

NXP Investor Presentation

Third Quarter 2018

November 2018



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; 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 successfully establish a brand identity; the ability to successfully hire and retain key management and senior product architects; possibility of adverse impacts resulting from the termination of the purchase agreement with Qualcomm; the disruption from the termination of the proposed transaction making it more difficult to maintain business and operational relationships; the diversion of management's or employees' attention from ongoing business operations as a result of the termination of the proposed transaction; the ability to successfully execute NXP's share repurchase program, which may be suspended or discontinued at any time; and, the ability to maintain good relationships with our suppliers. In addition, this document contains information concerning the semiconductor industry and NXP's 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, NXP's market segments 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 market results may differ from those predicted. While NXP does not know, what impact any such differences may have on its business, if there are such differences, its future results of operations and its financial condition 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. Except for any ongoing obligation to disclose material information as required by the United States federal securities laws, NXP does 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 SEC filings are available on our Investor Relations website, www.nxp.com/investor or from the SEC website, www.sec.gov.

NXP Investment Thesis



Market Leader in
Growing Markets



Focused on Strong
Profitable Growth



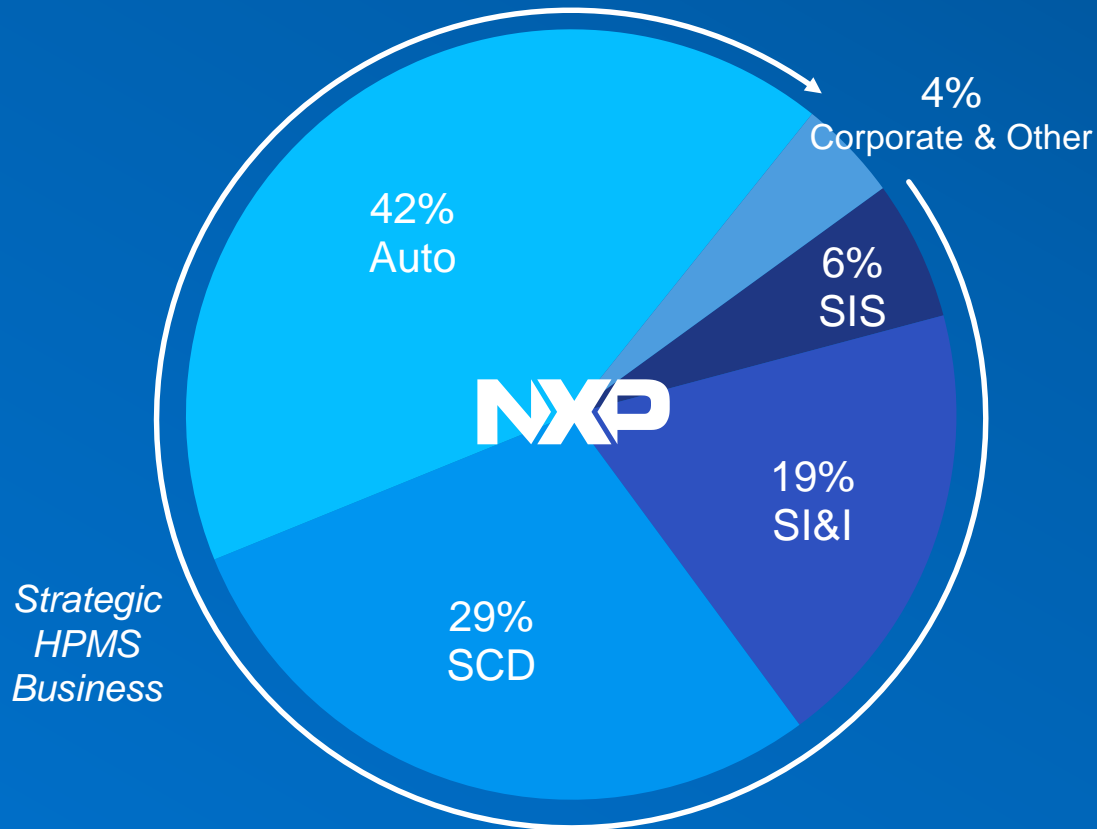
Shareholder
Friendly



All Excess Cash
Returned to
Shareholders

HPMS Market Leader with Sharp Focus, Broad Reach^{1,2,3,4}

NXP 3Q18TTM Revenue
by Operating Segment



NXP: the HPMS leader

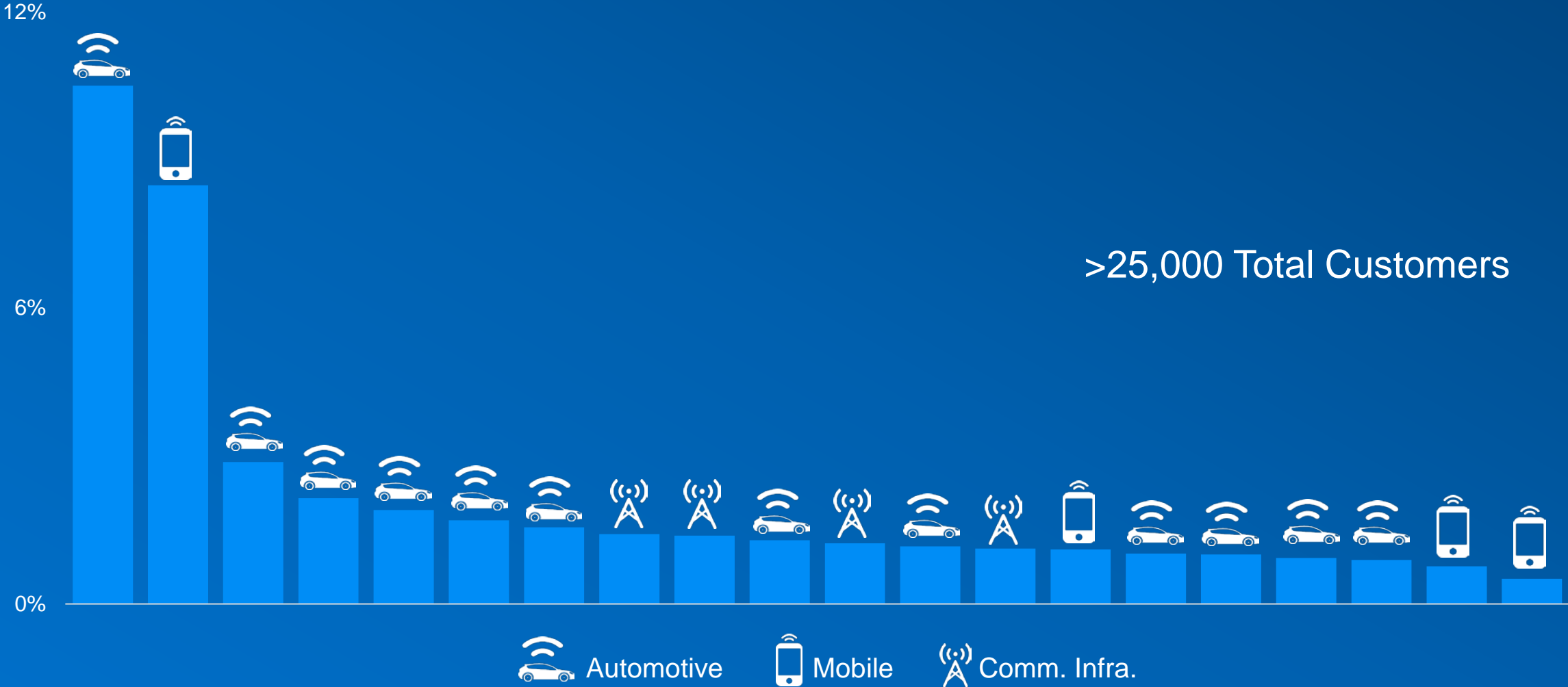
- #5 global non-memory semi supplier
- #1 global auto semi supplier
- Focused IoT processing: MCU–CrossOver–AP
 - #2 MCU supplier
- #1 secure identification

Goal: deliver >1.5x market growth

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

1. Based on 2017 estimated revenue ranking of non-memory semiconductor suppliers
2. Market positions based on IHS market “competitive-landscaping-tool-clt-annual-Q2-2018”
3. Growth relative to focused addressable market
4. ABI Research Secure Smart Card & Embedded Security IC Technologies, 1Q18

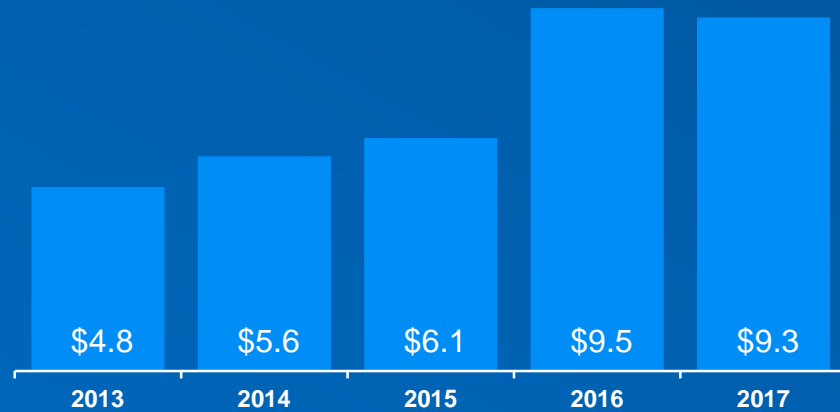
Top 20 HPMS Customers > 40% of 2017 Revenue ^(1,2)



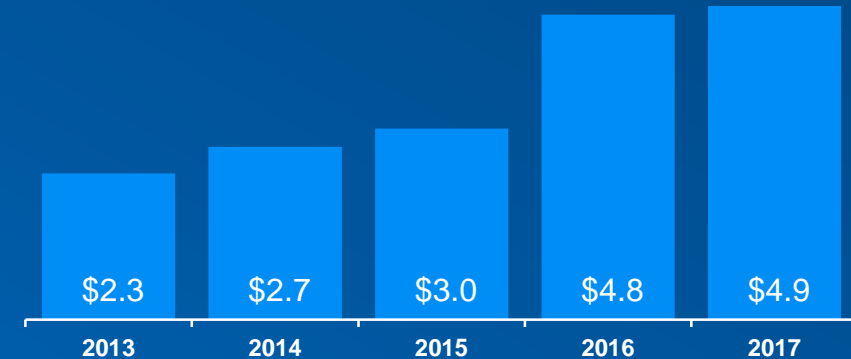
1. Reflects sales through all channels
 2. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

Driving Profitable Growth in Excess of Addressable Market ^(1,2,3)

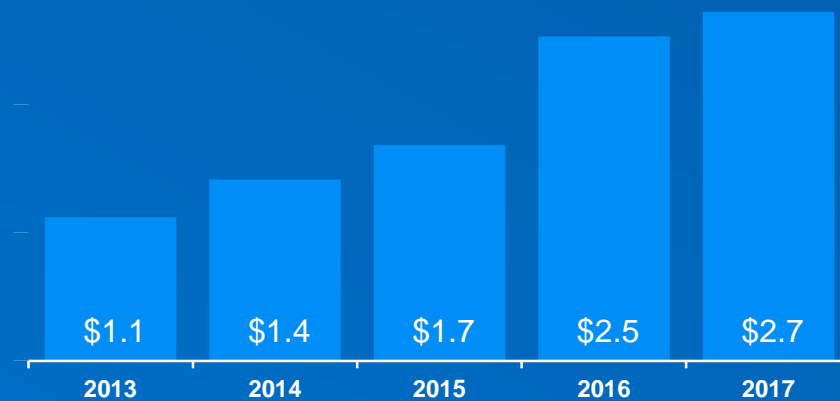
As Reported Revenue Up 18% 3-yr. CAGR (\$B)



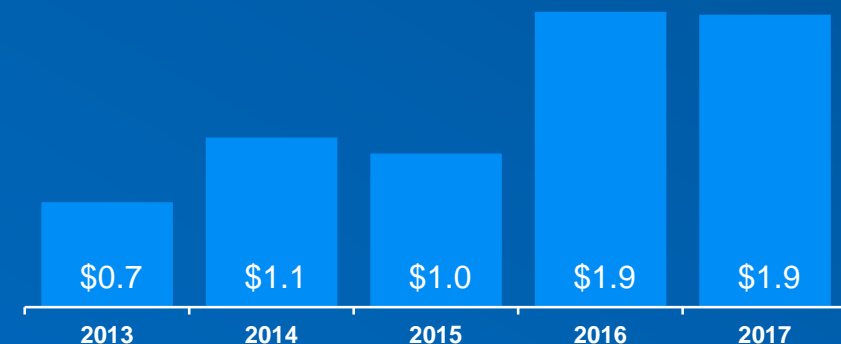
Non-GAAP Gross Profit² up 22% 3-yr. CAGR (\$B)



Non-GAAP EBIT² Profit up 24% 3-yr. CAGR (\$B)



Non-GAAP Free Cash Flow² 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 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.

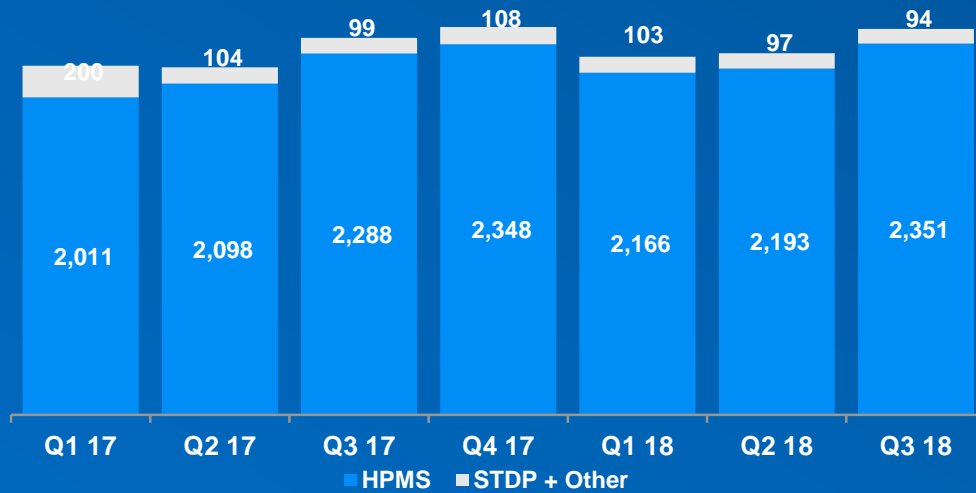
Quarterly Revenue and Profitability⁽¹⁾

GAAP (\$ in millions)	Q3 2018	Q2 2018	Q3 2017
HPMS Revenue	2,351	2,193	2,288
All Other	<u>94</u>	<u>97</u>	<u>99</u>
Total Revenue	2,445	2,290	2,387
HPMS GAAP Gross Profit	1,254	1,173	1,203
Corp. & Other GAAP Gross Profit	<u>2</u>	<u>7</u>	<u>12</u>
GAAP Gross Profit	1,256	1,180	1,215
Percent of total revenue	51.4%	51.5%	50.9%
HPMS Operating Profit	240	160	235
Corp. and Other Operating Profit	<u>1,971</u>	<u>(23)</u>	<u>(72)</u>
GAAP Operating income	2,211	137	163
Percent of total revenue	90.4%	6.0%	6.8%

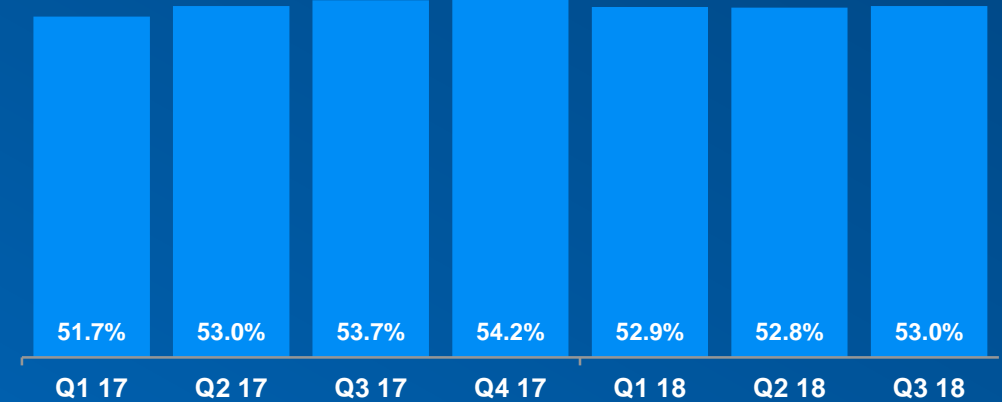
Non – GAAP (\$ in millions)	Q3 2018	Q2 2018	Q3 2017
HPMS Revenue	2,351	2,193	2,288
All Other	<u>94</u>	<u>97</u>	<u>99</u>
Total Revenue	2,445	2,290	2,387
HPMS Non-GAAP Gross Profit	1,284	1,201	1,269
Corp. & Other Non-GAAP Gross Profit	<u>11</u>	<u>9</u>	<u>14</u>
Non-GAAP Gross Profit	1,295	1,210	1,283
Percent of total revenue	53.0%	52.8%	53.7%
HPMS Operating Profit	732	618	730
Corp. and Other Operating Profit	<u>1</u>	<u>-</u>	<u>5</u>
Non-GAAP Operating income	733	618	735
Percent of total revenue	30.0%	27.0%	30.8%

Recent Quarterly Business Trends^(1,2,3)

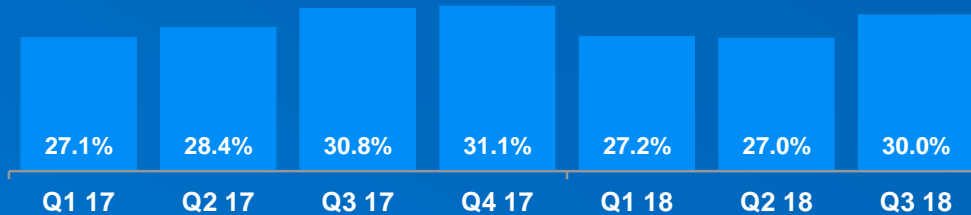
As Reported Revenue (\$M)



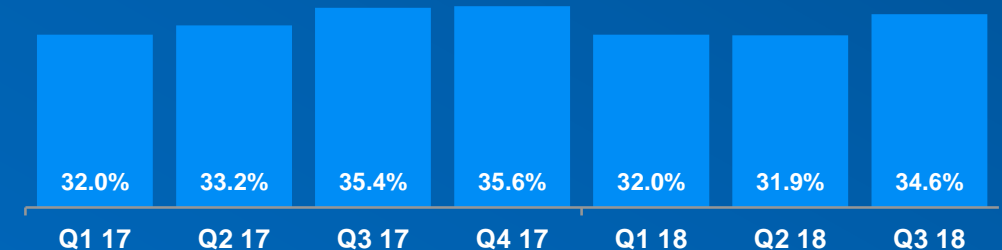
Non-GAAP Gross Margin



Non-GAAP Operating Margin



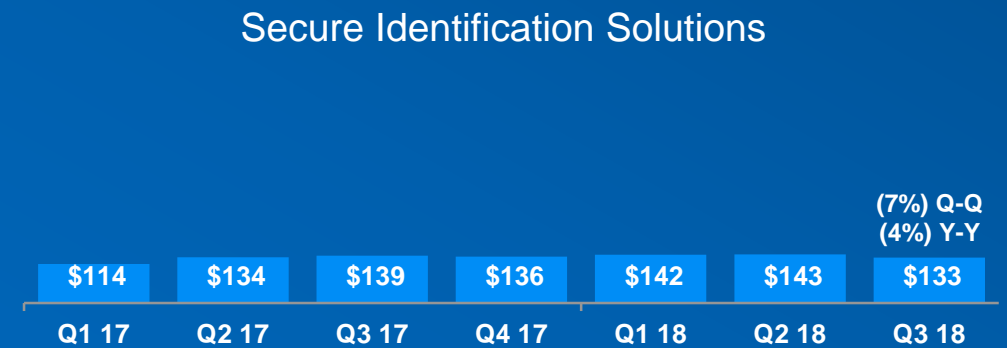
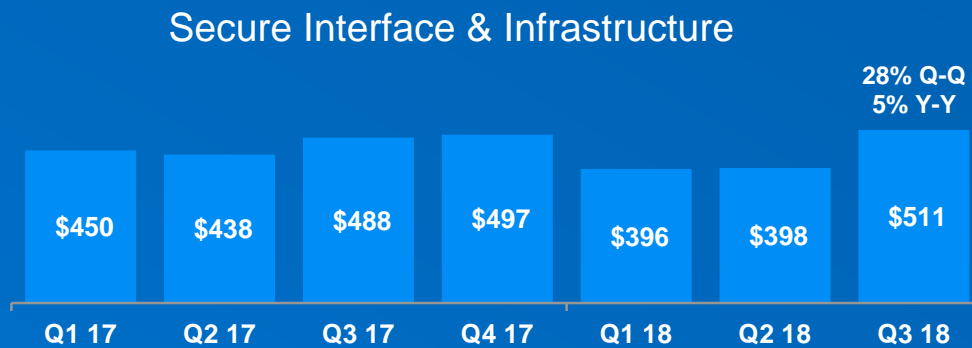
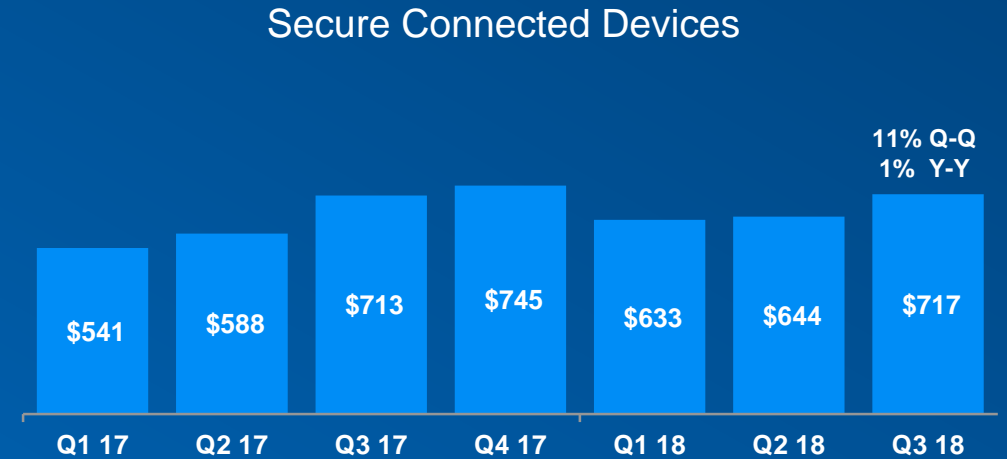
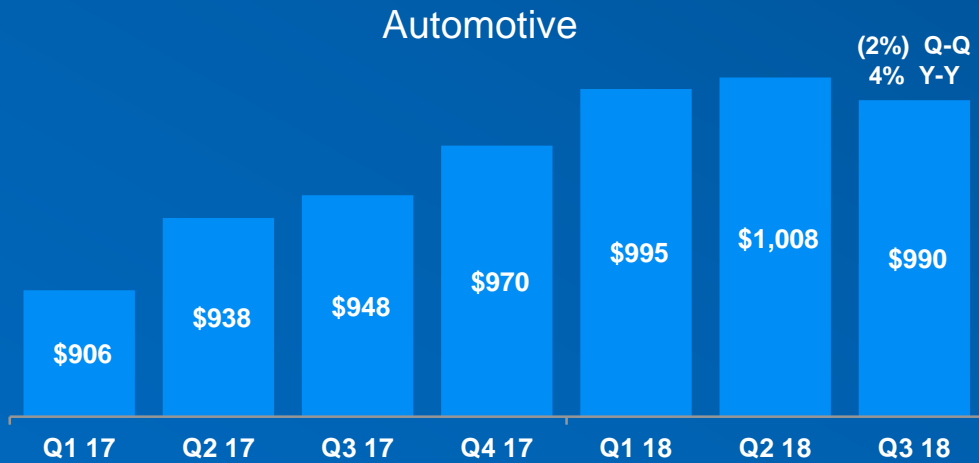
Non-GAAP Adj. EBITDA Margin



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 Margin, Operating Margin, Adj. EBITDA are all non-GAAP figures.
3. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

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

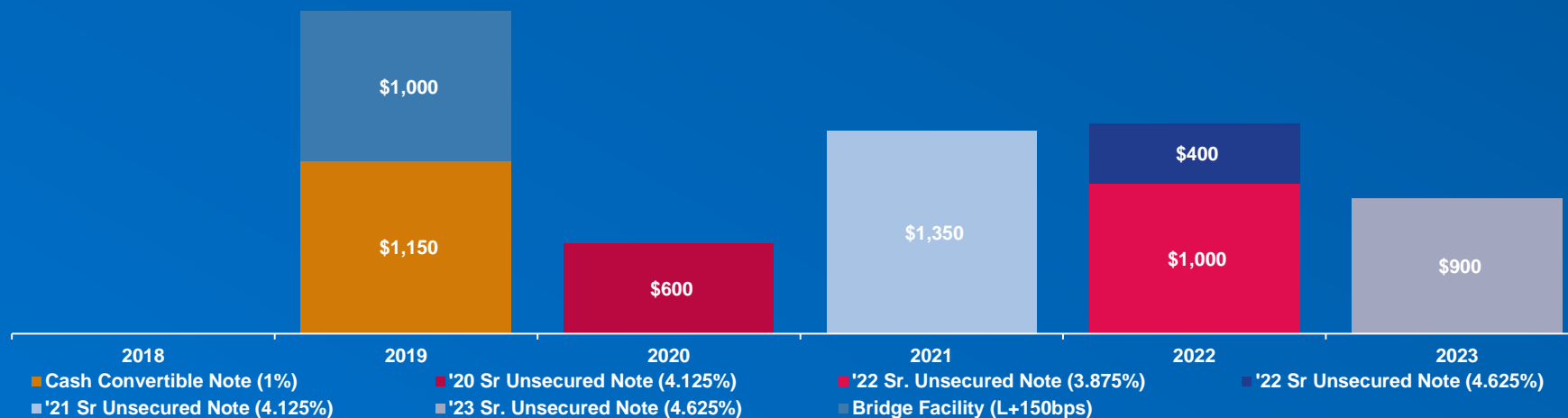


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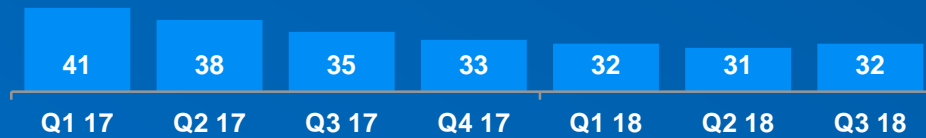
Debt Summary End of 3Q18⁽¹⁾

Debt Instrument	Cash Convertible Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Revolving Credit Facility	Bridge Facility
Maturity Date	Dec-19	Jun-20	Jun-21	Jun-22	Sep-22	Jun-23	Dec-20	Oct-19
Amount (M)	\$1,150	\$600	\$1,350	\$400	\$1,000	\$900	\$0	\$1,000
Coupon	1.00%	4.125%	4.125%	4.625%	3.875%	4.625%	Libor + 200 bps	Libor + 150 bps
Rating								
Moody's	Ba2	Ba1	Ba1	Ba1	Ba1	Ba1		
Standard & Poor's	BB+	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	
Total Leverage								
Total Debt (\$M)	\$ 6,356							
Total Cash (\$M)	\$ 1,944							
Net Debt (\$M)	\$ 4,412							
TTM Adj. EBITDA	\$ 3,176							
Cost of Debt	2.98%							
Reported Leverage	1.39X							



Working Capital Ratios^(1,2)

DSO



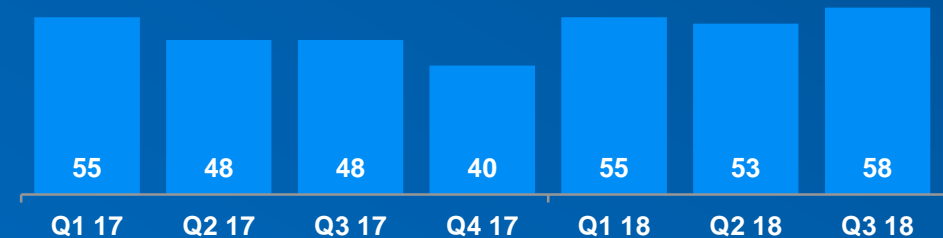
DPO



DIO⁽²⁾



Cash Conversion Cycle



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

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

$$\text{DIO} = (91.25 \times \text{Inventory}) / \text{COGS}$$

$$\text{Cash Conversion Cycle} = \text{DIO} + \text{DSO} - \text{DPO}$$

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 for additional information relative to our Non-GAAP Financial Measures

Guidance for the Fourth Quarter of 2018⁽¹⁾

	<u>GAAP</u>			<u>Reconciliation</u>		<u>non-GAAP</u>		
	<u>Low</u>	<u>Mid</u>	<u>High</u>			<u>Low</u>	<u>Mid</u>	<u>High</u>
Product Revenue	\$ 2,225	\$ 2,300	\$ 2,375	\$ -	\$ -	\$ 2,225	\$ 2,300	\$ 2,375
Q-Q	-5%	-2%	1%			-5%	-2%	1%
Y-Y	-5%	-2%	1%			-5%	-2%	1%
Other Revenue	\$ 90	\$ 90	\$ 90	\$ -	\$ -	\$ 90	\$ 90	\$ 90
Total Revenue	\$ 2,315	\$ 2,390	\$ 2,465	\$ -	\$ -	\$ 2,315	\$ 2,390	\$ 2,465
Q-Q	-5%	-2%	1%			-5%	-2%	1%
Y-Y	-6%	-3%	0%			-6%	-3%	0%
Gross Profit	\$ 1,182	\$ 1,238	\$ 1,295	\$ (29)	\$ (29)	\$ 1,211	\$ 1,267	\$ 1,324
Gross Margin	51.1%	51.8%	52.5%			52.3%	53.0%	53.7%
Operating Income (loss)	\$ 184	\$ 230	\$ 277	\$ (487)	\$ (487)	\$ 671	\$ 717	\$ 764
Operating Margin	7.9%	9.6%	11.2%			29.0%	30.0%	31.0%
Financial income (expense)	\$ (69)	\$ (70)	\$ (71)	\$ (13)	\$ (13)	\$ (56)	\$ (57)	\$ (58)

Note (1) Additional Information:

At the mid-point of the revenue :

- Auto is expected to be down mid-single digit Q-Q;
- Secure Connected Devices is expected to be up low-single digit Q-Q;
- Secure Interface & Infrastructure is expected to be down mid-single digit Q-Q
- Secure Identification Solutions, is expected to be down low-single digit Q-Q;
- Corporate & Other is expected to be approximately \$90 million.

1. GAAP Gross Profit includes Purchase Price Accounting ("PPA") effects, (\$18 million); Stock Based Compensation, (\$11 million);
2. GAAP Operating Profit includes PPA effects, (\$381 million); Stock Based Compensation, (\$93 million); Merger related costs (\$9 million); Other Incidentals, (\$4 million);
3. GAAP Financial Income (expense) includes Other financial expense (\$13 million);
4. Net cash paid for income taxes is expected to be approximately (\$30 million);
5. Non-controlling interest is expected to be approximately (\$13 million);
6. Weighted average diluted share count is expected to be approximately 295 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

	2018E – 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}

	4Q18E	2019E	2020E	2021E
Cash Tax on Ongoing Operations	\$30M	5%	7%	11%
Incidental Cash Taxes	\$295M	\$80M	\$40M	-
Stock Based Compensation	\$93M	\$365M	\$365M	\$350M
Non-Controlling Interest	\$13M	\$50M	\$45M	\$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)	Q3 2018	Q2 2018	Q3 2017
Total Revenue	2,445	2,290	2,387
GAAP Gross Profit	1,256	1,180	1,215
Gross profit adjustments	(39)	(30)	(68)
Non - GAAP Gross Profit	1,295	1,210	1,283
GAAP Gross Margin	51.4%	51.5%	50.9%
Non-GAAP Gross Margin	53.0%	52.8%	53.7%
GAAP Operating income (loss)	2,211	137	163
Operating income adjustments	1,478	(481)	(572)
Non - GAAP Operating income (loss)	733	618	735
GAAP Operating Margin	90.4%	6.0%	6.8%
Non-GAAP Operating Margin	30.0%	27.0%	30.8%
GAAP Financial income (expense)	(119)	(71)	(76)
Financial income adjustments	(85)	(40)	(19)
Non - GAAP Financial income (expense)	(34)	(31)	(57)

Other Information

- PPA effects: (\$384M)
- Restructuring: (\$5M)
- Stock-based compensation: (\$83M)
- Merger-related costs: \$1,914M
- Other incidentals: \$36M
- Non-cash interest expense on convertible notes: (\$11M)
- Foreign exchange loss: (\$3M) ;
- Other financial expense: (\$71M)

Quarterly Cash Flow Overview (\$M)⁽¹⁾

	Q3 2018	Q2 2018	Q3 2017
Net cash provided by (used for) operating activities	2,615	403	643
Net cash provided by (used for) investing activities	(42)	(132)	(163)
Net cash provided by (used for) financing activities	(3,609)	(1,266)	(59)
Effects of changes in exchange rates on cash position	(1)	(7)	2
Increase (decrease) in cash and cash equivalents	(1,037)	(1,002)	423
Cash and cash equivalents at beginning of the period	2,981	3,983	2,642
Cash and cash equivalents at end of period	1,944	2,981	3,065
Net cash provided by (used for) operating activities	2,615	403	643
Net capital expenditures on property, plant and equipment	(155)	(129)	(161)
Non-GAAP free cash flow	2,460	274	482
Trailing 12-month Non-GAAP free cash flow	3,804	1,826	1,897
Trailing 12-month Non-GAAP free cash flow as a percentage of Revenue	40%	19%	21%

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Quarterly Adjusted EBITDA (\$M)^(1,2)

	Q3 2018	Q2 2018	Q3 2017
Net income (loss)	1,833	66	123
Reconciling items to EBITDA			
Financial (income) expense	119	71	76
(Benefit) provision for income taxes	311	4	(30)
Depreciation	119	119	157
Amortization	378	377	380
EBITDA	2,760	637	706
Results of equity-accounted investees	(52)	(4)	(6)
Restructuring ¹	5	(1)	7
Stock-based compensation	83	69	68
Merger-related costs	(1,914)	25	42
Other incidental items ¹	(36)	4	29
Adjusted EBITDA	846	730	846
Trailing 12-month Adjusted EBITDA	3,176	3,176	3,116

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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



SECURE CONNECTIONS FOR A SMARTER WORLD

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