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Target Price: \$58 - \$86

Current Price: \$64.76

Stock Rating:

HOLD

TICKER: ON
EXCHANGE: NASDAQ
INDUSTRY: Technology
SECTOR: Information Technology

Company Overview

On Semiconductor Corp., founded on July 4, 1999, as a Motorola spin-off, is a leading semiconductor company based in Scottsdale, AZ. ON specializes in designing and manufacturing semiconductors across three main segments: Power Solutions Group (PSG), Advanced Solutions Group (ASG), and Intelligent Sensing Group (ISG). Primarily serving the automotive and industrial sectors. ¹

SNAPSHOT

52 Week High:	\$59.34
52 Week Low:	\$86.77
Beta:	1.65
WACC:	10.82%
DCF/EP	\$63.05
Market Cap:	28.537B
Shares Ours.	426.4M
Revenue ('23)	8.25B
ROIC('23)	45.26%
Current Ratio('23)	2.71
ROE('23)	27.99%

Investment Thesis

We recommend a HOLD rating for ON as of Nov. 15, 2024. ON has faced struggles with demand and planned product ends in the past year and a half and combined with a weak economy has not performed well YTD. The potential for ON to see large growth is there, if the economy rebounds as expected and the electric vehicle market takes off ON is in a good position to capitalize and see growth.

Thesis Drivers

EV Growth Rates: An acceleration in the global adoption of electronic vehicles would put ON in a position to see high growth. The automotive industry is a key driver for ON's success as it is where they place a lot of R&D in attempts to be industry leaders. ON's increasing innovation on silicon carbide technology plays a pivotal role in increasing EV efficiency.

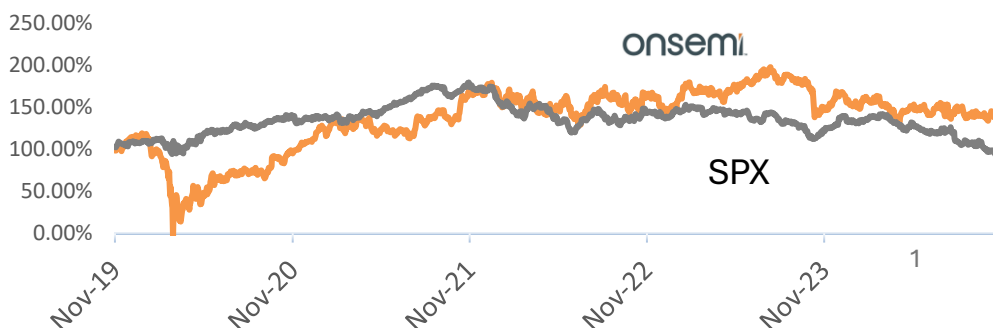
Worldwide GDP: With GDP expected to see consistent growth in the coming years there will be more demand for ON's product. In a very cyclical industry ON is faced with the challenge of surviving through bad economies and thriving in good ones because of the growing demand when end users have money to spend.

Thesis Risks

Crisis: Any crisis that effects the economy such as Covid-19 in 2020 has a severe impact on ON's ability to generate revenue. The risk here lies in the unpredictability of world events and the economy and could have devastating impact.

Competition: ON faces many competitors across their three business segments and in an evolving industry the end users are looking for providers who are constantly innovating and improving efficiency in their products. If ON can not keep up with their competitors, they could fall behind and lose share of the market.

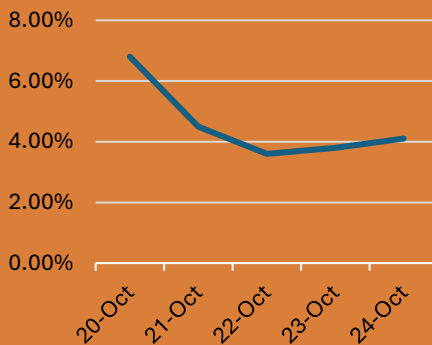
5y Stock Chart ON vs. SPX



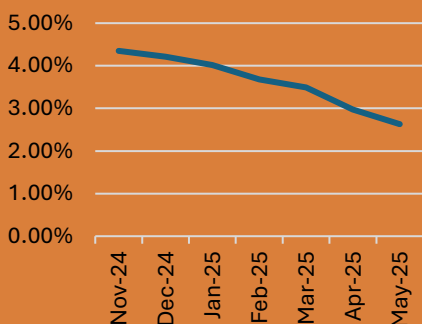
Key Customers



5 Yr Unemployment Rate ²



10 Yr Treasury Forecast (6-Month) ⁵



Executive Summary

ON Semiconductor presents an attractive investment opportunity for several reasons. Year-to-date (YTD), the stock has declined by 20.41%, opening the year at \$82.77 per share and closing on 11/18/24 at \$66.70. This downturn may represent a buying opportunity, especially given the anticipated growth in semiconductor demand. The industry is projected to grow by 14% in 2025, driven by rising adoption of electric vehicles (EVs), 5G technology, and industrial automation—all areas where ON Semiconductor is well-positioned to benefit. From a valuation perspective,

ON Semiconductor appears undervalued compared to its peers. The stock is trading at 13.7x 2024E P/E and 10.7x 2025E P/E, significantly below the comparable company's average (excluding outliers) of 33.46x and 26.26x, respectively.

The company's strengths lie in its differentiated product portfolio, particularly in the automotive and transportation sectors, its global presence across diverse end markets, and its manufacturing capabilities spanning nine countries. By capitalizing on these advantages and aligning with key industry trends, ON Semiconductor is well-positioned for substantial growth and market share expansion in the rapidly evolving semiconductor industry. Investors seeking exposure to cutting-edge semiconductor solutions driving advancements in autonomous vehicles, 5G connectivity, and industrial automation should view ON Semiconductor as a compelling investment opportunity. The company's resilience, innovative product offerings, and alignment with high-growth sectors position it for long-term success, even amid economic and geopolitical uncertainties.

Economic Analysis

Unemployment Rate

The unemployment rate in the United States measures the percentage of the labor force actively seeking but unable to secure employment and is a key macroeconomic indicator for wage dynamics. Unemployment impacts consumers' disposable income, influencing their likelihood to spend on technology products. Following the unemployment rate peaking in April 2020 at 14.8%, driven by the economic shock of the pandemic, the rate has shown a steady decline, reaching 4.1% in October 2024.²

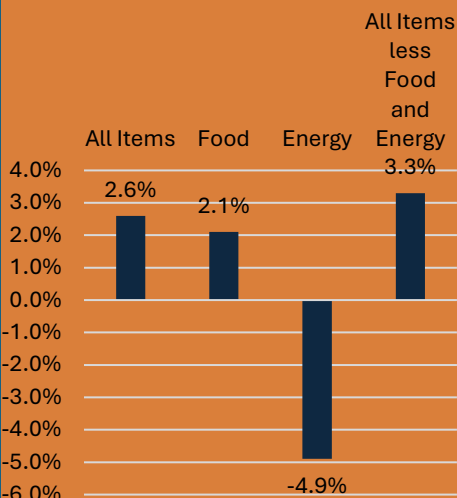
For the information technology sector, this report is critical, as low unemployment intensifies competition for skilled labor, driving up wages and increasing operational costs. This may affect the sector's reliance on a balanced labor market to maintain cost efficiencies while attracting top talent. However, The CHIPS Act passing in August of 2022, allocated \$52.7 billion to boost the U.S semiconductor production, and support the sector's growth.³ **Our group estimates that unemployment will remain at 4% for the remainder of 2024.**

10 Year Treasury Yield

The 10-year Treasury yield serves as a benchmark for borrowing costs across financial markets and influences corporate debt issuance. As yields rise, the cost of borrowing increases, reducing the amount of debt companies are willing or able to secure. Elevated Treasury rates also play a critical role in corporate decision-making, particularly in evaluating the feasibility of long-term projects. Higher borrowing costs can deter investments in capital-intensive initiatives, as companies reassess projected returns against a higher cost of capital.

The federal funds rate dropping 75 basis points between September 2024 and November 2024⁴, borrowing conditions appear more favorable, potentially lowering yields on Treasuries and reducing overall financing costs. The lower federal funds rate also signals the Federal Reserve's intention to support economic activity, which may encourage businesses to pursue projects that were previously deferred due to higher borrowing costs. **Our group estimates the 10-year treasury yield to remain steady throughout the year, finishing next month between 4.25-4.5%.**

CPI 12 Month % Change by Category



Inflation

Inflation measures the rate at which the prices of goods and services rise over a given period, reflecting shifts in purchasing power and market dynamics. For companies, rising inflation can erode profit margins unless they adjust pricing strategies to pass costs on to consumers. In the technology industry, inflation poses unique challenges, particularly in relation to research and development (R&D) expenditures. Beyond standard cost increases, higher inflation directly impacts R&D budgets, making innovation—a critical driver of competitiveness in this sector—more expensive. As a result, prolonged inflationary pressures could hinder a company's ability to invest in cutting-edge advancements, potentially compromising its market position.

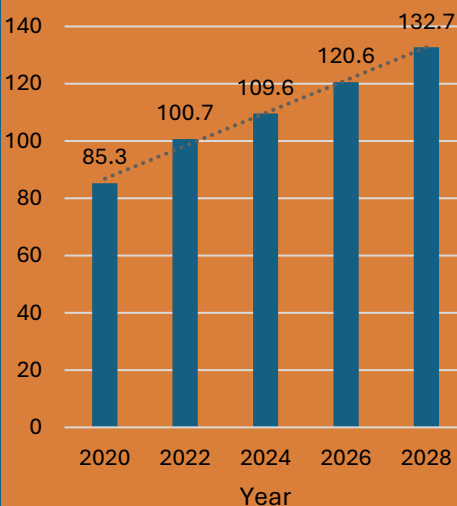
Capital Markets Forecast

The technology sector is poised for growth going into 2025, driven by advancements in artificial intelligence and electric vehicles. Over the last year, the NASDAQ-100 Technology Sector Index (NDXT) is up 20.5.⁶ We anticipate that artificial intelligence will be a key driver of growth in the technology sector, presenting significant opportunities for companies like ON Semiconductor.

With its expertise in power management and image sensing technologies, ON is well-positioned to support AI-driven applications, such as advanced machine vision systems and edge computing. As evidenced by the strong performance of AI leaders like NVIDIA, which has seen over 180% returns in the past year⁶, the demand for semiconductor solutions in AI-driven applications—ranging from knowledge management to autonomous systems—places ON at the forefront of this transformative growth trend. With these upwards trends – ON is positioned to capitalize on these advancements in AI and EVs. The World Semiconductor Trade Statistics (WSTS) forecasts a 12.5% growth in the global semiconductor market in 2025, reaching an estimated \$687 billion.⁷

By investing heavily in innovations like silicon carbide (SiC) technology and advanced sensing solutions, ON is driving advancements in electric vehicles⁸, industrial automation, and AI applications. This commitment to being at the forefront of technological development enables ON to deliver transformative solutions for its customers, even as it prioritizes growth over immediate profitability. Assuming no significant short-term economic disruptions, ON is well-positioned to benefit from the sustained expansion of the technology sector.

Worldwide GDP in trillion US\$

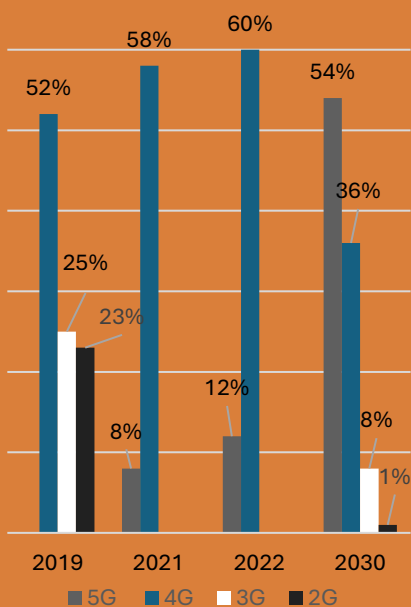


Industry Analysis ¹⁴

ON is classified under the Semiconductors & Semiconductor Equipment GICS code. The Semiconductor market is driven by demand from automotive, electronics, telecommunications and industrial sector end markets. The market has been historically cyclical and fluctuates growth tied to shifts in demand and supply issues. The Semiconductor market continues to experience continuous expansion and is constantly challenged to adapt because of new trends. The primary driver of the Semiconductor market is GDP, higher GDP alludes to increased consumer spending allowing for Semiconductor companies to flourish and pursue innovation. The market will likely remain cyclical for the next few years due to major swings in the demand and supply. Despite this unpredictability the market is expected to experience a modest growth in 2024 and significant growth in the years that follow.

ON differentiates itself within the industry by specifying in discrete semiconductors and products/solutions chips related to creating lighter longer range electric vehicles, fast charging systems and propel sustainable energy for electric vehicles. ON operates with 3 separate business units facing off against major players such as Infineon, STMicroelectronics, TI, Sony, Samsung and more.

Transition to 5G technology



Industry Developments & Trends

5G

Enabling fast data processing for semiconductors 5G is introducing a breakthrough for companies allowing for chipmakers to adapt to data transfers ten times faster. This increase in speed is causing semiconductor manufacturers to design chipsets that can keep up with the demand of the 5G network. 5G tech is rapidly advancing and is transforming the global semiconductor industry. As of 2023 5G is already used in 113 countries and by 2030 the number of 5G subscriptions is projected to grow to 6.3 Billion.

AI

The rise of AI technology is driving demand for AI-focused semiconductor chips, boosting performance across industries. This tech leads to faster production and efficiency gains overall. The growth of AI applications is significantly shaping the semiconductor industry, fueled by increased R&D and the deployment of autonomous robotics. The AI chip market is expected to expand steadily, driven by investments in AI data centers and enhanced computing power.

Autonomous Vehicles

The shift towards autonomous vehicles (AV's) is increasing the demand for specialized automotive semiconductors. These chips will enhance vehicle connectivity, sensors, battery performance in electric vehicles (EVs), and automation capabilities. OEM's may develop custom chips to gain better control and reduce development time. AV market growth is expected to drive the automotive chip market. High-performance chips will see substantial growth, with the Chinese semiconductor market also expanding due to the high adoption of ADAS and ADS technologies.

Porter's Five Forces

Threat of New Competition: Low

The semiconductor industry is characterized by high barriers to entry, which stem from significant capital investment requirements, advanced technological expertise, and the need for economies of scale to remain competitive. Market capitalization within the industry varies, reflecting the wide array of firms. NVIDIA, one of the largest firms, has a market cap of \$3.84 billion, while smaller companies like QuickLogic Corp with a market cap of \$103.4.⁶ These dynamics make it challenging for new entrants to compete without significant resources or unique technologies.

Threat of Substitute: Low

While alternative technologies exist, ONs focus on high-performance, energy-efficient semiconductor solutions significantly reduces the immediate threat of substitutes. The global push for battery-electric vehicles (BEVs) and the decline of internal combustion engine (ICE) vehicles further cement the critical role of semiconductors in powering advanced automotive and energy applications. With semiconductors being integral to EV powertrains, battery management systems, and autonomous driving technologies, the likelihood of a substitute technology replacing semiconductors in these applications is extremely low. This strong demand ensures ON's continued relevance and market positioning.

Bargaining Power of Customers: High

The company's diverse customer base, spanning automotive, industrial, and consumer electronics sectors, mitigates the influence of any single buyer. However, large clients with significant purchasing power can exert pressure on pricing and demand higher service level. ON can manage this by increasing and diversifying their customer base.

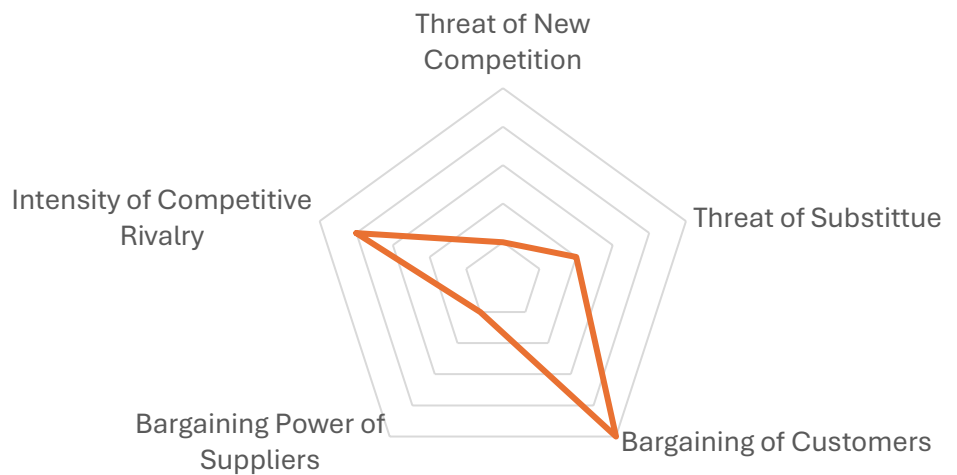
Bargaining Power of Suppliers: Low

ON relies on specialized materials and components, often sourced from a limited number of suppliers. Switching suppliers involves high costs thus resulting in enhanced supplier power, potentially impacting ON's production costs and supply chain stability.

Intensity of Competitive Rivalry: Medium/High

The semiconductor sector is highly competitive, with major players like Intel, AMD, and Texas Instruments vying for market share. ON differentiates itself through specialization in power management and automotive applications, but must continually innovate to maintain its competitive edge

Porter's Forces



Growth Catalysts

Increasing Demand for Electric Vehicles

The accelerating global adoption of electric vehicles is a key growth catalyst for ON Semiconductor. With a goal of achieving net-zero emissions by 2050, EV production is scaling rapidly, driving a surging demand for advanced power and sensing solutions. By 2040, it is projected that 722 million EVs will be on the road creating a sustained demand for semiconductor technology and driving future financial growth.⁹ ON's silicon carbide (SiC) technology plays a pivotal role in improving the efficiency of EVs. A recent partnership with Volkswagen¹⁰, spanning several of their brands, positions ON to supply SiC technology for their next-generation EV platforms. This collaboration benefits both companies, especially as ON plans to expand its manufacturing presence in Europe. Further, with governments worldwide pushing for the transition to EVs through incentives, subsidies, and stricter emissions regulations¹¹, the demand for advanced semiconductor solutions like ON's silicon carbide technology is expected to surge. This regulatory support creates a favorable environment for ON to expand its market share and drive sustainable growth in the automotive sector. For these reasons ON is well-positioned to capitalize on the rapid electrification of the automotive industry.

Adoption of 5G Technology

The adoption and deployment of fifth-generation (5G) networks have grown rapidly in recent years. By 2020, it was estimated that 90% of North America, 88% of China, and 81% of Europe would have embraced 5G technology.¹² The deployment of 5G infrastructure, such as base stations and network equipment, relies on ON's high-performance power management and RF components. Additionally, the rapid growth of 5G-enabled devices, including smartphones and IoT sensors, further increases the need for O intelligent power and sensing solutions. Beyond telecommunications, 5G's support for emerging applications like autonomous vehicles and smart factories opens new revenue streams for ONs in automotive and industrial markets. As global investments in 5G infrastructure continue to grow, ONs is well-positioned to benefit from this megatrend, driving long-term growth across diverse sectors.

Growth of Industrial Automation

The rapid growth of industrial automation is a major driver of demand for semiconductors, and ON Semiconductor is well-positioned to benefit. As industries adopt smart factories, robotics, and advanced technologies like IoT and AI to improve efficiency and productivity, the need for high-performance sensors, imaging solutions, and power management systems has surged. ONs products play a key role in applications like machine vision, robotic motion control, and energy-efficient industrial machinery, all essential for modern automation. With global investments in automation increasing and a CAGR of 7.2% until 2033¹³, ON is poised to capitalize on this trend, driving growth as industries embrace automation to stay competitive and meet sustainability goals.

ON Semiconductor Analysis ¹⁵

Strengths¹⁶:

ON maintains a strong global presence with recurring business located in the United States, Europe and Asia. ON dedicates a large portion of money towards R&D in efforts to stay ahead of competition and identify emerging trends within the semiconductor atmosphere. ON has a wide range of products offered that fall into 3 separate business categories, Power Solutions Group(PSG), Advanced Solutions Group(ASG) and Intelligent Sensing Group(ISG). The leading category being Power Solutions Group(PSG) historically accounting for around 50% of ON's revenue, their competitive strength lies in their leading-edge fabrication tech along with micro and module packaging expertise and breadth of product line. The ASG unit separates itself with strong long-standing relationships with leading direct customers. ISG differentiates from competition through deep technical knowledge and close customer relationships. In general ON has been able to establish well-maintained long-term relationships with key customers. In addition, ON's sales to distributors accounted for approximately 52% of revenue in 2023 and no distributor accounted for more than 10% of total revenue.

Weaknesses:

ON's major weakness lies in the unpredictability of the economy and economic events. In 2023 approximately 52% of ON's revenue comes from the automotive industry and 28% comes from industrial end-markets. ON's revenue is tied to these cyclical industries that thrive during economic expansion but are sensitive to changes in general economic conditions, inflationary pressure, increases in interest rates and end-market preferences. This means an instability in the economy is a great risk that ON faces not only in the United States but as well as China and Europe. Additionally, public health crisis' like COVID-19 and other major world events have potential to disrupt sales activities and have economic impact.

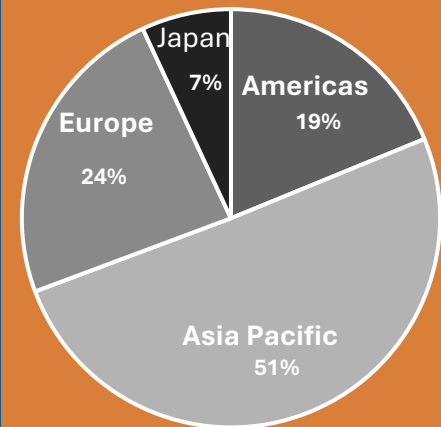
Opportunities:

With ON being a leader in the automotive semiconductor industry their largest opportunity lies in the growth potential of the electric vehicle industry. Most of ON's profit comes from this sector so a growth spike could leave ON in position to see a large jump in revenue. As many manufactures turn to electric vehicles could take a large majority of the semiconductor sales needed to create these electric vehicles. By 2023 autonomous vehicles are expected to generate US\$29 billion a year worldwide, this expansion of AV's boosts the autonomous chips projection to US\$48 billion annually by 2030.

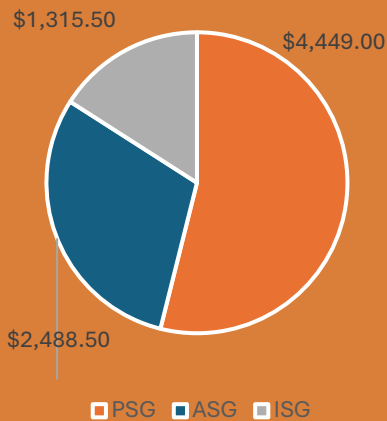
Threats:

ON faces significant competition from major international semiconductor companies, as well as smaller companies focused on specific market niches. Breaking down competition by business unit, in PSG competition comes mainly from constant new product development and package innovations enabling for enhanced performance over specific products, this is a common threat in the ever-evolving technology/semiconductor industry. In ASG, variables include but are not limited to, new product development, product performance and quality, manufacturing yields and supply availability, pricing, industry trends and general economic trends. In ISG, ON's challenge is to remain an industry leader in expertise allowing them to offer technical knowledge to help customers develop innovative sensing solutions. In each business unit ON faces competition from multiple companies all attempting to make the next breakthrough.

2Q24 Regional Revenue Split



2023 Revenue by Segment



Revenue Overview

ON's revenue stream comes from three separate business segments, these segments are Power Solutions Group(PSG), Advanced Solutions Group(ASG), and Intelligent Sensing Group(ISG). In 2023 the revenue share from these three segments are as follows, 53.9% → PSG, 30.2% → ASG and 15.9% → ISG.

PSG offers a wide array of analog, discrete, module and integrated semiconductor products that perform functions essential for automotive powertrains, industrial power supplies, data centers and renewable energy systems. PSG's product end users are primarily automotive, industrial and cloud computing markets looking to ensure power management efficiency. PSG revenue increased by 5.7% from 2022 to 2023, the increase reflects the efforts in SiC and other power automotive solutions. There was a semi offsetting decrease driven by customer product exits and reduced demand.

ASG designs and develops analog, mixed-signal, Power Management IC's and Sensor Interface devices for a wide range of end-users in the Automotive, Industrial, Compute and Mobile end-markets. ASG's products enable connectivity and processing in applications such as automotive infotainment, smart home and industrial automation. ASG revenue decreased by approximately 12.4% in 2023 compared to 2022, this decrease was driven by planned end of life for targeted products and a general decline in demand.

ISG designs and develops CMOS image sensors, image signal processors, single photon detectors, and actuator drivers for autofocus and image stabilization for a wide base of end users in different end markets. These specialized imaging and sensing products are used in ADAS, security, factory automation and medical imaging. ISG revenue increase approximately 3% in 2023 compared to 2022 largely driven by increase in revenue from the automotive driving division

Revenue Forecast

The revenue outlook for ON Semiconductor highlights near-term challenges followed by gradual stabilization and moderate growth across its business segments. In 2024, PSG revenue is forecasted to drop by 24%, primarily due to weaker demand from the EV sector, reflecting cautious consumer behavior and rising costs. ISG is also expected to decline by 16.3%, driven by its niche market exposure, while ASG revenue is projected to grow by 6.5%, supported by its diverse range of applications. By 2025, a recovery is anticipated, fueled by improving sentiment in the EV market as government incentives, such as subsidies and infrastructure enhancements, bolster adoption. Looking ahead to 2029, revenue growth is expected to stabilize, with PSG benefiting the most from the continued expansion of the EV market. ASG's broad applicability will help sustain its performance, while ISG is likely to experience slower growth due to limited demand. Despite these challenges, ON Semiconductor is positioned to remain a key competitor in the semiconductor space, leveraging to increase their gross margin percentage to its extensive product portfolio and strong global logistics network.

Gross Margin Overview & Forecast

ON does not provide any specifics into COGS per business segment. The gross margin calculated in our valuation is a summation of all 3-business segments. From 2022 to 2023 there was a slight drop in gross margin from approximately 49% to 47%, this due to a slight decline in revenue and slight increase in COGS/Capex.

For 2024 and on we expect ON to increase their gross margin percentage. This is a result in managements prediction to lower Capex which will in turn result in the lowering of depreciation expense. Although we predict a decline in revenue in 2024, we expect ON will eventually get back on track and If they can successfully manage to lower their Capex expense, we predict gross margin to hover around this 53% moving forward.

Operating Expenses Forecast and Overview

ON does well in keeping operating costs low. Historically they keep total operating expenses around 25% and in recent years it has moved closer to 20% and was just 16.29% of total revenue in 2023. Most of this total operating expense (historically a little less than half) comes from R&D expense in attempt to keep up with trends and develop new products.

We estimate that ON's total operating expense will continue around this 16-17% benchmark and 7-8% will be attributable to R&D expenses to maintain competitive in the quickly changing and growing semiconductor space.

WACC & Capital Structure

The WACC used in the valuation of ON was calculated by using the market values and weights of the company's capital structure.

Cost of equity is calculated by using the 10-year treasury bond rate of 4.43%, a 5Y monthly raw beta of 1.65 and an equity risk premium of 4.29% found on Damodaran 12-month cash yield. These numbers were used to calculate an implied cost of equity of 11.51%.

After-tax cost of debt is calculated by taking the pre-tax cost of debt (risk-free + implied default premium), multiplied by 1 - marginal tax rate. This calculation returned an implied cost of debt of 4.79%.

ON's capital structure is heavily equity based with an 89.10% market value of equity compared to a 10.90% market value of debt. This is a result of many shares outstanding and a small portion of long-term debt not maturing until 2027. The current estimated WACC for ON based on these weights and market values is 10.78%

Capital Expenditures

ON's capital expenditures saw a sharp jump in the last three years going from \$444.6 million in 2021 to \$1,005 million in 2022 and \$1,575.6 million in 2023. As a percent of revenue, capex reached 19% in 2023 which primarily resulted from investments in efforts to expand SiC manufacturing capacity.

Management predicts that capex will reduce to around 10-12% of revenue in the coming future as these investments along with other capital initiatives are expected to see a decrease.

Company Valuation

Discounted Cash Flow and Economic Profit Models

Estimated Share Price: \$63.05

The DCF and EP models appear to be the most reliable projection of ON's value. It considers all main factors attributable to the company's growth. We used a 10-year projection period before reaching steady state growth. We believe it will be difficult for ON to see major growth in the coming years because of the heavy, increasing competition and unpredictability of the current market. ON does have potential however to easily beat these projections if we assume a strong economy and a major shift to electric vehicles.

Our DCF model is based on the most up-to-date information available. It's difficult to estimate revenue for ON especially when they have three separate business segments that calculate revenue but group together all expenses, assets and liabilities. This doesn't alter the value of the company but the past two years where ON has struggled because of poor demand may have a lagging effect of some forecasted items.

Relative Peer Valuation

Estimated Share Price: 64.76

Comps: MPWR, MCHP, SWKS, MRVL, ALAB, QRVO, MTSI

The relative peer valuation methodology is an extremely important model in our valuation. ON has a 2024 P/E of 13.7X and a 2025 P/E of 10.7X. Excluding outliers, ON's comparable companies are trading at 33.46x and 26.26x for 2024E and 2025E, respectively. These figures suggest that ON is undervalued relative to its peers and has the potential to trade closer to the industry average.

We believe ON Semiconductor is undervalued compared to its peers primarily due to its distinct market positioning. Unlike many competitors that concentrate on personal technology or artificial intelligence, ON specializes in providing innovative solutions for automated vehicles and the accompanying 5G infrastructure. As the electric vehicle (EV) market continues to grow, we anticipate that ON's strategic focus in this niche will allow the company to capture a larger market share and drive significant revenue growth.

Dividend Discount Model

Estimated Share Price: \$29.65

The dividend discount model does not provide an accurate forecast for ON's estimated value. ON does not pay dividends and there is no mention for plans on when or if they will start. This causes for our dividend discount model so severely undervalue ON and therefore this model should not be taken into consideration when deciding an implied share price.

Sensitivity Analysis

Marginal Tax Rate Vs. PreTax Cost of Debt

		Marginal Tax Rate						
		63.05	18.00%	19.00%	20.00%	21.00%	22.00%	23.00%
Pre Tax Cost Of Debt	4.56%	68.13	66.83	65.54	64.24	62.95	61.65	60.35
	5.06%	67.68	66.40	65.12	63.84	62.56	61.27	59.98
	5.56%	67.25	65.98	64.71	63.44	62.17	60.89	59.62
	6.06%	66.82	65.56	64.31	63.05	61.79	60.53	59.26
	6.56%	66.39	65.15	63.91	62.66	61.41	60.16	58.91
	7.06%	65.97	64.74	63.51	62.28	61.04	59.80	58.56
	7.56%	65.56	64.34	63.12	61.90	60.67	59.44	58.21

The analysis shows that the changes in the marginal tax rate have a more a significant impact on valuation than shifts in pretax cost of debt. This highlights the greater sensitivity of valuations to taxes.

Risk Free Rate Vs. Beta

		Risk Free Rate						
		63.05	4.13%	4.23%	4.33%	4.43%	4.53%	4.63%
Beta	1.35	77.40	76.32	75.27	74.24	73.24	72.27	71.31
	1.45	72.96	71.99	71.04	70.12	69.22	68.34	67.49
	1.55	68.96	68.09	67.24	66.41	65.60	64.80	64.03
	1.65	65.36	64.57	63.80	63.05	62.31	61.59	60.88
	1.75	62.10	61.38	60.68	59.99	59.32	58.66	58.02
	1.85	59.13	58.47	57.83	57.20	56.59	55.98	55.39
	1.95	56.41	55.81	55.22	54.65	54.08	53.53	52.98

This analysis shows that changes in the beta have a greater impact on stock valuation than shifts in risk free rate. For instance, a 0.6 change in beta results in an adjustment of over 20, whereas the same 0.6 change in the risk-free rate leads to a shift of only 6, highlighting the greater sensitivity of WACC to beta fluctuations.. Although both the risk-free rate and beta impact our WACC, variations in the beta have a more significant effect

CV Growth of NOPLAT Vs. WACC

		CV Growth of NOPLAT						
		63.05	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
WACC	9.28%	75.06	76.44	77.93	79.52	81.24	83.09	85.10
	9.78%	69.56	70.71	71.94	73.25	74.66	76.17	77.79
	10.28%	64.73	65.70	66.72	67.81	68.97	70.22	71.55
	10.78%	60.46	61.28	62.14	63.05	64.02	65.05	66.15
	11.28%	56.66	57.35	58.08	58.85	59.66	60.53	61.44
	11.78%	53.26	53.84	54.46	55.12	55.81	56.53	57.31
	12.28%	50.19	50.70	51.23	51.78	52.37	52.99	53.64

The table shows that valuations are more sensitive to changes in WACC than to variations in CV growth of NOPLAT. This highlights the significant role of WACC in driving valuation outcomes.

Normal Cash % Vs. Cost of Equity

		Normal Cash %						
		1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%
Cost of Equity	63.05							
	10.01%	62.54	62.46	62.38	62.31	62.23	62.15	62.08
	10.51%	62.79	62.71	62.63	62.55	62.48	62.40	62.32
	11.01%	63.04	62.96	62.88	62.80	62.72	62.65	62.57
	11.51%	63.28	63.21	63.13	63.05	62.97	62.89	62.81
	12.01%	63.53	63.45	63.38	63.30	63.22	63.14	63.06
	12.51%	63.78	63.70	63.62	63.54	63.46	63.39	63.31
	13.01%	64.03	63.95	63.87	63.79	63.71	63.63	63.55

The table shows that valuations are more sensitive to changes in the cost of equity compared to variations in Normal Cash %. For example, at a fixed Normal Cash % of 2.00%, increasing the cost of equity from 10.01% to 13.01% raises valuation slightly from 62.38 to 63.79. However, changing the Normal Cash % from 1.25% to 2.75% at a fixed cost of equity has a less pronounced effect, with valuations shifting more narrowly. This underscores the importance of monitoring the cost of equity when analyzing valuation changes.

Implied Depreciation Rate Vs. Inventory Growth %

		Implied Depreciation Rate						
		18.09%	19.09%	20.09%	21.09%	22.09%	23.09%	24.09%
Inventory Growth %	63.05							
	19.32%	64.29	64.16	64.06	63.97	63.90	63.84	63.79
	20.32%	63.98	63.86	63.75	63.67	63.59	63.53	63.48
	21.32%	63.67	63.55	63.44	63.36	63.29	63.23	63.18
	22.32%	63.36	63.24	63.14	63.05	62.98	62.92	62.87
	23.32%	63.06	62.93	62.83	62.74	62.67	62.61	62.56
	24.32%	62.75	62.63	62.52	62.43	62.36	62.30	62.25
	25.32%	62.44	62.32	62.21	62.13	62.05	61.99	61.95

The table shows that valuation is only mildly sensitive to changes in both inventory growth % and the implied depreciation rate. These variables indicate a mere valuation change.

Equity Risk Premium Vs. Marginal Tax Rate %

		Equity Risk Premium						
		3.99%	4.09%	4.19%	4.29%	4.39%	4.49%	4.59%
Marginal Tax Rate	63.05							
	15.00%	74.89	73.39	71.95	70.56	69.22	67.93	66.69
	17.00%	72.25	70.81	69.41	68.07	66.77	65.52	64.31
	19.00%	69.61	68.21	66.86	65.56	64.31	63.10	61.93
	21.00%	66.96	65.60	64.30	63.05	61.84	60.67	59.55
	23.00%	64.29	62.99	61.73	60.53	59.36	58.24	57.15
	25.00%	61.62	60.36	59.16	57.99	56.87	55.79	54.75
	27.00%	58.93	57.73	56.57	55.45	54.37	53.34	52.33

The sensitivity analysis shows that changes in the equity risk premium (ERP) have a much larger impact on valuations than shifts in marginal tax rates. This is because the ERP directly affects the discount rate used in valuation models, significantly altering the present value of future cash flows, while tax rate changes only influence after-tax cash flows indirectly. These changes could be changed by fluctuations in stock market trends, shifts in overall market sentiment, or shifts in tax policies driven by geopolitical events.

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On Semiconductor Corp.

Revenue Decomposition

<i>Fiscal Years Ending Dec. 31</i>	<i>Fiscal Years Ending</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Power Solutions Group (PSG)		3439.1	4208.2	4449.0	3381.2	3574.0	3942.8	4349.8	4798.7	5293.9	5840.3	6443.1	7108.1	7841.7
Growth Rate					-24.0%	5.70%	10.32%	10.32%	10.32%	10.32%	10.32%	10.32%	10.32%	10.32%
Advanced Solutions Group		2399.9	2841.3	2488.5	2650.3	2692.7	2880.4	3081.2	3296.0	3525.8	3771.6	4034.6	4315.8	4616.7
Growth Rate					6.50%	1.60%	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%
Intelligent Sensing Group		900.8	1276.7	1315.5	1101.1	1192.5	1287.9	1378.0	1460.7	1533.7	1595.1	1658.9	1725.2	1794.2
Growth Rate					-16.30%	8.30%	8.00%	7.00%	6.00%	5.00%	4.00%	4.00%	4.00%	4.00%
Total Revenue		6739.8	8326.2	8253	7132.6	7459.1	8111.1	8809.0	9555.4	10353.5	11207.0	12136.5	13149.1	14252.6
Revenue Growth %		28.25%	23.54%	-0.88%	-13.58%	4.58%	8.74%	8.60%	8.47%	8.35%	8.24%	8.29%	8.34%	8.39%
By Geography														
Hong Kong		2097.8	2315.8	2168.6	2277.0	2390.9	2510.4	2635.9	2767.7	2906.1	3051.4	3204.0	3364.2	3532.4
growth rate		31.13%	27.81%	26.28%	31.92%	32.05%	30.95%	29.92%	28.97%	28.07%	27.23%	26.40%	25.59%	24.78%
Singapore		1828.6	2133.9	1938.8	2035.7	2137.5	2244.4	2356.6	2474.5	2598.2	2728.1	2864.5	3007.7	3158.1
growth rate		27.13%	25.63%	23.49%	28.54%	28.66%	27.67%	26.75%	25.90%	25.09%	24.34%	23.60%	22.87%	22.16%
United Kingdom		1123.6	1492.3	1753.4	1841.1	1933.1	2029.8	2131.3	2237.8	2349.7	2467.2	2590.6	2720.1	2856.1
growth rate		16.67%	17.92%	21.25%	25.81%	25.92%	25.02%	24.19%	23.42%	22.70%	22.01%	21.35%	20.69%	20.04%
United States		931.6	1464.7	1573.7	1652.4	1735.0	1821.8	1912.8	2008.5	2108.9	2214.4	2325.1	2441.3	2563.4
growth rate		13.82%	17.59%	19.07%	23.17%	23.26%	22.46%	21.71%	21.02%	20.37%	19.76%	19.16%	18.57%	17.99%
Other		758.2	919.5	818.5	859.4	902.4	947.5	994.9	1044.6	1096.9	1151.7	1209.3	1269.8	1333.3
growth rate		11.25%	11.04%	9.92%	12.05%	12.10%	11.68%	11.29%	10.93%	10.59%	10.28%	9.96%	9.66%	9.35%
Total Revenue		6739.8	8326.2	8253.0	7132.6	7459.1	8111.1	8809.0	9555.4	10353.5	11207.0	12136.5	13149.1	14252.6
Revenue Growth %		28.25%	23.54%	-0.88%	-13.58%	4.58%	8.74%	8.60%	8.47%	8.35%	8.24%	8.29%	8.34%	8.39%

On Semiconductor Corp.

Income Statement

In Millions

<i>Fiscal Years Ending Dec. 31</i>	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
PSG Revenue	2606.1	3439.1	4208.2	4449.0	3381.2	3574.0	3942.8	4349.8	4798.7	5293.9	5840.3	6443.1	7108.1	7841.7
ASG Revenue	1910.4	2399.9	2841.3	2488.5	2650.3	2692.7	2880.4	3081.2	3296.0	3525.8	3771.6	4034.6	4315.8	4616.7
ISG Revenue	738.5	900.8	1276.7	1315.5	1101.1	1192.5	1287.9	1378.0	1460.7	1533.7	1595.1	1658.9	1725.2	1794.2
Total Revenue:	5255.0	6739.8	8326.2	8253.0	7132.6	7459.1	8111.1	8809.0	9555.4	10353.5	11207.0	12136.5	13149.1	14252.6
Cost of revenue	3539.2	4025.5	4249.0	4369.5	4276.8	4317.1	4644.2	4993.4	5343.2	5762.6	6209.6	6696.0	7238.9	7775.0
Depreciation & amortization	625.1	596.7	551.8	609.5	928.3	913.1	909.3	922.8	951.1	992.3	1045.1	1108.3	1181.7	1209.8
COGS - D&A	2914.1	3428.8	3697.2	3760.0	3348.4	3404.1	3734.9	4070.6	4392.1	4770.2	5164.5	5587.7	6057.2	6565.2
Gross profit (loss)	1715.8	2714.3	4077.2	3883.5	3784.1	4055.0	4376.2	4738.4	5163.3	5583.2	6042.5	6548.8	7091.9	7687.5
Operating Expenses:														
Research & development expenses	642.9	655.0	600.2	577.3	568.8	551.4	604.6	670.1	715.2	778.1	844.5	911.6	988.9	1072.2
Selling & marketing expenses	278.7	293.6	287.9	279.1	266.2	262.8	287.6	317.2	339.9	369.4	400.6	432.8	469.4	508.9
General & administrative expenses	258.7	304.8	343.3	362.4	309.9	319.7	352.1	380.9	412.5	448.1	484.5	524.6	568.6	616.2
Amortization of acquisition-related intangible assets	120.3	99.0	81.2	51.1	58.1	47.9	41.6	34.6	27.5	89.6	89.6	89.6	89.6	89.6
Restructuring, asset impairments & other charges, net	65.2	71.4	17.9	74.9	51.9	46.0	60.9	61.5	65.8	73.8	78.4	85.0	92.6	99.9
Goodwill & intangible asset impairment expenses	1.3	0.0	386.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	1367.1	1426.7	1717.2	1344.8	1254.9	1227.9	1346.8	1464.3	1560.8	1758.9	1897.6	2043.7	2209.1	2386.8
Operating income (loss)	348.7	1287.6	2360.0	2538.7	2529.3	2827.1	3029.4	3274.1	3602.5	3824.4	4144.9	4505.1	4882.8	5300.7
Other Expenses:														
Interest expense	-168.4	-130.4	-94.9	-74.8	-104.5	-107.8	-72.5	-78.8	-85.5	-144.2	-172.3	-180.6	-189.6	199.4
Interest income	4.9	1.4	15.5	93.1	116.2	289.9	370.0	491.7	620.3	809.5	980.5	1140.0	1312.3	1621.9
Gain(loss) on debt refinancing & prepayment	-	-29.0	-7.1	-13.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on divestiture of businesses	-	10.2	67.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income (expense), net	-8.6	18.0	21.7	-7.2	-	-	-	-	-	-	-	-	-	-
Total other income (expenses), net	-172.1	-129.8	2.2	-2.9	11.7	182.0	297.6	412.9	534.7	665.3	808.1	959.4	1122.7	6209.9
Income (loss) before income taxes	176.6	1157.8	2362.2	2535.8	2540.9	3253.5	3455.8	3700.5	4028.8	4250.8	4571.3	4931.5	5309.2	5727.0
Income tax provision (benefit)	-59.8	146.6	458.4	350.2	533.6	683.2	725.7	777.1	846.1	892.7	960.0	1035.6	1114.9	1202.7
Net income (loss)	236.4	1011.2	1903.8	2185.6	2007.3	2570.3	2730.1	2923.4	3182.8	3358.1	3611.3	3895.9	4194.3	4524.4
Less: net income attributable to non-controlling interest	-2.2	-1.6	-1.6	-1.9	-2.2	-2.8	-3.0	-3.2	-3.5	-3.7	-4.0	-4.3	-4.6	-20.7
Net income (loss) attributable to ON Semiconductor Corporation	234.2	1009.6	1902.2	2183.7	2009.5	2573.1	2733.0	2926.6	3186.3	3361.8	3615.3	3900.2	4198.9	4545.1
Weighted average shares outstanding - basic	410.7	425.7	433.2	430.7	426.4	426.4	426.4	426.4	426.4	426.4	426.4	426.4	639.6	639.6
Year end shares outstanding	411.8	432.5	431.9	426.4	426.4	426.4	426.4	426.4	426.4	426.4	426.4	426.4	426.4	426.4
Net income (loss) per share - basic	0.57	2.37	4.39	5.07	4.71	6.03	6.41	6.86	7.47	7.88	8.48	9.15	6.57	7.11

On Semiconductor Corp.

Balance Sheet

In Millions

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
ASSETS													
Cash & cash equivalents	1352.6	2919.0	2483.0	6193.8	7906.5	10505.9	13253.3	17297.4	20950.1	24359.0	28041.4	34656.1	39230.4
Receivables, net	809.4	842.3	935.4	843.1	881.7	958.7	1041.2	1129.4	1223.8	1324.7	1434.5	1554.2	1684.7
Inventories	1379.5	1616.8	2111.8	1592.3	1665.2	1810.8	1966.6	2133.2	2311.4	2501.9	2709.4	2935.5	3181.8
Other current assets	240.1	351.3	382.1	294.1	307.5	334.4	363.2	394.0	426.9	462.0	500.4	542.1	587.6
Total current assets	3781.6	5729.4	5912.3	8923.2	10760.9	13609.8	16624.2	20954.0	24912.1	28647.7	32685.8	39687.9	44684.5
Property, plant & equipment, net	2524.3	3450.7	4401.5	4329.1	4311.1	4375.2	4509.5	4705.0	4955.1	5254.8	5602.9	5736.1	5951.5
Goodwill	1937.5	1577.6	1577.6	1577.6	1577.6	1577.6	1577.6	1577.6	1577.6	1577.6	1577.6	1577.6	1577.6
Intangible assets, net	495.7	359.7	299.3	241.2	193.3	151.7	117.1	89.6	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	366.3	376.7	600.8	600.4	600.1	599.7	599.4	599.0	598.7	598.3	598.0	597.6	597.3
Right-of-use financing lease assets	-	45.8	42.4	41.7	41.5	42.1	43.4	45.3	47.7	50.6	54.0	55.3	57.3
Other assets	520.6	438.6	381.3	428.9	448.5	487.7	529.7	574.6	622.5	673.9	729.8	790.6	857.0
Total assets	9626.0	11978.5	13215.2	16142.1	17933.1	20843.9	24000.9	28545.1	32713.7	36802.9	41248.0	48445.2	53725.3
LIABILITIES AND STOCKHOLDERS' EQUITY													
Accounts payable	635.1	852.1	725.6	734.0	767.6	834.7	906.5	983.3	1065.4	1153.2	1248.9	1353.1	1466.6
Accrued expenses & other current liabilities	747.6	1047.3	663.2	706.9	739.2	803.9	873.0	947.0	1026.1	1110.7	1202.8	1303.2	1412.5
Current portion of financing lease liabilities	-	14.2	0.8	6.9	6.8	6.9	7.1	7.5	7.8	8.3	8.9	9.1	9.4
Current portion of long-term debt	160.7	147.8	794.0	804.9	0.0	0.0	0.0	1075.0	1500.0	1500.0	1500.0	1500.0	1500.0
Total current liabilities	1543.4	2061.4	2183.6	2252.6	1513.6	1645.4	1786.6	3012.7	3599.3	3772.2	3960.6	4165.3	4388.6
Long-term debt	2913.9	3045.7	2542.6	3463.6	3490.9	3599.3	3741.9	3916.0	4095.7	4332.5	4598.0	7271.3	7643.4
Deferred tax liabilities	43.2	34.1	38.7	38.8	39.0	39.1	39.2	39.3	39.5	39.6	39.7	39.9	40.0
Long-term financing lease liabilities	-	23.0	22.4	21.5	21.4	21.7	22.4	23.4	24.6	26.1	27.8	28.5	29.5
Other long-term liabilities	521.1	607.3	627.3	715.0	815.1	929.1	1059.0	1207.1	1376.0	1568.4	1787.8	2037.9	2322.9
Total liabilities	5021.6	5771.5	5414.6	6491.6	5879.9	6234.6	6649.2	8198.6	9135.1	9738.9	10414.0	13542.8	14424.5
Common stock & APIC	4639.3	4677.0	5217.1	5275.2	5323.1	5364.7	5399.3	5426.8	5516.4	5606.0	5695.6	5785.2	5874.8
AOCI	-40.6	-23.2	-45.2	-45.2	-45.2	-45.2	-45.2	-45.2	-45.2	-45.2	-45.2	-45.2	-45.2
Retained Earnings	2435.1	4364.4	6548.1	8557.6	11130.7	13863.8	16790.4	19976.6	23338.4	26953.7	30853.8	35052.7	39597.8
Less: treasury stock	-2448.4	-2829.7	-3937.4	-4152.9	-4368.4	-4584.0	-4799.5	-5015.0	-5230.5	-5446.1	-5661.6	-5877.1	-6092.6
Total ON Semiconductor Corporation stockholders' equity (deficit)	4585.4	6188.5	7782.6	9634.7	12040.2	14599.3	17345.0	20343.2	23579.1	27068.4	30842.7	34915.6	39334.8
Non-controlling interest	19.0	18.5	18.0	15.8	13.0	10.0	6.8	3.3	-0.4	-4.4	-8.6	-13.2	-34.0
Total stockholders' equity (deficit)	4604.4	6207.0	7800.6	9650.5	12053.2	14609.3	17351.7	20346.5	23578.7	27064.0	30834.0	34902.4	39300.8
Total liabilities and stockholders' equity (deficit)	9626.0	11978.5	13215.2	16142.1	17933.1	20843.9	24000.9	28545.1	32713.7	36802.9	41248.0	48445.2	53725.3

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)	154.0	184.5	192.1	209.0	213.9	236.4	629.9	813.0	1,011.2	1,903.8	2,185.6
Depreciation & amortization	211.8	364.1	268.8	357.6	593.1	625.1	508.7	481.9	596.7	551.8	609.5
Loss (gain) on sale or disposal of fixed assets	(6.8)	1.5	(1.4)	(3.9)	1.9	(3.2)	2.4	3.9	-	(32.6)	11.6
Loss (gain) on divestiture of businesses	-	(92.2)	-	-	-	-	(5.0)	(12.5)	(10.2)	(67.0)	0.7
Loss on debt refinancing & prepayment	-	-	-	-	6.2	-	4.6	-	29.0	7.1	13.3
Loss on debt extinguishment or modification	-	6.3	-	0.4	-	-	-	47.2	-	-	-
Amortization of debt discount & issuance costs	1.3	12.0	1.4	2.8	13.0	12.1	13.2	16.0	10.7	11.0	-
Payments for term debt modification	-	(26.4)	-	-	-	-	(1.1)	(3.8)	-	-	-
Write-down of excess inventories	-	66.2	40.6	52.4	-	-	55.7	67.0	-	-	-
Share-based compensation	32.3	56.1	45.8	46.9	79.4	67.7	78.3	69.8	101.3	100.8	121.1
Non-cash interest on convertible notes	11.2	26.0	7.0	17.5	37.8	38.2	36.1	30.8	24.7	-	11.3
Non-cash asset impairment charges	8.0	0.5	6.5	0.2	3.4	17.5	2.4	7.9	10.8	18.6	-
Goodwill & intangible asset impairment charges	-	2.2	9.6	3.8	1.6	1.3	6.8	13.1	-	386.8	19.5
Change in deferred tax balances	-	(38.1)	(18.8)	(9.2)	11.2	(122.6)	69.2	(348.3)	62.4	3.1	(127.7)
Other adjustments	8.7	(4.6)	1.8	(2.8)	(0.1)	10.5	(1.6)	2.2	4.3	0.1	-
Receivables	(35.4)	28.1	20.5	(11.3)	4.7	31.4	(2.7)	(57.9)	(136.3)	(47.8)	(112.8)
Inventories	(97.6)	(7.9)	(59.0)	(72.5)	34.6	(26.3)	(185.2)	(126.9)	(122.8)	(235.2)	(495.2)
Other assets	20.4	(24.9)	(14.1)	(10.2)	(34.6)	(60.0)	(37.4)	(86.0)	(22.9)	(110.5)	0.7
Accounts payable	6.6	42.4	(17.3)	(32.2)	(79.9)	34.2	44.8	51.8	70.7	38.2	(91.7)
Accrued expenses	21.7	(15.3)	(11.3)	(16.3)	-	-	56.5	211.1	-	-	-
Accrued expenses & other current liabilities	-	-	-	-	(201.7)	(18.5)	-	-	123.9	96.5	(178.6)
Deferred income on sales to distributors	6.0	0.1	24.6	(53.1)	-	-	-	(109.8)	-	-	-
Other long-term liabilities	(48.9)	0.6	(15.5)	(8.5)	10.2	40.5	(1.4)	23.7	28.5	8.4	14.9
Other	-	-	-	-	-	-	-	-	-	-	(4.7)
Net cash flows from operating activities	327.3	481.3	470.6	581.2	1,094.2	1,274.2	694.7	884.3	1,782.0	2,633.1	1,977.5
Purchase of property, plant & equipment	(155.2)	(204.3)	(270.8)	(210.7)	(387.5)	(514.8)	(534.6)	(383.6)	(444.6)	(1,005.0)	(1,575.6)
Proceeds from sale of property, plant & equipment	9.7	1.5	11.1	0.4	14.3	36.5	1.9	6.3	-	59.1	4.0
Proceeds from sale of plant & equipment	(1.3)	2.6	(1.4)	(2.2)	(8.2)	4.1	4.6	2.2	(47.4)	(31.0)	36.5
Purchase of business, net of cash acquired	-	(423.7)	(31.3)	(2,284.0)	(0.8)	(70.9)	(888.0)	(4.5)	(399.4)	(2.4)	(236.3)
Proceeds from escrow	-	-	-	-	-	-	-	-	7.0	263.1	-
Interest & assets, net of cash acquired	-	-	-	-	-	(24.6)	-	26.0	-	-	-
Acquired manufacturing facility	-	-	-	-	-	-	(100.0)	(100.0)	-	-	-
Escrow	-	-	-	104.0	20.0	8.4	5.2	-	-	-	-
Proceeds from repayment of note receivable	-	-	-	-	-	10.2	-	-	-	-	-
Purchase of available-for-sale securities	-	-	-	-	-	-	-	-	(48.9)	(18.0)	-
Securities	-	-	-	-	-	-	-	-	4.2	28.8	-
Proceeds from sale of available-for-sale securities	-	-	5.5	-	-	-	-	-	-	-	33.5
Proceeds from sale of held-to-maturity securities	-	-	2.8	-	-	-	-	-	-	-	-
Proceeds from held-to-maturity securities	224.3	116.9	-	-	-	-	-	-	-	-	-
Purchase of held-to-maturity securities	(195.7)	(12.8)	(0.8)	-	(1.6)	-	-	-	-	-	-
Other cash flows from investing activities	-	-	-	1.8	(0.7)	2.2	-	-	-	-	-
Net cash flows from investing activities	(118.2)	(565.0)	(264.9)	(2,434.6)	(364.5)	(548.9)	(1,510.9)	(453.0)	(915.1)	(705.4)	(1,737.9)
the employee stock purchase plan ("ESPP")	8.3	10.0	14.6	15.0	22.9	23.5	23.6	23.6	25.0	26.2	-
Proceeds from exercise of stock options ("RSUs")	(4.5)	(9.1)	(14.7)	(12.3)	(78.1)	(38.9)	(20.0)	(28.1)	(31.6)	(33.5)	-
Repurchase of common stock	(101.0)	(121.8)	(348.2)	-	(259.8)	-	(65.4)	(25.0)	(315.3)	(139.0)	(564.2)
Issuance & borrowings under debt agreements	173.7	346.4	816.5	2,586.9	500.0	787.3	1,858.0	1,106.2	15.3	1,404.8	1,845.0
Reimbursement of debt issuance costs	-	-	-	-	-	2.7	-	-	-	-	25.8
Proceeds from issuance of common stock, net	-	-	-	(6.8)	-	(3.8)	(2.4)	-	-	(24.0)	(66.8)
Payment of debt issuance & other financing costs	-	-	(20.4)	-	-	-	-	-	-	-	-
Release of escrow related to prior acquisition	(217.7)	(90.6)	(495.5)	(313.8)	(530.0)	(1,270.5)	(2,023.9)	(1,831.4)	(298.4)	(594.4)	(1,723.4)
Purchase of convertible note hedges	-	-	(108.9)	-	-	-	-	(144.7)	-	-	-
Proceeds from issuance of warrants	-	-	52.0	-	-	-	-	85.2	-	-	-
Payment of capital lease obligations	(41.7)	(43.8)	(22.3)	(14.9)	-	-	-	(8.9)	(3.6)	-	-
Payment of finance lease obligations	-	-	-	-	(11.5)	-	-	-	-	(0.8)	(15.3)
Payment for purchase of bond hedges	-	-	-	-	-	(160.3)	-	-	-	-	(414.0)
Proceeds from issuance of warrants	-	-	-	-	-	93.8	-	-	-	-	242.5
Payment of contingent consideration	-	-	-	-	-	-	-	(3.9)	-	-	-
Payments related to prior acquisition	-	-	-	-	(9.2)	(3.2)	(8.9)	-	-	(5.2)	(5.8)
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interest	-	(20.4)	-	-	-	-	-	-	-	-	-
Dividend to non-controlling shareholder	-	(4.2)	-	(4.3)	(4.3)	-	(5.0)	(1.9)	(2.2)	(2.3)	(2.4)
exchange convertible notes	(3.2)	-	-	-	-	-	-	-	-	-	-
2.625% convertible senior subordinated notes due	-	-	-	-	-	-	-	-	-	-	-
subordinated notes due 2026	-	-	-	-	-	-	-	-	-	-	-
costs	-	-	-	-	-	-	-	-	-	-	(12.4)
costs	-	-	-	-	-	-	-	-	-	-	4.5
Net cash flows from financing activities	(174.0)	91.4	(99.8)	2,264.7	(370.0)	(568.4)	(244.0)	(810.9)	(605.1)	623.1	(686.5)
Net cash flows from financing activities	(174.0)	91.4	(99.8)	2,264.7	(810.9)	(605.1)	623.1	(244.0)	(569.4)	(370.0)	(686.5)
equivalents & restricted cash	(12.5)	(4.9)	(0.4)	(0.8)	2.3	0.3	0.2	0.6	(1.3)	(2.4)	(1.1)
restricted cash	22.6	2.2	105.9	410.5	(78.9)	120.5	(192.9)	187.3	296.2	1,555.3	(448.0)
period	486.9	509.5	511.7	617.6	1,028.1	966.6	1,087.1	894.2	1,081.5	1,377.7	2,933.0
period	509.5	511.7	617.6	1,028.1	949.2	1,087.1	894.2	1,081.5	1,377.7	2,933.0	2,485.0
Cash paid for interest expense	24.8	25.7	28.4	106.7	92.1	97.2	109.1	96.9	80.7	73.2	73.2
Cash paid (received) for income taxes	12.9	18.1	20.0	27.3	67.8	62.9	52.5	88.2	443.2	428.2	428.2

On Semiconductor Corp.

Forecasted Cash Flow Statement

<i>Fiscal Years Ending Dec. 31</i>	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Net Income	2009.5	2573.1	2733.0	2926.6	3186.3	3361.8	3615.3	3900.2	4198.9	4545.1
Depreciation & amortization	928.3	913.1	909.3	922.8	951.1	992.3	1045.1	1108.3	1181.7	1209.8
Change in Receivables, net	92.3	-38.6	-77.1	-82.5	-88.2	-94.3	-100.9	-109.9	-119.7	-130.4
Change in Inventories	519.5	-72.9	-145.6	-155.8	-166.6	-178.2	-190.5	-207.5	-226.1	-246.4
Change in Other current assets	88.0	-13.5	-26.9	-28.8	-30.8	-32.9	-35.2	-38.3	-41.7	-45.5
Change in Accounts payable	8.4	33.6	67.1	71.8	76.8	82.1	87.8	95.6	104.2	113.6
Change in Accrued expenses & other current liabilities	43.7	32.4	64.6	69.2	74.0	79.1	84.6	92.1	100.4	109.4
Change in Deferred tax assets	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Change in Net cash flows from operating activities	3690.1	3427.5	3524.9	3723.6	4002.9	4210.3	4506.5	4840.9	5198.0	5555.9
Change in Property, plant & equipment, net	-855.9	-895.1	-973.3	-1057.1	-1146.6	-1242.4	-1344.8	-1456.4	-1314.9	-1425.3
Change in Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Intangible assets, net	58.1	47.9	41.6	34.6	27.5	89.6	0.0	0.0	0.0	0.0
Change in Other assets	-47.6	-19.6	-39.2	-42.0	-44.9	-48.0	-51.3	-55.9	-60.9	-66.4
Change in Right-of-use financing lease assets	0.7	0.2	-0.6	-1.3	-1.9	-2.4	-2.9	-3.4	-1.3	-2.1
Change in Net cash flows from investing activities	-844.7	-866.7	-971.5	-1065.7	-1165.9	-1203.2	-1399.1	-1515.6	-1377.1	-1493.7
Change in Current portion of financing lease liabilities	6.1	0.0	0.1	0.2	0.3	0.4	0.5	0.6	0.2	0.3
Change in Current portion of long-term debt	10.9	-804.9	0.0	0.0	1075.0	425.0	0.0	0.0	0.0	0.0
Change in Long-term debt	921.0	27.2	108.4	142.6	174.1	179.6	236.8	265.5	2673.2	372.2
Change in Deferred tax liabilities	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Change in Long-term financing lease liabilities	-0.9	-0.1	0.3	0.7	1.0	1.2	1.5	1.7	0.7	1.1
Change in Other long-term liabilities	87.7	100.0	114.0	129.9	148.1	168.8	192.5	219.4	250.1	285.0
Change in Common stock & APIC	58.1	47.9	41.6	34.6	27.5	89.6	89.6	89.6	89.6	89.6
Change in AOCI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in treasury stock	-215.5	-215.5	-215.5	-215.5	-215.5	-215.5	-215.5	-215.5	-215.5	-215.5
Change in Non-controlling interest	-2.2	-2.8	-3.0	-3.2	-3.5	-3.7	-4.0	-4.3	-4.6	-20.7
Change in Net cash flows from financing activities	865.3	-848.1	46.1	89.5	1207.1	645.6	301.5	357.1	2793.8	512.1
Total Change in Cash Flow	3710.8	1712.8	2599.4	2747.3	4044.1	3652.7	3408.9	3682.4	6614.7	4574.3
Beginning Year Cash	2483.0	6193.8	7906.5	10505.9	13253.3	17297.4	20950.1	24359.0	28041.4	34656.1
End Year Cash	6193.8	7906.5	10505.9	13253.3	17297.4	20950.1	24359.0	28041.4	34656.1	39230.4

On Semiconductor Corp.

Common Size Income Statement

<i>Fiscal Years Ending Dec. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
PSG Revenue	51.03%	50.54%	53.91%	47.41%	47.91%	48.61%	49.38%	50.22%	51.13%	52.11%	53.09%	54.06%	55.02%
ASG Revenue	35.61%	34.12%	30.15%	37.16%	36.10%	35.51%	34.98%	34.49%	34.05%	33.65%	33.24%	32.82%	32.39%
ISG Revenue	13.37%	15.33%	15.94%	15.44%	15.99%	15.88%	15.64%	15.29%	14.81%	14.23%	13.67%	13.12%	12.59%
Total Revenue:	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenue	59.73%	51.03%	52.94%	59.96%	57.88%	57.26%	56.69%	55.92%	55.66%	55.41%	55.17%	55.05%	54.55%
Depreciation & amortization	8.85%	6.63%	7.39%	13.02%	12.24%	11.21%	10.48%	9.95%	9.58%	9.33%	9.13%	8.99%	8.49%
COGS-DA	50.87%	44.40%	45.56%	46.95%	45.64%	46.05%	46.21%	45.96%	46.07%	46.08%	46.04%	46.07%	46.06%
Gross profit (loss)	40.27%	48.97%	47.06%	53.05%	54.36%	53.95%	53.79%	54.04%	53.93%	53.92%	53.96%	53.93%	53.94%
Operating Expenses:													
Research & development expenses	9.72%	7.21%	7.00%	7.97%	7.39%	7.45%	7.61%	7.48%	7.52%	7.54%	7.51%	7.52%	7.52%
Selling & marketing expenses	4.36%	3.46%	3.38%	3.73%	3.52%	3.55%	3.60%	3.56%	3.57%	3.57%	3.57%	3.57%	3.57%
General & administrative expenses	4.52%	4.12%	4.39%	4.35%	4.29%	4.34%	4.32%	4.32%	4.33%	4.32%	4.32%	4.32%	4.32%
Amortization of acquisition-related intangible assets	1.47%	0.98%	0.62%	0.81%	0.64%	0.51%	0.39%	0.29%	0.87%	0.80%	0.74%	0.68%	0.63%
Restructuring, asset impairments & other charges, net	1.06%	0.21%	0.91%	0.73%	0.62%	0.75%	0.70%	0.69%	0.71%	0.70%	0.70%	0.70%	0.70%
Goodwill & intangible asset impairment expenses	0.00%	4.65%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total operating expenses	21.17%	20.62%	16.29%	17.59%	16.46%	16.60%	16.62%	16.33%	16.99%	16.93%	16.84%	16.80%	16.75%
Operating income (loss)	19.10%	28.34%	30.76%	35.46%	37.90%	37.35%	37.17%	37.70%	36.94%	36.98%	37.12%	37.13%	37.19%
Other Expenses:													
Interest expense	-1.93%	-1.14%	-0.91%	-1.47%	-1.45%	-0.89%	-0.89%	-0.90%	-1.39%	-1.54%	-1.49%	-1.44%	1.40%
Interest income	0.02%	0.19%	1.13%	1.63%	3.89%	4.56%	5.58%	6.49%	7.82%	8.75%	9.39%	9.98%	11.38%
Gain(loss) on debt refinancing & prepayment	-0.43%	-0.09%	-0.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gain on divestiture of businesses	0.15%	0.80%	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other income (expense), net	0.27%	0.26%	-0.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total other income (expenses), net	-1.93%	0.03%	-0.04%	0.16%	2.44%	3.67%	4.69%	5.60%	6.43%	7.21%	7.91%	8.54%	43.57%
Income (loss) before income taxes	17.18%	28.37%	30.73%	35.62%	43.62%	42.61%	42.01%	42.16%	41.06%	40.79%	40.63%	40.38%	40.18%
Income tax provision (benefit)	2.18%	5.51%	4.24%	7.48%	9.16%	8.95%	8.82%	8.85%	8.62%	8.57%	8.53%	8.48%	8.44%
Net income (loss)	15.00%	22.87%	26.48%	28.14%	34.46%	33.66%	33.19%	33.31%	32.43%	32.22%	32.10%	31.90%	31.74%
Less: net income attributable to non-controlling interest	-0.02%	-0.02%	-0.02%	-0.03%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.15%
Net income (loss) attributable to ON Semiconductor Corporation	14.98%	22.85%	26.46%	28.17%	34.50%	33.70%	33.22%	33.35%	32.47%	32.26%	32.14%	31.93%	31.89%

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
ASSETS													
Cash & cash equivalents	20.07%	35.06%	30.09%	86.84%	106.00%	129.53%	150.45%	181.02%	202.35%	217.36%	231.05%	263.56%	275.25%
Receivables, net	12.01%	10.12%	11.33%	11.82%	11.82%	11.82%	11.82%	11.82%	11.82%	11.82%	11.82%	11.82%	11.82%
Inventories	20.47%	19.42%	25.59%	22.32%	22.32%	22.32%	22.32%	22.32%	22.32%	22.32%	22.32%	22.32%	22.32%
Other current assets	3.56%	4.22%	4.63%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%
Total current assets	56.11%	68.81%	71.64%	125.11%	144.27%	167.79%	188.72%	219.29%	240.62%	255.62%	269.32%	301.83%	313.52%
Property, plant & equipment, net	37.45%	41.44%	53.33%	60.69%	57.80%	53.94%	51.19%	49.24%	47.86%	46.89%	46.17%	43.62%	41.76%
Goodwill	28.75%	18.95%	19.12%	22.12%	21.15%	19.45%	17.91%	16.51%	15.24%	14.08%	13.00%	12.00%	11.07%
Intangible assets, net	7.35%	4.32%	3.63%	3.38%	2.59%	1.87%	1.33%	0.94%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred tax assets	5.43%	4.52%	7.28%	8.42%	8.05%	7.39%	6.80%	6.27%	5.78%	5.34%	4.93%	4.55%	4.19%
Right-of-use financing lease assets	-	0.55%	0.51%	0.58%	0.56%	0.52%	0.49%	0.47%	0.46%	0.45%	0.44%	0.42%	0.40%
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%	226.32%	240.42%	256.98%	272.46%	298.73%	315.97%	328.39%	339.87%	368.43%	376.95%
LIABILITIES AND STOCKHOLDERS' EQUITY													
Accounts payable	9.42%	10.23%	8.79%	10.29%	10.29%	10.29%	10.29%	10.29%	10.29%	10.29%	10.29%	10.29%	10.29%
Accrued expenses & other current liabilities	11.09%	12.58%	8.04%	9.91%	9.91%	9.91%	9.91%	9.91%	9.91%	9.91%	9.91%	9.91%	9.91%
Current portion of financing lease liabilities	-	0.17%	0.01%	0.10%	0.09%	0.09%	0.08%	0.08%	0.08%	0.07%	0.07%	0.07%	0.07%
Current portion of long-term debt	2.38%	1.78%	9.62%	6.01%	0.00%	0.00%	0.00%	11.25%	14.49%	13.38%	12.36%	11.41%	10.52%
Total current liabilities	22.90%	24.76%	26.46%	31.58%	20.29%	20.29%	20.28%	31.53%	34.76%	33.66%	32.63%	31.68%	30.79%
Long-term debt	43.23%	36.58%	30.81%	48.56%	46.80%	44.38%	42.48%	40.98%	39.56%	38.66%	37.89%	55.30%	53.63%
Deferred tax liabilities	0.64%	0.41%	0.47%	0.54%	0.52%	0.48%	0.45%	0.41%	0.38%	0.35%	0.33%	0.30%	0.28%
Long-term financing lease liabilities	-	0.28%	0.27%	0.30%	0.29%	0.27%	0.25%	0.24%	0.24%	0.23%	0.23%	0.22%	0.21%
Other long-term liabilities	7.73%	7.29%	7.60%	10.03%	10.93%	11.45%	12.02%	12.63%	13.29%	14.00%	14.73%	15.50%	16.30%
Total liabilities	74.51%	69.32%	65.61%	91.01%	78.83%	76.87%	75.48%	85.80%	88.23%	86.90%	85.81%	102.99%	101.21%
Common stock & APIC	68.83%	56.17%	63.21%	73.96%	71.36%	66.14%	61.29%	56.79%	53.28%	50.02%	46.93%	44.00%	41.22%
AOCI	-0.60%	-0.28%	-0.55%	-0.63%	-0.61%	-0.56%	-0.51%	-0.47%	-0.44%	-0.40%	-0.37%	-0.34%	-0.32%
Retained Earnings	36.13%	52.42%	79.34%	119.98%	149.22%	170.92%	190.61%	209.06%	225.42%	240.51%	254.22%	266.58%	277.83%
Less: treasury stock	-36.33%	-33.99%	-47.71%	-58.22%	-58.57%	-56.51%	-54.48%	-52.48%	-50.52%	-48.60%	-46.65%	-44.70%	-42.75%
Total ON Semiconductor Corporation stockholders' equity (deficit)	68.03%	74.33%	94.30%	135.08%	161.42%	179.99%	196.90%	212.90%	227.74%	241.53%	254.13%	265.54%	275.98%
Non-controlling interest	0.28%	0.22%	0.22%	0.22%	0.17%	0.12%	0.08%	0.03%	0.00%	-0.04%	-0.07%	-0.10%	-0.24%
Total stockholders' equity (deficit)	68.32%	74.55%	94.52%	135.30%	161.59%	180.12%	196.98%	212.93%	227.74%	241.49%	254.06%	265.43%	275.74%
Total liabilities and stockholders' equity (deficit)	142.82%	143.87%	160.13%	226.32%	240.42%	256.98%	272.46%	298.73%	315.97%	328.39%	339.87%	368.43%	376.95%

On Semiconductor Corp.

Weighted Average Cost of Capital (WACC) Estimation



Cost of Equity:

Risk-Free Rate	4.43%
Beta	1.65
Equity Risk Premium	4.29%
Cost of Equity	11.51%

ASSUMPTIONS:

10-year Treasury Bond
5Y Monthly
Damodaran 12 Month Cash Yield

Cost of Debt:

Risk-Free Rate	4.43%
Implied Default Premium	1.63%
Pre-Tax Cost of Debt	6.06%
Marginal Tax Rate	21%
After-Tax Cost of Debt	4.79%

10-year Treasury Bond
YTM on Bond Maturing 3/1/2029

Market Value of Common Equity:

Total Shares Outstanding	426.386
Current Stock Price	\$64.76
MV of Equity	27,613

MV Weights

89.10%

Market Value of Debt:

Short-Term Debt	0
Current Portion of LTD	-794.00
Long-Term Debt	-2542.60
PV of Operating Leases	-41.70
MV of Total Debt	3,378.30

10.90%

Market Value of the Firm

\$ 30,991.06

100.00%

Estimated WACC

10.78%

On Semiconductor Corp.
Value Driver Estimation

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:														
Revenue	5,255.0	6,739.8	8,326.2	8,253.0	7,132.6	7,459.1	8,111.1	8,809.0	9,555.4	10,353.5	11,207.0	12,136.5	13,149.1	14,252.6
Cost of Goods Sold	2,914.1	3,428.8	3,697.2	3,760.0	3,348.4	3,404.1	3,734.9	4,070.6	4,392.1	4,770.2	5,164.5	5,587.7	6,057.2	6,565.2
Research & development	642.9	655.0	600.2	577.3	568.8	551.4	604.6	670.1	715.2	778.1	844.5	911.6	988.9	1,072.2
Selling & marketing	278.7	293.6	287.9	279.1	266.2	262.8	287.6	317.2	339.9	369.4	400.6	432.8	469.4	508.9
General & administrative	258.7	304.8	343.3	362.4	309.9	319.7	352.1	380.9	412.5	448.1	484.5	524.6	568.6	616.2
Amortization of acquisition-related intangible assets	120.3	99.0	81.2	51.1	58.1	47.9	41.6	34.6	27.5	89.6	89.6	89.6	89.6	89.6
Depreciation & amortization	625.1	596.7	551.8	609.5	928.3	913.1	909.3	922.8	951.1	992.3	1,045.1	1,108.3	1,181.7	1,209.8
OP Lease Asset				2.8	2.6	2.5	2.5	2.6	2.6	2.7	2.9	3.1	3.3	3.3
EBITA	415.2	1,361.9	2,764.6	2,616.4	1,655.4	1,962.6	2,183.5	2,415.3	2,719.8	2,908.5	3,181.1	3,484.9	3,796.9	4,194.1
Less: Adjusted Tax														
Income tax provision (benefit)	(59.8)	146.6	458.4	350.2	533.6	683.2	725.7	777.1	846.1	892.7	960.0	1,035.6	1,114.9	1,202.7
Plus: Tax shield on restructuring, asset impairments & other charges, net	17.7	15.9	4.4	16.5	11.4	10.1	13.4	13.5	14.5	16.2	17.2	18.7	20.4	22.0
Plus: Tax shield on goodwill & intangible asset impairment expenses	0.4	-	94.4	-	-	-	-	-	-	-	-	-	-	-
Plus: Tax shield on interest expense	(45.8)	(28.9)	(23.2)	(16.5)	(23.0)	(23.7)	(15.9)	(17.3)	(18.8)	(31.7)	(37.9)	(39.7)	(41.7)	43.9
Less: Tax on interest income	1.3	0.3	3.8	20.5	25.6	63.8	81.4	108.2	136.5	178.1	215.7	250.8	288.7	356.8
Less: Tax on Total other income (expenses), net	(2.3)	4.0	5.3	(1.6)	-	-	-	-	-	-	-	-	-	-
Tax Shield on OP Lease Asset				0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Adjusted Tax	(86.5)	129.2	524.9	331.9	497.0	606.4	642.3	665.7	705.8	699.7	724.2	764.5	805.6	912.5
Change in Deferred Tax														
Current Year DTL														
Past Year DTL														
Change	(348.3)	62.4	3.1	(127.7)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
NOPLAT	153.4	1,295.1	2,242.8	2,156.7	1,158.9	1,356.7	1,541.7	1,750.1	2,014.4	2,209.3	2,457.3	2,720.9	2,991.8	3,282.2
Invested Capital (IC):														
Operating Current Assets:														
Normal Cash	105.1	134.8	166.5	165.1	142.7	149.2	162.2	176.2	191.1	207.1	224.1	242.7	263.0	285.1
Receivables, net	676.0	809.4	842.3	935.4	843.1	881.7	958.7	1,041.2	1,129.4	1,223.8	1,324.7	1,434.5	1,554.2	1,684.7
Inventories	1,251.4	1,379.5	1,616.8	2,111.8	1,592.3	1,665.2	1,810.8	1,966.6	2,133.2	2,311.4	2,501.9	2,709.4	2,935.5	3,181.8
Other current assets	176.0	240.1	351.3	382.1	294.1	307.5	334.4	363.2	394.0	426.9	462.0	500.4	542.1	587.6
Right-of-use financing lease assets			45.8	42.4	41.7	41.5	42.1	43.4	45.3	47.7	50.6	54.0	55.3	57.3
Intangible assets, net	469.0	495.7	359.7	299.3	241.2	193.3	151.7	117.1	89.6	0.0	-	-	-	-
Other assets	410.2	520.6	438.6	381.3	428.9	448.5	487.7	529.7	574.6	622.5	673.9	729.8	790.6	857.0
Total:	3,087.7	3,580.1	3,821.0	4,317.4	3,583.9	3,686.9	3,947.7	4,237.4	4,839.4	5,237.3	5,670.8	6,140.7	6,140.7	6,653.5
Operating Current Liabilities:														
Accounts payable	572.9	635.1	852.1	725.6	734.0	767.6	834.7	906.5	983.3	1,065.4	1,153.2	1,248.9	1,353.1	1,466.6
Accrued expenses & other current liabilities	570.0	747.6	1,047.3	663.2	706.9	739.2	803.9	873.0	947.0	1,026.1	1,110.7	1,202.8	1,303.2	1,412.5
Other long-term liabilities	418.4	521.1	607.3	627.3	715.0	815.1	929.1	1,059.0	1,207.1	1,376.0	1,568.4	1,787.8	2,037.9	2,322.9
Total:	1,561.3	1,903.8	2,506.7	2,016.1	2,155.9	2,321.9	2,567.6	2,838.5	3,137.4	3,467.5	3,832.3	4,239.5	4,694.1	5,202.1
Net Operating WC:	1,526.4	1,676.3	1,314.3	2,301.3	1,428.0	1,365.1	1,380.1	1,398.9	1,419.8	1,371.9	1,404.9	1,431.3	1,446.6	1,451.4
PPE Book Value:														
Accumulated Depreciation														
Net PPE:	2,512.3	2,524.3	3,450.7	4,401.5	4,329.1	4,311.1	4,375.2	4,509.5	4,705.0	4,955.1	5,254.8	5,602.9	5,736.1	5,951.5
Invested Capital (IC):	4,038.7	4,200.6	4,765.0	6,702.8	5,757.1	5,676.2	5,755.3	5,908.3	6,124.8	6,327.0	6,659.7	7,034.2	7,182.7	7,403.0
Free Cash Flow (FCF):														
NOPLAT	153.4	1,295.1	2,242.8	2,156.7	1,158.9	1,356.7	1,541.7	1,750.1	2,014.4	2,209.3	2,457.3	2,720.9	2,991.8	3,282.2
Change in IC	(207.3)	161.9	564.4	1,937.7	(945.7)	(80.9)	79.1	153.0	216.5	202.2	332.8	374.5	148.5	220.3
FCF	360.7	1,133.2	1,678.4	219.0	2,104.5	1,437.6	1,462.6	1,597.1	1,797.9	2,007.2	2,124.5	2,346.4	2,843.3	3,061.9
Return on Invested Capital (ROIC):														
NOPLAT	153.4	1,295.1	2,242.8	2,156.7	1,158.9	1,356.7	1,541.7	1,750.1	2,014.4	2,209.3	2,457.3	2,720.9	2,991.8	3,282.2
Beginning IC	4,246.0	4,038.7	4,200.6	4,765.0	6,702.8	5,757.1	5,676.2	5,755.3	5,908.3	6,124.8	6,327.0	6,659.7	7,034.2	7,182.7
ROIC	3.61%	32.07%	53.39%	45.26%	17.29%	23.57%	27.16%	30.41%	34.09%	36.07%	38.84%	40.86%	42.53%	45.70%
Economic Profit (EP):														
Beginning IC	4,246.0	4,038.7	4,200.6	4,765.0	6,702.8	5,757.1	5,676.2	5,755.3	5,908.3	6,124.8	6,327.0	6,659.7	7,034.2	7,182.7
x (ROIC - WACC)	-7.16%	21.29%	42.62%	34.49%	6.51%	12.79%	16.38%	19.63%	23.32%	25.30%	28.06%	30.08%	31.76%	34.92%
EP	(304.1)	859.9	1,790.1	1,643.3	436.6	736.3	930.0	1,130.0	1,377.7	1,549.3	1,775.5	2,003.2	2,233.8	2,508.2

On Semiconductor Corp.

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

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	45.70%
WACC	10.78%
Cost of Equity	11.51%

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)	2104.5	1437.6	1462.6	1597.1	1797.9	2007.2	2124.5	2346.4	2843.3	3061.9
Continuing Value (CV)										37489.9
PV of FCF	1899.8	1171.5	1075.9	1060.6	1077.8	1086.2	1037.9	1034.8	1131.9	14924.8

Value of Operating Assets:	25501.3
Non-Operating Adjustments	
Excess Cash	2317.9
Current portion of L-T Debt	-794.0
Long-Term Debt	-2542.6
PV of operating leases	-41.7
Value of Equity	24440.9
Shares Outstanding	426.4
Intrinsic Value of Last FYE	\$ 57.32
Implied Price as of Today	\$ 63.05

EP Model:

Economic Profit (EP)	436.6	736.3	930.0	1130.0	1377.7	1549.3	1775.5	2003.2	2233.8	2508.2
Continuing Value (CV)										30307.2
PV of EP	394.1	600.0	684.2	750.4	825.9	838.5	867.4	883.4	889.3	12065.4

Total PV of EP	18798.5
Invested Capital (last FYE)	6702.8
Value of Operating Assets:	25501.3
Non-Operating Adjustments	
Excess Cash	2317.9
Current portion of L-T Debt	-794.0
Long-Term Debt	-2542.6
PV of operating leases	-41.7
Value of Equity	24440.9
Shares Outstanding	426.4
Intrinsic Value of Last FYE	\$ 57.32
Implied Price as of Today	\$ 63.05

On Semiconductor Corp.

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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EPS	\$ 4.71	\$ 6.03	\$ 6.41	\$ 6.86	\$ 7.47	\$ 7.88	\$ 8.48	\$ 9.15	\$ 6.57	\$ 7.11
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Key Assumptions

CV growth of EPS	2.50%
CV Year ROE	27.99%
Cost of Equity	11.51%

Future Cash Flows

P/E Multiple (CV Year)											10.11
EPS (CV Year)											\$ 7.11
Future Stock Price											\$ 71.84
Dividends Per Share	-	-	-	-	-	-	-	-	-	-	-
Discounted Cash Flows	0	0	0	0	0	0	0	0	0	0	\$ 26.95

Intrinsic Value as of Last FYE \$ 26.95

Implied Price as of Today \$ 29.65

On Semiconductor Corp.*Key Management Ratios*

<i>Fiscal Years Ending Dec. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Liquidity Ratios:													
Current Ratio (CA/CL)	2.45	2.78	2.71	3.96	7.11	8.27	9.30	6.96	6.92	7.59	8.25	9.53	10.18
Quick Ratio ((CA-Inventory)/CL)	1.56	2.00	1.74	3.25	6.01	7.17	8.20	6.25	6.28	6.93	7.57	8.82	9.46
Cash Ratio (Cash/CL)	0.88	1.42	1.14	2.75	5.22	6.38	7.42	5.74	5.82	6.46	7.08	8.32	8.94
Asset-Management Ratios:													
Inventory Turnover (Revenue/Inventory)	4.89	5.15	3.91	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48
Receivables Turnover (Revenue/AR)	8.33	9.89	8.82	8.46	8.46	8.46	8.46	8.46	8.46	8.46	8.46	8.46	8.46
Total Asset Turnover (Sales/Total Assets)	0.70	0.70	0.62	0.44	0.42	0.39	0.37	0.33	0.32	0.30	0.29	0.27	0.27
Financial Leverage Ratios:													
Debt-to-Equity Ratio (Debt/Equity)	109.06%	92.98%	69.41%	67.27%	48.78%	42.68%	38.32%	40.29%	38.74%	35.98%	33.77%	38.80%	36.70%
Debt-to-Asset Ratio (Debt/Assets)	52.17%	48.18%	40.97%	40.22%	32.79%	29.91%	27.70%	28.72%	27.92%	26.46%	25.25%	27.95%	26.85%
Equity Ratio (Equity/Assets)	47.83%	51.82%	59.03%	59.78%	67.21%	70.09%	72.30%	71.28%	72.08%	73.54%	74.75%	72.05%	73.15%
Profitability Ratios:													
Return on Equity (NI/Beg TSE)	21.93%	30.65%	27.99%	20.82%	21.35%	18.71%	16.87%	15.66%	14.26%	13.36%	12.65%	12.03%	11.56%
Gross Margin (NI/Sales)	14.98%	22.85%	26.46%	28.17%	34.50%	33.70%	33.22%	33.35%	32.47%	32.26%	32.14%	31.93%	31.89%
Return on Assets (NI/Assets)	10.49%	15.88%	16.52%	12.45%	14.35%	13.11%	12.19%	11.16%	10.28%	9.82%	9.46%	8.67%	8.46%

On Semiconductor Corp.

Relative Valuation Models

Ticker	Company	Price	EPS		P/E 24	P/E 25	Est. 5yr		
			2024E	2025E			EPS gr.	PEG 24	PEG 25
MPWR	Monolithic Power Systems	\$766.57	\$14.04	\$17.09	54.60	44.85	31.0	1.76	1.45
MCHP	Microchip Technology	\$74.47	\$4.92	\$1.98	15.14	37.61	-11.0	(1.38)	(3.42)
SWKS	Skyworks Solutions	\$87.95	\$6.25	\$6.36	14.07	13.83	7.8	1.80	1.77
MRVL	Marvell Tech	\$84.38	\$1.46	\$2.51	57.79	33.62	25.0	2.31	1.34
ALAB	Astera Labs	\$69.65	\$0.72	\$1.14	96.74	61.10	20.0	4.84	3.05
QRVO	Qorvo	\$71.78	\$4.82	\$5.94	14.89	12.08	12.8	1.16	0.94
MTSI	MACOM Technology	\$113.80	\$2.57	\$3.33	44.28	34.17	12.7	3.49	2.69
			Average					2.56	1.88
ON	On Semiconductor Corp.	\$64.76	\$4.71	\$6.03	13.7	10.7	8.07	1.7	1.3

Implied Relative Value:

P/E (EPS24)	\$ 200.31
P/E (EPS25)	\$ 204.55
PEG (EPS24)	\$ 97.36
PEG (EPS25)	\$ 91.32

On Semiconductor Corp.
Sensitivity Tables

		Marginal Tax Rate							
		63.05	18.00%	19.00%	20.00%	21.00%	22.00%	23.00%	24.00%
Pre Tax Cost Of Debt	4.56%	68.13	66.83	65.54	64.24	62.95	61.65	60.35	
	5.06%	67.68	66.40	65.12	63.84	62.56	61.27	59.98	
	5.56%	67.25	65.98	64.71	63.44	62.17	60.89	59.62	
	6.06%	66.82	65.56	64.31	63.05	61.79	60.53	59.26	
	6.56%	66.39	65.15	63.91	62.66	61.41	60.16	58.91	
	7.06%	65.97	64.74	63.51	62.28	61.04	59.80	58.56	
	7.56%	65.56	64.34	63.12	61.90	60.67	59.44	58.21	

		Risk Free Rate							
		63.05	2.13%	4.23%	4.33%	4.43%	4.53%	4.63%	4.73%
Beta	1.35	107.16	76.32	75.27	74.24	73.24	72.27	71.31	
	1.45	99.12	71.99	71.04	70.12	69.22	68.34	67.49	
	1.55	92.13	68.09	67.24	66.41	65.60	64.80	64.03	
	1.65	86.02	64.57	63.80	63.05	62.31	61.59	60.88	
	1.75	80.63	61.38	60.68	59.99	59.32	58.66	58.02	
	1.85	75.84	58.47	57.83	57.20	56.59	55.98	55.39	
	1.95	71.56	55.81	55.22	54.65	54.08	53.53	52.98	

		CV Growth of NOPLAT							
		63.05	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
WACC	9.28%	75.06	76.44	77.93	79.52	81.24	83.09	85.10	
	9.78%	69.56	70.71	71.94	73.25	74.66	76.17	77.79	
	10.28%	64.73	65.70	66.72	67.81	68.97	70.22	71.55	
	10.78%	60.46	61.28	62.14	63.05	64.02	65.05	66.15	
	11.28%	56.66	57.35	58.08	58.85	59.66	60.53	61.44	
	11.78%	53.26	53.84	54.46	55.12	55.81	56.53	57.31	
	12.28%	50.19	50.70	51.23	51.78	52.37	52.99	53.64	

		Normal Cash %							
		63.05	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%
Cost of Equity	10.01%	62.54	62.46	62.38	62.31	62.23	62.15	62.08	
	10.51%	62.79	62.71	62.63	62.55	62.48	62.40	62.32	
	11.01%	63.04	62.96	62.88	62.80	62.72	62.65	62.57	
	11.51%	63.28	63.21	63.13	63.05	62.97	62.89	62.81	
	12.01%	63.53	63.45	63.38	63.30	63.22	63.14	63.06	
	12.51%	63.78	63.70	63.62	63.54	63.46	63.39	63.31	
	13.01%	64.03	63.95	63.87	63.79	63.71	63.63	63.55	

		Implied Depreciation Rate							
		63.05	18.09%	19.09%	20.09%	21.09%	22.09%	23.09%	24.09%
Inventory Growth %	19.32%	64.29	64.16	64.06	63.97	63.90	63.84	63.79	
	20.32%	63.98	63.86	63.75	63.67	63.59	63.53	63.48	
	21.32%	63.67	63.55	63.44	63.36	63.29	63.23	63.18	
	22.32%	63.36	63.24	63.14	63.05	62.98	62.92	62.87	
	23.32%	63.06	62.93	62.83	62.74	62.67	62.61	62.56	
	24.32%	62.75	62.63	62.52	62.43	62.36	62.30	62.25	
	25.32%	62.44	62.32	62.21	62.13	62.05	61.99	61.95	

		Equity Risk Premium							
		63.05	3.99%	4.09%	4.19%	4.29%	4.39%	4.49%	4.59%
Marginal Tax Rate	15.00%	74.89	73.39	71.95	70.56	69.22	67.93	66.69	
	17.00%	72.25	70.81	69.41	68.07	66.77	65.52	64.31	
	19.00%	69.61	68.21	66.86	65.56	64.31	63.10	61.93	
	21.00%	66.96	65.60	64.30	63.05	61.84	60.67	59.55	
	23.00%	64.29	62.99	61.73	60.53	59.36	58.24	57.15	
	25.00%	61.62	60.36	59.16	57.99	56.87	55.79	54.75	
	27.00%	58.93	57.73	56.57	55.45	54.37	53.34	52.33	

