



NXP Semiconductors

Investor Presentation | February 2016

SECURE CONNECTIONS
FOR A SMARTER WORLD



Forward Looking Statement

This document includes forward-looking statements which include statements regarding our business strategy, financial condition, results of operations, and market data, as well as any other statements which are not historical facts. By their nature, forward- looking statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These factors, risks and uncertainties include the following: market demand and semiconductor industry conditions, our ability to successfully introduce new technologies and products, the demand for the goods into which our products are incorporated, our ability to generate sufficient cash, raise sufficient capital or refinance our debt at or before maturity to meet both our debt service and research and development and capital investment requirements, our ability to accurately estimate demand and match our production capacity accordingly or obtain supplies from third-party producers, our access to production from third-party outsourcing partners, and any events that might affect their business or our relationship with them, our ability to secure adequate and timely supply of equipment and materials from suppliers, our ability to avoid operational problems and product defects and, if such issues were to arise, to rectify them quickly, our ability to form strategic partnerships and joint ventures and successfully cooperate with our alliance partners, our ability to win competitive bid selection processes to develop products for use in our customers' equipment and products, our ability to successfully establish a brand identity, our ability to successfully hire and retain key management and senior product architects; and, our ability to maintain good relationships with our suppliers. In addition, this document contains information concerning the semiconductor industry and our business segments generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the semiconductor industry, our market segments and product areas will develop. We have based these assumptions on information currently available to us, if any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, and the market price of the notes, could be materially adversely affected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak to results only as of the date the statements were made; and, except for any ongoing obligation to disclose material information as required by the United States federal securities laws, we do not have any intention or obligation to publicly update or revise any forward-looking statements after we distribute this document, whether to reflect any future events or circumstances or otherwise. For a discussion of potential risks and uncertainties, please refer to the risk factors listed in our SEC filings. Copies of our filings are available from our Investor Relations department or from the SEC website, www.sec.gov.

Focused on Profitable Growth from Smarter World Opportunity

Our innovative solutions are used in a wide range of applications

Connected Car



- Car entertainment
- In-vehicle networking
- Secure car access
- Secure V2X communication
- Radar

Security



- Mobile transactions
- E-Government
- Smart bank cards
- User authentication
- Embedded security

Portable and Wearable



- Mobile audio
- High-speed interfaces
- Gaming
- Personal health & fitness
- Healthcare

Internet of Things



- Smart home and buildings
- Smart cities - smart grid
- M2M – “Industry 4.0”
- Intelligent logistics

We Provide Secure Connections for a Smarter World



- Enhanced security
- Mesh connectivity
- Sensors
- Smart LED lighting
- Gateway & cyber security
- Access



- Car entertainment
- In-vehicle networking
- Car access
- V2X and Radar



- Secure bank cards
- Mobile transactions
- Loyalty- reward
- RFID tags - labels
- Supply chain monitoring
- NFC readers



- e-passport
- Smart eID
- Health card



- Contactless transit cards
- Access solutions
- Micro-payments



NXP Value Proposition



Multiple High Growth Markets + RMS of at Least 1.5x
→ Profitable Growth



Operational Excellence + Benchmark Cost Structure
→ Strong Cash Generation

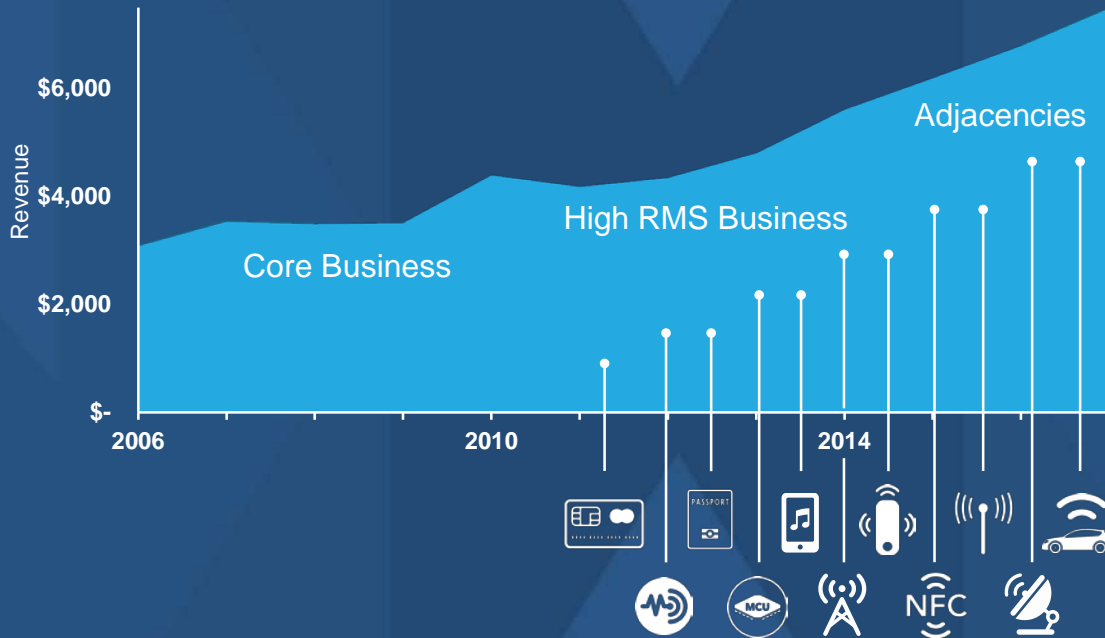


Industry Leading Management Team and People
→ Customer-Focused Passion to WIN



MAXIMIZE SHAREHOLDER VALUE

Growth Driven by High RMS Businesses and Adjacent Markets



Focused on

- High growth markets;
- Deliver unique NXP capabilities;
- Driving operating margin;
- Optimized capital structure.

Broad sustainable leadership as we

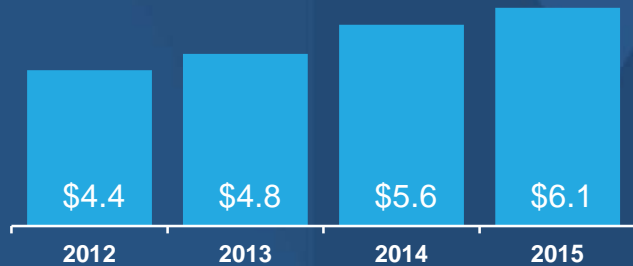
- Invest in Core & High RMS business’;
- Thought leadership in Adjacent markets;
- NXP positioned to outperform peers.

Note:

1. GM, EBIT, EPS, Interest Expense, Free Cash Flow (FCF), Leverage, Adj. EBITDA are all non-GAAP figures
2. Based on normalized NXP revenue growth, versus normalized, aggregate HPMS Peer revenue

Driving Profitable Growth in Excess of Addressable Market

Revenue Up 12% 3-yr. CAGR (\$B)¹



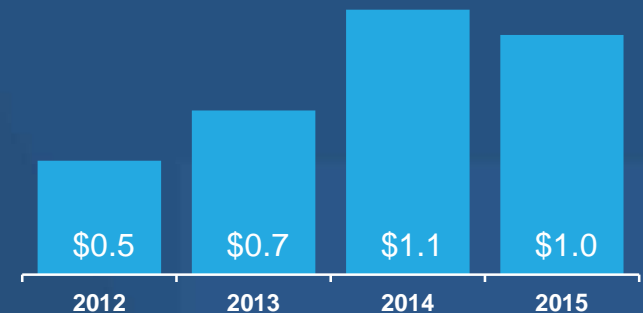
EBIT¹ Profit up 19% 3-yr. CAGR (\$B)



EPS¹ up 44% 3-yr. CAGR



Free Cash Flow up 28% 3-yr. CAGR (\$B)¹



Note:

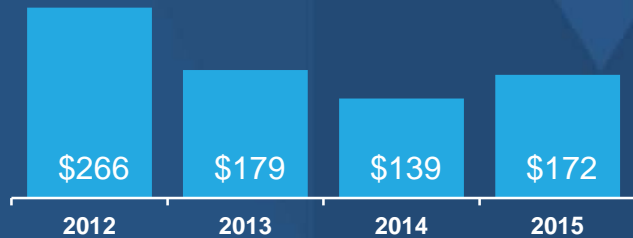
1. GM, EBIT, EPS, Interest Expense, Free Cash Flow (FCF), Leverage, Adj. EBITDA are all non-GAAP figures, 3-yr. CAGR reflect the period 2012 - 2015

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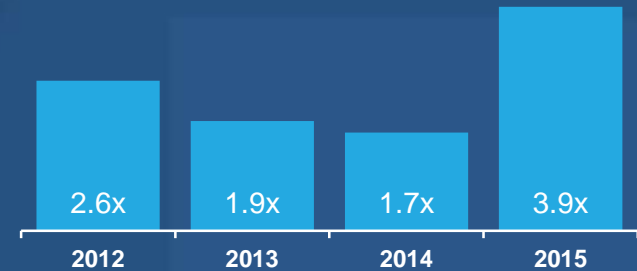


Focused on Generating Cash

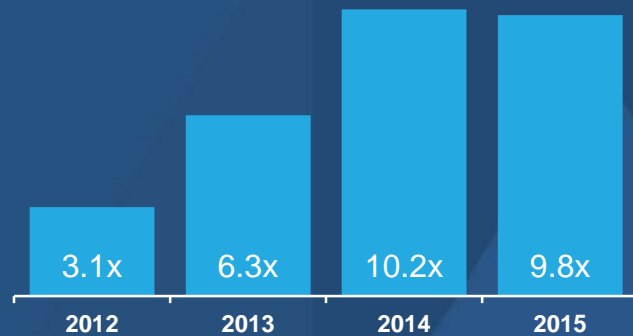
Cash Interest Expense Declined 14% 3-yr. CAGR (\$M)¹



Leverage



Interest Coverage¹



Net Debt (\$B)



Note:

1. GM, EBIT, EPS, Interest Expense, Free Cash Flow (FCF), Leverage, Adj. EBITDA, Interest Coverage, are all non-GAAP figures, 3-yr. CAGR reflect the period 2012 - 2015

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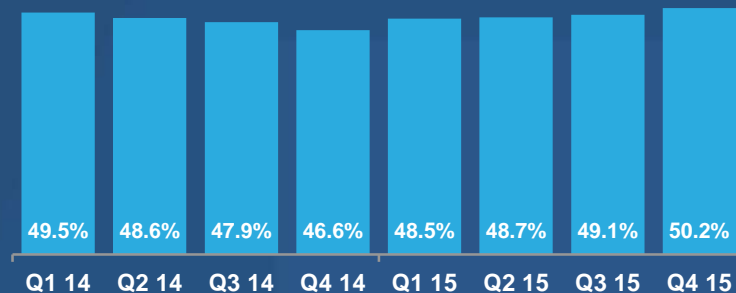


Recent Quarterly Business Trends

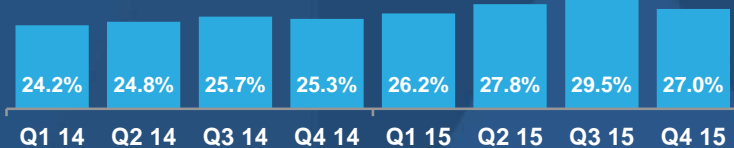
Revenue (\$M)



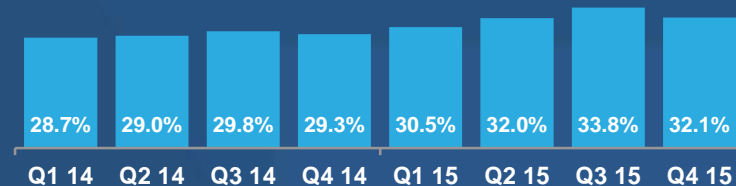
Non-GAAP Gross Margin



Non-GAAP Operating Margin

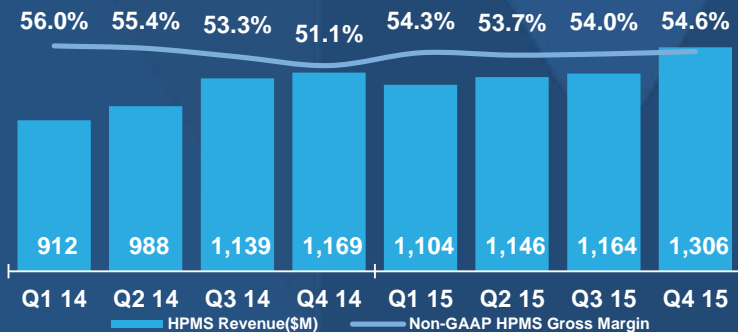


Adj. EBITDA Margin

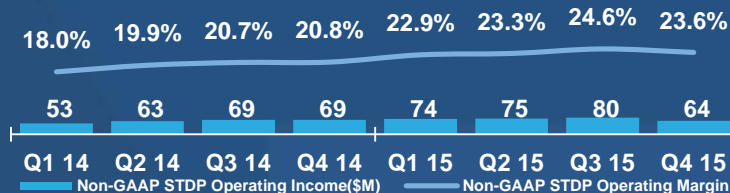
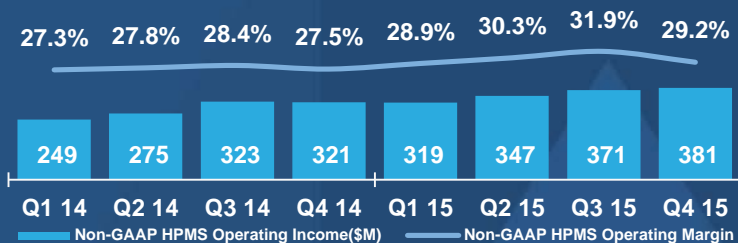
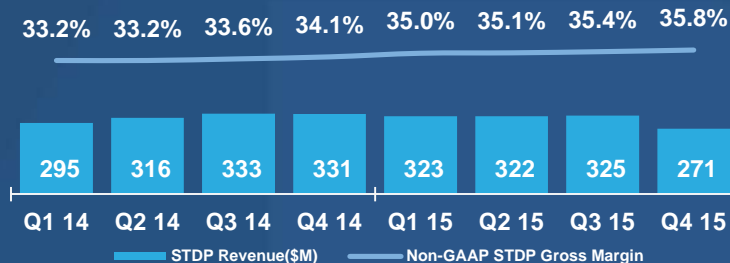


Business Segment Revenue and Non-GAAP Margin Trends

HPMS Segment

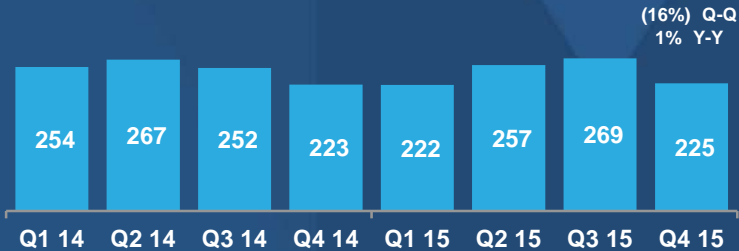


Standard Product Segment



HPMS Segment Revenue Business Trends(\$M)⁽¹⁾

Secure Identification Solutions



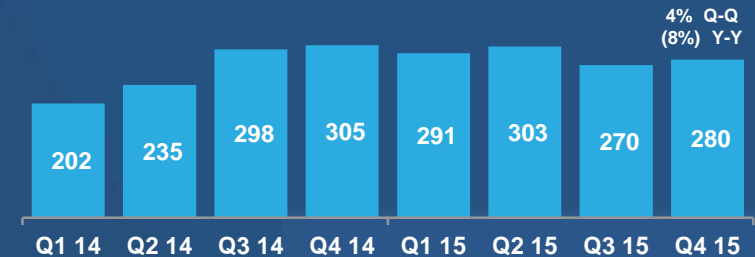
Automotive



Secure Connected Devices



Secure Interface & Infrastructure



Note:

1. As a result of the FSL Merger, NXP has included previously reported Freescale Semiconductor ("Freescale") product group revenue into its various existing High Performance Mixed Signal (HPMS) and Standard Products (STDP) segments. As of the fourth quarter 2015, the NXP HPMS operating segments include the following (1) Automotive includes revenue from Freescale's Automotive MCU and Analog & Sensor product groups; (2) Secure Connected Devices includes revenue from Freescale's Microcontroller product group; (3) Secure Interface & Infrastructure, previously known as Secure Interface & Power includes revenue from Freescale's Digital Networking and RF product groups. Additionally, certain portions of Freescale's Analog & Sensor product group and Other revenue is apportioned to various NXP operating segments consistent with NXP's prior product and revenue classification approach, this included product-functionality alignment as well intellectual property (IP) sales and licensing revenue.

Quarterly Revenue and Operating Income

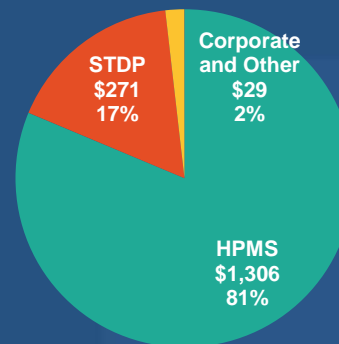
GAAP Financial Summary

(\$ in millions)	Q4 2015	Q3 2015	Q4 2014	Q-Q	Y-Y
Product Revenue	1,577	1,489	1,500	88	77
All Other	<u>29</u>	<u>33</u>	<u>37</u>	(4)	(8)
Total Revenue	1,606	1,522	1,537	84	69
Gross Profit	619	740	704	(121)	(85)
Percent of total revenue	38.5%	48.6%	45.8%	(10.1pts)	(7.3pts)
Operating income	1,013	375	310	638	703
Percent of total revenue	63.1%	24.6%	20.2%	38.5pts	42.9pts

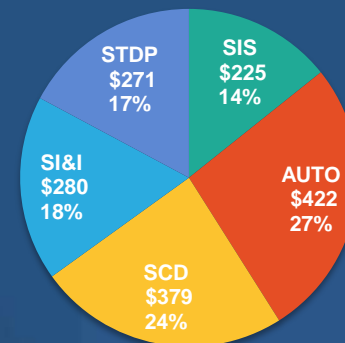
Non-GAAP Financial Summary

(\$ in millions)	Q4 2015	Q3 2015	Q4 2014	Q-Q	Y-Y
Gross Profit	806	748	716	58	90
Percent of total revenue	50.2%	49.1%	46.6%	1.1pts	3.6pts
Operating income	433	449	389	(16)	44
Percent of total revenue	27.0%	29.5%	25.3%	(2.5pts)	1.7pts

Quarterly Segment Revenue (\$M):



Quarterly Product Revenue (% of Product Revenue):



Business Segment Performance

GAAP Financial Summary

HPMS (\$ in millions)	Q4 2015	Q3 2015	Q4 2014	Q-Q	Y-Y
Revenue	1,306	1,164	1,169	142	137
Gross Profit	534	626	595	(92)	(61)
Gross Margin	40.9%	53.8%	50.9%	(12.9pts)	(10.0pts)
Operating income	995	331	277	664	718
Operating Margin	76.2%	28.4%	23.7%	47.8pts	52.5pts

STDP (\$ in millions)	Q4 2015	Q3 2015	Q4 2014	Q-Q	Y-Y
Revenue	271	325	331	(54)	(60)
Gross Profit	90	108	103	(18)	(13)
Gross Margin	33.2%	33.2%	31.1%	-	2.1pts
Operating income	103	56	41	47	62
Operating Margin	38.0%	17.2%	12.4%	20.8pts	25.6pts

Non-GAAP Financial Summary

HPMS (\$ in millions)	Q4 2015	Q3 2015	Q4 2014	Q-Q	Y-Y
Gross Profit	713	628	597	85	116
Gross Margin	54.6%	54.0%	51.1%	0.6pts	3.5pts
Operating income	381	371	321	10	60
Operating Margin	29.2%	31.9%	27.5%	(2.7pts)	1.7pts

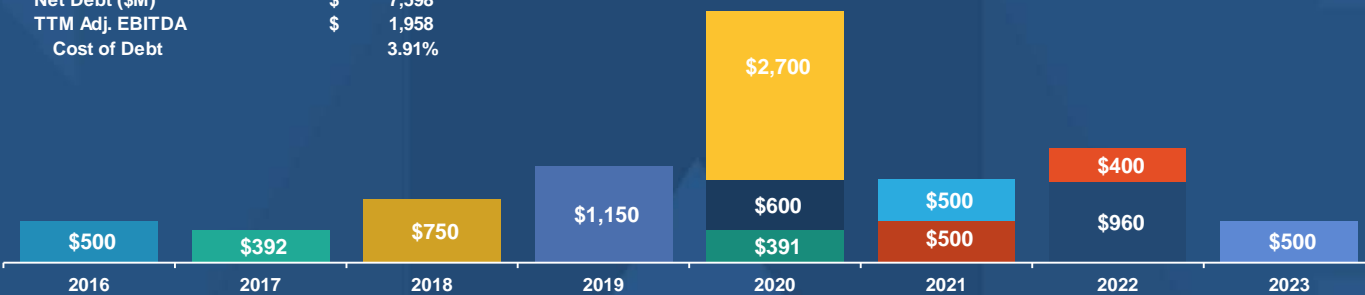
STDP (\$ in millions)	Q4 2015	Q3 2015	Q4 2014	Q-Q	Y-Y
Gross Profit	97	115	113	(18)	(16)
Gross Margin	35.8%	35.4%	34.1%	0.4pts	1.7pts
Operating income	64	80	69	(16)	(5)
Operating Margin	23.6%	24.6%	20.8%	(1.0pts)	2.8pts

Debt Summary

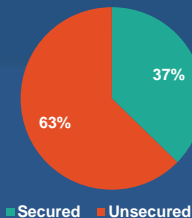
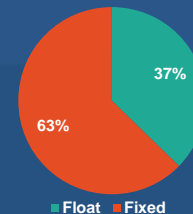
Debt Instrument	Sr. Unsecured Notes	Term Loan E	Sr. Unsecured Notes	Cash Convertible Notes	Term Loan D	Sr. Unsecured Notes	Term Loan B	Sr. Unsecured Notes	Sr. Secured Notes	Sr. Secured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Revolving Credit Facility
Issue Date	24-Sep-13	04-Mar-14	20-May-13	01-Dec-14	10-Dec-13	09-Jun-15	07-Nov-15	14-Feb-13	21-May-13	01-Nov-13	09-Jun-15	12-Mar-13	07-Dec-15
Book Value (M)	\$ 499	\$ 390	\$ 746	\$ 972	\$ 386	\$ 594	\$ 2,659	\$ 497	\$ 519	\$ 1,022	\$ 396	\$ 496	\$ -
Nominal Amount (M)	\$ 500	\$ 392	\$ 750	\$ 1,150	\$ 391	\$ 600	\$ 2,700	\$ 500	\$ 500	\$ 960	\$ 400	\$ 500	\$ -
Coupon	3.50%	Libor + 200 bps	3.75%	1.00%	Libor + 250 bps	4.125%	Libor + 300 bps	5.75%	5.00%	6.00%	4.625%	5.75%	Libor + 200 bps
Floor	NA	75 bps	NA	NA	75 bps	NA	75 bps	NA	NA	NA	NA	NA	NA
Rating													
Moody's	Ba2	Baa3	Ba2	Ba2	Baa3	Ba2	Baa3	Ba2	Baa3	Baa3	Ba2	Ba2	
Standard & Poor's	BB+	BBB-	BB+	BB+	BBB-	BB+	BBB-	BB+	BBB-	BBB-	BB+	BB+	BBB

Total Leverage

Total Debt (\$M)	\$ 9,212
Total Cash (\$M)	\$ 1,614
Net Debt (\$M)	\$ 7,598
TTM Adj. EBITDA	\$ 1,958
Cost of Debt	3.91%

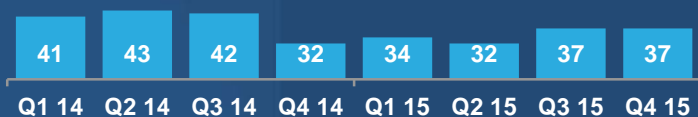


- '16 Sr. Unsecured Note (3.5%)
- '17 Term Loan E (2.75%)
- '18 Sr. Unsecured Note (3.75%)
- '19 Cash Convertible Note (1%)
- '20 Term Loan D (3.25%)
- '20 Sr Unsecured Note (4.125%)
- '21 Term Loan B (3.75%)
- '21 Sr. Unsecured Note (5.75%)
- '21 Sr. Unsecured Note (5.00%)
- '22 Sr. Unsecured Note (6.00%)
- '22 Sr Unsecured Note (4.625%)
- '23 Sr. Unsecured Note (5.75%)



Working Capital Ratios⁽¹⁾

DSO



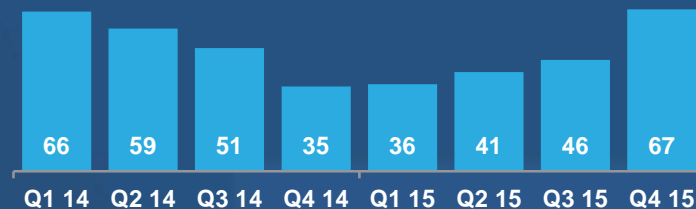
DPO



DIO⁽²⁾



Cash Conversion Cycle



DSO = (91.25 x AR) / Revenue
DPO = (91.25 x AP) / GAAP COGS

DIO = (91.25 x Inventory) / GAAP COGS
Cash Conversion Cycle = DIO + DSO - DPO

Note:

- Q4 15 Working capital ratios exclude the purchase price accounting amortization effects on GAAP COGS and Inventory due to the FSL merger, including inventory step up and amortization of acquired PP&E
- DIO calculation for 3Q15 includes \$66M of inventory classified as "Assets held for sale"

Guidance for the First Quarter of 2016⁽¹⁾

	<u>Low</u>	<u>Mid</u>	<u>High</u>
Product Revenue	\$ 2,117	\$ 2,174	\$ 2,232
Q-Q	34%	38%	42%
Other Revenue	\$ 34	\$ 36	\$ 38
Total Revenue	\$ 2,150	\$ 2,210	\$ 2,270
Q-Q	34%	38%	41%
Non-GAAP Gross Margin	49.0%	49.5%	50.0%
Non-GAAP Operating Margin	22.5%	23.0%	23.5%
Interest Expense	\$ (95)	\$ (95)	\$ (95)
Cash Taxes	\$ (15)	\$ (16)	\$ (17)
Non-controlling Interest	\$ (6)	\$ (10)	\$ (14)
Ave. Diluted Shares	354	354	354
Non - GAAP EPS	\$ 1.05	\$ 1.10	\$ 1.15

Revenue range is expected to be:

- Auto is expected to be in a range of \$790-to-\$810 million;
- Secure Identification Solutions, is expected to be in a range of \$215-to-\$230 million;
- Secure Connected Devices is expected to be in a range of \$440-to-\$480 million;
- Secure Interface & Infrastructure is expected to be in a range of \$395-to-\$430 million;
- Standard Products is expected to be in a range of \$275-to-\$285 million;
- Corporate & Other is expected to be in a range of \$34-to-\$38 million.

Note (1): NXP has based the guidance included in this release on judgments and estimates that management believes are reasonable given its assessment of historical trends and other information reasonably available as of the date of this release. Please note:

- During 4Q15, results only include approximately one-month of Freescale revenue. Guidance growth rates based on absolute reported financial results.
- The guidance included in this release consists of predictions only, and is subject to a wide range of known and unknown risks and uncertainties, many of which are beyond NXP's control. The guidance included in this release should not be regarded as representations by NXP that the estimated results will be achieved. Actual results may vary materially from the guidance we provide today. In relation to the use of non-GAAP financial information see the note regarding "Use of Non-GAAP Financial Information" elsewhere in this release. For the factors, risks and uncertainties to which judgments, estimates and forward-looking statements generally are subject see the note regarding "Forward-looking Statements."
- We undertake no obligation to publicly update or revise any forward-looking statements, including the guidance set forth herein, to reflect future events or circumstances. Considering the uncertain magnitude and variability of the foreign exchange consequences upon "PPA effects", "restructuring costs", "other incidental items" and any interest expense or taxes in future periods, management believes that GAAP financial measures are not available for NXP without unreasonable efforts on a forward looking basis.

Quarterly Financial Reconciliation (GAAP to non-GAAP)

(\$ in millions, unless otherwise stated)	Q4 2015	Q3 2015	Q4 2014
Total Revenue	1,606	1,522	1,537
GAAP Gross Profit	619	740	704
Gross profit adjustments	(187)	(8)	(12)
Non - GAAP Gross Profit	806	748	716
GAAP Gross Margin	38.5%	48.6%	45.8%
Non-GAAP Gross Margin	50.2%	49.1%	46.6%
GAAP Operating income (loss)	1,013	375	310
Operating income adjustments	580	(74)	(79)
Non - GAAP Operating income (loss)	433	449	389
GAAP Operating Margin	63.1%	24.6%	20.2%
Non-GAAP Operating Margin	27.0%	29.5%	25.3%
GAAP Financial income (expense)	(174)	16	(137)
Financial income adjustments	(118)	60	(100)
Non - GAAP Financial income (expense)	(56)	(44)	(37)
GAAP Income tax benefit (provision)	148	(15)	(9)
Other Adjustments	167	(8)	(2)
Non - GAAP Cash tax (expense)⁽¹⁾	(19)	(7)	(7)
GAAP Net income (loss) attributable to shareholders	972	361	149
Net income (loss) adjustments	631	(19)	(178)
Non - GAAP Net income (loss) attributable to shareholders	341⁽²⁾	380	327
GAAP Diluted net income (loss) per share attributable to shareholders	3.56	1.49	0.61
Non - GAAP Diluted net income (loss) per share attributable to shareholders	1.25	1.57	1.35

1. Cash income taxes paid during the period

2. Excludes:

- PPA effects: (\$300M);
- Restructuring: (\$239M) ;
- Stock-based compensation: (\$111M);
- Merger related costs: (\$27M)
- Other incidentals: \$1,257M;
- Non-cash interest expense on convertible Notes (\$10M);
- Foreign exchange loss on debt: (\$31M);
- Changes in fair value of warrant liability: (\$1M);
- Other financial expense: (\$76M);
- Results relating to equity-accounted investees: \$2M;
- Difference between book and cash income taxes: \$167M.

Quarterly Cash Flow Overview (\$M)

	Q4 2015	Q3 2015	Q4 2014
Net cash provided by (used for) operating activities	271	340	556
Net cash provided by (used for) investing activities	(9,763)	(76)	(132)
Net cash provided by (used for) financing activities	8,616	(208)	173
Effects of changes in exchange rates on cash position	(2)	1	(6)
Increase (decrease) in cash and cash equivalents	(878)	57	591
Cash and cash equivalents at beginning of the period	2,492	2,435	594
Cash and cash equivalents at end of period	1,614	2,492	1,185
Net cash provided by (used for) operating activities	271	340	556
Net capital expenditures on property, plant and equipment	(91)	(74)	(105)
Non-GAAP free cash flow	180	266	451
Non-GAAP free cash flow as a percentage of Revenue	11%	17%	29%

Quarterly Adjusted EBITDA (\$M)

	Q4 2015	Q3 2015	Q4 2014
Net income (loss)	989	379	167
Reconciling items to EBITDA			
Financial (income) expense	174	(16)	137
(Benefit) provision for income taxes	(148)	15	9
Depreciation	89	58	58
Amortization	141	36	39
EBITDA	1,245	472	410
Results of equity-accounted investees	(2)	(3)	(3)
Purchase accounting effect on inventory	149	-	-
Restructuring ¹	239	4	11
Stock-based compensation	111	34	34
Merger-related costs	27	3	-
Other incidental items ¹	(1,254)	4	(1)
Adjusted EBITDA	515	514	451
Trailing 12-month Adjusted EBITDA	1,958	1,894	1,650
1. Excluding depreciation PP&E, amortization of software related to restructuring and Other incidental items	(3)	(3)	1

NXP: Secure Connections for the Smarter World

Drive Profitable
Growth



Drive Earnings
Per Share



Drive Cash
Flow



Drive Significant
Value for Our
Owners

