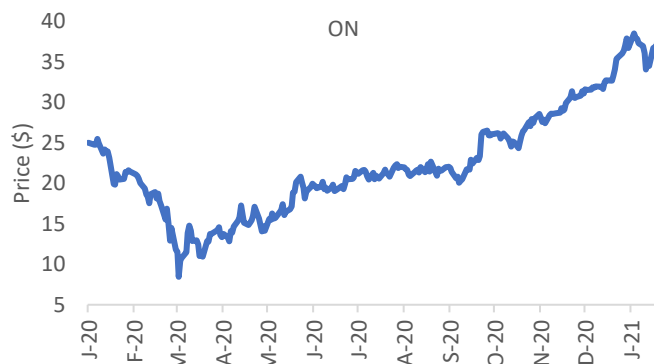


Price	\$38.39	52wk High	\$38.52	Market Cap	\$15,767 M	EPS '20 Adj	\$0.75
Upside	86%	52wk Low	\$8.45	Shares Out.	411 M	Industry	Semi Device

COMPANY OVERVIEW

ON is a semi component designer and manufacturer, the “home depot” of analog, power management, and sensor chips. Its customers are auto OEMs, industrials, and consumer tech/device OEMs

	2021	2022E
Stock Price (2/5/2021)	\$ 38.39	\$ 71.57
Shares Out	411	411
Market Cap	15,767	29,393
+Debt/NCI	4,772	2,915
- Cash	1,694	1,968
Enterprise Value	18,844	30,339
EV/Consensus 22 EBITDA	13.5	
EV/PF 22 EBITDA	12.5	
2022E EV/EBITDA	19.0	

**PORTFOLIO ARGUMENT**

Exposure to cyclical growth drivers: Positioned for rising rates, value rotation, and a synchronized global growth prospect

Not picking winners for emerging tech: Exposure to EV, 5G, Solar/Wind, robotics on an infrastructure level

INVESTMENT THESIS

ON is levered to growing end markets in EV/ICE and industrial automation. It is going through a fab rationalization with significant room to improve yield and utilization. Strategically, ON remain an attractive scaled asset for M&A

INVESTMENT SUMMARY**Content growth outpacing already cyclically strong end-markets**

- Accelerated EV and industrial automation drive end-market and content growth: ON's content growth 20x from ICE to ADAS EV (\$1000), +\$300 per robo factory arm, two of the biggest end markets
- Long end-market life cycle ensures long term growth: more than 60% of the revenues come from industrials and auto with long product life cycles. The median life cycle is 7 years for ON's clients, ensuring sustainable long-term growth

Counter-market View:

- Analog though commoditized has high switching cost for customers: analog chips are designed to fix devices. analog accounts for a very small fraction of the final product prices, OEMs are unlikely to save a small unit price and pay big fees upfront to redesign with a different semi partner

Margin improvement feasible with higher utilization and fab rationalization

- Fab rationalization improves utilization: ON's low utilization at 65% vs peer at 85% would benefit from divesting from older or front-end fab

Counter-market View:

- Margin improvement not predicated on giving up fab: high efficiency fab peer TXN has a GM of 64%, analog fab industry median at 38%, ON at 33%

An attractive scaled asset for strategic options

- Options to hyperscale or embed with logic players: there are multiple directions for potential types of consolidations that could make sense for ON and the industry, increasing the likelihood for a profitable deal

Counter-market View:

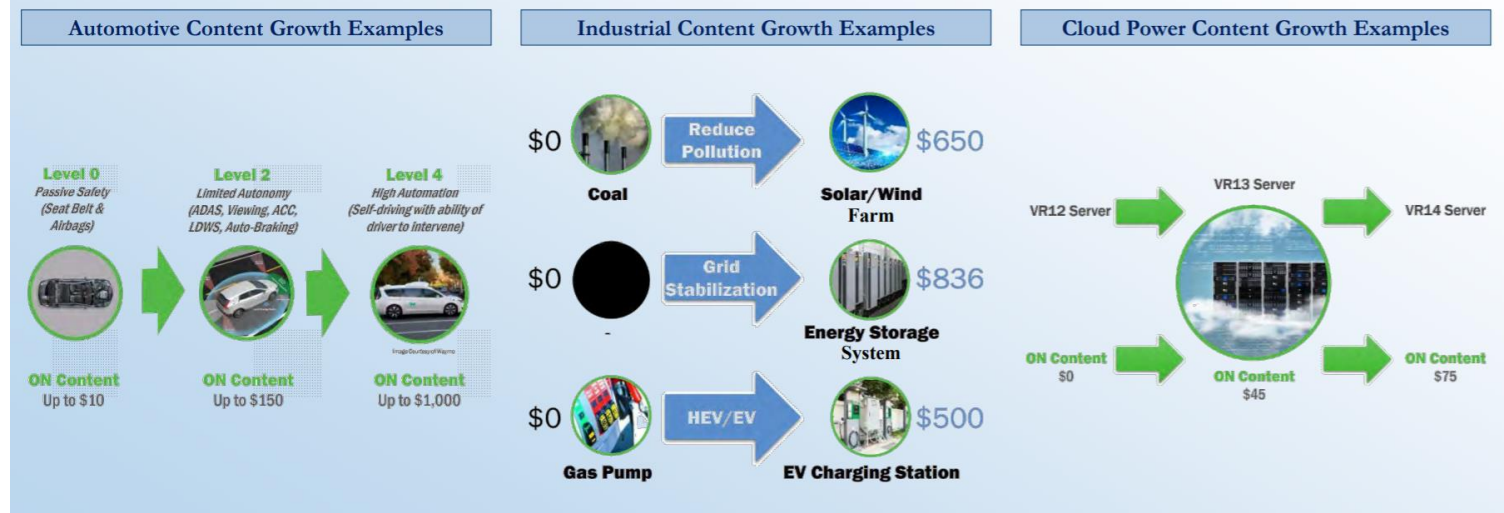
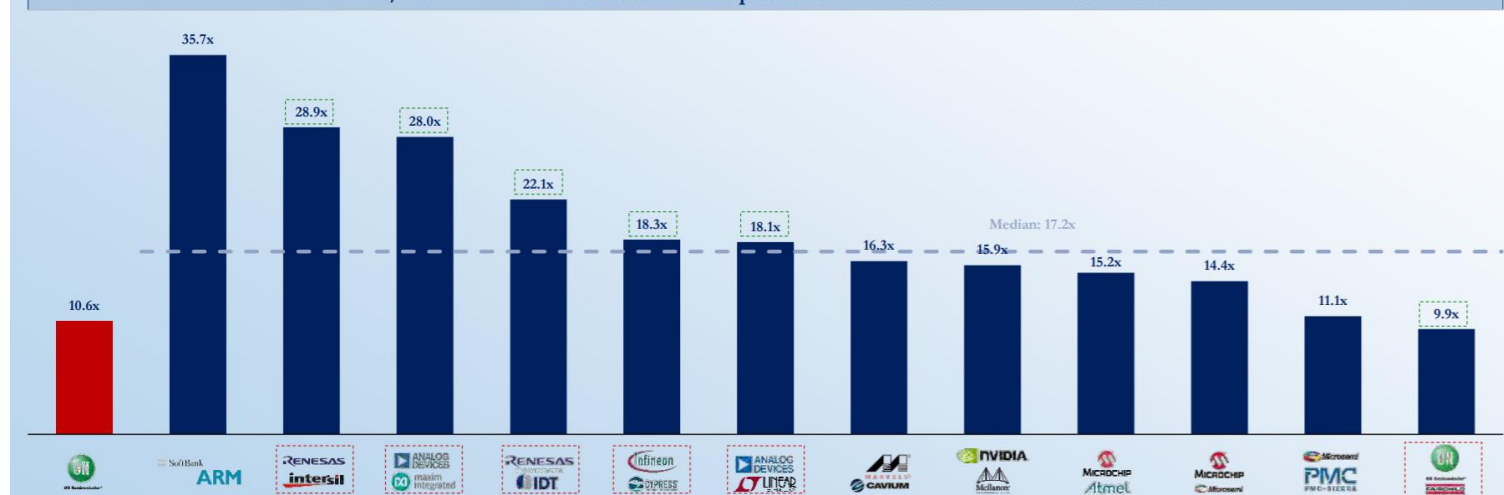
- Starboard's track record: Starboard has owned 12 semi (mostly analog) companies before ON- sold 11 and made 1 the consolidator. Industry's commodity nature and high focus on utilization make sense for further consolidation

KEY METRICS

INCOME STATEMENT		2018	2019	2020	2021E	2022E	2023E	2024E
Revenue		5,878	5,518	5,255	5,570	5,849	6,083	6,265
	Growth %	6%	-6%	-5%	6%	5%	4%	3%
COGS		3,640	3,544	3,539	3,668	3,764	3,823	3,844
	Gross Margin %	38%	36%	33%	34%	36%	37%	39%
SG&A		1,392	1,541	1,367	1,251	1,314	1,366	1,407
EBIT		847	433	349	651	771	894	1,014
	EBIT Margin %	14%	8%	7%	12%	13%	15%	16%
EBITDA		1,356	1,026	1,135	1,386	1,531	1,597	1,665
	EBITDA Margin %	23%	19%	22%	25%	26%	26%	27%
Net Income		630	214	245	367	460	555	649
EPS		\$ 1.48	\$ 0.52	\$ 0.59	\$ 0.89	\$ 1.12	\$ 1.35	\$ 1.57

RISKS**Economic recession could hurt the highly cyclical analog industry**

ON's end market demand is cyclical. However, there are real secular tailwinds for industrial automation and regulatory driven accelerated EV and clean energy adoption

END MARKET AND CONTENT GROWTH**STRATEGIC OPTIONS**EV / NTM EBITDA Transaction Multiples for Semiconductor M&A in Last 5 Years¹**VALUATION SUPPORT**

	Utilization	Gross Margin	EV/EBITDA 2022					
ON	65%	33%	13.5	Yield on 10-Year Treasury	2.5%			
ON PF		39%	12.3	Market Risk Premium	6.5%			
Fab				YTM on LT Debt	3.7%			
TXN	80%	64%	19.0	Tax Rate	25.0%			
IFX	85%	38%	15.5	Total Debt / Total Capitalization	25.2%			
STM	85%	36%	12.3	Terminal Growth Rate	3.0%			
Fab Lite				Equity Beta	1.45			
ADI		67%	22.8	Cost of Equity	8.0%			
NXPI		52%	15.0	WACC	6.7%			
Fabless						2022	2023	2024
MXIM		65%	21.5	+Terminal Value				
MCHP		62%	19.9	Discount Rate	1.07	1.14	1.21	
Median			19.0	Present Value of Free Cash Flows	795	828	855	
				EV	31,510			

Current Price	EBITDA Improvement	Multiple Expansion	2022 Price
\$38	\$12	\$21	\$72