

# NXP Investor Presentation

## Third Quarter 2021

November 2021



SECURE CONNECTIONS  
FOR A SMARTER WORLD



# Forward-Looking Statement

This document 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: the duration and spread of the COVID-19 outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume; market demand and semiconductor industry conditions; the ability to successfully introduce new technologies and products; the demand for the goods into which NXP's products are incorporated; trade disputes between the U.S. and China, potential increase of barriers to international trade and resulting disruptions to NXP's established supply chains; the ability to generate sufficient cash, raise sufficient capital or refinance corporate debt at or before maturity to meet both NXP's debt service and 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 potential impact of the outbreak of COVID-19 on NXP's business, operations, results of operations, financial condition, workforce or the operations or decisions of customers, suppliers or business customers; the access to production capacity from third-party outsourcing partners and any events that might affect their business or NXP's relationship with them; including the outbreak of COVID-19 or the requirements 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; the ability to develop products for use in customers' equipment and products; the ability to successfully hire and retain key management and senior product engineers; and, the ability to maintain good relationships with NXP's suppliers. In addition, this document contains information concerning the semiconductor industry and NXP's market and 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 and NXP's market and business segments 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 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. There can be no assurances that a pandemic, epidemic or outbreak of a contagious diseases, such as COVID-19, will not have a material and adverse impact on our business, operating results and financial condition in the future. 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](http://www.nxp.com/investor) or from the SEC website, [www.sec.gov](http://www.sec.gov).

# NXP Investment Thesis



Market Leader in  
Growing Markets



Focused on Strong  
Profitable Growth

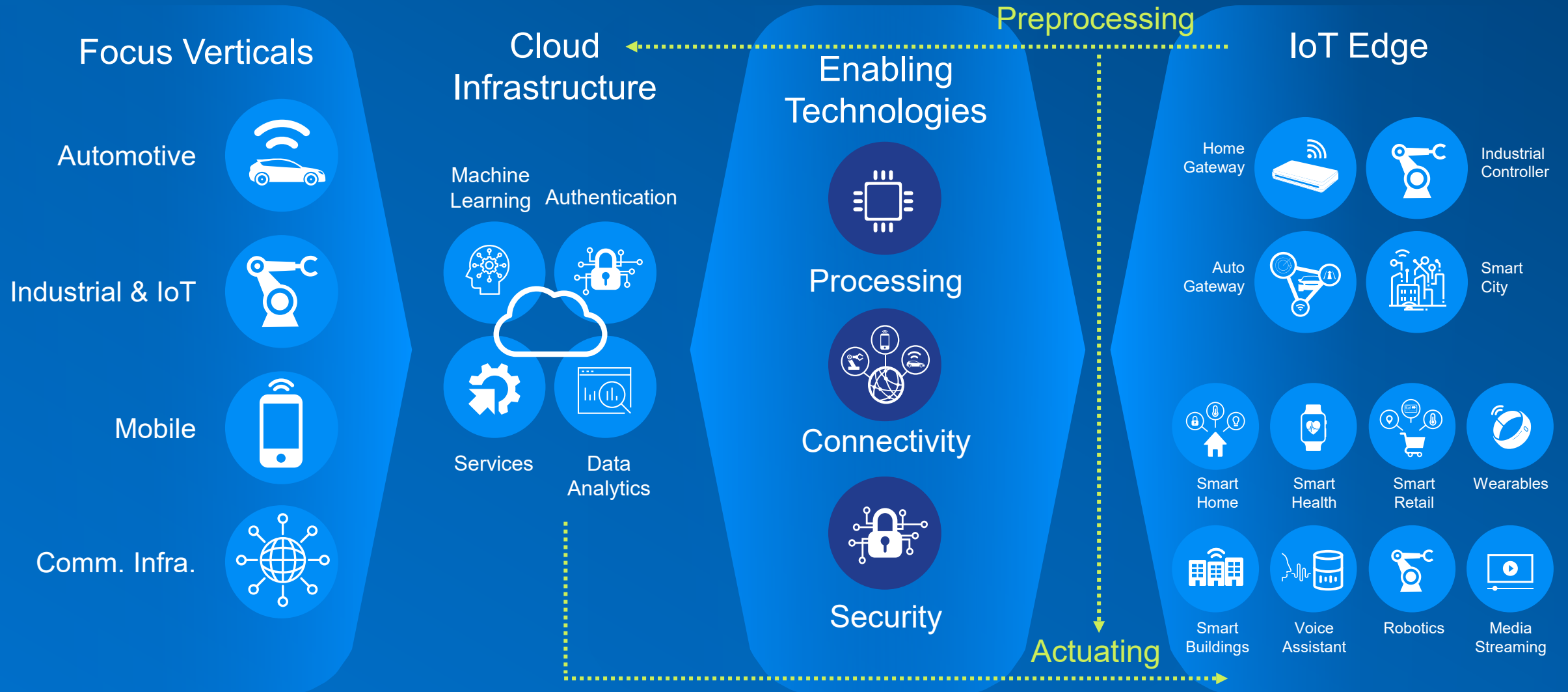


Shareholder  
Friendly



All Excess Cash  
Returned to  
Shareholders

# Secure Connections for the Smarter World... has Evolved





# NXP Addresses 4 Major End Markets



## Automotive

Safety, Electrification and Driver Interaction  
System solutions innovation with OEMs  
Increased content drives growth



## Industrial & IoT

Edge Processing, Connectivity and Security  
Processing needs are transforming markets  
Scalable solutions as a differentiator



## Mobile

Virtualized Secure Transactions and Access  
Continued demand for features - innovation  
Growth driven by increased attach rate

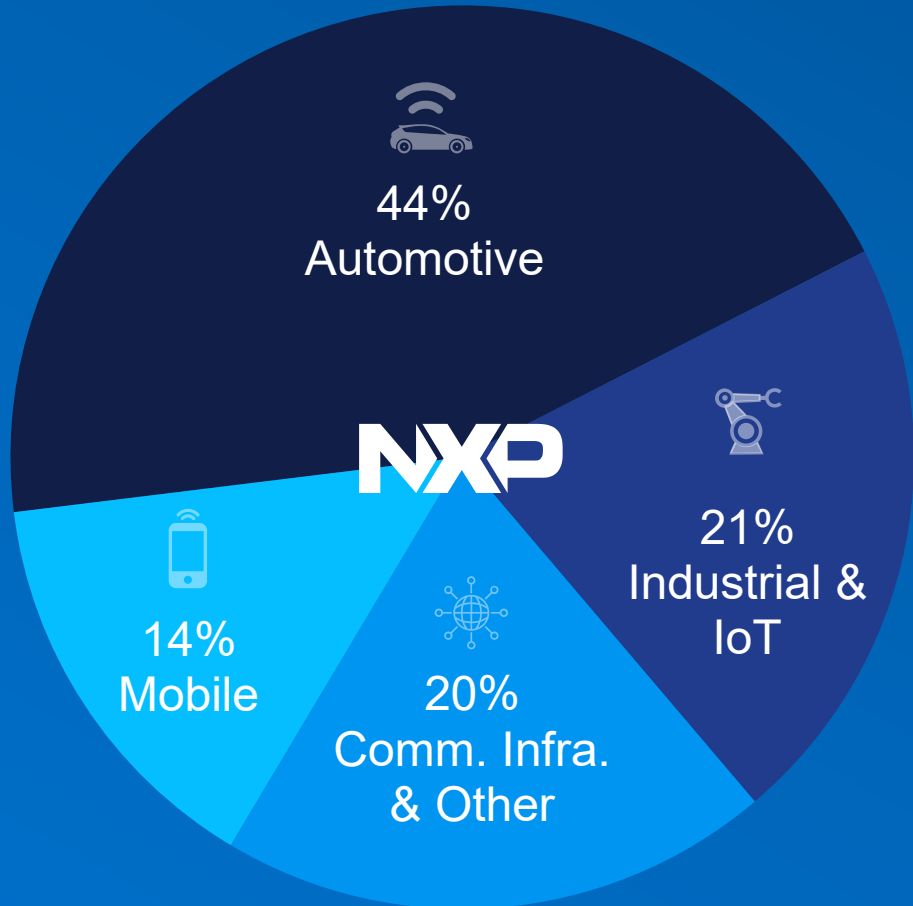


## Communication Infrastructure & Other

Capex-driven wireless infrastructure market  
Secular growth due to new cellular standard

# Focused Leadership – End Markets<sup>1</sup>

NXP 2020 Revenue  
by End-market Exposure<sup>2</sup>



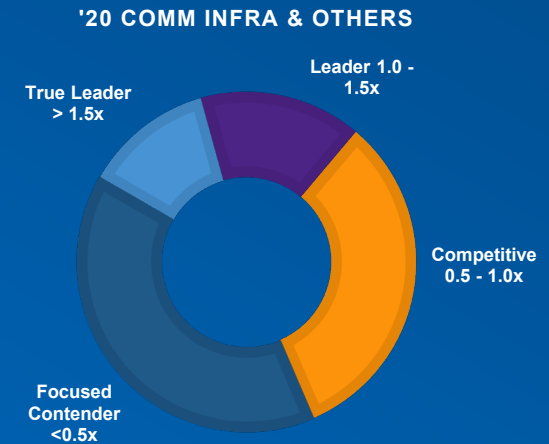
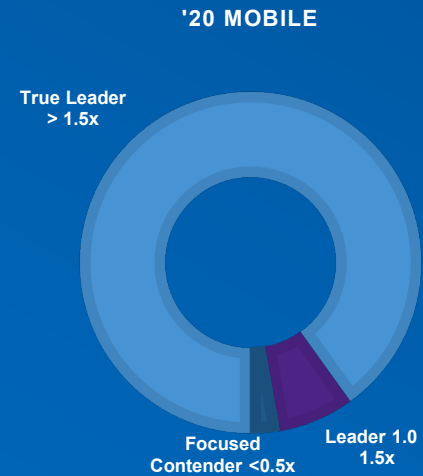
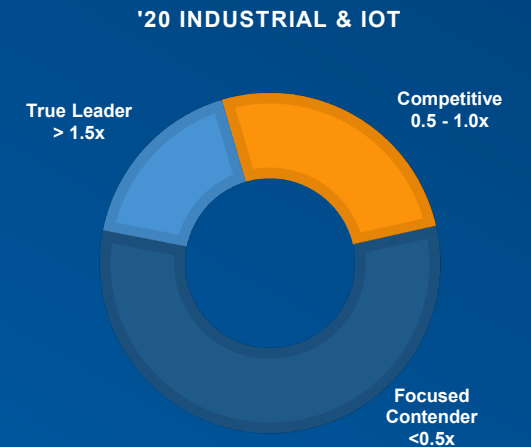
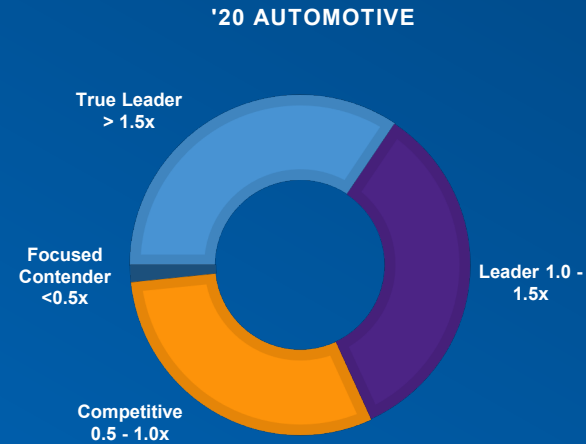
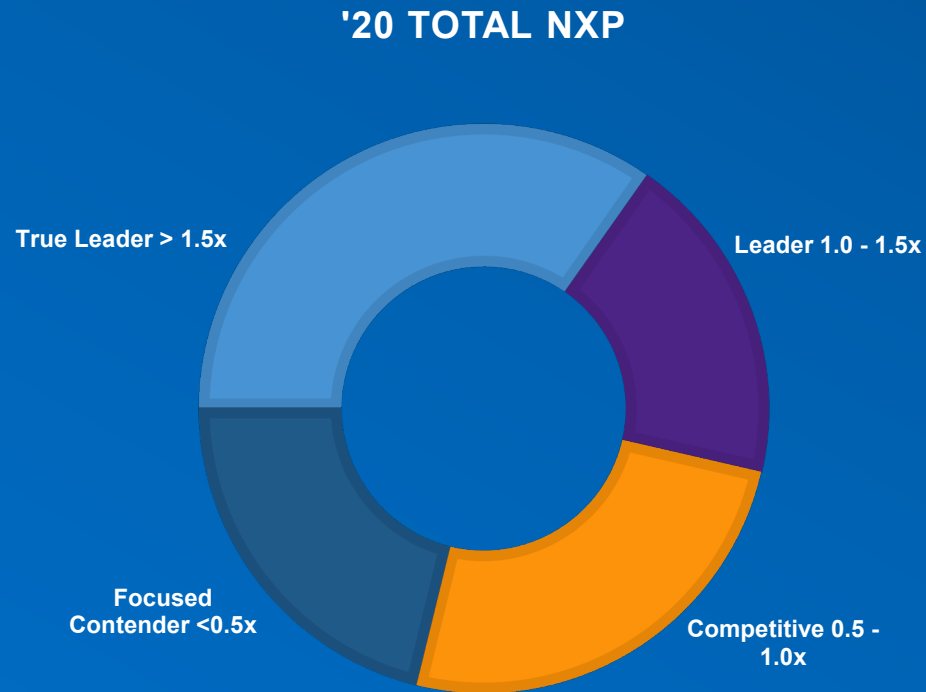
## Broad end market exposure

- 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

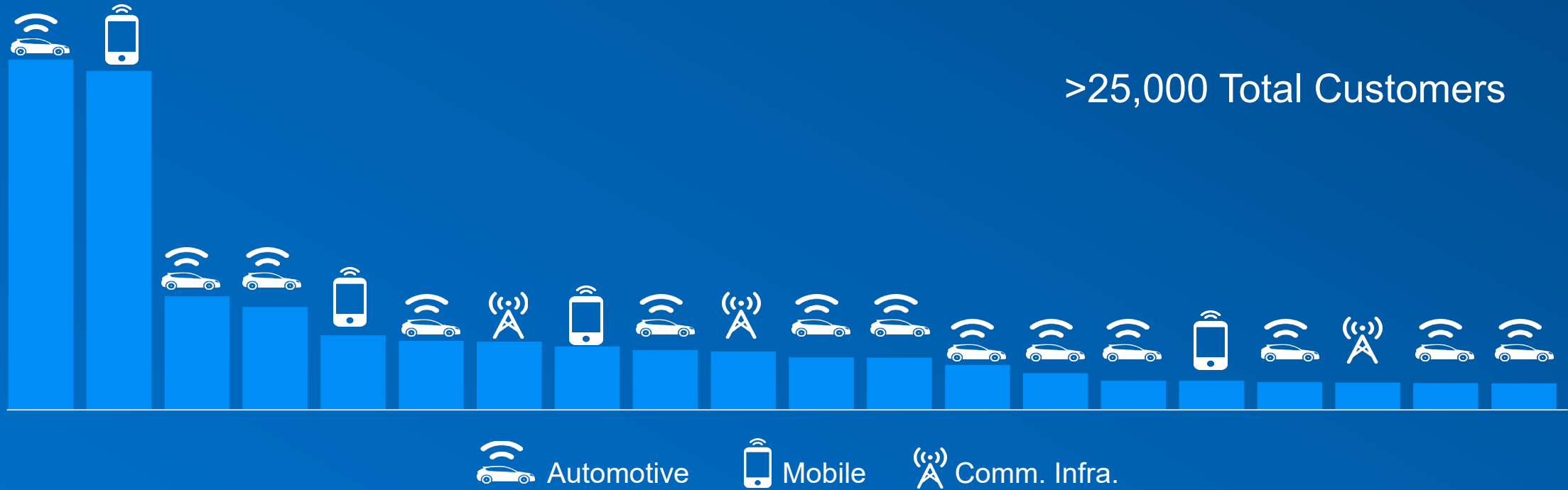
# NXP End Market Relative Market Share (“RMS”) <sup>1,2</sup>



Note:

1. Source: NXP Semiconductors CMI Group, based on 2020 reported end market revenue and competitive positions
2. Relative Market Share (RMS) is defined as NXP market share as a percentage of the second largest competitor market share in defined serviceable addressable markets (“SAM”)

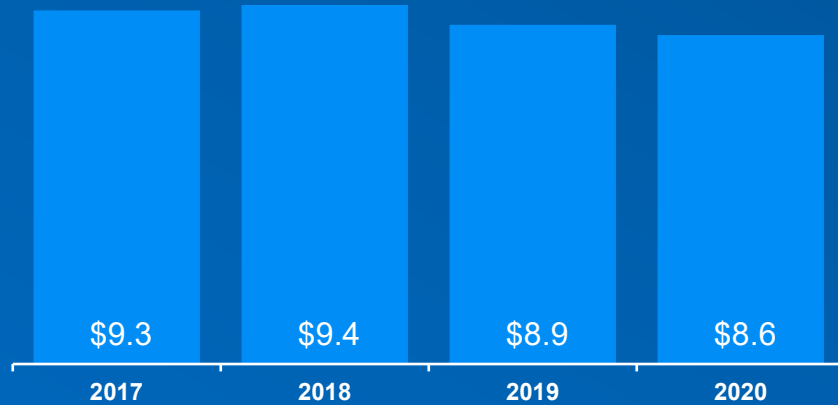
# Diverse Customer Base - Top 20 Customers > 40% of Revenue<sup>1</sup>



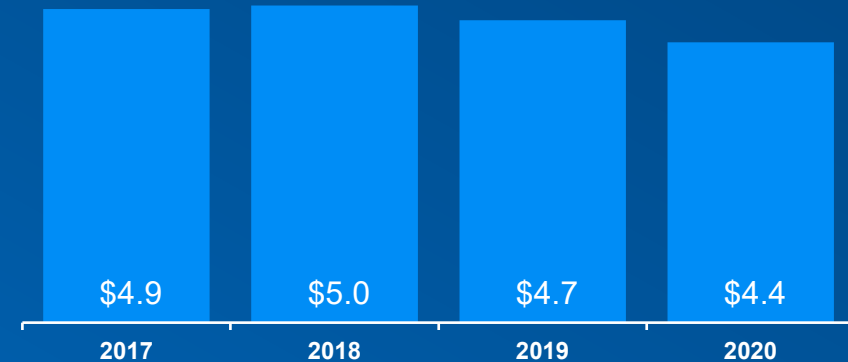


# Driving Profitable Growth in Excess of Addressable Market<sup>1,2,3</sup>

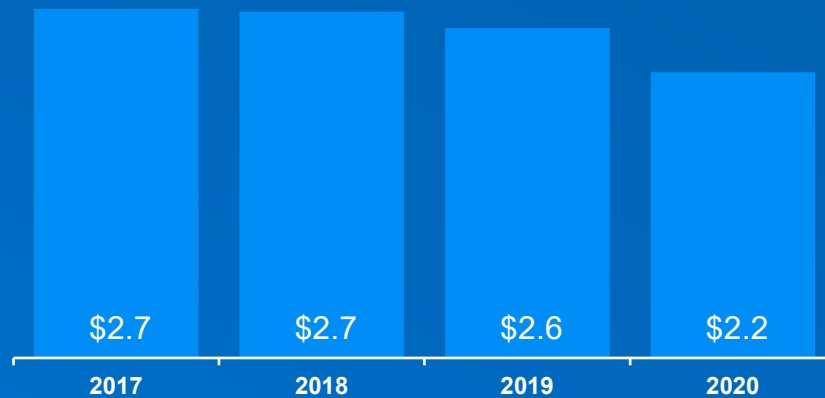
As Reported Revenue Down 2% 3-yr. CAGR (\$B)



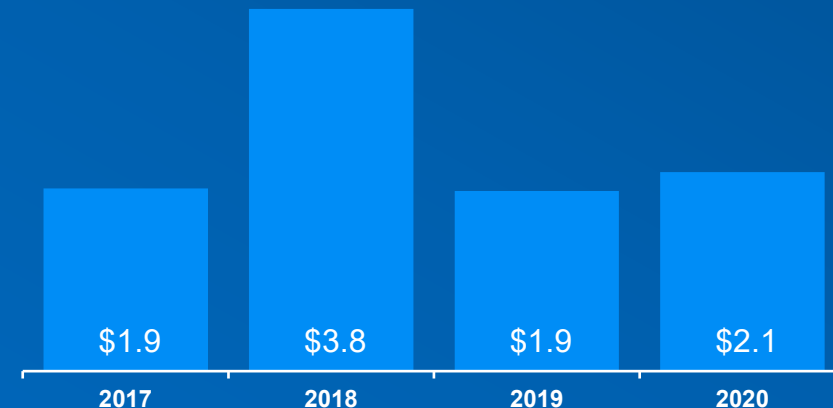
Non-GAAP Gross Profit<sup>2</sup> Down 4% 3-yr. CAGR (\$B)



Non-GAAP EBIT<sup>2</sup> Profit Down 6% 3-yr. CAGR (\$B)



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

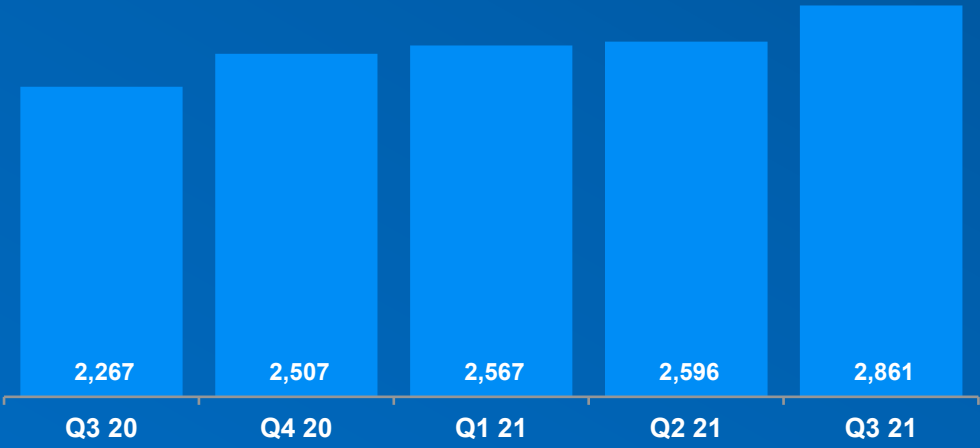


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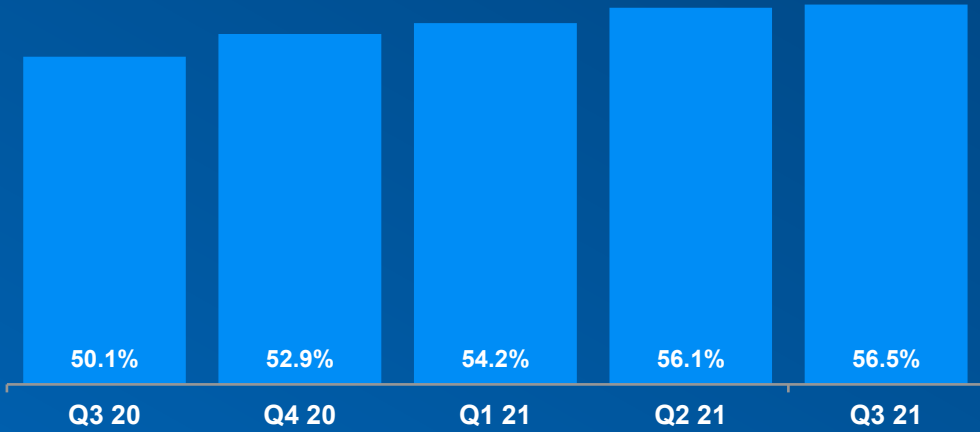
1. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at [www.nxp.com/investor](http://www.nxp.com/investor) for additional information relative to our Non-GAAP Financial Measures
2. Gross Profit, EBIT Profit, Free Cash Flow (FCF), are all non-GAAP figures, 3-yr. CAGR reflect the period 2017 – 2020
3. 2018 Non-GAAP Free Cash Flow reflects the receipt of \$2 billion termination fee associated with terminated Qualcomm transaction

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

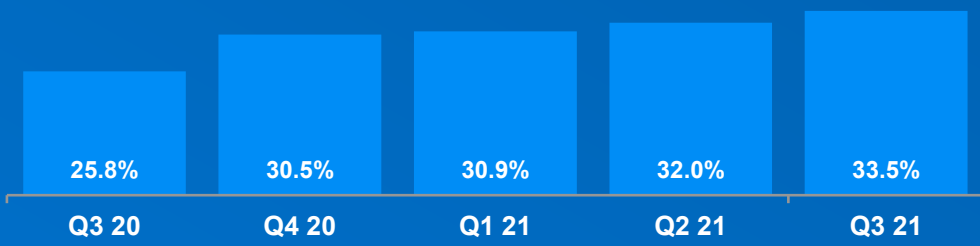
As Reported Revenue (\$M)



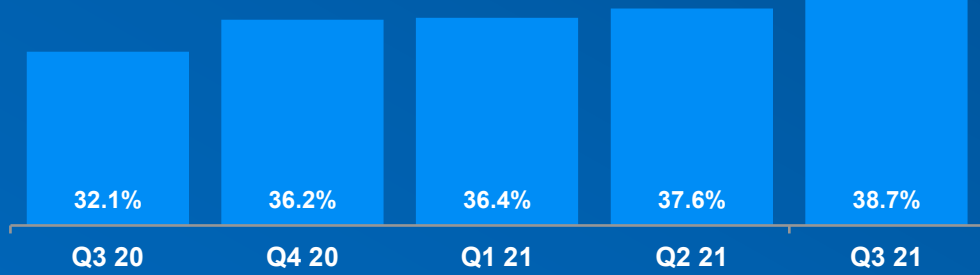
Non-GAAP Gross Margin



Non-GAAP Operating Margin



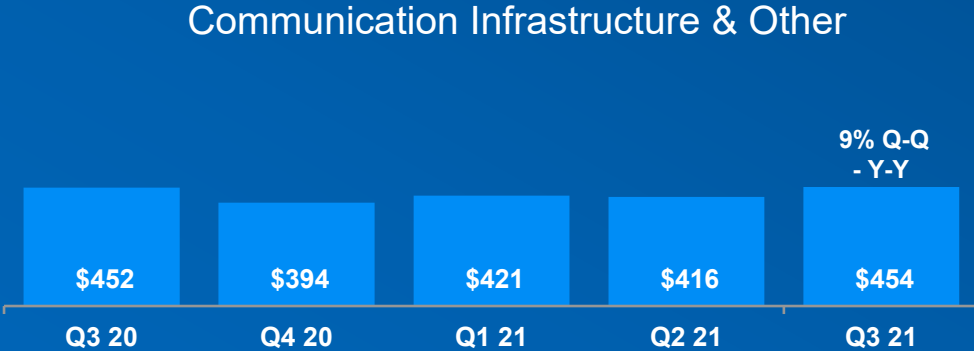
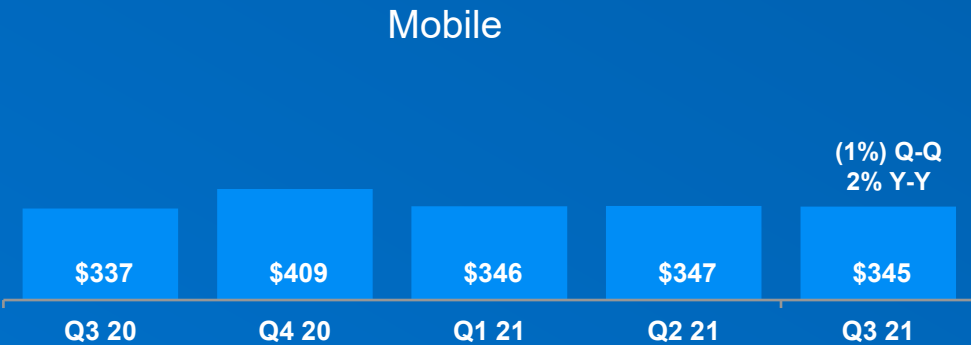
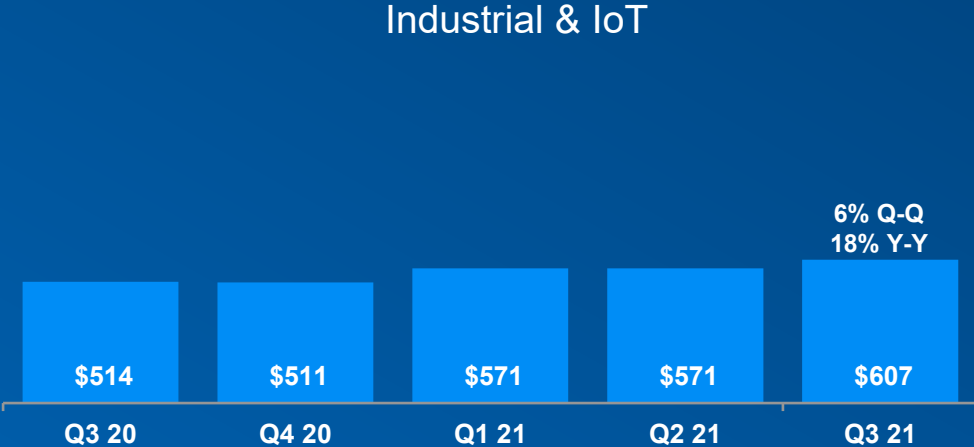
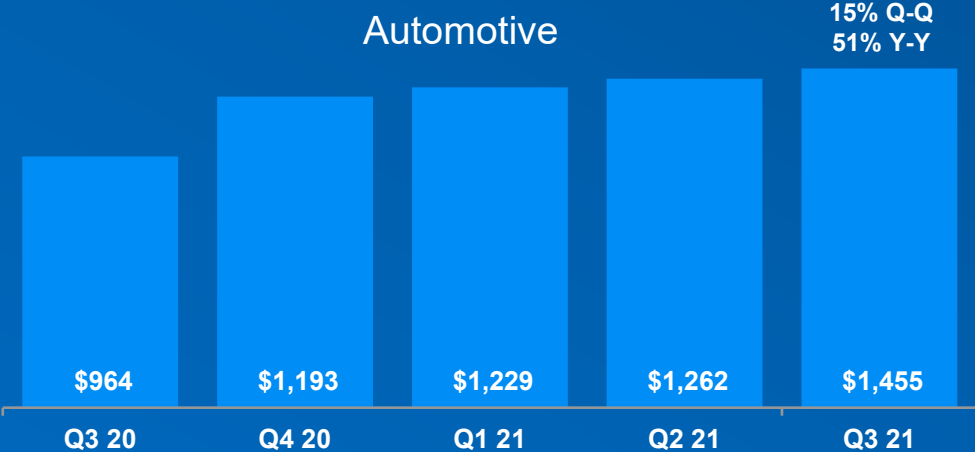
Non-GAAP Adj. EBITDA Margin



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](http://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.



# Revenue by End Market Trend(\$M)<sup>1</sup>



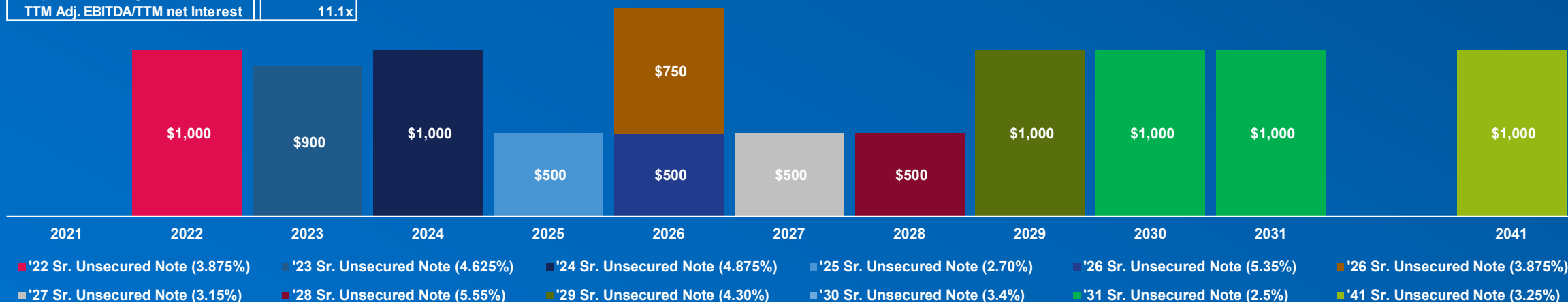
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# Debt Summary End of 3Q21<sup>1,2</sup>

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	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Revolving Credit Facility
Issue Date	Aug-16	May-16	Dec-18	Apr-20	Dec-18	Jun-19	Apr-20	Dec-18	Jun-19	Apr-20	May-21	May-21	Jun-19
Maturity Date	Sep-22	Jun-23	Mar-24	May-25	Mar-26	Jun-26	May-27	Dec-28	Jun-29	May-30	May-31	May-41	Jun-24
Issued Amount (M)	\$ 1,000	\$ 900	\$ 1,000	\$ 500	\$ 500	\$ 750	\$ 500	\$ 500	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,500
Book Value (M)	\$ 999	\$ 898	\$ 997	\$ 498	\$ 498	\$ 747	\$ 497	\$ 497	\$ 992	\$ 993	\$ 991	\$ 987	\$ -
Coupon	3.875%	4.625%	4.875%	2.700%	5.350%	3.875%	3.150%	5.550%	4.300%	3.40%	2.50%	3.25%	Libor + 125 bps
Rating													
Moody's	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	NR
Standard & Poor's	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	NR
Fitch	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	NR

<b>Total Leverage</b>	
Total Debt (\$M)	\$ 9,593
Total Cash (\$M)	\$ 2,303
Net Debt (\$M)	\$ 7,290
TTM Adj. EBITDA	\$ 3,924
Cost of Debt	3.90%
Reported Leverage	1.9X
TTM Adj. EBITDA/TTM net Interest	11.1x

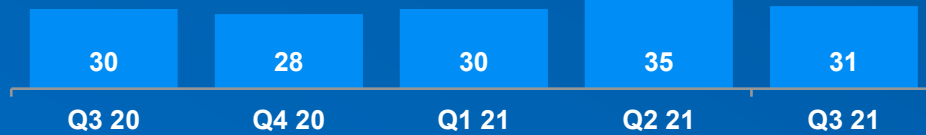


Note:

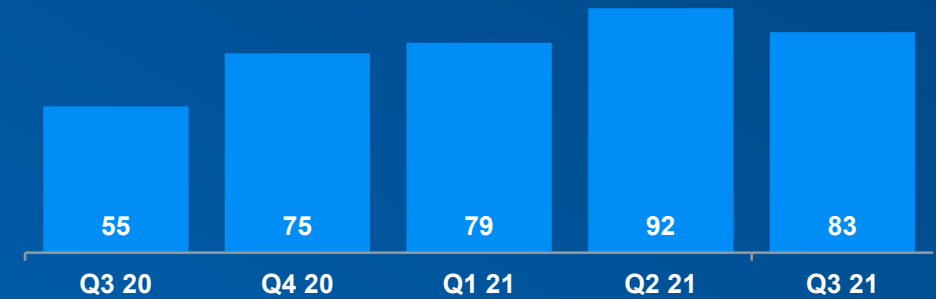
- Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at [www.nxp.com/investor](http://www.nxp.com/investor) for additional information relative to our Non-GAAP Financial Measures
- For the period ended October 4, 2021, Interest expense, net of \$95 million is comprised of interest expense of \$96 million, less interest income of \$1 million. Interest expense, net is a component of Financial income (expense) of \$93 million as reported in our condensed consolidated statement of operations. See footnote 4 in NXP's Form 10-Q for the period ended October 4, 2021, for additional details. Historical information along with the calculation of TTM Adj. EBITDA/TTM net interest, can be found in the file referenced in footnote 1 on the P&L tab.

# Working Capital Ratios<sup>1,2</sup>

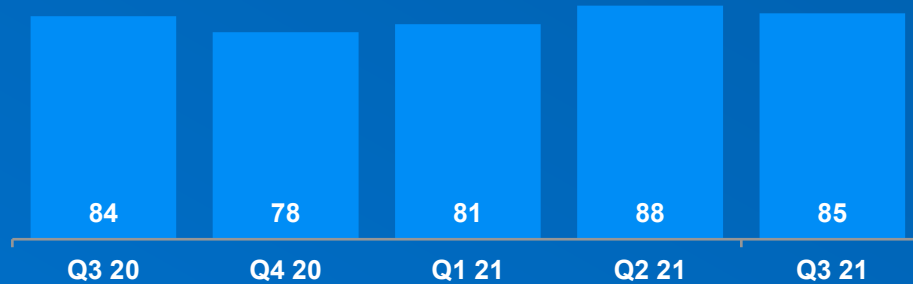
## DSO



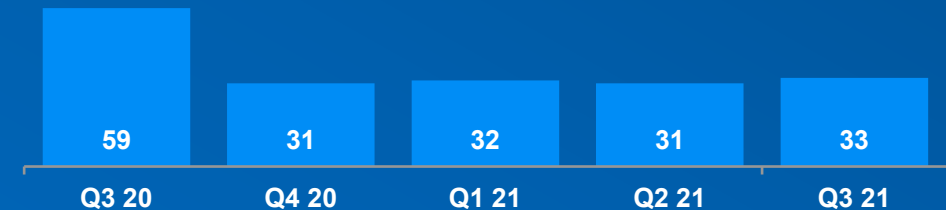
## DPO



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



## Cash Conversion Cycle



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

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

Note:

- Working capital ratios exclude the effect of (1) 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](http://www.nxp.com/investor) for additional information relative to our Non-GAAP Financial Measures



# Guidance for the Fourth Quarter of 2021<sup>1-6</sup>

	<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>
<b>Total Revenue</b>	<b>2,925</b>	<b>3,000</b>	<b>3,075</b>		<b>2,925</b>	<b>3,000</b>	<b>3,075</b>
Q-Q	2%	5%	7%		2%	5%	7%
Y-Y	17%	20%	23%		17%	20%	23%
<b>Gross Profit</b>	<b>1,602</b>	<b>1,660</b>	<b>1,717</b>	(35)	<b>1,637</b>	<b>1,695</b>	<b>1,752</b>
Gross Margin	54.8%	55.3%	55.8%		56.0%	56.5%	57.0%
<b>Operating Income (loss)</b>	<b>710</b>	<b>758</b>	<b>805</b>	(257)	<b>967</b>	<b>1,015</b>	<b>1,062</b>
<b>Operating Margin</b>	<b>24.3%</b>	<b>25.3%</b>	<b>26.2%</b>		<b>33.1%</b>	<b>33.8%</b>	<b>34.5%</b>
Financial income (expense)	(97)	(97)	(97)	(3)	(94)	(94)	(94)

1. GAAP Gross Profit is expected to include Purchase Price Accounting ("PPA") effects, \$(18) million; Stock Based Compensation, \$(11) million; Other Incidentals, \$(6) million;
2. GAAP Operating Income (loss) is expected to include PPA effects, \$(156) million; Stock Based Compensation, \$(88) million; Restructuring and Other Incidentals, \$(13) million;
3. GAAP Financial Income (expense) is expected to include Other financial expense \$(3) million;
4. Net cash paid for income taxes related to on-going operations is expected to be approximately \$(100) million;
5. Non-controlling interest is expected to be approximately \$(9) million;
6. Weighted average diluted share count is expected to be approximately 270 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.

# Quarterly Financial Reconciliation (GAAP to non-GAAP)<sup>1</sup>

(\$ in millions, unless otherwise stated)	Q3 2021	Q2 2021	Q3 2020
Total Revenue	2,861	2,596	2,267
GAAP Gross Profit	1,583	1,422	1,090
Gross profit adjustments	(34)	(34)	(45)
Non - GAAP Gross Profit	1,617	1,456	1,135
GAAP Gross Margin	55.3%	54.8%	48.1%
Non-GAAP Gross Margin	56.5%	56.1%	50.1%
GAAP Operating income (loss)	711	573	32
Operating income adjustments	(248)	(257)	(554)
Non - GAAP Operating income (loss)	959	830	586
GAAP Operating Margin	24.9%	22.1%	1.4%
Non-GAAP Operating Margin	33.5%	32.0%	25.8%
GAAP Financial income (expense)	(93)	(100)	(106)
Financial income adjustments	1	(9)	(6)
Non - GAAP Financial income (expense)	(94)	(91)	(100)

## Other Information for Q3 2021:

- PPA effects: (\$159M)
- Restructuring: -
- Stock-based compensation: (\$81M)
- Other incidentals: (\$8M)
- Foreign exchange loss: \$1M
- Other financial expense: -

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

(\$ in millions, unless otherwise stated)	Q3 2021	Q2 2021	Q3 2020
Net cash provided by (used for) operating activities	924	636	527
Net cash provided by (used for) investing activities	(248)	(189)	(105)
Net cash provided by (used for) financing activities	(1,280)	619	(124)
Effects of changes in exchange rates on cash position	(3)	2	2
Increase (decrease) in cash and cash equivalents	(607)	1,068	300
Cash and cash equivalents at beginning of the period	2,910	1,842	3,266
Cash and cash equivalents at end of period	2,303	2,910	3,566
Net cash provided by (used for) operating activities	924	636	527
Net capital expenditures on property, plant and equipment	(200)	(150)	(68)
Non-GAAP free cash flow	724	486	459
Trailing 12-month Non-GAAP free cash flow	2,718	2,453	1,844
Trailing 12-month Non-GAAP free cash flow as a percentage of Revenue	26%	25%	22%

Note:

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

(\$ in millions, unless otherwise stated)	Q3 2021	Q2 2021	Q3 2020
Net income (loss)	526	406	(18)
Reconciling items to adjusted net income			
Financial (income) expense	93	100	106
(Benefit) provision for income taxes	95	65	(57)
Depreciation	139	135	139
Amortization	167	170	450
Adjusted net income	1,020	876	620
Reconciling items to adjusted EBITDA			
Results of equity-accounted investees	(3)	2	1
Restructuring	-	1	21
Stock-based compensation	81	93	83
Merger-related costs	-	-	1
Other incidental items	8	4	2
Adjusted EBITDA	1,106	976	728
Trailing 12-month Adjusted EBITDA	3,924	3,546	2,708
1) Excluding amortization related to other incidental items	-	-	6

Note:

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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