

ON Semi

DATE	Apr. 16, 2024
TICKER	ON
EXCHANGE	NASDAQ
INDUSTRY	Technology
SECTOR	Information Technology
CURRENT PRICE	\$66.69
TARGET PRICE	\$86.92 - 103.13
UPSIDE	30.33% - 54.64%
RECOMMENDATION	BUY

Company Overview

ON Semiconductor Corp. engages in the production of Semiconductors for power and sensing solutions, and technologies for electrification of the automotive and industrials industry. ON Semi works with many major brands to provide semiconductors crucial for the development of automobiles and automation of industrial processes. ON was founded as a spin off from Motorola's discrete, standard analog, and standard logic devices on July 4, 1999, and is headquartered in Scottsdale, AZ.²

Investment Thesis

Thesis Drivers

EV Growth Rates: The electric vehicle market is projected to reach a value of \$82.8B in 2024 with a CAGR of 18.20% from 2024 – 2028.⁶ This growth in the EV market helps position ON Semiconductor for long term growth as they are a supplier to many top automakers in the space. With growth in the production of electric vehicles, there will be a corresponding demand for ON's chips used within these vehicles.

Chips Act: The CHIPS Act took affect in 2022 to influence more chip manufacturers to move production to the United States. The United States entices companies by subsidizing the construction factories with a \$50 billion package. With \$10 billion reserved for grants targeting legacy chip production, companies like ON Semiconductor could leverage this funding to expand their existing 19 fabrication plants and potentially secure support for future projects, bolstering domestic semiconductor manufacturing capabilities.⁴

Thesis Risks

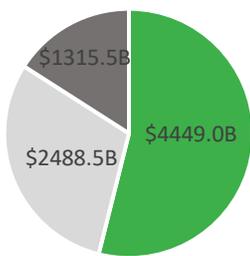
Political Instability: The significant proportion of ON Semi's revenue stemming from the Asia Pacific region underscores its global market presence. However, it's important to recognize that political uncertainties, such as conflicts or regulatory shifts, carry the potential to exert profound influence on the company's operations and financial performance.²

Competition: ON Semi faces significant competition within each of their product lines from four large global producers and from smaller players in the market. In addition, companies that are not competing with ON Semi currently could enter the market in the future. Due to this it is vital for ON Semi to continue innovating while also competitively pricing products, otherwise they could fall behind compared to peers.

SNAPSHOT

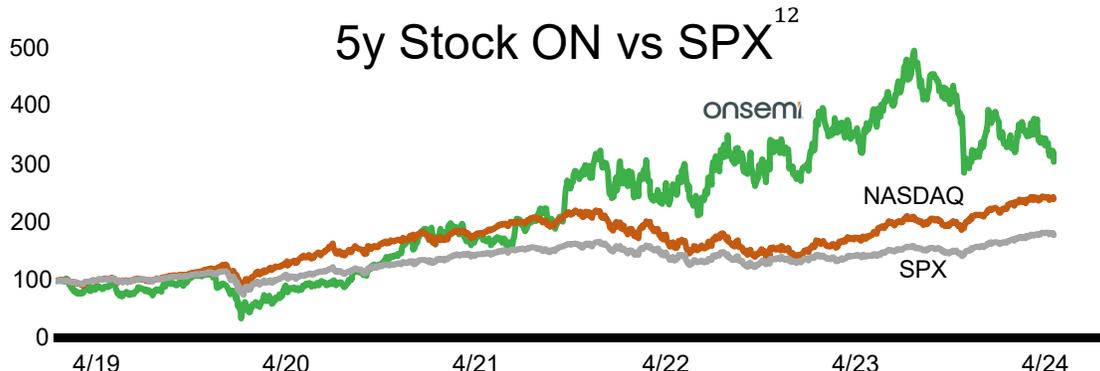
52 Week High:	\$111.35
52 Week Low:	\$61.47
Beta:	1.79
WACC:	11.47%
DCF/EP:	86.92
P/E ('24):	88.78
P/E ('25):	103.13
Market Cap:	28.64B
Shares Outs.	0.447B
Revenue ('23):	\$8.25B
EPS ('23):	3.74
ROIC ('23):	22.64%
Current Ratio ('23):	2.71
ROE ('23):	27.99

2023 Revenue by Segment



• PSG • ASG • ISG

5y Stock ON vs SPX¹²



Key Customers



BOEING



Honeywell



HONDA

Executive Summary

ON Semiconductor emerges as a compelling investment opportunity, propelled by several growth catalysts in the semiconductor industry. The innovation of autonomous vehicles, driven by the shift towards advanced driver-assistance systems (ADAS) and the societal push for environmentally conscious transportation solutions, presents a significant avenue for growth. As the semiconductor industry anticipates a 7%-9% annual growth in silicon content per vehicle, ON Semiconductor stands to benefit from increased demand for advanced semiconductor solutions powering autonomous vehicle technology. Moreover, the widespread adoption of 5G technology fuels heightened demand for high-performance semiconductors, particularly in powering the infrastructure for next-generation connectivity and enabling smarter, more connected vehicles.

The company is undervalued compared to peers, as it is trading at 2024E 17.8x P/E and 2025E 14.1x P/E compared its comparable company's average, excluding outliers, of 23.72x and 21.86x, respectively. This provides ON with an implied share price of \$88.78 based on 2024E P/E and \$103.13 based on 2025E P/E.

The company's strengths lie in its differentiated products, particularly in the automotive and transportation sectors, its global presence across diverse end markets, and its manufacturing diversity across nine countries. By leveraging these strengths and aligning with industry trends, ON Semiconductor is positioned for significant growth and market share expansion in the evolving semiconductor landscape. Investors seeking exposure to innovative semiconductor solutions driving advancements in autonomous vehicles, 5G connectivity, and industrial automation should consider ON Semiconductor as a promising investment prospect poised for long-term growth and resilience against economic and geographical uncertainties.

Economic Analysis

Unemployment

The unemployment rate is an important indicator for the technology industry. Unemployment affects the disposable income of consumers, which changes the tendency of those consumers to spend on technology products. Unemployment affects the ability of companies to hire and increases wage pressure. Unemployment also affects companies' capabilities to spend on R&D.⁹ As a semiconductor focused company, ON semi would be affected in its growth, because instead of being able to upgrade technology, it would have to put more capital into its variable costs.

When looking at unemployment over the last 5 years, it is currently on the lower end of the scale at around 3.7% but is slowly trending upwards. **We project that by the end of fiscal year 2024 unemployment will come to a head at around 4.7%.** If unemployment stays under 5%, this should not affect disposable income very much, allowing ON Semi to maintain its current strategy involving the continued development of its product lines and maintaining a low level of variable expenses.

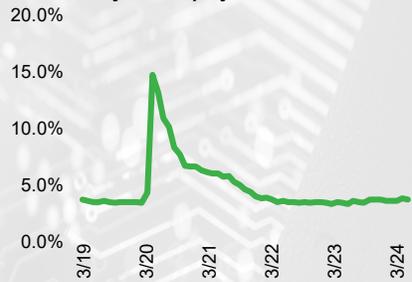
10-Year Treasury Yield

The 10-year treasury rate affects the amount of debt the market is willing to issue. An increase in this number shrinks the amount of debt that companies can take out. Treasury rates also impact the decision-making process of projects. With increased interest rates businesses will instead focus on operationally important segments to survive. This is can be especially important in the technology sector, where companies may rely on debt to fund new capital expenditures and research and development. When these costs rise, early-stage tech companies tend to struggle.¹¹

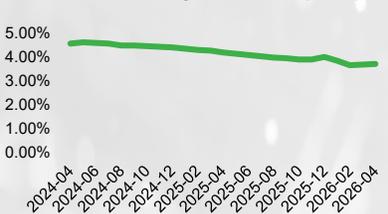
With signs that the market could potentially face recession again, with the CPI and Core CPI reading higher than expected, and the Federal Reserve expecting to push rate cuts further into the future, the investor sentiment in the market is decreasing. **We expect the 10-year treasury to remain steady throughout the year, finishing in December around 4.25-4.50%** before slowly starting to decline.

onsemi™

5 yr. Unemployment Rate⁹



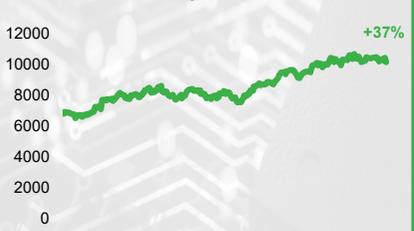
10-Yr. Treasury Forecast (2 Yr.)¹¹



11
% Change in Consumer Spending



Nasdaq100 LTM



13
CPI 12 month % Change by Category



Inflation

Inflation reflects the pricing of goods and services in the market and how much they change over a given period. For a company, when inflation rates increase, either its margins will decrease, or its products will increase in price. For the technology industry, these issues are similar with specific negative implications in relation to R&D. On top of normal costs increases it would also become more expensive for their impact rests on how affected a company’s research and development costs become. Innovation in the technology industry is incredibly important and with increased costs of research and development it may be difficult for companies to be competitive. We predict that we will see inflation decrease at a slight, steady rate throughout the year. **CPI rose 0.4% in the last month, PPE rose 0.2% in the last month and PCE rose 0.3%.**¹⁵ In 2023, the CPI print was held down by food and energy, we feel that although we have seen increased inflation over the past couple months, as the federal funds rate has not been decreasing, we will begin to see a further decrease in inflation.¹³ ON Semi will likely be affected by increasing costs as the raw materials of the chips they develop will increase on top of other costs that they have increasing.

Real GDP

Gross Domestic Product is a key indicator for overall market health, as consumer and business spending tend to fall in line with the way GDP moves. Real GDP adjusts a nation’s economic global output after inflation, to show how much the economy grows without inflation.

We believe that GDP growth will taper off from last year, due to the higher rate environment the American economy will face further into 2024. For a lot of companies, a potential decrease in the sentiment of U.S. consumers to buy products could see them taking steps down from where they were last year. For ON Semi, however, this should not be as big of an issue, considering its geographic diversification in other parts of the world, where they still maintain a renowned brand name.

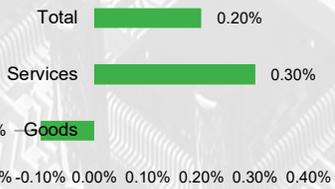
Capital Markets Forecast

Over the last year, the NASDAQ-100 technology sector index is up 47%.³ 5 of Magnificent 7 have seen double digit returns with only one having a negative return. Tech companies tend to look forward into the future, and over the past 12 months, this has been apparent. Companies are focusing on repositioning themselves for the future and many companies have made artificial intelligence investing a priority. Both Microsoft and Alphabet spend over \$100 B per year on reinvesting, and both companies are pumping capital into their AI technologies. Other firms, like Apple and Meta, are spending money on entertainment, trying to break into the world of virtual reality.³ On top of these market trends, the technology sector tends to be resistant to regulation because of their ability to cut costs for consumers as software-based technology costs less to produce.

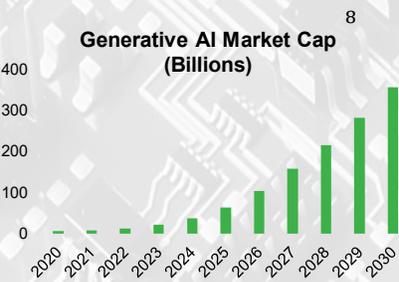
We believe that artificial intelligence will be a driving force behind the technology sector’s growth going forward. Stocks like NVIDIA, which designs the chips to be used in artificial learning models, has returned over 80% in the last year, and others invested in AI are soon to follow.³ AI also has many different use cases. It can be used for knowledge storage, cybersecurity software and self-automated machines, just to name a few.

Firms that are spending a lot of money on R&D are very likely to succeed in the tech space in the longer term. Being at the forefront of the market, tech companies have the capability to develop broad, useful offerings before necessarily needing to become profitable, due to their potential to change the landscape for consumers down the road. Assuming there is no major recession looming in short-term, the technology sector will continue to grow.

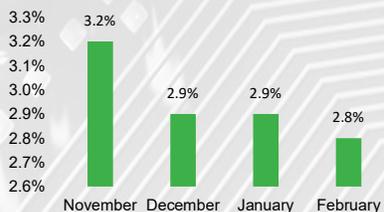
PPI 1 Month % Change



Generative AI Market Cap (Billions)



Core PCI Monthly Change YOY



Industry Analysis

ON Semiconductor is classified under the Semiconductors & Semiconductor Equipment GICS code. This includes companies involved in the design, manufacturing, and sale of semiconductors and related equipment.¹ ON Semiconductor specifically deals with products and solutions in relation to these chips to assist with the manufacturing of electric vehicles. Major players within the semiconductor industry include Intel, AMD, Qualcomm, NVIDIA, TSMC, and Broadcom. Revenue streams of this sector include wafer revenue, application-specific integrated chips (ASICs), Logic Chips, Memory Chips, and system-on-a-chip devices (SoCs). The market advantage of ON Semi is their specialization within specifically chips for electric vehicles, which positions them in a submarket with rapid growth expected over the coming years.

ON is also very diverse geographically, with no more than 30% of revenue being attributable to any singular region. Approximately 40% of ON revenue comes from the United States and the United Kingdom, who both rank top 5 in current EV Sales by country.¹ Because ON is both exposed to the largest EV demanding countries in the world, while also having the diverse geographic revenues coming from emerging markets, where there is large upside for growth, ON is positioned very well going into the future.

Industry Developments & Trends

Generative AI

Increasing implementation of generative AI will improve many facets of the semiconductor industry, leading to more opportunities for growth. Generative AI will help improve vital points of chip manufacture and design enabling for better analysis, diagnostics, and predictive maintenance. When designing chips, AI technology can help streamline the process, making it more efficient.⁸ There can be new and rapid innovations made to current designs or entirely new ones can be developed. Performance can also be optimized using the design plans, such as power consumption, efficiency and manufacturability. These factors can help companies save money and time throughout the designing process. In the manufacturing process generative AI can be vital to help detect rare failure modes and quantify them more accurately.⁸

5G

With the rising demand for 5G connectivity across a wide array of devices, including smartphones, Internet of Things (IoT) gadgets, and autonomous vehicles, semiconductor companies have lots of opportunities for growth.¹¹ The complex infrastructure to support 5G connectivity relies heavily on semiconductors. On top of that the performance standards of 5G demand chips that are more efficient in data processing, signal processing, and energy consumption.

Chips Act

The CHIPS Act took effect in 2022 and will provide up to \$50B in federal subsidies to support domestic chip manufacturing. Around \$39B of the funding will go towards the construction of manufacturing plants and the remainder will go towards things like R&D to help cultivate a better environment for semiconductor production. By doing so the government hopes to boost American semiconductor R&D and production while also mitigating dependency on other nations. Domestic manufacturing of chips could drastically improve operations while also mitigating supply chain issues that could occur otherwise.⁸

Porter's Five Forces

Threat of New Competition: **Low**

The Semiconductors & Semiconductor Equipment industry poses substantial barriers to new entrants due to high startup costs and significant capital investments required for technology development. If new companies were able to enter the semiconductor market, they would struggle with the high capital intensity of the business and struggle to stack up against established players with a longer history and more recognizable brand name. Established players like Intel Corp. dominate, making it challenging for newcomers like Advanced Micro Devices Inc. (AMD) to enter and compete effectively

Threat of Substitute: Low/Moderate

Currently, there are no viable substitutes for semiconductor chips, ensuring a stable market demand. There are possible substitutes for ON's chips as there are other semiconductor companies that compete with ON but looking at the industry a whole, semiconductors are necessary for technological development.

Bargaining Power of Customers: High

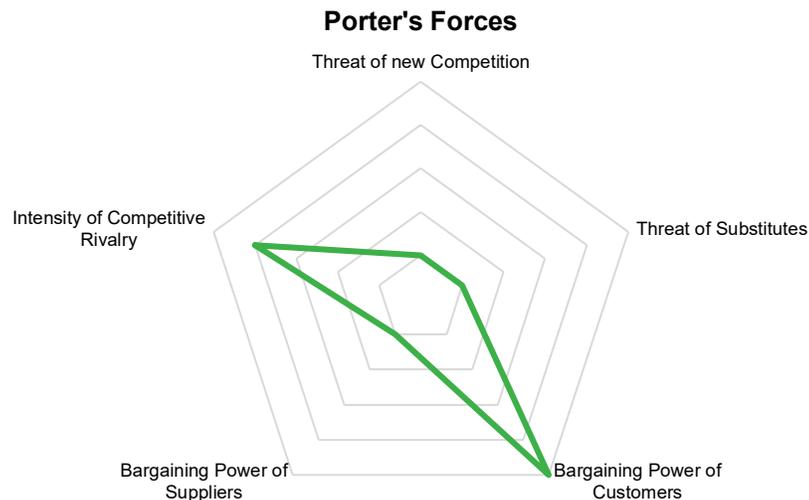
Buyers wield significant power in purchasing, particularly original equipment manufacturers (OEMs) and original design manufacturers (ODMs), who buy in large volumes. Intel and its competitors face challenges tied to specific market segments, with different sensitivities to demand.

Bargaining Power of Suppliers: Low

The supplier market features many players, enabling semiconductor firms to apply pricing pressures. This dynamic results in low supplier power, as suppliers must adapt to the evolving demands of semiconductor clients.

Intensity of Competitive Rivalry: Medium/High

While competition is fierce in the industry, individual sub-industries may have only a few major players. These firms differentiate themselves based on chip performance, power consumption, life expectancy, and total cost of ownership across various segments.



Growth Catalysts

Innovation of Autonomous Vehicles:

The automation in the EV industry is positioned to grow in a way that the semiconductor space has not seen yet. This comes from a few different reasons. First, is the shift to autonomous vehicles, where advanced driver-assistance systems (ADAS) are being developed to automate, adapt, and enhance vehicle systems for safety and better driving (e.g., self-driving features include automatic parking, lane centering, collision avoidance, and pedestrian crash avoidance mitigation, among other things). Secondly, is the recent shift in society favoring car companies that are more conscious of the environment. As more large corporations are forced to shift to EV and become more cognizant of carbon emissions demand for EV will rise. Lastly, the shift to a more connected vehicle will improve the user experience and capabilities of a car as it overtakes the smartphone as the ultimate consumer technology device. The semiconductor industry will be a major beneficiary of all three trends, as analysts envision 7%-9% annual growth in silicon content (near \$500 per vehicle in 2022) in the coming years. The convergence of transformative trends in autonomous vehicles, vehicle electrification, and connected vehicle technology presents a substantial growth catalyst for ON Semiconductor. These factors position the company to benefit from increased demand for advanced semiconductor solutions driving innovation and efficiency in the automotive industry.¹⁰

5G Adoption Increasing Demand for Semiconductors:

The widespread adoption of 5G technology presents a significant growth catalyst for ON Semiconductor companies. As 5G networks roll out globally, there is an unprecedented demand for high-performance semiconductors to power the infrastructure required for this next-generation connectivity. Advancements in 5G will help support the transformation of the vehicle and allow new capabilities that until now have not been possible. According to various forecasters, by 2025, about three-fourths of all new car sales will have cellular connectivity, up from about a third today. Given that 5G can bring up to 20 Gbps data speeds to devices and provides lower latency, it will enable automakers to put smarter, more connected vehicles on the road through vehicle-to-anything communications. As a result, semiconductor companies are poised to experience heightened demand for their products, fueling growth opportunities and driving innovation in the industry.¹⁰

Growth of Industrial Automation:

The growth of industrial automation presents an opportunity for ON Semiconductor to expand its market presence by providing essential semiconductor solutions powering sensors, actuators, and control systems driving efficiency and productivity in industrial settings. The demand for industrial automation is expected to grow by 9.3% per year to reach USD \$307.7 billion in 2030, a significant increase from the 2023 value of USD \$165.1 billion.⁷ The robust growth forecasted for industrial automation, coupled with the increasing demand for semiconductor solutions, positions ON Semiconductor to capitalize on this expanding market opportunity, driving significant growth and market share expansion.¹⁰

ON Semiconductor Analysis

Strengths:

Differentiated products, a large portion of ON Semiconductors revenue comes from its work with automotive and transportation companies. By occupying this specific portion of the market, ON is able to differentiate itself and provide industry leading semis to these transportation companies. Another strength of ON is its global presence, ON is diversified across its end markets with its revenue coming from four major countries, none with more than 30% of the total revenue. This diversity allows ON to be shielded from negative economical or geographical issues that may arise in any of these places. ON is also diverse when it comes to its manufacturing centers. There is worries of natural disasters harming production of semiconductors, however since ON has factories across 9 countries, it can position itself to be resilient to these unexpected events

Weaknesses:

A weakness of ON Semiconductor is its reliance upon specific markets. ON receives 52.3% of its revenue from the automotive market specifically, this increases cyclicity of the company and exposes it to harsh negative downturns that the automotive industry may be facing. Another weakness of ON is supplying chain risks, in the past automotive countries have faced supply chain issues with their semiconductors. Transportation through the Suez Canal has decreased the supply chain efficiency of transporting these chips as there are risks of raids by Houtis. This has promoted companies to seek other routes to transport their materials. Some major companies have rerouted their shipping to avoid the Suez Canal and the Red Sea and instead went south around the tip of Africa, this adds an extra \$1 million in fuel costs as well as 10 days to the journey.

Opportunities:

A major opportunity for the semiconductor manufacturer ON is the rapid increase within electric vehicles. ON contributes chips for the many needed sensors on electric vehicles. Rapid growth within the electric vehicle market is a major opportunity for ON, because of the shift of many manufacturers to EVs and some companies making the pledge to be carbon neutral in the near future, the semi conductors that ON provides for these applications are a large opportunity for the company.¹ Expansion into emerging markets and strategic acquisitions is a significant opportunity for ON. ON currently has a lower portion of debt relative to what it has held in the past and has announced they intend on building new factories. They will be able to build new factories in places that will enable easy expansion to these developing markets, and they can utilize more debt to make strategic acquisitions that would help this expansion into new markets.

Threats:

One threat to ON and the semiconductor industry is economic uncertainty and semiconductor industry cycles. EVs are more expensive than traditional cars, with an economic downturn we would expect more people to opt for the cheaper option which would hurt the vehicle-dependent business of ON. Another large portion of ON's revenue is semis for industrials. Industrials are often financed and with an increase in interest rates or a downturn in the economy companies are less likely to spend on large capital expenditures when the future is uncertain. Decreased spending by companies and consumers will damage ON Semi and is a threat in the future.

Revenue Overview

ON Semiconductor contributes its revenue into three major categories: Power Solutions Group (PSG), Advanced Solutions Group (ASG), and Intelligent Sensing Group (ISG).

The Power Solutions Group accounts for 54% of ON Semiconductor's revenue and it is comprised primarily of Analog products, SiC products, Discrete products, MOSFET products, Power Module products, Isolation Products, Memory products, Gate Driver products, and Standard Logic products. The purpose of these applications are to perform different application functions such as power switching, power conversion, signal conditioning, circuit protection, signal amplification, and voltage regulation functions.

The Advanced Solutions group accounts for 30% of ON Semi's revenue, this comes from Analog products, ASIC products, ECL products, Foundry products/ services, Gate Driver products, LSI products, and Standard Logic products. The Advanced Solutions Group develops these products to fit a broad base of end-users in the Automotive, Industrial, Compute, and Mobile end-markets.

The last section of ON's revenue is the Intelligent Sensing Group. This comes from Actuator Drivers, CMOS Image Sensors, Image Signal Processors, and Single Photon Detectors. These product offerings are focused upon sensor functionality and camera systems in which the high-quality visual imagery has a large effect on end users. This group does a lot of work with automotive and factory automation as well as with applications powered by AI.

Revenue Forecast

We project 2024 PSG revenue will decline by 6% to 4.18 billion, ASG revenue will decline 10% to 2.24 billion, and ISG revenue will decline 5% to 1.25 billion. Our sales estimates for the year fall in line with analyst forecasts, due to electric vehicle consumer sentiment stalling and continued increases in costs. Due to this stall, analyst predict ON Semi will face declining revenue due to a large part of their revenues coming from the chips they sell to EV automakers.

Our 2025 revenue estimates reflect a better EV consumer sentiment because of the continuing trend of government subsidization of the industry. The federal government, wanting to make the move to more electric powered power grid, subsidizes power grid upgrades and gives tax breaks to those who own EVs. As the power grid improves to support more electric vehicle use, we believe that consumer sentiment will increase, which in turn will cause EV sales to restart their growth.

Going into the future, we estimate that ON Semi will see declining growth though out all segments, however, PSG will decline the least. This is because we estimate that with the growing EV market of 18.20% CAGR from 2024 - 2028, the PSG segment will be able to weather the downturn better than the other two segments.⁶ The ASG segment will be able to weather the declining growth due to its diverse portfolio of products that will remain necessary in many different cases. The ISG segment will see the greatest decline due to niche applications while other segments have more broad use. Even with the declining growth we believe ON Semi will remain a strong player in the semiconductor space due to its broad range of products combined with global manufacturing and logistics network, providing customers with single source purchasing.

Gross Margin Overview & Forecast

Although the specific breakdown of cost of goods sold is not provided between product groups, we assume that they are pretty similar between all groups. This is because they deal with the development and manufacturing within all three groups. In 2023 gross profit margin had a slight decrease from 49% in 2022 to 47%. This was due to a slight decline in revenue and a slight increase in cost of goods sold.

Going into 2024, we expect gross margin to slightly decline once more to 46% due to increasing depreciation cost. We expect this to occur as more resources are delegated towards capex, increasing the depreciation costs. However, going forward we expect cost of goods to decrease because as ON Semi continues to get bigger, it should cost them less to build physical products like chips which will increase gross margins. **We estimate gross margins to hover around 48% long term.**

Operating Expenses Forecast and Overview

ON Semiconductor has historically been excelling at keeping operating cost low relative to revenue. In 2023, operating expenses fell \$372M from 2022 as in 2022 ON had a large non-recurring goodwill impairment expense.

We estimate that operating expenses will increase relative to revenue in the coming years because of more R&D spending. We are predicting this because of the competitive nature of the semiconductor industry and for ON Semi it will be vital to keep up with major competitors. Increasing R&D spending will allow ON Semi to improve products while also improving market share in such a hostile industry.

WACC & Capital Structure

The WACC used in the valuation of ON Semi was found using the market values and weights of the capital structure of the company. WACC is important in the valuation of any company, considering helps to quantify the value of the company not addressed in the projection of the near to medium term. This “terminal” value can be 80% of the total value of a company, which means that the discounting of that value to today’s dollar sensitizes our valuation even further.

Cost of equity is calculated using the 10-year treasury bond rate of 4.53%, a 4-year weekly raw beta of 1.46, and a market risk premium of 4.23% to give an implied cost of equity of 10.71%.

Our calculation of cost of debt included the 10-year treasury rate of 4.53%, an implied default premium based on variance of ON Semi’s debt of 1.53%, and a marginal tax rate of 22%. This returned an implied cost of debt of 4.73%

ON's capital structure is almost entirely based upon equity, the enterprise value is composed 8% of debt and 92% equity. Within the next 10 years, there is 3.4 billion dollars of debt maturing, currently no long-term debt matures until 2027 then there will be debt maturities of 805 million, 1.075 billion, and 1.5 billion in the years 2027-2029. We forecast the total long-term debt to increase based on the fact they have a lower % of debt compared to their competitors and will be able to take out debt in the future to build more factories. This change in increase in debt will not substantially affect the capital structure of the company, it may shift upwards from 8% debt to closer to 14% debt. **Our current implied WACC is 10.20% based off current debt levels.**

Company Valuation

Discounted Cash Flow and Economic Profit Models

Estimated Share Price: \$86.92

The DCF and EP models were the most reliable when projecting out ON Semi's revenue, namely because of both models' abilities to reflect the company's main factors of growth (EV sentiment increases, government subsidization). While ON Semi has a relatively small market share (3.6%), we believe that ON has significant differentiators from the market, with its usage of semiconductors in the automatically-driven vehicle space and geographic diversification. Its position in the market is further exemplified by the 30% of its revenue that come from two of the top 5 purchasing companies in the electric vehicle market.

We believe that this is the best way to value ON Semi, because it is based on the most up-to date information available, combined with information relevant to how ON will grow its financials. ON Semi is relatively open with its reporting, which makes the company easier to examine. Based on what we have learned from management and analyst projections, we believe the company is an exciting investment opportunity.

Relative Peer Valuation

Estimated Share Price: \$88.78-103.14

Comps: MPWR, MCHP, SWKS, MRVL, QRVO, TXN, ADI

The second most impactful model for ON is the relative peer valuation methodology. When looking at where ON trades in relation to its competitors, ON has a 2024E P/E of 17.8x and a 2025E P/E of 14.1x. ON's comps, excluding outliers, trade at 23.7x and 21.9x for 2024 E and 2025E, respectfully. Based on these metrics, we feel that ON is undervalued compared to peers, and should trade closer to the average.

The main reason we feel that ON is undervalued compared to peers, is that ON's unique offerings compared to other companies. ON offers solutions for automated vehicles and the 5G solutions that go along with the development of that technology. Because semiconductor companies tend to focus more on personal technology or artificial intelligence, we think that as the market for EV's expands, ON Semi is poised to gain market share and boost its top line.

Dividend Discount Model

Estimated Share Price: \$93.78

We believe the dividend discount model is the least impactful model when looking at ON Semi, because as a young company, ON Semi does not pay a dividend. Most companies in the semiconductor space are in a growth phase, where most earnings are reinvested into the company. ON Semi, being even earlier in the cycle, is a company we do not believe will reach steady state growth until after our projection period. The business style and age of this company ultimately make a dividend discount model unrelated compared to the other valuation methods.

Sensitivity Analysis

Equity Risk Premium Vs. Marginal Tax Rate:

		Equity Risk Premium							
		86.92	4.17%	4.19%	4.21%	4.23%	4.25%	4.27%	4.29%
Marginal Tax Rate	21.25%	88.17	87.76	87.35	86.95	86.55	86.15	85.76	
	21.50%	88.16	87.75	87.34	86.94	86.54	86.14	85.75	
	21.75%	88.15	87.74	87.34	86.93	86.53	86.13	85.74	
	22.00%	88.15	87.73	87.33	86.92	86.52	86.12	85.73	
	22.25%	88.14	87.73	87.32	86.91	86.51	86.12	85.72	
	22.50%	88.13	87.72	87.31	86.90	86.50	86.11	85.71	
	22.75%	88.12	87.71	87.30	86.90	86.49	86.10	85.70	

Changes in the equity risk premium have a more pronounced impact on share prices compared to alterations in tax rates. This disparity in influence stems from the adjustment in the discount rate applied within the valuation model. Such adjustments may be triggered by shifts in stock market dynamics, overall market sentiment, or modifications in tax policies resulting from political variations. With a primary election looming within the next year, the anticipation of alterations in tax policies or shifts in market expectations is poised to reshape our valuation outlook.

WACC vs. Perpetuity Growth of NOPLAT

		WACC							
		86.92	8.70%	9.20%	9.70%	10.20%	10.70%	11.20%	11.70%
CV Growth of NOPLAT	2.50%	102.76	94.02	86.55	80.10	74.46	69.51	65.13	
	3.00%	106.79	97.17	89.03	82.05	76.03	70.77	66.14	
	3.50%	111.61	100.86	91.90	84.31	77.81	72.18	67.27	
	4.00%	117.45	105.27	95.27	86.92	79.85	73.79	68.55	
	4.50%	124.68	110.62	99.30	90.00	82.23	75.65	70.00	
	5.00%	133.88	117.24	104.18	93.66	85.02	77.80	71.68	
	5.50%	145.94	125.65	110.22	98.11	88.35	80.33	73.62	

In our analysis, we examined the impact of varying the WACC and perpetuity growth rate of NOPLAT on share price. Notably, alterations in the growth rate result in more pronounced shifts in valuation compared to adjustments in the perpetuity growth rate of NOPLAT. These fluctuations could stem from shifts in debt rating, alterations in capital structure, or changes in the long-term market growth outlook for the semiconductor industry.

Beta vs. Risk Free Rate

		Risk Free Rate							
		86.92	4.23%	4.33%	4.43%	4.53%	4.63%	4.73%	4.83%
Beta	1.16	115.22	112.91	110.68	108.54	106.47	104.48	102.56	
	1.26	106.01	104.03	102.12	100.28	98.50	96.78	95.12	
	1.36	98.10	96.40	94.74	93.15	91.60	90.10	88.65	
	1.46	91.25	89.76	88.32	86.92	85.57	84.25	82.97	
	1.56	85.26	83.95	82.68	81.45	80.25	79.08	77.95	
	1.66	79.98	78.82	77.69	76.60	75.53	74.49	73.48	
	1.76	75.29	74.26	73.25	72.27	71.32	70.38	69.48	

In our analysis, we examined the impact of varying ON semi's beta and the risk-free rate on stock price. Notably, adjustments to the beta exert a more substantial influence on the share price. While both variables influence our WACC, it is evident that changes in the beta have a more pronounced effect.

Marginal Tax Rate vs. Pretax Cost of Debt

		Marginal Tax Rate							
		86.92	16.00%	18.00%	20.00%	22.00%	24.00%	26.00%	28.00%
Pretax Cost of Debt	5.76%	87.26	87.19	87.12	87.05	86.98	86.91	86.84	
	5.86%	87.22	87.15	87.08	87.01	86.94	86.87	86.80	
	5.96%	87.18	87.11	87.04	86.97	86.90	86.82	86.75	
	6.06%	87.14	87.06	86.99	86.92	86.85	86.78	86.71	
	6.16%	87.09	87.02	86.95	86.88	86.81	86.73	86.66	
	6.26%	87.05	86.98	86.91	86.83	86.76	86.69	86.62	
	6.36%	87.01	86.93	86.86	86.79	86.72	86.64	86.57	

In this analysis we looked at how varying ON Semiconductor's marginal tax rate and pretax cost of debt will affect the implied share price of the company. Changing the pretax cost of debt has a greater impact on the stock price as opposed to the marginal tax rate.

2025-2033 PSG Revenue Growth vs. 2025-2033 ASG Revenue Growth

		2025 - 2033 PSG Revenue Growth							
		86.92	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%
2025 - 2033 ASG Revenue Growth	4.5%	83.25	84.03	84.83	85.66	86.51	87.38	88.27	
	5.0%	83.65	84.44	85.24	86.07	86.92	87.79	88.68	
	5.5%	84.08	84.86	85.66	86.49	87.34	88.21	89.11	
	6.0%	84.51	85.29	86.10	86.92	87.77	88.64	89.54	
	6.5%	84.95	85.74	86.54	87.37	88.22	89.09	89.98	
	7.0%	85.41	86.19	87.00	87.82	88.67	89.54	90.44	
	7.5%	85.88	86.66	87.46	88.29	89.14	90.01	90.91	

In this analysis above we looked at how different revenue growth assumptions would affect the respective segments for ON Semiconductor's revenue. In the years 2025-2033 altering the PSG revenue growth assumption has a greater impact on the implied share price. This is because a larger portion of revenue comes from PSG and that change in growth provides more value to the firm than less significant revenue stream for ON.

2028-2033 Cost of R&D as % of Revenue vs. 2028-2033 COGS as % of Revenue

		2028 - 2033 Cost of R&D as % of Revenue							
		86.92	8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	11.5%
2028 - 2033 COGS as % of Revenue	40.0%	91.77	90.98	90.18	89.39	88.60	87.80	87.01	
	40.5%	90.95	90.16	89.36	88.57	87.77	86.98	86.19	
	41.0%	90.13	89.33	88.54	87.75	86.95	86.16	85.36	
	41.5%	89.30	88.51	87.72	86.92	86.13	85.33	84.54	
	42.0%	88.48	87.69	86.89	86.10	85.31	84.51	83.72	
	42.5%	87.66	86.87	86.07	85.28	84.48	83.69	82.89	
	43.0%	86.84	86.04	85.25	84.45	83.66	82.87	82.07	

In this analysis above we looked at the relationship between how changing assumptions towards the operating expenses of COGS and R&D effect the companies implied share price. As seen above decreasing both expense assumptions as % of revenue will lead to a higher implied share price. Although COGS is a much larger percent of revenue changing the assumptions has a relatively similar impact on price.

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On Semiconductor Corp.
Revenue Decomposition

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Power Solutions Group (PSG)	3439.1	4208.2	4449.0	4182.1	4683.9	5105.5	5513.9	5955.0	6431.4	6945.9	7501.6	8101.7	8749.9
Revenue Growth %	31.96%	22.36%	5.72%	-6.00%	12.00%	9.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Advanced Solutions Group (ASG)	2399.9	2841.3	2488.5	2239.7	2486.0	2722.2	2953.6	3130.8	3318.6	3517.7	3728.8	3952.5	4189.7
Revenue Growth %	25.62%	18.39%	-12.42%	-10.00%	11.00%	9.50%	8.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Intelligent Sensing Group (ISG)	900.8	1276.7	1315.5	1249.7	1412.2	1581.7	1755.6	1931.2	2105.0	2273.4	2432.5	2578.5	2707.4
Revenue Growth %	21.98%	41.73%	3.04%	-5.00%	13.00%	12.00%	11.00%	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%
Standard Products													
Application Products													
System Solutions													
Total Revenue	6739.8	8326.2	8253.0	7671.4	8582.1	9409.3	10223.1	11017.0	11855.0	12737.1	13662.9	14632.8	15647.0
Revenue Growth %	28.25%	23.54%	-0.88%	-7.05%	11.87%	9.64%	8.65%	7.77%	7.61%	7.44%	7.27%	7.10%	6.93%
Hong Kong	2,097.8	2315.8	2168.6	2309.2	2583.3	2832.3	3077.3	3316.2	3568.5	3834.0	4112.7	4404.6	4709.9
As a % of total revenue	31.13%	27.81%	26.28%	30.10%	30.10%	30.10%	30.10%	30.10%	30.10%	30.10%	30.10%	30.10%	30.10%
Revenue Growth %	16.58%	10.39%	-6.36%	6.48%	11.87%	9.64%	8.65%	7.77%	7.61%	7.44%	7.27%	7.10%	6.93%
Singapore	1,828.6	2133.9	1938.8	1947.0	2178.1	2388.0	2594.6	2796.0	3008.7	3232.6	3467.6	3713.7	3971.1
As a % of total revenue	27.13%	25.63%	23.49%	25.38%	25.38%	25.38%	25.38%	25.38%	25.38%	25.38%	25.38%	25.38%	25.38%
Revenue Growth %	39.42%	16.70%	-9.14%	0.42%	11.87%	9.64%	8.65%	7.77%	7.61%	7.44%	7.27%	7.10%	6.93%
United Kingdom	1,123.6	1492.3	1753.4	1348.3	1508.3	1653.7	1796.8	1936.3	2083.6	2238.6	2401.3	2571.8	2750.0
As a % of total revenue	16.67%	17.92%	21.25%	17.58%	17.58%	17.58%	17.58%	17.58%	17.58%	17.58%	17.58%	17.58%	17.58%
Revenue Growth %	39.42%	32.81%	17.50%	-23.10%	11.87%	9.64%	8.65%	7.77%	7.61%	7.44%	7.27%	7.10%	6.93%
United States	931.6	1464.7	1573.7	1212.6	1356.5	1487.3	1615.9	1741.4	1873.9	2013.3	2159.6	2312.9	2473.2
As a % of total revenue	13.82%	17.59%	19.07%	15.81%	15.81%	15.81%	15.81%	15.81%	15.81%	15.81%	15.81%	15.81%	15.81%
Revenue Growth %	27.86%	57.22%	7.44%	-22.95%	11.87%	9.64%	8.65%	7.77%	7.61%	7.44%	7.27%	7.10%	6.93%
Other	758.2	919.5	818.5	854.4	955.9	1048.0	1138.6	1227.0	1320.4	1418.6	1521.7	1629.8	1742.7
As a % of total revenue	11.25%	11.04%	9.92%	11.14%	11.14%	11.14%	11.14%	11.14%	11.14%	11.14%	11.14%	11.14%	11.14%
Revenue Growth %	24.42%	21.27%	-10.98%	4.39%	11.87%	9.64%	8.65%	7.77%	7.61%	7.44%	7.27%	7.10%	6.93%
Total Revenue	6739.8	8326.2	8253.0	7671.4	8582.1	9409.3	10223.1	11017.0	11855.0	12737.1	13662.9	14632.8	15647.0
Revenue Growth %	28.25%	23.54%	-0.88%	-7.05%	11.87%	9.64%	8.65%	7.77%	7.61%	7.44%	7.27%	7.10%	6.93%

On Semiconductor Corp.
Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
PSG revenue	\$3,439,100	\$4,208,200	\$4,449,000	\$4,182,060	\$4,683,907	\$5,105,459	\$5,513,896	\$5,955,007	\$6,431,408	\$6,945,920	\$7,501,594	\$8,101,722	\$8,749,859
ASG revenue	\$2,399,900	\$2,841,300	\$2,488,500	\$2,239,650	\$2,486,012	\$2,722,183	\$2,953,568	\$3,130,782	\$3,318,629	\$3,517,747	\$3,728,812	\$3,952,540	\$4,189,693
ISG revenue	\$900,800	\$1,276,700	\$1,315,500	\$1,249,725	\$1,412,189	\$1,581,652	\$1,755,634	\$1,931,197	\$2,105,005	\$2,273,405	\$2,432,544	\$2,578,496	\$2,707,421
Total revenue	\$6,739,800	\$8,326,200	\$8,253,000	\$7,671,435	\$8,582,108	\$9,409,293	\$10,223,097	\$11,016,986	\$11,855,042	\$12,737,072	\$13,662,949	\$14,632,758	\$15,646,973
COST OF REVENUE:													
Cost of revenue	\$3,428,800	\$3,697,200	\$3,760,000	\$3,352,417	\$3,698,889	\$3,951,903	\$4,242,585	\$4,572,049	\$4,919,842	\$5,285,885	\$5,670,124	\$6,072,595	\$6,493,494
% of sales	50.9%	44.4%	45.6%	43.7%	43.1%	42.0%	41.5%	41.5%	41.5%	41.5%	41.5%	41.5%	41.5%
Depreciation and amortization	\$596,700	\$551,800	\$609,500	\$777,441	\$850,632	\$937,069	\$1,030,775	\$1,129,565	\$1,231,555	\$1,337,470	\$1,447,857	\$1,563,127	\$1,683,596
Depreciation Rate	23.8%	21.9%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%
Gross profit (loss)	\$2,714,300	\$4,077,200	\$3,883,500	\$3,541,577	\$4,032,588	\$4,520,322	\$4,949,737	\$5,315,372	\$5,703,644	\$6,113,717	\$6,544,968	\$6,997,037	\$7,469,883
OPERATING EXPENSES:													
Research & development expenses	\$655,000	\$600,200	\$577,300	\$560,015	\$729,479	\$893,883	\$1,022,310	\$1,101,699	\$1,185,504	\$1,273,707	\$1,366,295	\$1,463,276	\$1,564,697
% of sales	9.7%	7.2%	7.0%	7.3%	8.5%	9.5%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Selling & marketing expenses	\$293,600	\$287,900	\$279,100	\$291,515	\$308,956	\$329,325	\$357,808	\$385,595	\$414,926	\$445,798	\$478,203	\$512,147	\$547,644
% of sales	4.4%	3.5%	3.4%	3.8%	3.6%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General & administrative expenses	\$304,800	\$343,200	\$362,400	\$360,557	\$377,613	\$395,190	\$444,209	\$478,705	\$515,119	\$553,445	\$593,676	\$635,815	\$679,884
% of sales	4.5%	4.1%	4.4%	4.7%	4.4%	4.2%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Litigation settlement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
% of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortization of acquisition-related intangible assets	\$99,000	\$81,200	\$51,100	\$58,100	\$47,900	\$41,600	\$34,600	\$27,500	\$24,510	\$21,846	\$19,471	\$17,354	\$15,467
% yoy change	-17.7%	-18.0%	-37.1%	13.7%	-17.6%	-13.2%	-16.8%	-20.5%	-10.9%	-10.9%	-10.9%	-10.9%	-10.9%
Restructuring, asset impairments & other charges, net	\$71,400	\$17,900	\$74,900	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350
Goodwill & intangible asset impairment expenses	\$2,900	\$386,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total operating expenses	\$1,426,700	\$1,717,200	\$1,344,800	\$1,327,537	\$1,521,298	\$1,717,348	\$1,916,277	\$2,050,848	\$2,197,410	\$2,352,145	\$2,514,995	\$2,685,942	\$2,865,043
% of sales	21.2%	20.6%	16.3%	17.3%	17.7%	18.3%	18.7%	18.6%	18.5%	18.5%	18.4%	18.4%	18.3%
			\$372,400										
Operating income (loss)	\$1,287,600	\$2,360,000	\$2,538,700	\$2,214,041	\$2,511,290	\$2,802,973	\$3,033,460	\$3,264,524	\$3,506,234	\$3,761,572	\$4,029,974	\$4,311,095	\$4,604,840
% of operating margin	19.1%	28.3%	30.8%	28.9%	29.3%	29.8%	29.7%	29.6%	29.6%	29.5%	29.5%	29.5%	29.4%
OTHER EXPENSES:													
Interest expense	-\$130,400	-\$94,900	-\$74,800	-\$159,008	-\$172,202	-\$188,231	-\$203,705	-\$219,152	-\$234,820	-\$250,896	-\$267,405	-\$284,360	-\$301,765
Rd%	4.5%	3.1%	2.9%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Interest income	\$1,400	\$15,500	\$93,100	\$36,955	\$41,812	\$12,746	\$18,148	\$30,372	\$37,077	\$44,734	\$36,723	\$35,088	\$31,176
ROI%	0.1%	1.1%	3.2%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Gain (loss) on debt refinancing & prepayment	-\$29,000	-\$7,100	-\$13,300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gain on divestiture of businesses	\$10,200	\$67,000	-\$700	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gain (loss) on modification or extinguishment of debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other income (expense), net	\$18,000	\$21,700	-\$7,200	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420
Total other income (expenses), net	-\$129,800	\$2,200	-\$2,900	-\$119,634	-\$127,970	-\$173,065	-\$183,137	-\$186,360	-\$195,323	-\$203,742	-\$228,263	-\$246,853	-\$268,168
TAXES:													
Income (loss) before income taxes	\$1,157,800	\$2,362,200	\$2,535,800	\$2,094,407	\$2,383,320	\$2,629,908	\$2,850,323	\$3,078,164	\$3,310,911	\$3,557,830	\$3,801,711	\$4,064,242	\$4,336,671
% of sales	17.2%	28.4%	30.7%	27.3%	27.8%	28.0%	27.9%	27.9%	27.9%	27.9%	27.8%	27.8%	27.7%
Income tax provision (benefit)	\$146,600	\$458,400	\$350,200	\$523,602	\$595,830	\$657,477	\$712,581	\$769,541	\$827,728	\$889,457	\$950,428	\$1,016,061	\$1,084,168
Effective tax rate	12.7%	19.4%	13.8%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Total deferred income tax provision (benefit)	\$90,500	\$20,900	-\$121,000	\$94,879	\$99,623	-\$104,604	\$109,834	\$115,326	-\$121,092	\$127,147	\$133,504	-\$140,179	\$147,188
Net income (loss)	\$1,011,200	\$1,903,800	\$2,185,600	\$1,570,805	\$1,787,490	\$1,972,431	\$2,137,743	\$2,308,623	\$2,483,183	\$2,668,372	\$2,851,283	\$3,048,182	\$3,252,504
Less: net income attributable to non-controlling interest	-\$1,600	-\$1,600	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900
Net income (loss) attributable to ON Semiconductor Corporation	\$1,009,600	\$1,902,200	\$2,183,700	\$1,568,905	\$1,785,590	\$1,970,531	\$2,135,843	\$2,306,723	\$2,481,283	\$2,666,472	\$2,849,383	\$3,046,282	\$3,250,604
Weighted average shares outstanding - basic	425,700	433,200	430,700	419,087	378,431	358,303	337,419	315,991	294,089	271,796	249,189	226,347	203,346
%Change	3.65%	1.76%	-0.58%	-2.70%	-9.70%	-5.32%	-5.83%	-6.35%	-6.93%	-7.58%	-8.32%	-9.17%	-10.16%
Weighted average shares outstanding - diluted	443,800	448,200	446,800										
Year end shares outstanding	432,473	431,936	426,386										
Net income (loss) per share - basic	\$2.37	\$4.39	\$5.07	\$3.74	\$4.72	\$5.50	\$6.33	\$7.30	\$8.44	\$9.81	\$11.43	\$13.46	\$15.99

On Semiconductor Corp.
Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
PSG revenue	\$3,439,100	\$4,208,200	\$4,449,000	\$4,182,060	\$4,683,907	\$5,105,459	\$5,513,896	\$5,955,007	\$6,431,408	\$6,945,920	\$7,501,594	\$8,101,722	\$8,749,859
ASG revenue	\$2,399,900	\$2,841,300	\$2,488,500	\$2,239,650	\$2,486,012	\$2,722,183	\$2,953,568	\$3,130,782	\$3,318,629	\$3,517,747	\$3,728,812	\$3,952,540	\$4,189,693
ISG revenue	\$900,800	\$1,276,700	\$1,315,500	\$1,249,725	\$1,412,189	\$1,581,652	\$1,755,634	\$1,931,197	\$2,105,005	\$2,273,405	\$2,432,544	\$2,578,496	\$2,707,421
Total revenue	\$6,739,800	\$8,326,200	\$8,253,000	\$7,671,435	\$8,582,108	\$9,409,293	\$10,223,097	\$11,016,986	\$11,855,042	\$12,737,072	\$13,662,949	\$14,632,758	\$15,646,973
COST OF REVENUE:													
Cost of revenue	\$3,428,800	\$3,697,200	\$3,760,000	\$3,352,417	\$3,698,889	\$3,951,903	\$4,242,585	\$4,572,049	\$4,919,842	\$5,285,885	\$5,670,124	\$6,072,595	\$6,493,494
Depreciation and amortization	\$596,700	\$551,800	\$609,500	\$777,441	\$850,632	\$937,069	\$1,030,775	\$1,129,565	\$1,231,555	\$1,337,470	\$1,447,857	\$1,563,127	\$1,683,596
Gross profit (loss)	\$2,714,300	\$4,077,200	\$3,883,500	\$3,541,577	\$4,032,588	\$4,520,322	\$4,949,737	\$5,315,372	\$5,703,644	\$6,113,717	\$6,544,968	\$6,997,037	\$7,469,883
OPERATING EXPENSES:													
Research & development expenses	\$655,000	\$600,200	\$577,300	\$560,015	\$729,479	\$893,883	\$1,022,310	\$1,101,699	\$1,185,504	\$1,273,707	\$1,366,295	\$1,463,276	\$1,564,697
Selling & marketing expenses	\$293,600	\$287,900	\$279,100	\$291,515	\$308,956	\$329,325	\$357,808	\$385,595	\$414,926	\$445,798	\$478,203	\$512,147	\$547,644
General & administrative expenses	\$304,800	\$343,200	\$362,400	\$360,557	\$377,613	\$395,190	\$444,209	\$478,705	\$515,119	\$553,445	\$593,676	\$635,815	\$679,884
Litigation settlement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amortization of acquisition-related intangible assets	\$99,000	\$81,200	\$51,100	\$58,100	\$47,900	\$41,600	\$34,600	\$27,500	\$24,510	\$21,846	\$19,471	\$17,354	\$15,467
Restructuring, asset impairments & other charges, net	\$71,400	\$17,900	\$74,900	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350	\$57,350
Goodwill & intangible asset impairment expenses	\$2,900	\$386,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total operating expenses	\$1,426,700	\$1,717,200	\$1,344,800	\$1,327,537	\$1,521,298	\$1,717,348	\$1,916,277	\$2,050,848	\$2,197,410	\$2,352,145	\$2,514,995	\$2,685,942	\$2,865,043
Operating income (loss)	\$1,287,600	\$2,360,000	\$2,538,700	\$2,214,041	\$2,511,290	\$2,802,973	\$3,033,460	\$3,264,524	\$3,506,234	\$3,761,572	\$4,029,974	\$4,311,095	\$4,604,840
OTHER EXPENSES:													
Interest expense	(\$130,400)	(\$94,900)	(\$74,800)	(\$159,008)	(\$172,202)	(\$188,231)	(\$203,705)	(\$219,152)	(\$234,820)	(\$250,896)	(\$267,405)	(\$284,360)	(\$301,765)
Interest income	\$1,400	\$15,500	\$93,100	\$36,955	\$41,812	\$12,746	\$18,148	\$30,372	\$37,077	\$44,734	\$36,723	\$35,088	\$31,176
Gain (loss) on debt refinancing & prepayment	(\$29,000)	(\$7,100)	(\$13,300)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gain on divestiture of businesses	\$10,200	\$67,000	(\$700)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gain (loss) on modification or extinguishment of debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other income (expense), net	\$18,000	\$21,700	(\$7,200)	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420
Total other income (expenses), net	-\$129,800	2,200	-\$2,900	-\$119,634	-\$127,970	-\$173,065	-\$183,137	-\$186,360	-\$195,323	-\$203,742	-\$228,263	-\$246,853	-\$268,168
Income (loss) before income taxes	\$1,157,800	\$2,362,200	\$2,535,800	\$2,094,407	\$2,383,320	\$2,629,908	\$2,850,323	\$3,078,164	\$3,310,911	\$3,557,830	\$3,801,711	\$4,064,242	\$4,336,671
Total current income tax provision (benefit)	\$146,600	\$458,400	\$350,200	\$523,602	\$595,830	\$657,477	\$712,581	\$769,541	\$827,728	\$889,457	\$950,428	\$1,016,061	\$1,084,168
Total deferred income tax provision (benefit)	\$90,500	\$20,900	-\$121,000	\$94,879	\$99,623	-\$104,604	\$109,834	\$115,326	-\$121,092	\$127,147	\$133,504	-\$140,179	\$147,188
Income tax provision (benefit)	\$146,600	\$458,400	\$350,200	\$523,602	\$595,830	\$657,477	\$712,581	\$769,541	\$827,728	\$889,457	\$950,428	\$1,016,061	\$1,084,168
Net income (loss)	\$1,011,200	\$1,903,800	\$2,185,600	\$1,570,805	\$1,787,490	\$1,972,431	\$2,137,743	\$2,308,623	\$2,483,183	\$2,668,372	\$2,851,283	\$3,048,182	\$3,252,504
Less: net income attributable to non-controlling interest	-\$1,600	-\$1,600	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900	-\$1,900
Net income (loss) attributable to ON Semiconductor Corporation	\$1,009,600	\$1,902,200	\$2,183,700	\$1,568,905	\$1,785,590	\$1,970,531	\$2,135,843	\$2,306,723	\$2,481,283	\$2,666,472	\$2,849,383	\$3,046,282	\$3,250,604
Weighted average shares outstanding - basic	425,700	433,200	430,700	419,087	378,431	358,303	337,419	315,991	294,089	271,796	249,189	226,347	203,346
Weighted average shares outstanding - diluted	443,800	448,200	446,800	0	0	0	0	0	0	0	0	0	0
Year end shares outstanding	432,473	431,936	426,386	0	0	0	0	0	0	0	0	0	0
Net income (loss) per share - basic	\$2.37	\$4.39	\$5.07	\$3.74	\$4.72	\$5.50	\$6.33	\$7.30	\$8.44	\$9.81	\$11.43	\$13.46	\$15.99

On Semiconductor Corp.

Balance Sheet

<i>Fiscal Years Ending Dec. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
ASSETS													
CURRENT ASSETS:													
Cash & cash equivalents	\$1,352,600	\$2,919,000	\$2,483,000	\$2,809,371	\$856,421	\$1,219,401	\$2,040,691	\$2,491,199	\$3,005,680	\$2,467,412	\$2,357,540	\$2,094,755	\$1,657,324
Short Term Investments													
Receivables, net	\$809,400	\$842,300	\$935,400	\$1,074,001	\$1,175,749	\$1,260,845	\$1,339,226	\$1,410,174	\$1,481,880	\$1,553,923	\$1,625,891	\$1,697,400	\$1,768,108
Inventories	\$1,379,500	\$1,616,800	\$2,111,800	\$1,994,573	\$2,188,438	\$2,305,277	\$2,402,428	\$2,478,822	\$2,548,834	\$2,611,100	\$2,664,275	\$2,707,060	\$2,738,220
Other current assets	\$240,100	\$351,300	\$382,100	\$460,286	\$502,053	\$536,330	\$557,159	\$583,900	\$610,535	\$636,854	\$662,653	\$687,740	\$711,937
Total current assets	\$3,781,600	\$5,729,400	\$5,912,300	\$6,338,231	\$4,722,661	\$5,321,853	\$6,339,503	\$6,964,096	\$7,646,929	\$7,269,289	\$7,310,359	\$7,186,955	\$6,875,590
Property, plant & equipment, net	\$2,524,300	\$3,450,700	\$4,401,500	\$4,815,874	\$5,305,238	\$5,835,759	\$6,395,064	\$6,972,481	\$7,572,122	\$8,197,079	\$8,849,683	\$9,531,724	\$10,244,657
Goodwill	\$1,937,500	\$1,577,600	\$1,577,600	\$1,577,600	\$1,577,600	\$1,577,600	\$1,577,600	\$1,577,600	\$1,577,600	\$1,577,600	\$1,577,600	\$1,577,600	\$1,577,600
Intangible assets, net	\$495,700	\$359,700	\$299,300	\$535,893	\$599,509	\$657,293	\$714,142	\$769,599	\$828,142	\$889,757	\$954,435	\$1,022,181	\$1,093,030
Deferred tax assets	\$366,300	\$376,700	\$600,800	\$290,199	\$330,230	\$364,397	\$394,937	\$426,507	\$458,756	\$492,969	\$526,761	\$563,137	\$600,884
Right-of-use financing lease	\$0	\$45,800	\$42,400	\$55,156	\$60,760	\$66,836	\$73,242	\$79,855	\$86,723	\$93,880	\$101,354	\$109,166	\$117,331
Other assets	\$520,600	\$438,600	\$381,300	\$461,279	\$516,037	\$565,775	\$614,709	\$662,445	\$712,837	\$765,873	\$821,545	\$879,859	\$940,843
Total assets	\$9,626,000	\$11,978,500	\$13,215,200	\$14,074,232	\$13,112,035	\$14,389,513	\$16,109,196	\$17,452,583	\$18,883,108	\$19,286,446	\$20,141,737	\$20,870,622	\$21,449,935
LIABILITIES AND EQUITY													
Accounts payable	\$635,100	\$1,088,400	\$725,600	\$674,469	\$733,080	\$780,214	\$822,137	\$858,439	\$894,102	\$928,782	\$962,139	\$993,850	\$1,023,618
Accrued payroll & related benefits	\$285,400	\$284,800	\$183,800	\$242,974	\$271,818	\$298,017	\$323,792	\$348,937	\$375,480	\$403,416	\$432,741	\$463,458	\$495,581
Sales related reserves	\$229,900	\$209,900	\$108,300	\$248,027	\$277,471	\$304,215	\$330,526	\$356,193	\$383,289	\$411,806	\$441,741	\$473,096	\$505,887
Income taxes payable	\$23,600	\$34,800	\$37,400	\$59,986	\$65,282	\$68,749	\$70,948	\$72,772	\$74,135	\$75,217	\$75,621	\$75,762	\$75,420
Other accrued expenses	\$208,700	\$281,500	\$300,700	\$229,588	\$256,842	\$281,598	\$305,953	\$329,712	\$354,793	\$381,190	\$408,899	\$437,924	\$468,277
Deferred income on sales to distributors	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current portion of long-term debt	\$160,700	\$162,000	\$827,800	\$794,000	\$0	\$0	\$540,233	\$810,333	\$1,235,333	\$716,021	\$762,267	\$809,752	\$858,483
Total current liabilities	\$1,543,400	\$2,061,400	\$2,183,600	\$2,249,045	\$1,604,492	\$1,732,793	\$2,393,589	\$2,776,386	\$3,317,133	\$2,916,432	\$3,083,408	\$3,253,842	\$3,427,265
Long-term debt	\$2,913,900	\$3,045,700	\$2,542,600	\$2,705,203	\$2,978,031	\$3,234,216	\$3,488,724	\$3,744,023	\$4,005,800	\$4,274,589	\$4,550,671	\$4,834,156	\$5,125,077
Deferred tax liabilities	\$43,200	\$34,100	\$38,700	\$50,424	\$57,380	\$63,316	\$68,623	\$74,108	\$79,712	\$85,657	\$91,528	\$97,849	\$104,408
Long-term financing lease liabilities	\$0	\$23,000	\$22,400	\$28,419	\$31,306	\$34,437	\$37,737	\$41,145	\$44,683	\$48,371	\$52,222	\$56,247	\$60,454
Other long-term liabilities	\$521,100	\$607,300	\$627,300	\$504,080	\$504,080	\$504,080	\$504,080	\$504,080	\$504,080	\$504,080	\$504,080	\$504,080	\$504,080
Total liabilities	\$5,021,600	\$5,771,500	\$5,414,600	\$5,537,171	\$5,175,289	\$5,568,842	\$6,492,753	\$7,139,742	\$7,951,407	\$7,829,129	\$8,281,909	\$8,746,174	\$9,221,283
Notes, series B - redeemable conversion feature	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Common stock & APIC	\$4,639,300	\$4,677,000	\$5,217,100	\$5,157,085	\$5,769,281	\$6,325,352	\$6,872,428	\$7,406,116	\$7,969,494	\$8,562,435	\$9,184,852	\$9,836,801	\$10,518,602
Retained earnings (accumulated deficit)	\$2,435,100	\$4,364,400	\$6,548,100	\$8,118,905	\$9,906,395	\$11,878,826	\$14,016,569	\$16,325,192	\$18,808,375	\$21,476,747	\$24,328,031	\$27,376,213	\$30,628,716
Less: treasury stock	\$2,448,400	\$2,829,700	\$3,937,400	\$4,711,730	\$7,711,730	\$9,356,307	\$11,245,354	\$13,391,267	\$15,818,969	\$18,554,666	\$21,625,854	\$25,061,366	\$28,891,467
AOCI	(\$40,600)	(\$23,200)	(\$45,200)	(\$45,200)	(\$45,200)	(\$45,200)	(\$45,200)	(\$45,200)	(\$45,200)	(\$45,200)	(\$45,200)	(\$45,200)	(\$45,200)
Total ON Semiconductor Corporation stockholders' equity (deficit)	\$4,585,400	\$6,188,500	\$7,782,600	\$8,519,061	\$7,918,746	\$8,802,671	\$9,598,443	\$10,294,841	\$10,913,701	\$11,439,317	\$11,841,829	\$12,106,448	\$12,210,652
Non-controlling interest	\$19,000	\$18,500	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Total stockholders' equity (deficit)	\$4,604,400	\$6,207,000	\$7,800,600	\$8,537,061	\$7,936,746	\$8,820,671	\$9,616,443	\$10,312,841	\$10,931,701	\$11,457,317	\$11,859,829	\$12,124,448	\$12,228,652
Total Liabilities and Stockholder Equity	\$9,626,000	\$11,978,500	\$13,215,200	\$14,074,232	\$13,112,035	\$14,389,513	\$16,109,196	\$17,452,583	\$18,883,108	\$19,286,446	\$20,141,737	\$20,870,622	\$21,449,935

On Semiconductor Corp.

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Net income	\$1,570,805	\$1,787,490	\$1,972,431	\$2,137,743	\$2,308,623	\$2,483,183	\$2,668,372	\$2,851,283	\$3,048,182	\$3,252,504
D&A	\$1,050,198	\$1,149,067	\$1,265,829	\$1,392,412	\$1,525,862	\$1,663,634	\$1,806,708	\$1,955,823	\$2,111,534	\$2,274,269
Change in Accounts Receivable	(\$138,601)	(\$101,748)	(\$85,097)	(\$78,380)	(\$70,949)	(\$71,706)	(\$72,043)	(\$71,968)	(\$71,509)	(\$70,708)
Change in Inventory	\$117,227	(\$193,864)	(\$116,839)	(\$97,151)	(\$76,394)	(\$70,012)	(\$62,266)	(\$53,175)	(\$42,785)	(\$31,160)
Change in other current assets	(\$78,186)	(\$41,767)	(\$34,276)	(\$20,829)	(\$26,741)	(\$26,634)	(\$26,319)	(\$25,799)	(\$25,087)	(\$24,198)
change in dtas	\$310,601	(\$40,031)	(\$34,167)	(\$30,540)	(\$31,569)	(\$32,249)	(\$34,213)	(\$33,792)	(\$36,376)	(\$37,747)
change in ROU financing lease	(\$12,756)	(\$5,605)	(\$6,076)	(\$6,406)	(\$6,613)	(\$6,868)	(\$7,158)	(\$7,474)	(\$7,811)	(\$8,165)
change in other assets	(\$79,979)	(\$54,758)	(\$49,738)	(\$48,934)	(\$47,736)	(\$50,392)	(\$53,036)	(\$55,672)	(\$58,314)	(\$60,984)
change in AP	(\$51,131)	\$58,611	\$47,135	\$41,923	\$36,302	\$35,663	\$34,680	\$33,357	\$31,712	\$29,768
change in accrued payroll & related benefits	\$59,174	\$28,843	\$26,199	\$25,775	\$25,145	\$26,543	\$27,936	\$29,325	\$30,716	\$32,123
change in sales related reserves	\$139,727	\$29,443	\$26,744	\$26,311	\$25,667	\$27,095	\$28,517	\$29,935	\$31,355	\$32,791
change in income taxes payable	\$22,586	\$5,296	\$3,467	\$2,199	\$1,824	\$1,364	\$1,082	\$404	\$142	(\$342)
change in other accrued expenses	(\$71,112)	\$27,254	\$24,756	\$24,355	\$23,759	\$25,081	\$26,397	\$27,709	\$29,024	\$30,353
change in deferred income on sales to distributors	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
change in deferred tax liabilities	\$11,724	\$6,956	\$5,937	\$5,307	\$5,485	\$5,604	\$5,945	\$5,872	\$6,321	\$6,559
change in long term financing lease liabilities	\$6,019	\$2,888	\$3,131	\$3,300	\$3,407	\$3,538	\$3,688	\$3,851	\$4,025	\$4,207
change in other long term liabilities	(\$123,220)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash flow from operations	\$2,733,077	\$2,658,074	\$3,049,435	\$3,377,085	\$3,696,071	\$4,013,845	\$4,348,291	\$4,689,677	\$5,051,128	\$5,429,268
Capital expenditures	(\$1,464,572)	(\$1,638,431)	(\$1,796,351)	(\$1,951,716)	(\$2,103,279)	(\$2,263,274)	(\$2,431,665)	(\$2,608,426)	(\$2,793,575)	(\$2,987,201)
change in intangible assets	(\$236,593)	(\$63,616)	(\$57,784)	(\$56,849)	(\$55,458)	(\$58,543)	(\$61,615)	(\$64,678)	(\$67,747)	(\$70,849)
Cash flow from investing	(\$1,701,165)	(\$1,702,046)	(\$1,854,134)	(\$2,008,565)	(\$2,158,737)	(\$2,321,817)	(\$2,493,280)	(\$2,673,104)	(\$2,861,322)	(\$3,058,050)
Share repurchases	(\$774,330)	(\$3,000,000)	(\$1,644,577)	(\$1,889,047)	(\$2,145,913)	(\$2,427,702)	(\$2,735,697)	(\$3,071,188)	(\$3,435,512)	(\$3,830,101)
Dividend	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Change in common stock	(\$60,015)	\$612,195	\$556,071	\$547,076	\$533,688	\$563,379	\$592,941	\$622,416	\$651,949	\$681,801
change in current portion of long-term debt	(\$33,800)	(\$794,000)	\$0	\$540,233	\$270,100	\$425,000	(\$519,312)	\$46,245	\$47,486	\$48,731
change in long term debt	\$162,603	\$272,827	\$256,185	\$254,508	\$255,299	\$261,776	\$268,790	\$276,082	\$283,486	\$290,920
Change in other comprehensive income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash flow from financing	(\$705,541)	(\$2,908,977)	(\$832,321)	(\$547,230)	(\$1,086,826)	(\$1,177,547)	(\$2,393,278)	(\$2,126,445)	(\$2,452,591)	(\$2,808,649)
Net increase (decrease) in cash & cash equivalents	\$326,371	(\$1,952,949)	\$362,980	\$821,290	\$450,509	\$514,481	(\$538,267)	(\$109,872)	(\$262,785)	(\$437,431)
Cash & cash equivalents - beginning of year	\$2,483,000	\$2,809,371	\$856,421	\$1,219,401	\$2,040,691	\$2,491,199	\$3,005,680	\$2,467,412	\$2,357,540	\$2,094,755
Cash & cash equivalents - end of year	\$2,809,371	\$856,421	\$1,219,401	\$2,040,691	\$2,491,199	\$3,005,680	\$2,467,412	\$2,357,540	\$2,094,755	\$1,657,324

On Semiconductor Corp.
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net income (loss)	154,000	192,100	209,000	184,500	813,000	629,900	213,900	236,400	1,011,200	1,903,800	2,185,600
Depreciation & amortization	211,800	268,800	357,600	364,100	481,900	508,700	593,100	625,100	596,700	551,800	609,500
Loss (gain) on sale or disposal of fixed assets	(3,700)	(1,400)	(3,900)	1,500	3,900	2,400	1,900	(3,200)	-	(32,600)	11,600
Loss (gain) on divestiture of businesses	-	-	-	(92,200)	(12,500)	(5,000)	-	-	(10,200)	(67,000)	700
Loss on debt extinguishment or modification	-	-	400	6,300	47,200	4,600	6,200	-	29,000	7,100	13,300
Amortization of debt discount & issuance costs	1,300	1,400	2,800	12,000	16,000	13,200	13,000	12,100	10,700	11,000	-
Payments for term debt modification	-	-	-	(26,400)	(3,800)	(1,100)	-	-	-	-	-
Share-based compensation	32,300	45,800	46,900	56,100	69,800	78,300	79,400	67,700	101,300	100,800	121,100
Non-cash interest on convertible notes	11,200	7,000	17,500	26,000	30,800	36,100	37,800	38,200	24,700	-	11,300
Non-cash asset impairment charges	8,000	6,500	200	500	7,900	2,400	3,400	17,500	10,800	18,600	-
Goodwill & intangible asset impairment charges	-	9,600	3,800	2,200	13,100	6,800	1,600	1,300	-	386,800	19,500
Change in deferred tax balances	(21,000)	(18,800)	(9,200)	(38,100)	(348,300)	69,200	11,200	(122,600)	62,400	3,100	(127,700)
Other adjustments	8,700	1,800	(2,800)	(4,600)	2,200	(1,600)	(100)	10,500	4,300	100	-
Receivables	(35,400)	20,500	(11,300)	28,100	(57,900)	(2,700)	4,700	31,400	(136,300)	(47,800)	(112,800)
Inventories	(45,700)	(18,400)	(20,100)	58,300	(59,900)	(129,500)	34,600	(26,300)	(122,800)	(235,200)	(495,200)
Other assets	20,400	(14,100)	(10,200)	(24,900)	(86,000)	(37,400)	(34,600)	(60,000)	(22,900)	(110,500)	700
Accounts payable	6,600	(17,300)	(32,200)	42,400	51,800	44,800	(79,900)	34,200	70,700	38,200	(91,700)
Accrued expenses & other current liabilities	21,700	(11,300)	(16,300)	(15,300)	211,100	56,500	(201,700)	(18,500)	123,900	96,500	(178,600)
Deferred income on sales to distributors	6,000	24,600	(53,100)	100	(109,800)	-	-	-	-	-	-
Other long-term liabilities	(48,900)	(15,500)	(8,500)	600	23,700	(1,400)	10,200	40,500	28,500	8,400	10,200
Net cash flows from operating activities	327,300	481,300	470,600	581,200	1,094,200	1,274,200	694,700	884,300	1,782,000	2,633,100	1,977,500
Purchase of property, plant & equipment	(155,200)	(204,300)	(270,800)	(210,700)	(387,500)	(514,800)	(534,600)	(383,600)	(444,600)	(1,005,000)	(1,575,600)
Proceeds from sale of property, plant & equipment	9,700	1,500	11,100	400	14,300	36,500	1,900	6,300	14,000	59,100	4,000
Deposits utilized (made) for purchases of property, plant & equipment	(1,300)	2,600	(1,400)	(2,200)	(8,200)	4,100	4,600	2,200	(47,400)	(31,000)	36,500
Purchase of business, net of cash acquired	-	(423,700)	(31,300)	(2,284,000)	(800)	(70,900)	(888,000)	(4,500)	(399,400)	(2,400)	(236,300)
Divestiture of business, net of cash transferred & proceeds from escrow	-	-	-	-	-	-	-	-	7,000	263,100	-
Settlement of purchase price & purchase of equity interest & assets, net of cash acquired	-	-	-	-	-	-	-	26,000	-	-	-
Purchase of equity interest & assets, net of cash acquired	-	-	-	-	-	(24,600)	-	-	-	-	-
Purchase of license & deposit made for manufacturing facility	-	-	-	-	-	-	(100,000)	(100,000)	-	-	-
Proceeds from divestiture of business & release of escrow	-	-	-	104,000	20,000	8,400	5,200	-	-	-	-
Proceeds from repayment of note receivable	-	-	-	-	-	10,200	-	-	-	-	-
Cash placed in escrow	-	(40,000)	-	(67,700)	-	-	-	-	-	-	-
Cash received from escrow	-	-	20,400	23,800	-	-	-	-	-	-	-
Purchase of cost method investment	-	(5,800)	-	-	-	-	-	-	-	-	-
Purchase of available-for-sale securities	-	-	-	-	-	-	-	-	(48,900)	(18,000)	-
Proceeds from sale or maturity of available-for-sale securities	-	-	-	-	-	-	-	-	4,200	28,800	-
Proceeds from sale of available-for-sale securities	-	-	5,500	-	-	-	-	-	-	-	33,500
Proceeds from sale of held-to-maturity securities	-	-	2,800	-	-	-	-	-	-	-	-
Proceeds from held-to-maturity securities	224,300	116,900	-	-	-	-	-	-	-	-	-
Purchase of held-to-maturity securities	(195,700)	(12,800)	(800)	-	(1,600)	-	-	-	-	-	-
Other cash flows from investing activities	-	-	-	1,800	(700)	2,200	-	-	-	-	-
Net cash flows from investing activities	(118,200)	(565,600)	(264,500)	(2,434,600)	(364,500)	(548,900)	(1,510,900)	(453,600)	(915,100)	(705,400)	(1,737,900)
Proceeds from the issuance of common stock under the employee stock purchase plan ("ESPP")	8,300	10,000	14,600	15,000	23,600	25,000	26,200	23,600	23,500	22,900	-
Proceeds from exercise of stock options	12,100	24,900	27,100	14,900	18,000	5,700	1,700	-	-	-	-
Payment of tax withholding for restricted stock units ("RSUs")	(4,500)	(9,100)	(14,700)	(12,300)	(28,100)	(31,600)	(33,500)	(20,000)	(38,900)	(78,100)	-
Repurchase of common stock	(101,000)	(121,800)	(348,200)	-	(25,000)	(315,300)	(139,000)	(65,400)	-	(259,800)	(564,200)
Issuance & borrowings under debt agreements	173,700	346,400	816,500	2,586,900	1,106,200	15,300	1,404,800	1,858,000	787,300	500,000	1,845,000
Reimbursement of debt issuance costs	-	-	-	-	-	-	-	-	2,700	-	(7,900)
Payment of debt issuance & other financing costs	-	-	(20,400)	(6,800)	-	-	(24,000)	(2,400)	(3,800)	-	(41,000)
Repayment of borrowings under debt agreements	(217,700)	(90,600)	(495,500)	(313,800)	(1,831,400)	(298,400)	(594,400)	(2,023,900)	(1,270,500)	(530,000)	(1,723,400)
Release of escrow related to prior acquisition	-	-	-	-	-	-	(10,400)	-	-	-	-
Purchase of convertible note hedges	-	-	(108,900)	-	(144,700)	-	-	-	-	-	-
Proceeds from issuance of warrants	-	-	52,000	-	85,200	-	-	-	-	-	-
Payment of capital lease obligations	(41,700)	(43,800)	(22,300)	(14,900)	(8,900)	(3,600)	-	-	-	-	-
Payment of finance lease obligations	-	-	-	-	-	-	(800)	-	-	(11,500)	(15,300)
Payment for purchase of bond hedges	-	-	-	-	-	-	-	(160,300)	-	-	(414,000)
Proceeds from issuance of warrants	-	-	-	-	-	-	-	-	93,800	-	242,500
Payment of contingent consideration	-	-	-	-	(3,900)	-	(5,200)	(8,900)	(3,200)	(9,200)	(5,800)
Acquisition of non-controlling interest	-	(20,400)	-	-	-	-	-	-	-	-	-
Dividend to non-controlling shareholder	-	(4,200)	-	(4,300)	(1,900)	(2,200)	(2,300)	(5,000)	-	(4,300)	(2,400)
Payments made in connection with repurchase or exchange convertible notes	(3,200)	-	-	-	-	-	-	-	-	-	-
Net cash flows from financing activities	(174,000)	91,400	(99,800)	2,264,700	(810,900)	(605,100)	623,100	(244,000)	(569,400)	(370,000)	(686,500)
Effect of exchange rate changes on cash & cash equivalents	(12,500)	(4,900)	(400)	(800)	2,300	300	200	600	(1,300)	(2,400)	(1,100)
Restricted Cash	-	-	-	-	-	(17,500)	0	(800)	(25,100)	(14,000)	(2,000)
Net increase (decrease) in cash, cash equivalents & restricted cash	22,600	2,200	105,900	410,500	(78,900)	103,000	(192,900)	186,500	271,100	1,541,300	(450,000)
Cash, cash equivalents & restricted cash, beginning of period	486,900	509,500	511,700	617,600	1,028,100	966,600	1,087,100	894,200	1,081,500	1,377,700	2,933,000
Cash, cash equivalents & restricted cash, end of period	509,500	511,700	617,600	1,028,100	949,200	1,069,600	894,200	1,080,700	1,352,600	2,919,000	2,483,000
Cash paid for interest expense	24,800	25,700	28,400	106,700	92,100	-	97,200	109,100	96,900	80,700	73,200
Cash paid (received) for income taxes	12,900	18,100	20,000	27,300	67,800	-	62,900	52,500	88,200	443,200	428,200

On Semiconductor Corp.

Common Size Income Statement

Fiscal Years Ending Dec. 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
PSG revenue	-	-	-	43.73%	50.86%	51.69%	50.53%	49.59%	51.03%	50.54%	53.91%
ASG revenue	-	-	-	37.92%	35.20%	35.23%	35.74%	36.35%	35.61%	34.12%	30.15%
ISG revenue	-	-	-	18.35%	13.94%	13.08%	13.72%	14.05%	13.37%	15.33%	15.94%
Total revenue	100.00%										
COST OF REVENUE:											
Cost of revenue	59.00%	57.19%	55.64%	57.49%	54.62%	53.26%	53.48%	55.45%	50.87%	44.40%	45.56%
Depreciation and amortization	7.61%	8.50%	10.23%	9.32%	8.69%	8.65%	10.75%	11.90%	8.85%	6.63%	7.39%
Gross profit (loss)	33.39%	34.31%	34.13%	33.20%	36.69%	38.08%	35.77%	32.65%	40.27%	48.97%	47.06%
OPERATING EXPENSES:											
Research & development expenses	12.01%	11.59%	11.35%	11.58%	10.72%	11.07%	11.61%	12.23%	9.72%	7.21%	7.00%
Selling & marketing expenses	6.15%	6.33%	5.84%	6.09%	5.70%	5.52%	5.45%	5.30%	4.36%	3.46%	3.38%
General & administrative expenses	5.34%	5.72%	5.21%	5.89%	5.14%	4.99%	5.15%	4.92%	4.52%	4.12%	4.39%
Litigation settlement	-	-	-	-	-	-	3.07%	-	-	-	-
Amortization of acquisition-related intangible assets	1.19%	2.16%	3.88%	2.68%	2.23%	1.90%	2.09%	2.29%	1.47%	0.98%	0.62%
Restructuring, asset impairments & other charges, net	1.19%	0.96%	0.27%	0.85%	0.38%	0.07%	0.52%	1.24%	1.06%	0.21%	0.91%
Goodwill & intangible asset impairment expenses	-	0.30%	0.11%	0.06%	0.24%	0.12%	0.03%	0.02%	0.04%	4.65%	-
Total operating expenses	25.88%	27.07%	26.66%	27.15%	24.41%	23.67%	27.93%	26.02%	21.17%	20.62%	16.29%
Operating income (loss)	7.51%	7.24%	7.47%	6.04%	12.28%	14.41%	7.84%	6.64%	19.10%	28.34%	30.76%
OTHER EXPENSES:											
Interest expense	-1.39%	-1.08%	-1.42%	-3.72%	-2.55%	-2.18%	-2.69%	-3.20%	-1.93%	-1.14%	-0.91%
Interest income	0.05%	0.05%	0.03%	0.12%	0.05%	0.10%	0.18%	0.09%	0.02%	0.19%	1.13%
Gain (loss) on debt refinancing & prepayment	-0.11%	-	-	-	-	-0.08%	-0.11%	-	-0.43%	-0.09%	-0.16%
Gain on divestiture of businesses	-	-	-	2.36%	0.23%	0.09%	-	-	0.15%	0.80%	-0.01%
Gain (loss) on modification or extinguishment of debt	-	-	-0.01%	-0.16%	-0.85%	-	-	-	-	-	-
Other income (expense), net	0.05%	-0.14%	0.22%	-0.02%	0.71%	0.50%	-0.21%	-0.16%	0.27%	0.26%	-0.09%
Total other income (expenses), net	-1.40%	-1.17%	-1.18%	-1.42%	-2.41%	-1.57%	-2.83%	-3.27%	-1.93%	0.03%	-0.04%
Income (loss) before income taxes	6.11%	6.07%	6.29%	4.62%	9.88%	12.84%	5.01%	3.36%	17.18%	28.37%	30.73%
Total current income tax provision (benefit)	0.97%	-0.01%	0.31%	-0.10%	-4.79%	2.13%	1.14%	-1.14%	2.18%	5.51%	4.24%
Total deferred income tax provision (benefit)	0.40%	-0.59%	-0.36%	-0.98%	-6.23%	1.26%	0.24%	-2.18%	1.34%	0.25%	-1.47%
Income tax provision (benefit)	0.97%	-0.01%	0.31%	-0.10%	-4.79%	2.13%	1.14%	-1.14%	2.18%	5.51%	4.24%
Net income (loss)	5.14%	6.08%	5.98%	4.72%	14.67%	10.72%	3.88%	4.50%	15.00%	22.87%	26.48%
Less: net income attributable to non-controlling interest	-0.11%	-0.08%	-0.08%	-0.06%	-0.04%	-0.04%	-0.04%	-0.04%	-0.02%	-0.02%	-0.02%
Net income (loss) attributable to ON Semiconductor Corpo	5.03%	6.00%	5.90%	4.66%	14.63%	10.67%	3.84%	4.46%	14.98%	22.85%	26.46%

On Semiconductor Corp.
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total revenue	\$6,739,800	\$8,326,200	\$8,253,000	\$7,671,435	\$8,582,108	\$9,409,293	\$10,223,097	\$11,016,986	\$11,855,042	\$12,737,072	\$13,662,949	\$14,632,758	\$15,646,973
ASSETS													
CURRENT ASSETS:													
Cash & cash equivalents	20.07%	35.06%	30.09%	36.62%	9.98%	12.96%	19.96%	22.61%	25.35%	19.37%	17.25%	14.32%	10.59%
Receivables, net	12.01%	10.12%	11.33%	14.00%	13.70%	13.40%	13.10%	12.80%	12.50%	12.20%	11.90%	11.60%	11.30%
Inventories	20.47%	19.42%	25.59%	26.00%	25.50%	24.50%	23.50%	22.50%	21.50%	20.50%	19.50%	18.50%	17.50%
Other current assets	3.56%	4.22%	4.63%	6.00%	5.85%	5.70%	5.45%	5.30%	5.15%	5.00%	4.85%	4.70%	4.55%
Total current assets	56.11%	68.81%	71.64%	82.62%	55.03%	56.56%	62.01%	63.21%	64.50%	57.07%	53.50%	49.12%	43.94%
Property, plant & equipment, net	37.45%	41.44%	53.33%	62.78%	61.82%	62.02%	62.56%	63.29%	63.87%	64.36%	64.77%	65.14%	65.47%
Goodwill	28.75%	18.95%	19.12%	20.56%	18.38%	16.77%	15.43%	14.32%	13.31%	12.39%	11.55%	10.78%	10.08%
Intangible assets, net	7.35%	4.32%	3.63%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%
Deferred tax assets	5.43%	4.52%	7.28%	3.78%	3.85%	3.87%	3.86%	3.87%	3.87%	3.87%	3.87%	3.85%	3.84%
Right-of-use financing lease	-	0.55%	0.51%	0.72%	0.71%	0.71%	0.72%	0.72%	0.73%	0.74%	0.74%	0.75%	0.75%
Other assets	7.72%	5.27%	4.62%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%
Total assets	142.82%	143.87%	160.13%	183.46%	152.78%	152.93%	157.58%	158.42%	159.28%	151.42%	147.42%	142.63%	137.09%
LIABILITIES AND EQUITY													
0													
Accounts payable	9.42%	13.07%	8.79%	8.79%	8.54%	8.29%	8.04%	7.79%	7.54%	7.29%	7.04%	6.79%	6.54%
Accrued payroll & related benefits	4.23%	3.42%	2.23%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%
Sales related reserves	3.41%	2.52%	1.31%	3.23%	3.23%	3.23%	3.23%	3.23%	3.23%	3.23%	3.23%	3.23%	3.23%
Income taxes payable	0.35%	0.42%	0.45%	0.78%	0.76%	0.73%	0.69%	0.66%	0.63%	0.59%	0.55%	0.52%	0.48%
Other accrued expenses	3.10%	3.38%	3.64%	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%
Deferred income on sales to distributors	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt	2.38%	1.95%	10.03%	10.35%	-	-	5.28%	7.36%	10.42%	5.62%	5.58%	5.53%	5.49%
Total current liabilities	22.90%	24.76%	26.46%	29.32%	18.70%	18.42%	23.41%	25.20%	27.98%	22.90%	22.57%	22.24%	21.90%
Long-term debt	43.23%	36.58%	30.81%	35.26%	34.70%	34.37%	34.13%	33.98%	33.79%	33.56%	33.31%	33.04%	32.75%
Deferred tax liabilities	0.64%	0.41%	0.47%	0.66%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%
Long-term financing lease liabilities	-	0.28%	0.27%	0.37%	0.36%	0.37%	0.37%	0.37%	0.38%	0.38%	0.38%	0.38%	0.39%
Other long-term liabilities	7.73%	7.29%	7.60%	6.57%	5.87%	5.36%	4.93%	4.58%	4.25%	3.96%	3.69%	3.44%	3.22%
Total liabilities	74.51%	69.32%	65.61%	72.18%	60.30%	59.18%	63.51%	64.81%	67.07%	61.47%	60.62%	59.77%	58.93%
Notes, series B - redeemable conversion feature	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock & APIC	68.83%	56.17%	63.21%	67.22%	67.22%	67.22%	67.22%	67.22%	67.22%	67.22%	67.22%	67.22%	67.22%
Retained earnings (accumulated deficit)	36.13%	52.42%	79.34%	105.83%	115.43%	126.25%	137.11%	148.18%	158.65%	168.62%	178.06%	187.09%	195.75%
Less: treasury stock	36.33%	33.99%	47.71%	61.42%	89.86%	99.44%	110.00%	121.55%	133.44%	145.67%	158.28%	171.27%	184.65%
Total ON Semiconductor Corporation stockholders' equity (deficit)	68.03%	74.33%	94.30%	111.05%	92.27%	93.55%	93.89%	93.45%	92.06%	89.81%	86.67%	82.74%	78.04%
Non-controlling interest	0.28%	0.22%	0.22%	0.23%	0.21%	0.19%	0.18%	0.16%	0.15%	0.14%	0.13%	0.12%	0.12%
Total stockholders' equity (deficit)	68.32%	74.55%	94.52%	111.28%	92.48%	93.74%	94.07%	93.61%	92.21%	89.95%	86.80%	82.86%	78.15%
Total Liabilities and Stockholder Equity	142.82%	143.87%	160.13%	183.46%	152.78%	152.93%	157.58%	158.42%	159.28%	151.42%	147.42%	142.63%	137.09%

On Semiconductor Corp.

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.53%
Beta	1.46
Equity Risk Premium	4.23%
Cost of Equity	10.71%

ASSUMPTIONS:

Risk-free rate assumption 10 year risk free rate

4 year weekly beta

ERP assumption here Damodaran 12 month cash yield (A

Cost of Debt:

Risk-Free Rate	4.53%
Implied Default Premium	1.53%
Pre-Tax Cost of Debt	6.06%
Marginal Tax Rate	22%
After-Tax Cost of Debt	4.73%

Risk-free rate assumption 10 year risk free rate

YTM on bond maturing 3/1/2029

Market Value of Common Equity:

Total Shares Outstanding	419,087
Current Stock Price	\$70.60 As of 4/11/2024
MV of Equity	29,587,533.88

MV Weights

91.38%

Market Value of Debt:

Short-Term Debt	0
Current Portion of LTD	0
Long-Term Debt	2,542,600
PV of Operating Leases	248,443
MV of Total Debt	2,791,042.81

8.62%

Market Value of the Firm

32,378,576.69

100.00%

Estimated WACC

10.20%

On Semiconductor Corp.
Value Driver Estimation

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:													
Revenue	6,739,800	8,326,200	8,253,000	7,671,435	8,582,108	9,409,293	10,223,097	11,016,986	11,855,042	12,737,072	13,662,949	14,632,758	15,646,973
(Cost of Revenue)	(3,428,800)	(3,697,200)	(3,760,000)	(3,352,417)	(3,698,889)	(3,951,903)	(4,242,585)	(4,572,049)	(4,919,842)	(5,285,885)	(5,670,124)	(6,072,595)	(6,493,494)
(Research & Development)	(655,000)	(600,200)	(577,300)	(560,015)	(729,479)	(893,883)	(1,022,310)	(1,101,699)	(1,185,504)	(1,273,707)	(1,366,295)	(1,463,276)	(1,564,697)
(Selling and Marketing)	(596,700)	(551,800)	(609,500)	(777,441)	(850,632)	(937,069)	(1,030,775)	(1,129,565)	(1,231,555)	(1,337,470)	(1,447,857)	(1,563,127)	(1,683,596)
(General & Administrative)	(304,800)	(343,200)	(362,400)	(360,557)	(377,613)	(395,190)	(444,209)	(478,705)	(515,119)	(553,445)	(593,676)	(635,815)	(679,884)
Implied Lease Interest	8,494	9,886	16,048	15,056	18,297	22,466	27,801	34,580	43,107	53,700	66,675	82,337	100,979
EBITA	1,762,994	3,143,686	2,959,848	2,636,061	2,943,793	3,253,714	3,511,020	3,769,549	4,046,128	4,340,265	4,651,673	4,980,283	5,326,280
Tax Shield on Litigation Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Shield on Amortization of Acquisition-Related Intangibles	21,780	17,864	11,242	12,782	10,538	9,152	7,612	6,050	5,392	4,806	4,284	3,818	3,403
Tax Shield on Restructuring, Asset Impairments & other costs	15,708	3,938	16,478	12,617	12,617	12,617	12,617	12,617	12,617	12,617	12,617	12,617	12,617
Tax Shield on Goodwill and Intangible Asset Impairment Costs	638	85,096	0	0	0	0	0	0	0	0	0	0	0
Tax Shield on Interest Expense	28,688	20,878	16,456	34,982	37,884	41,411	44,815	48,213	51,660	55,197	58,829	62,559	66,388
Tax on Interest Income	(308)	(3,410)	(20,482)	(8,130)	(9,199)	(2,804)	(3,993)	(6,682)	(8,157)	(9,841)	(11,719)	(13,719)	(15,859)
Tax Shield on Loss from Debt refinancing & Repayment	6,380	1,562	2,926	0	0	0	0	0	0	0	0	0	0
Tax on Gain from Divestitures	(2,244)	(14,740)	154	0	0	0	0	0	0	0	0	0	0
Tax (Shield) on Loss from Modification / Extinguishment of Debt	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax (Shield) on Other Income/(Expense)	(3,960)	(4,774)	1,584	(532)	(532)	(532)	(532)	(532)	(532)	(532)	(532)	(532)	(532)
Provision for Income Taxes	146,600	458,400	350,200	523,602	595,830	657,477	712,581	769,541	827,728	889,457	950,428	1,016,061	1,084,168
Tax Shield on operating leases	1,869	2,175	3,531	3,312	4,025	4,942	6,116	7,608	9,484	11,814	14,669	18,114	22,215
Total Adjusted Taxes:	215,151	566,989	382,089	578,632	651,164	722,263	779,216	836,815	898,192	963,518	1,032,215	1,104,917	1,181,400
Change in Deferred Taxes:	205,000	(69,600)	(141,900)	215,879	4,744	(204,226)	214,438	5,492	(236,418)	248,238	6,357	(273,683)	287,367
NOPLAT:	1,752,843	2,507,097	2,435,860	2,273,307	2,297,373	2,327,225	2,946,241	2,938,226	2,911,519	3,624,985	3,625,816	3,601,683	4,432,247
Invested Capital (IC):													
Normal cash	687,820	841,640	889,800	836,412	936,781	1,021,092	1,102,779	1,191,001	1,286,282	1,389,184	1,500,319	1,620,344	1,749,972
Account receivable - net	809,400	842,300	935,400	1,074,001	1,175,749	1,260,845	1,339,226	1,410,174	1,481,880	1,553,923	1,625,891	1,697,400	1,768,108
Inventory	1,379,500	1,616,800	2,111,800	1,994,573	2,188,438	2,305,277	2,402,428	2,478,822	2,548,834	2,611,100	2,664,275	2,707,060	2,738,220
Other current assets	3,781,600	5,729,400	5,912,300	6,338,231	4,722,661	5,321,853	6,339,503	6,964,096	7,646,929	7,269,289	7,310,359	7,186,955	6,875,590
Accounts payable	635,100	1,088,400	725,600	674,469	733,080	780,214	822,137	858,439	894,102	928,782	962,139	993,850	1,023,618
Accrued liabilities	208,700	281,500	300,700	229,588	256,842	281,598	305,953	329,712	354,793	381,190	408,899	437,924	468,277
Accrued payroll & compensation	285,400	284,800	183,800	242,974	271,818	298,017	323,792	348,937	375,480	403,416	432,741	463,458	495,581
Income taxes payable	23,600	34,800	37,400	59,986	65,282	68,749	70,948	72,772	74,135	75,217	75,621	75,462	75,420
Deferred revenue	0	0	0	0	0	0	0	0	0	0	0	0	0
Current working capital	5,505,520	7,340,640	8,601,800	9,036,199	7,696,607	8,480,489	9,661,106	10,434,234	11,265,414	11,034,891	11,221,444	11,240,766	11,068,995
PP&E - net	\$ 2,524,300	\$ 3,450,700	\$ 4,401,500	\$ 4,815,874	\$ 5,305,238	\$ 5,835,759	\$ 6,395,064	\$ 6,972,481	\$ 7,572,122	\$ 8,197,079	\$ 8,849,683	\$ 9,531,724	\$ 10,244,657
Intangible Assets - net	\$ 495,700	\$ 359,700	\$ 299,300	\$ 535,893	\$ 599,509	\$ 657,293	\$ 714,142	\$ 769,599	\$ 828,142	\$ 889,757	\$ 954,435	\$ 1,022,181	\$ 1,093,030
Right of Use Financing Lease	\$ -	\$ 45,800	\$ 42,400	\$ 55,156	\$ 60,760	\$ 66,836	\$ 73,242	\$ 79,855	\$ 86,723	\$ 93,880	\$ 101,354	\$ 109,166	\$ 117,331
Other Assets	\$ 520,600	\$ 438,600	\$ 381,300	\$ 461,279	\$ 516,037	\$ 565,775	\$ 614,709	\$ 662,445	\$ 712,837	\$ 765,873	\$ 821,545	\$ 879,859	\$ 940,843
Income Taxes Payable	\$ (23,600)	\$ (34,800)	\$ (37,400)	\$ (59,986)	\$ (65,282)	\$ (68,749)	\$ (70,948)	\$ (72,772)	\$ (74,135)	\$ (75,217)	\$ (75,621)	\$ (75,462)	\$ (75,420)
Total Invested Capital:	9,022,520	11,600,640	13,688,900	14,844,415	14,112,869	15,537,403	17,387,314	18,845,843	20,391,102	20,906,263	21,872,841	22,707,934	23,389,436
Free Cash Flow (FCF):													
NOPLAT	\$ 1,752,843	\$ 2,507,097	\$ 2,435,860	\$ 2,273,307	\$ 2,297,373	\$ 2,327,225	\$ 2,946,241	\$ 2,938,226	\$ 2,911,519	\$ 3,624,985	\$ 3,625,816	\$ 3,601,683	\$ 4,432,247
Change in IC	\$ 933,400	\$ 2,578,120	\$ 2,088,260	\$ 1,155,515	\$ (731,546)	\$ 1,424,534	\$ 1,849,910	\$ 1,458,529	\$ 1,545,259	\$ 515,161	\$ 966,578	\$ 835,093	\$ 681,502
FCF	819,443	(71,023)	347,600	1,117,792	3,028,919	902,691	1,096,331	1,479,696	1,366,260	3,109,825	2,659,238	2,766,590	3,750,745
Return on Invested Capital (ROIC):													
NOPLAT	\$ 1,752,843	\$ 2,507,097	\$ 2,435,860	\$ 2,273,307	\$ 2,297,373	\$ 2,327,225	\$ 2,946,241	\$ 2,938,226	\$ 2,911,519	\$ 3,624,985	\$ 3,625,816	\$ 3,601,683	\$ 4,432,247
Beginning IC	\$ 8,089,120	\$ 9,022,520	\$ 11,600,640	\$ 13,688,900	\$ 14,844,415	\$ 14,112,869	\$ 15,537,403	\$ 17,387,314	\$ 18,845,843	\$ 20,391,102	\$ 20,906,263	\$ 21,872,841	\$ 22,707,934
ROIC	21.67%	27.79%	21.00%	16.61%	15.48%	16.49%	18.96%	16.90%	15.45%	17.78%	17.34%	16.47%	19.52%
Economic Profit (EP):													
Beginning IC	\$ 8,089,120	\$ 9,022,520	\$ 11,600,640	\$ 13,688,900	\$ 14,844,415	\$ 14,112,869	\$ 15,537,403	\$ 17,387,314	\$ 18,845,843	\$ 20,391,102	\$ 20,906,263	\$ 21,872,841	\$ 22,707,934
x (ROIC - WACC)	11.47%	17.59%	10.80%	6.41%	5.28%	6.29%	8.77%	6.70%	5.25%	7.58%	7.15%	6.27%	9.32%
EP	\$ 928,142	\$ 1,587,234	\$ 1,253,153	\$ 877,698	\$ 783,957	\$ 888,391	\$ 1,362,174	\$ 1,165,556	\$ 990,150	\$ 1,546,074	\$ 1,494,383	\$ 1,371,706	\$ 2,117,131

On Semiconductor Corp.

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	4.00%
CV Year ROIC	19.52%
WACC	10.20%
Cost of Equity	10.71%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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DCF Model:

Free Cash Flow (FCF)	\$	1,117,792	\$	3,028,919	\$	902,691	\$	1,096,331	\$	1,479,696	\$	1,366,260	\$	3,109,825	\$	2,659,238	\$	2,766,590	\$	3,750,745	
Continuing Value (CV)																				\$	56,881,726
PV of FCF	\$	1,014,375	\$	2,494,379	\$	674,608	\$	743,517	\$	910,667	\$	763,058	\$	1,576,150	\$	1,223,084	\$	1,154,732	\$	23,741,552	

Value of Operating Assets:	\$	34,296,120
Non-Operating Adjustments		
Excess Cash	\$	1,593,200
Other Assets	\$	382,100
Debts	\$	(827,800)
PV of Operating Leases	\$	(42,400)
ESOP	\$	(1,561)
Value of Equity	\$	35,399,659
Shares Outstanding		419,087
Intrinsic Value of Last FYE	\$	84.47
Implied Price as of Today	\$	86.92

EP Model:

Economic Profit (EP)	\$	877,698	\$	783,957	\$	888,391	\$	1,362,174	\$	1,165,556	\$	990,150	\$	1,546,074	\$	1,494,383	\$	1,371,706	\$	2,117,131	
Continuing Value (CV)																				\$	34,173,792
PV of EP	\$	796,494	\$	645,605	\$	663,921	\$	923,809	\$	717,332	\$	553,000	\$	783,596	\$	687,323	\$	572,529	\$	14,263,612	

Total PV of EP	\$	20,607,220
Invested Capital (last FYE)	\$	13,688,900
Value of Operating Assets:	\$	34,296,120
Non-Operating Adjustments		
Excess Cash	\$	1,593,200
Other Assets	\$	382,100
Debts	\$	(827,800)
PV of Operating Leases	\$	(42,400)
ESOP	\$	(1,561)
Value of Equity	\$	35,399,659
Shares Outstanding		419,087
Intrinsic Value of Last FYE	\$	84.47
Implied Price as of Today	\$	86.92

On Semiconductor Corp.
Key Management Ratios

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Liquidity Ratios:													
Quick Ratio	1.56	2.00	1.74	1.93	1.58	1.74	1.64	1.62	1.54	1.60	1.51	1.38	1.21
Current Ratio	2.45	2.78	2.71	2.82	2.94	3.07	2.65	2.51	2.31	2.49	2.37	2.21	2.01
Cash Ratio	0.88	1.42	1.14	1.25	0.53	0.70	0.85	0.90	0.91	0.85	0.76	0.64	0.48
NWC as % of Revenue	33%	44%	45%	53%	36%	38%	39%	38%	37%	34%	31%	27%	22%
Asset-Management Ratios:													
Receivables Turnover	8.33	9.89	8.82	7.14	7.30	7.46	7.63	7.81	8.00	8.20	8.40	8.62	8.85
Average Collection Period	43.83	36.92	41.37	51.10	50.01	48.91	47.82	46.72	45.63	44.53	43.44	42.34	41.25
Total Asset Turnover	0.74	0.77	0.66	0.56	0.63	0.68	0.67	0.66	0.65	0.67	0.69	0.71	0.74
Financial Leverage Ratios:													
D/E	0.67	0.52	0.43	0.41	0.38	0.37	0.42	0.44	0.48	0.44	0.45	0.47	0.49
Equity Multiplier	2.09	1.93	1.69	1.65	1.65	1.63	1.68	1.69	1.73	1.68	1.70	1.72	1.75
D/A	0.32	0.27	0.26	0.25	0.23	0.22	0.25	0.26	0.28	0.26	0.26	0.27	0.28
Profitability Ratios:													
Return on Equity (NI/Beg TSE)	21.93%	30.65%	27.99%	18.38%	22.50%	22.34%	22.21%	22.37%	22.70%	23.27%	24.03%	25.13%	26.58%
ROIC	21.67%	27.79%	21.00%	16.61%	15.48%	16.49%	18.96%	16.90%	15.45%	17.78%	17.34%	16.47%	19.52%
Return on Assets (NI/Assets)	10.49%	15.88%	16.52%	11.15%	13.62%	13.69%	13.26%	13.22%	13.14%	13.83%	14.15%	14.60%	15.15%
Payout Policy Ratios:													
Total Payout Ratio ((Divs. + Repurchases)/NI)	-	13.66%	25.84%	49.35%	168.01%	83.46%	88.45%	93.03%	97.84%	102.60%	107.78%	112.78%	117.83%

On Semiconductor Corp.

Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	Est. 5yr EPS gr.	PEG 24	PEG 25
MPWR	Monolithic Power Systems Inc.	\$670.36	\$12.86	\$16.14	52.13	41.53	9.54	5.46	4.35
MCHP	Microchip Technology	\$89.60	\$4.93	\$3.04	18.17	29.47	-6.12	(2.97)	(4.82)
SWKS	Skyworks Solutions	\$107.27	\$6.92	\$8.24	15.50	13.02	2.67	5.80	4.87
MRVL	Marvell Tech	\$73.01	\$1.42	\$2.45	51.42	29.80	16.93	3.04	1.76
QRVO	Qorvo	\$114.31	\$6.03	\$7.64	18.96	14.96	13.62	1.39	1.10
TXN	Texas Instruments Incorporated	\$166.35	\$5.02	\$6.41	33.14	25.95	2.28	14.52	11.37
ADI	Analog Devices	\$196.52	\$5.99	\$7.59	32.81	25.89	54.68	0.60	0.47
Average					23.72	21.86		2.22	1.29

ON	On Semiconductor Corp.	\$66.64	\$3.74	\$4.72	17.8	14.1	0.1	235.4	186.7
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$$\text{CAGR} = (\text{EPS}_{t+5} / \text{EPS}_{t=0})^{.2-1}$$

Implied Relative Value:

P/E (EPS24)	\$ 88.78
P/E (EPS25)	\$ 103.14
PEG (EPS24)	\$ 0.63
PEG (EPS25)	\$ 0.46

On Semiconductor Corp.
Sensitivity Tables

		WACC							
		86.92	8.70%	9.20%	9.70%	10.20%	10.70%	11.20%	11.70%
CV Growth of NOPLAT	2.50%	102.76	94.02	86.55	80.10	74.46	69.51	65.13	
	3.00%	106.79	97.17	89.03	82.05	76.03	70.77	66.14	
	3.50%	111.61	100.86	91.90	84.31	77.81	72.18	67.27	
	4.00%	117.45	105.27	95.27	86.92	79.85	73.79	68.55	
	4.50%	124.68	110.62	99.30	90.00	82.23	75.65	70.00	
	5.00%	133.88	117.24	104.18	93.66	85.02	77.80	71.68	
	5.50%	145.94	125.65	110.22	98.11	88.35	80.33	73.62	

		Marginal Tax Rate							
		86.92	16.00%	18.00%	20.00%	22.00%	24.00%	26.00%	28.00%
Pretax Cost of Debt	5.76%	87.26	87.19	87.12	87.05	86.98	86.91	86.84	
	5.86%	87.22	87.15	87.08	87.01	86.94	86.87	86.80	
	5.96%	87.18	87.11	87.04	86.97	86.90	86.82	86.75	
	6.06%	87.14	87.06	86.99	86.92	86.85	86.78	86.71	
	6.16%	87.09	87.02	86.95	86.88	86.81	86.73	86.66	
	6.26%	87.05	86.98	86.91	86.83	86.76	86.69	86.62	
	6.36%	87.01	86.93	86.86	86.79	86.72	86.64	86.57	

		Risk Free Rate							
		86.92	4.23%	4.33%	4.43%	4.53%	4.63%	4.73%	4.83%
Beta	1.16	115.22	112.91	110.68	108.54	106.47	104.48	102.56	
	1.26	106.01	104.03	102.12	100.28	98.50	96.78	95.12	
	1.36	98.10	96.40	94.74	93.15	91.60	90.10	88.65	
	1.46	91.25	89.76	88.32	86.92	85.57	84.25	82.97	
	1.56	85.26	83.95	82.68	81.45	80.25	79.08	77.95	
	1.66	79.98	78.82	77.69	76.60	75.53	74.49	73.48	
	1.76	75.29	74.26	73.25	72.27	71.32	70.38	69.48	

		2028 - 2033 Cost of R&D as % of Revenue							
		86.92	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%	11.50%
2028 - 2033 COGS as % of Revenue	40.0%	91.77	90.98	90.18	89.39	88.60	87.80	87.01	
	40.5%	90.95	90.16	89.36	88.57	87.77	86.98	86.19	
	41.0%	90.13	89.33	88.54	87.75	86.95	86.16	85.36	
	41.5%	89.30	88.51	87.72	86.92	86.13	85.33	84.54	
	42.0%	88.48	87.69	86.89	86.10	85.31	84.51	83.72	
	42.5%	87.66	86.87	86.07	85.28	84.48	83.69	82.89	
	43.0%	86.84	86.04	85.25	84.45	83.66	82.87	82.07	

		Equity Risk Premium							
		86.92	3.93%	4.03%	4.13%	4.23%	4.33%	4.43%	4.53%
Marginal Tax Rate	19.00%	93.48	91.23	89.08	87.03	85.06	83.18	81.38	
	20.00%	93.45	91.20	89.05	86.99	85.03	83.14	81.34	
	21.00%	93.42	91.17	89.01	86.96	84.99	83.11	81.30	
	22.00%	93.39	91.13	88.98	86.92	84.95	83.07	81.26	
	23.00%	93.36	91.10	88.95	86.89	84.92	83.03	81.22	
	24.00%	93.32	91.07	88.91	86.85	84.88	82.99	81.19	
	25.00%	93.29	91.03	88.88	86.81	84.84	82.96	81.15	

		2025 - 2033 PSG Revenue Growth							
		86.92	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%
2025 - 2033 ASG Revenue Growth	4.5%	83.25	84.03	84.83	85.66	86.51	87.38	88.27	
	5.0%	83.65	84.44	85.24	86.07	86.92	87.79	88.68	
	5.5%	84.08	84.86	85.66	86.49	87.34	88.21	89.11	
	6.0%	84.51	85.29	86.10	86.92	87.77	88.64	89.54	
	6.5%	84.95	85.74	86.54	87.37	88.22	89.09	89.98	
	7.0%	85.41	86.19	87.00	87.82	88.67	89.54	90.44	
	7.5%	85.88	86.66	87.46	88.29	89.14	90.01	90.91	

On Semiconductor Corp.*Valuation of Options Granted under ESOP*

Current Stock Price	\$66.64
Risk Free Rate	4.53%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	43.50%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	1	74.34	2.24	\$ 16.81	\$ 22
Range 2	29	30.70	5.40	\$ 45.66	\$ 1,326
Range 3	3	0.00	4.35	\$ 66.64	\$ 213
Total	34	\$ 29.44	5.18	\$ 46.02	\$ 1,561