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/ onsemi Exceeds Fourth Quarter Expectations and Announces \$3 Billion Share Repurchase Program

onsemi Exceeds Fourth Quarter Expectations and Announces \$3 Billion Share Repurchase Program

📅 February 06, 2023

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Achieved record annual revenue, gross margin, and free cash flow

PHOENIX – Feb. 6, 2023 – onsemi (the “Company”) (Nasdaq: **ON**) today announced its fourth quarter and fiscal year 2022 results with the following highlights:

- Fourth quarter revenue of \$2,103.6 million increased by 14% year-over-year
- Fourth quarter GAAP gross margin of 48.5% increased by 343 bps year-over-year and non-GAAP gross margin of 48.4% increased by 321 bps year-over-year
- Record fourth quarter automotive revenue of \$989 million grew 54% year-over-year
- Fourth quarter GAAP and non-GAAP diluted earnings per share of \$1.35 and \$1.32, respectively
- Record fiscal year 2022 revenue of \$8.3 billion representing 24% year-over-year growth
- GAAP gross margin of 49.0% and non-GAAP gross margin of 49.2% for 2022
- Free cash flow for fiscal year 2022 increased 22% year-over-year and was 20% of revenue

“We delivered outstanding results in 2022 as we continue our disciplined execution and transformation. Revenue for 2022 grew by 24%, non-GAAP gross margin expanded by 880 bps, and non-GAAP operating income grew four times faster than revenue driven by our focus on the secular megatrends of electric vehicles, ADAS, alternative energy and industrial automation. We are focused on our key strategic initiatives such as ramping silicon carbide in support of our long-term supply agreements. Despite the current



The company also announced that its Board of Directors has approved a new share repurchase program with authorization to repurchase up to \$3 billion of shares of the company's common stock through December 31, 2025.

“We are committed to a balanced capital allocation strategy to drive long-term value for our shareholders. With the confidence we have in our strategy to invest for long-term profitable growth, the Board of Directors and leadership team are pleased to announce a new \$3 billion share repurchase authorization. Driven by a three-fold increase in free cash flow generation since the start of our transformation journey, we have increased flexibility with a repurchase authorization twice that of the previous authorization, which expired on December 31, 2022,” said Thad Trent, Executive Vice President and CFO of onsemi.

Under the new share repurchase program, onsemi may repurchase shares from time to time through open market purchases, in privately negotiated transactions or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended in accordance with applicable securities laws and other restrictions. The timing and total amount of share repurchases will depend upon business, economic and market conditions, corporate and regulatory requirements, prevailing stock prices, and other considerations. The authorization expires on December 31, 2025, may be suspended or discontinued at any time and does not obligate the company to acquire any amount of common stock.

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

(Revenue and Net Income in millions)	GAAP			Non-GAAP		
	Three Months Ended			Three Months Ended		
	Q4 2022	Q3 2022	Q4 2021	Q4 2022	Q3 2022	Q4 2021
Revenue	\$2,103.6	\$2,192.6	\$1,846.1	\$2,103.6	\$2,192.6	\$1,846.1
Gross Margin	48.5 %	48.3 %	45.1 %	48.4 %	49.3 %	45.2 %
Operating Margin	33.5 %	19.4 %	26.0 %	34.1 %	35.4 %	28.6 %
Net Income attributable to onsemi	\$604.3	\$311.9	\$425.9	\$580.4	\$639.4	\$478.0
Diluted Earnings Per Share	\$1.35	\$0.70	\$0.96	\$1.32	\$1.45	\$1.09

Selected financial results for 2022 and 2021 are shown below:

(Revenue and Net Income in millions)	GAAP		Non-GAAP	
	Year Ended		Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Revenue	\$8,326.2	\$6,739.8	\$8,326.2	\$6,739.8
Gross Margin	49.0 %	40.3 %	49.2 %	40.4 %
Operating Margin	28.3 %	19.1 %	34.5 %	21.9 %
Net Income attributable to onsemi	\$1,902.2	\$1,009.6	\$2,347.7	\$1,285.5
Diluted Earnings Per Share	\$4.24	\$2.27	\$5.33	\$2.95



(\$ in millions)
(Unaudited)

Business Segment	Three Months Ended			Sequential Change	Year-over-Year Change
	Q4 2022	Q3 2022	Q4 2021		
PSG	\$ 1,048.4	\$ 1,116.1	\$ 953.4	(6)%	10 %
ASG	701.0	734.3	647.3	(5)%	8 %
ISG	354.2	342.2	245.4	4 %	44 %
Total	\$ 2,103.6	\$ 2,192.6	\$ 1,846.1	(4)%	14 %

Business Segment	Year Ended		Year-over-Year Change
	December 31, 2022	December 31, 2021	
PSG	\$ 4,208.2	\$ 3,439.1	22 %
ASG	2,841.3	2,399.9	18 %
ISG	1,276.7	900.8	42 %
Total	\$ 8,326.2	\$ 6,739.8	24 %

FIRST QUARTER 2023 OUTLOOK

The following table outlines onsemi's projected first quarter of 2023 GAAP and non-GAAP outlook.

	Total onsemi GAAP	Special Items **	Total onsemi Non-GAAP***
Revenue	\$1,870 to \$1,970 million		\$1,870 to \$1,970 million
Gross Margin	45.6% to 47.6%	0.1%	45.7% to 47.7%
Operating Expenses	\$316 to \$331 million	\$18 million	\$298 to \$313 million
Other Income and Expense (including interest expense), net	\$21 to \$25 million	-	\$21 to \$25 million
Diluted Earnings Per Share	\$0.99 to \$1.11	\$0.03	\$1.02 to \$1.14
Diluted Shares Outstanding *	449 million	8 million	441 million

FINANCIALS

* Diluted shares outstanding can vary as a result of, among other things, the actual exercise of options or vesting of restricted stock units, the incremental dilutive shares from the Company's convertible senior subordinated notes, and the repurchase or the issuance of stock or convertible notes or the sale of treasury shares. In periods when the quarterly average stock price per share exceeds \$20.72 for the 1.625% Notes and \$52.97 for the 0% Notes, the non-GAAP diluted share count and non-GAAP net income per share include the anti-dilutive impact of the Company's hedge transactions issued concurrently with the



respectively. In periods when the quarterly average stock price exceeds \$30.70 for the 1.625% Notes, and \$74.34 for the 0% Notes, the dilutive impact of the warrants issued concurrently with such notes are included in the diluted shares outstanding GAAP and non-GAAP diluted share counts and are based on either the Company's previous quarter's average stock price or the stock price as of the last day of the previous quarter, whichever is higher.

** Special items may include: amortization of acquisition-related intangibles; expensing of appraised inventory fair market value step-up; purchased in-process research and development expenses; restructuring, asset impairments and other, net; goodwill impairment charges; gains and losses on debt prepayment; non-cash interest expense; actuarial (gains) losses on pension plans and other pension benefits; and certain other special items, as necessary. These special items are out of our control and could change significantly from period to period. As a result, we are not able to reasonably estimate and separately present the individual impact or probable significance of these special items, and we are similarly unable to provide a reconciliation of the non-GAAP measures. The reconciliation that is unavailable would include a forward-looking income statement, balance sheet and statement of cash flows in accordance with GAAP. For this reason, we use a projected range of the aggregate amount of special items in order to calculate our projected non-GAAP operating expense outlook.

*** We believe these non-GAAP measures provide important supplemental information to investors. We use these measures, together with GAAP measures, for internal managerial purposes and as a means to evaluate period-to-period comparisons. However, we do not, and you should not, rely on non-GAAP financial measures alone as measures of our performance. We believe that non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when taken together with GAAP results and the reconciliations to corresponding GAAP financial measures that we also provide in our releases, provide a more complete understanding of factors and trends affecting our business. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures, even if they have similar names.

TELECONFERENCE

onsemi will host a conference call for the financial community at 9 a.m. Eastern Time (EST) on Feb. 6, 2023 to discuss this announcement and onsemi's results for the fourth quarter of 2022 and fiscal year 2022. The Company will also provide a real-time audio webcast of the teleconference on the Investor Relations page of its website at <http://www.onsemi.com>. The webcast replay will be available at this site approximately one hour following the live broadcast and will continue to be available for approximately 30



This document includes "forward-looking statements," as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated in this document could be deemed forward-looking statements, particularly statements about the future financial performance of onsemi, including financial guidance for the first fiscal quarter of 2023, and statements regarding our new share repurchase program. Forward-looking statements are often characterized by the use of words such as "believes," "estimates," "expects," "projects," "may," "will," "intends," "plans," "anticipates," "should" or similar expressions or by discussions of strategy, plans or intentions. All forward-looking statements in this document are made based on our current expectations, forecasts, estimates and assumptions and involve risks, uncertainties, and other factors that could cause results or events to differ materially from those expressed in the forward-looking statements. Certain factors that could affect our future results or events are described under Part I, Item 1A "Risk Factors" in our 2021 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 14, 2022 (our "2021 Form 10-K") and Part II, Item IA "Risk Factors" in each of our Quarterly Reports on Form 10-Q filed with the SEC for the quarters ended April 1, 2022, July 1, 2022, and September 30, 2022, and from time-to-time in our other SEC reports (including in our 2022 Form 10-K). Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information, except as may be required by law. Investing in our securities involves a high degree of risk and uncertainty, and you should carefully consider the trends, risks, and uncertainties described in this document, our 2021 Form 10-K and other reports filed with or furnished to the SEC before making any investment decision with respect to our securities. If any of these trends, risks, or uncertainties actually occurs or continues, our business, financial condition or operating results could be materially adversely affected, the trading prices of our securities could decline, and you could lose all or part of your investment. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

About onsemi

onsemi (Nasdaq: ON) is driving disruptive innovations to help build a better future. With a focus on automotive and industrial end-markets, the company is accelerating change in megatrends such as vehicle electrification and safety, sustainable energy grids, industrial automation, and 5G and cloud infrastructure. **onsemi** offers a highly differentiated and innovative product portfolio, delivering intelligent power and sensing technologies that solve the world's most complex challenges and leads the way to creating a safer, cleaner, and smarter world. **onsemi** is recognized as a Fortune 500[®] company and included in the S&P 500[®] index. Learn more about **onsemi** at www.onsemi.com.

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