

# NXP Investor Presentation

Fourth Quarter 2018

February 2019



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](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

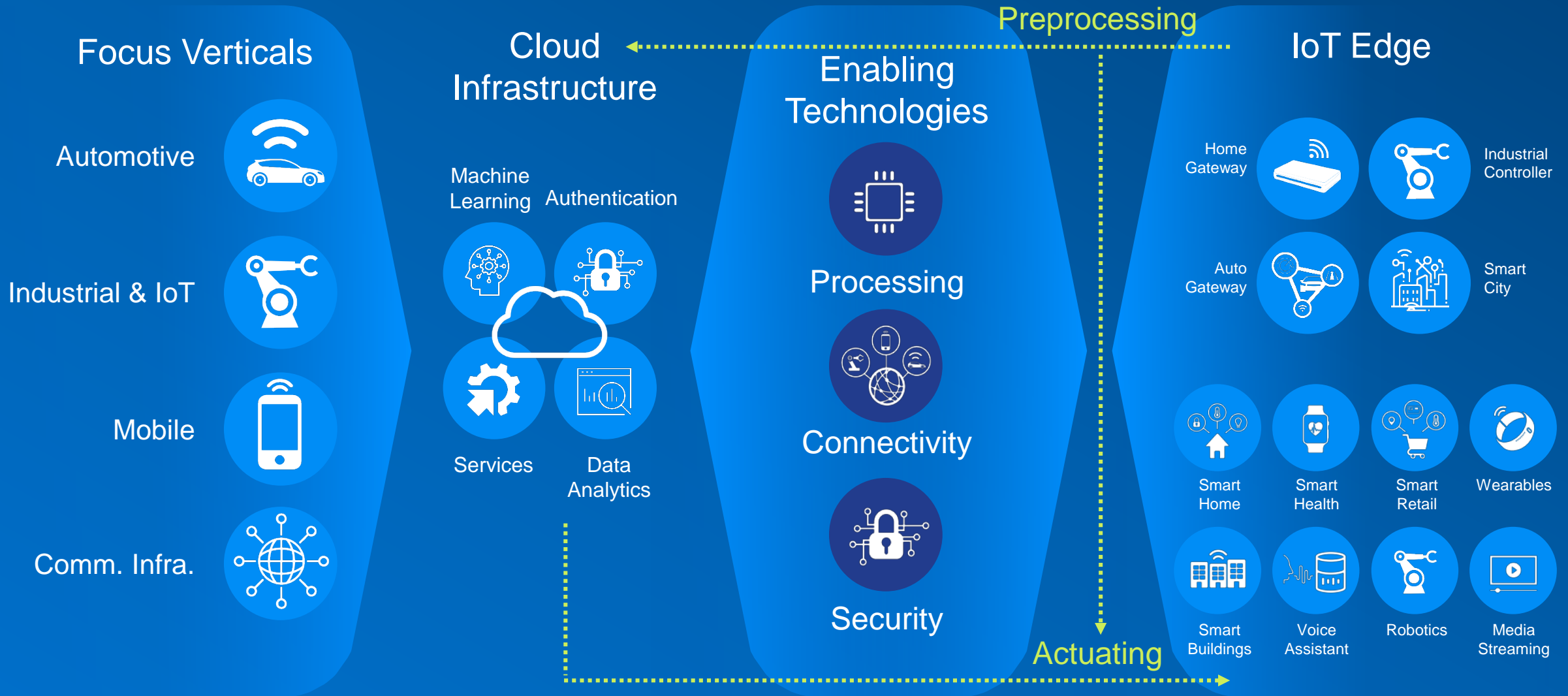


Shareholder  
Friendly



All Excess Cash  
Returned to  
Shareholders

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



# NXP Addresses 4 Major End Markets



## Automotive

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 increasing penetration



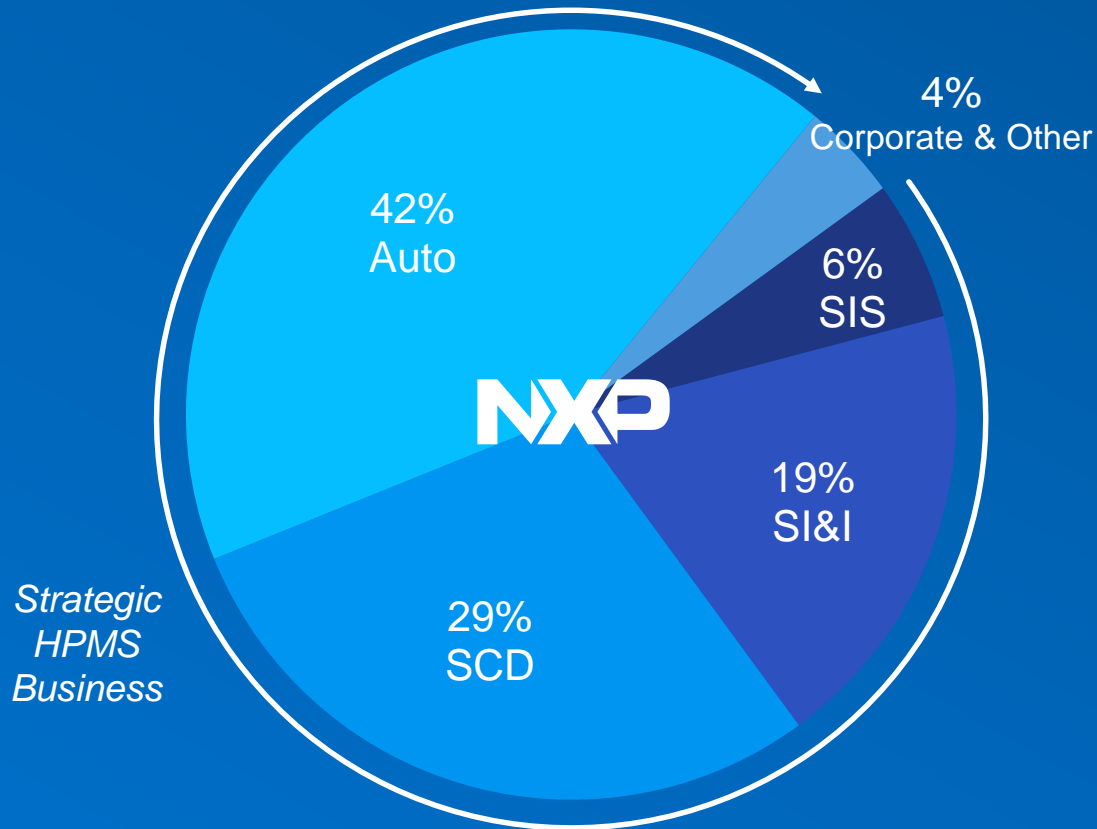
## Communication Infrastructure & Other

Capex-driven wireless infrastructure market

Secular growth due to new cellular standard

# HPMS Market Leader with Sharp Focus, Broad Reach<sup>1,2,3,4</sup>

NXP 2018 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

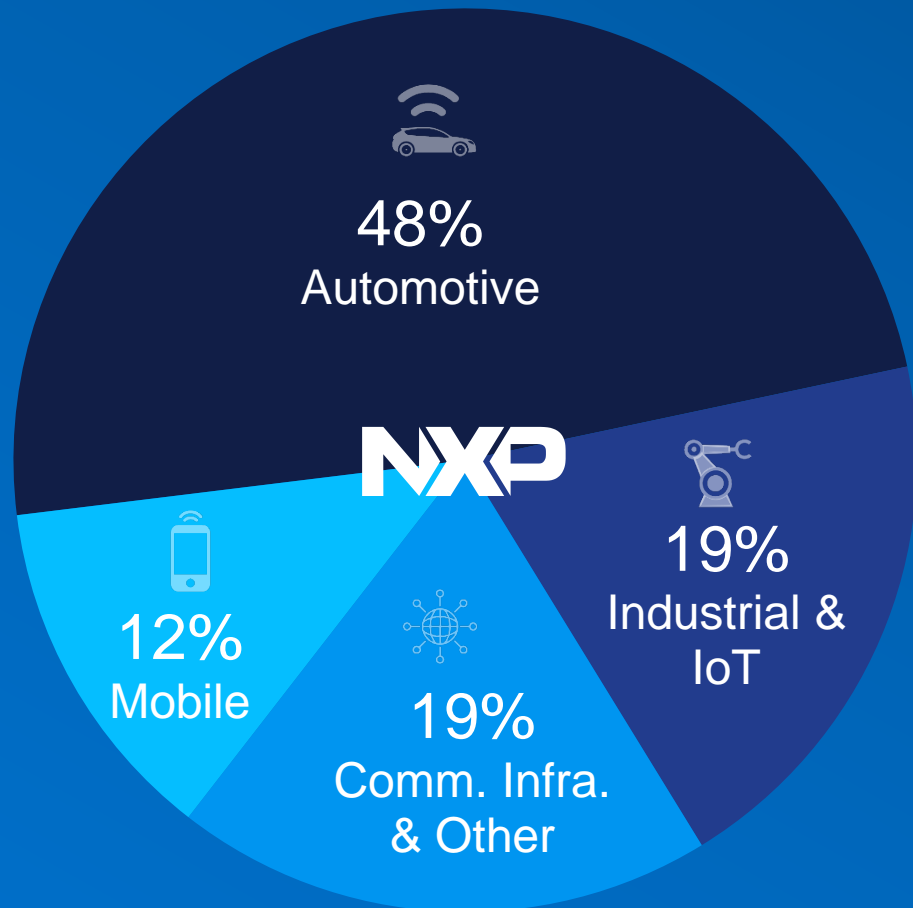
## Goal: deliver >1.5x market growth

- 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 "TAM-F" which is the total Semiconductor Industry TAM less Memory, Optoelectronics, Discretes  
4. ABI Research Secure Smart Card & Embedded Security IC Technologies, 1Q18

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

NXP 2018 Revenue  
by End-market Exposure



## Broad end market exposure

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

## Recognized leadership in

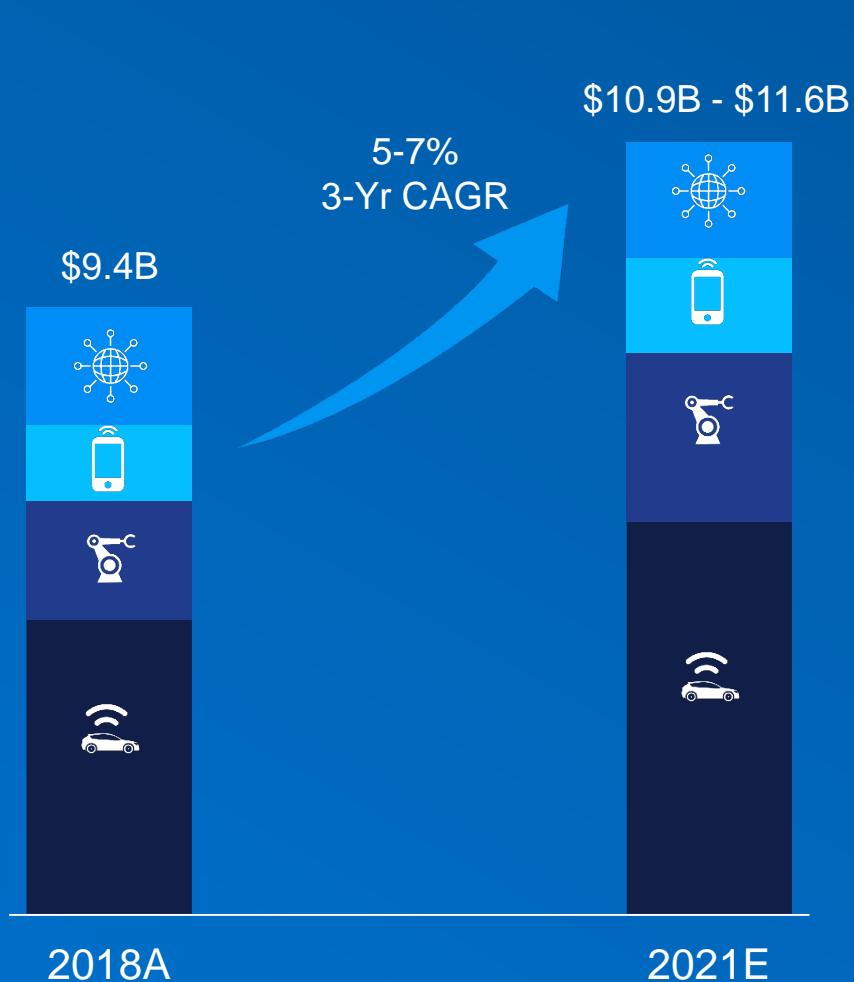
- Automotive
- MCU and application processors
- Mobile transactions
- RF power solutions
- Secure identification, mobility, RFID

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. Chart excludes \$136 million of Manufacturing Service Agreement revenue recognized in 2018 reported revenue
3. See page 24 of this presentation for a mapping of the new End-Market representation from the previous Operating Segment representation

# Growth Opportunity Driven by Focus End Markets<sup>1</sup>

Growth by End Market

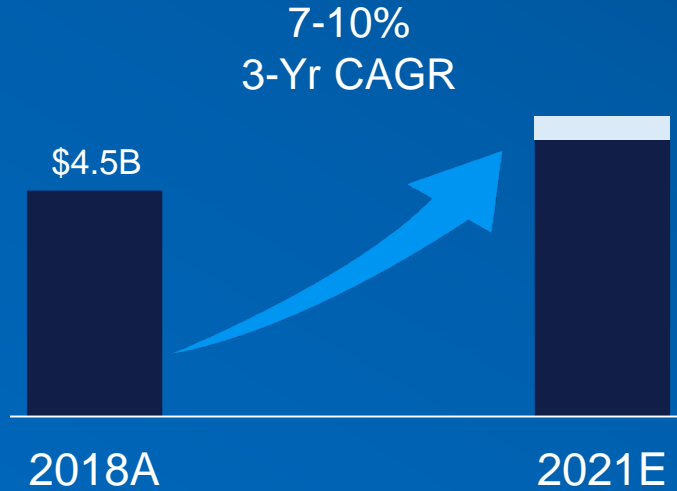


End Market	Percent 2018 Revenue	2018A – 2021E 3-yr. CAGR
Automotive	48%	Up 7 to 10%
Industrial & IoT	19%	Up 8 to 11%
Mobile	12%	Up 4 to 6%
Comm. Infra. & Other	19%	0 to up 2%
<b>Total</b>		<b>Up 5 - 7%</b>



# Automotive – NXP Leads, Accelerates in New Areas<sup>1,2</sup>

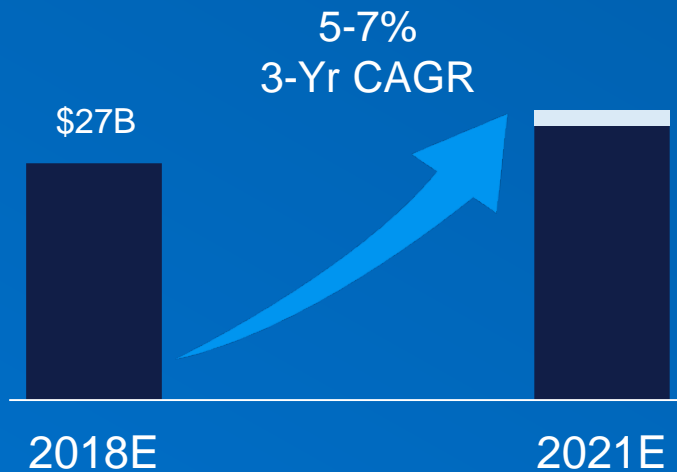
Revenue



## Growth drivers

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

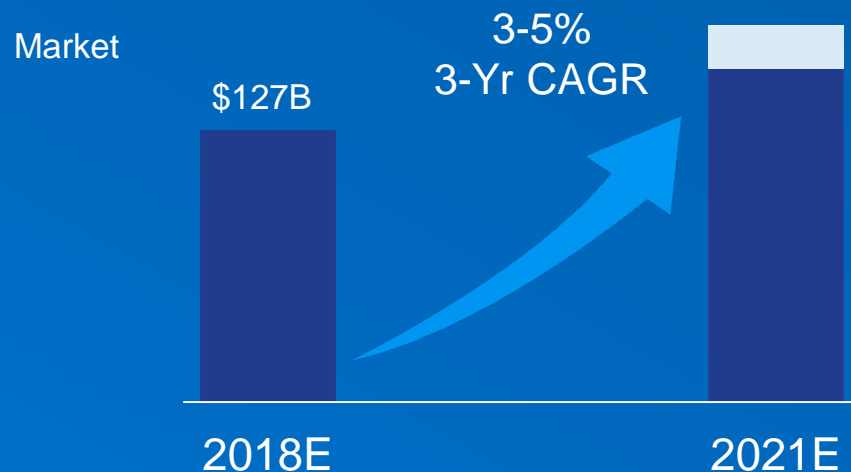
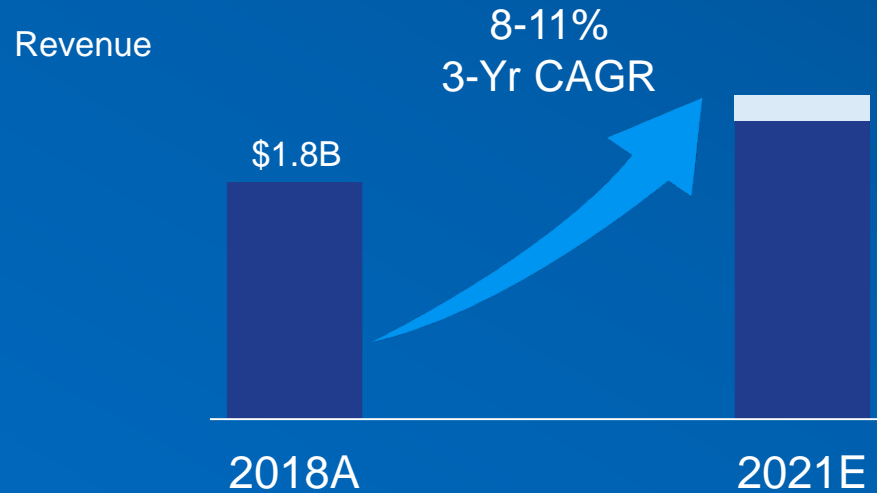
Market



## Value proposition

- Solution portfolio
- Innovation power
- Automotive safety & reliability

# Industrial & IoT – Highly Diversified<sup>1,2,3,4</sup>



## 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)

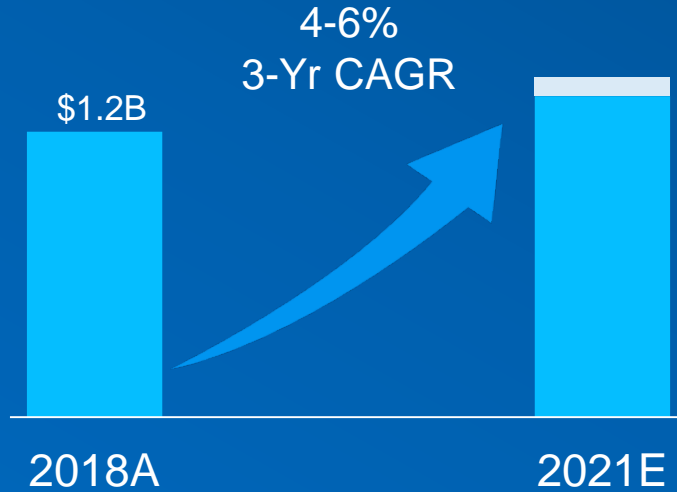
2. NXP defines "Market" the "TAM-F" which is the total Semiconductor Industry TAM less Memory, Optoelectronics, Discretes

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

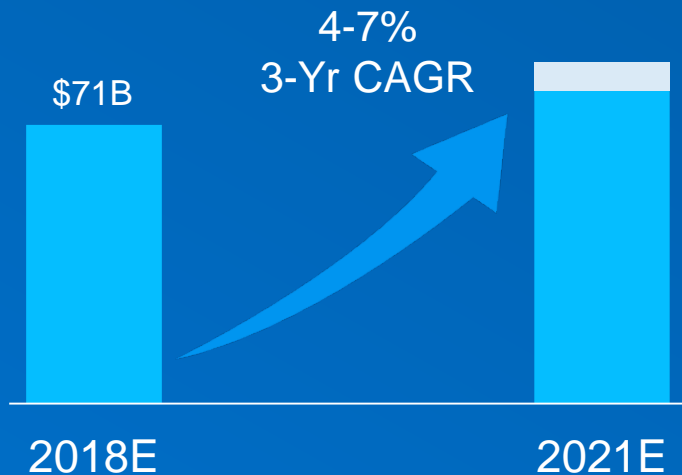
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# Mobile – Specialty Supplier with High Moats<sup>1,2,3,4</sup>

Revenue



Market



## 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

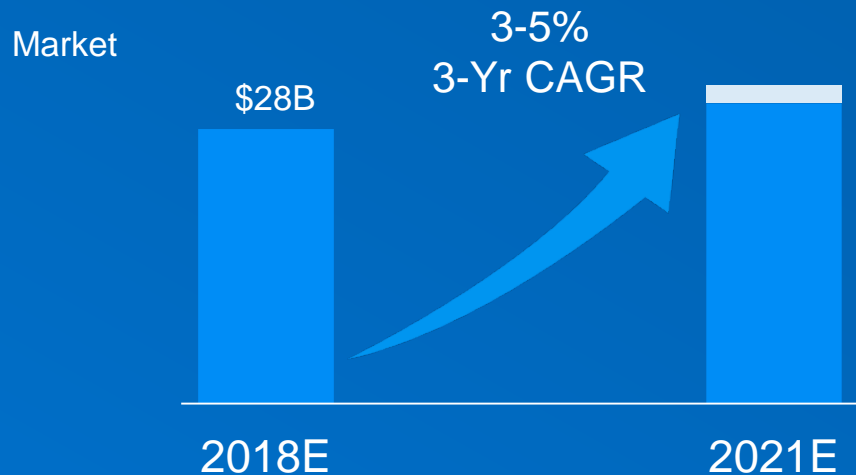
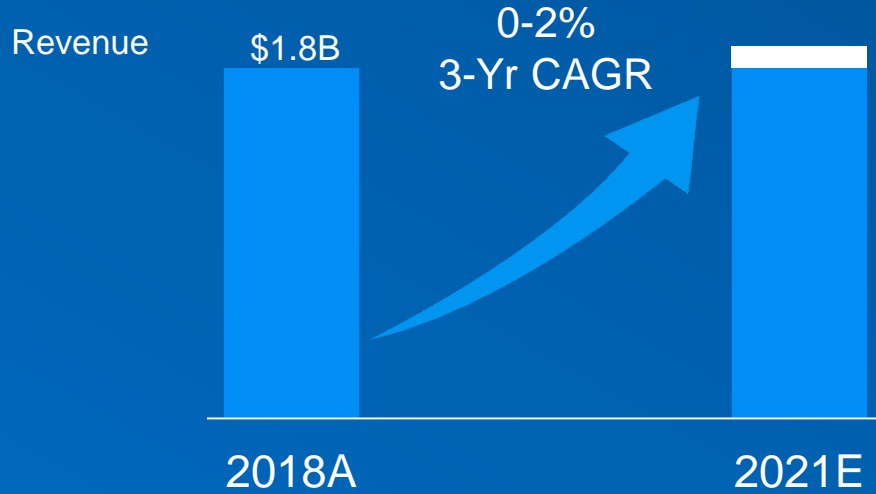
1. Charts/graphics created by NXP based on Gartner research. Source: Gartner Semiconductor Forecast Database, Worldwide, 2Q18 Update (Calculations performed by NXP)

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

3. Mobile Includes Smartphones, Feature phones, Wearables and Ultramobile

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# Comm. Infra. & Other – Cyclical and Project Oriented<sup>1,2,3</sup>



## 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

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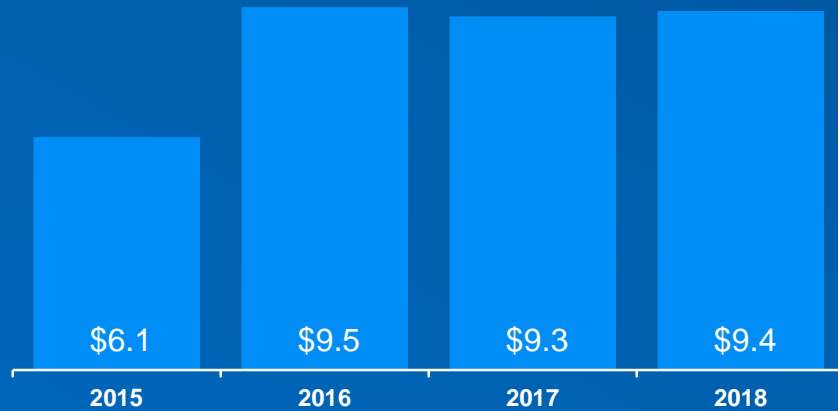
# Diverse Customer Base - Top 20 Customers > 40% of Revenue<sup>(1)</sup>

15%

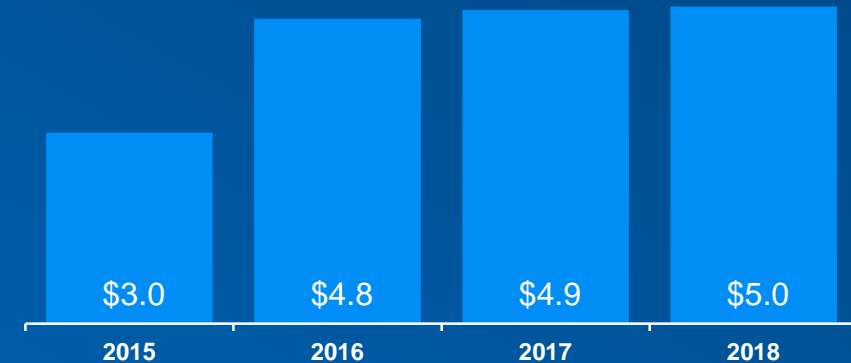


# Driving Profitable Growth in Excess of Addressable Market <sup>(1,2,3,4)</sup>

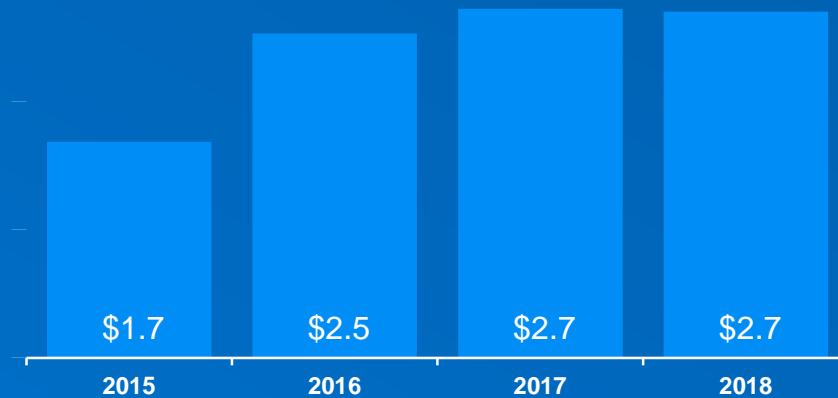
As Reported Revenue Up 16% 3-yr. CAGR (\$B)



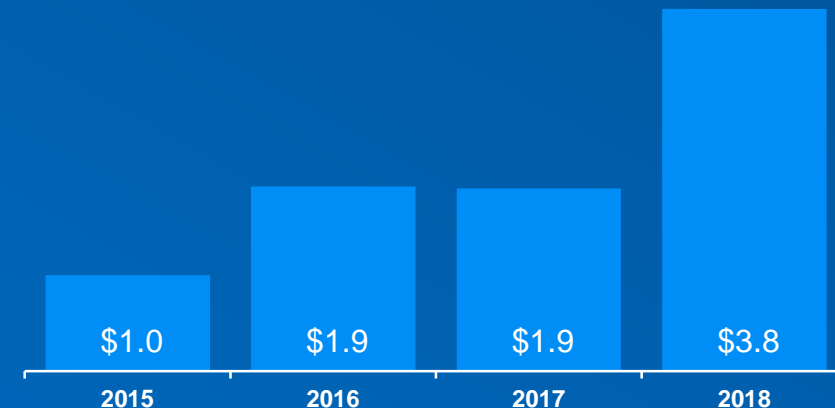
Non-GAAP Gross Profit<sup>2</sup> up 18% 3-yr. CAGR (\$B)



Non-GAAP EBIT<sup>2</sup> Profit up 17% 3-yr. CAGR (\$B)



Non-GAAP Free Cash Flow<sup>2</sup> up 56% 3-yr. CAGR (\$B)



Note:

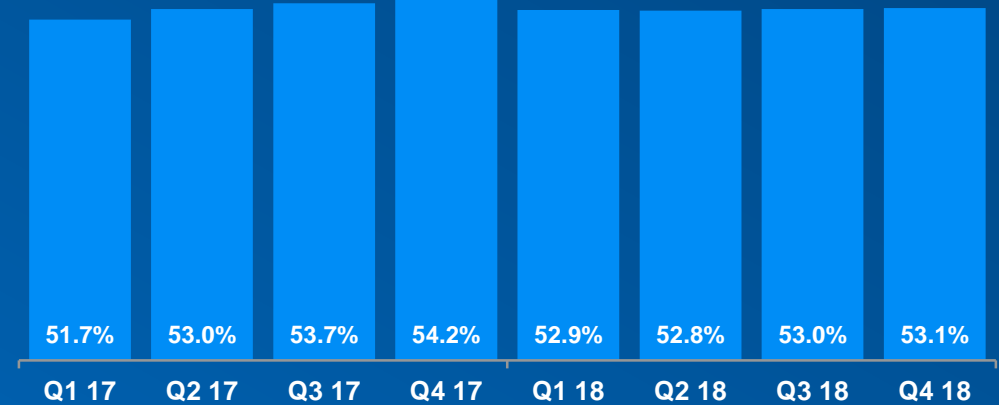
1. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at [www.nxp.com/investor](http://www.nxp.com/investor) for additional information relative to our Non-GAAP Financial Measures
2. Gross Profit, EBIT Profit, Free Cash Flow(FCF), are all non-GAAP figures, 3-yr. CAGR reflect the period 2015 – 2018
3. NXP completed the merger with Freescale on Dec 7, 2016; the divestment of its Standard Products segment on Feb 7, 2017
4. 2018 Non-GAAP Free Cash Flow reflects the receipt of \$2 billion termination fee associated with terminated Qualcomm transaction

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

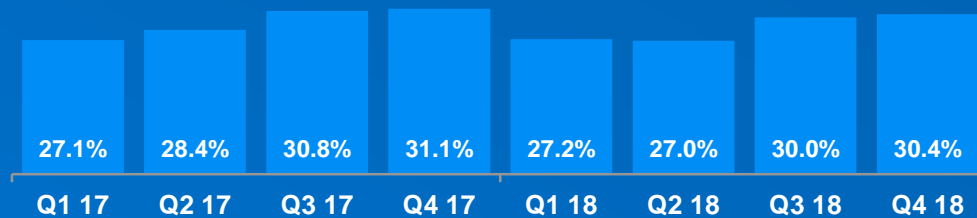
As Reported Revenue (\$M)



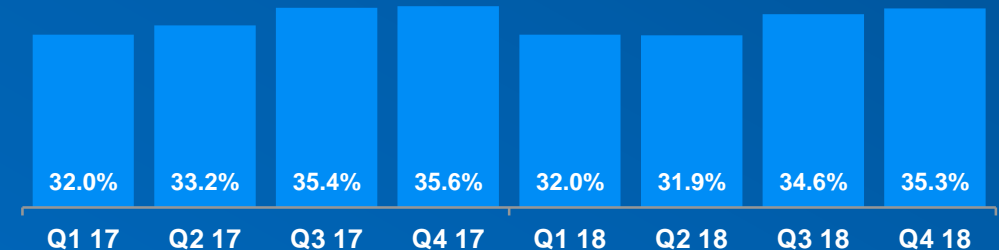
Non-GAAP Gross Margin



Non-GAAP Operating Margin



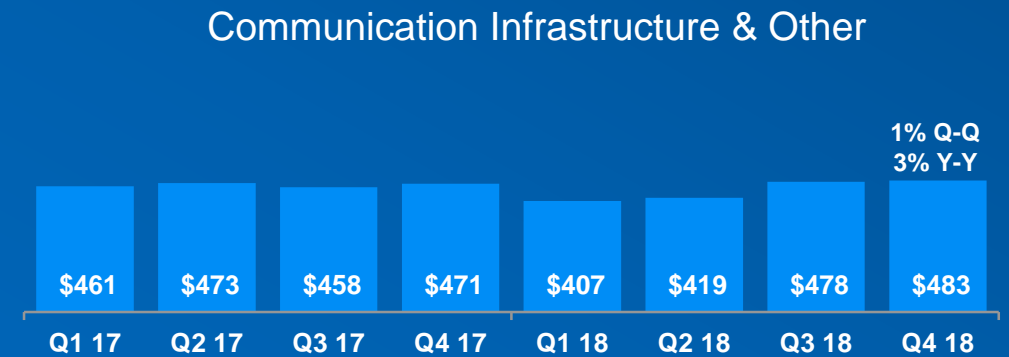
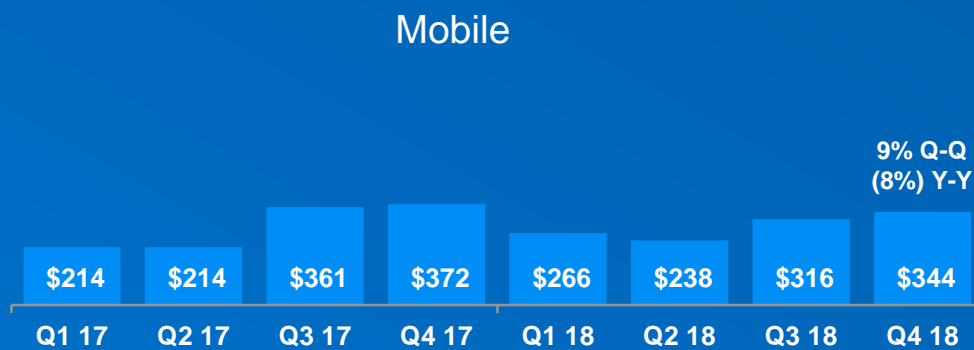
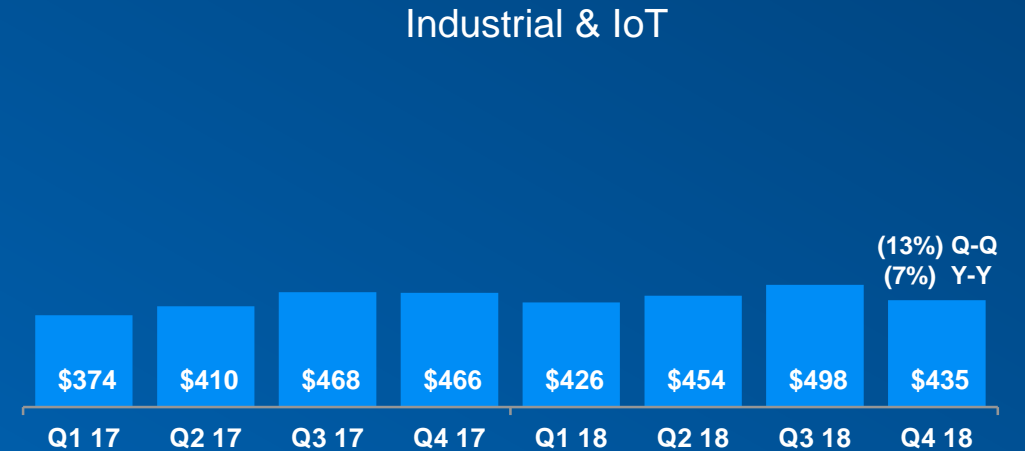
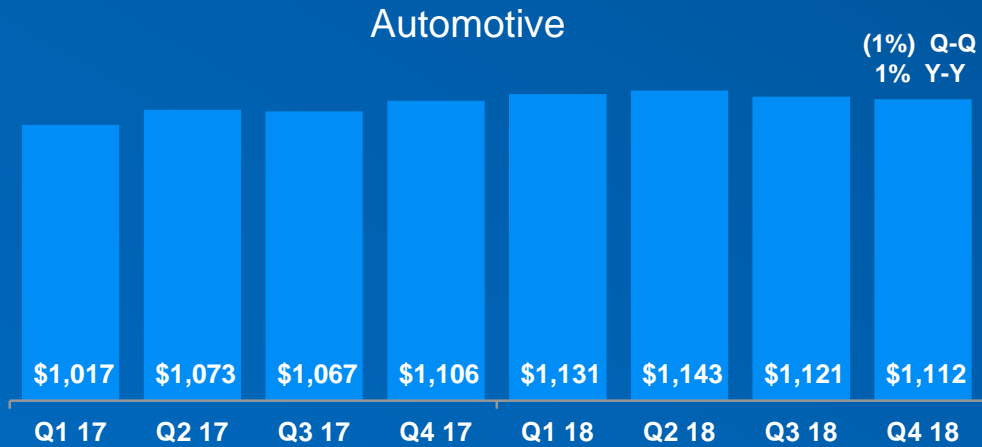
Non-GAAP Adj. EBITDA Margin



Note:

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

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

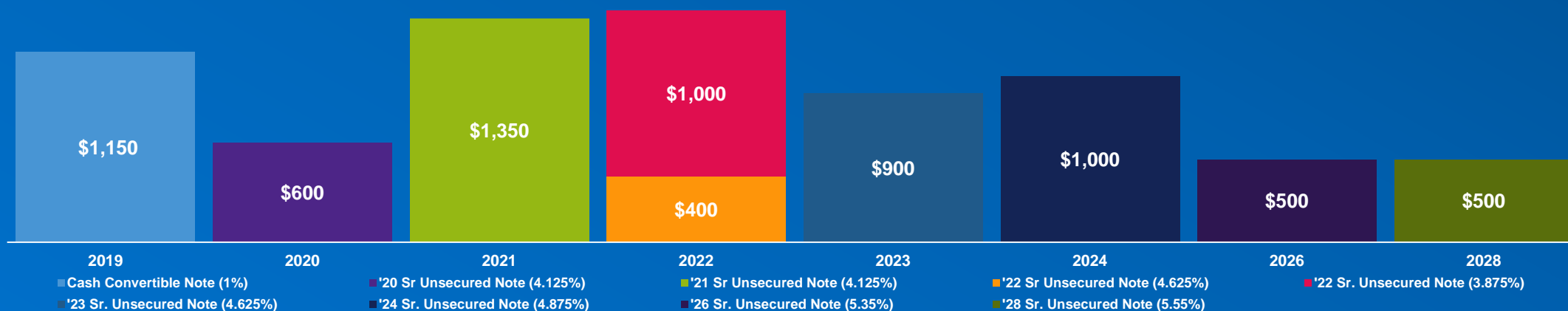




# Debt Summary End of 4Q18<sup>(1)</sup>

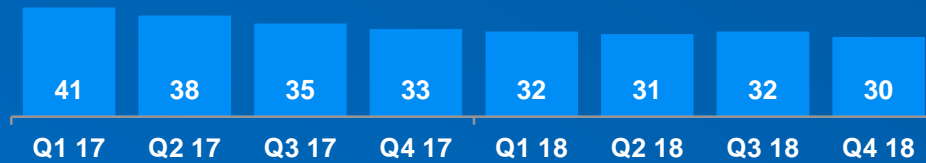
Debt Instrument	Cash Convertible Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Revolving Credit Facility
Maturity Date	Dec-19	Jun-20	Jun-21	Jun-22	Sep-22	Jun-23	Mar-24	Mar-26	Dec-28	Dec-20
Amount (M)	\$1,150	\$600	\$1,350	\$400	\$1,000	\$900	\$1,000	\$500	\$500	\$0
Coupon	1.000%	4.125%	4.125%	4.625%	3.875%	4.625%	4.875%	5.350%	5.550%	Libor + 200 bps
Rating										
Moody's	Ba1	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	NA
Standard & Poor's	BB+	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-
Fitch	BB+	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB

Total Leverage	
Total Debt (\$M)	\$ 7,354
Total Cash (\$M)	\$ 2,789
Net Debt (\$M)	\$ 4,565
TTM Adj. EBITDA	\$ 3,151
Cost of Debt	3.974%
Reported Leverage	1.45X



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

## DSO



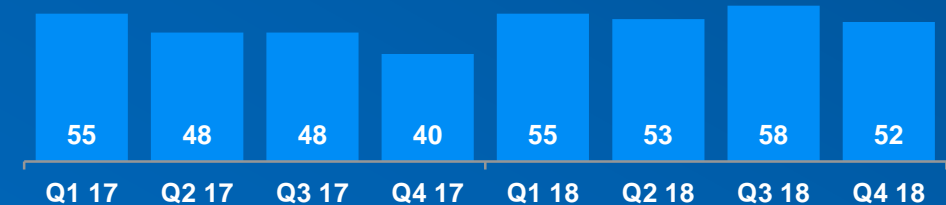
## DPO



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



## 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](http://www.nxp.com/investor) for additional information relative to our Non-GAAP Financial Measures

# Guidance for the First Quarter of 2019<sup>(1)</sup>

	Guidance Range							
	<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>	\$ 2,020	\$ 2,090	\$ 2,160	\$ -	\$ 2,020	\$ 2,090	\$ 2,160	
Q-Q	-16%	-13%	-10%		-16%	-13%	-10%	
Y-Y	-11%	-8%	-5%		-11%	-8%	-5%	
<b>Gross Profit</b>	\$ 1,010	\$ 1,060	\$ 1,112	\$ (33)	\$ 1,043	\$ 1,093	\$ 1,145	
Gross Margin	50.0%	50.7%	51.5%		51.6%	52.3%	53.0%	
<b>Operating Income (loss)</b>	\$ 6	\$ 44	\$ 84	\$ (499)	\$ 505	\$ 543	\$ 583	
Operating Margin	0.3%	2.1%	3.9%		25.0%	26.0%	27.0%	
Financial income (expense)	\$ (76)	\$ (76)	\$ (76)	\$ (14)	\$ (62)	\$ (62)	\$ (62)	

## Note (1) Additional Information:

- GAAP Gross Profit is expected to include Purchase Price Accounting ("PPA") effects, (\$16 million); Stock Based Compensation, (\$11 million); Restructuring and Other Incidentals, (\$6 million);
- GAAP Operating Income (loss) is expected to include PPA effects, (\$380 million); Stock Based Compensation, (\$86 million); Merger related costs (\$3 million); Restructuring and Other Incidentals, (\$30 million);
- GAAP Financial Income (expense) is expected to include Other financial expense (\$14 million);
- Net cash paid for income taxes related to on-going operations is expected to be approximately (\$24 million);
- Non-controlling interest is expected to be approximately (\$7 million);
- Weighted average diluted share count is expected to be approximately 290 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 Model<sup>1</sup>

2018E – 2021E

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

# Updated Modeling Items<sup>1,2</sup>

	4Q18A	2019E	2020E	2021E
Cash Tax on Ongoing Operations	\$29M	5.0%	7.0%	11.0%
Incidental Cash Taxes	\$32M	\$298M	\$51M	-
Stock Based Compensation	\$93M	\$365M	\$365M	\$350M
Non-Controlling Interest	\$13M	\$40M	\$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)<sup>(1)</sup>

(\$ in millions, unless otherwise stated)	Q4 2018	Q3 2018	Q4 2017
Total Revenue	2,403	2,445	2,456
GAAP Gross Profit	1,243	1,256	1,242
Gross profit adjustments	(32)	(39)	(89)
Non - GAAP Gross Profit	1,275	1,295	1,331
GAAP Gross Margin	51.7%	51.4%	50.6%
Non-GAAP Gross Margin	53.1%	53.0%	54.2%
GAAP Operating income (loss)	224	2,211	210
Operating income adjustments	507	1,478	(553)
Non - GAAP Operating income (loss)	731	733	763
GAAP Operating Margin	9.3%	90.4%	8.6%
Non-GAAP Operating Margin	30.4%	30.0%	31.1%
GAAP Financial income (expense)	(77)	(119)	(79)
Financial income adjustments	(17)	(85)	(24)
Non - GAAP Financial income (expense)	(60)	(34)	(55)

## Other Information

- PPA effects: (\$385M)
- Restructuring: (\$1M)
- Stock-based compensation: (\$93M)
- Merger-related costs: (\$15M)
- Other incidentals: (\$13M)
- Non-cash interest expense on convertible notes: (\$11M)
- Foreign exchange loss: (\$5M) ;
- Other financial expense: (\$1M)

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

	Q4 2018	Q3 2018	Q4 2017
Net cash provided by (used for) operating activities	731	2,615	738
Net cash provided by (used for) investing activities	(174)	(42)	(135)
Net cash provided by (used for) financing activities	288	(3,609)	(123)
Effects of changes in exchange rates on cash position	-	(1)	2
Increase (decrease) in cash and cash equivalents	845	(1,037)	482
Cash and cash equivalents at beginning of the period	1,944	2,981	3,065
Cash and cash equivalents at end of period	2,789	1,944	3,547
Net cash provided by (used for) operating activities	731	2,615	738
Net capital expenditures on property, plant and equipment	(170)	(155)	(132)
Non-GAAP free cash flow	561	2,460	606
Trailing 12-month Non-GAAP free cash flow	3,759	3,804	1,897
Trailing 12-month Non-GAAP free cash flow as a percentage of Revenue	40%	40%	20%

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

	Q4 2018	Q3 2018	Q4 2017
Net income (loss)	289	1,833	768
Reconciling items to EBITDA			
Financial (income) expense	77	119	79
(Benefit) provision for income taxes	(141)	311	(629)
Depreciation	124	119	145
Amortization	379	378	397
EBITDA	728	2,760	760
Results of equity-accounted investees	(1)	(52)	(8)
Restructuring <sup>1</sup>	1	5	-
Stock-based compensation	93	83	78
Merger-related costs	15	(1,914)	32
Other incidental items <sup>1</sup>	13	(36)	12
Adjusted EBITDA	849	846	874
Trailing 12-month Adjusted EBITDA	3,151	3,176	3,157

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.



# End-market to Operating Segment Map<sup>1</sup>

		Auto 7 – 10% CAGR	SCD 8 – 11% CAGR	SI&I 0 – 2% CAGR	SIS 0 – 2% CAGR
End-Market		<b>Automotive</b> 7 – 10% CAGR <ul style="list-style-type: none"> <li>• Entire Auto</li> </ul>	<ul style="list-style-type: none"> <li>• Infotainment AP</li> </ul>		
		<b>Industrial &amp; IoT</b> 8 – 11% CAGR	<ul style="list-style-type: none"> <li>• Industrial &amp; IoT MCU</li> <li>• Industrial &amp; IoT AP</li> <li>• Low power connectivity</li> <li>• NFC readers</li> </ul>	<ul style="list-style-type: none"> <li>• High perf. analog</li> <li>• AC-DC power</li> <li>• Specialty ASSPs</li> </ul>	
		<b>Mobile</b> 4 – 6% CAGR	<ul style="list-style-type: none"> <li>• Mobile wallet</li> </ul>	<ul style="list-style-type: none"> <li>• Custom interfaces</li> <li>• Power management</li> <li>• Voice &amp; audio</li> </ul>	
		<b>Comm. Infra. &amp; Other</b> 0 – 2% CAGR		<ul style="list-style-type: none"> <li>• Specialty RF</li> <li>• Digital networking</li> </ul>	<ul style="list-style-type: none"> <li>• Entire SIS</li> </ul>

Business Lines

1. Based on full-year 2018 reported revenue  
 2. 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

# 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