



NXP Semiconductors Reports First Quarter 2020 Results

April 27, 2020

EINDHOVEN, The Netherlands, April 27, 2020 (GLOBE NEWSWIRE) -- NXP Semiconductors N.V. (NASDAQ: NXPI) today reported financial results for the first quarter 2020, ended March 29, 2020.

“Consistent with our preannouncement on April 7, 2020, NXP delivered first quarter revenue of \$2.02 billion, a 3 percent decline from the year ago period,” said Richard Clemmer, NXP Chief Executive Officer. “During this period of widespread societal disruption, our focus continues to be the long-term health and safety of all our NXP team members, and on assuring the utmost support for our customers and partners. I am extremely proud of the adaptability and engagement of all our teams during this challenging period. From a business perspective, we currently find ourselves navigating a challenging and very fluid environment. We are working diligently with our direct and distribution partners to determine accurate projections of customer demand, especially within the global automotive and industrial markets. Notwithstanding the current challenges, NXP continues to have the financial strength, the product portfolio and customer engagements to emerge strongly from the current unpredictable environment.”

Key Highlights

- First-quarter revenue was \$2.0 billion, down 3 percent year-on-year;
- First-quarter GAAP gross margin was 49.3 percent, and GAAP operating margin was 3.4 percent;
- First-quarter non-GAAP gross margin was 51.8 percent, and non-GAAP operating margin was 24.8 percent;
- First-quarter cash flow from operations was \$0.51 billion, with net capex investments of \$143 million, resulting in non-GAAP free cash flow of \$0.37 billion;
- On March 5, 2020, the NXP Board of Directors approved the payment of an interim dividend for the first quarter 2020 of \$0.375 per ordinary share;
- In the first quarter of 2020 NXP returned \$0.46 billion to shareholders through previously announced share repurchases and dividend payments;
- On February 3, 2020, NXP announced the completion of the sale of the Company's Voice and Audio Solutions (VAS) assets pursuant to the definitive agreement dated August 16, 2019 for a net gain of \$110 million.

Summary of Reported First Quarter 2020 (\$ millions, unaudited) ⁽¹⁾

	Q1 2020	Q4 2019	Q1 2019	Q - Q	Y - Y
Total Revenue	\$ 2,021	\$ 2,301	\$ 2,094	-12 %	-3 %
GAAP Gross Profit	\$ 997	\$ 1,209	\$ 1,072	-18 %	-7 %
Gross Profit Adjustments ⁽ⁱ⁾	\$ (50)	\$ (39)	\$ (32)		
Non-GAAP Gross Profit	\$ 1,047	\$ 1,248	\$ 1,104	-16 %	-5 %
GAAP Gross Margin	49.3 %	52.5 %	51.2 %		
Non-GAAP Gross Margin	51.8 %	54.2 %	52.7 %		
GAAP Operating Income / (Loss)	\$ 68	\$ 197	\$ 54	-65 %	26 %
Operating Income Adjustments ⁽ⁱ⁾	\$ (434)	\$ (490)	\$ (505)		
Non-GAAP Operating Income	\$ 502	\$ 687	\$ 559	-27 %	-10 %
GAAP Operating Margin	3.4 %	8.6 %	2.6 %		
Non-GAAP Operating Margin	24.8 %	29.9 %	26.7 %		

Additional information

Automotive	\$ 994	\$ 1,097	\$ 1,036	-9 %	-4 %
Industrial & IoT	\$ 376	\$ 415	\$ 368	-9 %	2 %
Mobile	\$ 247	\$ 332	\$ 241	-26 %	2 %
Comm. Infra. & Other	\$ 404	\$ 457	\$ 449	-12 %	-10 %
DIO	113	102	113		
DPO	83	81	74		
DSO	28	26	35		
Cash Conversion Cycle	58	47	74		
Channel Inventory (months)	2.4	2.3	2.4		
Financial Leverage ⁽ⁱⁱ⁾	2.1x	2.0x	1.7x		

1. Additional Information for the First Quarter 2020:

- i. For an explanation of GAAP to non-GAAP adjustments, please see "Non-GAAP Financial Measures".
 - ii. Financial leverage is defined as net debt divided by trailing twelve months adjusted EBITDA.
- During the first quarter of 2020, NXP repurchased 2.9 million shares for a total cost of \$355 million and paid cash dividends of \$105 million.
 - Weighted average number of diluted shares for the three-month period ended March 29, 2020 was 279.9 million and as the company reported a net loss, it excludes the incremental impact of dilutive potential common shares of 3.5 million shares.
 - Cash paid for income taxes related to on-going operations was \$28 million. Items not related to on-going operations resulted in additional cash payments of \$11 million.

Guidance for the Second Quarter 2020: (\$ millions) ⁽¹⁾

	Guidance Range			Reconciliation	non-GAAP			
	GAAP							
	Low	Mid	High		Low	Mid	High	
Total Revenue	\$ 1,700	\$ 1,800	\$ 1,900		\$ 1,700	\$ 1,800	\$ 1,900	
Q-Q	-16	% -11	% -6	%	-16	% -11	% -6	%
Y-Y	-23	% -19	% -14	%	-23	% -19	% -14	%
Gross Profit	\$ 768	\$ 833	\$ 900	\$ (31)	\$ 799	\$ 864	\$ 931	
Gross Margin	45.2	% 46.3	% 47.4	%	47.0	% 48.0	% 49.0	%
Operating Income (loss)	\$ (237)	\$ (177)	\$ (115)	\$ (519)	\$ 282	\$ 342	\$ 404	
Operating Margin	-13.9	% -9.8	% -6.1	%	16.6	% 19.0	% 21.3	%
Financial Income (expense)	\$ (84)	) \$ (84)	) \$ (84)	) \$ (2)	) \$ (82)	) \$ (82)	) \$ (82)

Note (1) Additional Information:

1. GAAP Gross Profit is expected to include Purchase Price Accounting ("PPA") effects, \$(20) million; Stock Based Compensation, \$(11) million;
2. GAAP Operating Income (loss) is expected to include PPA effects, \$(403) million; Stock Based Compensation, \$(106) million; Merger related costs \$(3) million; Restructuring and Other Incidentals, \$(7) million;
3. GAAP Financial Income (expense) is expected to include Other financial expense \$(2) million;
4. Net cash paid for income taxes related to on-going operations is expected to be approximately \$(17) million;
5. Non-controlling interest is expected to be approximately \$(6) million;
6. Weighted average diluted share count is expected to be approximately 282 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.

Non-GAAP Financial Measures

In managing NXP's business on a consolidated basis, management develops an annual operating plan, which is approved by our Board of Directors, using non-GAAP financial measures. In measuring performance against this plan, management considers the actual or potential impacts on these non-GAAP financial measures from actions taken to reduce costs with the goal of increasing our gross margin and operating margin and when assessing appropriate levels of research and development efforts. In addition, management relies upon these non-GAAP financial measures when making decisions about product spending, administrative budgets, and other operating expenses. We believe that these non-GAAP financial measures, when coupled with the GAAP results and the reconciliations to corresponding GAAP financial measures, provide a more complete understanding of the Company's results of operations and the factors and trends affecting NXP's business. We believe that they enable investors to perform additional comparisons of our operating results, to assess our liquidity and capital position and to analyze financial performance excluding the effect of expenses unrelated to operations, certain non-cash expenses and share-based compensation expense, which may obscure trends in NXP's underlying performance. This information also enables investors to compare financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management.

These non-GAAP financial measures are provided in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. 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. Reconciliations of these non-GAAP measures to the most comparable measures calculated in accordance with GAAP are provided in the financial statements portion of this release in a schedule entitled "Financial Reconciliation of GAAP to non-GAAP Results (unaudited)." Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at <https://investors.nxp.com> for additional information related to our rationale for using these non-GAAP financial measures, as

well as the impact of these measures on the presentation of NXP's operations.

In addition to providing financial information on a basis consistent with U.S. generally accepted accounting principles ("GAAP"), NXP also provides 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) adjusted net income, adjusted EBITDA and trailing 12 month adjusted EBITDA, and (xi) 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, and foreign exchange gains and losses.

Conference Call and Webcast Information

NXP will host a conference call on April 28, 2020 at 8:00 a.m. U.S. Eastern Daylight Time (EDT) (2:00 p.m. Central European Time) to discuss its first quarter 2020 results and provide an outlook for the second quarter of 2020.

Interested parties may join the conference call by dialing 1 – 888 – 603 – 7644 (within the U.S.) or 1 – 484 – 747 - 6631 (outside of the U.S.). The participant pass-code is 3279125. To listen to a webcast of the event, please visit the Investor Relations section of the NXP website at <https://investors.nxp.com>. The webcast will be recorded and available for replay shortly after the call concludes.

About NXP Semiconductors

NXP Semiconductors N.V. (NASDAQ: NXPI) enables secure connections for a smarter world, advancing solutions that make lives easier, better, and safer. As the world leader in secure connectivity solutions for embedded applications, NXP is driving innovation in the automotive, industrial & IoT, mobile, and communication infrastructure markets. Built on more than 60 years of combined experience and expertise, the company has approximately 29,000 employees in more than 30 countries and posted revenue of \$8.88 billion in 2019. Find out more at www.nxp.com.

Forward-looking Statements

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 or from the SEC website, www.sec.gov.

For further information, please contact:

Investors:

Jeff Palmer
jeff.palmer@nxp.com
+1 408 518 5411

Media:

Jacey Zuniga
jacey.zuniga@nxp.com
+1 512 895 7398

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Table 1: Condensed consolidated statement of operations (unaudited)

(\$ in millions except share data)

Three months ended

	March 29, 2020	December 31, 2019	March 31, 2019
Revenue	\$ 2,021	\$ 2,301	\$ 2,094
Cost of revenue	(1,024)	(1,092)	(1,022)
Gross profit	997	1,209	1,072
Research and development	(425)	(424)	(415)
Selling, general and administrative	(233)	(225)	(248)
Amortization of acquisition-related intangible assets	(381)	(365)	(357)
Total operating expenses	(1,039)	(1,014)	(1,020)
Other income (expense)	110	2	2
Operating income (loss)	68	197	54
Financial income (expense):			
Other financial income (expense)	(78)	(93)	(83)
Income (loss) before income taxes	(10)	104	(29)
Benefit (provision) for income taxes	(2)	20	9
Results relating to equity-accounted investees	(1)	(1)	4
Net income (loss)	(13)	123	(16)
Less: Net income (loss) attributable to non-controlling interests	8	9	5
Net income (loss) attributable to stockholders	(21)	114	(21)
Earnings per share data:			
Net income (loss) per common share attributable to stockholders in \$			
Basic	\$ (0.08)	\$ 0.41	\$ (0.07)
Diluted	\$ (0.08)	\$ 0.40	\$ (0.07)
Weighted average number of shares of common stock outstanding during the period (in thousands):			
Basic	279,933	280,766	287,227
Diluted	279,933	285,518	287,227

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Table 2: Condensed consolidated balance sheet (unaudited)

(\$ in millions)	As of March 29, 2020	December 31, 2019	March 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,079	\$ 1,045	2,192
Accounts receivable, net	616	667	800
Assets held for sale	—	50	—
Inventories, net	1,227	1,192	1,241
Other current assets	327	313	387
Total current assets	3,249	3,267	4,620
Non-current assets:			
Other non-current assets	712	732	699
Property, plant and equipment, net	2,397	2,448	2,407
Identified intangible assets, net	3,218	3,620	4,094
Goodwill	9,935	9,949	8,852
Total non-current assets	16,262	16,749	16,052
Total assets	19,511	20,016	20,672
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	895	944	815
Restructuring liabilities-current	26	32	66
Other current liabilities	910	815	1,264
Short-term debt	—	—	1,117
Total current liabilities	1,831	1,791	3,262
Non-current liabilities:			

Long-term debt	7,366	7,365	6,223
Restructuring liabilities	—	—	4
Deferred tax liabilities	199	282	390
Other non-current liabilities	857	923	862
Total non-current liabilities	8,422	8,570	7,479
Non-controlling interests	222	214	190
Stockholders' equity	9,036	9,441	9,741
Total equity	9,258	9,655	9,931
Total liabilities and equity	19,511	20,016	20,672

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Table 3: Condensed consolidated statement of cash flows (unaudited)

(\$ in millions)

	Three months ended		
	March 29, 2020	December 31, 2019	March 31, 2019
Cash flows from operating activities:			
Net income (loss)	\$ (13	) \$ 123	\$ (16
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	540	522	502
Stock-based compensation	107	89	86
Amortization of discount on debt	—	8	11
Amortization of debt issuance costs	1	3	3
Net (gain) loss on sale of assets	(110) —	—
Results relating to equity-accounted investees	1	1	(4
Deferred tax expense (benefit)	(75	) (49	) (63
Changes in operating assets and liabilities:			
(Increase) decrease in receivables and other current assets	27	144	(42
(Increase) decrease in inventories	(35	) (7	) 38
Increase (decrease) in accounts payable and other liabilities	64	(35	) (250
(Increase) decrease in other non-current assets	4	7	20
Exchange differences	(4	) 9	6
Other items	5	(1	) 5
Net cash provided by (used for) operating activities	512	814	296
Cash flows from investing activities:			
Purchase of identified intangible assets	(45	) (30	) (28
Capital expenditures on property, plant and equipment	(143	) (138	) (144
Purchase of interests in businesses, net of cash acquired	(10	) (1,698) —
Proceeds from sale of interests in businesses	161	—	37
Purchase of investments	—	—	(2
Proceeds from sale of investments	—	—	1
Net cash provided by (used for) investing activities	(37	) (1,866	) (136
Cash flows from financing activities:			
Payment of cash convertible note	—	(1,150) —
Proceeds from settlement of cash convertible note hedge	—	144	—
Payment of bond hedge derivatives - convertible option	—	(144) —
Dividends paid to common stockholders	(105	) (105	) (73
Proceeds from issuance of common stock through stock plans	29	14	32
Purchase of treasury shares and restricted stock unit withholdings	(355	) (74	) (715
Cash paid on behalf of shareholders for tax on repurchased shares	—	(128) —
Net cash provided by (used for) financing activities	(431	) (1,443	) (756
Effect of changes in exchange rates on cash positions	(10	) 3	(1
Increase (decrease) in cash and cash equivalents	34	(2,492	) (597
Cash and cash equivalents at beginning of period	1,045	3,537	2,789
Cash and cash equivalents at end of period	1,079	1,045	2,192

Net cash paid during the period for:

Interest	53	95	25	
Income tax	39	34	209	
Net gain (loss) on sale of assets:				
Cash proceeds from the sale of assets	161	—	37	
Book value of these assets	(51) —	(34)
Non-cash investing activities:				
Non-cash capital expenditures	78	133	89	

NXP Semiconductors**Table 4: Financial Reconciliation of GAAP to non-GAAP Results (unaudited)**

(\$ in millions)

	Three months ended			
	March 29, 2020	December 31, 2019	March 31, 2019	
Revenue	\$ 2,021	\$ 2,301	\$ 2,094	
GAAP Gross Profit	\$ 997	\$ 1,209	\$ 1,072	
PPA Effects	(36	) (28	) (17)
Restructuring	(3	) —	(4)
Stock Based Compensation	(11	) (11	) (10)
Merger-related costs	—	—	(1)
Non-GAAP Gross Profit	\$ 1,047	\$ 1,248	\$ 1,104	
GAAP Gross margin	49.3	% 52.5	% 51.2	%
Non-GAAP Gross margin	51.8	% 54.2	% 52.7	%
GAAP Research and development	\$ (425	) \$ (424	) \$ (415)
Restructuring	(4	) —	(11)
Stock based compensation	(40	) (38	) (35)
Merger-related costs	(1	) (1	) (3)
Non-GAAP Research and development	\$ (380	) \$ (385	) \$ (366)
GAAP Selling, general and administrative	\$ (233	) \$ (225	) \$ (248)
PPA effects	(2	) (1	) (1)
Restructuring	(4	) 1	(10)
Stock based compensation	(56	) (40	) (41)
Merger-related costs	(3	) (3	) (9)
Other incidentals	(3	) (4	) (6)
Non-GAAP Selling, general and administrative	\$ (165	) \$ (178	) \$ (181)
GAAP amortization of acquisition-related intangible assets	\$ (381	) \$ (365	) \$ (357)
PPA effects	(381	) (365	) (357)
Non-GAAP amortization of acquisition-related intangible assets	\$ —	\$ —	\$ —	
GAAP Other income (expense)	\$ 110	\$ 2	\$ 2	
Other incidentals	110	—	—	
Non-GAAP Other income (expense)	\$ —	\$ 2	\$ 2	
GAAP Operating income (loss)	\$ 68	\$ 197	\$ 54	
PPA effects	(419	) (394	) (375)
Restructuring	(11	) 1	(25)
Stock based compensation	(107	) (89	) (86)
Merger-related costs	(4	) (4	) (13)
Other incidentals	107	(4	) (6)
Non-GAAP Operating income (loss)	\$ 502	\$ 687	\$ 559	
GAAP Operating margin	3.4	% 8.6	% 2.6	%
Non-GAAP Operating margin	24.8	% 29.9	% 26.7	%
GAAP Financial Income (expense)	\$ (78	) \$ (93	) \$ (83)
Non-cash interest expense on convertible notes	—	(8	) (11)
Foreign exchange gain (loss)	(1	) (4	) (7)
Other financial expense	(2	) (4	) (4)
Non-GAAP Financial income (expense)	\$ (75	) \$ (77	) \$ (61)

NXP Semiconductors**Table 5: Adjusted EBITDA and Free Cash Flow (unaudited)**

(\$ in millions)

	Three months ended			
	March 29, 2020	December 31, 2019	March 31, 2019	
Net income (loss)	\$ (13	) \$ 123	\$ (16)
Reconciling items to adjusted net income				
Financial (income) expense	78	93	83	
(Benefit) provision for income taxes	2	(20	) (9)
Depreciation	133	131	124	
Amortization	407	391	378	
Adjusted net income	\$ 607	\$ 718	\$ 560	
Reconciling items to adjusted EBITDA				
Results of equity-accounted investees	1	1	(4)
Purchase accounting effect on inventory	17	8	—	
Restructuring	11	(1	) 25	
Stock based costs	107	89	86	
Merger-related costs	4	4	13	
Other incidental items	(107	) 4	6	
Adjusted EBITDA	\$ 640	\$ 823	\$ 686	
Trailing twelve month adjusted EBITDA	\$ 3,054	\$ 3,100	\$ 3,111	

(\$ in millions)

	Three months ended			
	March 29, 2020	December 31, 2019	March 31, 2019	
Net cash provided by (used for) operating activities	\$ 512	\$ 814	\$ 296	
Net capital expenditures on property, plant and equipment	(143	) (138	) (144)
Non-GAAP free cash flow	\$ 369	\$ 676	\$ 152	
Non-GAAP free cash flow as percent of Revenue	18	% 29	% 7	%



Source: NXP USA, Inc.