

NXP Investor Presentation

Fourth Quarter 2019

February 2020



SECURE CONNECTIONS
FOR A SMARTER WORLD



Forward-Looking Statement

This presentation includes forward-looking statements which include statements regarding NXP's 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; the ability to successfully introduce new technologies and products; the end-market demand for the goods into which NXP's products are incorporated; the ability to generate sufficient cash, raise sufficient capital or refinance corporate debt at or before maturity; the ability to meet the combination of corporate debt service, research and development and capital investment requirements; the ability to accurately estimate demand and match manufacturing production capacity accordingly or obtain supplies from third-party producers; the access to production capacity from third-party outsourcing partners; any events that might affect third-party business partners or NXP's relationship with them; including the requirement to suspend activities with customers or suppliers because of changing import and export regulations; the ability to secure adequate and timely supply of equipment and materials from suppliers; the ability to avoid operational problems and product defects and, if such issues were to arise, to correct them quickly; the ability to form strategic partnerships and joint ventures and to successfully cooperate with alliance partners; the ability to win competitive bid selection processes to develop products for use in customers' equipment and products; the ability to achieve targeted efficiencies and cost savings; the ability to successfully hire and retain key management and senior product architects; and, the ability to maintain good relationships with our suppliers. In addition, this document contains information concerning the semiconductor industry and NXP's business generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the semiconductor industry, NXP's markets and product areas may develop. NXP has based these assumptions on information currently available, if any one or more of these assumptions turn out to be incorrect, actual results

NXP Investment Thesis



Market Leader in Growing Markets



Focused on Strong Profitable Growth

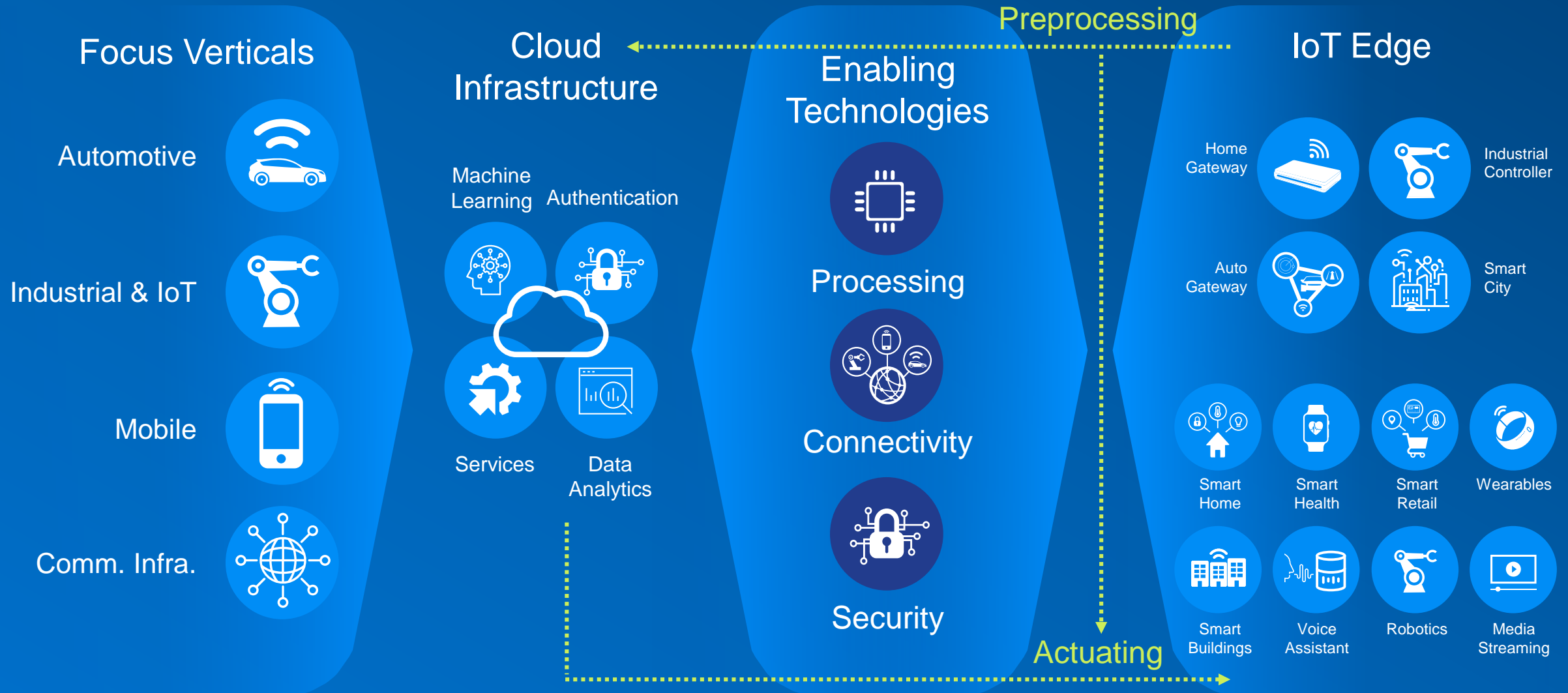


Shareholder Friendly



All Excess Cash Returned to Shareholders

Secure Connections for the Smarter World... has Evolved



NXP Addresses 4 Major End Markets



Automotive

ADAS + Electrification

System solutions innovation with OEMs

Increased content drives growth



Industrial & IoT

Fragmented customer base

Processing needs are transforming markets

Scalable solutions as a differentiator

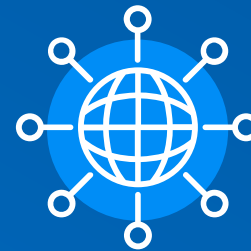


Mobile

Large mobile and adjacent device market

Continued demand for features - innovation

Growth driven by increased attach rate



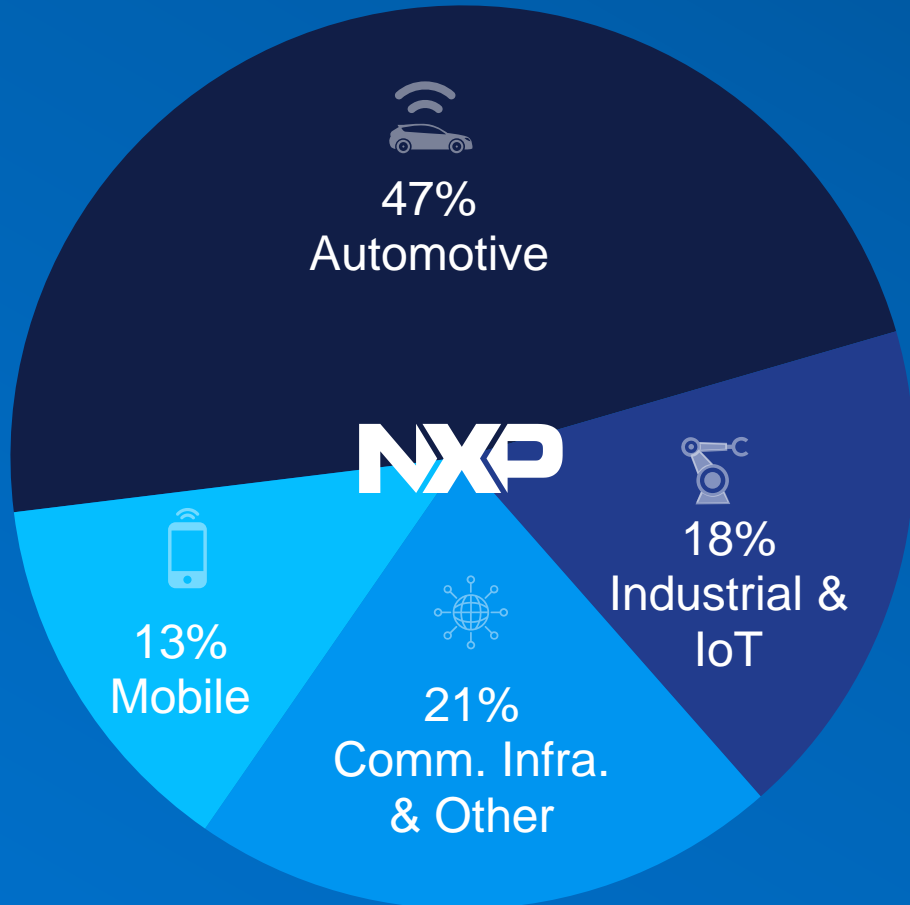
Communication Infrastructure & Other

Capex-driven wireless infrastructure market

Secular growth due to new cellular standard

Focused Leadership – End Markets¹

NXP 2019 Revenue
by End-market Exposure²



Broad end market exposure

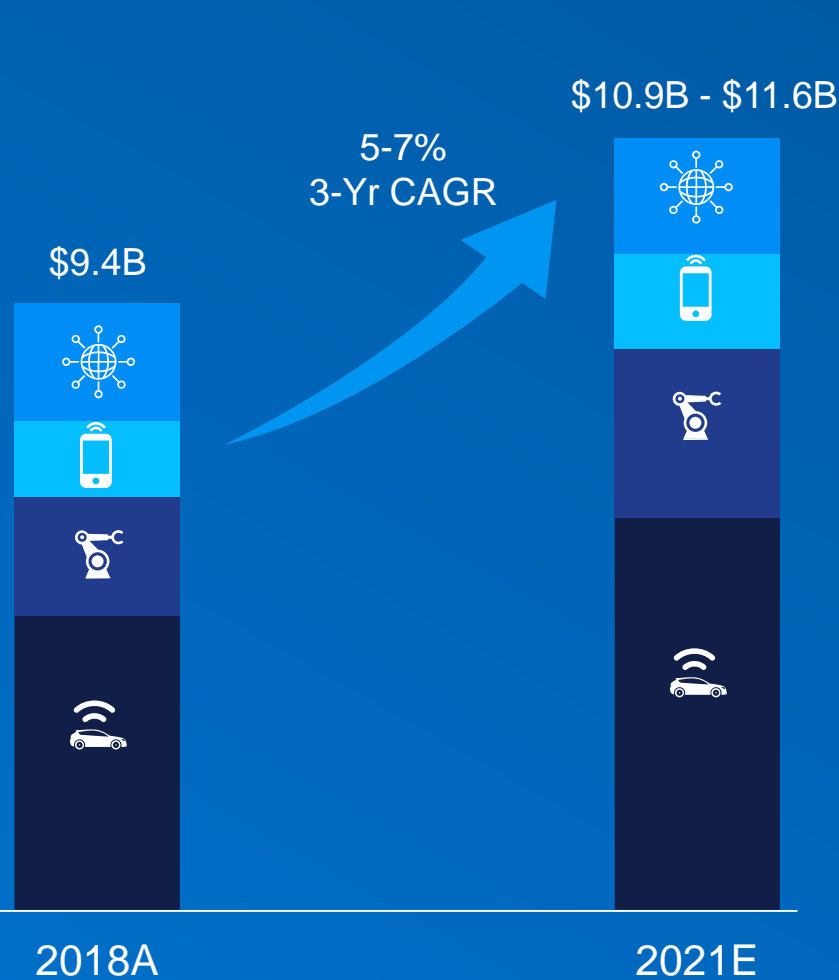
- Long product life cycles
- High barriers to entry
- Application expertise

Recognized leadership in

- Automotive
- MCU and application processors
- Mobile transactions
- RF power solutions
- Secure identification, mobility, RFID

Growth Opportunity Driven by Focus End Markets¹

Growth by End Market

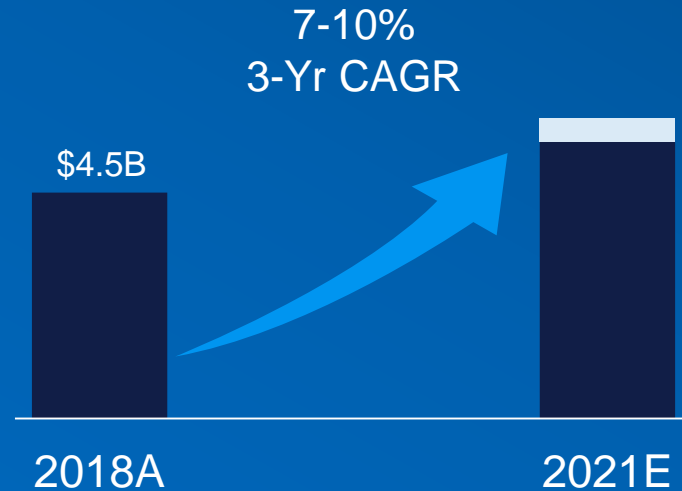


End Market	Percent 2018 Revenue	2018A – 2021E 3-yr. CAGR
Automotive	48%	Up 7 to 10%
Industrial & IoT	19%	Up 8 to 11%
Mobile	12%	Up 4 to 6%
Comm. Infra. & Other	19%	0 to up 2%
Total		Up 5 - 7%

Note:
1. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures

Automotive – NXP Leads, Accelerates in New Areas^{1,2}

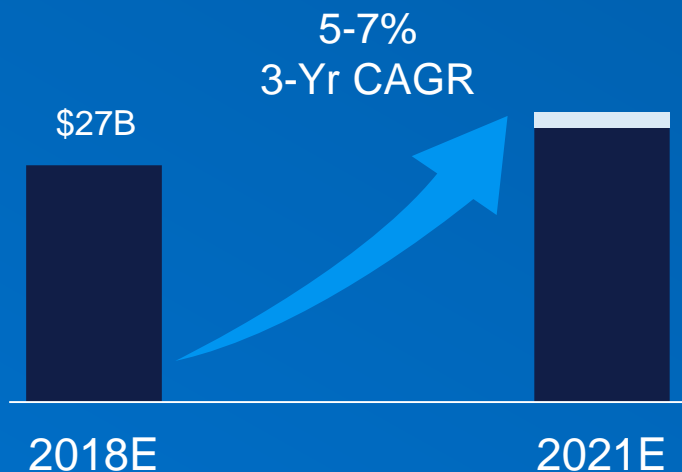
Revenue



Growth drivers

- New business – above market growth
 - ADAS / radar, vehicle networks, electrification
- Core business – at market growth
 - Connected infotainment, powertrain, secure car access

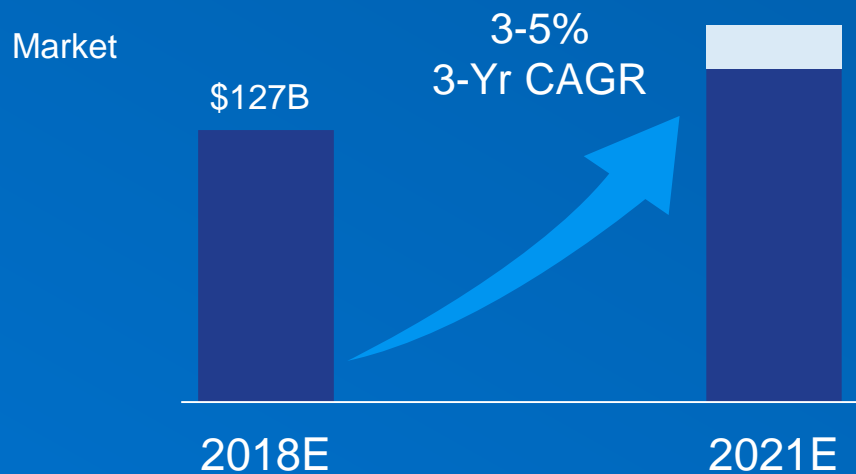
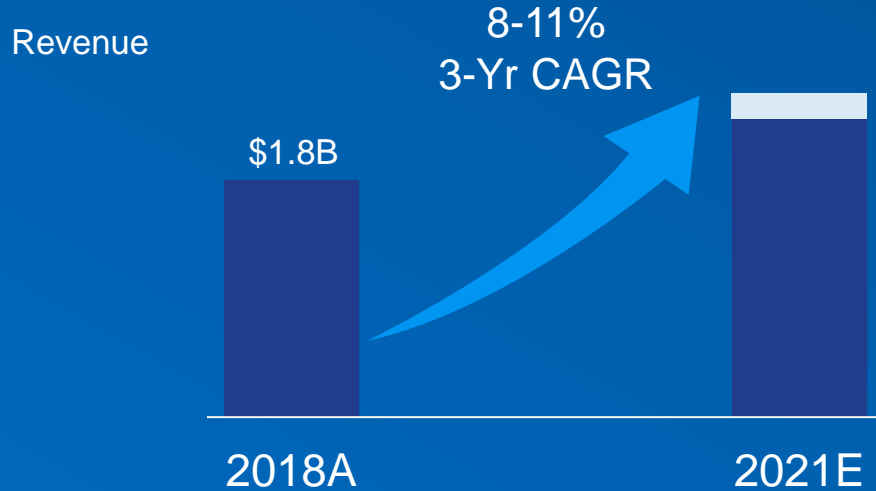
Market



Value proposition

- Solution portfolio
- Innovation power
- Automotive safety & reliability

Industrial & IoT – Highly Diversified^{1,2,3,4}



Growth drivers

- Processing
 - 32bit microcontrollers & cross-overs
 - IoT application processors
 - Analog mixed-signal & connectivity

Value proposition

- Broad, scalable solutions
- Common S/W tool environment
- Deep application insights
- Channel reach

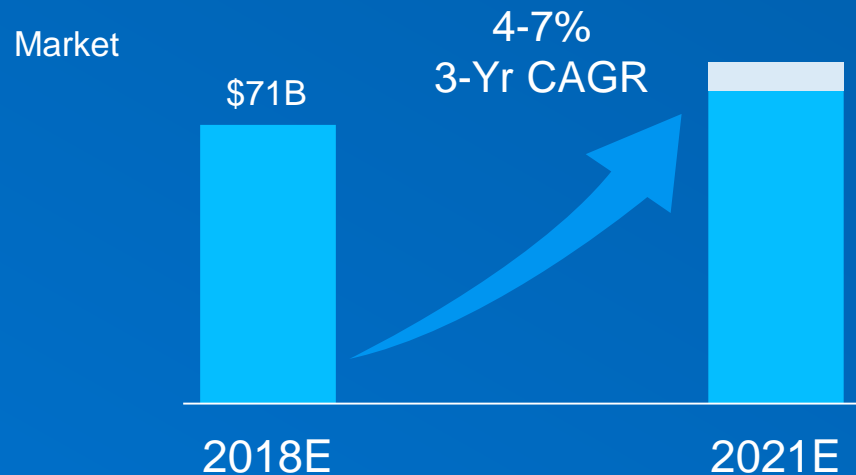
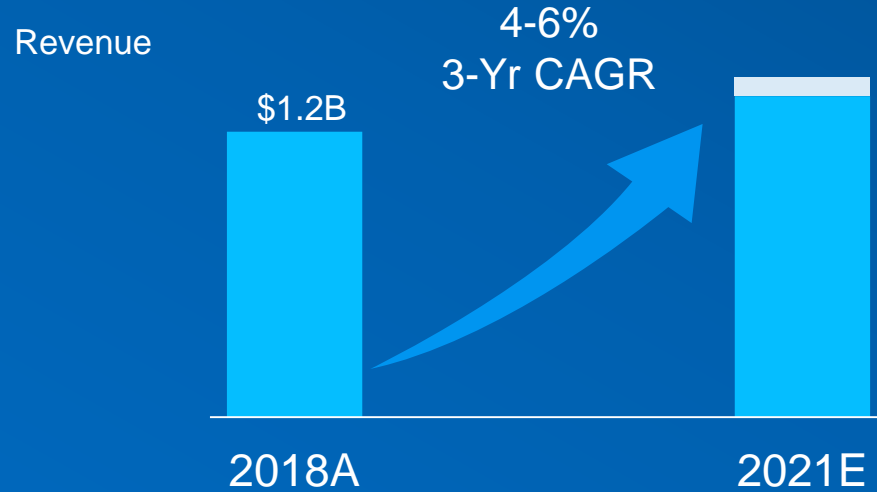
1. Charts/graphics created by NXP based on Gartner research. Source: Gartner Semiconductor Forecast Database, Worldwide, 2Q18 Update (Calculations performed by NXP)

2. NXP defines "Market" the "TAM-F Industrial& IoT" which is the total Industrial & IoT Semiconductor Industry TAM less Memory, Optoelectronics, Discretes

3. Industrial/IoT includes Industrial, Consumer and Computing, excludes Ultramobile, Wearables and Smartcards

4. The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Investor Presentation) and the opinions expressed in the Gartner Report(s) are subject to change without notice

Mobile – Specialty Supplier with High Moats^{1,2,3,4}



Growth drivers

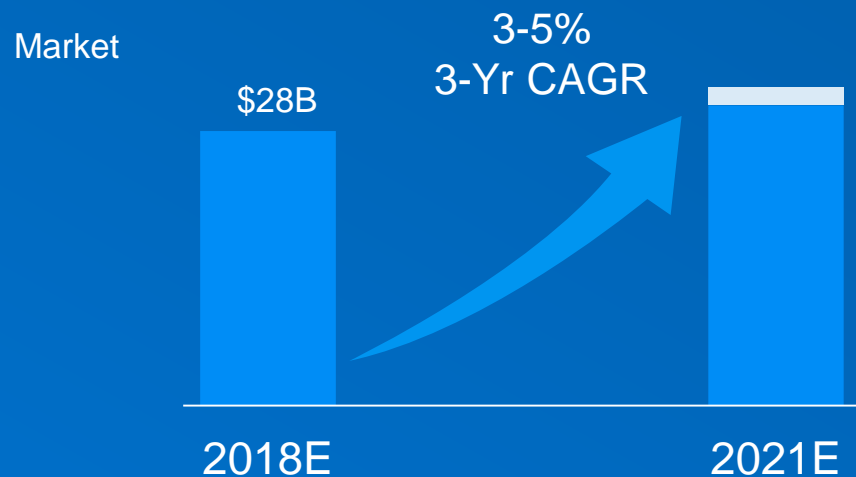
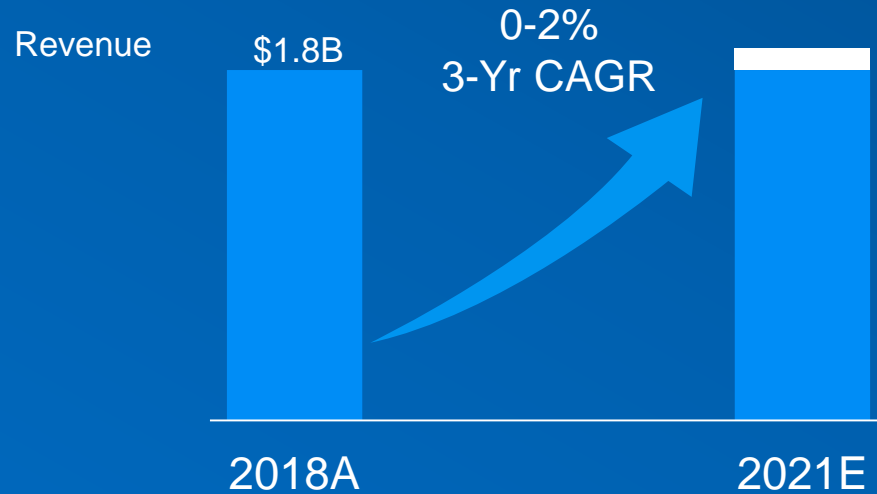
- Mobile payment adoption
- New use cases (transit, access, etc.)
- High-speed mixed-signal interface

Value proposition

- Technology innovator and leadership
- Recognized ecosystem leader
- Deep application insights

1. Charts/graphics created by NXP based on Gartner research. Source: Gartner Semiconductor Forecast Database, Worldwide, 2Q18 Update (Calculations performed by NXP)
2. NXP defines "Market" the "TAM-F Mobile" which is the total Mobile Semiconductor Industry TAM less Memory, Optoelectronics, Discretes
3. Mobile Includes Smartphones, Feature phones, Wearables and Ultramobile
4. The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Investor Presentation) and the opinions expressed in the Gartner Report(s) are subject to change without notice

Comm. Infra. & Other – Cyclical and Project Oriented^{1,2,3}



Growth drivers

- 5G basestation deployment will result in
 - Adoption of mMIMO
 - Continued leadership in LDMOS
 - Transition to GaN
- Leadership in transit, access and retail
 - MIFARE and RFID

Value proposition

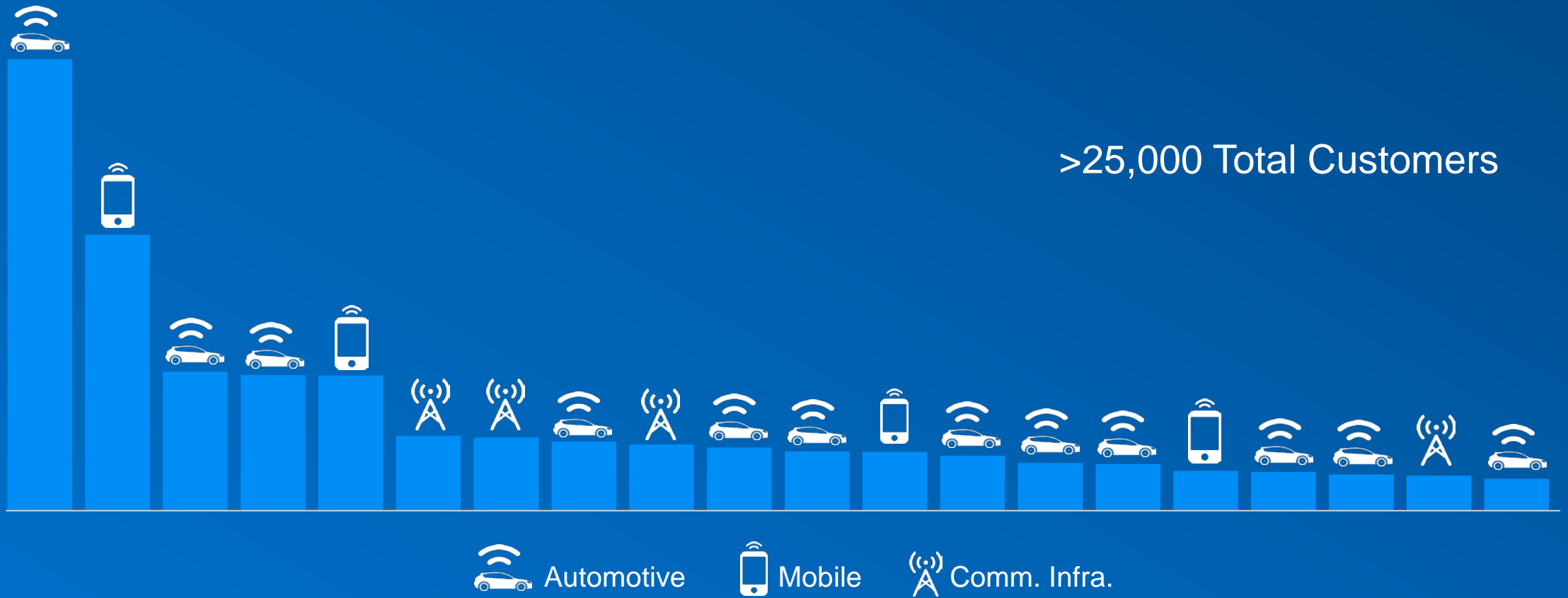
- Broadest portfolio
- Technology leadership
- Deep application insights

1. Charts/graphics created by NXP based on Gartner research. Source: Gartner Semiconductor Forecast Database, Worldwide, 2Q18 Update (Calculations performed by NXP)

2. NXP defines "Market" the "TAM-F Comm. Infra." which is the total Comm. Infra Semiconductor Industry TAM less Memory, Optoelectronics, Discretes

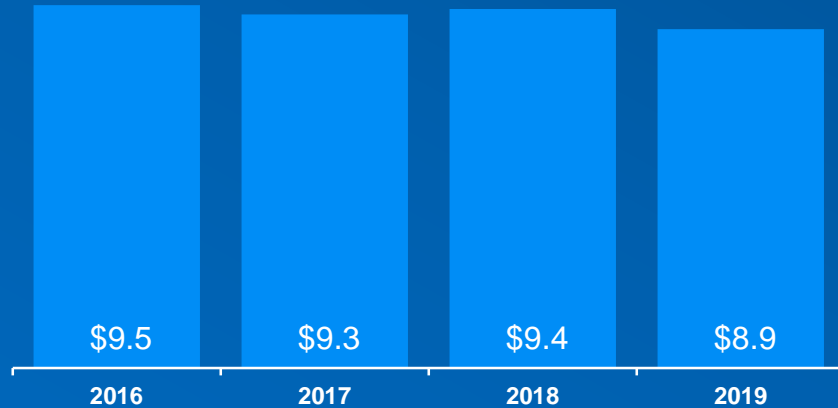
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Diverse Customer Base - Top 20 Customers > 40% of Revenue¹

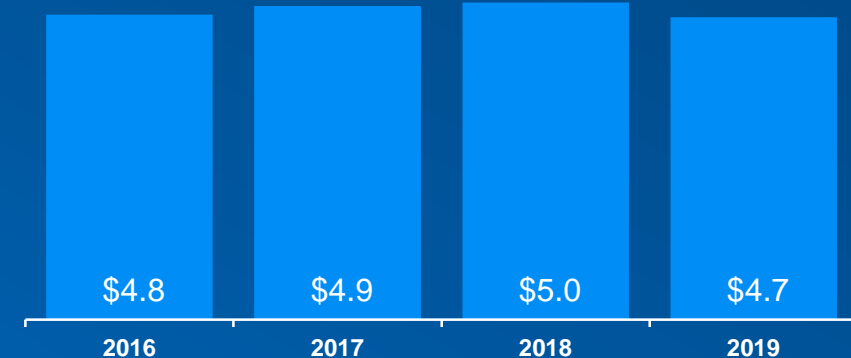


Driving Profitable Growth in Excess of Addressable Market^{1,2,3}

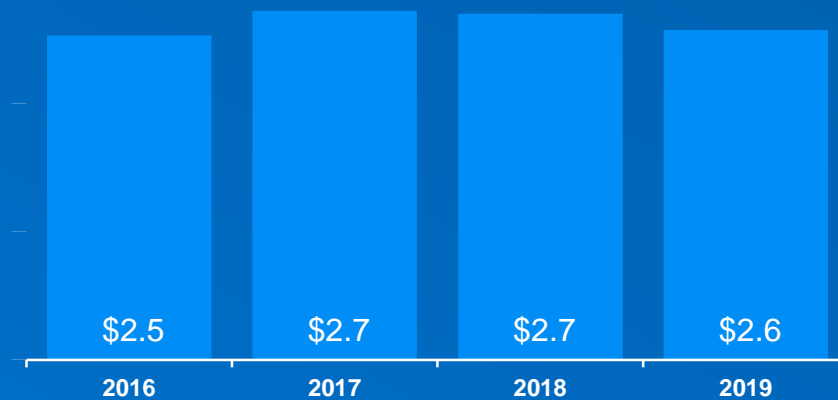
As Reported Revenue Down 2% 3-yr. CAGR (\$B)



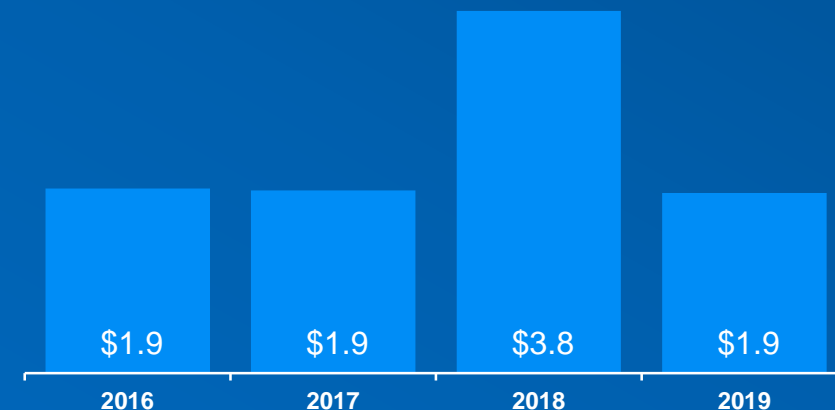
Non-GAAP Gross Profit² flat 3-yr. CAGR (\$B)



Non-GAAP EBIT² Profit up 1% 3-yr. CAGR (\$B)



Non-GAAP Free Cash Flow^{2,3} Down 1% 3-yr. CAGR (\$B)



Note:

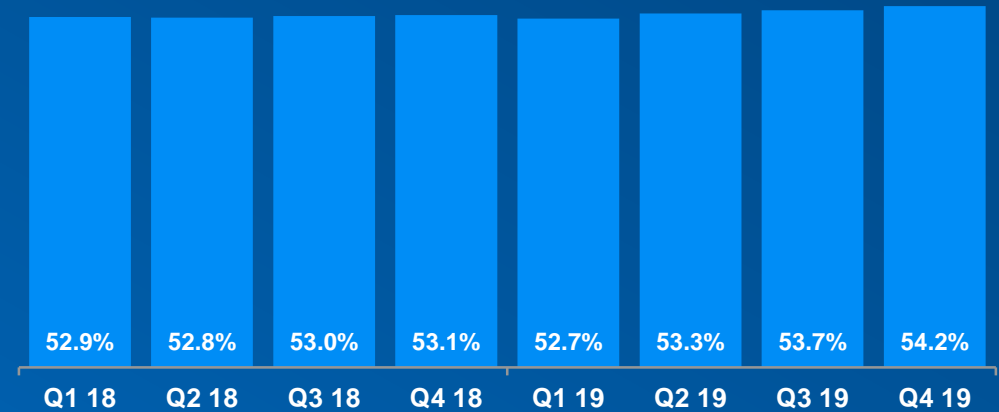
1. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures
2. Gross Profit, EBIT Profit, Free Cash Flow (FCF), are all non-GAAP figures, 3-yr. CAGR reflect the period 2016 – 2019
3. 2018 Non-GAAP Free Cash Flow reflects the receipt of \$2 billion termination fee associated with terminated Qualcomm transaction

Recent Quarterly Business Trends^{1,2}

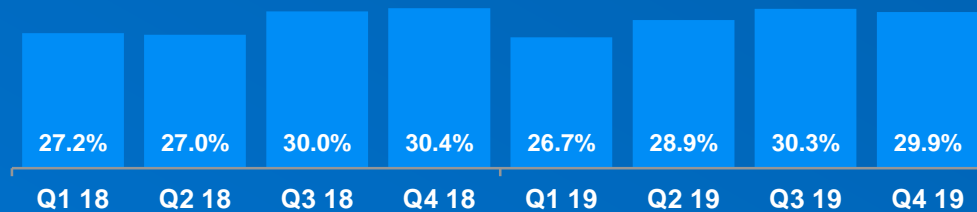
As Reported Revenue (\$M)



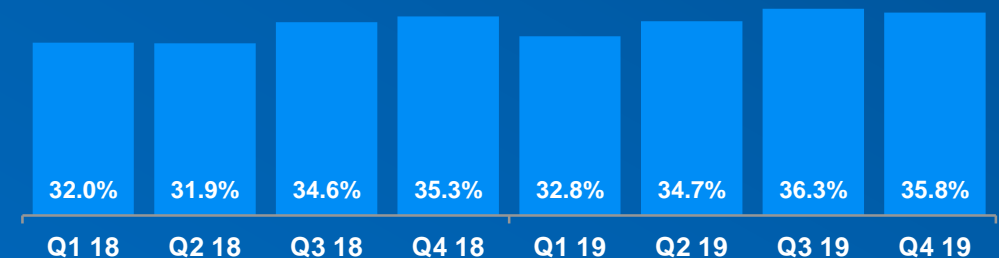
Non-GAAP Gross Margin



Non-GAAP Operating Margin



Non-GAAP Adj. EBITDA Margin



Note:

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2. Gross Margin, Operating Margin, Adj. EBITDA are all non-GAAP figures.

Revenue by End Market Trend(\$M)¹

Automotive



Industrial & IoT



Mobile



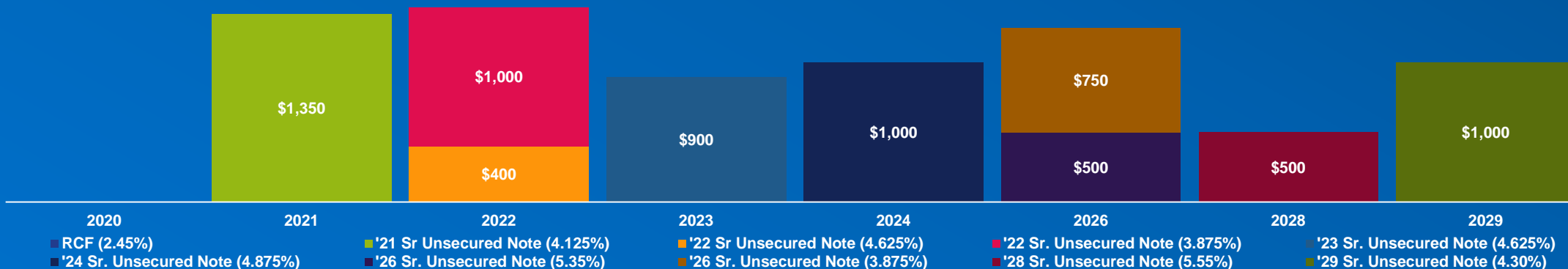
Communication Infrastructure & Other



Debt Summary End of 4Q19¹

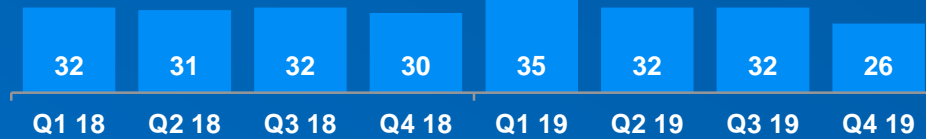
Debt Instrument	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Revolving Credit Facility
Issue Date	May-16	Jun-15	Aug-16	May-16	Dec-18	Dec-18	Jun-19	Dec-18	Jun-19	Dec-15
Maturity Date	Jun-21	Jun-22	Sep-22	Jun-23	Mar-24	Mar-26	Jun-26	Dec-28	Jun-29	Jun-24
Issued Amount (M)	\$1,350	\$400	\$1,000	\$900	\$1,000	\$500	\$750	\$500	\$1,000	\$1,500
Book Value (M)	\$1,349	\$398	\$997	\$896	\$994	\$497	\$746	\$496	\$991	\$0
Amount (M)	\$1,350	\$400	\$1,000	\$900	\$1,000	\$500	\$750	\$500	\$1,000	\$0
Coupon	4.125%	4.625%	3.875%	4.625%	4.875%	5.350%	3.875%	5.550%	4.300%	Libor + 125 bps
Rating										
Moody's	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	NR
Standard & Poor's	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	NR
Fitch	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	NR

Total Leverage	
Total Debt (\$M)	\$ 7,365
Total Cash (\$M)	\$ 1,045
Net Debt (\$M)	\$ 6,320
TTM Adj. EBITDA	\$ 3,100
Cost of Debt	4.58%
Reported Leverage	2.0X

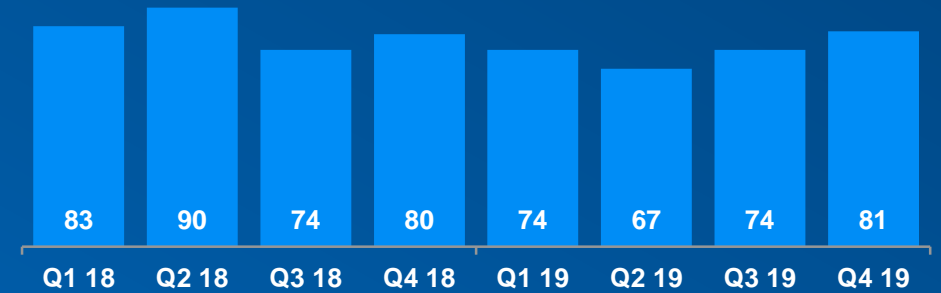


Working Capital Ratios^{1,2}

DSO



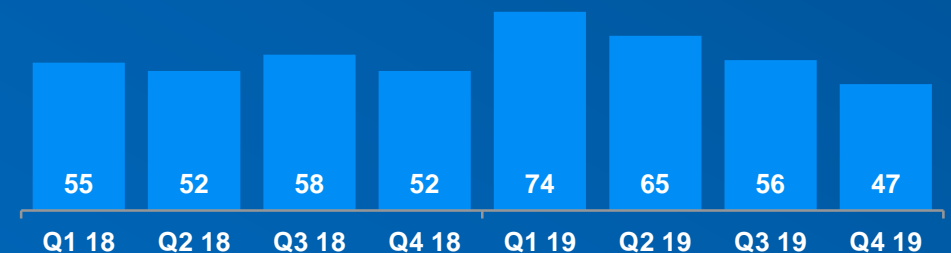
DPO



DIO⁽²⁾



Cash Conversion Cycle



$DSO = (91.25 \times AR) / \text{Revenue}$
 $DPO = (91.25 \times AP) / \text{COGS}$

$DIO = (91.25 \times \text{Inventory}) / \text{COGS}$
 $\text{Cash Conversion Cycle} = DIO + DSO - DPO$

Note:

- Working capital ratios exclude the effect of (1) assets and liabilities held for sale associated with the divestment of the Standard Products segment; (2) the effect of purchase price accounting amortization effects on GAAP COGS;
- Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures

Guidance for the First Quarter of 2020¹

	<u>GAAP</u>				<u>Non-GAAP</u>		
	<u>Low</u>	<u>Mid</u>	<u>High</u>		<u>Low</u>	<u>Mid</u>	<u>High</u>
Total Revenue	2,195	2,225	2,255		2,195	2,225	2,255
Q-Q	-5%	-3%	-2%		-5%	-3%	-2%
Y-Y	5%	6%	8%		5%	6%	8%
Gross Profit	1,114	1,137	1,160	(47)	1,161	1,184	1,207
Gross Margin	50.8%	51.1%	51.4%		52.9%	53.2%	53.5%
Operating Income (loss)	165	179	193	(434)	599	613	627
Operating Margin	7.5%	8.0%	8.6%		27.3%	27.6%	27.8%
Financial income (expense)	(80)	(80)	(80)	(2)	(78)	(78)	(78)

Note (1) Additional Information:

- GAAP Gross Profit is expected to include Purchase Price Accounting ("PPA") effects, (\$36) million; Stock Based Compensation, (\$11) million;
- GAAP Operating Income (loss) is expected to include PPA effects, (\$418) million; Stock Based Compensation, (\$93) million; Merger related costs (\$3) million; Restructuring and Other Incidentals, \$80 million;
- GAAP Financial Income (expense) is expected to include Other financial expense (\$2) million;
- Net cash paid for income taxes related to on-going operations is expected to be approximately (\$32) million;
- Non-controlling interest is expected to be approximately (\$6) million;
- Weighted average diluted share count is expected to be approximately 284.5 million.

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, 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 "Non-GAAP Financial Measures" below. 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.

Financial Model¹

2018A – 2021E

Focused Market Growth ⁽¹⁾	3 - 5%
NXP Growth ⁽¹⁾	5 - 7%
Non-GAAP Gross Margin	53 - 57%
<i>Non-GAAP R&D</i>	14 - 16%
<i>Non-GAAP SG&A</i>	6 - 8%
Non-GAAP Operating Margin	31 - 34%
Non-GAAP Operating Income Growth	~8 - 14%

Updated Modeling Items^{1,2}

	4Q19A	1Q20E	2019A	2020E	2021E
Cash Tax on Ongoing Operations	\$34M	\$32M	5%	7%	11%
Incidental Cash Taxes	-	\$15M	\$248M	\$125M	-
Stock Based Compensation	\$89M	\$93M	\$346M	\$375M	\$370M
Non-Controlling Interest	\$9M	\$6M	\$29M	\$40M	\$45M

1. Updated since Analyst Day 2018 (Sept 11, 2018);

2. Incidental taxes associated with the gain on various disposals and the breakup fee from Qualcomm

Quarterly Financial Reconciliation (GAAP to non-GAAP)¹

(\$ in millions, unless otherwise stated)	Q4 2019	Q3 2019	Q4 2018
Total Revenue	2,301	2,265	2,403
GAAP Gross Profit	1,209	1,186	1,243
Gross profit adjustments	(39)	(30)	(32)
Non - GAAP Gross Profit	1,248	1,216	1,275
GAAP Gross Margin	52.5%	52.4%	51.7%
Non-GAAP Gross Margin	54.2%	53.7%	53.1%
GAAP Operating income (loss)	197	233	224
Operating income adjustments	(490)	(454)	(507)
Non - GAAP Operating income (loss)	687	687	731
GAAP Operating Margin	8.6%	10.3%	9.3%
Non-GAAP Operating Margin	29.9%	30.3%	30.4%
GAAP Financial income (expense)	(93)	(85)	(77)
Financial income adjustments	(16)	(19)	(17)
Non - GAAP Financial income (expense)	(77)	(66)	(60)

Other Information for Q4 2019:

- PPA effects: (\$394M)
- Restructuring: \$1M
- Stock-based compensation: (\$89M)
- Merger-related costs: (\$4M)
- Other incidentals: (\$4M)
- Non-cash interest expense on convertible notes: (\$8M)
- Foreign exchange loss: (\$4M)
- Other financial expense: (\$4M)

Quarterly Cash Flow Overview (\$M)¹

(\$ in millions, unless otherwise stated)	Q4 2019	Q3 2019	Q4 2018
Net cash provided by (used for) operating activities	814	746	731
Net cash provided by (used for) investing activities	(1,866)	(138)	(174)
Net cash provided by (used for) financing activities	(1,443)	(95)	288
Effects of changes in exchange rates on cash position	3	(6)	-
Increase (decrease) in cash and cash equivalents	(2,492)	507	845
Cash and cash equivalents at beginning of the period	3,537	3,030	1,944
Cash and cash equivalents at end of period	1,045	3,537	2,789
Net cash provided by (used for) operating activities	814	746	731
Net capital expenditures on property, plant and equipment	(138)	(115)	(170)
Non-GAAP free cash flow	676	631	561
Trailing 12-month Non-GAAP free cash flow	1,870	1,755	3,759
Trailing 12-month Non-GAAP free cash flow as a percentage of Revenue	21%	20%	40%

Note:

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Quarterly Adjusted EBITDA (\$M)¹

(\$ in millions, unless otherwise stated)	Q4 2019	Q3 2019	Q4 2018
Net income (loss)	123	119	289
Reconciling items to adjusted net income			
Financial (income) expense	93	85	77
(Benefit) provision for income taxes	(20)	28	(141)
Depreciation	131	135	124
Amortization	391	382	379
Adjusted net income	718	749	728
Reconciling items to adjusted EBITDA			
Results of equity-accounted investees	1	1	(1)
Purchase accounting effect on inventory	8	-	-
Restructuring	(1)	(1)	1
Stock-based compensation	89	84	93
Merger-related costs	4	6	15
Other incidental items	4	(17)	13
Adjusted EBITDA	823	822	849
Trailing 12-month Adjusted EBITDA	3,100	3,126	3,151



Value Proposition



Driving RMS
Leadership

Focused on RMS
> 1.5X



Multiple High
Growth Markets

Profitable growth



Solutions
Core Competency

Resolving customer
pain-points



World-class
Expertise & Team

Customer focused
passion to win

Maximize Shareholder Value

Strong cash flow generation