

# NXP SEMICONDUCTORS

Investor Presentation | May 2018



SECURE CONNECTIONS  
FOR A SMARTER WORLD



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## Non-GAAP Financial Measures

In addition to providing financial information on a basis consistent with U.S. generally accepted accounting principles (“GAAP”), the Presentation also contains the following selected financial measures on a non-GAAP basis: (i) Gross profit, (ii) Gross margin, (iii) Research and development, (iv) Selling, general and administrative, (v) Amortization of acquisition-related intangible assets, (vi) Other income, (vii) Operating income (loss), (viii) Operating margin, (ix) Financial Income (expense), (x) EBITDA, adjusted EBITDA and trailing 12 month adjusted EBITDA, and (xi) non-GAAP free cash flow and free cash flow as a percent of Revenue. The non-GAAP information excludes the amortization of acquisition related intangible assets, the purchase accounting effect on inventory and property, plant and equipment, merger related costs (including integration costs), certain items related to divestitures, share-based compensation expense, restructuring and asset impairment charges, non-cash interest expense on convertible notes, extinguishment of debt, changes in the fair value of the warrant liability prior to January 1, 2016, and foreign exchange gains and losses.

Management does not believe that these items are reflective of the Company’s underlying performance. The presentation of these and other similar items in NXP’s non-GAAP financial results should not be interpreted as implying that these items are non-recurring, infrequent or unusual. NXP believes this non-GAAP financial information provides additional insight into the combined business of NXP since its merger with Freescale as well as the Company’s on-going performance and has therefore chosen to provide this information to investors for a more consistent basis of comparison and to help them evaluate the results of the Company’s on-going operations and enable more meaningful period to period comparisons. These non-GAAP measures are provided in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. Reconciliations of these non-GAAP measures to the most comparable measures calculated in accordance with GAAP are provided in the financial statements portion of the quarterly earnings releases in a schedule entitled “Financial Reconciliation of GAAP to non-GAAP Results (unaudited).”

## Forward-Looking Statement

This presentation 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, our ability to complete merger and acquisition related activity and the acquisition of NXP by Qualcomm, Incorporated; 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](http://www.sec.gov).

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# Secure Connections for the Smarter World

Everything  
Smart



40B+ devices with intelligence shipped in 2020

Processing

Automotive

Everything  
Connected



1B+ additional consumers online,  
25B connected devices

Connectivity

Industrial

Everything  
Secure



Potential economy savings  
up to half trillion dollars

Security

Connected Devices

IoT



# NXP – Strategically and Financially Compelling



## Solutions leadership

- Broad and diverse customer base
- Compelling cross-sell opportunity
- Complementary market reach



## Growth in excess of market

- Accelerates “Secure Connections for a Smarter World” strategy
- Leader in automotive semiconductor
- Leader in broad-based MCU



## Far superior earnings growth

- RMS focused growth
- Margin expansion driven by
  - Portfolio optimization
  - Cost synergy realization

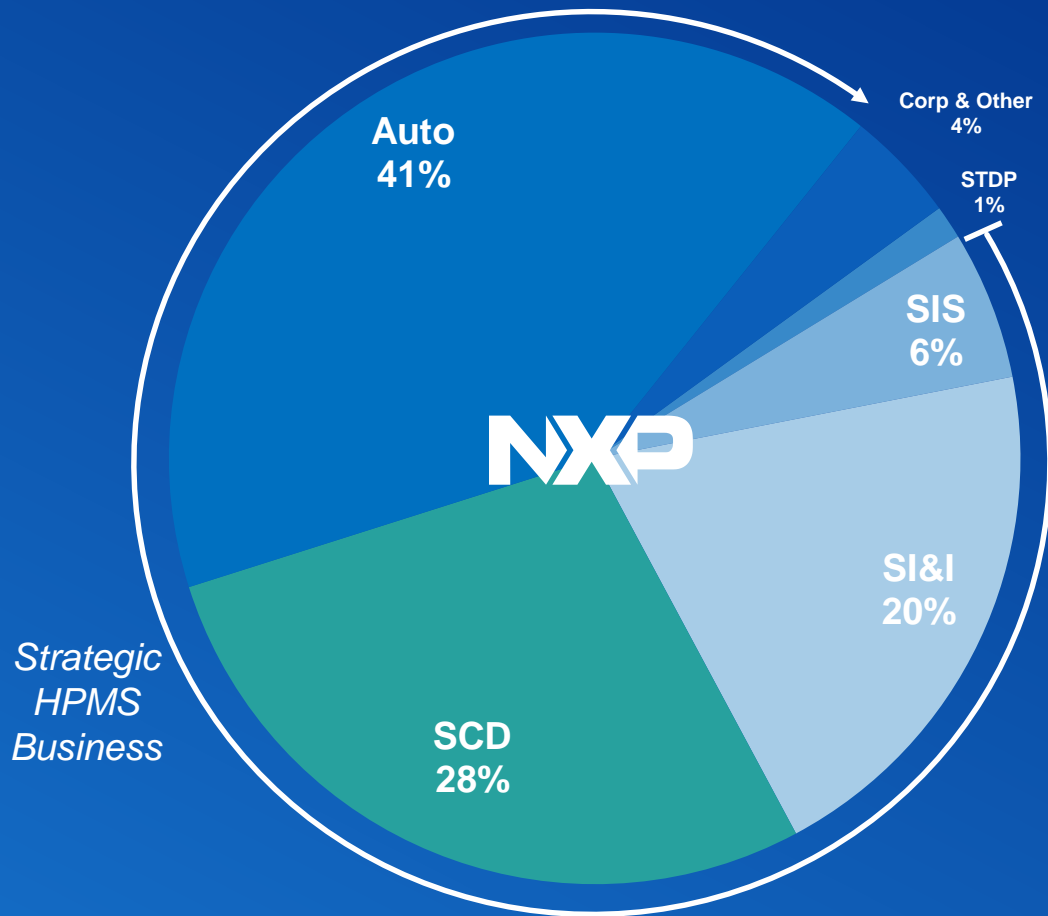


## Shareholder value creation

- Focus on optimal capital structure
- Achieve 2x leverage
- Return excess free cash flow to shareholders

# HPMS Market Leader with Sharp Focus, Broad Reach<sup>1,2,3</sup>

NXP 2017 Revenue  
by Operating Segment



## NXP: the HPMS leader

- #5 global non-memory semi supplier
- #1 global auto semi supplier
- #3 non-auto MCU supplier
- #1 secure identification

## Deliver >1.5x market growth

- Complimentary portfolios and customers
- Opportunities to cross sell
- Ability to deliver complete solutions

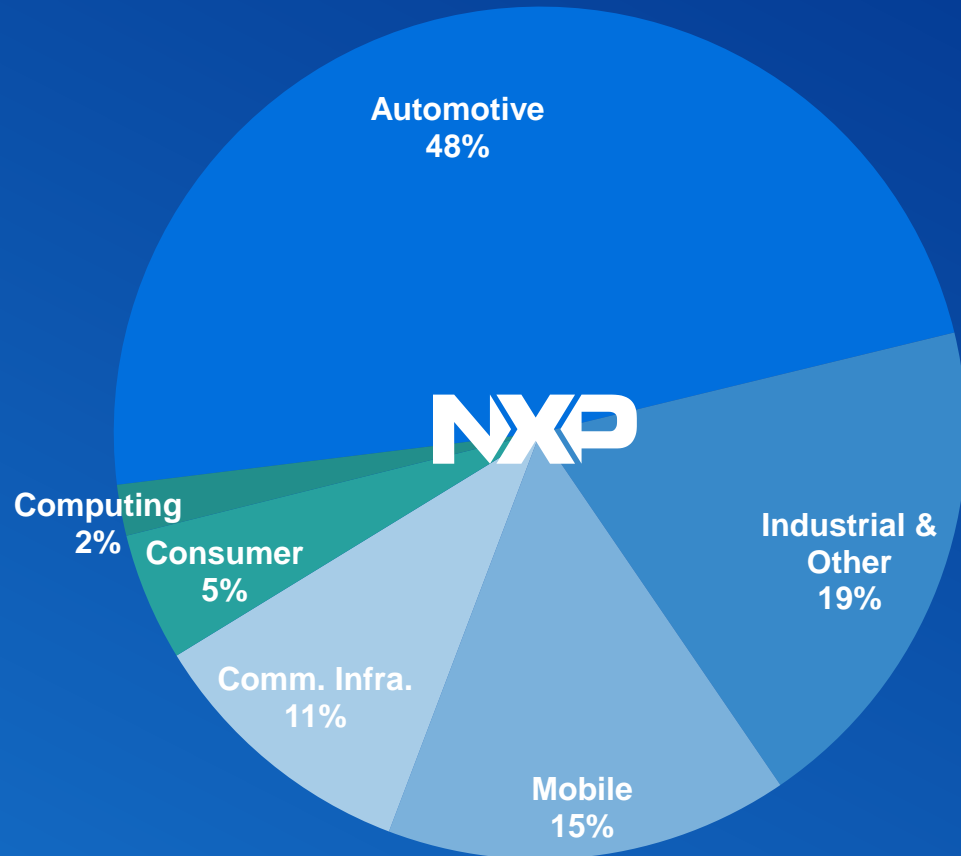
1. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

2. Based on 2017 estimated revenue ranking of non-memory semiconductor suppliers

3. Market positions based on IHS and ABI market research reports.

# Focused Leadership – End Markets<sup>1,2,3</sup>

**NXP 2017 HPMS Revenue  
by End-market Exposure**



## Broad end market exposure

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

## Product leadership positions

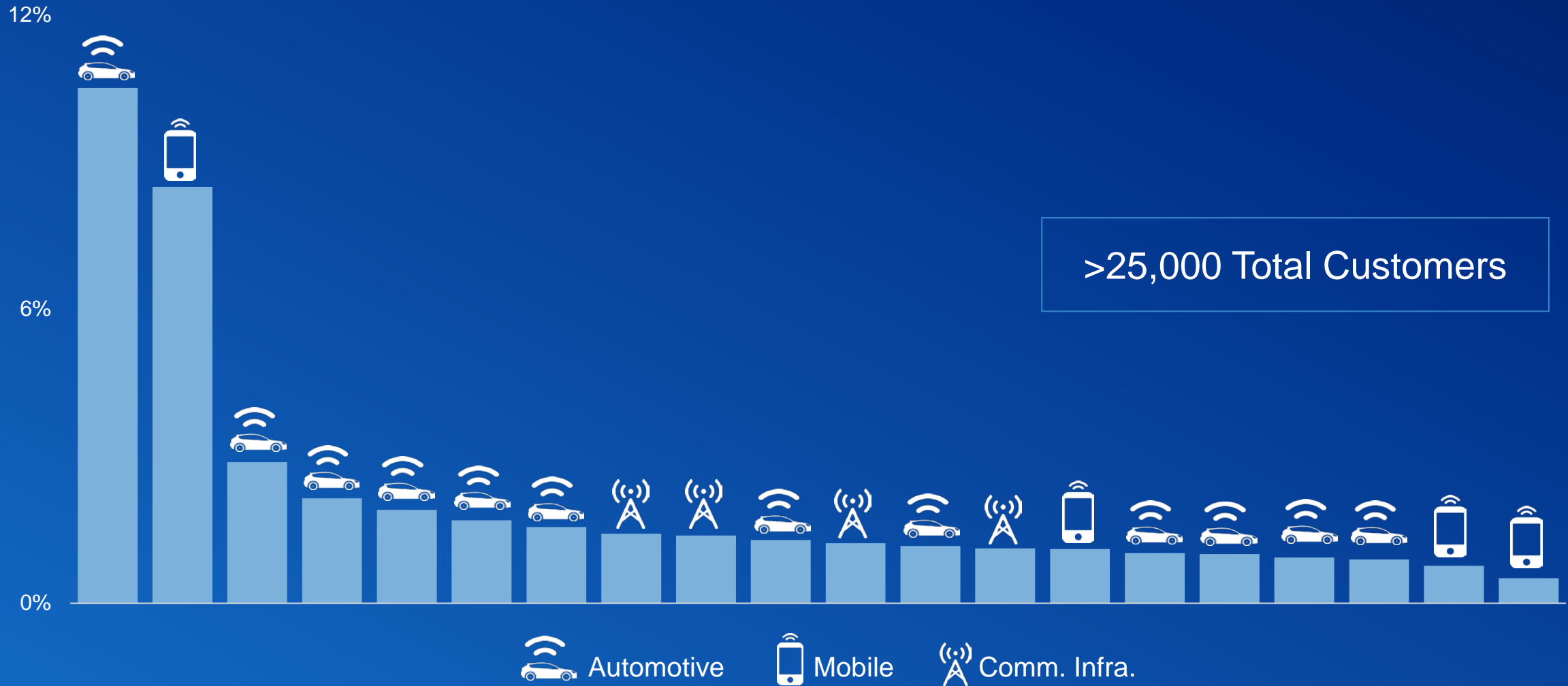
- #1 Automotive
- #3 Non-auto MCU
- #1 Secure identification
- #1 Mobile transactions

1. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

2. Based on 2017 estimated revenue ranking of non-memory semiconductor suppliers

3. Market positions based on IHS and ABI market research reports.

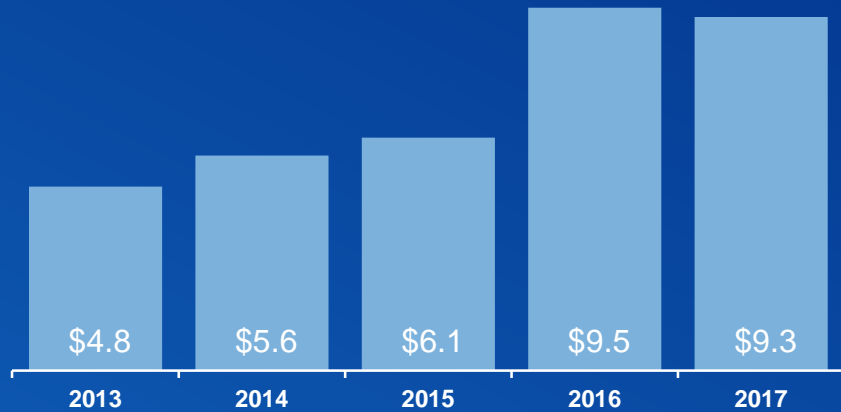
# Top 20 HPMS Customers > 40% of 2017 Revenue <sup>(1,2)</sup>



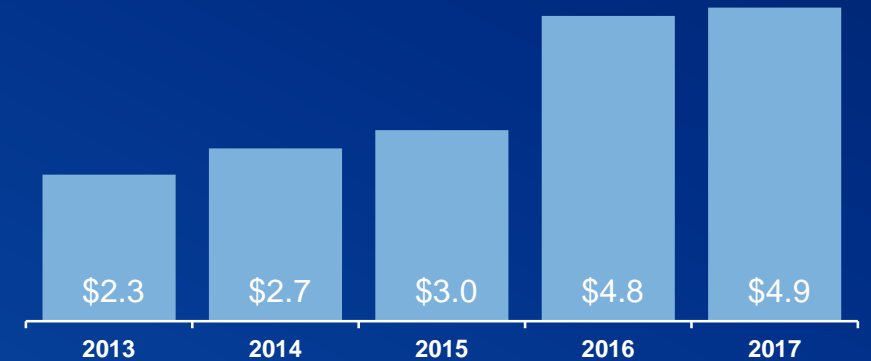
1. Reflects sales through all channels  
 2. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

# Driving Profitable Growth in Excess of Addressable Market<sup>(1,2,3)</sup>

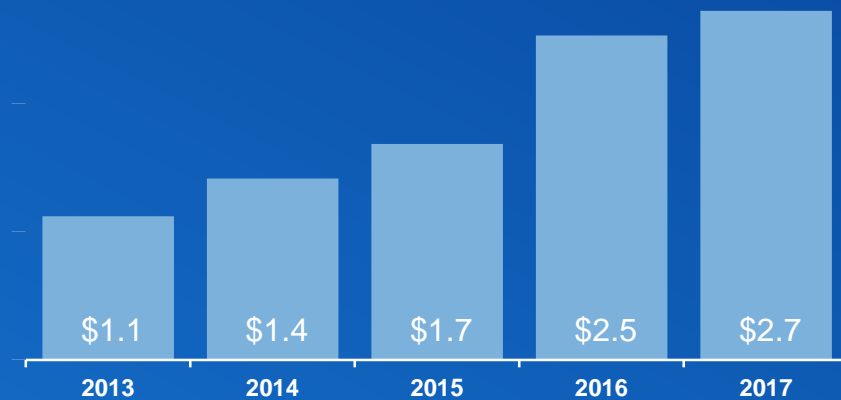
As Reported Revenue Up 18% 3-yr. CAGR (\$B)



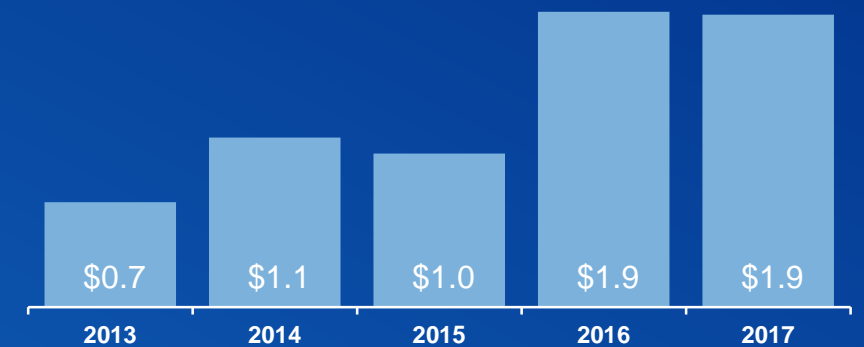
Non-GAAP Gross Profit<sup>2</sup> up 22% 3-yr. CAGR (\$B)



Non-GAAP EBIT<sup>2</sup> Profit up 24% 3-yr. CAGR (\$B)



Non-GAAP Free Cash Flow<sup>2</sup> up 18% 3-yr. CAGR (\$B)



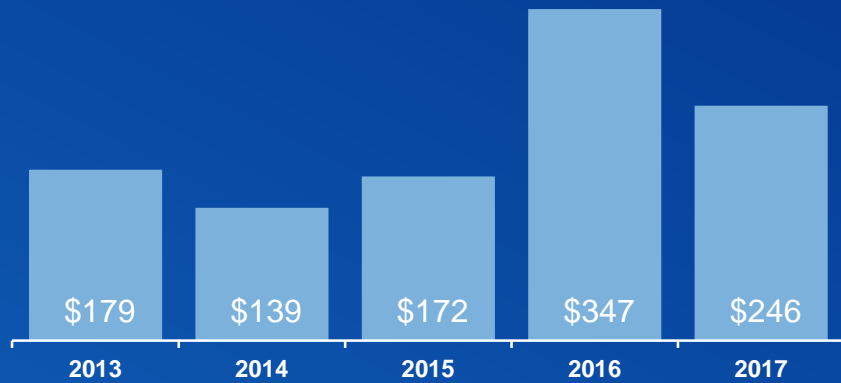
Note:

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](http://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 2014 – 2017
3. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

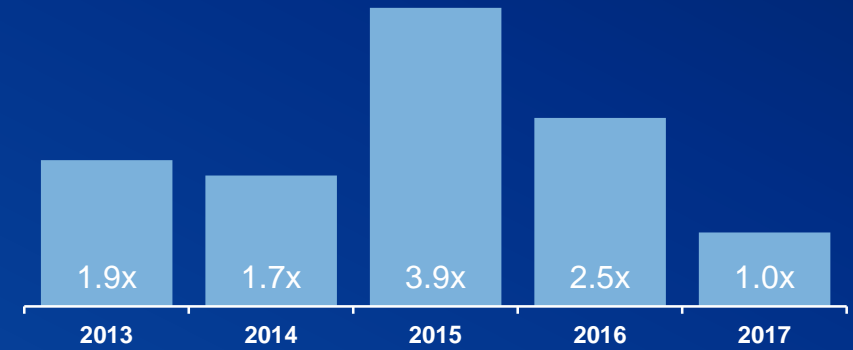


# Focused on Generating Cash<sup>(1,2,3)</sup>

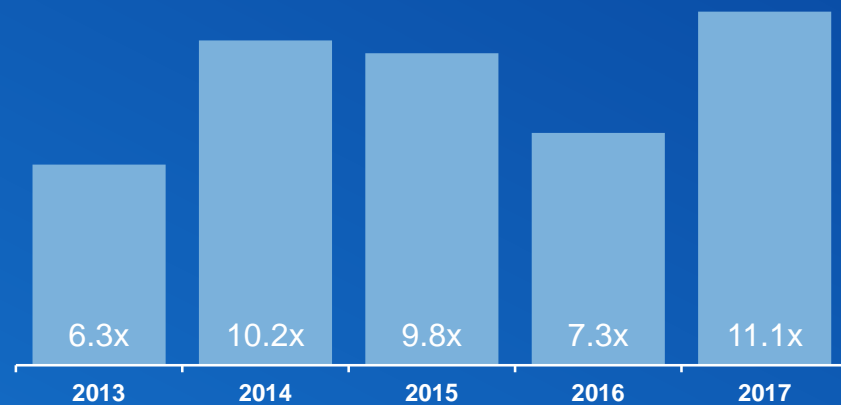
## Interest Expense<sup>2</sup> (\$M)



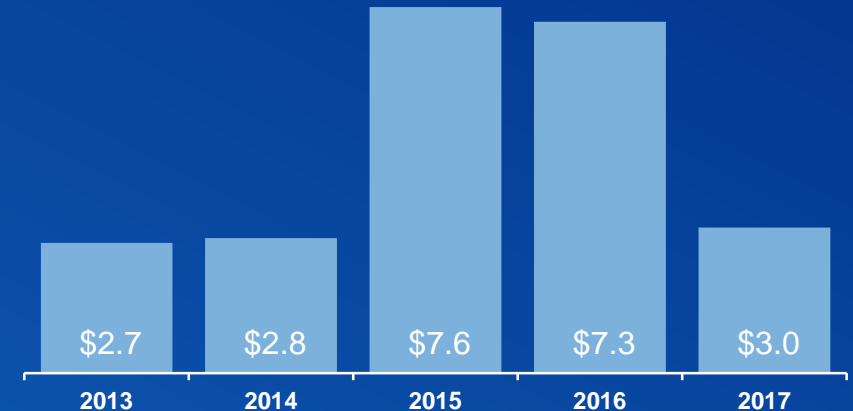
## Leverage<sup>2</sup>



## Interest Coverage<sup>2</sup>



## Net Debt (\$B)



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 2. Cash Interest Expense, Leverage, Interest Coverage are all non-GAAP figures  
 3. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.



# Quarterly Revenue and Operating Income<sup>(1,2)</sup>

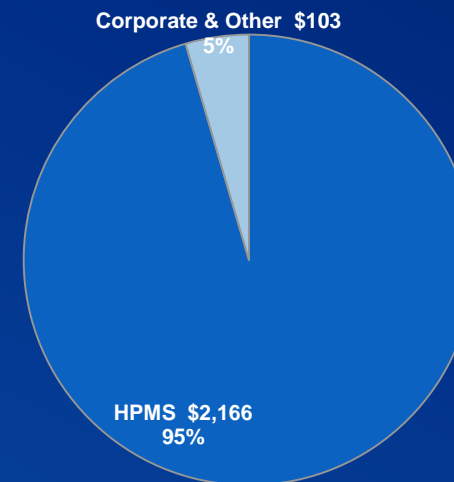
## GAAP Financial Summary

(\$ in millions)	Q1 2018	Q4 2017	Q1 2017	Q-Q	Y-Y
<b>Product Revenue</b>	<b>2,166</b>	<b>2,348</b>	<b>2,129</b>	<b>(182)</b>	<b>37</b>
<b>All Other</b>	<b>103</b>	<b>108</b>	<b>82</b>	<b>(5)</b>	<b>21</b>
<b>Total Revenue</b>	<b>2,269</b>	<b>2,456</b>	<b>2,211</b>	<b>(187)</b>	<b>58</b>
<b>Gross Profit</b>	<b>1,172</b>	<b>1,242</b>	<b>1,079</b>	<b>(70)</b>	<b>93</b>
Percent of total revenue	51.7%	50.6%	48.8%	1.1pts.	2.9pts.
<b>Operating income</b>	<b>138</b>	<b>210</b>	<b>1,679</b>	<b>(72)</b>	<b>(1,541)</b>
Percent of total revenue	6.1%	8.6%	75.9%	(2.5pts)	(69.8pts)

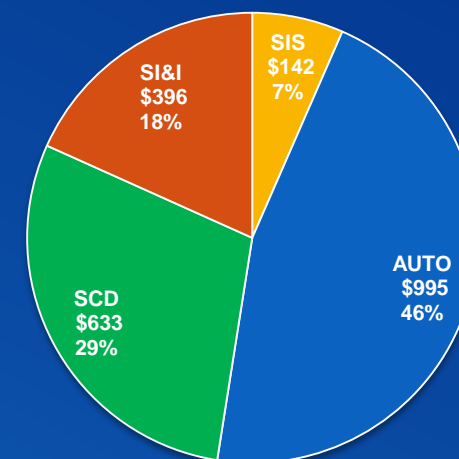
## Non-GAAP Financial Summary

(\$ in millions)	Q1 2018	Q4 2017	Q1 2017	Q-Q	Y-Y
<b>Gross Profit</b>	<b>1,200</b>	<b>1,331</b>	<b>1,144</b>	<b>(131)</b>	<b>56</b>
Percent of total revenue	52.9%	54.2%	51.7%	(1.3pts)	1.2pts
<b>Operating income</b>	<b>617</b>	<b>763</b>	<b>599</b>	<b>(146)</b>	<b>18</b>
Percent of total revenue	27.2%	31.1%	27.1%	(3.9pts)	0.1pts

## Quarterly Segment Revenue (\$M):



## Quarterly Product Revenue (% of Product Revenue):



Note:

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# Business Segment Performance<sup>(1,2)</sup>

## GAAP Financial Summary

HPMS (\$ in millions)	Q1 2018	Q4 2017	Q1 2017	Q-Q	Y-Y
Revenue	2,166	2,348	2,011	(182)	155
Gross Profit	1,161	1,228	1,030	(67)	131
Gross Margin	53.6%	52.3%	51.2%	1.3pts.	2.4pts.
Operating income	161	246	81	(85)	80
Operating Margin	7.4%	10.5%	4.0%	(3.1pts.)	3.4pts.

STDP (\$ in millions)	Q1 2018	Q4 2017	Q1 2017	Q-Q	Y-Y
Revenue	-	-	118	-	(118)
Gross Profit	-	-	45	-	(45)
Gross Margin	-	-	38.1%	-	NA
Operating income	-	-	31	-	(31)
Operating Margin	-	-	26.3%	-	NA

## Non-GAAP Financial Summary

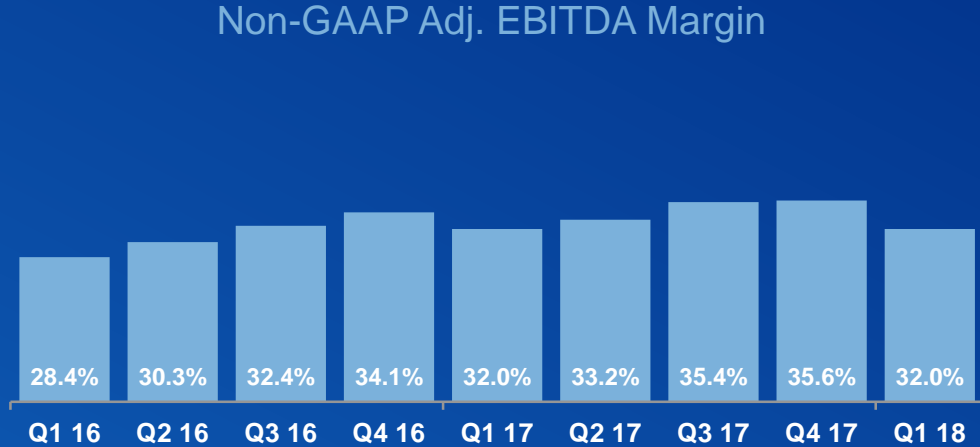
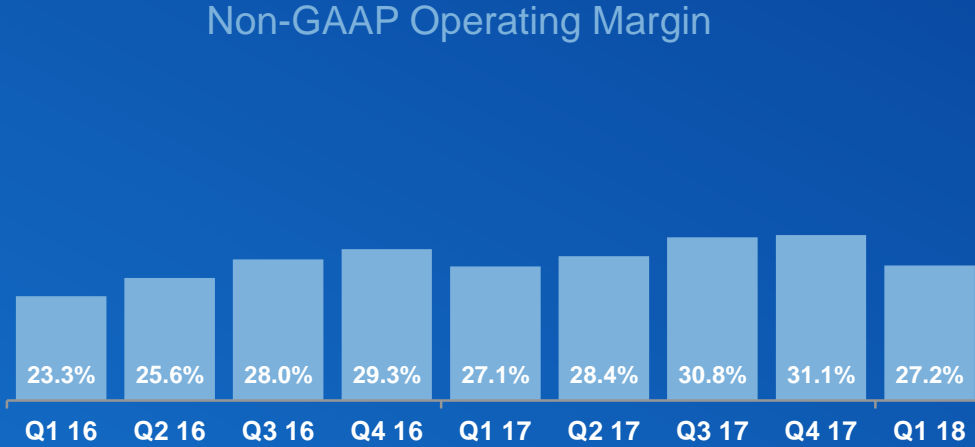
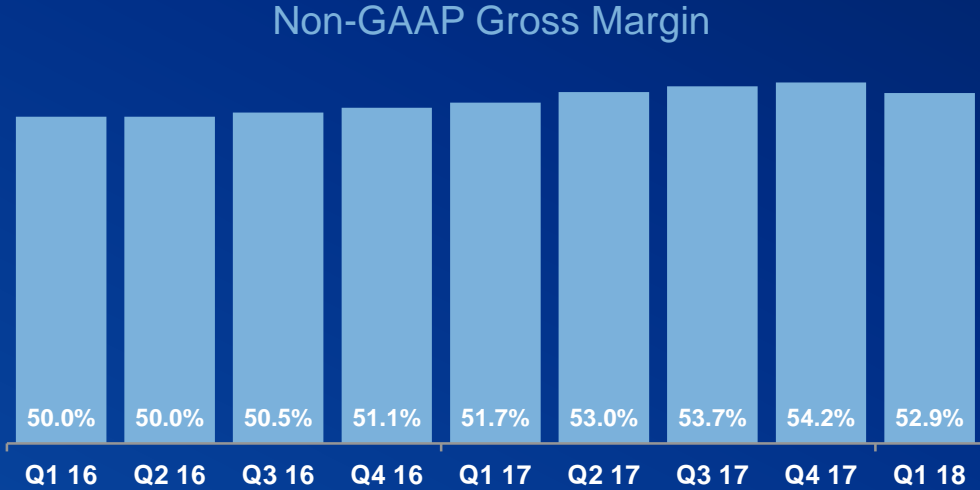
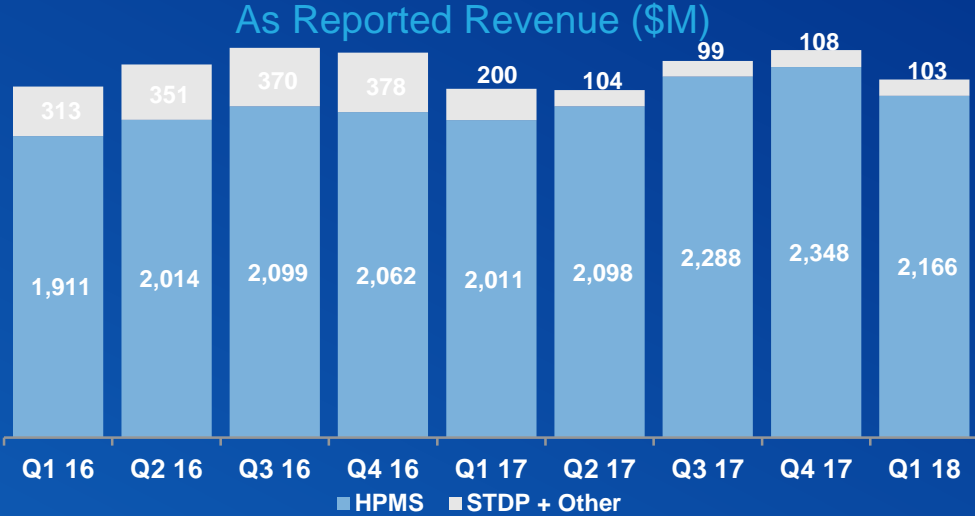
HPMS (\$ in millions)	Q1 2018	Q4 2017	Q1 2017	Q-Q	Y-Y
Gross Profit	1,188	1,316	1,096	(128)	92
Gross Margin	54.8%	56.0%	54.5%	(1.2pts.)	0.3pts.
Operating income	614	756	570	(142)	44
Operating Margin	28.3%	32.2%	28.3%	(3.9pts.)	-

STDP (\$ in millions)	Q1 2018	Q4 2017	Q1 2017	Q-Q	Y-Y
Gross Profit	-	-	42	-	(42)
Gross Margin	-	-	35.6%	-	NA
Operating income	-	-	29	-	(29)
Operating Margin	-	-	24.6%	-	NA

Note:

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# Recent Quarterly Business Trends <sup>(1,2,3)</sup>



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 2. Gross Margin, Operating Margin, Adj. EBITDA are all non-GAAP figures.  
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# HPMS Segment Revenue Business Trends(\$M)<sup>(1)</sup>

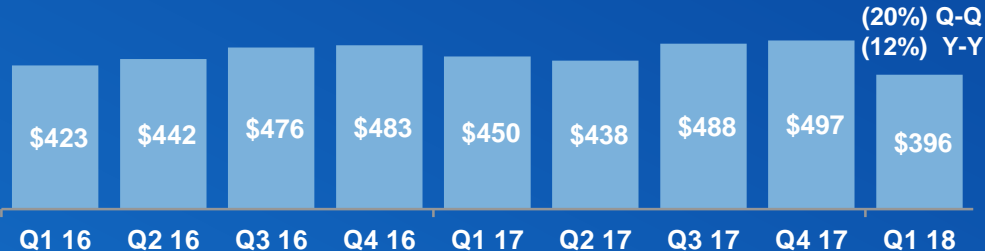
Automotive



Secure Connected Devices



Secure Interface & Infrastructure



Secure Identification Solutions



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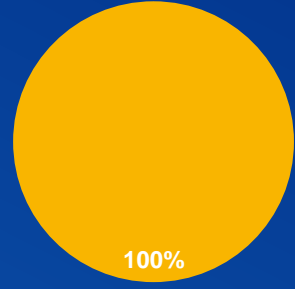
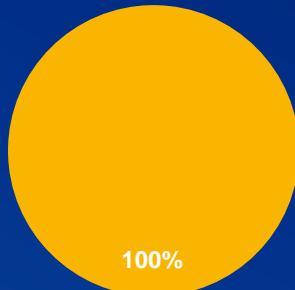
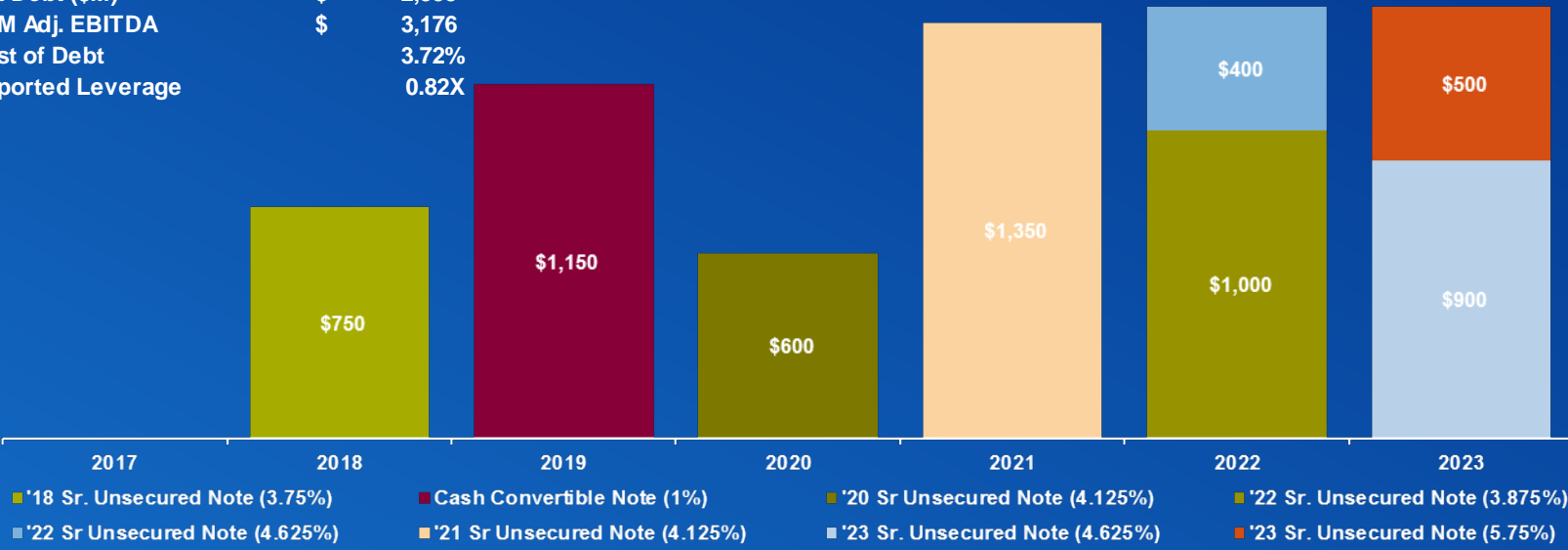


# Debt Summary End of 1Q18<sup>(1)</sup>

Debt Instrument	Sr. Unsecured Notes	Cash Convertible Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Revolving Credit Facility
Maturity Date	01-Jun-18	02-Dec-19	15-Jun-20	01-Jun-21	15-Jun-22	01-Sep-22	15-Mar-23	01-Jun-23	07-Dec-20
Amount (M)	\$ 750	\$ 1,150	\$ 600	\$ 1,350	\$ 400	\$ 1,000	\$ 500	\$ 900	\$ -
Coupon	3.75%	1.00%	4.125%	4.125%	4.625%	3.875%	5.75%	4.625%	Libor + 200 bps
Rating									
Moody's	Ba1	Ba2	Ba1	Ba1	Ba1	Ba1	Ba1	Ba1	
Standard & Poor's	BBB-	BB+	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-

**Total Leverage**

Total Debt (\$M)	\$ 6,578
Total Cash (\$M)	\$ 3,983
Net Debt (\$M)	\$ 2,595
TTM Adj. EBITDA	\$ 3,176
Cost of Debt	3.72%
Reported Leverage	0.82X



■ Fixed

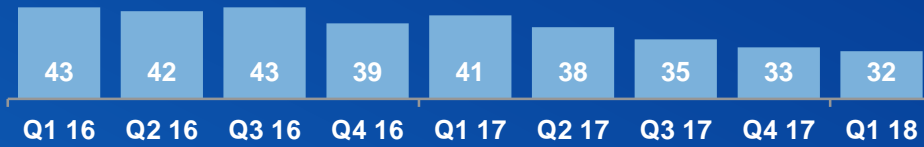
■ Un Secured

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# Working Capital Ratios<sup>(1,2,3)</sup>

## DSO



## DPO



## DIO<sup>(2)</sup>



## Cash Conversion Cycle



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

DIO = (91.25 x Inventory) / COGS  
 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 and Inventory due to the FSL merger, including inventory step up and amortization of acquired PP&E;
- 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](http://www.nxp.com/investor) for additional information relative to our Non-GAAP Financial Measures
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# Quarterly Financial Reconciliation (GAAP to non-GAAP)<sup>(1,2)</sup>

(\$ in millions, unless otherwise stated)	Q1 2018	Q4 2017	Q1 2017
<b>Total Revenue</b>	<b>2,269</b>	<b>2,456</b>	<b>2,211</b>
<b>GAAP Gross Profit</b>	<b>1,172</b>	<b>1,242</b>	<b>1,079</b>
Gross profit adjustments	(28)	(89)	(65)
<b>Non - GAAP Gross Profit</b>	<b>1,200</b>	<b>1,331</b>	<b>1,144</b>
<b>GAAP Gross Margin</b>	<b>51.7%</b>	<b>50.6%</b>	<b>48.8%</b>
<b>Non-GAAP Gross Margin</b>	<b>52.9%</b>	<b>54.2%</b>	<b>51.7%</b>
<b>GAAP Operating income (loss)</b>	<b>138</b>	<b>210</b>	<b>1,679</b>
Operating income adjustments	(479)	(553)	1,080
<b>Non - GAAP Operating income (loss)</b>	<b>617</b>	<b>763</b>	<b>599</b>
<b>GAAP Operating Margin</b>	<b>6.1%</b>	<b>8.6%</b>	<b>75.9%</b>
<b>Non-GAAP Operating Margin</b>	<b>27.2%</b>	<b>31.1%</b>	<b>27.1%</b>
<b>GAAP Financial income (expense)</b>	<b>(68)</b>	<b>(79)</b>	<b>(136)</b>
Financial income adjustments	(17)	(24)	(61)
<b>Non - GAAP Financial income (expense)</b>	<b>(51)</b>	<b>(55)</b>	<b>(75)</b>

## Other Information

- PPA effects: (\$382M);
- Restructuring: (\$1M);
- Stock-based compensation: (\$69M);
- Merger-related costs: (\$26M);
- Other incidentals: (\$1M);
- Non-cash interest expense on convertible notes: (\$11M);
- Foreign exchange loss: (\$3M);
- Other financial expense: (\$3M).

Note:

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# Quarterly Cash Flow Overview (\$M)<sup>(1,2)</sup>

	Q1 2018	Q4 2017	Q1 2017
Net cash provided by (used for) operating activities	620	738	625
Net cash provided by (used for) investing activities	(174)	(135)	2,428
Net cash provided by (used for) financing activities	(10)	(123)	(2,722)
Effects of changes in exchange rates on cash position	-	2	13
<b>Increase (decrease) in cash and cash equivalents</b>	<b>436</b>	<b>482</b>	<b>344</b>
Cash and cash equivalents at beginning of the period	3,547	3,065	1,894
Cash and cash equivalents at end of period	3,983	3,547	2,238
Net cash provided by (used for) operating activities	620	738	625
Net capital expenditures on property, plant and equipment	(156)	(132)	(161)
Non-GAAP free cash flow	464	606	464
Non-GAAP free cash flow as a percentage of Revenue	21%	25%	21%

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](http://www.nxp.com/investor) for additional information relative to our Non-GAAP Financial Measures
2. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

# Quarterly Adjusted EBITDA (\$M)<sup>(1,2)</sup>

	Q1 2018	Q4 2017	Q1 2017
<b>Net income (loss)</b>	<b>70</b>	<b>768</b>	<b>1,318</b>
Reconciling items to EBITDA			
Financial (income) expense	68	79	136
(Benefit) provision for income taxes	2	(629)	230
Depreciation	116	145	154
Amortization	375	397	380
<b>EBITDA</b>	<b>631</b>	<b>760</b>	<b>2,218</b>
Results of equity-accounted investees	(2)	(8)	(5)
Restructuring <sup>1</sup>	1	-	(8)
Stock-based compensation	69	78	68
Merger-related costs	26	32	30
Other incidental items <sup>1</sup>	1	12	(1,596)
<b>Adjusted EBITDA</b>	<b>726</b>	<b>874</b>	<b>707</b>
<b>Trailing 12-month Adjusted EBITDA</b>	<b>3,176</b>	<b>3,157</b>	<b>3,056</b>
1. Excluding depreciation PP&E , amortization of software related to restructuring and Other incidental items	-	-	(4)

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](http://www.nxp.com/investor) for additional information relative to our Non-GAAP Financial Measures
2. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.



# NXP Value Proposition



True Leadership Driving RMS

**FOCUSED ON RMS > 1.5x**



Multiple High Growth Markets

**PROFITABLE GROWTH**



World-Class Expertise and Team

**CUSTOMER-FOCUSED PASSION TO WIN**



Operational Excellence + Benchmark Cost Structure

**STRONG CASH GENERATION**

**MAXIMIZE SHAREHOLDER VALUE**

The NXP logo is rendered in a bold, white, sans-serif font. The letters 'N', 'X', and 'P' are interconnected, with the 'X' having a distinctive shape where the two vertical strokes are slightly offset. The background is a solid dark blue.

SECURE CONNECTIONS  
FOR A SMARTER WORLD

A photograph of a modern office building with a glass facade, viewed from a low angle. The building is partially obscured by a dark blue overlay. A sign on the building's facade displays the NXP logo in green.

NXP