

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549  
**FORM 8-K**

**CURRENT REPORT**  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

May 2, 2022  
Date of Report (Date of earliest event reported)

**ON Semiconductor Corporation**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation)

001-39317  
(Commission File Number)

36-3840979  
(IRS Employer  
Identification No.)

ON Semiconductor Corporation  
5005 E. McDowell Road  
Phoenix, Arizona  
(Address of principal executive offices)

85008  
(Zip Code)

(602) 244-6600  
(Registrant's telephone number, including area code)

Not applicable  
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ON	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02. Results of Operation and Financial Condition.**

On May 2, 2022, ON Semiconductor Corporation announced in a news release its financial performance for the first quarter ended April 1, 2022 and other related material information (the “*Earnings Release*”). A copy of the Earnings Release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, is being furnished under Item 2.02 and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), or otherwise subject to liability under that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

The below exhibit is furnished as part of this Current Report on Form 8-K.

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">News release for ON Semiconductor Corporation, dated May 2, 2022, announcing financial performance for the first quarter ended April 1, 2022</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ON SEMICONDUCTOR CORPORATION  
(Registrant)

Date: May 2, 2022

By: /s/ THAD TRENT  
Thad Trent  
Executive Vice President, Chief Financial Officer and  
Treasurer

## onsemi Reports Record Revenue, Margins, and non-GAAP Earnings per Share for First Quarter 2022

**PHOENIX – May 2, 2022** – onsemi (the “Company”) (Nasdaq: ON) today announced results for the first quarter of 2022 with the following highlights:

- Record revenue of \$1,945.0 million, an increase of 31 percent year-over-year
- GAAP diluted earnings per share of \$1.18 as compared to \$0.20 in the quarter a year ago
- Record non-GAAP diluted earnings per share of \$1.22 as compared to \$0.35 in the quarter a year ago
- Record GAAP and non-GAAP gross margin of 49.4 percent increased 1,420 basis points year-over-year
- Record GAAP operating margin of 33.3 percent increased 730 basis points quarter-over-quarter and 2,480 basis point year-over-year
- Record non-GAAP operating margin of 33.9 percent increased 530 basis points quarter-over-quarter and 2,060 basis points year-over-year
- LTM free cash flow margin of 20.8%

“Our focused strategy has delivered sustainable results in onsemi’s margin and growth profile with the automotive and industrial end-markets now representing 65% of our revenue. Our record quarterly results with year-over-year growth of 31% in our first quarter revenue, and gross margin expansion of 1,420 bps to a record of 49.4% highlight the strength of our business and the value of our products as we continue our transformation. With a highly differentiated portfolio of intelligent power and sensing products, strong visibility driven by long-term supply agreements, and exposure to secular megatrends of vehicle electrification, ADAS, energy infrastructure, and factory automation, we are well positioned to sustain our momentum.” said Hassane El-Khoury, president and CEO of onsemi.

**Selected financial results for the quarter are shown below with comparable periods:**

(in millions, except per share data)	GAAP			Non-GAAP		
	Q1 2022	Q4 2021	Q1 2021	Q1 2022	Q4 2021	Q1 2021
Revenue	\$1,945.0	\$1,846.1	\$1,481.7	\$1,945.0	\$1,846.1	\$1,481.7
Gross Margin	49.4 %	45.1 %	35.2 %	49.4 %	45.2 %	35.2 %
Operating Margin	33.3 %	26.0 %	8.5 %	33.9 %	28.6 %	13.3 %
Net Income attributable to onsemi	\$530.2	\$425.9	\$89.9	\$538.5	\$478.0	\$151.3
Diluted Earnings Per Share	\$1.18	\$0.96	\$0.20	\$1.22	\$1.09	\$0.35

**Revenue Summary**  
(\$ in millions)  
**(Unaudited)**

Business Segment	Three Months Ended			Sequential Change	Year over Year Change
	Q1 2022	Q4 2021	Q1 2021		
PSG	\$ 986.7	\$ 953.4	\$ 747.0	3 %	32 %
ASG	689.3	647.3	531.5	6 %	30 %
ISG	269.0	245.4	203.2	10 %	32 %
Total	\$ 1,945.0	\$ 1,846.1	\$ 1,481.7	5 %	31 %

**SECOND QUARTER 2022 OUTLOOK**

The following table outlines onsemi's projected second quarter of 2022 GAAP and non-GAAP outlook.

	Total onsemi GAAP	Special Items **	Total onsemi Non-GAAP***
Revenue	\$1,965 to \$2,065 million	-	\$1,965 to \$2,065 million
Gross Margin	48.5% to 50.5%	-	48.5% to 50.5%
Operating Expenses	\$330 to \$345 million	\$25 million	\$305 to \$320 million
Other Income and Expense (including interest expense), net	\$20 to \$24 million	-	\$20 to \$24 million
Diluted Earnings Per Share	\$1.13 to \$1.25	\$0.07	\$1.20 to \$1.32
Diluted Shares Outstanding *	450 million	7 million	443 million

\* 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 are 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; 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.

#### **TELECONFERENCE**

onsemi will host a conference call for the financial community at 9 a.m. Eastern Time (ET) on May 2, 2022 to discuss this announcement and onsemi's 2022 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 4798617.

## About onsemi

onsemi (Nasdaq: ON) is driving disruptive innovations to help build a better future. With a focus on automotive and industrial end-markets, the company is accelerating change in megatrends such as vehicle electrification and safety, sustainable energy grids, industrial automation, and 5G and cloud infrastructure. With a highly differentiated and innovative product portfolio, onsemi creates intelligent power and sensing technologies that solve the world's most complex challenges and leads the way in creating a safer, cleaner, and smarter world.

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*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 year ending December 31, 2022. 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 the 2021 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 14, 2022 (the “2021 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 2021 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.

**ON SEMICONDUCTOR CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share data)

	Quarters Ended		
	April 1, 2022	December 31, 2021	April 2, 2021
Revenue	\$1,945.0	\$ 1,846.1	\$1,481.7
Cost of revenue (exclusive of amortization shown below)	983.7	1,013.9	960.5
Gross profit	961.3	832.2	521.2
Gross margin	49.4 %	45.1 %	35.2 %
Operating expenses:			
Research and development	156.8	160.6	173.6
Selling and marketing	71.1	70.2	78.9
General and administrative	77.9	83.5	72.4
Amortization of acquisition-related intangible assets	21.3	24.5	25.0
Restructuring, asset impairments and other charges, net	(13.0)	13.1	42.5
Intangible asset impairment	—	—	2.9
Total operating expenses	314.1	351.9	395.3
Operating income	647.2	480.3	125.9
Other income (expense), net:			
Interest expense	(21.6)	(32.0)	(33.4)
Interest income	0.4	0.3	0.4
Loss on debt refinancing and prepayment	—	(2.8)	—
Other income	2.1	20.4	4.5
Other income (expense), net	(19.1)	(14.1)	(28.5)
Income before income taxes	628.1	466.2	97.4
Income tax provision	(97.1)	(39.8)	(7.1)
Net income	531.0	426.4	90.3
Less: Net income attributable to non-controlling interest	(0.8)	(0.5)	(0.4)
Net income attributable to ON Semiconductor Corporation	<u>\$ 530.2</u>	<u>\$ 425.9</u>	<u>\$ 89.9</u>
Net income for diluted earnings per share of common stock	<u>\$ 530.7</u>	<u>\$ 425.9</u>	<u>\$ 89.9</u>
Net income per share of common stock:			
Basic	<u>\$ 1.22</u>	<u>\$ 0.99</u>	<u>\$ 0.22</u>
Diluted	<u>\$ 1.18</u>	<u>\$ 0.96</u>	<u>\$ 0.20</u>
Weighted average common shares outstanding:			
Basic	<u>433.3</u>	<u>431.1</u>	<u>413.4</u>
Diluted	<u>448.9</u>	<u>445.3</u>	<u>445.4</u>



**ON SEMICONDUCTOR CORPORATION**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**

(in millions)

	April 1, 2022	December 31, 2021	April 2, 2021
<b>Assets</b>			
Cash and cash equivalents	\$ 1,645.1	\$ 1,352.6	\$ 1,042.5
Receivables, net	910.7	809.4	683.6
Inventories	1,496.0	1,379.5	1,295.5
Other current assets	315.6	240.1	166.0
Total current assets	4,367.4	3,781.6	3,187.6
Property, plant and equipment, net	2,559.4	2,524.3	2,489.4
Goodwill	1,936.7	1,937.5	1,663.4
Intangible assets, net	474.5	495.7	441.1
Deferred tax assets	349.3	366.3	447.2
Other assets	525.1	520.6	401.7
Total assets	<u>\$ 10,212.4</u>	<u>\$ 9,626.0</u>	<u>\$ 8,630.4</u>
<b>Liabilities, Non-Controlling Interest and Stockholders' Equity</b>			
Accounts payable	\$ 725.3	\$ 635.1	\$ 605.0
Accrued expenses and other current liabilities	670.4	747.6	588.3
Current portion of long-term debt	170.4	160.7	536.7
Total current liabilities	1,566.1	1,543.4	1,730.0
Long-term debt	3,035.4	2,913.9	2,806.9
Deferred tax liabilities	40.9	43.2	53.9
Other long-term liabilities	552.0	521.1	390.0
Total liabilities	5,194.4	5,021.6	4,980.8
ON Semiconductor Corporation stockholders' equity:			
Common stock	6.1	6.0	5.8
Additional paid-in capital	4,533.3	4,633.3	4,161.0
Accumulated other comprehensive loss	(26.4)	(40.6)	(55.9)
Accumulated earnings	2,992.4	2,435.1	1,515.4
Less: Treasury stock, at cost	(2,507.2)	(2,448.4)	(1,996.7)
Total ON Semiconductor Corporation stockholders' equity	4,998.2	4,585.4	3,629.6
Non-controlling interest	19.8	19.0	20.0
Total stockholders' equity	5,018.0	4,604.4	3,649.6
Total liabilities and stockholders' equity	<u>\$ 10,212.4</u>	<u>\$ 9,626.0</u>	<u>\$ 8,630.4</u>

**ON SEMICONDUCTOR CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

(in millions)

	Quarters Ended		
	April 1, 2022	December 31, 2021	April 2, 2021
<b>Cash flows from operating activities:</b>			
Net income	\$ 531.0	\$ 426.4	\$ 90.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	140.6	140.3	153.4
(Gain) loss on sale and disposal of fixed assets	(16.6)	2.8	0.3
Amortization of debt discount and issuance costs	3.2	2.7	2.4
Share-based compensation	22.5	27.2	22.3
Non-cash interest on convertible notes	—	7.1	4.6
Non-cash asset impairment charges	6.7	—	6.1
Change in deferred tax balances	38.3	22.9	(23.2)
Other	0.5	1.8	(2.0)
Changes in assets and liabilities	(247.6)	(4.6)	(35.7)
Net cash provided by operating activities	<u>\$ 478.6</u>	<u>\$ 626.6</u>	<u>\$ 218.5</u>
<b>Cash flows from investing activities:</b>			
Purchase of Property, Plant and Equipment (“PP&E”)	\$ (173.8)	\$ (169.6)	\$ (77.0)
Deposits and proceeds from sale of PP&E	36.7	7.4	0.2
Deposits utilized (made) for purchase of PP&E	1.6	(25.9)	(0.4)
Divestiture of business, net of cash transferred and deposits received	12.9	3.6	—
Purchase of business, net of cash acquired	(2.4)	(399.4)	—
Purchase of available-for-sale securities	(7.8)	(5.1)	—
Proceeds from sale or maturity of available-for-sale securities	3.4	1.4	—
Net cash used in investing activities	<u>\$ (129.4)</u>	<u>\$ (587.6)</u>	<u>\$ (77.2)</u>
<b>Cash flows from financing activities:</b>			
Proceeds for the issuance of common stock under the ESPP	\$ 7.8	\$ 5.0	\$ 6.6
Payment of tax withholding for RSUs	(58.8)	(4.7)	(28.5)
Repayment of borrowings under debt agreements	(4.1)	(51.7)	(154.1)
Payments related to prior acquisition	—	(0.2)	(2.1)
Dividend to non-controlling shareholder	(2.2)	—	—
Net cash used in financing activities	<u>\$ (57.3)</u>	<u>\$ (51.6)</u>	<u>\$ (178.1)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(0.7)	(0.3)	(0.8)
Net increase (decrease) in cash, cash equivalents and restricted cash	291.2	(12.9)	(37.6)
Beginning cash, cash equivalents and restricted cash	1,377.7	1,390.6	1,081.5
Ending cash, cash equivalents and restricted cash	<u>\$ 1,668.9</u>	<u>\$ 1,377.7</u>	<u>\$ 1,043.9</u>

**ON SEMICONDUCTOR CORPORATION**  
**RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES**

(in millions, except per share and percentage data)

	Quarters Ended		
	April 1, 2022	December 31, 2021	April 2, 2021
<b>Reconciliation of GAAP to non-GAAP gross profit:</b>			
GAAP gross profit	\$ 961.3	\$ 832.2	\$ 521.2
Special items:			
a) Non-recurring facility costs	—	2.3	—
Total special items	—	2.3	—
Non-GAAP gross profit	\$ 961.3	\$ 834.5	\$ 521.2
<b>Reconciliation of GAAP to non-GAAP gross margin:</b>			
GAAP gross margin	49.4 %	45.1 %	35.2 %
Special items:			
a) Non-recurring facility costs	— %	0.1 %	— %
Total special items	— %	0.1 %	— %
Non-GAAP gross margin	49.4 %	45.2 %	35.2 %
<b>Reconciliation of GAAP to non-GAAP operating expenses:</b>			
GAAP operating expenses	\$ 314.1	\$ 351.9	\$ 395.3
Special items:			
a) Amortization of acquisition-related intangible assets	(21.3)	(24.5)	(25.0)
b) Restructuring, asset impairments and other, net	13.0	(13.1)	(42.5)
c) Intangible asset impairment	—	—	(2.9)
d) Third party acquisition and divestiture related costs	(3.0)	(7.9)	(0.2)
Total special items	(11.3)	(45.5)	(70.6)
Non-GAAP operating expenses	\$ 302.8	\$ 306.4	\$ 324.7
<b>Reconciliation of GAAP to non-GAAP operating income:</b>			
GAAP operating income	\$ 647.2	\$ 480.3	\$ 125.9
Special items:			
a) Non-recurring facility costs	—	2.3	—
b) Amortization of acquisition-related intangible assets	21.3	24.5	25.0
c) Restructuring, asset impairments and other, net	(13.0)	13.1	42.5
d) Intangible asset impairment	—	—	2.9
e) Third party acquisition and divestiture related costs	3.0	7.9	0.2
Total special items	11.3	47.8	70.6
Non-GAAP operating income	\$ 658.5	\$ 528.1	\$ 196.5
<b>Reconciliation of GAAP to non-GAAP operating margin (operating income / revenue):</b>			
GAAP operating margin	33.3 %	26.0 %	8.5 %
Special items:			
a) Non-recurring facility costs	— %	0.1 %	— %
b) Amortization of acquisition-related intangible assets	1.1 %	1.3 %	1.7 %
c) Restructuring, asset impairments and other, net	(0.7) %	0.7 %	2.9 %
d) Intangible asset impairment	— %	— %	— %
e) Third party acquisition and divestiture related costs	0.2 %	0.4 %	— %
Total special items	0.6 %	2.6 %	4.8 %
Non-GAAP operating margin	33.9 %	28.6 %	13.3 %
<b>Reconciliation of GAAP to non-GAAP income before income taxes:</b>			
GAAP income before income taxes	\$ 628.1	\$ 466.2	\$ 97.4
Special items:			
a) Non-recurring facility costs	—	2.3	—
b) Amortization of acquisition-related intangible assets	21.3	24.5	25.0
c) Restructuring, asset impairments and other, net	(13.0)	13.1	42.5
d) Intangible asset impairment	—	—	2.9
e) Third party acquisition and divestiture related costs	3.0	7.9	0.2

**ON SEMICONDUCTOR CORPORATION**  
**RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES (Continued)**

(in millions, except per share and percentage data)

	Quarters Ended		
	April 1, 2022	December 31, 2021	April 2, 2021
f) Actuarial (gains) losses on pension plans and other pension benefits	—	(22.2)	—
g) Loss on debt refinancing and prepayment	—	2.8	—
h) Non-cash interest on convertible notes	—	7.1	4.6
Total special items	11.3	35.5	75.2
Non-GAAP income before income taxes	<u>\$ 639.4</u>	<u>\$ 501.7</u>	<u>\$ 172.6</u>
<b>Reconciliation of GAAP to non-GAAP net income attributable to ON Semiconductor Corporation:</b>			
GAAP net income attributable to ON Semiconductor Corporation	\$ 530.2	\$ 425.9	\$ 89.9
Special items:			
a) Non-recurring facility costs	—	2.3	—
b) Amortization of acquisition-related intangible assets	21.3	24.5	25.0
c) Restructuring, asset impairments and other, net	(13.0)	13.1	42.5
d) Intangible asset impairment	—	—	2.9
e) Third party acquisition and divestiture related costs	3.0	7.9	0.2
f) Actuarial (gains) losses on pension plans and other pension benefits	—	(22.2)	—
g) Loss on debt refinancing and prepayment	—	2.8	—
h) Non-cash interest on convertible notes	—	7.1	4.6
i) Adjustment of income taxes	(3.0)	16.6	(13.8)
Total special items	8.3	52.1	61.4
Non-GAAP net income attributable to ON Semiconductor Corporation	<u>\$ 538.5</u>	<u>\$ 478.0</u>	<u>\$ 151.3</u>
<b>Adjustment of income taxes:</b>			
Tax adjustment for special items (1)	\$ (2.4)	\$ (7.5)	\$ (15.8)
Other non-GAAP tax adjustment (2)	(0.6)	24.1	2.0
Total adjustment of income taxes	<u>\$ (3.0)</u>	<u>\$ 16.6</u>	<u>\$ (13.8)</u>
GAAP net income for diluted earnings per share	\$ 530.7	\$ 425.9	\$ 89.9
Non-GAAP net income for diluted earnings per share	<u>\$ 539.0</u>	<u>\$ 478.0</u>	<u>\$ 151.3</u>
<b>Reconciliation of GAAP to non-GAAP diluted shares outstanding:</b>			
GAAP diluted shares outstanding	448.9	445.3	445.4
Special items:			
a) Less: dilutive shares attributable to convertible notes	(6.9)	(6.9)	(12.8)
Total special items	(6.9)	(6.9)	(12.8)
Non-GAAP diluted shares outstanding	<u>442.0</u>	<u>438.4</u>	<u>432.6</u>
<b>Non-GAAP diluted earnings per share:</b>			
Non-GAAP net income for diluted earnings per share	\$ 539.0	\$ 478.0	\$ 151.3
Non-GAAP diluted shares outstanding	442.0	438.4	432.6
Non-GAAP diluted earnings per share	<u>\$ 1.22</u>	<u>\$ 1.09</u>	<u>\$ 0.35</u>
<b>Reconciliation of net cash provided by operating activities to free cash flow:</b>			
Net cash provided by operating activities	\$ 478.6	\$ 626.6	\$ 218.5
Special items:			
a) Purchase of property, plant and equipment	(173.8)	(169.6)	(77.0)
Total special items	(173.8)	(169.6)	(77.0)
Free cash flow	<u>\$ 304.8</u>	<u>\$ 457.0</u>	<u>\$ 141.5</u>

**ON SEMICONDUCTOR CORPORATION**  
**RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES (Continued)**

(in millions, except per share and percentage data)

	Quarters Ended				
	July 2, 2021	October 1, 2021	December 31, 2021	April 1, 2022	LTM
Net cash provided by operating activities	\$ 488.0	\$ 448.9	\$ 626.6	478.6	\$ 2,042.1
Purchase of property, plant and equipment	(104.8)	(93.2)	(169.6)	(173.8)	(541.4)
Free cash flow	<u>\$ 383.2</u>	<u>\$ 355.7</u>	<u>\$ 457.0</u>	<u>\$ 304.8</u>	<u>\$ 1,500.7</u>
Revenue	\$ 1,669.9	\$ 1,742.1	\$ 1,846.1	\$ 1,945.0	\$ 7,203.1

- (1) Tax impact of non-GAAP special items (a-h) is calculated using the federal statutory rate of 21% for all periods presented.
- (2) For the periods related to the year ended December 31, 2021, the income tax adjustment primarily represents the use of the net operating loss, non-cash impact of not asserting indefinite reinvestment on earnings of our foreign subsidiaries, deferred tax expense not affecting taxes payable, and non-cash expense (benefit) related to uncertain tax positions. For the periods related to the year ended December 31, 2022, the income tax adjustment primarily relates to discrete tax and other non-GAAP adjustments.

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

Total share-based compensation related to restricted stock units, stock grant awards and the employee stock purchase plan is included below:

	Quarters Ended		
	April 1, 2022	December 31, 2021	April 2, 2021
Cost of revenue	\$ 2.6	\$ 3.8	\$ 3.3
Research and development	4.4	5.8	5.7
Selling and marketing	3.8	4.1	4.3
General and administrative	11.7	13.5	9.0
Total share-based compensation	<u>\$ 22.5</u>	<u>\$ 27.2</u>	<u>\$ 22.3</u>

**SUPPLEMENTAL FINANCIAL DATA**

	Quarters Ended		
	April 1, 2022	December 31, 2021	April 2, 2021
Net cash provided by operating activities	\$ 478.6	\$ 626.6	\$ 218.5
Free cash flow	304.8	457.0	141.5
Cash paid for income taxes	<u>15.7</u>	<u>23.2</u>	<u>20.9</u>
Depreciation and amortization	\$ 140.6	\$ 140.3	\$ 153.4
Less: Amortization of acquisition-related intangible assets	21.3	24.5	25.0
Depreciation and amortization (excl. amortization of acquisition-related intangible assets)	<u>\$ 119.3</u>	<u>\$ 115.8</u>	<u>\$ 128.4</u>

## NON-GAAP MEASURES

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 intangible assets, amortization of acquisition-related intangibles, expensing of appraised inventory fair market value step-up, inventory valuation adjustments, 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, 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 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 Revenue*

The use of non-GAAP revenue allows management to evaluate, among other things, the revenue from the Company's core businesses and trends across different reporting periods on a consistent basis, independent of special items. In addition, non-GAAP revenue 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 the Company's revenue generation performance relative to the direct costs of operations of onsemi's core businesses.

### *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 margin and gross profit of the Company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash items including, generally speaking, expensing of appraised inventory fair market value step-up 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 revenue generation performance relative to the direct costs of revenue of onsemi's core businesses.

### *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 margin and operating income of the Company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash items including, generally speaking, expensing of appraised inventory fair market value step-up, non-recurring facility costs, amortization and impairments of intangible assets, third party acquisition and divestiture related costs, restructuring charges 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 the Company's revenue generation performance relative to the direct costs of operations of onsemi's core businesses.

### *Non-GAAP Net Income Attributable to onsemi and Non-GAAP Diluted Earnings Per Share*

The use of non-GAAP net income attributable to onsemi 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 items including, generally, the amortization and impairments of intangible assets, expensing of appraised inventory fair market value step-up, non-recurring facility costs, restructuring, 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, discrete tax items and other non-GAAP tax adjustments and certain other special items,

## NON-GAAP MEASURES (Continued)

as necessary. In addition, these items 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. 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 alternate 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 revenue generation performance relative to the direct costs of operations of onsemi's core businesses.

### *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 stock options and 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 \$20.72 for the 1.625% Notes and \$52.97 for the 0% Notes, the non-GAAP diluted share count includes 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 are included in the diluted shares outstanding.