



ON Semiconductor Reports First Quarter 2020 Results

May 09, 2020

- Revenue of \$1,277.9 million
- GAAP and non-GAAP gross margin of 31.5 percent
- GAAP operating margin of 1.5 percent and non-GAAP operating margin of 6.6 percent
- GAAP diluted loss per share of \$0.03 and non-GAAP diluted earnings per share of \$0.10

PHOENIX, Ariz. – May 9, 2020 – ON Semiconductor Corporation (Nasdaq: [ON](#)) announced that 2020 first quarter revenue was \$1,277.9 million, down approximately 8 percent compared to 2019 first quarter revenue. 2020 first quarter revenue was down approximately 9 percent as compared to 2019 fourth quarter revenue.

"Our first quarter revenue and margins were significantly impacted by the slowdown in global macroeconomic activity, supply constraints and resulting underutilization due to government mandated lockdowns in many parts of the world aimed at containing spread of COVID-19. Despite disruptions from the pandemic, our teams around the globe showed exemplary dedication in support of first responders and critical customers," said Keith Jackson, President and CEO of ON Semiconductor. "While current conditions are causing short-term dislocations, our long-term goals and strategy remain unchanged. Key secular megatrends driving our business remain intact, and we are making both structural and tactical changes to align our business with current conditions and to drive long-term growth in profitability and free cash flow."

"We are optimistic that the global community should be able to overcome current crisis. Our customers are placing orders in expectation of recovery in the second half of current year, and we are well positioned to show accelerated progress towards our target financial model as global macroeconomic environment recovers."

First Quarter Results (GAAP)

(in millions, except per share data)

	1Q 2020	1Q 2019	Year-Over-Year Change	4Q 2019	Sequential Change
Revenue	\$1,277.9	\$1,386.6	(8)%	\$1,401.8	(9)%
Gross Profit	\$402.7	\$513.7	(22)%	\$485.7	(17)%
Operating Income	\$18.6	\$179.4	(90)%	\$138.9	(87)%
Net Income (Loss) Attributable to ON Semiconductor Corporation	(\$14.0)	\$114.1	(112)%	\$56.5	(125)%
Diluted Earnings (Loss) Per Share	(\$0.03)	\$0.27	(111)%	\$0.14	(121)%
Diluted Share Count	410.6	417.7	(2)%	418.2	(2)%

First Quarter Results (Non-GAAP)

(in millions, except per share data)

	1Q 2020	1Q 2019	Year-Over-Year Change	4Q 2019	Sequential Change
Revenue	\$1,277.9	\$1,386.6	(8)%	\$1,401.8	(9)%
Gross Profit	\$402.7	\$513.7	(22)%	\$485.7	(17)%
Operating Income	\$84.0	\$215.2	(61)%	\$172.1	(51)%
Net Income Attributable to ON Semiconductor Corporation	\$42.8	\$177.1	(76)%	\$124.3	(66)%
Diluted Earnings Per Share	\$0.10	\$0.43	(77)%	\$0.30	(67)%
Diluted Share Count	412.8	413.8	— %	413.1	— %

First Quarter Key Cash Flow Items

(in millions)

	1Q 2020	1Q 2019	Year-Over-Year Change	4Q 2019	Sequential Change
Cash Taxes, net of indemnification	\$9.9	\$15.2	(35)%	\$16.7	(41)%
Operating Cash Flow	\$166.0	\$138.2	20 %	\$91.7	81 %
Free Cash Flow	\$33.7	(\$18.8)	279 %	(\$20.7)	263 %

SECOND QUARTER 2020 OUTLOOK

Based on product booking trends, backlog levels, and estimated turns levels, the Company anticipates 2020 second quarter revenue to be approximately \$1,100 million to \$1,260 million.

GAAP and Non GAAP gross margin for second quarter of 2020 is expected to be between 29 percent and 31 percent.

The 2020 second quarter outlook also includes anticipated stock-based compensation expense of approximately \$19 million to \$21 million. Net cash paid for income taxes is

expected to be \$10 million to \$13 million.

The following table outlines ON Semiconductor's projected second quarter of 2020 GAAP and non-GAAP outlook.

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FINANCIALS

Convertible Notes, Non-cash Interest Expense is calculated pursuant to FASB's Accounting Standards Codification Topic 470: Debt.

** Diluted share count can vary as a result of, among other things, the actual exercise of options or vesting of restricted stock units, the incremental dilutive shares from the Company's convertible senior subordinated notes, and the repurchase or the issuance of stock or convertible notes or the sale of treasury shares. In periods in which the quarterly average stock price per share exceeds \$18.50, the non-GAAP diluted share count and non-GAAP net income per share include the impact of the Company's hedge transactions issued concurrently with our 1.00% convertible notes. As such, at an average stock price per share between \$18.50 and \$25.96, the hedging activity offsets the potentially dilutive effect of the 1.00% convertible notes. In periods when the quarterly average stock price per share exceeds \$20.72, the non-GAAP diluted share count and non-GAAP net income per share include the anti-dilutive impact of the Company's hedge transactions issued concurrently with the 1.625% convertible notes. At an average stock price per share between \$20.72 and \$30.70, the hedging activity offsets the potentially dilutive effect of the 1.625% convertible notes. Both GAAP and non-GAAP diluted share counts are based on the Company's stock price as of April 3, 2020.

*** Special items may include: amortization of acquisition-related intangibles; expensing of appraised inventory fair market value step-up; purchased in-process research and development expenses; restructuring, asset impairments and other, net; goodwill impairment charges; gains and losses on debt prepayment; non-cash interest expense; actuarial (gains) losses on pension plans and other pension benefits; and certain other special items, as necessary. These special items are out of our control and could change significantly from period to period. As a result, we are not able to reasonably estimate and separately present the individual impact or probable significance of these special items, and we are similarly unable to provide a reconciliation of the non-GAAP measures. The reconciliation that is unavailable would include a forward-looking income statement, balance sheet and statement of cash flows in accordance with GAAP. For this reason, we use a projected range of the aggregate amount of special items in order to calculate our projected non-GAAP operating expense outlook.

**** We believe these non-GAAP measures provide important supplemental information to investors. We use these measures, together with GAAP measures, for internal managerial purposes and as a means to evaluate period-to-period comparisons. However, we do not, and you should not, rely on non-GAAP financial measures alone as measures of our performance. We believe that non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when taken together with GAAP results and the reconciliations to corresponding GAAP financial measures that we also provide in our releases, provide a more complete understanding of factors and trends affecting our business. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures, even if they have similar names.

TELECONFERENCE

ON Semiconductor will host a conference call for the financial community at 9 a.m. Eastern Daylight Time (EDT) on May 11, 2020 to discuss this announcement and ON Semiconductor's 2020 first quarter results. The Company will also provide a real-time audio webcast of the teleconference on the Investor Relations page of its website at <http://www.onsemi.com>. The webcast replay will be available at this site approximately one hour following the live broadcast and will continue to be available for approximately 30 days following the conference call. Investors and interested parties can also access the conference call via telephone by dialing (877) 356-3762 (U.S./Canada) or (262) 558-6155 (International). In order to join this conference call, you will be required to provide the Conference ID Number, which is 5987334.

About ON Semiconductor

ON Semiconductor (Nasdaq: ON) is driving energy efficient innovations, empowering customers to reduce global energy use. The company is a leading supplier of semiconductor-based solutions, offering a comprehensive portfolio of energy efficient power management, analog, sensors, logic, timing, connectivity, discrete, SoC and custom devices. The company's products help engineers solve their unique design challenges in [automotive, communications, computing, consumer, industrial, medical, aerospace and defense applications](#). ON Semiconductor operates a responsive, reliable, world-class supply chain and quality program, a robust compliance and ethics program, and a network of manufacturing facilities, sales offices and design centers in key markets throughout North America, Europe and the Asia Pacific regions. For more information, visit <https://www.onsemi.com>.

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This document contains "forward-looking statements," as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated in this document could be deemed forward-looking statements, particularly statements about the future financial performance of ON Semiconductor, including financial guidance for the year ending December 31, 2020. Forward-looking statements are often characterized by the use of words such as "believes," "estimates," "expects," "projects," "may," "will," "intends," "plans" or "anticipates" or by discussions of strategy, plans or intentions. All forward-looking statements in this document are made based on our current expectations, forecasts, estimates and assumptions and involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in the forward-looking statements. Among these factors are our revenue and operating performance; economic conditions and markets (including current financial conditions); risks related to our ability to meet our assumptions regarding outlook for revenue and gross margin as a percentage of revenue; effects of exchange rate fluctuations; the cyclical nature of the semiconductor industry; changes in demand for our products; changes in inventories at our customers and distributors; risks associated with restructuring actions and workforce reductions; technological and product development risks; enforcement and protection of our intellectual property rights and related risks; risks related to the security of our information systems and secured network; availability of raw materials, electricity, gas, water and other supply chain uncertainties; our ability to effectively shift production to other facilities when required in order to maintain supply continuity for our customers; variable demand and the aggressive pricing environment for semiconductor products; our ability to successfully manufacture in increasing volumes on a cost-effective basis and with acceptable quality for our current products; risks associated with our acquisitions and dispositions generally, including our ability to realize the anticipated benefits of our acquisitions and dispositions, including our acquisition of Quantenna; risks that acquisitions or dispositions may disrupt our current plans and operations, (including the risk of unexpected costs, charges or expenses resulting from acquisitions or dispositions and difficulties arising from integrating and consolidating acquired businesses, our timely filing of financial information with the Securities and Exchange Commission ("SEC") for acquired businesses and our ability to accurately predict the future financial performance of acquired businesses); competitor actions, including the adverse impact of competitor product announcements; pricing and gross profit pressures; risks associated with the addition of Huawei Technologies Co., Ltd. and its non-U.S. affiliates and subsidiaries, and other customers, to the U.S. Department of Commerce, Bureau of Industry Security Entity List; loss of key customers; risks associated with restructuring actions and workforce reductions; order cancellations or reduced bookings; changes in manufacturing yields; control of costs and expenses and realization of cost savings and synergies from restructurings; the costs to defend against or pursue litigation and the potential significant costs associated with adverse litigation outcomes; risks associated with decisions to expend cash reserves for various uses in accordance with our capital allocation policy such as debt prepayment, stock repurchases or acquisitions rather than to retain such cash for future needs; risks associated with our substantial leverage and restrictive covenants in our debt agreements that may be in place from time to time; risks associated with our worldwide operations, including changes in trade policies, foreign employment and labor matters associated with unions and collective bargaining arrangements, continuing political unrest in markets in which we do significant business, including Hong Kong, as well as man-made and/or natural disasters and public health and safety outbreaks affecting our operations or financial results, including as a result of the outbreak of the novel coronavirus disease 2019 (COVID-19) pandemic; the threat or occurrence of international armed conflict and terrorist activities both in the United States and internationally; risks of changes in U.S. or international tax rates or legislation; risks and costs associated with increased and new regulation of corporate governance and disclosure standards; risks related to new legal requirements; and risks and expenses involving environmental or other governmental regulation. Additional factors that could affect our future results or events are described under Part I, Item 1A "Risk Factors" in our 2019 Annual Report on Form 10-K filed with the SEC on February 19, 2020 (our "2019 Form 10-K") and

from time to time in our other SEC reports. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information, except as may be required by law. You should carefully consider the trends, risks and uncertainties described in this document, our 2019 Form 10-K and other reports filed with or furnished to the SEC before making any investment decision with respect to our securities. If any of these trends, risks or uncertainties actually occurs or continues, our business, financial condition or operating results could be materially adversely affected, the trading prices of our securities could decline, and you could lose all or part of your investment. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this cautionary statement.