

## **MCHP F2Q Miss: Correction has Begun**

**Microchip Technology** (*MCHP*, \$45.54 -0.66, *Rated Hold/Not Compelling in my latest Chip Investment Ideas*)

**F2Q Weakness:** MCHP preannounced an expected September-ended F2Q shortfall late yesterday led by weakness from China. Management is also calling this the beginning of an industry correction that ‘will be seen more broadly across the industry in the near future’ due to its very broad base of over 80K customers and sell-through distributor revenue recognition. The company has accurately predicted such economic inflection points in the past. Results are scheduled to be released on October 30.

Specifically, revenue for the quarter is expected at \$546.2M or up by +3.3% sequentially, compared to guidance for +6% to +9%. However, revenue would be flat sequentially excluding the contribution from the recent acquisition of ISSC (that was included in original guidance). There was also a slight difference between GAAP and non-GAAP revenue in the prior quarter related to another acquisition that needlessly complicates the math, in my opinion.

Bad news for both MCHP and the rest of the semiconductor sector as well—although consistent with fears I have been expressing for some time.

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