

# NXP Semiconductors N.V.

(NXPI)

187.94 +3.37 (+1.83%)

At close 6/02/2022 04:00PM EDT

<b>CEO</b>	<b>Description</b>
Richard Clemmer	NXP Semiconductors N.V. product portfolio includes microcontrollers; application processors, including i.MX application processors, and i.MX 8 and 9 family of applications processors; communication processors; wireless connectivity solutions, such as near field communications, ultra-wideband, Bluetooth low-energy, Zigbee, and Wi-Fi and Wi-Fi/Bluetooth integrated SoCs; analog and interface devices; radio frequency power amplifiers; and security controllers, as well as semiconductor-based environmental and inertial sensors, including pressure, inertial, magnetic, and gyroscopic sensors. The company's product solutions are used in a range of applications, including automotive, industrial and Internet of Things, mobile, and communication infrastructure. The company markets its products to various original equipment manufacturers, contract manufacturers, and distributors. The company was formerly known as KASLION Acquisition B.V and changed its name to NXP Semiconductors N.V. in May 2010. NXP Semiconductors N.V. was incorporated in 2006 and is headquartered in Eindhoven, the Netherlands.
<b>Sector</b>	
Technology	
<b>Industry</b>	
Semiconductors	
<b>Exchange</b>	
NASDAQ	

At the end of trading Thursday, NXPI finished 7.75 percent below its market price one year ago (200.75, 3-Jun-21), with a negative 19.66 percent return (including dividend payments). Despite the current market correction, NXPI is experiencing a solid 2022. EBIT and Net Income for Q1 2022 are up 8.18 and 9.14 percent, respectively, from Q4 2021 – on a modest 3.19 percent increase in Revenue. Moreover, NXPI has beaten analyst’s earnings estimates for four consecutive quarters by an average of \$0.16.

Our DCF valuation indicates NXPI is trading at **fair value** as compared the current market, with an implied share price between 185.15 – 188.47.

Estimated Value Spread: ± 3%		
Lower Limit	Middle Range	Upper Limit
\$179.60	\$179.61 - \$194.12	\$194.13
NXPI is currently trading at fair value		

Our valuation assumes an 18 percent growth in revenue for 2022; which might be aggressive.

However, NXPI enjoyed a 28.46 percent growth in revenue last year, coupled with a 23.35 percent increase in EBIT.

The implied share price lower limit is calculated utilizing NXPI’s capitalization and the upper limit is based on using comparable firms.

Comparable Companies Unlevered Beta								
		Levered β	MVoDebt	MVoEquity	Debt/Equity	Tax Rate	Unlevered β	WACC
Texas Instruments	TXN	0.941	8,124.00	164,879.76	4.93%	12.89%	0.902	7.100
Analog Devices	ADI	1.073	6,822.45	67,913.98	10.05%	-4.64%	0.971	7.500
ON Semiconductor	ON	1.730	3,074.60	26,116.41	11.77%	12.80%	1.569	10.300
Skyworks Solutions	SWKS	1.133	2,413.10	18,510.28	13.04%	6.28%	1.010	7.370
Qorvo, Inc.	QRVO	1.338	2,047.10	12,644.85	16.19%	12.51%	1.172	8.320
Average		1.243			11.19%	7.97%	1.125	8.118
Median		1.133			11.77%	12.51%	1.010	7.500

NXP Semiconductors N.V. Relevered Beta					
	Unlevered β	Debt/Equity	Tax Rate	Relevered β	WACC
Relevered Beta	1.125	17.28%	14.78%	1.290	9.018

**NXP Semiconductors N.V.**

Target price range: \$185.15 - \$188.47

**NXPI**

Tech - Semiconductors

	2021	2022	2023	2024	2025	2026
	0	1	2	3	4	5
EBIT	\$ 2,583,000.0	\$ 2,279,523.2	\$ 2,402,617.5	\$ 2,493,553.7	\$ 2,587,931.8	\$ 2,685,882.0
Tax Expense	381,767.4	501,495.1	528,575.8	548,581.8	569,345.0	590,894.0
<b>NOPLAT</b>	<b>2,201,232.6</b>	<b>1,778,028.1</b>	<b>1,874,041.6</b>	<b>1,944,971.9</b>	<b>2,018,586.8</b>	<b>2,094,987.9</b>
Depreciation	1,262,000.0	2,678,310.0	2,822,938.8	2,929,783.7	3,040,672.6	3,155,758.5
CapEx	932,000.0	924,589.4	974,517.2	1,011,401.6	1,049,681.9	1,089,411.2
Δ NWC	469,000.0	475,232.3	175,566.5	129,700.3	134,609.3	139,704.1
<b>Unlevered FCF</b>	<b>3,000,232.6</b>	<b>4,006,981.0</b>	<b>3,898,029.7</b>	<b>3,993,054.3</b>	<b>4,144,186.7</b>	<b>4,301,039.3</b>
Terminal Value						62,507,223.9
<b>PV of UFCF</b>	<b>3,000,232.6</b>	<b>3,675,506.1</b>	<b>3,279,781.1</b>	<b>3,081,802.4</b>	<b>2,933,855.7</b>	<b>43,383,987.9</b>

Enterprise Value \$ 56,354,933.2

Net Debt 7,742,000.0

Implied Equity \$ 48,612,933.2

Outstanding Shares 262,560.0

Implied Share Price \$185.15

\* Using 1.359 Beta resulting in 9.018% WACC

USD\$ in thousands

	2021	2022	2023	2024	2025	2026
	0	1	2	3	4	5
Free Cash Flow	3,000,232.6	4,006,981.0	3,898,029.7	3,993,054.3	4,144,186.7	4,301,039.3
<i>Discount Factor</i>		0.92	0.85	0.78	0.72	0.66
Present Value of Free Cash Flow		3,686,540.0	3,299,502.6	3,109,640.8	2,969,244.7	2,835,187.3

Enterprise Value \$ 57,227,732.2

Net Debt 7,742,000.0

Implied Equity \$ 49,485,732.2

Outstanding Shares 262,560.0

Implied Share Price \$188.47

TV EBITDA 3,845,000.0

Exit Multiple 17.7

Terminal Value (TV) 68,144,428.5

*Discount Factor* 0.61

PV of TV 41,327,616.8

PV of FCF 15,900,115.4

\* Using relevered 1.2904 Beta (based on comparables) resulting in 8.692% WACC

USD\$ in thousands

**Assumptions:**

- Using tax rate of 22.00% for projected years
- Terminal Value long-term growth rate is 2.000%
- 2.42% Risk free rate
- NXP Semiconductors N.V. Beta = 1.359
- 5.58% Equity Risk Premium