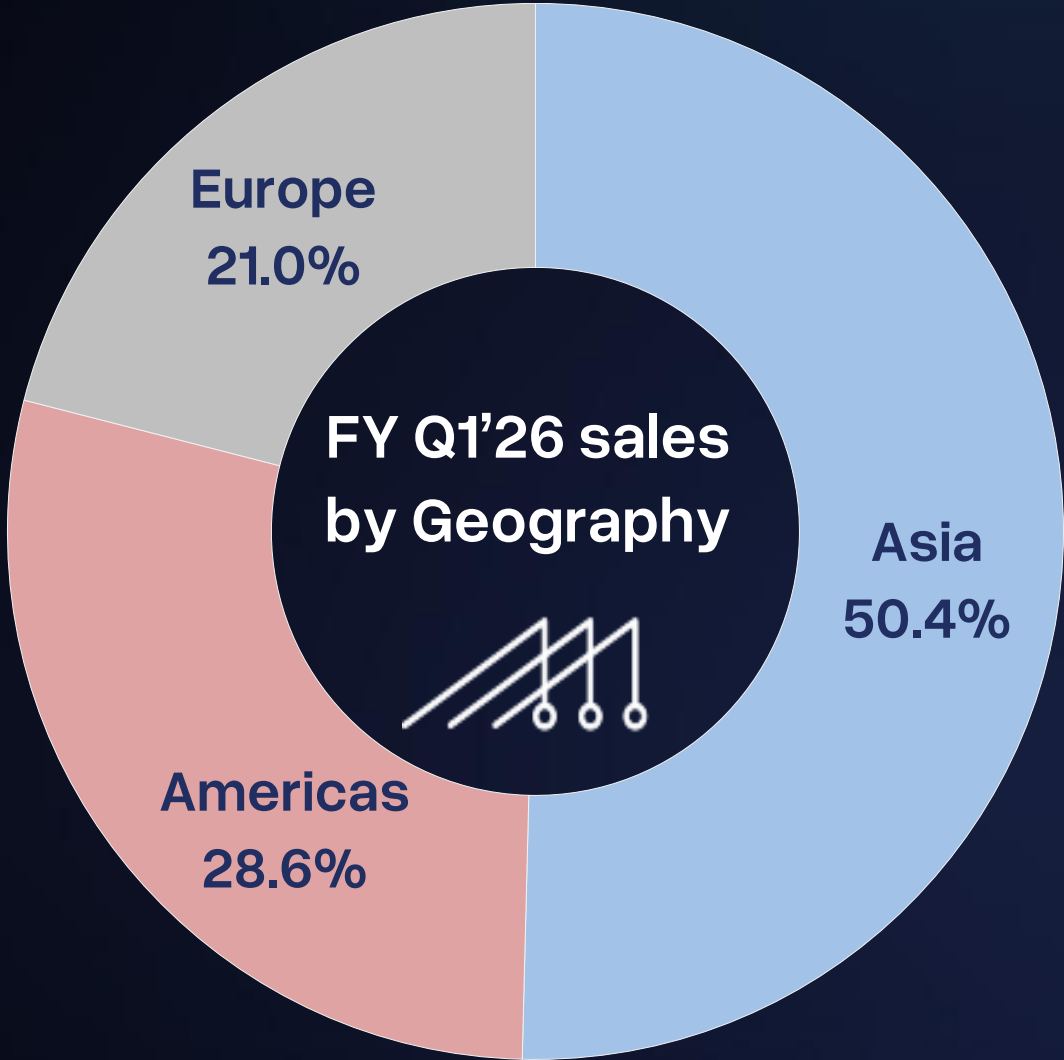
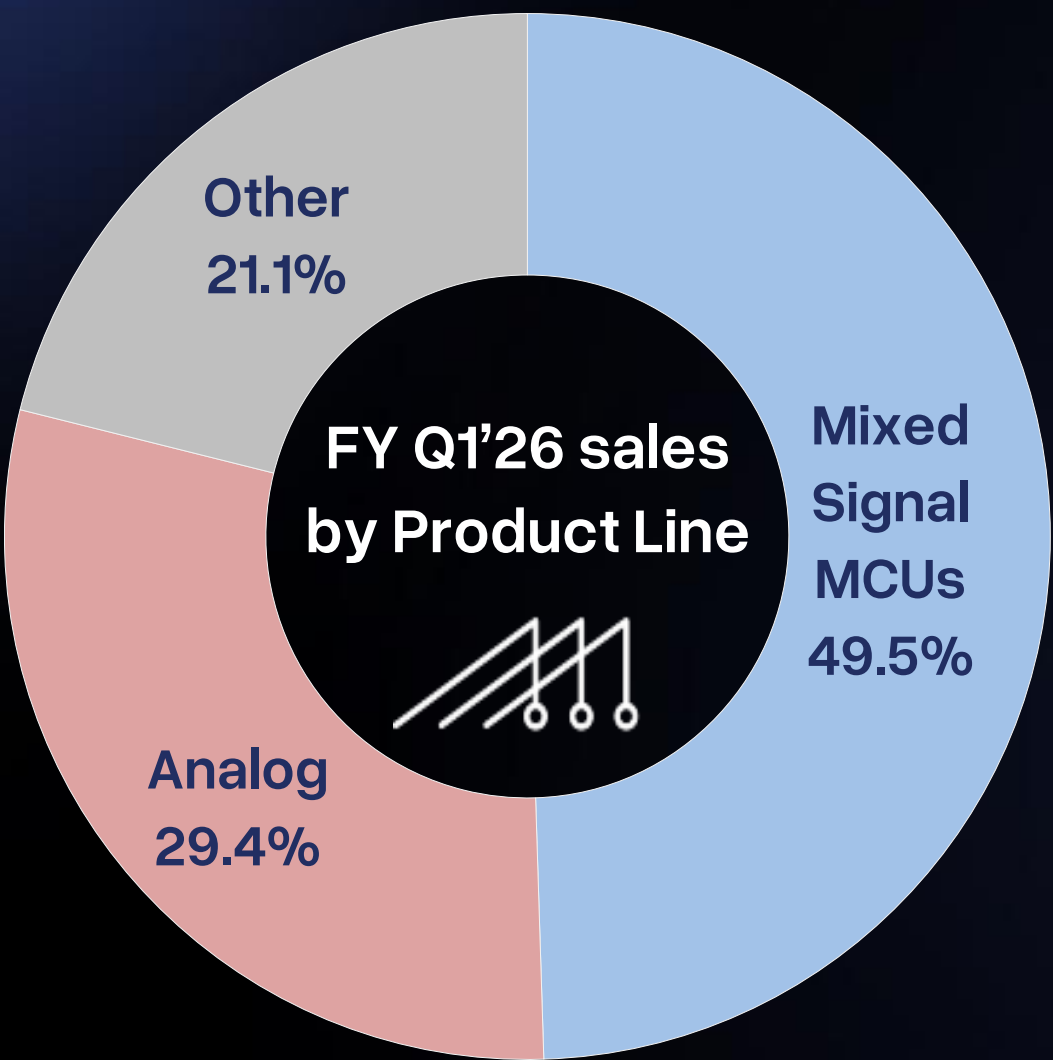
- FY Q1'26 revenue outperformed expectations with +10.8% QoQ growth, offset by a -13.4% YoY decline
- Inventory dropped by \$124M sequentially, advancing toward its \$350M annual goal
- Bookings: July bookings were the highest in 3 years
- Strong momentum across Aerospace & Defense, AI applications, and Network Connectivity, with significant design wins in data center infrastructure



Performance breakdown

End Market/Segment	Performance
Microcontroller & Analog	Both up double digits sequentially
Aerospace & Defence	Strong growth on geopolitical demand; FPGA portfolio expanded with cost-optimized & radiation-tolerant solutions
AI & Data Center	Design wins with Tier-1 cloud providers; controllers now feature NSA-mandated post-quantum cryptography for secure boot and updates
Automotive	Still lagging relative to other end-markets
Industrial	Recovery broad-based; smaller & mid-sized customers improving

Geography: Asia up ~14% QoQ; North America & Europe grew ~8% QoQ



Outlook

- FY Q2'26 (CY Q3'25) midpoint guidance:
-2.9% YoY (vs. FY Q2'25) and +5.1% QoQ (vs. FY Q1'26)
- Inventory expected to fall to 195–200 days. Inventory write-offs decline, further boosting gross margin %
- Backlog is pacing ahead of June levels, signaling stronger demand momentum

Long-term Outlook:

- Expected above-seasonal growth in the upcoming quarters
- Long-term margins: Confident in achieving 65% gross margin once write-offs/underutilization normalize



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