



NXP Semiconductors

Investor Presentation | April 2015

SECURE CONNECTIONS
FOR A SMARTER WORLD



Forward Looking Statement

This document 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; 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.

Focused on Profitable Growth from Smarter World Opportunity

Our innovative solutions are used in a wide range of applications

Connected Car



- Car entertainment
- In-vehicle networking
- Secure car access
- Secure V2X communication
- Radar

Security



- Mobile transactions
- E-Government
- Smart bank cards
- User authentication
- Embedded security

Portable and Wearable



- Mobile audio
- High-speed interfaces
- Gaming
- Personal health & fitness
- Healthcare

Internet of Things



- Smart home and buildings
- Smart cities - smart grid
- M2M – “Industry 4.0”
- Intelligent logistics

We Provide Secure Connections for a Smarter World



- Enhanced security
- Mesh connectivity
- Sensors
- Smart LED lighting
- Gateway & cyber security
- Access



- Car entertainment
- In-vehicle networking
- Car access
- V2X and Radar



- Secure bank cards
- Mobile transactions
- Loyalty- reward
- RFID tags - labels
- Supply chain monitoring
- NFC readers



- e-passport
- Smart eID
- Health card



- Contactless transit cards
- Access solutions
- Micro-payments



NXP Value Proposition



Multiple High Growth Markets + RMS of at Least 1.5x
→ Profitable Growth



Operational Excellence + Benchmark Cost Structure
→ Strong Cash Generation

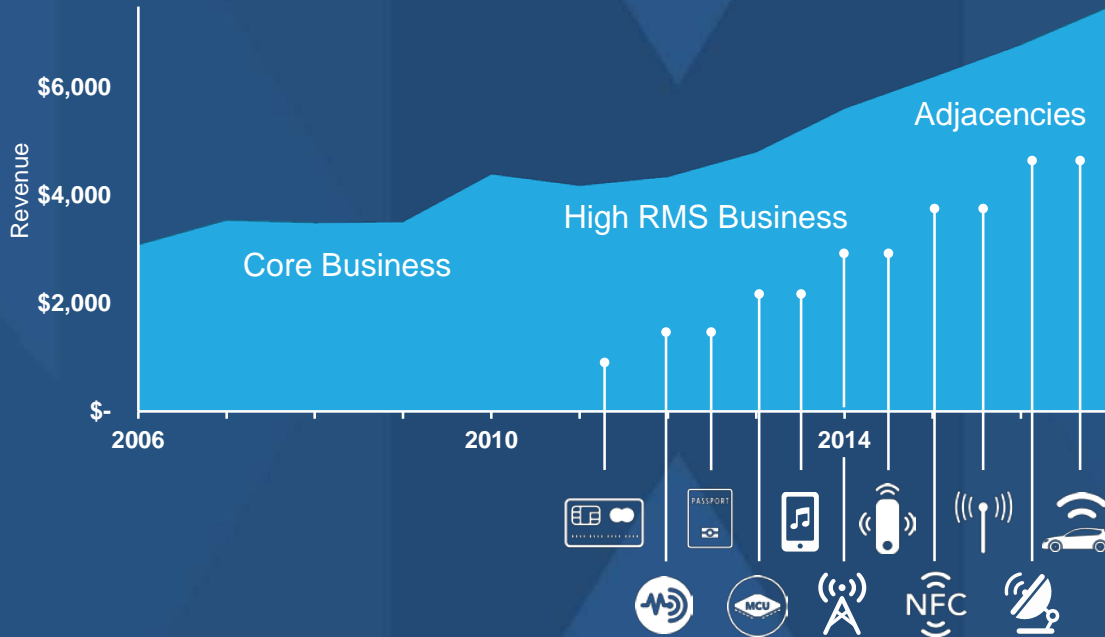


Industry Leading Management Team and People
→ Customer-Focused Passion to WIN



MAXIMIZE SHAREHOLDER VALUE

Growth Driven by High RMS Businesses and Adjacent Markets



Focused on

- High growth markets;
- Deliver unique NXP capabilities;
- Driving operating margin;
- Optimized capital structure.

Broad sustainable leadership as we

- Invest in Core & High RMS business’;
- Thought leadership in Adjacent markets;
- NXP positioned to outperform peers.

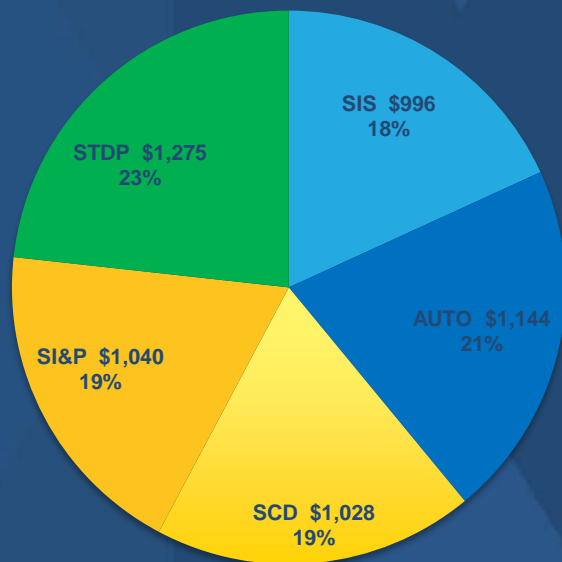
Note:

1. GM, EBIT, EPS, Interest Expense, Free Cash Flow (FCF), Leverage, Adj. EBITDA are all non-GAAP figures
2. Based on normalized NXP revenue growth, versus normalized, aggregate HPMS Peer revenue

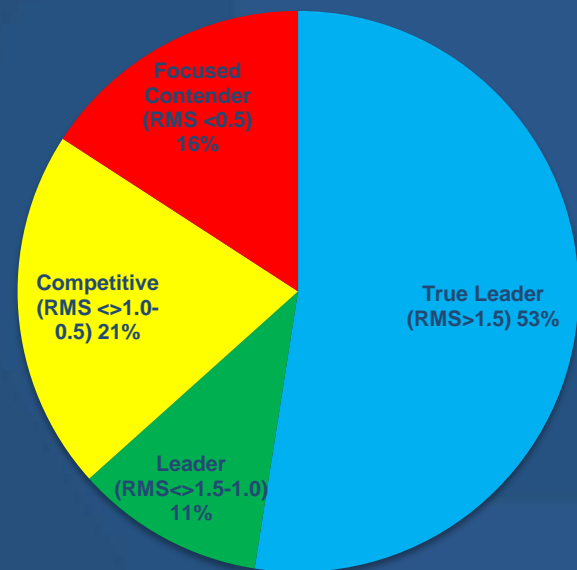
Revenue Contribution and Relative Market Share (RMS)

2014 Product Revenue = \$5.5B, up 17% Y-Y⁽¹⁾

Business Line Contribution⁽¹⁾ (\$M)



Overall Relative Market Share (RMS)



Note:

1. GM, EBIT, EPS, Interest Expense, Free Cash Flow (FCF), Leverage, Adj. EBITDA are all non-GAAP figures

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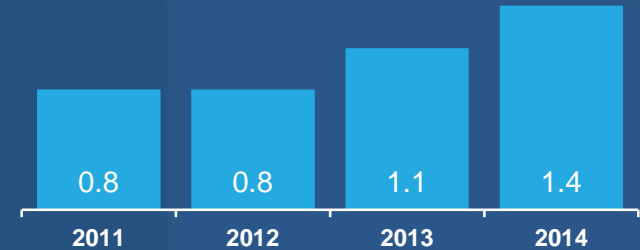


Driving Profitable Growth in Excess of Addressable Market

Revenue Up 10% 3-yr. CAGR (\$B)¹



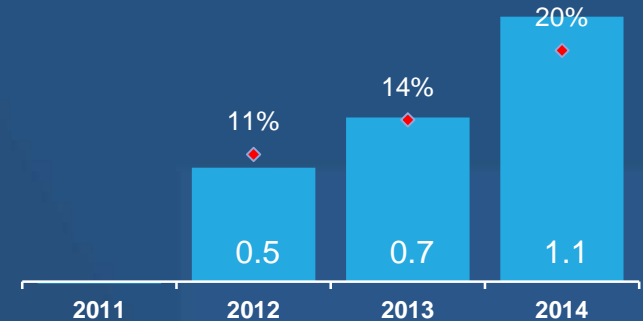
EBIT¹ Profit up 19% 3-yr. CAGR (\$B)



EPS¹ up 38% 3-yr. CAGR



Strong FCF (\$B) and FCF Margin (%)¹



Note:

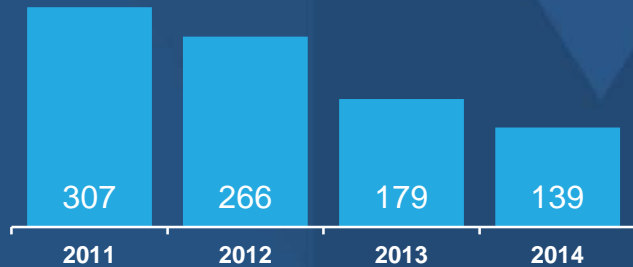
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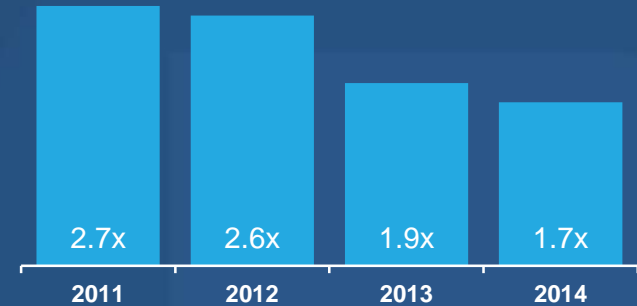


Focused on Generating Cash

Cash Interest Expense Declined 23% 3-yr. CAGR (\$M)¹



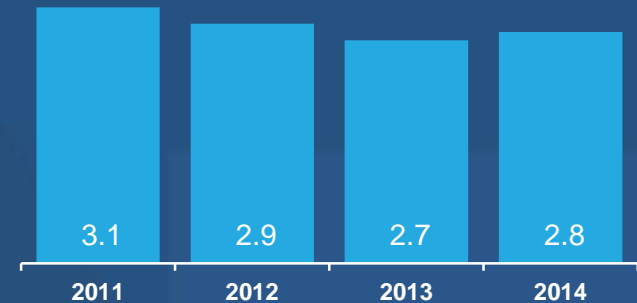
Lower Leverage



Higher Interest Coverage¹



Lower Net Debt (\$B)¹



Note:

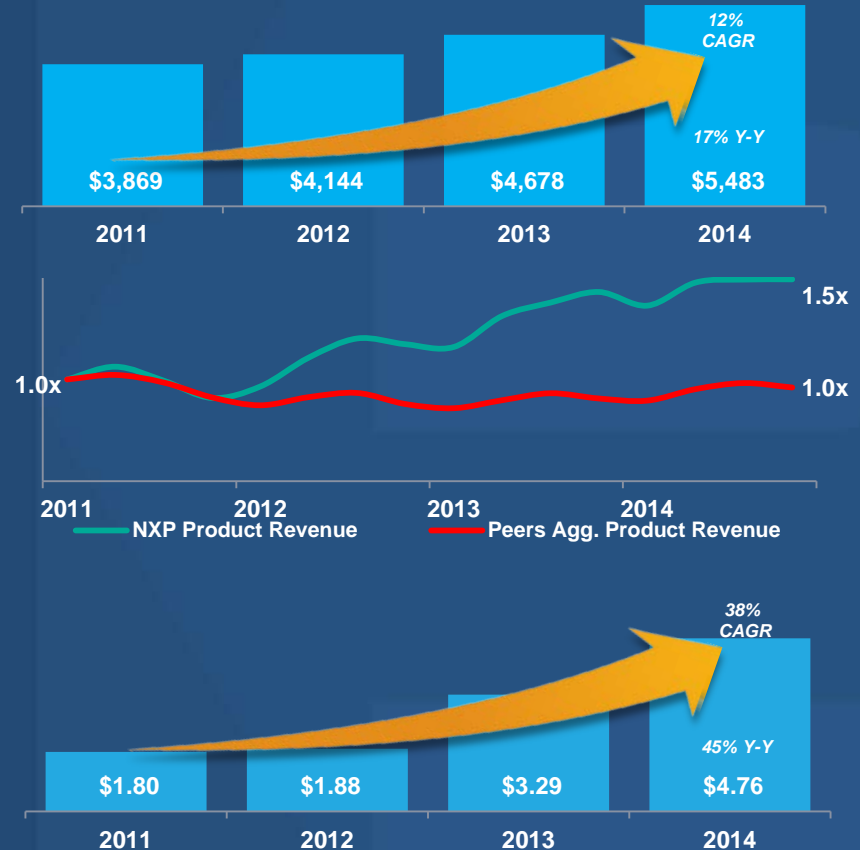
1. GM, EBIT, EPS, Interest Expense, Free Cash Flow (FCF), Leverage, Adj. EBITDA are all non-GAAP figures

Results Reflect Execution to Strategic Plan

Strong Product Revenue Growth Driven by Company Specific Design Opportunities

Leading to Consistent Revenue Growth in Excess of Peers ^(1,2)

World-class Earnings Growth Driven by Revenue Growth, Improving Margin and Reduced Leverage



Note

(1) Market size, historic and future growth rates based on NXP CMI internal research of applicable peers; all growth rates are 3-year CAGR;

(2) Peer Index based on aggregate revenue of HPMS and STDP Peers

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Our Financial Model¹

	HPMS	STDP	NXP
GM %	53% - 56%	30% - 33%	47% - 50%
R&D %	15% - 16%	4% - 5%	13% - 14%
SG&A %	11% - 12%	9% - 10%	9% - 11%
EBIT %	26% - 29%	15% - 20%	23% - 27%

Note:

1. GM, EBIT, EPS, Interest Expense, Free Cash Flow (FCF), Leverage, Adj. EBITDA are all non-GAAP figures

Leveraging Secular Trends and Unique Capabilities

Secular Trends and Demands Driving Growth

- Security
- Connectivity
- Mobility
- Energy efficiency

Characteristics of HPMS Focused Markets

- Large markets with long life cycles
- Growth in excess of overall market
- Broad and diverse customer base
- High barrier to entry
- Sticky customer relationships

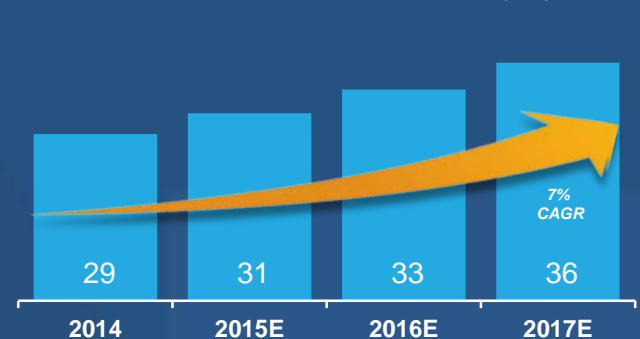
NXP Competitive Advantages

- Strong IP and patent portfolio position
- Broad mixed signal product portfolio
- Differentiated process technology
- Acknowledged leader in cryptography; low-power RF; high-speed interface and mixed - signal MCU system design

Addressable Market Growth (\$B)¹



Potential Future Market Growth (\$B)¹



Source:

(1) Market size, historic and future growth rates based on NXP CMI internal research of applicable peers; all growth rates are 3-year CAGR;

Secure Identification Solutions (SIS)

18% Product Revenue in 2014

Secular Trends Driving Growth

- Digitization of government documents
- Global roll-out of chip-based bank cards
- Unified transit and retail payment platforms
- Authentication of products & people

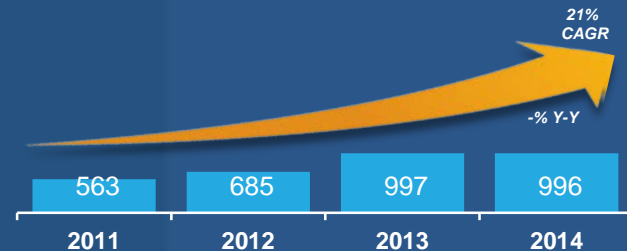
Products

- SmartMX secure microcontroller
- Secure Java-card operating system
- Zero and low-power RF interfaces
- MIFARE® ticketing and access solutions
- Low-power RFID tagging solutions

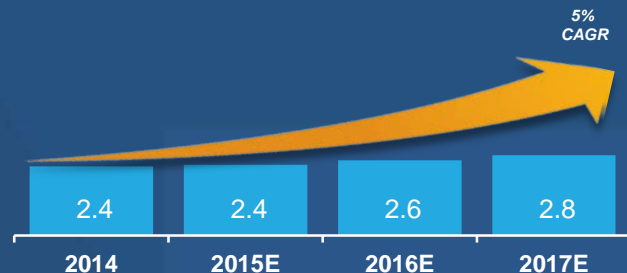
Market Position

- #1 eGovernment documents
- #1 Chip-based banking cards
- #1 Transit system products
- #1 RFID tags and labels

SIS Group Growth (\$M)¹



Potential Future SIS Market Growth (\$B)¹



Source:

(1) Market size, historic and future growth rates based on NXP CMI internal research of applicable peers; all growth rates are 3-year CAGR;

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Secure Connected Devices (SCD)

19% Product Revenue in 2014

Secular Trends Driving Growth

- Demand for contactless mobile payments
- Adoption of contactless payment infrastructure
- Demand for improved mobile audio
- Market shift toward 32-bit ARM MCU
- Secure monitoring & control solutions for IoT

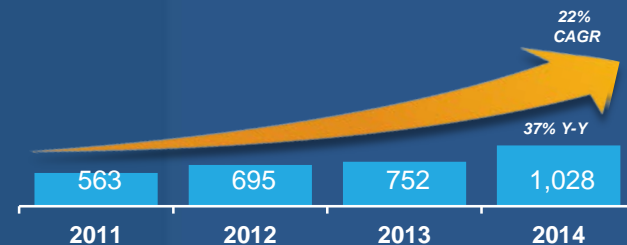
Products

- Complete mobile transaction solutions
- Point of sales infrastructure solutions
- 32-bit ARM MCU solutions
- DSP-based mobile audio solutions
- Emerging business in monitoring & control

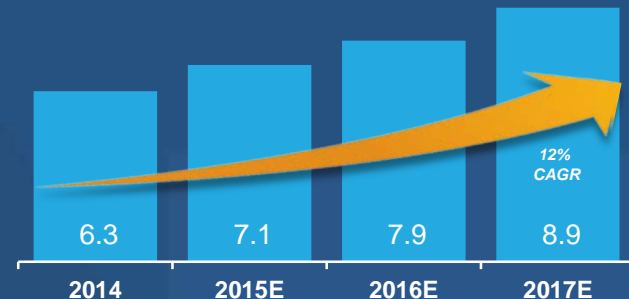
Market Position

- #1 Mobile transactions solutions
- #1 POS infrastructure solutions
- Top-five supplier of 32-bit ARM MCU

SCD Group Growth (\$M)¹



Potential Future SCD Market Growth (\$B)¹



Source:

(1) Market size, historic and future growth rates based on NXP CMI internal research of applicable peers; all growth rates are 3-year CAGR;

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Secure Interface & Power (SI&P)

19% Product Revenue in 2014

Secular Trends Driving Growth

- Increased cellular data consumption
- High performance interface (USB Type C)
- Adoption of energy efficient lighting
- Low-Power RF- Connectivity (“IoT”)
- Increased demand for mobile charging

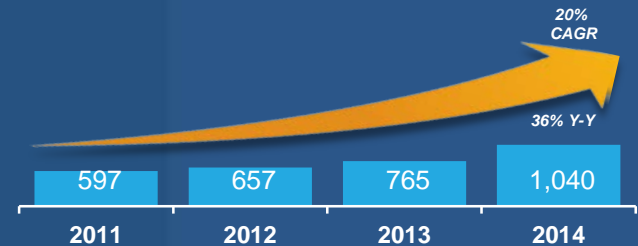
Products

- High performance RF power amplifiers (HPRF)
- High speed interfaces combining data & power
- Small signal RF LNA and RF discrete
- AD/DC power controllers and regulators
- LED lighting drivers
- IoT ultra-low power RF-connectivity (Zigbee)

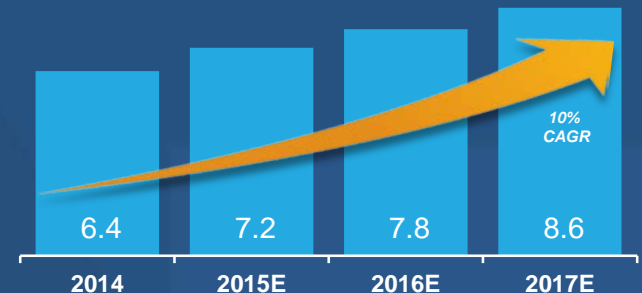
Market Position

- #1 LED lighting drivers
- #1 Small-signal RF
- #2 HPRF power amplifiers
- #3 Smart antennae

SI&P Group Growth (\$M)¹



Potential Future SI&P Market Growth (\$B)¹



Source:

(1) Market size, historic and future growth rates based on NXP CMI internal research of applicable peers; all growth rates are 3-year CAGR;

Automotive

21% Product Revenue in 2014

Secular Trends Driving Growth

- Secure connected car
- Demand for increased safety (ADAS)
- Adoption of global digital broadcast
- Increased data-flow throughout the car
- Increased intelligence to key
- Complexity and long-life cycle demands

Products

- Broad range of auto entertainment solutions
- CAN, LIN, FlexRay and Ethernet PHY
- RF passive keyless and proximity entry
- ABS, angular and temperature sensors
- V2X and CMOS Radar communication systems

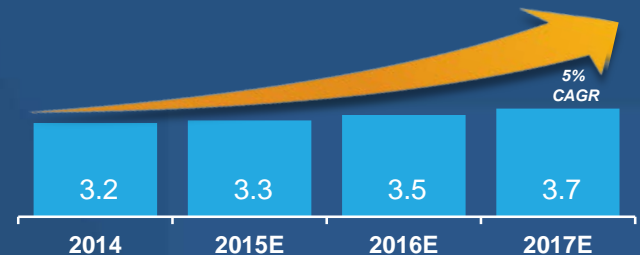
Market Position

- #1 Auto infotainment systems
- #1 In-vehicle networking
- #1 Auto access - immobilizers
- #3 Magnetic sensors

Automotive Group Growth (\$M)¹



Potential Future Market Growth (\$B)¹



Source:

(1) Market size, historic and future growth rates based on NXP CMI internal research of applicable peers; all growth rates are 3-year CAGR;

Standard Products

23% Product Revenue in 2014

Benefits to Customers of Standard Products

- Operational Scale:
 - 70B units/yr. manufactured
- Customer Reach
 - #2 supplier in WW distribution
- Quality:
 - Automotive qualified

Products

- General purpose logic (“GPL”)
- Small signal transistor & diode discretes
- Signal conditioning and protection
- Low-voltage power MOSFET

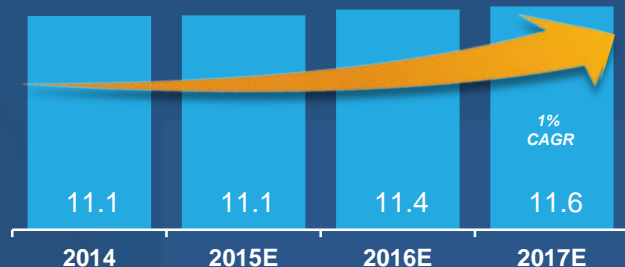
Market Position

- #1 Standard products (overall)
- #1 Small signal discrete
- #2 General purpose logic
- #2 Signal conditioning

Addressable Market Growth (\$M)¹



Potential Future Market Growth (\$B)¹



Source:

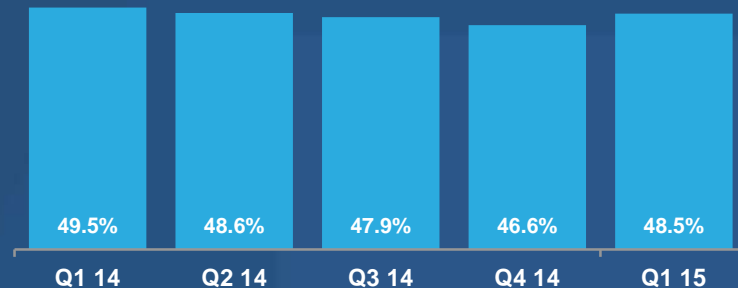
(1) Market size, historic and future growth rates based on NXP CMI internal research of applicable peers; all growth rates are 3-year CAGR;

Recent Quarterly Business Trends

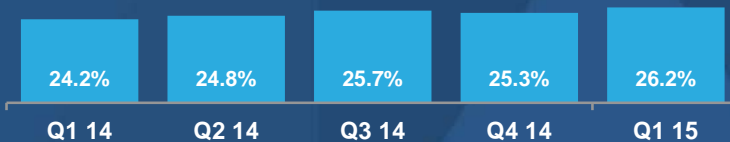
Revenue (\$M)



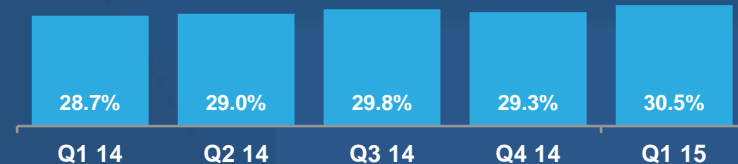
Non-GAAP Gross Margin



Non-GAAP Operating Margin

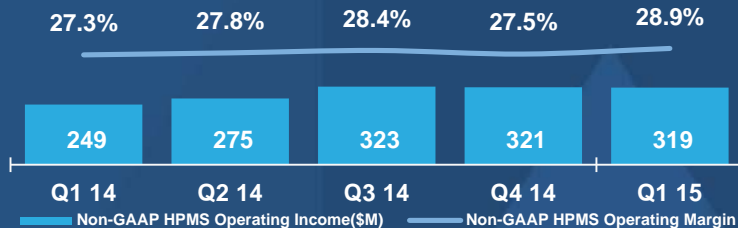
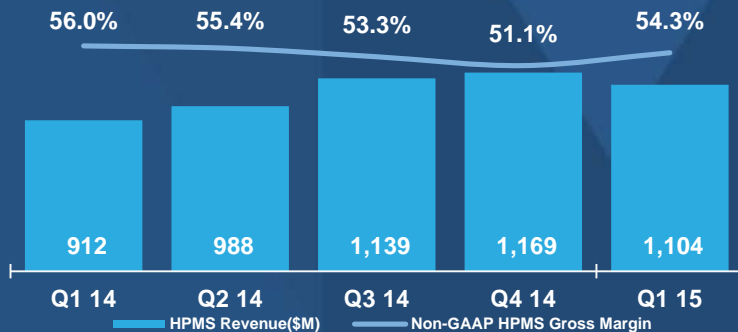


Adj. EBITDA Margin

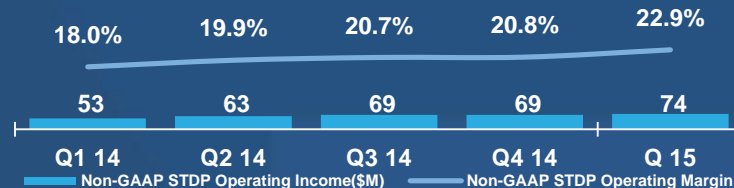
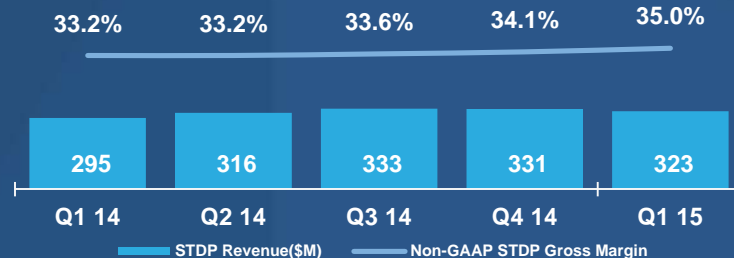


Business Segment Revenue and Non-GAAP Margin Trends

HPMS Segment

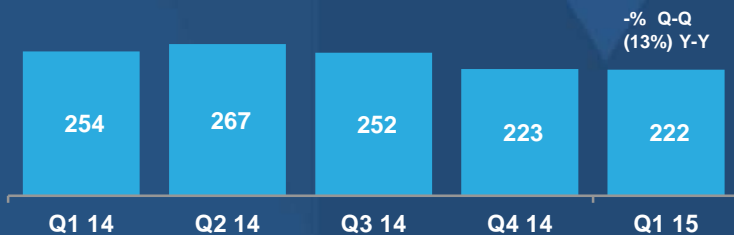


Standard Product Segment



HPMS Segment Revenue Business Trends(\$M)

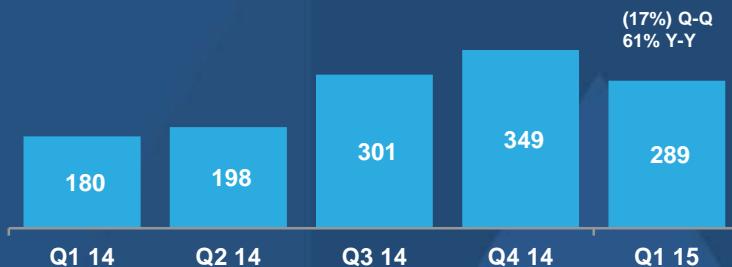
Secure Identification Solutions



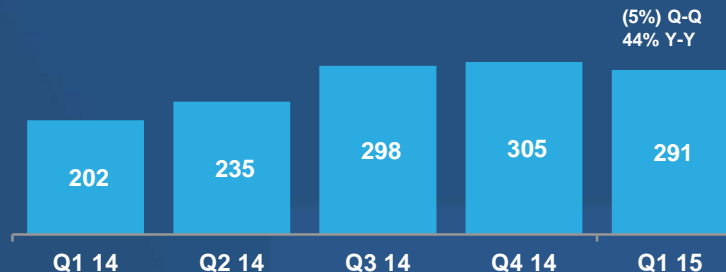
Automotive



Secure Connected Devices



Secure Interface & Power



Quarterly Revenue and Operating Income

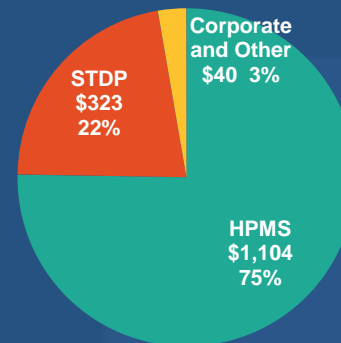
GAAP Financial Summary

(\$ in millions)	Q1 2015	Q4 2014	Q1 2014	Q-Q	Y-Y
Product Revenue	1,427	1,500	1,207	(73)	220
All Other	<u>40</u>	<u>37</u>	<u>39</u>	<u>3</u>	<u>1</u>
Total Revenue	1,467	1,537	1,246	(70)	221
Gross Profit	704	704	585	-	119
Percent of total revenue	48.0%	45.8%	47.0%	2.2pts	1.0pts
Operating income	295	310	183	(15)	112
Percent of total revenue	20.1%	20.2%	14.7%	(0.1pts)	5.4pts

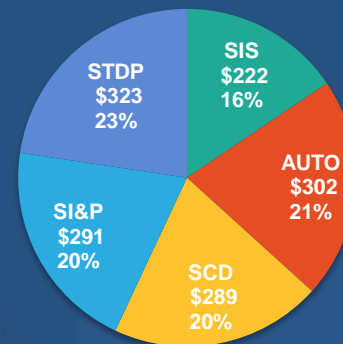
Non-GAAP Financial Summary

(\$ in millions)	Q1 2015	Q4 2014	Q1 2014	Q-Q	Y-Y
Gross Profit	711	716	617	(5)	94
Percent of total revenue	48.5%	46.6%	49.5%	1.9pts	(1.0pts)
Operating income	385	389	301	(4)	84
Percent of total revenue	26.2%	25.3%	24.2%	0.9pts	2.0pts

Quarterly Segment Revenue (\$M):



Quarterly Product Revenue (% of Product Revenue):



Business Segment Performance

GAAP Financial Summary

HPMS (\$ in millions)	Q1 2015	Q4 2014	Q1 2014	Q-Q	Y-Y
Revenue	1,104	1,169	912	(65)	192
Gross Profit	597	595	508	2	89
Gross Margin	54.1%	50.9%	55.7%	3.2pts	(1.6pts)
Operating income	266	277	200	(11)	66
Operating Margin	24.1%	23.7%	21.9%	0.4pts	2.2pts

STDP (\$ in millions)	Q1 2015	Q4 2014	Q1 2014	Q-Q	Y-Y
Revenue	323	331	295	(8)	28
Gross Profit	110	103	85	7	25
Gross Margin	34.1%	31.1%	28.8%	3.0pts	5.3pts
Operating income	52	41	12	11	40
Operating Margin	16.1%	12.4%	4.1%	3.7pts	12.0pts

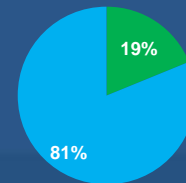
Non-GAAP Financial Summary

HPMS (\$ in millions)	Q1 2015	Q4 2014	Q1 2014	Q-Q	Y-Y
Gross Profit	599	597	511	2	88
Gross Margin	54.3%	51.1%	56.0%	3.2pts	(1.7pts)
Operating income	319	321	249	(2)	70
Operating Margin	28.9%	27.5%	27.3%	1.4pts	1.6pts

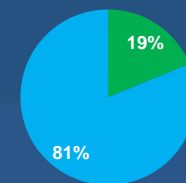
STDP (\$ in millions)	Q1 2015	Q4 2014	Q1 2014	Q-Q	Y-Y
Gross Profit	113	113	98	-	15
Gross Margin	35.0%	34.1%	33.2%	0.9pts	1.8pts
Operating income	74	69	53	5	21
Operating Margin	22.9%	20.8%	18.0%	2.1pts	4.9pts

Debt Summary

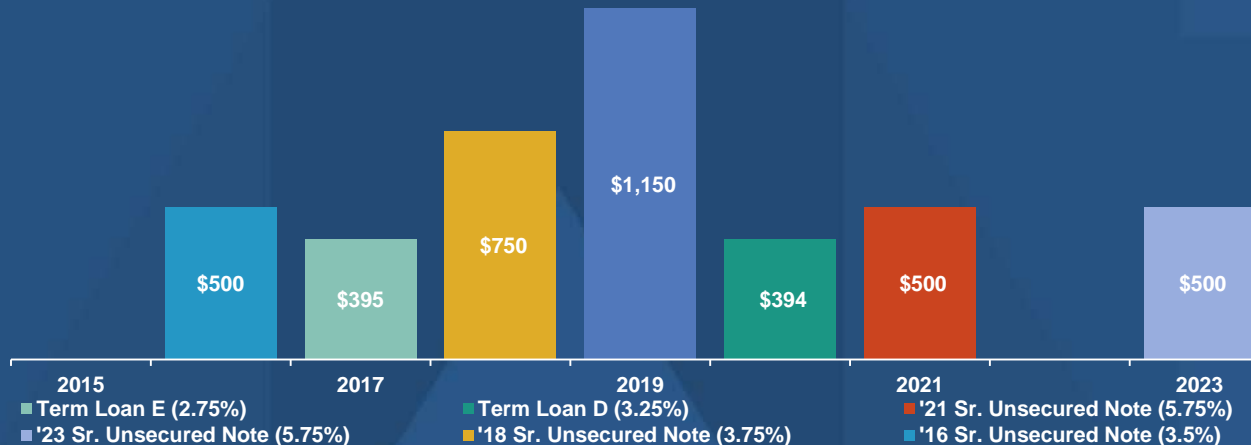
Debt Instrument	Sr. Unsecured Notes	Term Loan E	Sr. Unsecured Notes	Cash Convertible Notes	Term Loan D	Sr. Unsecured Notes	Sr. Unsecured Notes	Revolving Credit Facility	Total Leverage	
Issue Date	24-Sep-13	04-Mar-14	20-May-13	01-Dec-14	10-Dec-13	14-Feb-13	12-Mar-13	27-Apr-12	Total Debt (\$M)	\$ 4,044
Maturity Date	15-Sep-16	04-Mar-17	01-Jun-18	02-Dec-19	11-Jan-20	15-Feb-21	15-Mar-23	01-Mar-17	Total Cash (\$M)	\$ 1,355
Outstanding Amount (M)	\$ 500	\$ 395	\$ 750	\$ 1,150	\$ 394	\$ 500	\$ 500	\$ -	Net Debt (\$M)	\$ 2,689
Coupon	3.50%	Libor + 200 bps	3.75%	1.00%	Libor + 250 bps	5.75%	5.75%	Libor + 200 bps	TTM Adj. EBITDA	\$ 1,740
Floor	NA	75 bps	NA	NA	75 bps	NA	NA		Net Debt / Adj. EBITDA	1.55X
Rating									Cost of Debt	3.30%
Moody's	Ba3	Ba1	Ba3	B1	Ba1	Ba3	Ba3			
Standard & Poor's	BB	BBB-	BB	BB-	BBB-	BB	BBB-	BBB		



■ Float ■ Fixed

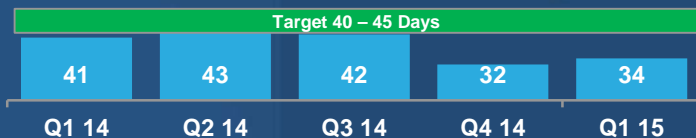


■ Secured ■ Unsecured

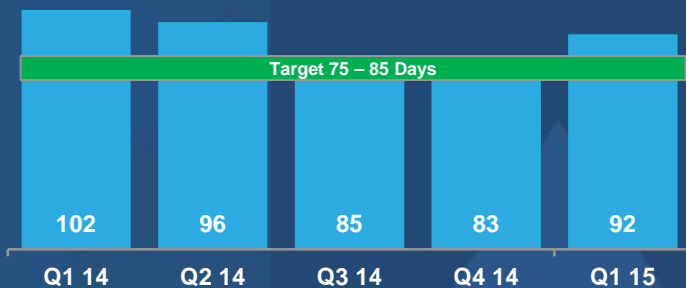


Working Capital Ratios

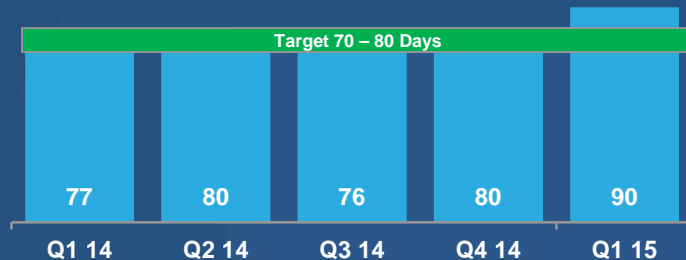
DSO



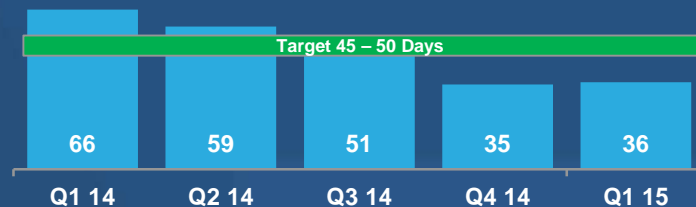
DIO



DPO



Cash Conversion Cycle



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

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

Guidance for the Second Quarter of 2015⁽¹⁾

	<u>Low</u>	<u>Mid</u>	<u>High</u>
Product Revenue	\$ 1,447	\$ 1,472	\$ 1,496
Q-Q	1%	3%	5%
Other Revenue	\$ 38	\$ 38	\$ 38
Total Revenue	\$ 1,485	\$ 1,510	\$ 1,535
Q-Q	1%	3%	5%
Non-GAAP Gross Profit	\$ 720	\$ 732	\$ 745
Non-GAAP Gross Margin	48.5%	48.5%	48.5%
Non-GAAP Operating Income	\$ 387	\$ 401	\$ 414
Non-GAAP Operating Margin	26.0%	26.5%	27.0%
Interest Expense	\$ (34)	\$ (34)	\$ (34)
Cash Taxes	\$ (10)	\$ (11)	\$ (11)
Non-controlling Interest	\$ (20)	\$ (21)	\$ (21)
Non-GAAP Net Income	\$ 323	\$ 336	\$ 348
Ave. Diluted Shares	243	243	243
Non - GAAP EPS	\$ 1.33	\$ 1.38	\$ 1.43

Product Revenue trends on a sequential percentage point basis at the mid-point of 2Q15 guidance are expected to trend as:

1. Secure Identification Solutions is expected to be up in the mid-teens digit range;
2. Automotive is expected to be up in the low single digit range;
3. Secure Connected Devices is expected to be down in the low single digit range;
4. Secure Interfaces and Power is expected to be up in the low single digit range;
5. Standard Products is expected to be flat.

Note (1): NXP has based the guidance included in our earnings press release issued on April 30, 2015 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 earnings press release. 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 provided in our earnings press release issued on April 30, 2015. In relation to the use of non-GAAP financial information see the note regarding "Use of Non-GAAP Financial Information" included in our earnings press release issued on April 30, 2015. 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 in our earnings press release issued on April 30, 2015, to reflect future events or circumstances. Considering the uncertain magnitude and variability of the foreign exchange consequences upon "PPA effects", "restructuring costs", "other incidental items" and any interest expense or taxes in future periods, management believes that GAAP financial measures are not available for NXP without unreasonable efforts on a forward looking basis

Quarterly Financial Reconciliation (GAAP to non-GAAP)

(\$ in millions, unless otherwise stated)	Q1 2015	Q4 2014	Q1 2014
Total Revenue	1,467	1,537	1,246
GAAP Gross Profit	704	704	585
Gross profit adjustments	(7)	(12)	(32)
Non - GAAP Gross Profit	711	716	617
GAAP Gross Margin	48.0%	45.8%	47.0%
Non-GAAP Gross Margin	48.5%	46.6%	49.5%
GAAP Operating income (loss)	295	310	183
Operating income adjustments	(90)	(79)	(118)
Non - GAAP Operating income (loss)	385	389	301
GAAP Operating Margin	20.1%	20.2%	14.7%
Non-GAAP Operating Margin	26.2%	25.3%	24.2%
GAAP Financial income (expense)	(373)	(137)	(45)
Financial income adjustments	(337)	(100)	(11)
Non - GAAP Financial income (expense)	(36)	(37)	(34)
GAAP Income tax benefit (provision)	(15)	(9)	(15)
Other Adjustments	(11)	(2)	(11)
Non - GAAP Cash tax (expense)⁽¹⁾	(4)	(7)	(4)
GAAP Net income (loss) attributable to shareholders	(107)	149	110
Net income (loss) adjustments	(435)	(178)	(139)
Non - GAAP Net income (loss) attributable to shareholders	328 ⁽²⁾	327	249
GAAP Diluted net income (loss) per share attributable to shareholders	(0.46)	0.61	0.43
Non - GAAP Diluted net income (loss) per share attributable to shareholders	1.35	1.35	0.98

1. Cash income taxes paid during the period

2. Excludes:

- PPA effects: (\$33M);
- Restructuring: (\$12M) ;
- Stock-based compensation: (\$35M);
- Other incidentals: (\$10M);
- Non-cash interest expense on convertible Notes (\$10M);
- Foreign exchange loss on debt: (\$208M) ;
- Changes in fair value of warrant liability: (\$115M)
- Other financial expense: (\$4M);
- Results relating to equity-accounted investees: \$3M;
- Difference between book and cash income taxes: (\$11M).

Quarterly Cash Flow Overview (\$M)

	Q1 2015	Q4 2014	Q1 2014
Net cash provided by (used for) operating activities	368	556	273
Net cash provided by (used for) investing activities	(183)	(132)	(56)
Net cash provided by (used for) financing activities	1	173	(162)
Effects of changes in exchange rates on cash position	(16)	(6)	(5)
Increase (decrease) in cash and cash equivalents	170	591	50
Cash and cash equivalents at beginning of the period	1,185	594	670
Cash and cash equivalents at end of period	1,355	1,185	720
Net cash provided by (used for) operating activities	368	556	273
Net capital expenditures on property, plant and equipment	(80)	(105)	(50)
Non-GAAP free cash flow	288	451	223
Non-GAAP free cash flow as a percentage of Revenue	20%	29%	18%

Quarterly Adjusted EBITDA (\$M)

	Q1 2015	Q4 2014	Q1 2014
Net income (loss)	(90)	167	124
Reconciling items to EBITDA			
Financial (income) expense	373	137	45
(Benefit) provision for income taxes	15	9	15
Depreciation	58	58	52
Amortization	37	39	50
EBITDA	393	410	286
Results of equity-accounted investees	(3)	(3)	(1)
Restructuring ¹	12	11	33
Stock-based compensation	35	34	28
Other incidental items ¹	10	(1)	11
Adjusted EBITDA	447	451	357
Trailing 12-month Adjusted EBITDA	1,740	1,650	1,414
1. Excluding depreciation PP&E and amortization of software related to restructuring	-	1	-

NXP: Secure Connections for the Smarter World

Drive Profitable
Growth



Drive Earnings
Per Share



Drive Cash
Flow



Drive Significant
Value for Our
Owners

