

# ON SEMICONDUCTOR QUARTERLY INVESTOR PRESENTATION

**SECOND QUARTER 2021**  
**AUGUST 2021**

Public Information



# SAFE HARBOR STATEMENT AND NON-GAAP AND FORECAST INFORMATION

This document includes “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, 2021. 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. Certain factors that could affect our future results or events are described under Part I, Item 1A “Risk Factors” in our 2020 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 16, 2021 (our “2020 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 2020 Form 10-K and subsequent 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 us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.



# Highlights

## Q2 2021

- Revenue of \$1,669.9 million, up 38% year-over-year, up 13% sequentially
- GAAP gross margin of 38.3% and non-GAAP gross margin of 38.4%
- GAAP diluted EPS of \$0.42 and non-GAAP diluted EPS of \$0.63

## End Market Commentary

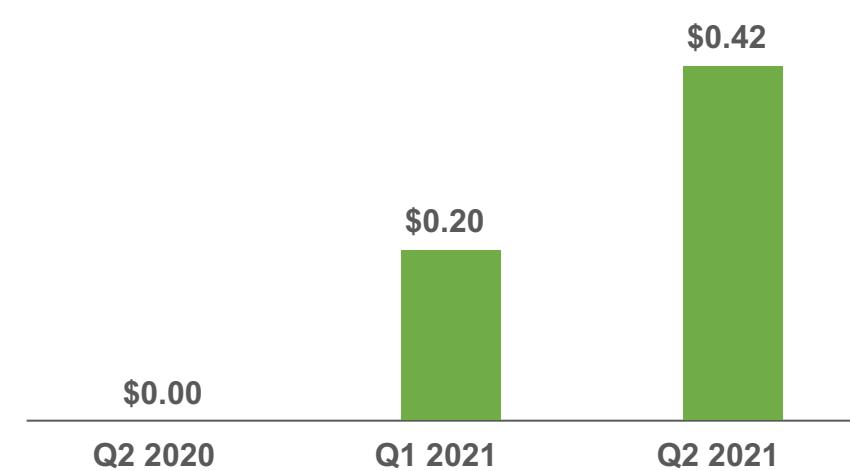
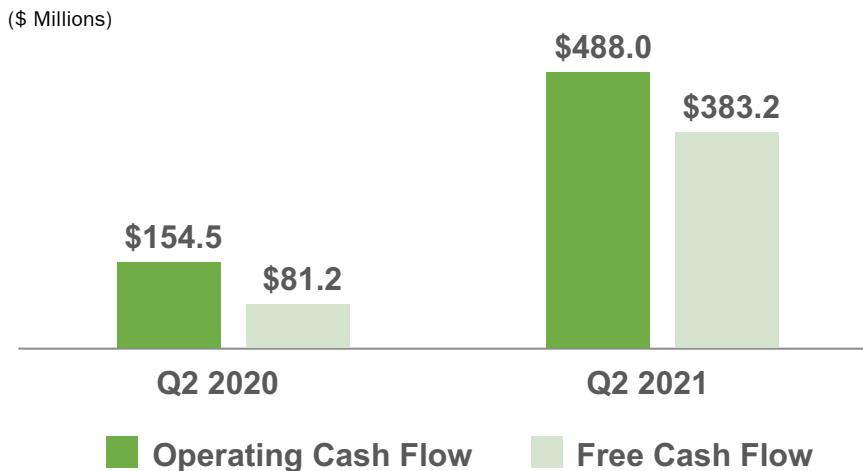
- Record automotive revenue of \$556 million increased 8% sequentially
- Record industrial revenue of \$434 million increased 18% sequentially

## Q3 2021 Guidance

- Revenue: \$1,660 - \$1,760 million
- Gross Margin: GAAP 38.8% - 40.9%; non-GAAP : 39.0% - 41.0%
- Operating expenses: GAAP - \$331 - \$346 million; non-GAAP \$305 - to \$320 million
- GAAP diluted EPS of \$0.53 to \$0.63 and non-GAAP diluted EPS of \$0.68 to \$0.80



# Q2 21 Financial Highlights - GAAP

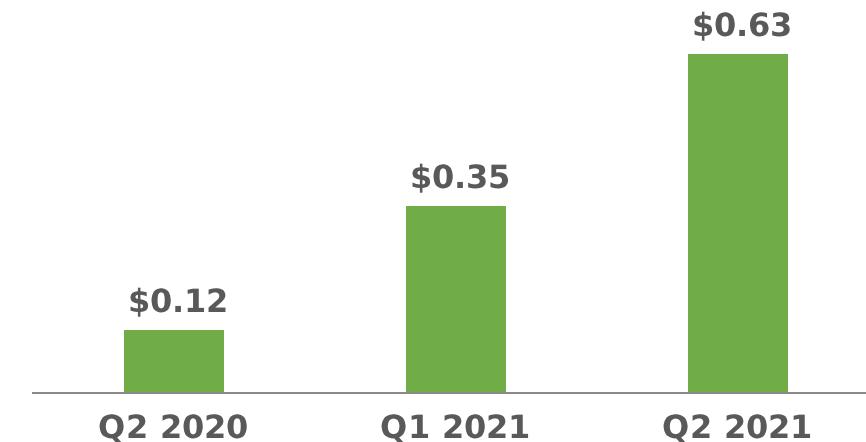
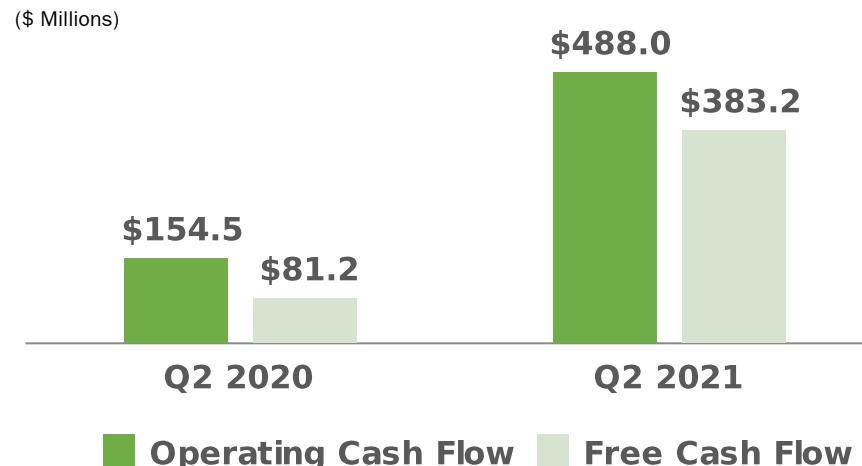


1. Operating Cash Flow and Net cash provided by operating activities are the same GAAP measure and used interchangeably in the presentation

2. Free Cash flow is a Non-GAAP metric; added for comparison



# Q2 21 Financial Highlights - Non-GAAP<sup>1</sup>

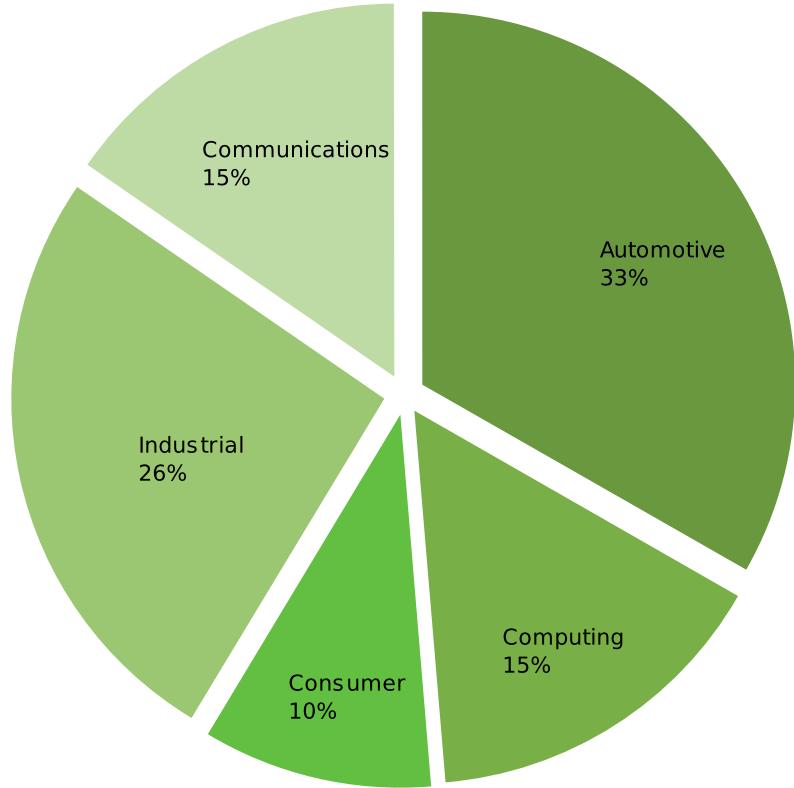


1. See Appendix for GAAP to Non-GAAP Reconciliation

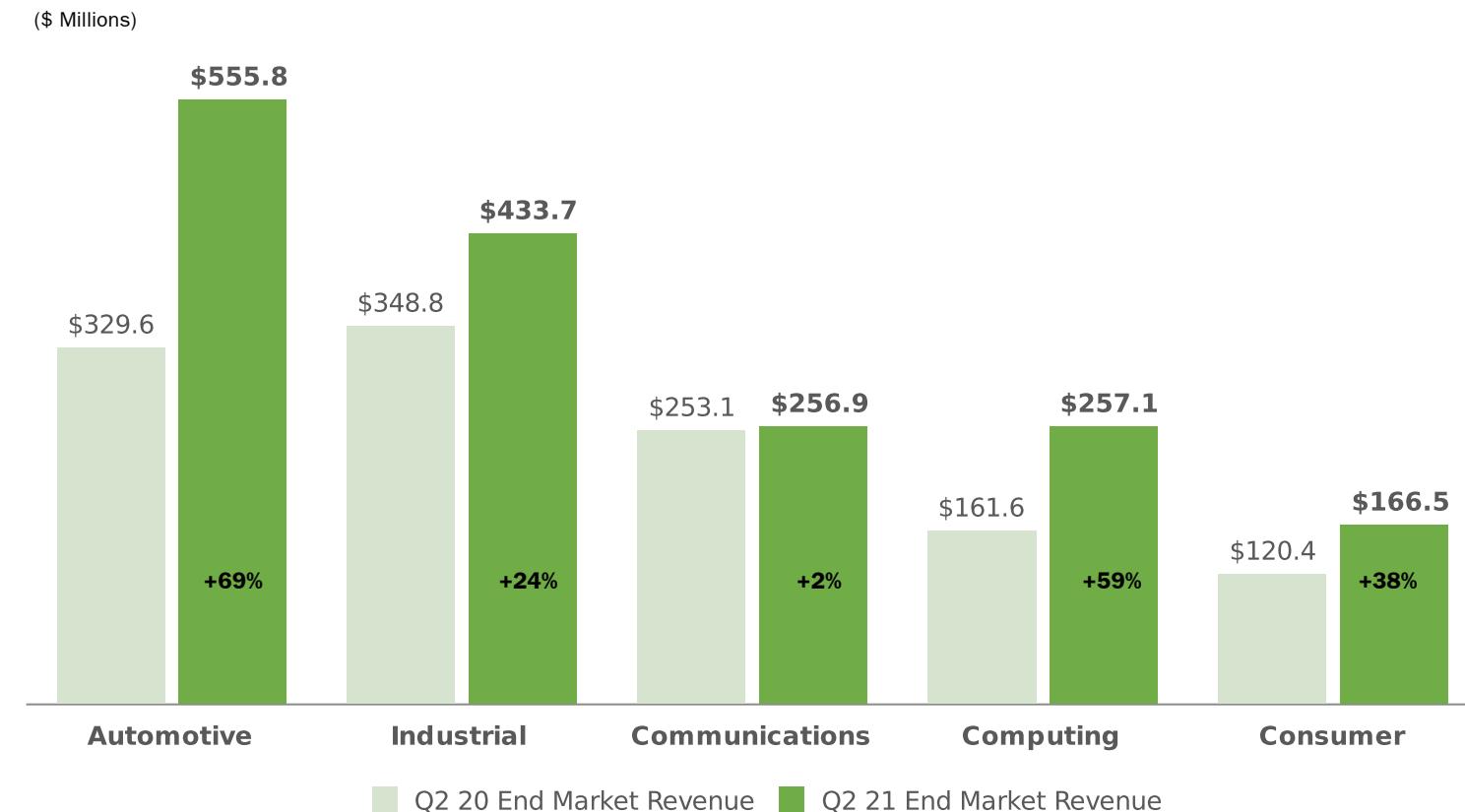
2. Operating Cash flow is a GAAP metric; added for comparison. Operating Cash Flow and Net cash provided by operating activities are the same GAAP measure and used interchangeably in the presentation

# Q2 21 Unaudited Revenue Split<sup>1</sup>

Q2 2021 End Market Revenue



Q2 2021 and Q2 2020 End Market Revenue and Change



# Q3 21 Guidance

	Total ON Semiconductor GAAP	Special Items ***	Total ON Semiconductor Non-GAAP****
Revenue	\$1,660 to \$1,760 million		\$1,660 to \$1,760 million
Gross Margin	38.8% to 40.9%	0.1% to 0.2%	39.0% to 41.0%
Operating Expenses	\$331 to \$346 million	\$26 million	\$305 to \$320 million
Other Income and Expense (including interest expense), net	\$33 to \$36 million	\$7 million*	\$26 to \$29 million
Diluted Earnings Per Share	\$0.53 to \$0.63	\$0.15 to \$0.17	\$0.68 to \$0.80
Diluted Share Count **	440 million	4 million	436 million



# NOTES TO Q3 21 GUIDANCE

\* Convertible Notes, Non-cash interest expense is calculated pursuant to FASB's Accounting Standards Codification Topic 470: Debt.

\*\* Diluted shares outstanding 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 when the quarterly average stock price per share exceeds \$20.72 for the 1.625% Notes and \$52.97 for the 0% Notes, 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% Notes and the 0% Notes, respectively. At an average stock price per share between \$20.72 and \$30.70 for the 1.625% Notes and \$52.97 and \$74.34 for the 0% Notes, the hedging activity offsets the potentially dilutive effect of the 1.625% Notes and 0% Notes, respectively. In periods when the quarterly average stock price exceeds \$30.70 for the 1.625% Notes, and \$74.34 for the 0% Notes, the dilutive impact of the warrants issued concurrently with such notes is included in the diluted shares outstanding. Both GAAP and non-GAAP diluted share counts are based on the Company's stock price as of July 2, 2021.

\*\*\* Special items may include: amortization of acquisition-related intangibles; expensing of appraised inventory fair market value step-up; non-recurring facility costs, 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.



# APPENDIX - RECONCILIATION OF GAAP VERSUS NON-GAAP MEASURES

**ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**ANALYSIS OF GAAP VERSUS NON-GAAP DISCLOSURES**  
(in millions, except per share and percentage data)

	Quarter Ended		
	July 2, 2021	April 2, 2021	July 3, 2020
<b>Reconciliation of GAAP to non-GAAP gross margin:</b>			
GAAP gross margin	38.3%	35.2%	30.8%
Special items:			
a) Non-recurring facility costs	0.0%	0.0%	0.0%
Total Special items	0.1%	0.0%	0.0%
Non-GAAP gross margin	<u>38.4%</u>	<u>35.2%</u>	<u>30.8%</u>
<b>Reconciliation of GAAP to non-GAAP operating margin:</b>			
GAAP operating margin	16.9%	8.5%	3.6%
Special items:			
a) Non-recurring facility costs	0.0%	0.0%	0.0%
b) Amortization of acquisition-related intangible assets	1.5%	1.7%	2.4%
c) Restructuring, asset impairments and other charges, net	1.0%	2.9%	1.3%
d) Intangible asset impairment	0.0%	0.2%	0.1%
e) Third party acquisition and divestiture related costs	0.1%	0.0%	0.0%
Total Special items	2.7%	4.8%	3.8%
Non-GAAP operating margin	<u>19.6%</u>	<u>13.3%</u>	<u>7.4%</u>
<b>Reconciliation of GAAP to non-GAAP net income attributable to ON Semiconductor Corporation:</b>			
GAAP net income attributable to ON Semiconductor Corporation	\$ 184.1	\$ 89.9	\$ (1.4)
Special items:			
a) Non-recurring facility costs	0.7	-	-
b) Amortization of acquisition-related intangible assets	24.8	25.0	29.1
c) Restructuring, asset impairments and other charges, net	17.5	42.5	16.2
d) Intangible asset impairment	-	2.9	1.3
e) Third party acquisition and divestiture related costs	1.4	0.2	0.0
f) Loss on debt refinancing and prepayment	26.2	-	-
g) Non-cash interest on convertible notes	6.0	4.6	9.8
h) Adjustment of income taxes	15.1	(13.8)	(4.8)
Total Special items	91.7	61.4	51.6
Non-GAAP net income attributable to ON Semiconductor Corporation	<u>\$ 275.8</u>	<u>\$ 151.3</u>	<u>\$ 50.2</u>
<b>Reconciliation of GAAP diluted share count to non-GAAP diluted share count:</b>			
GAAP diluted share count	443.6	445.4	410.1
Special items:			
a) Less: dilutive share count attributable to convertible notes	(8.6)	(12.8)	-
b) Add: dilutive shares attributed to share-based awards	-	-	0.9
Total Special items	(8.6)	(12.8)	0.9
Non-GAAP diluted share count	<u>\$ 435.0</u>	<u>\$ 432.6</u>	<u>\$ 411.0</u>
<b>Non-GAAP diluted earnings per share</b>			
Non-GAAP net income attributable to ON Semiconductor Corporation	\$ 275.8	\$ 151.3	\$ 50.2
Non-GAAP diluted share count	<u>435.0</u>	<u>432.6</u>	<u>411.0</u>
Non-GAAP diluted earnings per share	<u>\$ 0.63</u>	<u>\$ 0.35</u>	<u>\$ 0.12</u>
<b>Reconciliation of Net cash provided by operating activities to free cash flow:</b>			
Net cash provided by operating activities	\$ 488.0	\$ 218.5	\$ 154.5
Special items:			
a) Purchase of property, plant and equipment	(104.8)	(77.0)	(73.3)
Total Special items	(104.8)	(77.0)	(73.3)
Free cash flow	<u>\$ 383.2</u>	<u>\$ 141.5</u>	<u>\$ 81.2</u>

