



onsemi Reports First Quarter 2026 Results

May 04, 2026

Year-over-year operating income growth outpaces revenue growth by 2x

SCOTTSDALE, Ariz., May 04, 2026 (GLOBE NEWSWIRE) -- onsemi (the "Company") (Nasdaq: ON) today announced its first quarter 2026 results with the following highlights:

- Revenue of \$1,513 million, exceeding the midpoint of our guidance
- GAAP and non-GAAP gross margin of 38.5%
- GAAP operating margin of (3.5)% and non-GAAP operating margin 19.1%
- GAAP diluted loss per share of (\$0.08) and non-GAAP diluted earnings per share \$0.64
- Share repurchases of \$346 million, representing approximately 160% of free cash flow

"We exceeded expectations as demand strengthened through the quarter and we have moved beyond the cyclical trough on a path to recovery. Our AI data center business accelerated, growing more than 30% sequentially." said Hassane El-Khoury, President and CEO of onsemi. "Looking ahead, we are encouraged by the underlying health of the business and the long-term opportunities driven by increasing semiconductor content in automotive, industrial and AI data center applications."

"With our operational improvements, we delivered strong operating leverage in our business with a 10% year-over-year increase in operating income, outpacing revenue growth by 2x. The strength of our portfolio and optimized cost structure position us to accelerate margins and earnings as market conditions continue to improve," said Thad Trent, EVP and CFO of onsemi. "We continue to generate strong free cash flow and return capital to shareholders. With our disciplined approach, we remain focused on sustaining long-term value creation for shareholders."

Business Highlights:

- AI data center revenue more than doubled year-over-year due to broader adoption across the power tree with multiple chip vendors and leading hyperscalers.
- Leading in the transition to 900V EV architectures with [onsemi EliteSiC](#), enabling extended range and flash charging, including expanded collaborations with [Geely](#) and [NIO](#).
- Increasing software-defined vehicle momentum with initial production shipments of [Treo](#)-based 10BASE-T1S Ethernet solutions, supporting the next-generation zonal architecture at a leading North American OEM.
- Announced new design win with [Sineng Electric](#) to power its 430kW liquid-cooled energy storage systems and 320 kW solar inverter.

Selected financial results for the quarter are shown below with comparable periods (unaudited):

(Revenue and Net Income in millions)	GAAP			Non-GAAP		
	Q1 2026	Q4 2025	Q1 2025	Q1 2026	Q4 2025	Q1 2025
Revenue	\$ 1,513.3	\$ 1,530.1	\$ 1,445.7	\$ 1,513.3	\$ 1,530.1	\$ 1,445.7
Gross Margin	38.5%	36.0%	20.3%	38.5%	38.2%	40.0%
Operating Margin	(3.5)%	13.1%	(39.7)%	19.1%	19.8%	18.3%
Net Income (loss) attributable to ON Semiconductor Corporation	\$ (33.4)	\$ 181.8	\$ (486.1)	\$ 253.1	\$ 257.2	\$ 231.6
Diluted Earnings (loss) Per Share	\$ (0.08)	\$ 0.45	\$ (1.15)	\$ 0.64	\$ 0.64	\$ 0.55

Revenue Summary (in millions) (Unaudited)

Business Segment	Quarters Ended			Sequential Change	Year-over-Year Change
	Q1 2026	Q4 2025	Q1 2025		
PSG	\$ 736.6	\$ 724.2	\$ 645.1	2%	14%
AMG	540.4	556.3	566.4	(3)%	(5)%
ISG	236.3	249.6	234.2	(5)%	1%
Total	\$ 1,513.3	\$ 1,530.1	\$ 1,445.7	(1)%	5%

SECOND QUARTER 2026 OUTLOOK

The following table outlines onsemi's projected second quarter of 2026 GAAP and non-GAAP outlook.

	Total onsemi GAAP	Special Items **	Total onsemi Non-GAAP***
Revenue	\$1,535 to \$1,635 million	-	\$1,535 to \$1,635 million
Gross Margin	37.9% to 39.9%	0.1%	38.0% to 40.0%
Operating Expenses	\$302 to \$317 million	\$15 million	\$287 to \$302 million
Other Income and Expense (including interest), net	(\$6 million)	-	(\$6 million)
Diluted Earnings Per Share	\$0.60 to \$0.72	\$0.05	\$0.65 to \$0.77
Diluted Shares Outstanding *	401 million	7 million	394 million

* Diluted shares outstanding can vary as a result of, among other things, the vesting of restricted stock units, the incremental dilutive shares from the convertible 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 \$52.97 for the 0% Notes, and \$103.87 for the 0.50% Notes, the non-GAAP diluted share count and non-GAAP net income per share include the anti-dilutive impact of the hedge transactions entered concurrently with the 0% Notes, and the 0.50% Notes, respectively. At an average stock price per share between \$52.97 and \$74.34 for the 0% Notes, and \$103.87 and \$156.78 for the 0.50% Notes, the hedging activity offsets the potentially dilutive effect of the 0% Notes, and the 0.50% Notes, respectively. In periods when the quarterly average stock price exceeds \$74.34 for the 0% Notes, and \$156.78 for the 0.50% Notes, the dilutive impact of the warrants issued concurrently with such notes is included in the diluted shares outstanding. GAAP and non-GAAP diluted share counts are based on either the previous quarter's average stock price or the stock price as of the last day of the previous quarter, whichever is higher.

** Special items may include: amortization of acquisition-related intangibles; expensing of appraised inventory fair market value step-up; restructuring-related cost of revenue charges; non-recurring facility costs; in-process research and development expenses; restructuring, asset impairments and other, net; goodwill impairment charges; gains and losses on debt prepayment; 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

onsemi will host a conference call for the financial community at 5 p.m. Eastern Time (ET) on May 4, 2026 to discuss this announcement and onsemi's first quarter 2026 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 by pre-registering [here](#).

About onsemi

onsemi (Nasdaq: ON) delivers intelligent power and sensing technologies that enable electrification, energy efficiency, safety, and automation across automotive, industrial, and AI data center end-markets. With a highly differentiated and innovative product portfolio, onsemi helps customers solve complex challenges to achieve higher efficiency, improved performance, and lower system cost, while supporting a safer, cleaner, and more energy-efficient world. **onsemi** is included in the S&P 500® index. Learn more about **onsemi** at www.onsemi.com.

onsemi and the onsemi logo are trademarks of Semiconductor Components Industries, LLC. All other brand and product names appearing in this document are registered trademarks or trademarks of their respective holders. Although the Company references its website in this news release, information on the website is not to be incorporated herein.

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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 onsemi, including financial guidance for the second quarter of 2026. Forward-looking statements are often characterized by the use of words such as "believes," "estimates,"

“expects,” “projects,” “may,” “will,” “intends,” “plans,” “anticipates,” “should” or similar expressions 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 the 2025 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 9, 2026 (the “2025 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, which speaks only as of the date made, except as may be required by law. Investing in our securities involves a high degree of risk and uncertainty, and you should carefully consider the trends, risks and uncertainties described in this document, our 2025 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 us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

ON SEMICONDUCTOR CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share and percentage data)

	Quarters Ended		
	April 3, 2026	December 31, 2025	April 4, 2025
Revenue	\$ 1,513.3	\$ 1,530.1	\$ 1,445.7
Cost of revenue	930.2	979.1	1,151.9
Gross profit	583.1	551.0	293.8
Gross margin	38.5%	36.0%	20.3%
Operating expenses:			
Research and development	144.3	133.8	164.1
Selling and marketing	63.0	61.5	68.3
General and administrative	89.4	86.0	84.4
Amortization of intangible assets	10.5	10.8	11.4
Restructuring, asset impairments and other, net	329.3	58.8	539.3
Total operating expenses	636.5	350.9	867.5
Operating income (loss)	(53.4)	200.1	(573.7)
Other income (expense), net:			
Interest expense	(12.7)	(17.3)	(18.0)
Interest income	17.7	20.6	26.6
Other income	3.8	13.7	4.1
Other income (expense), net	8.8	17.0	12.7
Income (loss) before income taxes	(44.6)	217.1	(561.0)
Income tax (provision) benefit	11.7	(35.3)	75.8
Net income (loss)	(32.9)	181.8	(485.2)
Less: Net income attributable to non-controlling interest	(0.5)	—	(0.9)
Net income (loss) attributable to ON Semiconductor Corporation	\$ (33.4)	\$ 181.8	\$ (486.1)
Net income (loss) per share of common stock attributable to ON Semiconductor Corporation:			
Basic	\$ (0.08)	\$ 0.45	\$ (1.15)
Diluted	\$ (0.08)	\$ 0.45	\$ (1.15)
Weighted average common shares outstanding:			
Basic	394.1	400.8	421.3
Diluted	394.1	402.3	421.3

ON SEMICONDUCTOR CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS

(in millions)

	April 3, 2026	December 31, 2025	April 4, 2025
Assets			
Cash and cash equivalents	\$ 2,003.6	\$ 2,147.6	\$ 2,762.5
Short-term investments	400.0	400.0	250.0
Receivables, net	862.8	908.0	825.0
Inventories	2,049.2	1,989.6	2,078.2

Assets held-for-sale	40.4	25.0	45.7
Other current assets	419.6	352.9	365.1
Total current assets	5,775.6	5,823.1	6,326.5
Property, plant and equipment, net	3,035.6	3,369.0	3,840.5
Goodwill	1,679.9	1,679.9	1,641.6
Intangible assets, net	332.2	343.9	309.2
Deferred tax assets	933.2	929.1	745.5
ROU financing lease assets	—	23.1	39.9
Other assets	254.3	356.0	350.7
Total assets	\$ 12,010.8	\$ 12,524.1	\$ 13,253.9
Liabilities and Stockholders' Equity			
Accounts payable	\$ 486.1	\$ 572.3	\$ 496.6
Accrued expenses and other current liabilities	698.7	714.9	781.3
Current portion of financing lease liabilities	0.5	0.5	0.4
Total current liabilities	1,185.3	1,287.7	1,278.3
Long-term debt	2,982.9	2,980.5	3,348.3
Deferred tax liabilities	46.5	41.7	45.6
Long-term financing lease liabilities	23.1	23.8	21.6
Other long-term liabilities	452.2	498.5	511.2
Total liabilities	4,690.0	4,832.2	5,205.0
ON Semiconductor Corporation stockholders' equity:			
Common stock	6.3	6.2	6.2
Additional paid-in capital	5,582.5	5,538.6	5,411.4
Accumulated other comprehensive loss	(61.7)	(55.5)	(56.5)
Accumulated earnings	8,208.5	8,241.9	7,634.8
Less: Treasury stock, at cost	(6,433.9)	(6,057.9)	(4,966.0)
Total ON Semiconductor Corporation stockholders' equity	7,301.7	7,673.3	8,029.9
Non-controlling interest	19.1	18.6	19.0
Total stockholders' equity	7,320.8	7,691.9	8,048.9
Total liabilities and stockholders' equity	\$ 12,010.8	\$ 12,524.1	\$ 13,253.9

ON SEMICONDUCTOR CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Quarters Ended		
	April 3, 2026	December 31, 2025	April 4, 2025
Cash flows from operating activities:			
Net income (loss)	\$ (32.9)	\$ 181.8	\$ (485.2)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	286.7	214.9	168.2
(Gain) loss on sale and disposal of fixed assets	(1.1)	7.9	0.2
Amortization of debt discount and issuance costs	2.9	2.8	2.9
Share-based compensation	37.3	37.8	33.9
Non-cash asset impairment charges	147.0	8.1	431.5
Change in deferred tax balances	2.7	(80.6)	(13.7)
Other	(2.2)	(2.8)	1.6
Changes in assets and liabilities	(201.3)	184.6	462.9
Net cash provided by operating activities	239.1	554.5	602.3
Cash flows from investing activities:			
Payments for acquisition of property, plant, and equipment	(21.9)	(69.1)	(147.6)
Proceeds from sale of property, plant and equipment	1.0	25.4	0.2
Purchase of short-term investments	(300.0)	(250.0)	(250.0)
Proceeds from the maturity of short-term investments	300.0	250.0	300.0
Payments for acquisition of a business, net of cash acquired	—	(7.0)	(117.5)
Other	4.2	—	—
Net cash used in investing activities	(16.7)	(50.7)	(214.9)
Cash flows from financing activities:			

Proceeds for the issuance of common stock under the ESPP	6.7	5.5	5.3
Payment of tax withholding for RSUs	(26.9)	(1.6)	(22.4)
Repurchase of common stock	(345.7)	(450.2)	(300.1)
Repayment of borrowings under debt agreements	—	(375.0)	—
Payment of finance lease obligations	(0.1)	(0.5)	(0.4)
Other	—	(2.1)	—
Net cash used in financing activities	(366.0)	(823.9)	(317.6)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(0.3)	(4.9)	2.0
Net increase (decrease) in cash, cash equivalents and restricted cash	(143.9)	(325.0)	71.8
Beginning cash, cash equivalents and restricted cash	2,149.0	2,474.0	2,693.4
Ending cash, cash equivalents and restricted cash	\$ 2,005.1	\$ 2,149.0	\$ 2,765.2

ON SEMICONDUCTOR CORPORATION

RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES

(in millions, except per share and percentage data)

	Quarters Ended		
	April 3, 2026	December 31, 2025	April 4, 2025
Reconciliation of GAAP to non-GAAP gross profit:			
GAAP gross profit	\$ 583.1	\$ 551.0	\$ 293.8
Special items:			
a) Restructuring-related inventory and other charges	(1.0)	32.1	283.4
b) Amortization of intangible assets	1.2	1.2	1.3
c) Amortization of fair market value step-up of inventory	—	0.6	—
Total special items	0.2	33.9	284.7
Non-GAAP gross profit	\$ 583.3	\$ 584.9	\$ 578.5
Reconciliation of GAAP to non-GAAP gross margin:			
GAAP gross margin	38.5%	36.0%	20.3%
Special items:			
a) Restructuring-related inventory and other charges	(0.1)%	2.1%	19.6%
b) Amortization of intangible assets	0.1%	0.1%	0.1%
Total special items	—%	2.2%	19.7%
Non-GAAP gross margin	38.5%	38.2%	40.0%
Reconciliation of GAAP to non-GAAP operating expenses:			
GAAP operating expenses	\$ 636.5	\$ 350.9	\$ 867.5
Special items:			
a) Amortization of intangible assets	(10.5)	(10.8)	(11.4)
b) Restructuring, asset impairments and other charges, net	(329.3)	(58.8)	(539.3)
c) Third-party acquisition and divestiture-related costs	(1.4)	(0.6)	(2.3)
d) Adjustments to contingent consideration	(1.6)	1.3	—
Total special items	(342.8)	(68.9)	(553.0)
Non-GAAP operating expenses	\$ 293.7	\$ 282.0	\$ 314.5
Reconciliation of GAAP to non-GAAP operating income:			
GAAP operating income (loss)	\$ (53.4)	\$ 200.1	\$ (573.7)
Special items:			
a) Restructuring-related inventory and other charges	(1.0)	32.1	283.4
b) Amortization of intangible assets	11.7	12.0	12.7
c) Restructuring, asset impairments and other charges, net	329.3	58.8	539.3
d) Third-party acquisition and divestiture-related costs	1.4	0.6	2.3
e) Amortization of fair market value step-up of inventory	—	0.6	—
f) Adjustments to contingent consideration	1.6	(1.3)	—
Total special items	343.0	102.8	837.7
Non-GAAP operating income	\$ 289.6	\$ 302.9	\$ 264.0
Reconciliation of GAAP to non-GAAP operating margin (operating income / revenue):			
GAAP operating margin	(3.5)%	13.1%	(39.7)%
Special items:			
a) Restructuring related inventory and other charges	(0.1)%	2.1%	19.6%

b) Amortization of intangible assets	0.8%	0.8%	0.9%
c) Restructuring, asset impairments and other charges, net	21.8%	3.8%	37.3%
d) Third-party acquisition and divestiture-related costs	0.1%	—%	0.2%
e) Amortization of fair market value step-up of inventory	—%	—%	—%
f) Adjustments to contingent consideration	0.1%	—%	—%
Total special items	22.7%	6.7%	58.0%
Non-GAAP operating margin	19.1%	19.8%	18.3%

Reconciliation of GAAP to non-GAAP income before income taxes:

GAAP income (loss) before income taxes	\$ (44.6)	\$ 217.1	\$ (561.0)
Special items:			
a) Restructuring-related inventory and other charges	(1.0)	32.1	283.4
b) Amortization of intangible assets	11.7	12.0	12.7
c) Restructuring, asset impairments and other charges, net	329.3	58.8	539.3
d) Third-party acquisition and divestiture-related costs	1.4	0.6	2.3
e) Amortization of fair market value step-up of inventory	—	0.6	—
f) Adjustments to contingent consideration	1.6	(1.3)	—
g) Actuarial gains on pension plans and other pension benefits	—	(12.9)	—
Total special items	343.0	89.9	837.7
Non-GAAP income before income taxes	\$ 298.4	\$ 307.0	\$ 276.7

Reconciliation of GAAP to non-GAAP net income attributable to ON Semiconductor Corporation:

GAAP net income (loss) attributable to ON Semiconductor Corporation	\$ (33.4)	\$ 181.8	\$ (486.1)
Special items:			
a) Restructuring-related inventory and other charges	(1.0)	32.1	283.4
b) Amortization of intangible assets	11.7	12.0	12.7
c) Restructuring, asset impairments and other charges, net	329.3	58.8	539.3
d) Third-party acquisition and divestiture-related costs	1.4	0.6	2.3
e) Amortization of fair market value step-up of inventory	—	0.6	—
f) Adjustments to contingent consideration	1.6	(1.3)	—
g) Actuarial gains on pension plans and other pension benefits	—	(12.9)	—
h) Adjustment to Income taxes	(56.5)	(14.5)	(120.0)
Total special items	286.5	75.4	717.7
Non-GAAP net income attributable to ON Semiconductor Corporation	\$ 253.1	\$ 257.2	\$ 231.6

Reconciliation of GAAP to non-GAAP diluted shares outstanding:

GAAP diluted shares outstanding	394.1	402.3	421.3
Special items:			
a) Add: dilutive shares attributable to share-based awards	1.9	—	0.4
Total special items	1.9	—	0.4
Non-GAAP diluted shares outstanding	396.0	402.3	421.7

Non-GAAP diluted earnings per share:

Non-GAAP net income attributable to ON Semiconductor Corporation	\$ 253.1	\$ 257.2	\$ 231.6
Non-GAAP diluted shares outstanding	396.0	402.3	421.7
Non-GAAP diluted earnings per share	\$ 0.64	\$ 0.64	\$ 0.55

Reconciliation of net cash provided by operating activities to free cash flow:

Net cash provided by operating activities	\$ 239.1	\$ 554.5	\$ 602.3
Special items:			
a) Payments for acquisition of property, plant and equipment	(21.9)	(69.1)	(147.6)
Total special items	(21.9)	(69.1)	(147.6)
Free cash flow	\$ 217.2	\$ 485.4	\$ 454.7

Certain of the amounts in the above tables may not total due to rounding of individual amounts.

ON SEMICONDUCTOR CORPORATION

RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES

(in millions, except per share and percentage data)

FREE CASH FLOW

	Quarters Ended				Last Twelve Months
	July 4, 2024	October 3, 2025	December 31, 2025	April 3, 2026	
Net cash provided by operating activities	\$ 184.3	\$ 418.7	\$ 554.5	\$ 239.1	\$ 1,396.6
Payments for acquisition of property, plant and equipment	(78.2)	(46.3)	(69.1)	(21.9)	(215.5)
Free cash flow	\$ 106.1	\$ 372.4	\$ 485.4	\$ 217.2	\$ 1,181.1
Revenue	\$ 1,468.7	\$ 1,550.9	\$ 1,530.1	\$ 1,513.3	\$ 6,063.0

SHARE-BASED COMPENSATION

Total share-based compensation related to restricted stock units, stock grant awards and the employee stock purchase plan was as follows:

	Quarters Ended		
	April 3, 2026	December 31, 2025	April 4, 2025
Cost of revenue	\$ 6.4	\$ 7.1	\$ 6.0
Research and development	7.3	7.6	6.3
Selling and marketing	5.1	5.5	4.7
General and administrative	18.5	17.6	16.9
Total share-based compensation	\$ 37.3	\$ 37.8	\$ 33.9

SUPPLEMENTAL FINANCIAL DATA

	Quarters Ended		
	April 3, 2026	December 31, 2025	April 4, 2025
Net cash provided by operating activities	\$ 239.1	\$ 554.5	\$ 602.3
Free cash flow	\$ 217.2	\$ 485.4	\$ 454.7
Cash paid for income taxes	\$ 46.6	\$ 63.7	\$ 21.5
Depreciation and amortization ⁽¹⁾	\$ 286.7	\$ 214.9	\$ 168.2
Less: Amortization of intangible assets	11.7	12.0	12.7
Depreciation and amortization (excl. amortization of intangible assets) ⁽¹⁾	\$ 275.0	\$ 202.9	\$ 155.5

⁽¹⁾ Includes \$136.5 million, \$70.6 million and \$12.5 million of accelerated depreciation of PP&E and accelerated amortization of ROU assets related to Restructuring programs for the quarters ended April 3, 2026, December 31, 2025 and April 4, 2025, respectively.

To supplement the consolidated financial results prepared in accordance with GAAP, onsemi uses certain non-GAAP measures, which are adjusted from the most directly comparable GAAP measures to exclude items related to the amortization of acquisition-related intangibles, restructuring-related cost of revenue charges, expensing of appraised inventory fair market value step-up, inventory valuation adjustments, 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, third party acquisition and divestiture-related costs, tax impact of these items and certain other non-recurring items, as necessary. Management does not consider the effects of these items in evaluating the core operational activities of onsemi. Management uses these non-GAAP measures internally to make strategic decisions, forecast future results and evaluate onsemi's current performance. In addition, the Company believes that most analysts covering onsemi use the non-GAAP measures to evaluate onsemi's performance. Given management's and other relevant parties' use of these non-GAAP measures, onsemi believes these measures are important to investors in understanding onsemi's current and future operating results as seen through the eyes of management. In addition, management believes these non-GAAP measures are useful to investors in enabling them to better assess changes in onsemi's core business across different time periods. These non-GAAP measures are not prepared in accordance with, and should not be considered alternatives or necessarily superior to, GAAP financial data and may be different from non-GAAP measures used by other companies. 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.

Non-GAAP Gross Profit and Gross Margin

The use of non-GAAP gross profit and gross margin allows management to evaluate, among other things, the gross profit and gross margin of the Company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash and non-recurring items including, generally speaking, restructuring-related cost of revenue charges, amortization of intangible assets, amortization of appraised inventory fair market value step-up, impact of business wind down and non-recurring facility costs. In addition, it is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, obtaining targets and forecasting future results. Management presents this non-GAAP financial measure to enable investors and analysts to evaluate our operating performance independent of certain non-cash items and the effects of certain variables unrelated to our overall operating performance.

Non-GAAP Operating Income and Operating Margin

The use of non-GAAP operating income and operating margin allows management to evaluate, among other things, the operating income and

operating margin of the Company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash and non-recurring items including, generally speaking, restructuring-related cost of revenue charges, expensing of appraised inventory fair market value step-up, impact of business wind down, non-recurring facility costs, amortization and impairments of intangible assets, third party acquisition and divestiture-related costs, restructuring charges, asset impairments and certain other special items as necessary. In addition, it is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, obtaining targets and forecasting future results. Management presents this non-GAAP financial measure to enable investors and analysts to evaluate our operating performance independent of certain non-cash items and the effects of certain variables unrelated to our overall operating performance.

Non-GAAP Net Income Attributable to ON Semiconductor Corporation and Non-GAAP Diluted Earnings Per Share

The use of non-GAAP net income attributable to ON Semiconductor Corporation and non-GAAP diluted earnings per share allows management to evaluate the operating results of onsemi's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash and non-recurring items including, generally, the restructuring related cost of revenue charges, amortization and impairments of intangible assets, expensing of appraised inventory fair market value step-up, impact of business wind down, non-recurring facility costs, restructuring, asset impairments, gains and losses on debt prepayment, actuarial (gains) losses on pension plans and other pension benefits, third party acquisition and divestiture-related costs, discrete tax items and other non-GAAP tax adjustments and certain other special items, as necessary. In addition, these measures are important components of management's internal performance measurement and incentive and reward process, as they are used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, setting targets and forecasting future results. For our non-GAAP reporting we apply a projected, normalized non-GAAP effective tax rate of 15% for 2026 and 16% for 2024 and 2025. We calculate this non-GAAP effective tax rate on an annual basis. We may update this non-GAAP effective tax rate at any time for a variety of reasons, including, but not limited to, the rapidly evolving global tax environment, significant changes in our geographic earnings mix or changes to our strategy or business operations. Management presents these non-GAAP financial measures to enable investors and analysts to understand the results of operations of onsemi's core businesses and, to the extent comparable, to compare our results of operations on a more consistent basis against those of other companies in our industry.

Free Cash Flow

The use of free cash flow allows management to evaluate, among other things, the ability of the Company to make interest or principal payments on its debt. Free cash flow is defined as the difference between cash flow from operating activities and capital expenditures disclosed under investing activities in the consolidated statement of cash flows. Free cash flow is not an alternative to cash flow from operating activities as a measure of liquidity. It is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, obtaining targets and forecasting future results. Management presents this non-GAAP financial measure to enable investors and analysts to evaluate our financial performance independent of the cash capital expenditures.

Non-GAAP Diluted Share Count

The use of non-GAAP diluted share count allows management to evaluate, among other things, the potential dilution due to the outstanding restricted stock units excluding the dilution from the convertible notes that is covered by hedging activity up to a certain threshold. In periods when the quarterly average stock price per share exceeds \$52.97 for the 0% Notes and \$103.87 for the 0.50% Notes, the non-GAAP diluted share count includes the anti-dilutive impact of the Company's hedge transactions issued concurrently with the 0% Notes and the 0.50% Notes, respectively. At an average stock price per share between \$52.97 and \$74.34 for the 0% Notes and \$103.87 and \$156.78 for the 0.50% Notes, the hedging activity offsets the potentially dilutive effect of the 0% Notes and the 0.50% Notes, respectively. In periods when the quarterly average stock price exceeds \$74.34 for the 0% Notes and \$156.78 for the 0.50% Notes, the dilutive impact of the warrants issued concurrently with such notes are included in the diluted shares outstanding.