

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

(Commission File Number) 001-39317

ON SEMICONDUCTOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3840979
(I.R.S. Employer
Identification No.)

5005 E. McDowell Road
Phoenix, AZ 85008
(602) 244-6600

(Address, zip code and telephone number, including area code, of principal executive offices)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ON	The Nasdaq Stock Market LLC
Preferred Stock, Series B Junior Participating, Purchase Rights	N/A	The Nasdaq Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was \$7,783,044,394 as of July 3, 2020, based on the closing sales price of such stock on the Nasdaq Global Select Market. Shares held by executive officers, directors and persons owning directly or indirectly more than 10% of the outstanding common stock (as applicable) have been excluded from the preceding number because such persons may be deemed to be affiliates of the registrant.

The number of shares of the registrant's common stock outstanding at February 10, 2021 was 411,881,071.

Documents Incorporated by Reference

Portions of the registrant's Definitive Proxy Statement relating to its 2021 Annual Meeting of Stockholders, which is expected to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year ended December 31, 2020, are incorporated by reference into Part III of this Form 10-K.

ON SEMICONDUCTOR CORPORATION
FORM 10-K

TABLE OF CONTENTS

	Part I	
<i>Item 1.</i>	Business	<u>5</u>
	Business Overview	<u>5</u>
	Revenue Generating Activities	<u>6</u>
	Markets	<u>9</u>
	Resources	<u>12</u>
	Seasonality	<u>14</u>
	Government Regulation	<u>14</u>
	Human Capital Resources	<u>15</u>
	Executive Officers of the Registrant	<u>16</u>
	Available Information	<u>18</u>
<i>Item 1A.</i>	Risk Factors	<u>18</u>
<i>Item 1B.</i>	Unresolved Staff Comments	<u>36</u>
<i>Item 2.</i>	Properties	<u>37</u>
<i>Item 3.</i>	Legal Proceedings	<u>37</u>
<i>Item 4.</i>	Mine Safety Disclosure	<u>37</u>
	Part II	
<i>Item 5.</i>	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>37</u>
<i>Item 6.</i>	Selected Financial Data	<u>38</u>
<i>Item 7.</i>	Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>39</u>
<i>Item 7A.</i>	Quantitative and Qualitative Disclosures about Market Risk	<u>54</u>
<i>Item 8.</i>	Financial Statements and Supplementary Data	<u>55</u>
<i>Item 9.</i>	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	<u>55</u>
<i>Item 9A.</i>	Controls and Procedures	<u>55</u>
<i>Item 9B.</i>	Other Information	<u>56</u>
	Part III	
<i>Item 10.</i>	Directors, Executive Officers and Corporate Governance	<u>56</u>
<i>Item 11.</i>	Executive Compensation	<u>56</u>
<i>Item 12.</i>	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>57</u>
<i>Item 13.</i>	Certain Relationships and Related Transactions, and Director Independence	<u>57</u>
<i>Item 14.</i>	Principal Accountant Fees and Services	<u>57</u>
	Part IV	
<i>Item 15.</i>	Exhibits and Financial Statement Schedules	<u>57</u>
<i>Item 16.</i>	Form 10-K Summary	<u>65</u>
Signatures		<u>66</u>

(See the glossary immediately following this table of contents for definitions of certain abbreviated terms)

**ON SEMICONDUCTOR CORPORATION
FORM 10-K**

GLOSSARY OF SELECTED ABBREVIATED TERMS*

Abbreviated Term	Defined Term
1.00% Notes	1.00% Convertible Senior Notes due 2020
1.625% Notes	1.625% Convertible Senior Notes due 2023
3.875% Notes	3.875% Senior Notes due 2028
AC	Alternating current
ADAS	Advanced driver assistance systems
AEC	Automotive Electronics Council
AFCI	Arc fault circuit interrupter
AI	Artificial intelligence
Amended Credit Agreement	Credit Agreement, dated as of April 15, 2016, as subsequently amended, by and among the Company, as borrower, the several lenders party thereto, Deutsche Bank AG, New York Branch, as administrative agent and collateral agent, and certain other parties, providing for the Revolving Credit Facility and the Term Loan "B" Facility
Amended and Restated SIP	ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, as amended
AMIS	AMIS Holdings, Inc.
AP/Gateway	Access point/gateway
Aptina	Aptina, Inc.
AR/VR	Augmented reality/virtual reality
ASC	Accounting Standards Codification
ASIC	Application specific integrated circuits
ASSP	Application specific standard product
ASU	Accounting Standards Update
BCD	Bipolar-CMOS-DMOS
CMOS	Complementary metal oxide semiconductor
CSP	Chip scale package
DC	Direct current
DFN	Dual-flat no-leads
DMOS	Double diffused metal oxide semiconductor
DSP	Digital signal processing
ECL	Emitter coupled logic
EDI	Electronic data interface
EEPROM	Electrically erasable programmable read-only memory
EPA	Environmental Protection Agency
ESD	Electrostatic discharge
ESPP	ON Semiconductor Corporation 2000 Employee Stock Purchase Plan, as amended
EV/HEV	Electric vehicles/hybrid electric vehicles
Exchange Act	Securities Exchange Act of 1934, as amended
Fairchild	Fairchild Semiconductor International Inc., a wholly-owned subsidiary of ON Semiconductor Corporation
FASB	Financial Accounting Standards Board
FDA	U.S. Food and Drug Administration
Freescale	Freescale Semiconductor, Inc.
GaN	Gallium nitride

GFCI	Ground fault circuit interrupter
HV	High voltage
IC	Integrated circuit
IGBT	Insulated-gate bipolar transistor
IoT	Internet-of-things
IP	Intellectual property
IPRD	In-process research and development
LDOs	Low drop out regulator controllers
LED	Light-emitting diode
LIBO Rate	A base rate per annum equal to the London Interbank Offered Rate as administered by the Intercontinental Exchange Benchmark Administration
LiDAR	Light detection and ranging
LSI	Large scale integration
MCU	Microcontroller unit
MOSFET	Metal oxide semiconductor field effect transistor
Motorola	Motorola Inc.
ODM	Original device manufacturers
OEM	Original equipment manufacturers
PC	Personal computer
PRP	Potentially responsible party
Revolving Credit Facility	A \$1.97 billion revolving credit facility created pursuant to the Amended Credit Agreement
RF	Radio frequency
RSU	Restricted stock unit
SCI LLC	Semiconductor Components Industries, LLC, a wholly-owned subsidiary of ON Semiconductor Corporation
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SensL	SensL Technologies Ltd.
SiC	Silicon carbide
SiPM	Silicon photomultipliers
SoC	System on chip
SPAD	Single photon avalanche diode arrays
Term Loan "B" Facility	A \$2.4 billion term loan "B" facility created pursuant to the Amended Credit Agreement
UPS	Uninterruptible power supplies
VCORE	Voltage core
WBG	Wide band gap
Wi-Fi	Wireless radio technologies compliant with Institute of Electrical and Electronics Engineers Standard 802.11b and commonly used in wireless local area networking devices
X4DFN 01005	Dual-flat no-leads 0.445 x 0.24 x 0.18 mm package

* Terms used, but not defined, within the body of the Form 10-K are defined in this Glossary.

PART I

Item 1. *Business*

Business Overview

ON Semiconductor Corporation, together with its wholly and majority-owned subsidiaries ("ON Semiconductor," "we," "us," "our," or the "Company"), was incorporated under the laws of the state of Delaware in 1992 under the name Motorola Energy Systems, Inc. Immediately prior to our August 4, 1999 recapitalization, we were a wholly-owned subsidiary of Motorola.

ON Semiconductor is driving innovation in energy-efficient electronics. We believe that our extensive portfolio of sensors, power management, connectivity, custom and SoC, analog, logic, timing and discrete devices helps customers efficiently solve their design challenges in advanced electronic systems and products. Our power management and motor driver semiconductor components control, convert, protect and monitor the supply of power to the different elements within a wide variety of electronic devices. Our custom ASICs and SoC devices use analog, MCU, DSP, mixed-signal and advanced logic capabilities to enable the application and uses of many of our automotive, medical, aerospace/defense, consumer and industrial customers' products. Our signal management semiconductor components provide high-performance clock management and data flow management for precision computing, communications and industrial systems. Our portfolio of sensors, including image sensors, radar and LiDAR, provide advanced solutions for automotive, industrial and IoT applications. Our high performance Wi-Fi solution creates a strong platform for addressing connectivity solutions for industrial IoT applications. Our standard semiconductor components serve as "building blocks" within virtually all types of electronic devices.

As of December 31, 2020, we were organized into the following three operating and reportable segments: the Power Solutions Group ("PSG"), the Advanced Solutions Group ("ASG") and the Intelligent Sensing Group ("ISG").

Recent Business Strategy Developments

Our primary focus is on gross margin expansion, while at the same time, achieving significant revenue growth in our focused end-markets of automotive, industrial and communication infrastructure as well as being opportunistic in other end-markets.

In light of these objectives, we have begun the process of evaluating our current product portfolio. We intend to allocate capital and research and development investments and resources to accelerate growth in high-margin products and end-markets by moving away from non-differentiated products, which have had historically lower gross margins, and in that process, reduce complexity, streamline the organization, and improve operating efficiencies.

Additionally, we believe these actions will allow us to transition to a lighter internal fabrication model where our gross margins will be less volatile and not as heavily influenced by our internal manufacturing volumes. As further discussed below, we are also rationalizing our manufacturing footprint to align with our investment priorities and corporate strategy. Our goal is to reduce volatility in our gross margins and maximize return on our manufacturing investments with the intent to have our product strategy drive our manufacturing footprint and capital investments.

Novel coronavirus disease 2019 ("COVID-19")

In March 2020, the World Health Organization declared COVID-19 to be a pandemic, which continues to spread throughout the U.S. and the world. Our results of operations were adversely impacted during the majority of 2020 due to the reduced demand from our customers, government-mandated temporary shutdowns of certain of our facilities, supply shortages and other logistical constraints arising from the COVID-19 pandemic.

We are unable to accurately predict the full impact that the COVID-19 pandemic will have on us due to a number of uncertainties, including the duration and severity of the outbreak, globally and, in particular, in the markets in which we do business, the impact of the pandemic on our customers' businesses, the imposition of any future government restrictions on staffing and facility operations, supply chain shortages, and other disruptions. Without global containment, it is likely that the pandemic will continue to have a negative impact on our business, results of operations and financial condition for the foreseeable future.

Pending and completed acquisitions

On April 22, 2019, we entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with GLOBALFOUNDRIES U.S. Inc. ("GFUS") and GLOBALFOUNDRIES Inc. pursuant to which we will acquire GFUS's East

Fishkill, New York site and fabrication facilities and certain other assets and liabilities on or around December 31, 2022 (the "Closing Date"), subject to certain conditions, for an aggregate purchase price of \$400.0 million in cash, subject to adjustment as described in the Asset Purchase Agreement (the "Total Consideration"). On April 22, 2019, we paid GFUS \$70.0 million of the Total Consideration in cash as a non-refundable deposit, which will be applied toward and reduce the Total Consideration.

On October 1, 2020, we entered into an amendment to the Asset Purchase Agreement (the "APA Amendment") pursuant to which we paid GFUS a non-refundable deposit in the amount of \$100.0 million in cash on October 5, 2020 (the "Additional Deposit"). The Additional Deposit will be applied toward and reduce the Total Consideration as a non-refundable deposit, and the remaining \$230.0 million of the Total Consideration will be paid on or around the Closing Date. Other terms and conditions of the Asset Purchase Agreement remain unchanged.

With the expected completion of the acquisition in East Fishkill, New York on or around December 31, 2022, we initiated structural changes to our manufacturing footprint. During February and August 2020, we announced that we were exploring the sales of our six-inch fabrication facilities in Oudenaarde, Belgium and Niigata, Japan, respectively. We could incur accounting charges in the future in connection with the active marketing and sale of these fabrication facilities and for costs to transition the manufacturing activity to other sites in our manufacturing network.

On June 19, 2019, we completed our acquisition of Quantenna Communications, Inc. ("Quantenna"). Following the acquisition, Quantenna changed its name to ON Semiconductor Connectivity Solutions, Inc. The purchase price totaled \$1,039.3 million, and was funded with the proceeds from a \$900.0 million draw against our Revolving Credit Facility and cash on hand. We believe the acquisition of Quantenna creates a strong platform for addressing connectivity solutions for industrial IoT by combining our expertise in power management and bluetooth technologies with Quantenna's Wi-Fi technologies and software capabilities.

See Note 5: "Acquisitions, Divestiture and Licensing Transactions" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for additional information.

Revenue-Generating Activities

ON Semiconductor generates revenue from the sale of our semiconductor products to distributors, OEMs and electronic manufacturing service providers. We also generate revenue, to a much lesser extent, from product development agreements and manufacturing services provided to customers. Our devices are found in a wide variety of end products as noted within the sample applications in the end-markets section below. Our portfolio of devices enables us to offer advanced ICs and the "building block" components that deliver system level functionality and design solutions. We offer micro packages, which provide increased performance characteristics while reducing the critical board space inside today's ever shrinking electronic devices and power modules, delivering improved energy efficiency and reliability for a wide variety of medium and high power applications. We believe that our ability to offer a broad range of products, combined with our applications and global manufacturing and logistics network, provides our customers with single source purchasing on a cost-effective and timely basis.

We shipped approximately 64.3 billion units in 2020 and approximately 66.2 billion units in 2019, resulting in a period-over-period decrease of approximately 3%. As many of our products are sold into different end-markets, the total revenue reported under PSG, ASG and ISG is not indicative of actual sales in the end-market associated with that segment, but rather is the sum of the revenue from the product lines assigned to that segment. From time to time, we reassess the alignment of our product families and devices to our operating segments and may move product families or individual devices from one operating segment to another.

The following table illustrates the product technologies under each of our segments based on our operating strategy:

PSG	ASG	ISG
Analog products	Analog products	LSI products
Discrete products	ASIC products	Sensors
MOSFET Products	Connectivity products	
Power Module products	ECL products	
Isolation products	Foundry products / services	
Memory products	Gate Driver products	
Gate Driver products	LSI products	
Standard Logic products	Standard Logic products	
WBG products		

Products and Technology

The following provides certain information regarding the products and technologies by each of our operating segments. See Note 3: "Revenue and Segment Information" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for other information regarding our segments, their revenue and property, plant and equipment and the income derived from each segment.

PSG

PSG offers a wide array of analog, discrete, module and integrated semiconductor products that perform multiple application functions, including power switching, power conversion, signal conditioning, circuit protection, signal amplification and voltage regulation functions. The trends driving growth within our end-user markets are primarily higher power efficiency and power density in power applications, the demand for greater functionality in small handheld devices, and faster data transmission rates in all communications. The advancement of existing volt electrical infrastructure, electrification of power train in the form of EV/HEV, higher trench density enabling lower losses in power efficient packages and lower capacitance and integrated signal conditioning products to support faster data transmission rates significantly increase the use of high power semiconductor solutions. The recent increase in the use of WBG MOSFETs and diodes, including SiC and GaN, is further expanding the use of semiconductor products. Certain of PSG's broad portfolio of products and solutions are summarized below:

- *Automotive Electronics*
AEC qualified products, covering the spectrum from discrete to integrated, as well as automotive modules and known good die to support automotive modules. New semiconductor products based upon WBG technologies, including SiC, are rapidly being adopted for EV/HEV traction and charging applications due to the higher efficiencies they provide.
- *Industrial Electronics*
Advanced power technologies to support high performance power conversion for high-end power supply/UPS, alternative energy and industrial motors.
- *Computing*
MOSFETs and protection devices supporting the latest chipsets. Multichip power solutions and advanced LDOs to support power efficiency requirements in new computing platforms. SiC and GaN technology enables drastic reduction in power adapter size.
- *Communications*
Our smallest packages: DFN MOSFETs, CSP (MOSFET/EEPROMs), EEPROMs and LDOs, and X4DFN 01005 for small signal devices and protection. Low capacitance ESD and common mode filters for high-speed serial interface protection.

ASG

ASG designs and develops analog, mixed-signal, advanced logic, ASSPs and ASICs, Wi-Fi and power solutions for a broad base of end-users in different end-markets. Our product solutions enable industry leading active mode and standby mode efficiency now demanded by regulatory agencies around the world. Additionally, ASG offers trusted foundry and design

services for our government customers as well as manufacturing services, which leverage the Company's broad range of manufacturing, IC design, packaging, and silicon technology offerings to provide turn-key solutions for our customers. Certain of ASG's broad portfolio of products and solutions are summarized below:

- *Automotive Electronics*
Energy efficient solutions that reduce emissions, improve fuel economy and safety, enhance lighting and make possible an improved driving experience. Multi-phase DC-DC power conversion for compute-intensive solutions for assisted and autonomous driving is also a focus area.
- *Industrial Electronics*
Efficient power conversion products, sensor interface products and motor control products. Wired and low power RF wireless connectivity for IoT applications. Residential, commercial and industrial-grade circuit breaking products for GFCI and AFCI applications. FDA-compliant assembly and packaging manufacturing services.
- *Computing*
Solutions for a wide range of voltage and current options ranging from multi-phase power conversion for VCORE processors, power stage and point of load. Thermal and battery charging solutions as well as high density AC to DC power conversion solutions are also supported.
- *Communications*
High efficiency mixed-signal, power management, Wi-Fi and RF connectivity products that enable our customers to maximize the performance of their products while preserving critical battery life. RF tuning solutions to enhance radio performance. Fast charging, multi-media and ambient awareness system solutions to address increasing customer desire for innovation.

ISG

ISG designs and develops CMOS image sensors, proximity sensors, image signal processors, single photon detectors, including SiPM and SPAD arrays, radar, as well as actuator drivers for autofocus and image stabilization for a broad base of end-users in the different end-markets. Our broad range of product offerings delivers excellent pixel performance, sensor functionality and camera systems capabilities in which high quality visual imagery is becoming increasingly important to our customers and their end-users, particularly in applications powered by AI. Certain of ISG's broad portfolio of products and solutions are summarized below:

- *Automotive Imaging*
A broad portfolio of automotive sensing technologies spanning ultrasonic, imaging, radar and LiDAR, paving the way for high levels of ADAS and automated driving with built in functional safety and cybersecurity processing.
- *Industrial Imaging*
A broad range of CMOS and SiPM sensors with an emphasis on machine vision for factory automation, robotics and logistics, intelligent transportation systems, agriculture, medical, cinematography, scientific and aerospace/defense applications.
- *Wireless and Consumer Electronics*
A broad range of CMOS sensors and driver actuators for high performance AR/VR, drones, mobile phones, PCs, tablets, high-speed video cameras, and various unique consumer applications. Our solutions offer superior image quality, fast frame rates, high definition and low light sensitivity to provide customers with a compelling visual experience, especially in emerging applications in IoT markets for security, surveillance and internet protocol cameras.

Customers

We sell our products to distributors, OEMs and electronic manufacturing service providers for ultimate use in a variety of end-products in different end-markets. In general, we have maintained long-term relationships with our key customers. Sales agreements with customers are renewable periodically and contain certain terms and conditions with respect to payment, delivery, warranty and supply, but generally do not require minimum purchase commitments. Our distributors generally negotiate pricing terms on a quarterly basis, most of our OEM customers negotiate pricing terms on an annual basis near the end of the calendar year and electronic manufacturing service providers negotiate prices periodically during the year. Pricing terms on product development agreements are negotiated at the beginning of a project. With respect to customers in public sector, the government's remedies may include suspension or debarment from future government business. In addition, almost

all of our contracts have default provisions, and certain of our contracts in the public sector are terminable at any time for convenience of the contracting agency.

We generally warrant that products sold to our customers will, at the time of shipment, be free from defects in workmanship and materials and conform to our approved specifications. Our standard warranty extends for a period of two years from the date of delivery, except in the case of image sensor products, which are warrantied for one year from the date of delivery. Our customers may cancel orders 30 days prior to shipment for standard products and, generally prior to start of production for custom products without incurring a penalty. For the year ended December 31, 2020, aggregate revenue from our five largest customers for PSG, ASG and ISG, comprised approximately 46%, 36% and 43%, respectively, of the respective segment revenue. The loss of certain of these customers may have a material adverse effect on the operations of the respective segment and our consolidated results of operations.

Distributors

Sales to distributors accounted for approximately 60% of our revenue in 2020, 57% of our revenue in 2019 and 60% of our revenue in 2018. We had one distributor whose revenue accounted for approximately 11% of the total revenue for the year ended December 31, 2020. Our distributors resell to mid-sized and smaller OEMs and to electronic manufacturing service providers and other companies. Sales to distributors are typically made pursuant to agreements that provide return rights and stock rotation provisions permitting limited levels of product returns.

OEMs

Sales to OEMs accounted for approximately 34% of our revenue in 2020, 36% of our revenue in 2019 and 34% of our revenue in 2018. OEM customers include a variety of companies in the electronics industry. We focus on three types of OEMs: multi-nationals; selected regional accounts; and target market customers. Large multi-nationals and selected regional accounts, which are significant in specific markets, are our core OEM customers. The target market customers for our end-markets are OEMs that are on the leading edge of specific technologies and provide direction for technology and new product development. Generally, our OEM customers do not have the right to return our products following a sale other than pursuant to our warranty.

Electronic Manufacturing Service Providers

Sales to electronic manufacturing service providers accounted for approximately 6% of our revenue in 2020, 7% of our revenue in 2019 and 6% of our revenue in 2018. These customers are manufacturers who typically provide contract manufacturing services for OEMs. Many OEMs outsource a large part of their manufacturing to electronic manufacturing service providers in order to focus on their core competencies. Generally, our electronic manufacturing service customers do not have the right to return our products following a sale other than pursuant to our warranty.

For additional information regarding agreements with our customers, see "Markets," "Resources" and "Risk Factors - Trends, Risks and Uncertainties Related to Our Business" included elsewhere in this Form 10-K and Note 2: "Significant Accounting Policies - Revenue Recognition" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K.

Markets

Product development

Our new product development efforts continue to be focused on building solutions in areas that appeal to customers in focused market segments and across multiple high-growth applications. We collaborate with our customers to identify desired innovations in electronic systems in each end-market that we serve. This enables us to participate in the fastest growing sectors of the market. We also innovate in advanced packaging technologies to support ongoing size reduction in electronic systems and in advanced thermal packaging to support high performance power conversion applications. It is our practice to regularly re-evaluate our research and development spending, to assess the deployment of resources and to review the funding of high-growth technologies. We deploy people and capital with the goal of maximizing the return for our research and development investments by targeting innovative products and solutions for high growth applications that position us to outperform the industry. Our design expertise in analog, digital, mixed signal and imaging ICs, combined with our extensive portfolio of standard products enable us to offer comprehensive, value-added solutions to our global customers for their electronics systems.

End-Markets

We serve a broad base of end-user markets, including automotive, industrial, medical, aerospace/defense, communications, networking, wireless, consumer and computing. The following table sets forth our principal end-markets, the estimated percentage (based in part on information provided by our distributors and electronic manufacturing service providers) of our revenue generated from each end-market during 2020, and sample applications for our products. Our industrial end-market includes the data relating to the medical, aerospace and defense and our communications end-market includes the data relating to the networking and wireless.

	Automotive	Industrial	Communications	Consumer	Computing
2020 Revenue (%)	32%	25%	20%	11%	12%
<i>Sample applications</i>	EV	Energy Infrastructure	5G Base Stations	Smart Speakers/Digital Assistants	Cloud Computing/Data Center Servers
	ADAS	Industrial Automation	AP/Gateway	White Goods	USB Type-C
	Power Management	Security & Surveillance	Tablets	USB Type-C	Graphics Cards
	Powertrain	Machine Vision	Smart Phones	Power Supplies	Power Supplies
	In-Vehicle Networking	Smart Cities & Buildings	Switches	Gaming, Home Entertainment Systems, & Set Top Boxes	Notebooks, Ultrabooks, & 2-in-1s
	Body & Interior	Hearing Health, Diagnostic, Therapy, & Monitoring	Routers	AR/VR	Desktop PCs & All-in-Ones
	Lighting	Power Solutions	Power Supplies	Wearable Devices	
	Sensors	AR/VR		Robotics	
	Engine Control	Motor Control		Routers/Modems	
		Robotics		Drones	

Competition

We face significant competition from major international semiconductor companies, as well as smaller companies focused on specific market niches. Because some of our components are often building block semiconductors that, in some cases, can be integrated into more complex ICs, we also face competition from manufacturers of ICs, ASICs and fully-customized ICs, as well as customers who develop their own IC products. See "Risk Factors—Trends, Risks and Uncertainties Related to Our Business" included elsewhere in this Form 10-K for additional information.

In comparison, several of our competitors are larger in scale and size, have substantially greater financial and other resources with which to pursue development, engineering, manufacturing, marketing and distribution of their products and may generally be better situated to withstand adverse economic or market conditions. The semiconductor industry has experienced, and may continue to experience, significant consolidation among companies and vertical integration among customers. The following discusses the effects of competition on our three operating segments:

PSG

Our competitive strengths include our core competencies of leading edge fabrication technologies, micro packaging expertise, breadth of product line and IP portfolio, high quality cost effective manufacturing and supply chain management which ensures supply to our customers. Our commitment to continual innovation allows us to provide an ever broader range of semiconductor solutions to our customers who differentiate in power density and power efficiency, the key performance characteristics driving our markets.

The principal methods of competition in our discrete, module and integrated semiconductor products are through new products and package innovations enabling enhanced performance over existing products. Of particular importance are our power MOSFETs, IGBTs, WBG MOSFETs and diodes, including SiC and GaN rectifiers and power module portfolio for power conversion applications, and ESD portfolio for hi-speed serial interface protection products, where we believe we have significant performance advantages over our competition. PSG's competitors include: Broadcom Limited ("Broadcom"), Diodes Incorporated, Infineon Technologies AG ("Infineon"), KEC Corporation, Nexperia BV, Rohm Semiconductor USA LLC ("Rohm"), Semtech Corporation, STMicroelectronics N.V. ("STMicroelectronics"), Texas Instruments Incorporated ("TI"), Toshiba Corporation ("Toshiba") and Vishay Intertechnology, Inc.

ASG

ASG principally competes on design experience, manufacturing capability, depth and quality of IP, ability to service customer needs from the design phase to the shipping of a completed product, length of design cycle, longevity of technology support and experience of sales and technical support personnel. Our competitive position with respect to the above basis is enhanced by long-standing relationships with leading OEM customers.

Our ability to compete successfully depends on internal and external variables. These variables include, but are not limited to, the timeliness with which we can develop new products and technologies, product performance and quality, manufacturing yields and availability of supply, customer service, pricing, industry trends and general economic trends. Competitors for certain of ASG's products and solutions include: Infineon, NXP Semiconductors N.V. ("NXP"), STMicroelectronics and TI.

ISG

ISG differentiates itself from the competition through deep technical knowledge and close customer relationships to drive leading edge sensing performance for both human and machine vision applications. ISG has significant imaging experience and was one of the earliest to commercialize CMOS active pixel sensors and introduce CMOS technology in many of our markets. ISG has leveraged this expertise into market leading positions in automotive and industrial applications, which allows us to offer technical and end-user applications knowledge to help customers develop innovative sensing solutions across a broad range of end-user needs.

Competitors for certain of ISG's products and solutions include: Sony Semiconductor Manufacturing Corporation ("Sony Semiconductor"), Samsung Electronics Co., Ltd. ("Samsung"), Omnicision, STMicroelectronics and Toshiba for image sensors; Rohm, Renesas Electronics Corporation and Dongwoon Anatech Co., Ltd. for actuator drivers; TI, NXP, and Infineon for radar; and Hamamatsu Photonics K.K., Broadcom and ST Microelectronics for SiPMs and SPADs.

Sales, Marketing and Distribution

As of December 31, 2020, our sales and marketing organization consisted of approximately 1,700 professionals servicing customers globally. We support our customers through just-in-time warehouses. We have global distribution centers in China, the Philippines and Singapore. Global and regional distribution channels further support our customers' needs for quick response and service. We offer efficient, cost-effective global applications support from our technical information centers and solution engineering centers, allowing for applications that are developed in one region of the world to be instantaneously available throughout all other regions.

Backlog

Our trade sales are made primarily pursuant to orders that are predominantly booked as far as 26 weeks in advance of delivery. Generally, prices and quantities are fixed at the time of booking. Backlog as of a given date consists of existing orders and forecasted demand from our EDI customers, in each case scheduled to be shipped over the 13-week period following such date. Backlog is influenced by several factors, including market demand, pricing and customer order patterns in reaction to product lead times. During 2020, our backlog at the beginning of each quarter represented between 85% and 97% of actual revenue during such quarter, which is slightly higher than the backlog levels in recent prior periods. As manufacturing capacity utilization in the industry increases, customers tend to order products further in advance and, as a result, backlog at the beginning of a period as a percentage of revenue during such period is likely to increase.

In the semiconductor industry, backlog quantities and shipment schedules under outstanding purchase orders are frequently revised to reflect changes in customer needs. Agreements calling for the sale of specific quantities are either contractually subject to quantity revisions or, as a matter of industry practice, are often not enforced. Therefore, a significant portion of our order backlog may be cancellable. For these reasons, the amount of backlog as of any particular date may not be an accurate indicator of future results.

We sell products to key customers pursuant to contracts that allow us to schedule production capacity in advance and allow the customers to manage their inventory levels consistent with just-in-time principles while shortening the cycle times required for producing ordered products. However, these contracts are typically amended to reflect changes in customer demands and periodic price re-negotiations. We routinely generate inventory based on customers' estimates of end-user demand for their products, which are difficult to predict. See "Risk Factors—Trends, Risks and Uncertainties Related to Our Business" located elsewhere in this Form 10-K for additional information regarding the inventory practices within the semiconductor industry.

Resources

Raw Materials

Our manufacturing processes use many raw materials, including silicon wafers, SiC wafers, laminate substrates, gold, copper, lead frames, mold compound, ceramic packages and various chemicals and gases as well as other production supplies used in our manufacturing processes. We obtain our raw materials and supplies from a large number of sources, generally on a just-in-time basis, and material agreements with our suppliers that impose minimum or continuing supply obligations are reflected in our contractual obligations table in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations" included elsewhere in this Form 10-K. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. Although we believe that supplies of the raw materials we use are currently and will continue to be available, shortages could occur in various essential materials due to interruption of supply as experienced during the COVID-19 pandemic and increased demand in the industry or other factors.

Manufacturing and Design Operations

We currently have domestic design operations in Arizona, California, Idaho, New York, Oregon, Pennsylvania, Rhode Island, Texas, Utah and Virginia. We also have foreign design operations in Australia, Belgium, Canada, China, the Czech Republic, France, Germany, India, Ireland, Israel, Italy, Japan, South Korea, the Philippines, Romania, Russia, Singapore, Slovak Republic, Slovenia, Switzerland, Taiwan and the United Kingdom.

We operate front-end wafer fabrication facilities in Belgium, the Czech Republic, Japan, South Korea, Malaysia and the United States and back-end assembly and test site facilities in Canada, China, Malaysia, the Philippines, Vietnam and the United States. In addition to these front-end and back-end manufacturing operations, our facility in Rožnov pod Radhoštěm, Czech Republic manufactures silicon wafers that are used by a number of our facilities.

The table below sets forth information with respect to the manufacturing facilities we operate either directly or pursuant to joint ventures, the reportable segments that use such facilities, and the approximate gross square footage of each site's building, which includes, among other things, manufacturing, laboratory, warehousing, office, utility, support and unused areas.

Location	Reportable Segment	Size (sq. ft.)
<i>Front-end Facilities:</i>		
Gresham, Oregon	ASG, ISG and PSG	558,457
Pocatello, Idaho	ASG, ISG and PSG	582,384
Rožnov pod Radhoštěm, Czech Republic	ASG and PSG	438,882
Oudenaarde, Belgium (4)	ASG, ISG and PSG	422,605
Seremban, Malaysia (Site 2) (3)	ASG and PSG	133,061
Niigata, Japan (4)	ASG, ISG and PSG	1,106,779
Bucheon, South Korea	ASG and PSG	861,081
South Portland, Maine	ASG and PSG	344,588
Mountaintop, Pennsylvania	ASG and PSG	437,000
Aizuwakamatsu, Japan	ASG and PSG	734,482
<i>Back-end Facilities:</i>		
Burlington, Canada (1)	ASG	95,440
Leshan, China (3)	ASG and PSG	416,339
Seremban, Malaysia (Site 1) (3)	ASG, ISG and PSG	328,275
Carmona, Philippines (3)	ASG, ISG and PSG	926,367
Tarlac City, Philippines (3)	ASG, ISG and PSG	381,764
Shenzhen, China (1)	ASG, ISG and PSG	275,463
Bien Hoa, Vietnam (3)	ASG and PSG	294,418
Nampa, Idaho (1) (2)	ISG	166,268
Cebu, Philippines (3)	ASG and PSG	228,460
Suzhou, China (3)	ASG and PSG	452,639
<i>Other Facilities:</i>		
Rožnov pod Radhoštěm, Czech Republic	ASG, ISG and PSG	11,873
Thuan An District, Vietnam (3)	ASG and PSG	30,494

- (1) These facilities are leased.
- (2) This facility is used for both front-end and back-end operations.
- (3) These facilities are located on leased land.
- (4) In February and August 2020, we announced that we are exploring the sales of the front-end manufacturing facilities in Oudenaarde, Belgium and Niigata, Japan, respectively.

See Note 5: "Acquisitions, Divestiture and Licensing Transactions" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K regarding the pending acquisition of a manufacturing facility in 2022.

We operate all of our existing manufacturing facilities directly except our assembly and test operations facility located in Leshan, China, which is owned by Leshan-Phoenix Semiconductor Company Limited, a joint venture company in which we own 80% of the outstanding equity interests ("Leshan"). The financial and operating results of Leshan have been consolidated in our financial statements. Our joint venture partner in Leshan, Leshan Radio Company Ltd. ("Leshan Radio"), is formerly a state-owned enterprise. Pursuant to the joint venture agreement between us and Leshan Radio, requests for production capacity are made to the board of directors of Leshan by each shareholder of the joint venture. Each request represents a purchase commitment, provided that any shareholder may elect to pay the cost associated with the unused capacity (which is generally equal to the fixed cost of the capacity) in lieu of satisfying the commitment. We committed to purchase 80% of Leshan's production capacity in each of 2020, 2019 and 2018 and are currently committed to purchase approximately 80% of Leshan's expected production capacity in 2021.

On April 1, 2020, we acquired the remaining 40% of the equity interest in ON Semiconductor Aizu Co. Ltd., ("OSA") from Fujitsu Semiconductor Limited ("FSL"), whereby OSA became a wholly-owned subsidiary of the Company. The

manufacturing facility located in Aizuwakamatsu, Japan is owned by OSA. The purchase price payable to FSL for the remaining 40% equity, offset by the purchase price adjustment, resulted in us receiving \$26.0 million in settlement of the purchase price from FSL. The results of OSA have been consolidated in our financial statements since the fourth quarter of 2018, when we acquired the majority equity interest.

We use third-party contractors for some of our manufacturing activities, primarily for wafer fabrication and the assembly and testing of finished goods. Our agreements with these contract manufacturers typically require us to forecast product needs and commit to purchase services consistent with these forecasts. In some cases, longer-term commitments are required in the early stages of the relationship. These contract manufacturers collectively accounted for approximately 33% of our total manufacturing input costs in 2020, 31% in 2019 and 36% in 2018.

For information regarding risks associated with our foreign operations, see "Risk Factors —Trends, Risks and Uncertainties Related to Our Business" included elsewhere in this Form 10-K.

Patents, Trademarks, Copyrights and Other Intellectual Property Rights

We market our products primarily under our registered trademark ON Semiconductor[®] and our ON logo, and, in the United States and internationally, we rely primarily on a combination of patents, trademarks, copyrights, trade secrets, employee and non-disclosure agreements and licensing agreements to protect our IP. We acquired or were licensed or sublicensed to a significant amount of IP, including patents and patent applications, in connection with our acquisitions, and we have numerous U.S. and foreign patents issued, allowed and pending. As of December 31, 2020, we held patents with expiration dates ranging from 2021 to 2040, and none of the patents that expire in the next three years materially affect our business. Our policy is to protect our products and processes by asserting our IP rights where appropriate and prudent and by obtaining patents, copyrights and other IP rights used in connection with our business when practicable and appropriate.

Seasonality

We believe our business today is driven more by content gains within applications and secular growth drivers and not solely by macroeconomic and industry cyclicity, as was the case historically. As we did in 2020, we could again experience period-to-period fluctuations in operating results due to general industry or macroeconomic conditions. Although the significant fluctuation experienced during 2020 was mainly due to the COVID-19 pandemic, we continue to employ measures to lower the impact of general industry cyclicity on our results by focusing on product diversification and content gains. For information regarding risks associated with the cyclicity and seasonality of our business, see "Risk Factors—Trends, Risks and Uncertainties Related to Our Business" included elsewhere in this Form 10-K.

Government Regulation

Our manufacturing operations are subject to environmental and worker health and safety laws and regulations. These laws and regulations include those relating to emissions and discharges into the air and water, the management and disposal of hazardous substances, the release of hazardous substances into the environment at or from our facilities and at other sites and the investigation and remediation of contamination. As with other companies engaged in like businesses, the nature of our operations exposes us to the risk of liabilities and claims, regardless of fault, with respect to such matters, including personal injury claims and civil and criminal fines.

We believe that our operations are in material compliance with applicable environmental and health and safety laws and regulations. The costs we incurred in complying with applicable environmental regulations for the year ended December 31, 2020 were not material, and we do not expect the cost of complying with existing environmental and health and safety laws and regulations, together with any liabilities for currently known environmental conditions, to have a material adverse effect on the capital expenditures or earnings of ours or our subsidiaries' competitive position. It is possible, however, that future developments, including changes in laws and regulations, government policies, customer specification, personnel and physical property conditions, including currently undiscovered contamination, could lead to material costs, and such costs may have a material adverse effect on our future business or prospects. See Note 13: "Commitments and Contingencies" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for information on certain environmental matters.

We are also subject to numerous United States and foreign laws and regulations, including, without limitation, tariffs, trade sanctions, trade barriers, trade embargoes, regulations relating to import-export control, technology transfer restrictions, the International Traffic in Arms Regulation promulgated under the Arms Export Control Act ("ITAR"), the Foreign Corrupt Practices Act ("FCPA"), and the anti-boycott provisions of the U.S. Export Administration Act. Additionally, U.S. or China

governmental authorities have taken, and may continue to take, administrative, legislative or regulatory action that could impact our operations.

We believe that our operations are in material compliance with applicable trade regulations relating to import-export control, technology transfer restrictions, ITAR, FCPA, the anti-boycott provisions of the U.S. Export Administration Act, and similar applicable laws and regulations. The costs we incurred in complying with applicable trade regulations for the year ended December 31, 2020 were not material, and we do not expect the cost of complying with existing trade laws and regulations to have a material adverse effect on the capital expenditures, or earnings of ours or our subsidiaries' competitive position. It is possible, however, that future developments, including changes in laws and regulations or government policies, could lead to material costs, and such costs may have a material adverse effect on our future business or prospects. For information regarding risks associated with import-export control regulations and similar applicable laws and regulations, see "Risk Factors—Trends, Risks and Uncertainties Related to Our Business" included elsewhere in this Form 10-K.

Human Capital Resources

Core Principles

Our success depends on our ability to attract, train, retain and motivate our employees, particularly highly-skilled engineers involved in the design, development, manufacture and support of new and existing products and services. We are a member of the Responsible Business Alliance ("RBA"). The principles of the RBA are fundamental to our corporate culture and core values and are reflected in our commitments to our employees, customers, communities and other stakeholders. These principles include providing a safe and positive work environment to our employees that emphasizes learning and professional development and respect for individuals and ethical conduct.

Headcount

As of December 31, 2020, we had approximately 31,000 regular full-time employees and approximately 3,500 part-time and temporary employees in facilities located in 34 countries. Approximately 13% of our regular full-time employees are located in the United States and Canada, 13% in Europe and Middle Eastern countries and 74% in Asia Pacific and Japan, with approximately 68% engaged in manufacturing, 3% directly in research and development, 6% in customer service or other aspects of sales and marketing, and 23% in other roles. Approximately 111 of our domestic employees (or approximately 3% of our U.S. based employees) are covered by a collective bargaining agreement. All of these employees are located at our Mountain Top, Pennsylvania manufacturing facility. Certain of our foreign employees are covered by collective bargaining arrangements (e.g., those in China, Vietnam, Japan, the Czech Republic and Belgium) or similar arrangements or are represented by workers councils.

Diversity, Equity and Inclusion

We are consciously expanding the diversity of our workforce, creating growth and development opportunities for our employees, embracing different perspectives and fostering an inclusive work environment. We have organization level and overall Company metrics to monitor for diverse directors and above, diverse new hires and diverse promotions. Our Human Resources organization and the Compensation Committee of the board of directors of the Company (the "Board of Directors"), through its charter, provides oversight of our policies, programs and initiatives focusing on workflow equity and workplace inclusion.

Compensation, Benefits, Health, Safety and Wellness

Our compensation philosophy is focused on delivering total rewards based on corporate affordability in a way that enables attraction, retention, and recognition of performance delivered in an equitable manner. We provide our employees and their families with access to flexible and convenient health and wellness programs, including benefits that secure them during events that may require time away from work or that impact their financial well-being. Our primary focus during the COVID-19 pandemic has been protecting the health and safety of our employees and the communities in which we operate. In response to the COVID-19 pandemic, we implemented appropriate changes in the best interest of our employees and the communities in which we operate, all in compliance with applicable law. We use a combination of total rewards and other programs (which vary by region and salary grade) to attract and retain our employees, including: annual performance bonuses; stock awards, including an employee stock purchase plan; retirement support; healthcare and insurance benefits; business travel and disability insurance; health savings and flexible spending accounts; flexible work schedules, vacation and paid time off; parental leave; paid counseling assistance; backup child and adult care; education assistance; and on-site services, such as health centers and fitness centers.

Career Growth and Development

We invest resources in professional development and growth as a means of improving employee motivation, performance and improving retention. Our talent development programs provide employees with the resources they need to help achieve their career goals, build management skills and lead their organizations. We have established a leadership pathway model as a tool for employees to practice and apply learning as part of their development.

Turnover

Our voluntary employee turnover rate in 2020 was approximately 9.1%, which rate includes the employees who exited pursuant to the Voluntary Separation Program ("VSP") offered during the year. We monitor employee turnover rates by region and the Company as a whole. The average tenure of our employees is approximately seven years and approximately one-fifth of our employees have been employed by us for more than 10 years. We believe our compensation philosophy along with the career growth and development opportunities promotes longer employee tenure and reduces voluntary turnover.

Executive Officers of the Registrant

Certain information concerning our executive officers as of February 16, 2021 is set forth below.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Hassane S. El-Khoury	41	President, Chief Executive Officer and Director
Bernard Gutmann	61	Executive Vice President, Chief Financial Officer and Treasurer ⁽¹⁾
Thad Trent	53	Executive Vice President, Chief Financial Officer and Treasurer ⁽²⁾
George H. Cave	63	Executive Vice President, General Counsel, Chief Compliance Officer, Chief Risk Officer and Secretary
Vincent C. Hopkin	58	Executive Vice President and General Manager, ASG
Ross F. Jatou	52	Senior Vice President and General Manager, ISG
Simon Keeton	48	Executive Vice President and General Manager, PSG
Paul E. Rolls	58	Executive Vice President, Sales and Marketing

- (1) Mr. Gutmann will retire from his position as Executive Vice President, Chief Financial Officer and Treasurer, effective as of the filing of this Form 10-K on February 16, 2021.
- (2) In connection with Mr. Gutmann's retirement, on January 24, 2021, the Board of Directors approved the appointment of Mr. Trent as Executive Vice President, Chief Financial Officer and Treasurer, effective immediately following the filing of this Form 10-K on February 16, 2021.

All of our executive officers are also officers of SCI LLC. The present term of office for the officers named above will generally expire on the earliest of their retirement, resignation or removal. There is no family relationship among our executive officers.

Hassane S. El-Khoury. Mr. El-Khoury was elected as a Director of ON Semiconductor and appointed as President and Chief Executive Officer of ON Semiconductor and SCI LLC in December 2020. Prior to joining ON Semiconductor, he spent 13 years at Cypress Semiconductor Corporation, a semiconductor design and manufacturing company ("Cypress"), serving as Chief Executive Officer from August 2016 to April 2020. During his time at Cypress, he held various positions spanning business unit management, product development, applications engineering and business development. Additionally, Mr. El-Khoury currently serves as a member of the board of directors at KeraCel, Inc. He holds a Bachelor of Science in electrical engineering from Lawrence Technological University and a Master's of Engineering Management from Oakland University.

Bernard Gutmann. As previously reported, Mr. Gutmann has announced his retirement as Executive Vice President, Chief Financial Officer and Treasurer of ON Semiconductor and SCI LLC, effective as of February 16, 2021 upon the filing of this Form 10-K. Mr. Gutmann was promoted and appointed Executive Vice President and Chief Financial Officer of ON Semiconductor and SCI LLC in September 2012 and has served as ON Semiconductor's and SCI LLC's Treasurer since January 2013. Before his promotion, he worked with the Company as Vice President, Corporate Analysis & Strategy of SCI LLC, serving in that position from April 2006 to September 2012. In these roles, his responsibilities have included finance integration, financial reporting, restructuring, tax, treasury and financial planning and analysis. From November 2002 to April 2006, Mr. Gutmann served as Vice President, Financial Planning & Analysis and Treasury of SCI LLC. From September 1999

to November 2002, he held the position of Director, Financial Planning & Analysis of SCI LLC. Prior to joining ON Semiconductor, Mr. Gutmann served in various financial positions with Motorola from 1982 to 1999, including controller of various divisions and an off-shore wafer and backend factory, finance and accounting manager, financial planning manager and financial analyst. He holds a Bachelor of Science in Management Engineering from Worcester Polytechnic Institute in Massachusetts (U.S.). Additionally, he is fluent in English, French and Spanish and is conversant in German.

Thad Trent. Mr. Trent was appointed Executive Vice President, Chief Financial Officer and Treasurer of ON Semiconductor and SCI LLC, effective as of February 16, 2021 immediately following the filing of this Form 10-K. Mr. Trent previously served as the Chief Financial Officer and Executive Vice President of Finance & Administration at Cypress between June 2014 and April 2020. Mr. Trent joined Cypress in 2005 and became a Vice President of Finance at Cypress in 2010. Prior to serving as Chief Financial Officer of Cypress, he led the strategic planning functions for Cypress' business units and worldwide operations and managed the financial reporting, accounting, and planning and analysis functions for Cypress. Prior to joining Cypress, Mr. Trent held finance leadership roles at publicly-traded companies Wind River Systems, a developer of embedded systems software, and Wyle Electronics, a distributor of high-tech electronic components, as well as two technology startups. Mr. Trent holds a Bachelor of Science degree in business administration and finance from San Diego State University.

George H. "Sonny" Cave. Mr. Cave is the founding General Counsel and Secretary of ON Semiconductor, positions he has held since the 1999 spin-out from Motorola. He is also Executive Vice President, Chief Compliance Officer and Chief Risk Officer of ON Semiconductor and SCI LLC. His extensive legal and business experience spans over 30 years, including seven years with Motorola. For two years prior to ON Semiconductor's spin-out, he was an ex-patriate stationed in Geneva, Switzerland as Regulatory Affairs Director for Motorola's Semiconductor Components Group. Before that assignment, he spent five years with Motorola's Corporate Law Department in Phoenix, Arizona, where he was Senior Counsel for global Environmental Health and Safety. Mr. Cave also practiced law for six years with two large law firms in Denver and Phoenix. He has extensive experience in corporate and commercial law, governance, enterprise risk management and compliance and ethics. He holds a Juris Doctorate degree from the University of Colorado School of Law, a Master of Science degree from Arizona State University and a Bachelor of Science degree *cum laude* from Duke University.

Vincent C. Hopkin. Mr. Hopkin joined the Company in March 2008 and currently serves as Executive Vice President and General Manager, ASG of ON Semiconductor and SCI LLC. From September 2016 to May 2018, he was Senior Vice President and General Manager of the Digital and DC/DC Solutions Division. He has more than three decades of experience in the electronics industry. During his career, Mr. Hopkin has held various leadership positions within business units, sales and manufacturing. Prior to joining ON Semiconductor in 2008, he successfully managed several businesses including ASIC, military/aerospace, image sensing and foundry services at AMIS. Mr. Hopkin joined AMIS in 1983 and worked in several operations functions. Mr. Hopkin holds a Bachelor of Science degree in management and organizational behavior from Idaho State University.

Ross F. Jatou. Mr. Jatou joined ON Semiconductor in 2015 as the Vice President and General Manager of the Automotive Solutions Division within the Company's ISG. In October 2020, he was named Senior Vice President and General Manager, ISG of ON Semiconductor and SCI LLC, assuming leadership of both the divisions within ISG: the Automotive Sensing Division and the Industrial and Consumer Solutions Division. Prior to ON Semiconductor, Mr. Jatou had an extensive career with NVIDIA Corporation of nearly 15 years, where he was the Vice President of Hardware Engineering. His background and experience include product development, engineering management, and automotive design quality and forecasting, and he is an expert in imaging graphics and system interfaces, telecommunications, high performance computing, automotive and embedded solutions. He has a Bachelor of Science degree in electrical engineering and a Master of Applied Science in millimeter wave technology and parallel processing from the University of Toronto. Mr. Jatou completed executive business programs from Stanford University School of Business and Harvard Business School.

Simon Keeton. Mr. Keeton joined the Company in July 2007 and is currently the Executive Vice President and General Manager, PSG of ON Semiconductor and SCI LLC. During his career, Mr. Keeton has held various management positions within the Company. Before Mr. Keeton's promotion to his current role on January 1, 2019, he was a Senior Vice President and General Manager of the MOSFET Division. From 2012 to 2016, Mr. Keeton served as Vice President and General Manager of the Integrated Circuit Division under our former Standard Products Group. Prior to that time, he served as Vice President and General Manager of the Consumer Products Division from 2009 to 2012 and as Business Unit Director of our Signals and Interface Business Unit from 2007 to 2009. Before joining the Company, Mr. Keeton served as Strategic Planning Manager of the Digital Enterprise Group of Intel Corporation ("Intel") and held various marketing and business management roles at Vitesse Semiconductor Corporation.

Paul E. Rolls. Mr. Rolls was promoted and appointed Executive Vice President, Sales and Marketing of ON Semiconductor and SCI LLC in July 2013. Before his promotion, he served as Senior Vice President, Japan Sales and Marketing and Senior

Vice President of Global Sales Operations, serving in that position from October 2012 to July 2013. Mr. Rolls has more than 26 years of technology sales, sales management and operations experience, with more than 19 years of sales and sales management experience in the semiconductor industry. Before joining the Company, Mr. Rolls was the Senior Vice President, Worldwide Sales and Marketing at Integrated Device Technology, Inc. from January 2010 to April 2012. From August 1996 to December 2009, he held multiple sales positions at International Rectifier Corp., most recently as Senior Vice President, Global Sales. During his career, he has also held management roles at Compaq Computer Corporation.

Available Information

We make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports available, free of charge, in the "Investor Relations" section of our website as soon as reasonably practicable after we electronically file these materials with, or furnish these materials to the SEC. Our website is www.onsemi.com. Information on or connected to our website is neither part of, nor incorporated by reference into, this Form 10-K or any other report filed with or furnished to the SEC. You will find these materials on the SEC website at www.sec.gov, which contains reports, proxy statements and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors

Forward-Looking Statements

This Annual Report on Form 10-K includes "forward-looking statements," as that term is defined in Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements, other than statements of historical facts, included or incorporated in this Form 10-K could be deemed forward-looking statements, particularly statements about our plans, strategies and prospects under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." 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 Form 10-K 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. 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.

You should carefully consider the trends, risks and uncertainties described below and other information in this Form 10-K and subsequent reports filed with or furnished to the SEC before making any investment decision with respect to our securities. If any of the following 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.

Summary Risk Factors

An investment in the Company's stock involves a certain measure of risk. Some of the factors that could materially and adversely affect our business, financial condition, results of operations, liquidity, and prospects for future growth include, but are not limited to, the following. If any of the factors listed below occurs, the market price of our shares could decline, and you may lose some or all of your investment. You should read this summary together with the more detailed description of each risk factor contained in "Risk Factors" in this Annual Report on Form 10-K.

Trends, Risks and Uncertainties Related to Our Business

- *Changes in, and the regulatory implementation of, tariffs or other government trade policies could reduce demand for our products, limit our ability to sell our products to certain customers or comply with applicable laws and regulations.*
- *Many of our facilities and processes are interdependent and an operational disruption at any particular facility could have a material adverse effect on our ability to produce many of our products.*
- *The effects of the COVID-19 pandemic have had, and could continue to have, an adverse impact on our business, results of operations and financial condition.*
- *We may be unable to identify and make the substantial research and development investments or develop new products required to satisfy customer demands or regulatory requirements as required to remain competitive in our business.*
- *A significant portion of our revenue is derived from customers in the automotive, industrial and communications*

industries, and a downturn or lower sales to customers in one or more of these industries could occur.

- *We may be unable to maintain manufacturing efficiency.*
- *We may be unable to successfully implement cost reduction initiatives, including through restructuring activities.*
- *Uncertainties regarding the timing and amount of customer orders could lead to excess inventory and write-downs of inventory.*
- *The semiconductor industry is highly competitive, and has experienced rapid consolidation, and we may be unable to compete effectively or unable to identify attractive opportunities for consolidation.*
- *We are dependent on the services of third-party suppliers and contract manufacturers, and we may experience a disruption in or deterioration of the quality of the services or goods delivered by such third parties.*
- *We may be subject to warranty claims, product liability claims and product recalls.*
- *Currency fluctuations, changes in foreign exchange regulations and repatriation delays and costs could have a material adverse effect on our results of operations and financial condition.*

Trends, Risks and Uncertainties Related to Intellectual Property

- *Our technologies could be subject to claims of infringement on the IP rights of others.*
- *We may be unable to protect the IP we use.*

Trends, Risks and Uncertainties Related to Technology and Data Privacy

- *We may be subject to disruptions or breaches of our secured network.*
- *We are subject to governmental laws, regulations and other legal obligations related to privacy and data protection.*

Trends, Risks and Uncertainties Related to Regulation

- *We may be subject to environmental and health and safety liabilities and expenditures.*
- *Compliance with regulations regarding the use of "conflict minerals" could limit the supply and increase the cost of certain raw materials used in manufacturing our products.*
- *If we are unable to comply with anti-corruption laws in the jurisdictions we operate, including the FCPA, it could result in penalties that could harm our reputation.*

Trends, Risks and Uncertainties Related to Our Indebtedness

- *Our debt could materially adversely affect our financial condition and results of operations.*
- *If we are unable to meet our obligations under our Amended Credit Agreement, it could materially and adversely affect our business, results of operations and financial condition.*
- *The agreements relating to our indebtedness, including the Amended Credit Agreement and the 3.875% Notes, may restrict our ability to operate our business.*
- *We may not be able to generate sufficient cash flow to meet our debt service obligations.*
- *An event of default under any agreement relating to our outstanding indebtedness could cross default other indebtedness.*
- *Our operating subsidiaries have no independent obligation to repay our debt, and may not be able to make cash available to us for such repayment.*
- *If interest rates increase, our debt service obligations under our variable rate indebtedness could increase significantly.*
- *Servicing the 1.625% Notes and the 3.875% Notes may require a significant amount of cash, and we may not have sufficient cash flow or the ability to raise the funds necessary to satisfy our obligations under the 1.625% Notes and the 3.875% Notes in a timely manner.*
- *The conditional conversion feature of the 1.625% Notes, if triggered, may adversely affect our financial condition and results of operations and, if we elect to settle the conversion of the 1.625% Notes in common stock, any such settlement could materially dilute the ownership interests of existing stockholders.*
- *Note hedge and warrant transactions we have entered into may materially adversely affect the value of our common stock.*
- *Counterparty risk with respect to the note hedge transactions, if realized, could have a material adverse impact on our*

results of operations.

Trends, Risks and Uncertainties Related to Our Common Stock

- *The stockholders' rights plan adopted by our Board of Directors may discourage a third party from acquiring us in a manner that might result in a premium price to our stockholders.*
- *Provisions in our charter documents may delay or prevent the acquisition of our Company.*

General Risk Factors

- *Downturns or volatility in general economic conditions could have a material adverse effect on our business and results of operations.*
- *We may be unable to successfully integrate new strategic acquisitions.*
- *Natural disasters, health and safety epidemics and other business disruptions could cause significant harm to our business operations and facilities and could adversely affect our supply chain and our customer base.*
- *We could be subject to changes in tax rates or the adoption of new tax legislation or have exposure to additional tax liabilities.*
- *We operate a global business through numerous foreign subsidiaries, and there is a risk that tax authorities will challenge our transfer pricing methodologies and/or legal entity structures.*
- *We may be unable to attract and retain highly skilled personnel.*
- *The failure to comply with the terms and conditions of our contracts could result in, among other things, damages, fines or other liabilities.*
- *We are subject to the effects of climate change and the regulatory and legislative developments related to climate change.*
- *We may be unable to implement our recent business strategy developments.*
- *We may from time to time desire to exit certain product lines or businesses, or to restructure our operations, but may not be successful in doing so.*
- *Our operating results depend, in part, on the performance of independent distributors.*

Trends, Risks and Uncertainties Related to Our Business

Changes in, and the regulatory implementation of, tariffs or other government trade policies could reduce demand for our products, limit our ability to sell our products to certain customers or comply with applicable laws and regulations, which may materially adversely affect our business and results of operations.

The imposition of tariffs and trade restrictions as a result of international trade disputes or changes in trade policies may adversely affect our sales and profitability. For example, in recent years, the U.S. government imposed and proposed, among other actions, new or higher tariffs on specified imported products originating from the People's Republic of China (the "PRC") in response to what it characterized as unfair trade practices, and the PRC responded by imposing and proposing new or higher tariffs on specified products, including some semiconductors fabricated in the United States and certain transistors, diodes, ICs and other products that we import into the PRC as part of our supply chain. These tariffs, and the related geopolitical uncertainty between the United States and the PRC, may cause decreased end-market demand for our products from distributors and other customers, which could have a material adverse effect on our business and results of operations. Ongoing international trade disputes and changes in trade policies could also impact economic activity and lead to a general contraction of customer demand. In addition, tariffs on components that we import from the PRC or other nations that have imposed, or may in the future impose, tariffs will adversely affect our profitability unless we are able to exclude such components from the tariffs or we raise prices for our products, which may result in our products becoming less attractive relative to products offered by our competitors. Future actions or escalations by either the United States or the PRC that affect trade relations may also impact our business, or that of our suppliers or customers, and we cannot provide any assurances as to whether such actions will occur or the form that they may take. To the extent that our sales or profitability are negatively affected by any such tariffs or other trade actions, our business and results of operations may be materially adversely affected.

Our international sales and purchases are subject to numerous United States and foreign laws and regulations, including, without limitation, tariffs, trade sanctions, trade barriers, trade embargoes, regulations relating to import-export control, technology transfer restrictions, the International Traffic in Arms Regulation promulgated under the Arms Export Control Act, FCPA and the anti-boycott provisions of the U.S. Export Administration Act. Licenses or proper license exceptions are required

for the shipment of our products to certain countries. A determination by the U.S. government or any foreign government that we have failed to comply with trade or export regulations or anti-bribery regulations can result in penalties, including fines, administrative, civil or criminal penalties or other liabilities, seizure of products, or, in the extreme case, denial of export privileges or suspension or debarment from government contracts, which could have a material adverse effect on our sales, business and results of operations.

Additionally, U.S. or China governmental authorities have taken, and may continue to take, administrative, legislative or regulatory action that could materially interfere with our ability to make sales to certain of our customers. We could experience unanticipated export bans or other restrictions on our ability to sell to certain customers where sales of products and the provision of services may require export licenses or are prohibited by government action. Export restrictions may also include technical discussions with customers that can impede our ability to pursue design-wins with customers and may impact future sales. In May 2019, the U.S. Department of Commerce added Huawei Technologies Co., Ltd. and certain of its non-U.S. affiliates and subsidiaries (collectively, "Huawei") and certain of our other customers to the U.S. Department of Commerce's Bureau of Industry and Security (the "BIS") Entity List (the "Entity List"), imposing restrictions on the export and transfer of goods and technologies to such entities. Additionally, in August 2020, the BIS issued final rules that, among other things, further mandated license permissions to ship our products to Huawei and added additional non-U.S. Huawei affiliates to the Entity List. In response to these actions, the PRC has initiated reciprocal actions against the United States as a result of which additional export or other restrictions are anticipated. The terms and duration of any such restrictions may not be known to us in advance and may be subject to ongoing modifications, including modifications that impose more stringent restrictions or conditions on our ability to sell our products and services to certain foreign customers. Even to the extent such restrictions are subsequently modified, lifted or temporarily suspended, any financial or other penalties imposed on affected foreign customers could have a negative impact on future orders. These foreign customers may also respond to sanctions or the threat of sanctions by employing their own solutions to address the impacts of restrictions. The loss or temporary loss of customers as a result of such future regulatory limitations could materially adversely affect our sales, business and results of operations.

Many of our facilities and processes are interdependent and an operational disruption at any particular facility could have a material adverse effect on our ability to produce many of our products, which could materially adversely affect our business and results of operations

Our manufacturing platform includes multiple owned and third-party facilities, which may each produce one or more components necessary for the assembly of a single product. As a result of this interdependence, an operational disruption at a facility may have a disproportionate impact on our ability to produce many of our products. In the event of a disruption at any such facility, we may be unable to effectively source replacement components on acceptable terms from qualified third parties, in which case our ability to produce many of our products could be materially disrupted or delayed. Conversely, many of our facilities are single source facilities that only produce one of our end-products, and a disruption at any such facility would materially delay or cease production of the related product. In the event of any such operational disruption, we may experience difficulty in beginning production of replacement components or products at new facilities (for example, due to construction delays) or transferring production to other existing facilities (for example, due to capacity constraints or difficulty in transitioning to new manufacturing processes), any of which could result in a loss of future revenues and materially adversely affect our business and results of operations.

The effects of the COVID-19 pandemic have had, and could continue to have, an adverse impact on our business, results of operations and financial condition.

Our business has been, and is expected to continue to be, adversely impacted by the effects of the COVID-19 pandemic. In addition to global macroeconomic effects, the COVID-19 pandemic and related adverse public health developments have been causing, and are expected to continue to cause, disruption to our domestic and international operations and sales activities. In addition, we and our suppliers, third-party distributors, sub-contractors and customers have been, and are expected to continue to be, disrupted by worker absenteeism, quarantines and restrictions on certain of our employees' ability to perform their jobs, office and factory closures or restrictions, disruptions to ports and other shipping infrastructure, border closures or other travel or health-related restrictions. Depending on the magnitude of such effects on our manufacturing activities or the operations of our suppliers, third-party distributors or sub-contractors, our supply chain, manufacturing and product shipments could be delayed, which could materially adversely affect our business, results of operations and financial condition. In addition, the COVID-19 pandemic or other disease outbreaks will, in the short-term, and could over the longer term, adversely affect the economies and financial markets of many countries, resulting in an economic downturn or recession that could adversely affect demand for our products and impact our results of operations and financial condition. There can be no assurance that any decrease in sales resulting from the COVID-19 pandemic will be offset by increased sales in subsequent periods. These effects, alone or taken together, could have a material adverse effect on our business, results of operations, legal exposure, or financial condition. The extent of the COVID-19 pandemic's effect on our operational and financial performance will depend on future

developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict. Due to the speed with which the situation is developing, we are not able at this time to estimate the long-term effect of these factors on our business, but the adverse impact on our business, results of operations, financial condition and cash flows has been, and could continue to be, material.

If we are unable to identify and make the substantial research and development investments or develop new products required to satisfy customer demands or regulatory requirements as required to remain competitive in our business, our business, financial condition and results of operations may be materially adversely affected.

The semiconductor industry requires substantial investment in research and development in order to develop and bring to market new and enhanced technologies and products. The development of new products is a complex and time-consuming process and often requires significant capital investment and lead time for development and testing. We cannot assure you that we will have sufficient resources to maintain the level of investment in research and development that is required to remain competitive. In addition, the lengthy development cycle for our products limits our ability to adapt quickly to changes affecting the product markets and requirements of our customers and end-users, and we may be unable to develop innovative responses to our customers' and end-users' evolving needs on the timelines they require or at all. There can be no assurance that we will win competitive bid selection processes, known as "design wins," for new products. In addition, design wins do not guarantee that we will make customer sales or that we will generate sufficient revenue to recover design and development investments, as expenditures for technology and product development are generally made before the commercial viability for such developments can be assured. There is no assurance that we will realize a return on the capital expended to develop new products, that a significant investment in new products will be profitable or that we will have margins as high as we anticipate at the time of investment or have experienced historically. To the extent that we underinvest in our research and development efforts, fail to recognize the need for innovation with respect to our products, or that our investments and capital expenditures in research and development do not lead to sales of new products, we may be unable to bring to market technologies and products that are attractive to our customers, and as a result our business, financial condition and results of operations may be materially adversely affected.

The semiconductor industry is characterized by rapidly changing technologies, innovation, short product life cycles, evolving regulatory and industry standards and certifications, changing customer needs and frequent new product introductions. Our success is largely dependent on our ability to accurately predict, identify and adapt to changes affecting the requirements of our customers in a timely and cost-effective manner. Products are frequently replaced by more technologically advanced substitutes and, as demand for older technology falls, the price at which such products can be sold drops, in some cases precipitously. If we cannot advance our process technologies or improve our production efficiencies to a degree sufficient to maintain required margins, we will no longer be able to make a profit from the sale of older products. In certain limited cases, we may not be able to cease production of older products, either due to contractual obligations or for customer relationship reasons and, as a result, may be required to bear a loss on such products for a sustained period of time. If reductions in our production costs fail to keep pace with reductions in market prices for the products we sell, our business and results of operations could be materially adversely affected. Additionally, the emergence of new industry or regulatory standards and certification requirements may adversely affect the demand for our products. A fundamental shift in technologies, excess inventory levels for our or our competitors' products, the regulatory climate or consumption patterns and preferences in our existing product markets or the product markets of our customers or end-users, could result in, or accelerate, price erosion for our products or make them obsolete, prevent or delay the introduction of new products that we planned to make or render our current or new products irrelevant to our customers' needs. If our new product development efforts fail to align with the needs of our customers, including due to circumstances outside of our control, like a fundamental shift in the product markets of our customers and end-users or regulatory changes, our business and results of operations could be materially adversely affected.

Because a significant portion of our revenue is derived from customers in the automotive, industrial and communications industries, a downturn or lower sales to customers in one or more of these industries could materially adversely affect our business and results of operations.

A significant portion of our sales are to customers within the automotive, industrial (including medical, aerospace and defense) and communications industries (including wireless and networking). Sales into these industries represented approximately 32%, 25%, and 20% of our revenue, respectively, for the year ended December 31, 2020, and those percentages will vary from quarter to quarter. Each of the automotive, industrial and communications industries is cyclical, and, as a result, our customers in these industries are sensitive to changes in general economic conditions, disruptive innovation and end-market preferences, which can adversely affect sales of our products and, correspondingly, our results of operations. Additionally, the quantity and price of our products sold to customers in these industries could decline despite continued growth in their respective end markets. Lower sales to customers in the automotive, industrial or communications industries may have a material adverse effect on our business and results of operations.

We may be unable to maintain manufacturing efficiency, which could have a material adverse effect on our results of operations.

We believe that our success materially depends on our ability to maintain or improve our current margin levels related to our manufacturing. Semiconductor manufacturing requires advanced equipment and significant capital investment, leading to high fixed costs that include depreciation expense. Manufacturing semiconductor components also involves highly complex processes that we and our competitors are continuously modifying to improve yields and product performance. In addition, impurities, waste or other difficulties in the manufacturing process can lower production yields. Our manufacturing efficiency is and will continue to be an important factor in our future profitability, and we cannot assure you that we will be able to maintain our manufacturing efficiency, increase manufacturing efficiency to the same extent as our competitors, or be successful in our manufacturing rationalization plans. If we are unable to utilize our manufacturing facilities, testing facilities and external manufacturers at expected or minimum purchase obligation levels, or if production capacity increases while revenue does not, the fixed costs and other operating expenses associated with these facilities and arrangements will not be fully absorbed, resulting in higher average unit costs and lower gross profits, which could have a material adverse effect on our results of operations.

The failure to successfully implement cost reduction initiatives, including through restructuring activities, could materially adversely affect our business and results of operations.

From time to time, we have implemented cost reduction initiatives, including relocating manufacturing to lower cost regions, transitioning higher-cost external supply to internal manufacturing, working with our material suppliers to lower costs, implementing personnel reductions and voluntary retirement programs, reducing employee compensation, temporary or permanent shutdowns of facilities, and aggressively streamlining our overhead. In addition, we continuously monitor productivity and capital expenditures at our facilities in order to make strategic determinations regarding the temporary or permanent shutdown or disposition of facilities to improve our cost structure. In the past, we have recorded net restructuring charges to cover costs associated with our cost reduction initiatives. These costs have been primarily composed of employee separation costs (including severance payments) and asset impairments. We also often undertake restructuring activities and programs to improve our cost structure in connection with our business acquisitions, which can result in significant charges, including charges for severance payments to terminated employees and asset impairment charges.

We cannot assure you that our cost reduction and restructuring initiatives will be successfully or timely implemented or that they will materially and positively impact our profitability. Because our restructuring activities involve changes to many aspects of our business, including but not limited to the location of our production facilities and personnel, the associated cost reductions could materially adversely impact productivity and sales to an extent we have not anticipated. Even if we fully execute and implement these activities and they generate the anticipated cost savings, there may be other unforeseeable and unintended consequences that could materially adversely impact our profitability and business, including unintended employee attrition or harm to our competitive position. Cost reduction measures may also result in reduced compliance budgets, and ultimately, our ability to comply with applicable laws and regulations. If we fail to comply with any such laws or regulations, we may be subject to governmental fines or similar costs. Additionally, our initiatives to reduce our costs may make it difficult for us to attract, motivate and retain our key employees and/or impact the breadth of our IP portfolio, which could have a material adverse effect on our competitive position and on our business. To the extent that we do not achieve the profitability enhancement or other benefits of our cost reduction and restructuring initiatives that we anticipate, our results of operations may be materially adversely effected.

Uncertainties regarding the timing and amount of customer orders could lead to excess inventory and write-downs of inventory that could materially adversely affect our financial condition and results of operations.

Our sales are typically made pursuant to individual purchase orders or customer agreements, and we generally do not have long-term supply arrangements with our customers requiring a commitment to purchase. Our customers may cancel orders 30 days prior to shipment for standard products and, generally prior to start of production for custom products without incurring a penalty. We routinely generate inventory based on customers' estimates of end-user demand for their products, which is difficult to predict. In times of under supply for certain products, some customers could respond by inflating their demand signals. As markets level off and supply capacity begins to match actual market demands, we could experience an increased risk of inventory write-downs, which may materially adversely affect our results of operations and our financial condition. In addition, our customers may change their inventory practices on short notice for any reason. Furthermore, short customer lead times are standard in the industry due to overcapacity. The cancellation or deferral of product orders, the return of previously sold products, or overproduction of products due to the failure of anticipated orders to materialize could result in excess obsolete inventory, which could result in write-downs of inventory or the incurrence of significant cancellation penalties under

our arrangements with our raw materials and equipment suppliers. Unsold inventory, canceled orders and cancellation penalties may materially adversely affect our results of operations, and inventory write-downs, which may materially adversely affect our financial condition.

The semiconductor industry is highly competitive, and has experienced rapid consolidation, and if we are unable to compete effectively or are unable to identify attractive opportunities for consolidation, it could materially adversely affect our business and results of operations.

The semiconductor industry is highly competitive, and our ability to compete successfully depends on elements both within and outside of our control. We face significant competition within each of our product lines from major global semiconductor companies as well as smaller companies focused on specific market niches. Because our components are often building block semiconductors that, in some cases, are integrated into more complex ICs, we also face competition from manufacturers of ICs, ASICs and fully customized ICs, as well as from customers who develop their own IC products. In addition, companies not currently in direct competition with us may introduce competing products in the future.

If we are unable to compete effectively, such inability to compete could have a material adverse effect on our business and results of operations. Products or technologies developed by competitors that are larger and have more substantial research and development budgets, or that are smaller and more targeted in their development efforts, may render our products or technologies obsolete or noncompetitive. We also may be unable to market and sell our products if they are not competitive on the basis of price, quality, technical performance, features, system compatibility, customized design, innovation, availability, delivery timing and reliability. If we fail to compete effectively on developing strategic relationships with customers and customer sales and technical support, our sales and revenue may be materially adversely affected. Competitive pressures may limit our ability to raise prices, and any inability to maintain revenue or raise prices to offset increases in costs could have a significant adverse effect on our gross margin. Reduced sales and lower gross margins would materially adversely affect our business and results of operations.

The semiconductor industry has experienced, and may continue to experience, significant consolidation among companies and vertical integration among customers. Larger competitors resulting from consolidations may have certain advantages over us, including, but not limited to: more efficient cost structures; substantially greater financial and other resources with which to withstand adverse economic or market conditions and pursue development, engineering, manufacturing, marketing and distribution of their products; longer independent operating histories; presence in key markets; patent protection; and greater name recognition. In addition, we may be at a competitive disadvantage to our peers if we fail to identify attractive opportunities to acquire companies to expand our business. Consolidation among our competitors and integration among our customers could erode our market share, negatively impact our capacity to compete and require us to restructure our operations, any of which would have a material adverse effect on our business.

We are dependent on the services of third-party suppliers and contract manufacturers, and any disruption in or deterioration of the quality of the services or goods delivered by such third parties could materially adversely affect our business and results of operations.

We use third-party contractors for certain of our manufacturing activities, primarily wafer fabrication and the assembly and testing of final goods, and for the supply of raw materials. Our agreements with these manufacturers typically require us to commit to purchase services based on forecasted product needs, which may be inaccurate, and, in some cases, require longer-term commitments. We are also dependent upon a limited number of highly specialized third-party suppliers for required components and materials for certain of our key technologies. Arranging for replacement manufacturers and suppliers can be time consuming and costly, and the number of qualified alternative providers can be extremely limited. Our business operations, productivity and customer relations could be materially adversely affected if these contractual relationships were disrupted or terminated, the cost of such services increased significantly, the quality of the services provided deteriorated or our forecasted needs proved to be materially incorrect. Our manufacturing processes rely on many raw materials, including various chemicals and gases, polysilicon, silicon wafers, aluminum, gold, silver, copper, lead frames, mold compound and ceramic packages. Generally, our agreements with suppliers of raw materials impose no minimum or continuing supply obligations, and we obtain our raw materials and supplies from a large number of sources on a just-in-time basis. From time to time, suppliers of raw materials may extend lead times, limit supplies or increase prices due to capacity constraints or other factors beyond our control. Shortages could occur in various essential raw materials due to interruption of supply or increased demand. If we are unable to obtain adequate supplies of raw materials in a timely manner, the costs of our raw materials increases significantly, their quality deteriorates or they give rise to compatibility or performance issues in our products, our results of operations could be materially adversely affected.

Warranty claims, product liability claims and product recalls could harm our business, results of operations and financial condition.

Manufacturing semiconductors is a highly complex and precise process, requiring production in a tightly controlled, clean environment. Minute impurities in our manufacturing materials, contaminants in the manufacturing environment, manufacturing equipment failures, and other defects can cause our products to be non-compliant with customer requirements or otherwise nonfunctional. We face an inherent business risk of exposure to warranty and product liability claims in the event that our products fail to perform as expected or such failure of our products results, or is alleged to result, in bodily injury or property damage (or both). In addition, if any of our designed products are or are alleged to be defective, we may be required to participate in their recall. As suppliers become more integrally involved in electrical design, OEMs are increasingly expecting them to warrant their products and are increasingly looking to them for contributions when faced with product liability claims or recalls. A successful warranty or product liability claim against us in excess of our available insurance coverage, if any, and established reserves, or a requirement that we participate in a product recall, could have material adverse effects on our business, results of operations and financial condition. Additionally, in the event that our products fail to perform as expected or such failure of our products results in a recall, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could materially adversely affect our business, results of operations and financial condition.

Since a defect or failure in our product could give rise to failures in the goods that incorporate them (and claims for consequential damages against our customers from their customers), we may face claims for damages that are disproportionate to the revenue and profits we receive from the products involved. In certain instances, we attempt to limit our liability through our standard terms and conditions of sale and other customer contracts. There is no assurance that such limitations will be effective, and to the extent that we are liable for damages in excess of the revenue and profits we received from the products involved, our results of operations and financial condition could be materially adversely affected.

Currency fluctuations, changes in foreign exchange regulations and repatriation delays and costs could have a material adverse effect on our results of operations and financial condition.

We have sizeable sales and operations in the Asia/Pacific region and Europe and a significant amount of this business is transacted in currency other than U.S. dollars. In addition, while a significant percentage of our cash is generated outside the U.S., many of our liabilities, including our outstanding indebtedness, and certain other cash payments, such as share repurchases, are payable in the U.S. in U.S. dollars. As a result, currency fluctuations and changes in foreign exchange regulations can have a material adverse effect on our liquidity and financial condition.

In addition, repatriation of funds held outside the U.S. could have adverse tax consequences and could be subject to delay due to required local country approvals or local obligations. From time to time, we are required to make cash deposits outside of the U.S. to support bank guarantees of our obligations under certain office leases or amounts we owe to certain vendors and such cash deposits are not available for other uses as long as the related bank guarantees are outstanding. Foreign exchange regulations may also limit our ability to convert or repatriate foreign currency. As a result of having a lower amount of cash and cash equivalents in the U.S., our financial flexibility may be reduced, which could have a material adverse effect on our ability to make interest and principal payments due under our various debt obligations. Restrictions on repatriation or the inability to use cash held abroad to fund our operations in the U.S. may have a material adverse effect on our liquidity and financial condition.

Trends, Risks and Uncertainties Related to Intellectual Property

If our technologies are subject to claims of infringement on the IP rights of others, efforts to address such claims could have a material adverse effect on our results of operations.

We may from time to time be subject to claims that we may be infringing the IP rights of others. If necessary or desirable, we may seek licenses under such IP rights. However, we cannot assure you that we will obtain such licenses or that the terms of any offered licenses will be acceptable to us. The failure to obtain a license from a third party for IP we use could cause us to incur substantial liabilities or to suspend the manufacture or shipment of products or our use of processes requiring such technologies. Further, we may be subject to IP litigation, which could cause us to incur significant expense, materially adversely affect sales of the challenged product or technologies and divert the efforts of our technical and management personnel, whether or not such litigation is resolved in our favor. In the event of an adverse outcome or pursuant to the terms of a settlement of any such litigation, we may be required to:

- pay substantial damages or settlement costs;
- indemnify customers or distributors;

- cease the manufacture, use, sale or importation of infringing products;
- expend significant resources to develop or acquire non-infringing technologies;
- discontinue the use of processes; or
- obtain licenses, which may not be available on reasonable terms, to the infringing technologies.

Please see Note 13: "Commitments and Contingencies" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for a more detailed description of the litigation we are currently engaged in. The outcome of IP litigation is inherently uncertain and, if not resolved in our favor, could materially adversely affect our business, financial condition and results of operations.

If we are unable to protect the IP we use, our business, results of operations and financial condition could be materially adversely affected.

The enforceability of our patents, trademarks, copyrights, software licenses and other IP is uncertain in certain circumstances. Effective IP protection may be unavailable, limited or not applied for in the U.S. and internationally. The various laws and regulations governing our registered and unregistered IP assets, patents, trade secrets, trademarks, mask works and copyrights to protect our products and technologies are subject to legislative and regulatory change and interpretation by courts. With respect to our IP generally, we cannot assure you that:

- any of the substantial number of U.S. or foreign patents and pending patent applications that we employ in our business will not lapse or be invalidated, circumvented, challenged, abandoned or licensed to others;
- any of our pending or future patent applications will be issued or have the coverage originally sought;
- any of the trademarks, copyrights, trade secrets, know-how or mask works that we employ in our business will not lapse or be invalidated, circumvented, challenged, abandoned or licensed to others;
- any of our pending or future trademark, copyright, or mask work applications will be issued or have the coverage originally sought; or
- that we will be able to successfully enforce our IP rights in the U.S. or foreign countries.

When we seek to enforce our rights, we are often subject to claims that the IP right is invalid, is otherwise not enforceable or is licensed to the party against whom we are asserting a claim. In addition, our assertion of IP rights often results in the other party seeking to assert alleged IP rights of its own against us, which may materially adversely impact our business. An unfavorable ruling in these sorts of matters could include money damages or an injunction prohibiting us from manufacturing or selling one or more products, which could in turn negatively affect our business, results of operations or cash flows.

In addition, some of our products and technologies are not covered by any patents or pending patent applications. We seek to protect our proprietary technologies, including technologies that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our collaborators, advisors, employees and consultants. We cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach or that persons or institutions will not assert rights to IP arising out of our research. Should we be unable to protect our IP, competitors may develop products or technologies that duplicate our products or technologies, benefit financially from innovations for which we bore the costs of development and undercut the sales and marketing of our products, all of which could have a material adverse effect on our business, results of operations and financial condition.

Trends, Risks and Uncertainties Related to Technology and Data Privacy

We may be subject to disruptions or breaches of our secured network that could irreparably damage our reputation and our business, expose us to liability and materially adversely affect our results of operations.

We routinely collect and store sensitive data, including confidential and other proprietary information about our business and our customers, suppliers and business partners. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. We may be subject to disruptions or breaches of our secured network caused by computer viruses, illegal hacking, criminal fraud or impersonation, acts of vandalism or terrorism or employee error. Our security measures and/or those of our third-party service providers and/or customers may not detect or prevent such security breaches. The costs to us to reduce the risk of or alleviate cyber security breaches and vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions and delays that may materially impede our sales, manufacturing, distribution or other critical functions. Any such compromise of our information security could result in the misappropriation or unauthorized publication of our confidential business or proprietary information or that of other parties with which we do business, an interruption in our operations, the unauthorized transfer of cash or other of our assets, the unauthorized release of customer or employee data or a violation of privacy or other laws. In addition, computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that

attack our products, or that otherwise exploit any security vulnerabilities, and any such attack, if successful, could expose us to liability to customer claims. Any of the foregoing could irreparably damage our reputation and business, which could have a material adverse effect on our results of operations.

The Company is subject to governmental laws, regulations and other legal obligations related to privacy and data protection.

The legislative and regulatory framework for privacy and data protection issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. The Company collects Personally Identifiable Information ("PII") and other data as part of its business processes and activities. This data is subject to a variety of U.S. and international laws and regulations, including oversight by various regulatory or other governmental bodies. Many foreign countries and governmental bodies, including the European Union and other relevant jurisdictions where the Company conducts business, have laws and regulations concerning the collection and use of PII and other data obtained from their residents or by businesses operating within their jurisdictions that are currently more restrictive than those in the U.S. Additionally, in May 2016, the European Union adopted the General Data Protection Regulation that imposed more stringent data protection requirements and provided for greater penalties for noncompliance beginning in May 2018. In July 2020, the Court of Justice of the European Union declared the EU-U.S. Privacy Shield, which had been an accepted mechanism to comply with data transfers between the European Union and the United States, invalid. Any inability, or perceived inability, to adequately address privacy and data protection concerns, even if unfounded, or to comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations, could result in additional cost and liability to the Company or company officials, including substantial monetary fines, and could damage our reputation, inhibit sales and adversely affect our business.

Trends, Risks and Uncertainties Related to Regulation

Environmental and health and safety liabilities and expenditures could materially adversely affect our results of operations and financial condition.

Our operations are subject to various environmental, health and safety laws and regulations. For example, our manufacturing operations are subject to laws and regulations relating to the management, disposal and remediation of hazardous substances and the emission and discharge of pollutants into the air, water and ground, and we have been identified as either a primary responsible party or a potentially responsible party at sites where we or our predecessors operated or disposed of waste in the past. Our other operations are also subject to laws and regulations relating to workplace safety and worker health, which, among other requirements, regulate employee exposure to hazardous substances. We have indemnities from third parties for certain environmental and health and safety liabilities for periods prior to our operations at some of our current and past sites, and we have also purchased environmental insurance to cover certain claims related to historical contamination and future releases of hazardous substances. However, we cannot assure you that such indemnification arrangements and insurance will cover any or all of our material environmental costs. In addition, the nature of our operations exposes us to the continuing risk of environmental and health and safety liabilities including:

- changes in U.S. and international environmental or health and safety laws or regulations, including, but not limited to, future laws or regulations imposed in response to climate change concerns;
- the manner in which environmental or health and safety laws or regulations will be enforced, administered or interpreted;
- our ability to enforce and collect under indemnity agreements and insurance policies relating to environmental liabilities;
- the cost of compliance with future environmental or health and safety laws or regulations or the costs associated with any future environmental claims, including the cost of clean-up of currently unknown environmental conditions; or
- the cost of fines, penalties or other legal liability, should we fail to comply with environmental or health and safety laws or regulations.

To the extent that we face unforeseen environmental or health and safety compliance costs or remediation expenses or liabilities that are not covered by indemnities or insurance, we may bear the full effect of such costs, expenses and liabilities, which could materially adversely affect our results of operations and financial condition.

Compliance with regulations regarding the use of "conflict minerals" could limit the supply and increase the cost of certain raw materials used in manufacturing our products.

The SEC, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, adopted disclosure regulations for public companies that manufacture products containing certain minerals that are mined from the Democratic Republic of Congo and adjoining countries and procedures pertaining to a manufacturer's efforts regarding the source of such minerals. These "conflict minerals" are commonly found in metals used in the manufacture of semiconductors. Manufacturers

are also required to disclose their efforts to prevent the sourcing of such minerals and metals produced from them. The implementation of these requirements could adversely affect the sourcing, availability and pricing of metals used in the manufacture of our products. We may also incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals used in our products. We may also face difficulties in satisfying customers who may require that our products be certified as free of "conflict materials," which could harm our relationships with these customers and lead to a loss of revenue.

We are subject to anti-corruption laws in the jurisdictions in which we operate, including the FCPA. Our failure to comply with these laws could result in penalties that could harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

We are subject to the FCPA, which generally prohibits companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits, along with various other anti-corruption laws. Although we have implemented policies and procedures designed to ensure that we, our employees and other intermediaries comply with the FCPA and other anti-corruption laws to which we are subject, there is no assurance that such policies or procedures will work effectively all of the time or protect us against liability under the FCPA or other laws for actions taken by our employees and other intermediaries with respect to our business or any businesses that we may acquire. We have significant operations in Asia, which place us in frequent contact with persons who may be considered "foreign officials" under the FCPA, resulting in an elevated risk of potential FCPA violations. If we are not in compliance with the FCPA and other laws governing the conduct of business with government entities (including local laws), we may be subject to criminal and civil penalties and other remedial measures, which could have a material adverse impact on our business, financial condition, results of operations and liquidity. Any investigation of any potential violations of the FCPA or other anti-corruption laws by the U.S. or foreign authorities could harm our reputation and have an adverse impact on our business, financial condition and results of operations.

Trends, Risks and Uncertainties Related to Our Indebtedness

Our debt could materially adversely affect our financial condition and results of operations.

As of December 31, 2020, we had \$3,589.5 million of outstanding indebtedness. We may need to incur additional indebtedness in the future to repay or refinance other outstanding debt, to make acquisitions or for other purposes, and if we incur additional debt, the related risks that we now face could intensify. For example, on March 24, 2020, as a precautionary measure in order to increase our cash position and facilitate financial flexibility in light of uncertainty resulting from the COVID-19 pandemic, we borrowed an additional \$1,165.0 million under the Revolving Credit Facility. On August 21, 2020, we used the net proceeds from the issuance of the 3.875% Notes along with cash on hand to repay \$1,200.0 million of borrowings under the Revolving Credit Facility. As of December 31, 2020, we have approximately \$1,269.0 million available for future borrowings under the Revolving Credit Facility. The degree to which we are leveraged could have important consequences to our potential and current investors, including:

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired;
- the timing, amount and execution of our capital allocation policy, including our 2018 Share Repurchase Program (as defined below), could be affected by the degree to which we are leveraged;
- a significant portion of our cash flow from operating activities must be dedicated to the payment of interest and principal on our debt, which reduces the funds available to us for our operations and may limit our ability to engage in acts that may be in our long-term best interests;
- some of our debt is and will continue to be at variable rates of interest, which may result in higher interest expense in the event of increases in market interest rates;
- our debt agreements may contain, and any agreements to refinance our debt likely will contain, financial and restrictive covenants, and our failure to comply with them may result in an event of default which if not cured or waived, could have a material adverse effect on us;
- our level of indebtedness will increase our vulnerability to, and reduce our flexibility to respond to, general economic downturns and adverse industry and business conditions, including as a result of the COVID-19 pandemic;
- as our long-term debt ages, we must repay, and may need to renegotiate, such debt or seek additional financing;
- to the extent the debt we incur requires collateral to secure such indebtedness, our assets could be at risk and our flexibility related to such assets could be limited;
- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and the semiconductor industry;
- our ability to deduct interest expense that we may incur may be limited or deferred under U.S. and/or local tax rules, including Section 163(j) of the Code and the Treasury Regulations promulgated thereunder; and

- our level of indebtedness may place us at a competitive disadvantage relative to less leveraged competitors.

To the extent that we continue to maintain or expand our significant indebtedness, our financial condition and results of operations may be materially adversely affected.

The inability to meet our obligations under our Amended Credit Agreement could materially and adversely affect us by, among other things, limiting our ability to conduct our operations and reducing our flexibility to respond to changing business and economic conditions.

Our Amended Credit Agreement provides for our \$1.97 billion Revolving Credit Facility and our \$2.4 billion Term Loan "B" Facility, the proceeds of which have been used, among other things, to fund acquisitions. The obligations under the Amended Credit Agreement are collateralized by a lien on substantially all of the personal property and material real property assets of the Company and most of the Company's domestic subsidiaries. As a result, if we are unable to satisfy our obligations under the Amended Credit Agreement, the lenders could take possession of and foreclose on the pledged collateral securing the indebtedness, in which case we would be at risk of losing the related collateral, which would have a material adverse effect on our business and operations. In addition, subject to customary exceptions, the Amended Credit Agreement requires mandatory prepayment under certain circumstances, which may result in prepaying outstanding amounts under the Revolving Credit Facility and the Term Loan "B" Facility rather than using funds for other business purposes. Our financing could have a material adverse effect on our business and financial condition, including, among other things, our ability to obtain additional financing for working capital, capital expenditures, acquisitions, and other general corporate purposes and could reduce our flexibility to respond to changing business and economic conditions.

The agreements relating to our indebtedness, including the Amended Credit Agreement and the 3.875% Notes, may restrict our ability to operate our business, and as a result may materially adversely affect our results of operations.

Our debt agreements, including the Amended Credit Agreement and the 3.875% Notes, contain, and any future debt agreements may include, a number of restrictive covenants that impose significant operating and financial restrictions on us and our subsidiaries. Such restrictive covenants may significantly limit our ability to:

- incur additional debt, including issuing guarantees;
- incur liens;
- make certain investments;
- settle a conversion of our 1.625% Notes in whole or in part with cash;
- redeem, or otherwise perform our obligations under the terms of, our 3.875% Notes;
- sell or otherwise dispose of assets;
- make some acquisitions;
- engage in mergers or consolidations or certain other "change of control" transactions;
- make distributions to our stockholders;
- engage in restructuring activities;
- engage in certain sale and leaseback transactions; and
- issue or repurchase stock or other securities.

Such agreements may also require us to satisfy other requirements, including maintaining certain financial ratios and condition tests. Our ability to meet these requirements can be affected by events beyond our control, and we may be unable to meet them. To the extent we fail to meet any such requirements and are in default under our debt obligations, our financial condition may be materially adversely affected. These restrictions may limit our ability to engage in activities that could otherwise benefit us. To the extent that we are unable to engage in activities that support the growth, profitability and competitiveness of our business, our results of operations may be materially adversely affected.

We may not be able to generate sufficient cash flow to meet our debt service obligations, and any inability to repay our debt when due would have a material adverse effect on our business, financial condition and results of operations.

Our ability to generate sufficient cash flow from operating activities to make scheduled payments on our debt obligations will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control. If we do not generate sufficient cash flow from operating activities and proceeds from sales of assets in the ordinary course of business to satisfy our debt obligations as they come due, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling additional assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, or that additional financing could be obtained on acceptable terms, if at all, or would be permitted under the terms of our various debt instruments

then in effect. Furthermore, we cannot assure you that, if we were required to repurchase any of our debt securities upon a change of control or other specified event, our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments or that we would be able to refinance or restructure the payments on those debt securities. If we are unable to repay, refinance or restructure our indebtedness under our collateralized debt, the holders of such debt could proceed against the collateral securing that indebtedness, which could materially negatively impact our results of operations and financial condition. A default under our committed credit facilities, including our Amended Credit Agreement, could also limit our ability to make further borrowings under those facilities, which could materially adversely affect our business and results of operations. In addition, to the extent we are not able to borrow or refinance debt obligations, we may have to issue additional shares of our common stock, which would have a dilutive effect to the current stockholders.

An event of default under any agreement relating to our outstanding indebtedness could cross default other indebtedness, which could have a material adverse effect on our business, financial condition and results of operations.

If there were an event of default under certain of our agreements relating to our outstanding indebtedness, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately, which default or acceleration of debt could cross default other indebtedness. Any such cross default would put immediate pressure on our liquidity and financial condition and would amplify the risks described above with regards to being unable to repay our indebtedness when due and payable. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default, and, as described above, any inability to repay our debt when due would have a material adverse effect on our business, financial condition and results of operations.

If our operating subsidiaries, which may have no independent obligation to repay our debt, are not able to make cash available to us for such repayment, our business, financial condition and results of operations may be adversely affected.

We conduct our operations through our subsidiaries. Repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of our indebtedness, our subsidiaries have no obligation to pay amounts due on such indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal, contractual, governmental or regulatory restrictions may limit our ability to obtain cash from our subsidiaries. In the event that we do not receive distributions or payments from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness and, as described above, any inability to repay our debt when due would have a material adverse effect on our business, financial condition and results of operations.

If interest rates increase, our debt service obligations under our variable rate indebtedness could increase significantly, which would have a material adverse effect on our results of operations.

Borrowings under certain of our facilities from time to time, including under our Amended Credit Agreement, are at variable rates of interest and as a result expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. During the first quarters of 2017 and 2019 and the second quarter of 2020, we entered into interest rate swaps that involved the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility for a portion of our Term Loan "B" Facility and our Revolving Credit Facility through the end of 2022. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk. To the extent the risk materializes and is not fully mitigated, the resulting increase in interest expense could have a material adverse effect on our results of operations.

Some of our current debt and related agreements, including the Amended Credit Agreement and our interest rate swap agreements, have an interest rate tied to LIBO Rate. While certain of these agreements, such as the Amended Credit Agreement, provide procedures for determining an alternative base rate in the event that LIBO Rate is discontinued, not all do so. On July 27, 2017, the United Kingdom Financial Conduct Authority ("FCA"), which regulates the LIBO Rate, announced its intention to stop persuading or compelling banks to submit LIBO Rate quotations by the end of 2021. Further, on November 30, 2020, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency issued a joint statement (the "Joint Statement") on LIBO Rate transition, in connection with which ICE Benchmark Administration Limited, in its capacity as administrator of U.S. LIBO Rate, announced its plan to extend the date that most U.S. LIBO Rate values would cease being computed and announced from December 31, 2021 to June 30, 2023. Even though U.S. LIBO Rate would continue to be published through June 30, 2023, the Joint Statement called on banks to cease

entering into new contracts that use U.S. LIBO Rate as a reference rate by no later than December 31, 2021, and if practicable, as far in advance of that deadline as possible. Regardless, there can be no assurances as to what alternative base rates may be and whether such base rate will be more or less favorable than LIBO Rate and any other unforeseen impacts of the potential discontinuation of LIBO Rate. The Company intends to monitor the developments with respect to the potential phasing out of LIBO Rate and work with its lenders to ensure any transition away from LIBO Rate will have minimal impact on its financial condition, but can provide no assurances that the impact of the discontinuation of LIBO Rate would not have a material adverse effect on our results of operations.

Servicing the 1.625% Notes and the 3.875% Notes may require a significant amount of cash, and we may not have sufficient cash flow or the ability to raise the funds necessary to satisfy our obligations under the 1.625% Notes and the 3.875% Notes in a timely manner.

In March 2017, we issued \$575.0 million aggregate principal amount of our 1.625% Notes, and in August 2020, we issued \$700.0 million aggregate principal amount of our 3.875% Notes. Holders of the 1.625% Notes will have the right to require us to repurchase all or a portion of their 1.625% Notes upon the occurrence of a fundamental change (as defined under the respective indentures governing such notes) at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, accrued prior to, but not including, the fundamental change repurchase date. Holders of the 3.875% Notes will have the right to require us to repurchase all of their 3.875% Notes upon the occurrence of certain change of control triggering events accompanied by certain ratings events (as described in the indenture governing the 3.875% Notes) at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, accrued prior to, but not including, the repurchase date. Moreover, we will be required to repay the 1.625% Notes and the 3.875% Notes in cash at their respective maturity dates, unless earlier repurchased or, in the case of the 1.625% Notes, converted. In addition, upon conversion of the 1.625% Notes to be repurchased, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional shares), we will be required to make cash payments in respect of such 1.625% Notes being converted.

Servicing the 1.625% Notes and the 3.875% Notes may require a significant amount of cash, and we may not have sufficient cash flow or the ability to raise the funds necessary to satisfy our obligations under such notes. Our ability to make cash payments in connection with conversions of the 1.625% Notes, repurchase the 1.625% Notes or the 3.875% Notes in the case of an applicable repurchase-triggering event under the respective indentures or repay such notes at maturity will depend on market conditions and our future performance, which is subject to economic, financial, competitive and other factors beyond our control. If we are unable to make cash payments upon conversion of the 1.625% Notes, we would be required to issue significant amounts of our common stock, which would dilute existing stockholders.

In addition, if we do not have sufficient cash to repurchase the 1.625% Notes or the 3.875% Notes following the applicable repurchase-triggering events, we would be in default under the terms of such notes, which could cross default other debt and materially adversely harm our business. In certain circumstances, a takeover of our Company and similar triggering events could also trigger an option of the holders of the 1.625% Notes and the 3.875% Notes to require us to repurchase such notes. This may have the effect of delaying or preventing a takeover of our Company that would otherwise be beneficial to investors in the 1.625% Notes, the 3.875% Notes and our common stock, which could materially decrease the value of such notes and of our common stock.

The terms of the Amended Credit Agreement and the terms of the 3.875% Notes limit the amount of future indebtedness secured by liens that we may incur, but the terms of the 1.625% Notes do not contain such limits. If we incur significantly more debt, this could intensify the risks described above. Our decision to use our cash for other purposes, such as to make acquisitions or to repurchase our common stock, could also intensify these risks.

The conditional conversion feature of the 1.625% Notes, if triggered, may adversely affect our financial condition and results of operations and, if we elect to settle the conversion of the 1.625% Notes in common stock, any such settlement could materially dilute the ownership interests of existing stockholders.

If specified conditions are met, holders of the 1.625% Notes may convert their notes prior to the close of business on the business day immediately preceding July 15, 2023. Unless we elect to satisfy our conversion obligations by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional shares), in the event the conditional conversion feature under the 1.625% Notes is triggered, holders electing to convert their notes could require us to settle a portion or all of our conversion obligations through the payment of cash, which could materially adversely affect our liquidity. Additionally, when the conditional conversion feature under the 1.625% Notes is triggered at the end of the reporting period, we are required under applicable accounting rules to reclassify the outstanding principal of such notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. A conditional conversion feature has

been triggered as of December 31, 2020, and we can provide no assurance as to when or whether these conditional conversion features will lapse or be triggered again in the future. Any material decrease in our liquidity or reduction in our net working capital could have a material adverse effect on our financial condition and results of operations. In addition, we may elect to settle the 1.625% Notes solely in common stock to avoid an event of default under our Amended Credit Agreement, and any such issuance of common stock could materially dilute the ownership interests of existing stockholders, including stockholders who previously converted such notes to shares of our common stock.

Note hedge and warrant transactions we have entered into may materially adversely affect the value of our common stock.

Concurrently with the issuance of the 1.625% Notes, we entered into note hedge transactions with certain financial institutions, which we refer to as the option counterparties. The convertible note hedges are expected to reduce the potential dilution upon any conversion of the respective series of notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes of such series, as the case may be. We also entered into warrant transactions with the option counterparties with respect to the 1.625% Notes and the 1.00% Notes. The warrants we entered with option counterparties for the 1.00% Notes are still outstanding. The warrant transactions could separately have a dilutive effect on our common stock to the extent that the market price per share of our common stock exceeds \$25.96, with respect to the 1.00% Notes, and \$30.70, with respect to the 1.625% Notes. The warrants with respect to the 1.00% Notes can be exercised by holders beginning in March 2021 and expire no later than April 2021. We currently anticipate the holders of the 1.00% Notes to exercise the warrants to purchase up to 37.3 million shares of common stock from us, which will be settled on a net-share basis depending on the average stock price on the day of exercise.

In connection with establishing their initial hedge of the convertible note hedges and warrant transactions, the option counterparties or their respective affiliates have purchased shares of our common stock and/or entered into various derivative transactions with respect to our common stock following the pricing of the 1.625% Notes. The option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives contracts with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of 1.625% Notes (and are likely to do so during any observation period related to a conversion of 1.625% Notes following any repurchase of 1.625% Notes by us on any fundamental change repurchase date or otherwise). The potential effect, if any, of these transactions and activities on the market price of our common stock will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could materially adversely affect the value of our common stock.

Counterparty risk with respect to the note hedge transactions, if realized, could have a material adverse impact on our results of operations.

The option counterparties are financial institutions or affiliates of financial institutions, and we are subject to the risk that these option counterparties may default under the note hedge transactions. We can provide no assurances as to the financial stability or viability of any of the option counterparties. Our exposure to the credit risk of the option counterparties is not secured by any collateral. If one or more of the option counterparties to one or more of our note hedge transactions becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under those transactions.

To the extent the option counterparties do not honor their contractual commitments with us pursuant to the note hedge transactions, we could face a material increase in our exposure to potential dilution upon any conversion of the 1.625% Notes and/or cash payments we are required to make in excess of the principal amount of converted 1.625% Notes, as the case may be. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price of our common stock and in the volatility of the market price of our common stock. In addition, upon a default by one of the option counterparties, we may suffer adverse tax consequences with respect to our common stock. Any such adverse tax consequences or increased cash payments could have a material adverse effect on our results of operations.

Trends, Risks and Uncertainties Related to Our Common Stock

The stockholders' rights plan adopted by our Board of Directors may discourage a third party from acquiring us in a manner that might result in a premium price to our stockholders.

On June 7, 2020, our Board of Directors authorized and declared a dividend of one Right for each outstanding share of common stock. If a person or group of affiliated or associated persons acquires beneficial ownership of 15% or more of our then outstanding common stock, subject to certain exceptions, each Right would entitle its holder (other than the acquiring person or group of affiliated or associated persons) to purchase additional shares of our common stock at a substantial discount to the

public market price. In addition, under certain circumstances, we may exchange the Rights (other than Rights beneficially owned by the acquiring person or group of affiliated or associated persons), in whole or in part, for shares of our common stock on a one-for-one basis. The stockholders' rights plan could make it more difficult for a third party to acquire us or a large block of our common stock without the approval of our Board of Directors, which may discourage a third party from acquiring us in a manner that might result in a premium price to our stockholders.

Provisions in our charter documents may delay or prevent the acquisition of our Company, which could materially adversely affect the value of our common stock.

Our certificate of incorporation and by-laws contain provisions that could make it harder for a third party to acquire us without the consent of our Board of Directors. These provisions:

- establish advance notice requirements for submitting nominations for election to the Board of Directors and for proposing matters that can be acted upon by stockholders at a meeting;
- authorize the issuance of "blank check" preferred stock, which is preferred stock that our Board of Directors can create and issue without prior stockholder approval and that could be issued with voting or other rights or preferences that could impede a takeover attempt; and
- require the approval by holders of at least 66 2/3% of our outstanding common stock to amend any of these provisions in our certificate of incorporation or by-laws.

Although we believe these provisions make a higher third-party bid more likely by requiring potential acquirers to negotiate with our Board of Directors, these provisions apply even if an initial offer may be considered beneficial by some stockholders. Any delay or prevention of an acquisition of our Company that would have been beneficial to our stockholders could materially decrease the value of our common stock.

General Risk Factors

Downturns or volatility in general economic conditions could have a material adverse effect on our business and results of operations.

In recent years, worldwide semiconductor industry sales have tracked the impacts of financial crises, subsequent recoveries and persistent economic uncertainty. We believe that the state of global economic conditions are particularly volatile and uncertain, and that an uneven recovery or a renewed global downturn may put pressure on our sales due to reductions in customer demand. Volatile or uncertain economic conditions, as well as continuing political unrest in markets in which we conduct significant business, can adversely impact sales and profitability and make it difficult for us and our competitors to accurately forecast and plan our future business activities.

Historically, the semiconductor industry has been highly cyclical and, as a result, subject to significant downturns and upturns in customer demand for semiconductors and related products. We believe our business today is driven more by secular growth drivers and not solely by macroeconomic and industry cyclicity, as was the case historically. However, we could experience period-to-period fluctuations in operating results due to general industry or economic conditions. We cannot accurately predict the timing of future downturns and upturns in the semiconductor industry or how severe and prolonged these conditions might be. Significant downturns can result in reduced product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices, any of which could materially adversely affect our operating results as a result of: increased operating expenses outpacing decreased revenue, reduced margins, underutilization of our manufacturing capacity and/or asset impairment charges. On the other hand, significant upturns can cause us to be unable to satisfy demand in a timely and cost efficient manner. In the event of such an upturn, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources and raw materials, or locate suitable third-party suppliers to respond effectively to changes in demand for our products, and our business and results of operations could be materially and adversely affected.

We may be unable to successfully integrate new strategic acquisitions, which could materially adversely affect our business, results of operations and financial condition.

We have made, and may continue to make, strategic acquisitions and alliances that involve significant risks and uncertainties. Successful acquisitions and alliances in the semiconductor industry are difficult to accomplish because they require, among other things, efficient integration and aligning of product offerings and manufacturing operations and coordination of sales and marketing and research and development efforts, often in markets or regions in which we have less experience than others. Our decision to pursue an acquisition is based on, among other factors, our estimates of expected future earnings growth and potential cost savings. Risks related to successful integration of an acquisition include, but are not limited to: (1) the ability to integrate information technology and other systems; (2) unidentified issues not discovered in our due diligence; (3) customers

responding by changing their existing business relationships with us or the acquired company; (4) diversion of management's attention from our day to day operations; and (5) loss of key employees due to uncertainty about positions post-integration. In addition, we may incur unexpected costs, such as operating or restructuring costs (including severance payments to departing employees) or taxes resulting from the acquisition or integration of the newly acquired business. In the past, we have recorded goodwill impairment charges related to certain of our acquisitions as a result of such factors as significant underperformance relative to historical or projected future operating results. Missteps or delays in integrating our acquisitions, which could be caused by factors outside of our control, or our failure to realize the expected benefits of the acquisitions on the timeline we anticipate or at all, could materially adversely affect our results of operations and financial condition.

Depending on the level of our ownership interest in and the extent to which we can exercise control over the acquired business, we may be required by U.S. generally accepted accounting principles ("GAAP") and SEC rules and regulations to consolidate newly acquired businesses into our consolidated financial statements. The acquired businesses may not have independent audited financial statements, such statements may not be prepared in accordance with GAAP or the acquired businesses may have financial controls and systems that are not compatible with our financial controls and systems, any of which could materially impair our ability to properly integrate such businesses into our consolidated financial statements on a timely basis. Any revisions to, inaccuracies in or restatements of our consolidated financial statements due to accounting for our acquisitions could have a material adverse effect our financial condition and results of operations.

Natural disasters, health and safety epidemics and other business disruptions could cause significant harm to our business operations and facilities and could adversely affect our supply chain and our customer base, any of which may materially adversely affect our business, results of operation, and financial condition.

Our U.S. and international manufacturing facilities and distribution centers, as well as the operations of our third-party suppliers, are susceptible to losses and interruptions caused by floods, hurricanes, earthquakes, typhoons, volcanic eruptions, and similar natural disasters, as well as power outages, telecommunications failures, industrial accidents, health and safety epidemics and similar events. The occurrence of natural disasters in any of the regions in which we operate could severely disrupt the operations of our businesses by negatively impacting our supply chain, our ability to deliver products, and the cost of our products. Such events can negatively impact revenue and earnings and can significantly impact cash flow, both from decreased revenue and from increased costs associated with the event. In addition, these events could cause consumer confidence and spending to decrease or result in increased volatility to the U.S. and worldwide economies. Although we carry insurance to generally compensate for losses of the type noted above, such insurance may not be adequate to cover all losses that may be incurred or continue to be available in the affected area at commercially reasonable rates and terms. To the extent any losses from natural disasters or other business disruptions are not covered by insurance, any costs, write-downs, impairments and decreased revenue can materially adversely affect our business, our results of operations and our financial condition.

We could be subject to changes in tax rates or the adoption of new U.S. or international tax legislation or have exposure to additional tax liabilities, which could adversely affect our results of operations and financial condition.

Changes to, or interpretations of, tax legislation or regulations in the United States and the jurisdictions in which we operate could significantly increase our effective tax rate and ultimately reduce our cash flow from operating activities. In addition, other factors or events, including business combinations, strategy and investment decisions, changes in the valuation of our deferred tax assets and liabilities, adjustments to income taxes upon finalization of various tax returns or as a result of deficiencies asserted by taxing authorities, increases in expenses not deductible for tax purposes, availability of income tax credits and incentives, increasing operations in high tax jurisdictions, and changes in tax rates, could also increase our future effective tax rate and ultimately reduce our cash flow from operating activities.

We exercise significant judgment in determining our worldwide income tax provision and resulting income tax accrual. Interpretations of tax legislation or regulations with regard to transactions that occur in or outside the ordinary course of our business, may result in uncertainty regarding the final tax determination. Our tax filings are subject to audit by the Internal Revenue Service (the "IRS") and state, local and foreign taxing authorities. The final determination of an audit may be materially different than the determination which was reflected in our worldwide income tax provision and accrual. An assessment of additional taxes because of an audit could have a material adverse effect on our results of operations and financial condition. We are also liable for potential tax liabilities of businesses we acquire.

The Organization for Economic Cooperation and Development ("OECD") has been working on a Base Erosion and Profit Shifting ("BEPS") Project and issued a report in 2015 and an interim report in 2018, and continues to issue guidelines and develop proposals that could change numerous long-standing tax principles, including allocating greater taxing rights to countries where customers are located and establishing a minimum tax on global income. The changes arising from the BEPS

project, if adopted by countries in which we do business, could have a material adverse effect on our results of operations and financial condition.

We operate a global business through numerous foreign subsidiaries, and there is a risk that tax authorities will challenge our transfer pricing methodologies and/or legal entity structures, which could adversely affect our results of operations and financial condition.

We conduct operations worldwide through our foreign subsidiaries and are, therefore, subject to complex transfer pricing regulations in the jurisdictions in which we operate. Transfer pricing regulations generally require that, for tax purposes, transactions between related parties be priced on a basis that would be comparable to an arm's length transaction between unrelated parties. There is uncertainty and inherent subjectivity in complying with these rules. To the extent that any foreign tax authorities disagree with our transfer pricing policies, we could become subject to significant tax liabilities and penalties. The ultimate outcome of a tax examination could differ materially from our income tax accrual and could have a material adverse effect on our results of operations and financial condition.

Our legal organizational structure and the domicile of our entities that own our IP could result in unanticipated unfavorable tax or other consequences that could have a material adverse effect on our results of operations and financial condition. Changes in tax legislation, future jurisdictional profitability of our subsidiaries, and related regulatory interpretations in the countries in which we operate may impact the taxes we pay or income tax accrual we record, which could have a material adverse effect on our results of operations and financial condition.

We may be unable to attract and retain highly skilled personnel.

Our success depends on our ability to attract, motivate and retain highly skilled personnel, including technical, marketing, management and staff personnel, both in the U.S. and internationally. In the semiconductor industry, the competition for qualified personnel, particularly experienced design engineers and other technical employees, is intense, particularly when the business cycle is improving. During such periods, competitors may try to recruit our most valuable technical employees. Additionally, we have entered into employment agreements with certain senior executives, but we do not have employment agreements with most of our employees. Many of these employees could leave our company with little or no prior notice and would be free to work for a competitor. While we devote a great deal of our attention to designing competitive compensation programs aimed at attracting and retaining personnel, specific elements of our compensation programs may not be competitive with those of our competitors, and there can be no assurance that we will be able to retain our current personnel or recruit the key personnel we require. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all and other senior management may be required to divert attention from other aspects of our business. Loss of the services of, or failure to effectively recruit, qualified personnel, including senior managers, could have a material adverse effect on our competitive position and on our business.

The failure to comply with the terms and conditions of our contracts could result in, among other things, damages, fines or other liabilities.

We have a diverse customer base consisting of both private sector clients and public sector clients, including the U.S. government. Sales to our private sector clients are generally based on stated contractual terms, the terms and conditions on our website or terms contained in purchase orders on a transaction-by-transaction basis. Sales to our public sector clients are generally derived from sales to federal, state and local governmental departments and agencies through various contracts and programs that may require compliance with regulations covering many areas of our operations, including, but not limited to, accounting practices, IP rights, information handling, and security. Noncompliance with contract terms, particularly with respect to highly-regulated public sector clients, or with government procurement regulations could result in fines or penalties against us, termination of such contracts or civil, criminal and administrative liability to the Company. With respect to public sector clients, the government's remedies may also include suspension or debarment from future government business. In addition, almost all of our contracts have default provisions, and certain of our contracts in the public sector are terminable at any time for convenience of the contracting agency. The effect of any of these possible actions or the adoption of new or modified procurement regulations or practices could materially adversely affect our business, financial position and results of operations.

Climate change, and the regulatory and legislative developments related to climate change, may materially adversely affect our business and financial condition.

The potential physical impacts of climate change on our operations are highly uncertain and would be particular to the geographic circumstances in areas in which we operate. These may include changes in rainfall and storm patterns and

intensities, water shortages, changing sea levels and changing temperatures. The impacts of climate change may materially and adversely impact the cost, production and financial performance of our operations. Further, any impacts to our business and financial condition as a result of climate change are likely to occur over a sustained period of time and are therefore difficult to quantify with any degree of specificity. For example, extreme weather events may result in adverse physical effects on portions of our infrastructure, which could disrupt our supply chain and ultimately our business operations. In addition, disruption of transportation and distribution systems could result in reduced operational efficiency and customer service interruption. Climate-related events have the potential to disrupt our business, including the business of our customers, and may cause us to experience higher attrition, losses and additional costs to resume operations.

A number of governments or governmental bodies have introduced or are contemplating legislative and regulatory changes in response to various climate change interest groups and the potential impact of climate change. Legislation and increased regulation regarding climate change could impose significant costs on us and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs to comply with such regulations. Any future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. Given the political significance and uncertainty around the impact of climate change and how it should be addressed, we cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by us or other companies in our industry could harm our reputation. Any of the foregoing could result in a material adverse effect on our business and financial condition.

We may be unable to implement our recent business strategy developments, which could have a material adverse effect on our business operations.

We believe our recent business strategy developments will help us remain competitive. However, we may face difficulties, delays and increased expenses as we transition our business to implement this strategy and may not be able to effectively manage such transitions or efficiently implement this strategy, all of which could have a material adverse effect on our business operations. In addition, implementation of a new business strategy may lead to the disruption of our existing business operations, including distracting management from current operations. Results of operations from new activities may be lower than our existing activities, and, if a strategy is unsuccessful, we may not recoup our investments in that strategy. Failure to successfully and timely realize the anticipated benefits of these transactions or strategies could have a material adverse effect on our financial condition or results of operations.

We may from time to time desire to exit certain facilities, product lines or businesses, or to restructure our operations, but may not be successful in doing so.

From time to time, we may decide to divest certain product lines and businesses or restructure our operations. We have, in recent years, exited several of our product lines and businesses, and we have closed several of our manufacturing and research facilities. We may continue to do so in the future. However, our ability to successfully exit product lines and businesses, or to close or consolidate operations, depends on a number of factors, many of which are outside of our control. For example, if we are seeking a buyer for a particular business line, none may be available, or we may not be successful in negotiating satisfactory terms with prospective buyers.

Our operating results depend, in part, on the performance of independent distributors.

A portion of our sales occurs through independent global and regional distributors that are not under our control. We rely on distributors to grow and develop their customer base and anticipate customer needs, and any lack of such actions by our distributors may adversely affect our results of operations. In particular, revenue from one of our distributors accounted for approximately 11% of the Company's total consolidated revenue for the year ended December 31, 2020. If the business relationship with such distributor is terminated, whether through industry consolidation or otherwise, and we are unable to find a suitable replacement, our operations and operating results could be materially adversely affected. These independent distributors also generally represent product lines offered by several companies and are not subject to any minimum sales requirements or obligation to market our products to their customers. In turn, distributors could reduce their sales efforts for our products or choose to terminate their representation of us. Additionally, we rely on our distributors to provide accurate and timely sales reports in order for us to be able to generate financial reports that accurately represent distributor sales of our products during any given period. Any inaccuracies or untimely reports could adversely affect our ability to produce accurate and timely financial reports and recognize revenue.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our corporate headquarters, as well as certain design center and research and development operations, are located in approximately 600,000 square feet of building space on property that we own in Phoenix, Arizona. We also own and lease properties around the world for use as sales offices, design centers, research and development labs, warehouses, logistic centers, trading offices and manufacturing support. The size and location of these properties, which are used by all of our reportable segments, change from time to time based on business requirements. We operate distribution centers, which are leased or contracted through a third-party, in locations throughout Asia, Europe and the Americas. See "Business—Resources" included elsewhere in this Form 10-K for information on properties used in our manufacturing operations. While these facilities are primarily used in manufacturing operations, they also include office, utility, laboratory, warehouse and unused space. Additionally, we own and lease research and development facilities located in Australia, Belgium, Canada, China, the Czech Republic, France, Germany, India, Ireland, Israel, Italy, Japan, the Philippines, Singapore, South Korea, Romania, Russia, the Slovak Republic, Slovenia, Switzerland, Taiwan, the United Kingdom and the United States. Our joint venture in Leshan, China also owns manufacturing, warehouse, laboratory, office and other unused space. We believe that our facilities around the world, whether owned or leased, are well-maintained.

Certain of our properties are subject to encumbrances such as mortgages and liens. See Note 9: "Long-Term Debt" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for further information. In addition, due to local law restrictions, the land upon which our facilities are located in certain foreign locations is subject to varying long-term leases. See "Business—Resources" included elsewhere in this Form 10-K for further details on our properties and "Business-Governmental Regulation" for further details on environmental regulation of our properties.

Item 3. *Legal Proceedings*

See Note 13: "Commitments and Contingencies" under the heading "Legal Matters" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for a description of legal proceedings and related matters.

Item 4. *Mine Safety Disclosure*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Our common stock is traded under the symbol "ON" on the Nasdaq Global Select Market. The stock price details can be obtained from the Nasdaq website at www.nasdaq.com. As of February 10, 2021, there were approximately 209 holders of record of our common stock and 411,881,071 shares of common stock outstanding.

We have neither declared nor paid any cash dividends on our common stock since our initial public offering. Our future dividend policy with respect to our common stock will depend upon our earnings, capital requirements, financial condition, debt restrictions and other factors deemed relevant by our Board of Directors in its sole discretion.

Our outstanding debt facilities may limit the amount of dividends we are permitted to pay and the amount we are permitted to buy back shares under the 2018 Share Repurchase Program (as defined below). So long as no default has occurred and is continuing or results therefrom, our Amended Credit Agreement permits us to pay cash dividends to our common stockholders, buy back shares under the 2018 Share Repurchase Program, or a combination thereof, in an amount up to \$100.0 million. Additionally, we may pay dividends and buy back shares under the 2018 Share Repurchase Program in an unlimited amount so long as, after giving effect thereto, the consolidated total net leverage ratio (calculated in accordance with our Amended Credit Agreement) does not exceed 2.50 to 1.00. See Note 9: "Long-Term Debt" in the notes to the audited consolidated financial statements included elsewhere in this Form 10-K for further discussion of our Amended Credit Agreement.

Issuer Purchases of Equity Securities

The following table provides information regarding repurchases of our common stock during the quarter ended December 31, 2020:

Period (1)	Total Number of Shares Purchased (2)	Average Price Paid per Share (3)	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Approximate dollar value of Shares that may yet be Purchased under the Plans or Programs (\$ in millions)(4)
<i>October 3, 2020 - October 30, 2020</i>	1,919	\$ 23.35	—	\$ 1,295.8
<i>October 31, 2020 - November 27, 2020</i>	5,808	26.57	—	1,295.8
<i>November 28, 2020 - December 31, 2020</i>	11,913,263	27.17	—	1,295.8
Total	11,920,990	27.17	—	

- (1) The periods represent our fiscal month start and end dates for the fourth quarter of 2020.
- (2) The number of shares purchased represents shares of common stock held by employees who tendered owned shares of common stock to the Company to satisfy the employee withholding taxes due upon the vesting of RSUs and shares purchased under the previously disclosed share repurchase program pursuant to the Capital Allocation Policy (the "2018 Share Repurchase Program"). Also included in the November 28, 2020 – December 30, 2020 period is an aggregate of 11,823,348 shares that were repurchased on December 1, 2020 pursuant to bond hedges for which no cash was exchanged. See Note 9: "Long-Term Debt" in the notes to the audited consolidated financial statements included elsewhere in this Form 10-K for additional information on this transaction.
- (3) The price per share is based on the fair market value at the time of tender or repurchase, as applicable.
- (4) On November 15, 2018, we announced the 2018 Share Repurchase Program for up to \$1.5 billion of our common stock, exclusive of any fees, commissions or other expenses, subject to certain contingencies, that became effective on December 1, 2018 and expires on December 31, 2022.

Share Repurchase Program

We repurchased approximately 3.6 million shares of common stock for \$65.3 million under the 2018 Share Repurchase Program during the year ended December 31, 2020.

Under the 2018 Share Repurchase Program, we may repurchase our common stock from time to time in privately negotiated transactions or open market transactions, including pursuant to a trading plan in accordance with Rule 10b5-1 and Rule 10b-18 of the Exchange Act, or by any combination of such methods or other methods. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including our stock price, corporate and regulatory requirements, restrictions under our debt obligations, and other market and economic conditions. The 2018 Share Repurchase Program does not require us to purchase any particular amount of common stock and is subject to a variety of factors including the Board's discretion. As of December 31, 2020, the authorized amount remaining under the 2018 Share Repurchase Program was \$1,295.8 million.

See Note 10: "Earnings Per Share and Equity" of the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for further information on shares of common stock tendered to the Company by employees to satisfy applicable employee withholding taxes due upon vesting of RSUs and the 2018 Share Repurchase Program.

Item 6. Selected Financial Data

The following table sets forth certain of our selected financial data for the periods indicated. The consolidated statements of operations and balance sheet data set forth below are derived from our audited consolidated financial statements. The table below includes consolidated results, including our recent acquisitions, thus comparability will be materially affected. See Note 4: "Recent Accounting Pronouncements", Note 5: "Acquisitions, Divestitures and Licensing Transactions" and Note 13: "Commitments and Contingencies" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for further information.

You should read this information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements, including the notes thereto, included elsewhere in this Form 10-K.

	Year ended December 31,				
	2020	2019	2018	2017	2016
	(in millions, except per share data)				
Consolidated Statements of Operations:					
Revenue	\$ 5,255.0	\$ 5,517.9	\$ 5,878.3	\$ 5,543.1	\$ 3,906.9
Income tax (provision) benefit	59.8	(62.7)	(125.1)	265.5	3.9
Net income	236.4	213.9	629.9	813.0	184.5
Diluted net income per common share attributable to ON Semiconductor Corporation	0.56	0.51	1.44	1.89	0.43
	As of December 31,				
	2020	2019	2018	2017	2016
	(in millions)				
Consolidated Balance Sheets:					
Total assets	\$ 8,668.0	\$ 8,425.5	\$ 7,587.6	\$ 7,195.1	\$ 6,924.4
Net long-term debt, including current maturities	3,491.3	3,612.5	2,766.1	2,951.8	3,622.3
Total stockholders' equity	3,558.1	3,324.1	3,194.1	2,801.0	1,845.0

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with our audited historical consolidated financial statements, including the notes thereto, which are included elsewhere in this Form 10-K. Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties, and other factors. Actual results could differ materially because of the factors discussed in "Risk Factors" included elsewhere in this Form 10-K.

Executive Overview

This executive overview presents summarized information regarding our business and operating trends only. For further information relating to the information summarized herein, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its entirety.

Recent ON Semiconductor Results

Our revenue for the year ended December 31, 2020 was \$5,255.0 million, a decrease of 4.8% from \$5,517.9 million for the year ended December 31, 2019. The decrease was attributable to reduced demand for our products across PSG, ASG and ISG primarily due to the negative impact from the COVID-19 pandemic. During 2020, while we reported net income attributable to ON Semiconductor of \$234.2 million compared to \$211.7 million in 2019, our operating income during 2020 was \$348.7 million compared to \$432.7 million during 2019. While the decrease in operating income was primarily due to the pervasive macroeconomic impacts of the COVID-19 pandemic, the increase in net income attributable to ON Semiconductor was due to the income tax benefit recorded during the year. Our gross margin decreased by approximately 310 basis points to 32.7% in 2020 from 35.8% in 2019. See discussion under "Results of Operations" for further discussion on the reasons for the fluctuations year over year.

Business and Macroeconomic Environment

The COVID-19 pandemic has had, and is expected to continue to have, a significant adverse impact on global economic activity, including creating supply chain and market disruption. While certain measures enacted in 2020 to contain the spread of the COVID-19 pandemic have since been relaxed in many jurisdictions, the extent to which the pandemic will impact demand for our products depends on future developments, which are highly uncertain and difficult to predict, including new information that may emerge concerning the severity and longevity of the pandemic, and actions to contain and treat its impact.

We historically have pursued, and expect to continue to pursue, cost-saving initiatives to align our overall cost structure, capital investments and other expenditures with our expected revenue, spending and capacity levels based on our current sales and manufacturing projections. We have taken, and continue to take, significant cost containment efforts, including, but not limited to, workforce reductions, reducing discretionary spending, furloughs, and mandatory vacations. While all our global

manufacturing sites are currently operational, our facilities could be required to temporarily curtail production levels or temporarily cease operations based on government mandates. There can be no assurances that we will adequately forecast the impact of adverse economic conditions on our business or that we will effectively align our cost structure, capital investments and other expenditures with our revenue, spending and capacity levels in the future.

See Note 7: "Restructuring, Asset Impairments and Other Charges, net" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for information relating to our most recent cost-saving initiatives.

The Impact of the COVID-19 Pandemic on our Business

In an effort to protect the health and safety of our employees, we have taken proactive, aggressive actions to adopt social distancing policies at our locations around the world, including reducing the number of people in our sites at any one time, encouraging our employees to work from home where possible, limiting the number of employees attending meetings and significantly reducing employee travel. In our role as responsible corporate citizens, we have taken actions to support our global communities by providing personal protective equipment to hospitals and health workers. We will continue to actively monitor implications of the COVID-19 pandemic on our business and may take further actions to adjust our business operations if deemed necessary, or as required by federal, state, or local law.

During the majority of 2020, our results of operations were adversely impacted due to the reduced demand from our customers, government-mandated temporary shutdowns of certain of our facilities, supply shortages and other logistical constraints arising from the COVID-19 pandemic. However, towards the end of 2020, we experienced a meaningful improvement in the demand for most of our products, specifically products in the automotive sector that had been significantly impacted by the pandemic. However, current demand levels have yet to reach levels achieved before the pandemic. While we believe that our business has stabilized from the impact of the pandemic, a possible resurgence or another wave of the pandemic could alter the business and economic landscape again. We expect volatility in demand to continue in varying duration and severity until such time as the COVID-19 pandemic is effectively contained globally. Our long-term fundamentals remain strong as we believe that we are well-positioned for growth as business conditions continue to improve. We believe that secular trends in the automotive, industrial, and cloud-power end-markets, which are our primary areas of focus, will continue to drive long-term growth in the semiconductor industry.

Results of Operations

Our results of operations for the year ended December 31, 2020 includes the full year results, and our results of operations for the year ended December 31, 2019 includes partial year results of Quantenna, which we acquired on June 19, 2019.

For a discussion and comparison of the results of our operations for the year ended December 31, 2019 with the year ended December 31, 2018, refer to "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in our Form 10-K for the year ended December 31, 2019 filed with the SEC on February 19, 2020.

Operating Results

The following table summarizes certain information relating to our operating results that has been derived from our audited consolidated financial statements (in millions):

	Year ended December 31,		Change
	2020	2019	
Revenue	\$ 5,255.0	\$ 5,517.9	\$ (262.9)
Cost of revenue (exclusive of amortization shown below)	3,539.2	3,544.3	(5.1)
Gross profit	1,715.8	1,973.6	(257.8)
Operating expenses:			
Research and development	642.9	640.9	2.0
Selling and marketing	278.7	301.0	(22.3)
General and administrative	258.7	284.0	(25.3)
Litigation settlement	—	169.5	(169.5)
Amortization of acquisition-related intangible assets	120.3	115.2	5.1
Restructuring, asset impairments and other charges, net	65.2	28.7	36.5
Intangible asset impairment	1.3	1.6	(0.3)
Total operating expenses	1,367.1	1,540.9	(173.8)
Operating income	348.7	432.7	(84.0)
Other income (expense), net:			
Interest expense	(168.4)	(148.3)	(20.1)
Interest income	4.9	10.2	(5.3)
Loss on debt refinancing and prepayment	—	(6.2)	6.2
Other expense	(8.6)	(11.8)	3.2
Other income (expense), net	(172.1)	(156.1)	(16.0)
Income before income taxes	176.6	276.6	(100.0)
Income tax (provision) benefit	59.8	(62.7)	122.5
Net income	236.4	213.9	22.5
Less: Net income attributable to non-controlling interest	(2.2)	(2.2)	—
Net income attributable to ON Semiconductor Corporation	\$ 234.2	\$ 211.7	\$ 22.5

Revenue

Revenue was \$5,255.0 million and \$5,517.9 million for 2020 and 2019, respectively. The decrease from 2019 to 2020 of \$262.9 million, or 4.8%, was primarily attributable to a 6.5%, 3.1% and 2.5% decrease in revenue in PSG, ASG and ISG, respectively, which is further explained below. We had one customer, a distributor, whose revenue accounted for approximately 11% of the total revenue for the year ended December 31, 2020.

Revenue by operating and reportable segments was as follows (dollars in millions):

	2020	As a % of Revenue (1)	2019	As a % of Revenue (1)
PSG	\$ 2,606.1	49.6 %	\$ 2,788.3	50.5 %
ASG	1,910.4	36.4 %	1,972.3	35.7 %
ISG	738.5	14.1 %	757.3	13.7 %
Total revenue	\$ 5,255.0		\$ 5,517.9	

(1) Certain of the amounts may not total due to rounding of individual amounts.

Revenue from PSG

Revenue from PSG decreased by \$182.2 million, or approximately 7%, during 2020 compared to 2019. The revenue from our Advanced Power Division and Protection and Signal Division decreased by \$116.8 million and \$49.1 million, respectively. The decreases were due to a combination of a general decline in demand for these products due to economic conditions caused by the COVID-19 pandemic, and was exacerbated by internal delays in fulfilling certain customer orders due to our factories in China, the Philippines and Malaysia, which operated at significantly reduced capacity levels during portions of the first half of 2020 as a result of the COVID-19 pandemic.

Revenue from ASG

Revenue from ASG decreased by \$61.9 million, or approximately 3%, during 2020 compared to 2019. The revenue from our Automotive Division and Mobile, Computing and Cloud Division decreased by \$47.4 million and \$39.6 million, respectively, and was partially offset by an increase in revenue of \$34.1 million in our Wireless Connectivity Solutions Division, which included the acquired Quantenna business. The decreases in demand for the products in these divisions was primarily due to the economic conditions as a result of the COVID-19 pandemic, and specifically the automotive industry during the first half of the year, which has started to experience a meaningful recovery during the fourth quarter. Similar to PSG, this decrease was exacerbated by delays in fulfilling certain customer orders due to our factories in China, the Philippines and Malaysia, which operated at a significantly reduced capacity levels during portions of the first half of 2020 as a result of the COVID-19 pandemic.

Revenue from ISG

Revenue from ISG decreased by \$18.8 million, or 2.5%, during 2020 compared 2019, which was primarily due to the decrease in revenue from our Automotive Sensing Division of \$20.0 million, which was due to decreased demand and delays in fulfilling certain customer orders due to supply chain constraints during the first half of 2020 as a result of the COVID-19 pandemic.

Revenue by Geographic Location

Revenue by geographic location, based on sales billed from the respective country or regions, are as follows (dollars in millions):

	2020	As a % of Revenue (1)		2019	As a % of Revenue (1)
Singapore	\$ 1,799.5	34.2 %	\$	1,713.1	31.0 %
Hong Kong	1,311.6	25.0 %		1,417.3	25.7 %
United Kingdom	805.9	15.3 %		921.6	16.7 %
United States	728.6	13.9 %		810.3	14.7 %
Other	609.4	11.6 %		655.6	11.9 %
Total	<u>\$ 5,255.0</u>		\$	<u>5,517.9</u>	

(1) Certain of the amounts may not total due to rounding of individual amounts.

Gross Profit and Gross Margin (exclusive of amortization of acquisition-related intangible assets)

Our gross profit by operating and reportable segment was as follows (dollars in millions):

	2020	As a % of Segment Revenue (1)		2019	As a % of Segment Revenue (1)
PSG	\$ 801.7	30.8 %	\$	976.0	35.0 %
ASG	730.5	38.2 %		794.8	40.3 %
ISG	237.7	32.2 %		275.4	36.4 %
Gross profit for all segments	\$ 1,769.9		\$	2,046.2	
Unallocated manufacturing costs (2)	(54.1)	(1.0) %		(72.6)	(1.3) %
Total gross profit	<u>\$ 1,715.8</u>	32.7 %	\$	<u>1,973.6</u>	35.8 %

(1) Certain of the amounts may not total due to rounding of individual amounts.

(2) Unallocated manufacturing costs are presented as a percentage of total revenue (2019 includes expensing of the fair market value step-up of inventory of \$19.6 million acquired from Quantenna).

Our gross profit was \$1,715.8 million during 2020 compared to \$1,973.6 million during 2019 representing a decrease of \$257.8 million, or approximately 13%. Our gross margin decreased to 32.7% during 2020 compared to 35.8% during 2019. The decrease in gross profit and gross margin were attributable to a significant decline in sales volume due to the COVID-19 pandemic and a decline in average selling prices.

While the improving business conditions during the second half of 2020 positively impacted our gross margins, we incurred additional expenses for freight, transportation and cleaning costs to operate our facilities in compliance with local government regulations that had an adverse impact on our gross margin.

Operating Expenses

Research and Development

Research and development expenses were \$642.9 million and \$640.9 million, or approximately 12% of revenue during each of 2020 and 2019, representing an increase of \$2.0 million, or approximately 0.3% year-over-year. While there was a decrease in the cost of external consultants and travel-related expenses due to the cost-saving measures and travel restrictions implemented in response to the COVID-19 pandemic, these decreases were offset due to the payroll expenses for Quantenna employees for the entire year in 2020.

Selling and Marketing

Selling and marketing expenses were \$278.7 million and \$301.0 million, or approximately 5% of revenue during each of 2020 and 2019, representing a decrease of \$22.3 million, or approximately 7.4% year-over-year. The decrease was primarily related to a significant decrease in travel-related expenses due to the cost-saving measures and travel restrictions implemented in response to the COVID-19 pandemic and nominal decreases in payroll expenses as a result of furloughs and the VSP and Involuntary Separation Program ("ISP") offered during 2020. Please see Note 7: "Restructuring, Asset Impairments and Other Charges, net" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for a more detailed description of the VSP and the ISP.

General and Administrative

General and administrative expenses were \$258.7 million and \$284.0 million, or approximately 5% of revenue during each of 2020 and 2019, representing a decrease of \$25.3 million, or approximately 9% year-over-year. This decrease was primarily attributable to a decrease in stock compensation expense, travel-related expenses due to the cost-saving measures and travel restrictions implemented in response to the COVID-19 pandemic and certain other categories due to the general cost-saving measures.

Litigation Settlement

During 2019, we reached a litigation settlement with Power Integrations, Inc. ("PI"). In connection with the settlement, we incurred an expense of \$169.5 million, and ultimately paid \$175.0 million in cash, pursuant to which all outstanding legal and administrative disputes were withdrawn by both the parties. No such expenses were incurred during 2020. See Note 13: "Commitments and Contingencies" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for additional information with respect to the litigation settlement with PI.

Amortization of Acquisition—Related Intangible Assets

Amortization of acquisition-related intangible assets was \$120.3 million and \$115.2 million for 2020 and 2019, respectively. The increase of \$5.1 million, or approximately 4.4%, was primarily due to the amortization of intangible assets acquired from Quantenna.

See Note 5: "Acquisitions, Divestiture and Licensing Transactions" and Note 6: "Goodwill and Intangible Assets" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for additional information with respect to the acquired intangible assets.

Restructuring, Asset Impairments and Other Charges, net

Restructuring, asset impairments and other charges, net was \$65.2 million and \$28.7 million for 2020 and 2019, respectively. Amounts incurred during 2020 related to the VSP, ISP and other restructuring programs, primarily through workforce reductions. Included in 2020 were also asset impairment charges amounting to \$17.5 million. Amounts incurred during 2019 related to the post-Quantenna acquisition related restructuring program as well as certain restructuring actions undertaken by us aimed at cost savings, primarily through workforce reductions.

For additional information, see Note 7: "Restructuring, Asset Impairments and Other Charges, net" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K.

Intangible Asset Impairment

Intangible asset impairment charges were \$1.3 million and \$1.6 million for 2020 and 2019, respectively, related to the cancellation and abandonment of certain IPRD projects during the year.

See Note 6: "Goodwill and Intangible Assets" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for additional information.

Other Income and Expenses

Interest Expense

Interest expense increased by \$20.1 million, or approximately 14%, to \$168.4 million during 2020 compared to \$148.3 million in 2019, primarily due to an increase in the outstanding balances of long-term debt as a result of the borrowings under the Revolving Credit Facility (which was subsequently repaid) and our issuance of the 3.875% Notes, offset partially by the repayment of our 1.00% Notes. We recorded amortization of debt discount to interest expense of \$38.2 million and \$37.8 million for 2020 and 2019, respectively. Our average gross amount of long-term debt balance (including current maturities) during 2020 and 2019 was \$3,669.4 million and \$3,344.1 million, respectively. Our weighted average interest rate on our gross amount of long-term debt (including current maturities) was 4.6% and 4.4% per annum in 2020 and 2019, respectively.

See "Liquidity and Capital Resources—Key Financing and Capital Events" below and Note 9: "Long-Term Debt" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for a description of our indebtedness and our refinancing activities.

Loss on Debt Refinancing and Prepayment

We recorded loss on debt refinancing and prepayment of \$6.2 million during 2019 related to the activity under the Amended Credit Agreement. No such expenses were incurred during 2020.

Other Income (Expense)

Other expense decreased by \$3.2 million, or approximately 27%, from 2019 to 2020. The decrease was primarily attributable to a decrease of \$11.6 million in actuarial losses on our pension obligations during 2020 compared to 2019, offset by the recognition of an indemnification gain of \$7.8 million primarily attributable to the resolution of a foreign tax dispute and other IP related claims during 2019.

Income Tax Provision

We recorded an income tax benefit of \$59.8 million and a provision of \$62.7 million in 2020 and 2019, respectively.

The income tax benefit for the year ended December 31, 2020 consisted of discrete benefits of \$63.0 million primarily due to the recognition of certain deferred tax assets, net of deferred tax liabilities, related to the domestication of certain foreign subsidiaries and a benefit of \$49.4 million related to the release of valuation allowance against certain state deferred tax assets. These benefits were partially offset by a provision of \$43.9 million for income and withholding taxes of certain of our foreign and domestic operations, a \$2.3 million discrete provision relating to prior year uncertain tax positions, a discrete provision of \$5.5 million relating to additional foreign valuation allowance, and \$0.9 million of other discrete items.

The income tax provision for the year ended December 31, 2019 consisted primarily of \$66.4 million for income and withholding taxes of certain of our foreign and domestic operations, \$6.0 million relating to the resolution of a foreign tax dispute and \$3.3 million of new reserves and interest on existing reserves for uncertain tax positions in foreign jurisdictions and \$2.1 million of prior year adjustments. These amounts were offset by discrete benefits of \$9.2 million relating to the release of reserves and interest for uncertain tax positions in foreign jurisdictions related to prior years and \$5.9 million relating to equity award excess tax benefits.

For additional information, see Note 16: "Income Taxes" in the notes to the audited consolidated financial statements included elsewhere in this Form 10-K.

Liquidity and Capital Resources

This section includes a discussion and analysis of our cash requirements, off-balance sheet arrangements, contingencies, sources and uses of cash, operations, working capital and long-term assets and liabilities.

Contractual Obligations

Our principal outstanding contractual obligations relate to our long-term debt, operating lease liabilities and purchase obligations. The following table summarizes our contractual obligations at December 31, 2020 and the effect such obligations are expected to have on our liquidity and cash flow in the future (in millions):

Contractual obligations (1)	Total	Payments Due by Period					
		2021	2022	2023	2024	2025	Thereafter
Long-term debt (2)	\$ 4,110.8	\$ 699.0	\$ 107.9	\$ 104.7	\$ 785.8	\$ 77.3	\$ 2,336.1
Operating lease liabilities	174.6	36.5	30.1	23.1	20.8	14.2	49.9
Purchase obligations for (3):							
Capital expenditures	58.1	52.0	4.8	1.3	—	—	—
Inventory and external manufacturing	1,256.9	418.6	339.5	245.9	246.0	3.4	3.5
Information technology and support services	16.1	8.8	4.8	2.2	0.3	—	—
Other (4)	307.2	45.5	249.8	10.1	1.7	0.1	—
Total contractual obligations	\$ 5,923.7	\$ 1,260.4	\$ 736.9	\$ 387.3	\$ 1,054.6	\$ 95.0	\$ 2,389.5

- (1) The table above excludes approximately \$45.1 million of liabilities related to unrecognized tax benefits because we are unable to reasonably estimate the timing of the settlement of such liabilities.
- (2) Includes interest payments at applicable rates as of December 31, 2020.
- (3) These represent our off-balance sheet arrangements (See "Liquidity and Capital Resources - Off-Balance Sheet Arrangements" for further information).
- (4) During 2019, we incurred additional commitments relating to the pending acquisition of a manufacturing facility, of which, \$170.0 million has been deposited with the seller already. The remaining commitment of \$230.0 million will be owed on or around December 31, 2022. See Note 5: "Acquisitions, Divestiture and Licensing Transactions" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for additional information.

The table also excludes our pension obligations. We expect to make cash contributions to comply with local funding requirements and required benefit payments of approximately \$22.1 million and \$7.0 million, respectively, in 2021. This future payment estimate assumes we continue to meet our statutory funding requirements. The timing and amount of contributions may be impacted by a number of factors, including the funded status of the plans. Beyond 2021, the actual amounts required to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory actions related to pension funding obligations. See Note 12: "Employee Benefit Plans" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for more information on our pension obligations.

Our balance of cash and cash equivalents was \$1,080.7 million as of December 31, 2020. We believe that our cash flows from operations, coupled with our existing cash and cash equivalents, and cash available from our Revolving Credit Facility, will be adequate to fund our operating, debt repayment and capital needs for at least the next 12 months. Total cash and cash equivalents at December 31, 2020 include approximately \$489.1 million available in the United States. We require a substantial

amount of cash in the United States for operating requirements, debt service, debt repayments and acquisitions. While we hold a significant amount of cash and cash equivalents outside the United States in various foreign subsidiaries, we have the ability to obtain cash in the United States in order to cover our domestic needs, through distributions from our foreign subsidiaries, by utilizing existing credit facilities or through new bank loans or debt obligations.

See Note 9: "Long-Term Debt," in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for a discussion of our long-term debt. See "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" included elsewhere in this Form 10-K for a discussion of restrictions on our ability to pay dividends and our stock repurchase activities.

Off-Balance Sheet Arrangements

In the ordinary course of business, we provide standby letters of credit or other guarantee instruments to certain parties in connection with certain transactions including, but not limited to: material purchase commitments, agreements to mitigate collection risk, leases, utilities or customs guarantees. As of December 31, 2020, our Revolving Credit Facility included \$15.0 million available for the issuance of letters of credit. There were \$0.9 million letters of credit outstanding under our Revolving Credit Facility as of December 31, 2020, which reduced our borrowing capacity dollar-for-dollar. As of December 31, 2020, we also had outstanding guarantees and letters of credit outside of our Revolving Credit Facility in the amount of \$9.7 million.

As part of securing financing in the ordinary course of business, we have issued guarantees related to certain of our subsidiaries', which totaled \$0.9 million as of December 31, 2020. Based on historical experience and information currently available, we believe that we will not be required to make payments under the standby letters of credit or guarantee arrangements for the foreseeable future.

We have not recorded any liability in connection with these letters of credit and guarantee arrangements. See Note 9: "Long-Term Debt," and Note 13: "Commitments and Contingencies" in the notes to our audited consolidated financial statements found elsewhere in this Form 10-K for additional information.

Contingencies

We are a party to a variety of agreements entered into in the ordinary course of business pursuant to which we may be obligated to indemnify other parties for certain liabilities that arise out of or relate to the subject matter of the agreements. Some of the agreements entered into by us require us to indemnify the other party against losses, including, but not limited to, losses due to IP infringement, environmental contamination and other property damage, personal injury, our failure to comply with applicable laws, our negligence or willful misconduct or our breach of representations, warranties or covenants related to such matters as title to sold assets.

We face risk of exposure to warranty and product liability claims in the event that our products fail to perform as expected or such failure of our products results, or is alleged to result, in economic damage, bodily injury or property damage. In addition, if any of our designed products are alleged to be defective, we may be required to participate in their recall. Depending on the significance of any particular customer and other relevant factors, we may agree to provide more favorable rights to such customer for valid defective product claims.

We maintain directors' and officers' insurance policies that indemnify our directors and officers against various liabilities, including certain liabilities under the Exchange Act that might be incurred by any director or officer in his or her capacity as such.

The agreement and plan of merger relating to the acquisition of Fairchild Semiconductor International Inc. (the "Fairchild Agreement") provides for indemnification and insurance rights in favor of Fairchild's then current and former directors, officers and employees. Specifically, we have agreed that, for no fewer than six years following the Fairchild acquisition, we will: (a) indemnify and hold harmless each such indemnitee against losses and expenses (including advancement of attorneys' fees and expenses) in connection with any proceeding asserted against the indemnified party in connection with such person's services as a director, officer, employee or other fiduciary of Fairchild or its subsidiaries prior to the effective time of the acquisition; (b) maintain in effect all provisions of the certificate of incorporation or bylaws of Fairchild or any of its subsidiaries or any other agreements of Fairchild or any of its subsidiaries with any indemnified party regarding elimination of liability, indemnification of officers, directors and employees and advancement of expenses in existence on the date of the Fairchild Agreement for acts or omissions occurring prior to the effective time of the acquisition and; (c) subject to certain qualifications, provide to Fairchild's then current directors and officers an insurance and indemnification policy that provides

coverage for events occurring prior to the effective time of the acquisition that is no less favorable than Fairchild's then-existing policy, or, if insurance coverage that is no less favorable is unavailable, the best available coverage.

Similarly, the agreement and plan of merger relating to the acquisition of Quantenna (the "Quantenna Agreement") provides for indemnification and insurance rights in favor of Quantenna's then current and former directors, officers, employees and agents. Specifically, we have agreed that, for no fewer than six years following the Quantenna acquisition, we will: (a) indemnify and hold harmless each such indemnified party to the fullest extent permitted by Delaware law in the event of any threatened or actual claim suit, action, proceeding or investigation against the indemnified party based in whole or in part on, or pertaining to, such person's serving as a director, officer, employee or agent of Quantenna or its subsidiaries or predecessors prior to the effective time of the acquisition or in connection with the Quantenna Agreement; (b) maintain in effect provisions of the certificate of incorporation and bylaws of Quantenna and each of its subsidiaries regarding the elimination of liability of directors and indemnification of officers, directors and employees that are no less advantageous to the intended beneficiaries than the corresponding provisions in the certificate of incorporation and bylaws of Quantenna and each of its subsidiaries in existence on the date of the Quantenna Agreement; and (c) obtain and fully pay the premium for a non-cancelable extension of directors' and officers' liability coverage of Quantenna's directors' and officers' policies and Quantenna's fiduciary liability insurance policies in effect as of the date of the Quantenna Agreement.

While our future obligations under certain agreements may contain limitations on liability for indemnification, other agreements do not contain such limitations and under such agreements it is not possible to predict the maximum potential amount of future payments due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under any of these indemnities have not had a material effect on our business, financial condition, results of operations or cash flows, and we do not believe that any amounts that we may be required to pay under these indemnities in the future will be material to our business, financial condition, results of operations or cash flows.

See Note 13: "Commitments and Contingencies" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for possible contingencies related to legal matters. See also "Business—Government Regulation" for information on certain environmental matters.

Sources and Uses of Cash

Our balance of cash and cash equivalents was \$1,080.7 million as of December 31, 2020. We require cash to fund our operating expenses, working capital requirements, outlays for strategic acquisitions and investments, for debt service including principal and interest, for research and development, for capital expenditures, and to repurchase our common stock. As part of our business strategy, we review acquisition and divestiture opportunities on a regular basis. During 2019, we entered into an agreement on the pending acquisition of a manufacturing facility and completed the acquisition of Quantenna.

We believe that the key factors that could affect our internal and external sources of cash include:

- Geopolitical and macroeconomic factors caused by the COVID-19 pandemic which has had, and is expected to continue to have, negative impacts on the economies of the majority of countries and industries. While there has been a nominal recovery during the second half of 2020, the ultimate effect of the COVID-19 pandemic and the responses of various governmental entities and industries thereto, the duration and severity and the possibility of the re-emergence of the pandemic in future months and the anticipated recovery period is uncertain.
- Factors that affect our results of operations and cash flows, including the impact on our business and operations as a result of changes in demand for our products, including as a result of the COVID-19 pandemic, competitive pricing pressures, effective management of our manufacturing capacity, our ability to achieve further reductions in operating expenses, the impact of our restructuring programs on our production and cost efficiency and our ability to make the research and development expenditures required to remain competitive in our business; and
- Factors that affect our access to bank financing and the debt and equity capital markets that could impair our ability to obtain needed financing on acceptable terms or to respond to business opportunities and developments as they arise, including interest rate fluctuations, macroeconomic conditions, including as a result of the COVID-19 pandemic, sudden reductions in the general availability of lending from banks or the related increase in cost to obtain bank financing and our ability to maintain compliance with covenants under our debt agreements in effect from time to time.

The following are some of the significant sources and uses of cash during 2020 outside of our operating activities and regular capital expenditures:

- Borrowing of \$1,165.0 million under the Revolving Credit Facility on March 24, 2020 and repayment of \$1,200.0 million of such borrowings using the net proceeds from the issuance of the 3.875% Notes and cash on hand on August 21, 2020.
- Issuance of \$700.0 million of 3.875% Notes on August 21, 2020, the net proceeds of which were used to repay a portion of the outstanding borrowings under the Revolving Credit Facility.

- Additional deposit of \$100.0 million for the pending acquisition of GFUS's East Fishkill, New York site and fabrication facilities and certain other assets and liabilities on October 5, 2020.
- Repayment upon maturity of the principal portion of the 1.00% Notes amounting to \$690.0 million on December 1, 2020.
- Repayment of \$65.0 million of the outstanding borrowings under the Revolving Credit Facility on December 31, 2020.
- Repurchase of 3.6 million shares of common stock for an aggregate purchase price of approximately \$65.3 million under the 2018 Share Repurchase Program

Our ability to service our long-term debt, including our 3.875% Notes, 1.625% Notes, Revolving Credit Facility and Term Loan "B" Facility, to remain in compliance with the various covenants contained in our debt agreements and to fund working capital, capital expenditures and business development efforts will depend on our ability to generate cash from operating activities, which is subject to, among other things, our future operating performance, timing of the full economic recovery from the COVID-19 pandemic, as well as to financial, competitive, legislative, regulatory and other conditions, some of which may be beyond our control.

If we fail to generate sufficient cash from operations, we may need to raise additional equity or borrow additional funds to achieve our longer-term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to us. We believe that cash flow from operating activities coupled with existing cash and cash equivalents and existing credit facilities will be adequate to fund our operating, debt repayment and capital needs, as well as enable us to maintain compliance with our various debt agreements, through at least the next 12 months. To the extent that results or events differ from our financial projections or business plans, our liquidity may be adversely impacted.

During the ordinary course of business, we evaluate our cash requirements and, if necessary, adjust our expenditures for inventory, operating expenditures and capital expenditures to reflect the current market conditions and our projected sales and demand. Our capital expenditures are primarily directed towards manufacturing equipment. Our capital expenditure levels can materially influence our available cash for other initiatives. For example, during 2020, we paid approximately \$383.6 million for capital expenditures, while in 2019 we paid approximately \$534.6 million. While our capital expenditures have historically been approximately 6% to 7% of annual revenue, we incurred capital expenditures of approximately 7% and 10% of annual revenue in 2020 and 2019, respectively. We expect to incur capital expenditures in the range of 7% to 8% of revenue in 2021 to further improve our manufacturing cost structure. Future capital expenditures are expected to be lower, however, may be impacted by events and transactions that are not currently forecasted.

As of December 31, 2020, there was \$1,614.5 million outstanding under the Term Loan "B" Facility and \$700.0 million outstanding under the Revolving Credit Facility, in addition to the 3.875% Notes for \$700.0 million and 1.625% Notes for \$575.0 million, of which the 1.625% Notes net of unamortized discount and issuance costs has been reclassified as a current portion of long-term debt. The associated interest expense related to this indebtedness will continue to have a significant impact on our results of operations.

See Note 5: "Acquisitions, Divestiture and Licensing Transactions" and Note 9: "Long-Term Debt" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for additional information.

Cash Management

Our ability to manage cash is limited, as our primary cash inflows and outflows are dictated by the terms of our sales and supply agreements, contractual obligations, debt instruments and legal and regulatory requirements. While we have some flexibility with respect to the timing of capital equipment purchases, we must invest in capital equipment on a timely basis to allow us to maintain our manufacturing efficiency and support our platforms for new products.

Primary Cash Flow Sources

Our long-term cash generation is dependent on the ability of our operations to generate cash. Our cash flows from operating activities were \$884.3 million, \$694.7 million, and \$1,274.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. Our operating cash flows for the year ended December 31, 2020 increased by \$189.6 million, or 27.3%, compared to the year ended December 31, 2019, which was primarily due to the payment of \$175.0 million in 2019 to PI relating to a litigation settlement, which decreased our cash flows during 2019. Although, there was a significant decrease in operating income and income before income taxes in 2020 due to decreased demand for our products as a result of the COVID-19 pandemic, the negative impact on the cash flows provided from operating activities were offset by effective working capital management.

Our ability to maintain positive operating cash flows is dependent on, among other factors, our success in achieving our

revenue goals and manufacturing and operating cost targets. Our management of our assets and liabilities, including both working capital and long-term assets and liabilities, also influences our operating cash flows, and each of these components is discussed below.

Working Capital

Working capital, calculated as total current assets *less* total current liabilities, fluctuates depending on end-market demand and our effective management of certain items such as receivables, inventory and payables. In times of escalating demand, our working capital requirements may be affected as we purchase additional manufacturing materials and increase production. Our working capital may also be affected by restructuring programs, which may require us to use cash for severance payments, asset transfers and contract termination costs. In addition, our working capital may be affected by acquisitions and transactions involving our convertible notes and other debt instruments. Although investments made to fund working capital will reduce our cash balances, these investments are necessary to support business and operating initiatives.

Our working capital, excluding cash and cash equivalents and the current portion of long-term debt, was \$960.5 million as of December 31, 2020 and has fluctuated between \$879.3 million and \$1,057.1 million at the end of each of our last eight fiscal quarters. Our working capital, including cash and cash equivalents and the current portion of long-term debt, was \$1,509.6 million as of December 31, 2020 and has fluctuated between \$1,071.4 million and \$2,379.8 million at the end of each of our last eight fiscal quarters. The significant fluctuation was due to the additional borrowings under the Revolving Credit Facility during 2020 in light of the COVID-19 pandemic. For the year ended December 31, 2020, there was not a significant impact to our working capital as we tried to manage our business conservatively in light of the negative impact from the COVID-19 pandemic.

Long-Term Assets and Liabilities

Our long-term assets consist primarily of property, plant and equipment, intangible assets, deferred taxes and goodwill. Our manufacturing rationalization plans have included efforts to utilize our existing manufacturing assets and supply arrangements more efficiently. We believe that near-term access to additional manufacturing capacity, should it be required, could be readily obtained on reasonable terms through manufacturing agreements with third parties. We will continue to look for opportunities to make strategic purchases in the future for additional capacity.

Our long-term liabilities, excluding long-term debt and deferred taxes, consist of liabilities under our foreign defined benefit pension plans, operating lease liabilities and contingent tax reserves. In regard to our foreign defined benefit pension plans, our annual funding of these obligations is equal to the minimum amount legally required in each jurisdiction in which the plans operate. This annual amount is dependent upon numerous actuarial assumptions. For additional information, see Note 12: "Employee Benefit Plans", "Note 8: "Balance Sheet Information" and Note 16: "Income Taxes" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K.

Key Financing and Capital Events

Overview

For the past several years, we have undertaken various measures to secure liquidity to pursue acquisitions, repurchase shares of our common stock, reduce interest costs, amend existing key financing arrangements and, in some cases, extend a portion of our debt maturities to continue to provide us additional operating flexibility. Certain of these measures continued in 2020. Set forth below is a summary of certain key financing events affecting our capital structure during the last three years. For further discussion of our debt instruments, see Note 9: "Long-Term Debt" and for further discussion on the 2018 Share Repurchase Program and the 2014 Share Repurchase Program (as defined below), see Note 10: "Earnings Per Share and Equity" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K.

2020 Financing Events

Maturity and Settlement of 1.00% Notes due 2020

The 1.00% Notes matured on December 1, 2020. The maturity of the notes resulted in us paying \$690.0 million in cash, representing the principal portion of the 1.00% Notes, to holders of the 1.00% Notes using our available cash and cash equivalents.

The excess over the principal amount was settled by issuing shares of common stock held in treasury. At the time of issuance of

the 1.00% Notes, we concurrently entered into hedge transactions with certain of the initial purchasers of the 1.00% Notes, and accordingly, repurchased an equivalent number of shares of our common stock at fair market value, to effectively offset the issuance of shares.

Also at the time of issuance of the 1.00% Notes, we sold warrants to certain bank counterparties whereby the holders of the warrants have the option to purchase from us, the equivalent number of shares of our common stock at a price of \$25.96 per share. These warrants can be exercised by the holders beginning in March 2021 and expire no later than April 2021. We currently anticipate the holders to exercise the warrants to purchase up to 37.3 million shares of common stock from us, which will be settled on a net-share basis depending on the average stock price on the day of exercise.

Issuance of 3.875% Notes

On August 21, 2020, we completed a private offering of \$700.0 million aggregate principal amount of the 3.875% Notes. The 3.875% Notes were offered in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. The 3.875% Notes are fully and unconditionally guaranteed, on a joint and several basis, by each of our subsidiaries that is a borrower or guarantor under the Amended Credit Agreement and will also be fully and unconditionally guaranteed by any our subsidiaries that becomes a borrower or guarantees any indebtedness under the Amended Credit Agreement in the future.

The 3.875% Notes and the guarantees thereof are ours' and the guarantors' general unsecured obligations, respectively, and (i) rank equally in right of payment with all of ours' and the guarantors' existing and future senior indebtedness (including the 1.625% Notes); (ii) rank senior to any subordinated indebtedness that we or the guarantors may incur; (iii) are effectively subordinated to all of ours' or the guarantors' existing and future secured indebtedness (including indebtedness under the Amended Credit Agreement), in each case, to the extent of the value of the assets securing such indebtedness; and (iv) are structurally subordinated in right of payment to all existing and future obligations of our subsidiaries that are not guarantors of the 3.875% Notes.

The 3.875% Notes bear interest at a rate of 3.875% per year, payable semi-annually on March 1 and September 1 of each year, beginning on March 1, 2021, and will mature on September 1, 2028, unless earlier redeemed or repurchased by us. In connection with the issuance, we incurred original issue discount and debt issuance costs amounting to \$9.4 million, which has been capitalized and will be amortized to interest expense through the maturity date of September 1, 2028. The net proceeds from the issuance of the 3.875% Notes were used entirely to repay borrowings under the Revolving Credit Facility.

Borrowing and repayment under the Revolving Credit Facility

On March 24, 2020, we borrowed \$1,165.0 million under the Revolving Credit Facility as a precautionary measure in order to increase the Company's cash position and provide financial flexibility in light of the uncertainty resulting from the impact of the COVID-19 pandemic. Due to better macroeconomic and business conditions, on August 21, 2020, we used the net proceeds from the issuance of the 3.875% Notes along with cash on hand to repay \$1,200.0 million of outstanding borrowings. Additionally, on December 31, 2020, we repaid \$65.0 million of outstanding borrowings under the Revolving Credit Facility. As of December 31, 2020, approximately \$1,269.0 million was available for future borrowings under the Revolving Credit Facility.

Amendments to the Amended Credit Agreement

On June 23, 2020, we entered into the Eighth Amendment ("Eighth Amendment") to the Amended Credit Agreement with the subsidiary guarantors party thereto, Deutsche Bank AG New York Branch, as administrative agent and collateral agent, and certain Lenders party thereto constituting the Required Lenders (as defined in the Amended Credit Agreement). The Eighth Amendment provided for, among other things, (i) replacing the defined term "Capital Lease Obligations" with a new defined term "Finance Lease Obligations," providing that such obligations only include property classified as finance leases under U.S. GAAP and (ii) making certain amendments in connection with the proposed domestication of ON Management Ltd. and Quantenna Ltd., each of which is our subsidiary that is not a Loan Party (as defined in the Amended Credit Agreement) and both of which hold economic rights in certain intellectual property, from Bermuda entities to Delaware entities, including, among other things, (a) permitting Investments (as defined in the Amended Credit Agreement) by any Loan Party in any Foreign Subsidiary (as defined in the Amended Credit Agreement) if the proceeds of such Investments are used for Capital Expenditures (as defined in the Amended Credit Agreement) ("Capital Expenditure Investments") and (b) increasing the amount of certain permitted intercompany Investments by any Loan Party in any subsidiary that is not a Loan Party by an amount (which shall not be less than zero) equal to (A) Net Royalties (as defined in the Amended Credit Agreement) minus (B) the aggregate amount of Capital Expenditure Investments.

2018 Share Repurchase Program

During 2020, we repurchased 3.6 million shares of our common stock for an aggregate purchase price of \$65.3 million pursuant to the 2018 Share Repurchase Program.

2019 Financing Events

Amendments to the Amended Credit Agreement

On June 12, 2019, we entered into the Fifth Amendment to the Amended Credit Agreement (the "Fifth Amendment"), with the subsidiary guarantors party thereto, Deutsche Bank AG New York Branch, as administrative agent, collateral agent and issuing lender, the "2019 Incremental Revolving Lenders" (as defined in the Fifth Amendment) party thereto, and the "New Required Lenders" (as defined in the Fifth Amendment) party thereto. The Fifth Amendment provided for, among other things, modifications to the Amended Credit Agreement to: (i) increase the amount that may be borrowed pursuant to the Revolving Credit Facility by \$900.0 million to \$1.9 billion; (ii) extend the maturity date of borrowings under the Revolving Credit Facility to the later of (x) December 30, 2022 or (y) June 12, 2024, so long as the borrowings under the Term Loan "B" Facility have been fully repaid or otherwise redeemed, discharged or defeased on or prior to December 30, 2022, or if the maturity date of borrowings under the Term Loan "B" Facility has been extended prior to December 30, 2022, to a date no earlier than June 12, 2024; and (iii) amend certain financial covenants, including deleting the minimum Interest Coverage Ratio and increasing the maximum Consolidated Total Net Leverage Ratio (as such terms are defined in the Amended Credit Agreement) from 4.00 to 1.00 to 4.50 to 1.00 during any period of four consecutive fiscal quarters commencing after a Permitted Acquisition (as defined in the Amended Credit Agreement) with consideration in excess of \$250.0 million. On June 19, 2019, we drew \$900.0 million of the Revolving Credit Facility to partially fund the acquisition of Quantenna.

On August 15, 2019, we entered into the Sixth Amendment to the Amended Credit Agreement (the "Sixth Amendment"), which increased amounts that may be borrowed under the Revolving Credit Facility by \$70.0 million to \$1.97 billion.

On September 19, 2019, we entered into the Seventh Amendment to the Amended Credit Agreement (the "Seventh Amendment"). The Seventh Amendment provided for, among other things, modifications to the Amended Credit Agreement to (i) increase the amount that may be borrowed pursuant to the Term Loan "B" Facility by approximately \$500.5 million, up to an aggregate principal amount of \$1.635 billion; (ii) extend the maturity date of borrowings under the Term Loan "B" Facility to September 19, 2026; (iii) for any interest period ending after the date of the Seventh Amendment, increase the interest rate for borrowings under the Term Loan "B" Facility to (a) with respect to eurocurrency loans, a base rate per annum equal to the Adjusted LIBO Rate (as defined in the Amended Credit Agreement) plus an applicable margin of 2.00% and (b) with respect to alternate base rate loans, a base rate per annum equal to the Alternate Base Rate (as defined in the Amended Credit Agreement) plus an applicable margin equal to 1.00%; and (iv) make certain amendments providing for the determination of an alternate interest rate to the Adjusted LIBO Rate and/or the LIBO Rate (as defined in the Amended Credit Agreement) in the event of certain circumstances that result in the inability to adequately and reasonably determine such rates or such rates no longer adequately and fairly reflecting the cost of the applicable loans. In addition, pursuant to the Fifth Amendment (defined above), as a result of the extension described in (ii) above, the maturity date of borrowings under the Revolving Credit Facility was extended to June 12, 2024. We utilized the additional borrowings pursuant to the Seventh Amendment to repay \$500.0 million of the outstanding balance under the Revolving Credit Facility.

2018 Share Repurchase Program

During 2019, we repurchased 7.8 million shares of our common stock for an aggregate purchase price of \$138.9 million pursuant to the 2018 Share Repurchase Program.

2018 Financing Events

Amendments to the Amended Credit Agreement

On May 31, 2018, we, the Guarantors (as defined in the Amended Credit Agreement), the several lenders party thereto and the Agent (as defined in the Amended Credit Agreement) entered into the Fourth Amendment to the Amended Credit Agreement (the "Fourth Amendment"). Pursuant to the Fourth Amendment, for any interest period ending after the date of the Fourth Amendment, Eurocurrency Loans (as defined in the Amended Credit Agreement) will accrue interest at (i) a base rate per annum equal to the Adjusted LIBO Rate (as defined in the Amended Credit Agreement) plus (ii) an applicable margin equal to (x) 1.25% with respect to borrowings under the Revolving Credit Facility (with step-downs and step-ups as set forth in the Amended Credit Agreement) or (y) 1.75% with respect to borrowings under the Term Loan "B" Facility.

Pursuant to the Fourth Amendment, ABR Loans (as defined in the Amended Credit Agreement) will accrue interest at (i) a base rate per annum equal to the highest of (x) the federal funds rate plus 0.50%, (y) the prime commercial lending rate announced by the Agent from time to time as its prime lending rate and (z) the Adjusted LIBO Rate (as defined in the Amended Credit Agreement) for a one month interest period (or if such day is not a business day, the immediately preceding business day) (determined after giving effect to any applicable "floor") plus 1.00%; provided that, the Adjusted LIBO Rate for any day shall be based on the LIBO Rate (as defined in the Amended Credit Agreement), subject to the interest rate floors set forth in the Amended Credit Agreement, plus (ii) an applicable margin equal to (x) 0.25% with respect to borrowings under the Revolving Credit Facility (with step-ups as set forth in the Amended Credit Agreement) or (y) 0.75% with respect to borrowings under the Term Loan "B" Facility.

During the year ended December 31, 2018, we prepaid \$70.0 million of borrowings under the Term Loan "B" Facility.

2014 Share Repurchase Program

During 2018, we repurchased 16.8 million shares of our common stock for an aggregate purchase price of \$315.0 million under the 2014 Share Repurchase Program (as defined below).

Debt Guarantees and Related Covenants

As of December 31, 2020, we were in compliance with the indentures relating to our 3.875% Notes and 1.625% Notes and with covenants relating to our Term Loan "B" Facility and Revolving Credit Facility. Our 3.875% Notes and 1.625% Notes are senior to the existing and future subordinated indebtedness of ON Semiconductor and our guarantor subsidiaries and rank equally in right of payment to all of our existing and future senior debt and as unsecured obligations and are subordinated to all of our existing and future secured debt to the extent of the assets securing such debt. See Note 9: "Long-Term Debt" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for additional information.

Critical Accounting Policies and Estimates

The accompanying discussion and analysis of our financial condition and results of operations is based upon our audited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. We believe certain of our accounting policies are critical to understanding our financial position and results of operations. We utilize the following critical accounting policies in the preparation of our financial statements.

Use of Estimates. The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. We evaluate these estimates and judgments on an ongoing basis and base our estimates on experience, current and expected future conditions, third-party evaluations and various other assumptions that we believe are reasonable under the circumstances. Significant estimates have been used by management in conjunction with the following: (i) future payouts for customer incentives and amounts subject to allowances and returns; (ii) valuation and obsolescence relating to inventories; (iii) variable and share-based compensation; and (iv) measurement of valuation allowances against deferred tax assets, and evaluations of uncertain tax positions. Additionally, during periods where it becomes applicable, significant estimates will be used by management in determining the future cash flows used to assess and test for impairment of indefinite-lived intangible assets, long-lived assets and goodwill and in assumptions used in connection with business combinations. Actual results may differ from the estimates and assumptions used in the consolidated financial statements.

Revenue. We generate revenue from sales of our semiconductor products to OEMs, electronic manufacturing service providers and distributors. We also generate revenue, to a much lesser extent, from product development agreements and manufacturing services provided to customers. We recognize revenue when we satisfy a performance obligation in an amount reflecting the consideration to which we expect to be entitled. For sales agreements, we have identified the promise to transfer products, each of which is distinct, to be the performance obligation. For product development agreements, we have identified the completion of a service defined in the agreement to be the performance obligation. We apply a five-step approach in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations in the contract; and (5) recognizing revenue when the performance obligation is satisfied. We allocate the transaction price to each distinct product based on its relative stand-alone selling price. In determining the transaction price, we evaluate whether the price is subject to refund or adjustment to determine the net consideration to which we expect to be entitled. Substantially all of our revenue is recognized at the time control of the products transfers to the customer.

Sales to certain distributors, primarily those with ship and credit rights, can be subject to price adjustment on certain products. We develop an estimate of their expected claims under the ship and credit program based on the historical claims data submitted by product and customer and expected future claims, which requires the use of estimates and assumptions related to the amount of each claim as well as the historical period used to develop the estimate.

Our OEM customers do not have the right to return products, other than pursuant to the provisions of our standard warranty. Sales to distributors, however, are typically made pursuant to agreements that provide return rights and stock rotation provisions permitting limited levels of product returns. Provisions for discounts and rebates to customers, estimated returns and allowances, ship and credit claims and other adjustments are provided for in the same period the related revenue are recognized, and are netted against revenue. For non-quality related returns, we recognize a related asset for the right to recover returned products with a corresponding reduction to cost of goods sold. We record a reserve for cash discounts as a reduction to accounts receivable and a reduction to revenue, based on the experience with each customer.

Inventories. We carry our inventories at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or net realizable value and record provisions for potential excess and obsolete inventories based upon a regular analysis of inventory on hand compared to historical and projected end-user demand. The determination of projected end-user demand requires the use of estimates and assumptions related to projected unit sales for each product. These provisions can influence our results from operations. For example, when demand falls for a given part, all or a portion of the related inventory that is considered to be in excess of anticipated demand is reserved, impacting our cost of revenue and gross profit. The majority of product inventory that has been previously reserved is ultimately discarded. However, we do sell some products that have previously been written down, such sales have historically been consistently insignificant and the related impact on our margins has also been insignificant.

Variable and Share-Based Compensation. We record compensation expense for all share-based payment awards, including RSUs and shares issued under the ESPP, and measure them at the grant date, based on the estimated fair value of the award, and we recognize each such award as an expense over the performance measurement period and/or employee's requisite service period. We have outstanding awards with service, performance, and market-based vesting conditions. Determining the amount of share-based compensation requires us to develop estimates and use valuation models in calculating the grant-date fair value of the award. Additionally, employees are compensated on a variable basis during periods when we are profitable and certain performance goals are achieved. Determining the amount of variable compensation expense requires us to estimate future profitability and achievement of performance goals, which involves judgment.

Income Taxes. Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which we cannot conclude that it is more likely than not that such deferred tax assets will be realized.

In determining the amount of the valuation allowance, estimated future taxable income, feasible tax planning strategies, future reversals of existing temporary differences and taxable income in prior carryback years, if a carryback is permitted are considered. If we determine it is more likely than not that all or a portion of the remaining deferred tax assets will not be realized, the valuation allowance will be increased with a charge to income tax expense. Conversely, if we determine it is more likely than not to be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be recorded as a reduction to income tax expense.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax positions will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not to be sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon settlement. No tax benefit is recognized for tax positions that are not more likely than not to be sustained. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. Significant judgment is required to evaluate uncertain tax positions. Evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of tax audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in income tax expense in the period in which the change is made, which could have a material impact to our effective tax rate.

Business Combination. We use significant estimates and assumptions in allocating the purchase price of acquired business by utilizing established valuation techniques appropriate for the technology industry to record the acquired assets and liabilities at fair value. We utilize the income approach, cost approach or market approach, depending upon which approach is the most appropriate based on the nature and reliability of available data. If the income approach is used, the fair value determination is predicated upon the value of the future cash flows that an asset is expected to generate over its economic life and involves significant assumptions as to cash flows, associated expenses, long-term growth rates and discount rates. The cost approach takes into account the cost to replace (or reproduce) the asset and involves assumptions relating to the asset's value of physical, functional and/or economic obsolescence that has occurred with respect to the asset. The market approach is used to estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the valuation date. Determining the fair value of acquired technology assets is judgmental in nature and requires the use of significant estimates and assumptions, including the discount rate, revenue growth rates, projected gross margins, and estimated research and development expenses.

Impairment of Goodwill, Indefinite-lived Intangible Assets and Long-Lived Assets. We evaluate our goodwill for potential impairment annually during the fourth quarter and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Our impairment evaluation consists of a qualitative assessment, and if deemed necessary, a quantitative test is performed which compares the fair value of a reporting unit with its carrying amount, including goodwill.

Determining the fair value of our reporting units is subjective in nature and involves the use of significant estimates and assumptions, including projected net cash flows, discount and long-term growth rates. We determine the fair value of our reporting units based on an income approach, whereby the fair value of the reporting unit is derived from the present value of estimated future cash flows. The assumptions about estimated cash flows include factors such as future revenue, gross profit, operating expenses, and industry trends. We consider historical rates and current market conditions when determining the discount and long-term growth rates to use in its analysis. We consider other valuation methods, such as the cost approach or market approach, if it is determined that these methods provide a more representative approximation of fair value.

We are required to test our IPRD assets for impairment annually using the guidance for indefinite-lived intangible assets. Our impairment evaluation consists of first assessing qualitative factors, and if deemed necessary, we calculate the fair value of the IPRD asset and record an impairment charge if the carrying amount exceeds fair value. We determine the fair value based on an income approach, which is calculated as the present value of the estimated future cash flows of the IPRD asset. The assumptions about estimated cash flows include factors such as future revenue, gross profit, operating expenses, and industry trends.

We evaluate the recoverability of the carrying amount of our property, plant and equipment and intangible assets (excluding IPRD), whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be fully recoverable. Impairment is first assessed when the undiscounted expected cash flows derived for an asset group are less than its carrying amount. Impairment losses, if applicable, are measured as the amount by which the carrying value of an asset group exceeds its fair value and are recognized in operating results. We continually apply our best judgment when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of an impaired asset group. The dynamic economic environment in which we operate and the resulting assumptions used to estimate future cash flows impact the outcome of our impairment tests.

Contingencies. We are involved in a variety of legal matters that arise in the normal course of business. Based on the available information, we evaluate the relevant range and likelihood of potential outcomes and we record the appropriate liability when the amount is deemed probable and reasonably estimable.

For a further listing and discussion of our accounting policies, see Note 2: "Significant Accounting Policies" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 4: "Recent Accounting Pronouncements" in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. To mitigate these risks, we utilize derivative financial instruments. We do not use derivative financial instruments for speculative or trading

purposes.

As of December 31, 2020, our gross long-term debt (including current maturities) totaled \$3,589.5 million. We have no interest rate exposure to rate changes on our fixed rate debt, which totaled \$2,775.0 million. We do have interest rate exposure with respect to the \$814.5 million balance of our variable interest rate debt outstanding as of December 31, 2020. A 50 basis point increase in interest rates would impact our expected annual interest expense for the next 12 months by approximately \$4.1 million. However, some of this impact would be offset by additional interest earned on our cash and cash equivalents should rates on deposits and investments also increase. Our interest rate swaps hedge the majority of the risk of variability in cash flows resulting from future interest payments on our variable interest rate debt.

While we have recently begun to observe stabilization in the capital markets impacted by the COVID-19 pandemic, there can be no assurance that equity or borrowings will be available when we access the capital markets again or, if available, will be at rates or prices acceptable to us.

To ensure the adequacy and effectiveness of our foreign exchange hedge positions, we continually monitor our foreign exchange forward positions, both on a stand-alone basis and in conjunction with their underlying foreign currency exposures, from an accounting and economic perspective. However, given the inherent limitations of forecasting and the anticipatory nature of exposures intended to be hedged, we cannot provide any assurances that such programs will offset more than a portion of the adverse financial impact resulting from unfavorable movements in foreign exchange rates.

We are subject to risks associated with transactions that are denominated in currencies other than our functional currencies, as well as the effects of translating amounts denominated in a foreign currency to the U.S. Dollar as a normal part of the reporting process. Some of our Japanese operations utilize Japanese Yen as the functional currency, which results in a translation adjustment that is included as a component of accumulated other comprehensive income.

We enter into forward foreign currency contracts that economically hedge the gains and losses generated by the re-measurement of certain recorded assets and liabilities in a non-functional currency. Changes in the fair value of these undesignated hedges are recognized in other income and expense immediately as an offset to the changes in the fair value of the assets or liabilities being hedged. The notional amount of foreign exchange contracts at December 31, 2020 and 2019 was \$263.4 million and \$183.3 million, respectively. Our policies prohibit speculation on financial instruments, trading in currencies for which there are no underlying exposures, or entering into trades for any currency to intentionally increase the underlying exposure.

Substantially all of our revenue is transacted in U.S. Dollars. However, a significant amount of our operating expenditures and capital purchases are transacted in local currencies, including Chinese Renminbi, Czech Koruna, Euros, Japanese Yen, Korean Won, Malaysian Ringgit, Philippine Peso and Vietnamese Dong. Due to the materiality of our transactions in these local currencies, our results are impacted by changes in currency exchange rates measured against the U.S. Dollar. For example, we determined that based on a hypothetical weighted-average change of 10% in currency exchange rates, our results would have impacted our income before taxes by approximately \$129.7 million for the year ended December 31, 2020, assuming no offsetting hedge position or correlated activities.

See Note 15: "Financial Instruments" in the notes to the audited consolidated financial statements included elsewhere in this Form 10-K for further information with respect to our hedging activity.

Item 8. *Financial Statements and Supplementary Data*

Our consolidated Financial Statements listed in the index appearing under Part IV, Item 15(a)(1) of this Form 10-K and the Financial Statement Schedule listed in the index appearing under Part IV, Item 15(a)(2) of this Form 10-K are filed as part of this Form 10-K and are incorporated herein by reference in this Item 8.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in

Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered in this Form 10-K, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting.

We also carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the fiscal quarter ended December 31, 2020.

There have been no changes to our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended December 31, 2020 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework 2013*. Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in "Exhibits and Financial Statement Schedules" of this Form 10-K.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information under the heading "Executive Officers of the Registrant" in this Form 10-K is incorporated by reference into this section. Information concerning directors and persons nominated to become directors and executive officers is incorporated by reference from the text under the captions "Management Proposals—Proposal No. 1: Election of Directors," "The Board of Directors and Corporate Governance," "Section 16(a) Reporting Compliance" and "Miscellaneous Information—Stockholder Nominations and Proposals" in our Proxy Statement to be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2020 in connection with our 2021 Annual Meeting of Stockholders ("Proxy Statement").

Code of Business Conduct

Information concerning our Code of Business Conduct is incorporated by reference from the text under the caption "The Board of Directors and Corporate Governance—Code of Business Conduct" in our Proxy Statement.

Item 11. Executive Compensation

Information concerning executive compensation is incorporated by reference from the text under the captions "The Board of Directors and Corporate Governance—2020 Compensation of Directors," "Compensation of Executive Officers," "Compensation Committee Report," "Compensation Discussion and Analysis," "ON Semiconductor 2020 Pay Ratio

Disclosure" and "Compensation Committee Interlocks and Insider Participation" in our Proxy Statement.

The information incorporated by reference under the caption "Compensation Committee Report" in our Proxy Statement shall be deemed furnished, and not filed, in this Form 10-K and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act as a result of this furnishing, except to the extent that we specifically incorporate it by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information concerning security ownership of certain beneficial owners and management is incorporated by reference from the text under the captions "Principal Stockholders," "Share Ownership of Directors and Officers" and "Share-Based Compensation Plan Information" in our Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information concerning certain relationships and related transactions involving us and certain others is incorporated by reference from the text under the captions "Management Proposals—Proposal No. 1: Election of Directors," "The Board of Directors and Corporate Governance," and "Relationships and Related Transactions" in our Proxy Statement.

Item 14. Principal Accountant Fees and Services

Information concerning principal accounting fees and services is incorporated by reference from the text under the caption "Audit and Related Fees" in our Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements:

ON Semiconductor Corporation Consolidated Financial Statements:

Report of Independent Registered Public Accounting Firm	68
Consolidated Balance Sheets as of December 31, 2020 and December 31, 2019	70
Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2020, 2019 and 2018	72
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018	73
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018	74
Notes to Consolidated Financial Statements	75

(2) Consolidated Financial Statement Schedule:

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2020, 2019 and 2018	117
--	---------------------

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or related notes

(3) Exhibits:

EXHIBIT INDEX*

<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.1	<u>Asset Purchase Agreement, dated as of March 11, 1997, between Fairchild Semiconductor Corporation and National Semiconductor Corporation (incorporated by reference to Exhibit 2.02 to Fairchild Semiconductor Corporation's Registration Statement filed with the Commission on May 12, 1997 (File No. 333-26897))†</u>
2.2	<u>Reorganization Agreement, dated as of May 11, 1999, among Motorola, Inc., SCG Holding Corporation and Semiconductor Components Industries, LLC (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement filed with the Commission on November 5, 1999 (File No. 333-90359))†</u>
2.3(a)	<u>Agreement and Plan of Recapitalization and Merger, as amended, dated as of May 11, 1999, among SCG Holding Corporation, Semiconductor Components Industries, LLC, Motorola, Inc., TPG Semiconductor Holdings LLC, and TPG Semiconductor Acquisition Corp. (incorporated by reference to Exhibit 2.2 to the Company's Registration Statement filed with the Commission on November 5, 1999 (File No. 333-90359))†</u>
2.3(b)	<u>Amendment No. 1 to Agreement and Plan of Recapitalization and Merger, dated as of July 28, 1999, among SCG Holding Corporation, Semiconductor Components Industries, LLC, Motorola, Inc., TPG Semiconductor Holdings LLC, and TPG Semiconductor Acquisition Corp. (incorporated by reference to Exhibit 2.3 to the Company's Registration Statement filed with the Commission on November 5, 1999 (File No. 333-90359))†</u>
2.4(a)	<u>Purchase Agreement by and among ON Semiconductor Corporation, Semiconductor Components Industries, LLC and SANYO Electric Co., Ltd. dated July 15, 2010 (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 4, 2010)†</u>
2.4(b)	<u>Amendment No. 1 to Purchase Agreement by and among ON Semiconductor Corporation, Semiconductor Components Industries, LLC and SANYO Electric Co., Ltd. dated November 30, 2010 (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the Commission on January 6, 2011)†</u>
2.5	<u>Agreement and Plan of Merger by and among ON Semiconductor Benelux B.V., Alpine Acquisition Sub, Aptina, Inc. and Fortis Advisors LLC, as Equityholder Representative, dated as of June 9, 2014 (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 1, 2014)†</u>
2.6	<u>Agreement and Plan of Merger, dated November 18, 2015, by and among Fairchild Semiconductor International, Inc., ON Semiconductor Corporation and Falcon Operations Sub, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on November 18, 2015)†</u>
2.7	<u>Agreement and Plan of Merger, dated March 27, 2019, by and among Quantenna Communications, Inc., ON Semiconductor Corporation and Raptor Operations Sub, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on March 27, 2019)†</u>
3.1(a)	<u>Certificate of Incorporation of ON Semiconductor Corporation, as further amended through March 26, 2008 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 7, 2008)</u>
3.1(b)	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on June 3, 2014)</u>
3.1(c)	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation, dated May 17, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2017)</u>
3.2	<u>By-Laws of ON Semiconductor Corporation as Amended and Restated on November 21, 2013 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on November 25, 2013)</u>
3.3	<u>Certificate of Designations of Series B Junior Participating Preferred Stock of ON Semiconductor Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on June 8, 2020)</u>

- 4.1 [Specimen of share certificate of Common Stock, par value \\$0.01, ON Semiconductor Corporation \(incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed with the Commission on March 10, 2004\)](#)
- 4.2(a) [Indenture regarding the 1.625% Convertible Senior Notes due 2023, dated as of March 31, 2017 among ON Semiconductor Corporation, the guarantors party thereto and Wells Fargo Bank, National Association, as trustee \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2017\)](#)
- 4.2(b) [Form of Global 1.625% Convertible Senior Note due 2023 \(included in Exhibit 4.2\(a\)\)](#)
- 4.2(c) [First Supplemental Indenture to the Indenture regarding the 1.625% Convertible Senior Notes due 2023, dated as of January 7, 2020 among ON Semiconductor Corporation, the guarantors party thereto and Wells Fargo Bank, National Association, as trustee](#)
- 4.3(a) [Indenture, dated as of August 21, 2020, among ON Semiconductor Corporation, the guarantors party thereto and Wells Fargo Bank, National Association \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on August 21, 2020\) Semiconductor Corporation, the guarantors party thereto and Wells Fargo Bank, National Association \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on August 21, 2020\)](#)
- 4.3(b) [Form of Global 3.875% Senior Note due 2028 \(included in Exhibit 4.3\(a\)\)](#)
- 4.4 [Description of the Registrant's Securities Registered under Section 12 of the Securities Exchange Act of 1934, as amended\(1\)](#)
- 4.5 [Rights Agreement, dated as of June 8, 2020, between ON Semiconductor Corporation and Computershare Trust Company, N.A., as Rights Agent \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on June 8, 2020\)](#)
- 10.1 [Amended and Restated Intellectual Property Agreement, dated August 4, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. \(incorporated by reference to Exhibit 10.5 to Amendment No. 1 to the Company's Registration Statement filed with the Commission on January 11, 2000 \(File No. 333-90359\)\)](#)
- 10.2 [Lease for 52nd Street property, dated July 31, 1999, among Semiconductor Components Industries, LLC as Lessor, and Motorola, Inc. as Lessee \(incorporated by reference to Exhibit 10.16 to the Company's Registration Statement filed with the Commission on November 5, 1999 \(File No. 333-90359\)\)](#)
- 10.3 [Declaration of Covenants, Easement of Restrictions and Options to Purchase and Lease, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. \(incorporated by reference to Exhibit 10.17 to the Company's Registration Statement filed with the Commission on November 5, 1999 \(File No. 333-90359\)\)](#)
- 10.4(a) [Joint Venture Contract for Leshan-Phoenix Semiconductor Company Limited, amended and restated on April 20, 2006 between SCG \(China\) Holding Corporation \(a subsidiary of ON Semiconductor Corporation\) and Leshan Radio Company Ltd. \(incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on July 28, 2006\)](#)
- 10.4(b) [Amendment Agreement, dated September 29, 2014, to Joint Venture Contract for Leshan-Phoenix Semiconductor Company Limited between ON Semiconductor \(China\) Holding, LLC \(a subsidiary of ON Semiconductor Corporation\) and Leshan Radio Company Ltd. \(incorporated by reference to Exhibit 10.5\(b\) to the Company's Annual Report on Form 10-K filed with the Commission on February 27, 2015\)](#)
- 10.5(a) [Credit Agreement, dated April 15, 2016, among ON Semiconductor Corporation, as borrower, the several lenders party thereto, Deutsche Bank AG New York Branch, as administrative agent and collateral agent, Deutsche Bank Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, BMO Capital Markets Corp., HSBC Securities \(USA\) Inc. and Sumitomo Mitsui Banking Corporation, as joint lead arrangers and joint bookrunners, Barclays Bank PLC, Compass Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Morgan Stanley Senior Funding, Inc., BOKF, NA and KBC Bank N.V., as co-managers, and HSBC Bank USA, N.A. and Sumitomo Mitsui Banking Corporation, as co-documentation agents \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 15, 2016\)](#)

- 10.5(b) [Guarantee and Collateral Agreement, dated April 15, 2016, made by ON Semiconductor Corporation and the other signatories thereto in favor of Deutsche Bank AG New York Branch, as administrative agent and collateral agent \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on April 15, 2016\)](#)
- 10.5(c) [Escrow Agreement, dated April 15, 2016, among ON Semiconductor Corporation, MUFG Union Bank, N.A., as escrow agent, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent \(incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on April 15, 2016\)](#)
- 10.5(d) [Joinder to Amended and Restated Guaranty, dated March 15, 2016, among the guarantors party thereto \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 17, 2016\)](#)
- 10.5(e) [Joinder to Amended and Restated Guaranty, dated April 14, 2016, among the guarantors party thereto \(incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on April 15, 2016\)](#)
- 10.5(f) [Assumption Agreement, dated September 19, 2016, by and between ON Semiconductor \(China\) Holdings, LLC and Deutsche Bank AG New York Branch \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 23, 2016\)](#)
- 10.5(g) [Pledge Supplement, dated September 19, 2016, by ON Semiconductor \(China\) Holdings, LLC \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on September 23, 2016\)](#)
- 10.5(h) [Assumption Agreement, dated September 19, 2016, by and among Fairchild Semiconductor International, Inc., Fairchild Semiconductor Corporation, Fairchild Semiconductor Corporation of California, Giant Holdings, Inc., Fairchild Semiconductor West Corporation, Kota Microcircuits, Inc., Silicon Patent Holdings, Giant Semiconductor Corporation, Micro-Ohm Corporation, Fairchild Energy, LLC and Deutsche Bank AG New York Branch \(incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on September 23, 2016\)](#)
- 10.5(i) [Pledge Supplement, dated September 19, 2016, by Fairchild Semiconductor International, Inc., Fairchild Semiconductor Corporation, Fairchild Semiconductor Corporation of California, Giant Holdings, Inc., Fairchild Semiconductor West Corporation, Kota Microcircuits, Inc., Silicon Patent Holdings, Giant Semiconductor Corporation, Micro-Ohm Corporation and Fairchild Energy, LLC \(incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on September 23, 2016\)](#)
- 10.5(j) [First Amendment to Credit Agreement, dated September 30, 2016, among ON Semiconductor Corporation, as borrower, certain subsidiaries thereof, as guarantors, the several lenders party thereto, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 30, 2016\)](#)
- 10.5(k) [Second Amendment to Credit Agreement, dated March 31, 2017, among ON Semiconductor Corporation, as borrower, certain subsidiaries thereof, as guarantors, the several lenders party thereto, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2017\)](#)
- 10.5(l) [Third Amendment to Credit Agreement, dated November 30, 2017, among ON Semiconductor Corporation, as borrower, certain subsidiaries thereof, as guarantors, the several lenders party thereto, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on December 4, 2017\)](#)
- 10.5(m) [Fourth Amendment to Credit Agreement, dated May 31, 2018, among ON Semiconductor Corporation, as borrower, certain subsidiaries thereof, as guarantors, the several lenders party thereto, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on July 30, 2018\)](#)

- 10.5(n) [Fifth Amendment to Credit Agreement, dated June 12, 2019, among ON Semiconductor Corporation, as borrower, certain subsidiaries thereof, as guarantors, the several lenders party thereto, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 17, 2019\)](#)
- 10.5(o) [Sixth Amendment to Credit Agreement, dated August 15, 2019, among ON Semiconductor Corporation, as borrower, certain subsidiaries thereof, as guarantors, the several lenders party thereto, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on October 28, 2019\)](#)
- 10.5(p) [Seventh Amendment to Credit Agreement, dated September 19, 2019, among ON Semiconductor Corporation, as borrower, certain subsidiaries thereof, as guarantors, the several lenders party thereto, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on September 20, 2019\)](#)
- 10.5(q) [Eighth Amendment to Credit Agreement, dated as of June 23, 2020, among ON Semiconductor Corporation, as borrower, certain subsidiaries thereof, as guarantors, the several lenders party thereto, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2020\)](#)
- 10.6(a) [Form of Convertible Note Hedge and Warrant Transactions \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 8, 2015\)](#)
- 10.6(b) [Form of Warrant Confirmation \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on June 8, 2015\)](#)
- 10.7(a) [ON Semiconductor Corporation 2000 Stock Incentive Plan, as amended and restated May 19, 2004 \(incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 6, 2004\) \(2\)](#)
- 10.7(b) [Amendment to the ON Semiconductor Corporation 2000 Stock Incentive Plan, dated May 16, 2007 \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 1, 2007\) \(2\)](#)
- 10.7(c) [Non-qualified Stock Option Agreement for the ON Semiconductor Corporation 2000 Stock Incentive Plan \(incorporated by reference to Exhibit 10.35\(d\) to Amendment No. 1 to the Company's Registration Statement filed with the Commission on March 24, 2000 \(File No. 333-30670\)\)\(2\)](#)
- 10.7(d) [ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(incorporated by reference to Exhibit 4.1 to the Company's Registration Statement filed with the Commission on May 19, 2010 \(File No. 333-166958\)\)\(2\)](#)
- 10.7(e) [First Amendment to the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 3, 2012\) \(2\)](#)
- 10.7(f) [Second Amendment to the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, effective May 20, 2015 \(incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 3, 2015\)\(2\)](#)
- 10.7(g) [Third Amendment to the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, effective May 17, 2017 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2017\)\(2\)](#)
- 10.7(h) [Non-qualified Stock Option Agreement for Senior Vice Presidents and Above for the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(form of standard agreement\) \(incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 5, 2010\)\(2\)](#)
- 10.7(i) [Restricted Stock Units Award Agreement for Senior Vice Presidents and Above for the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(form of standard agreement\) \(incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 5, 2010\)\(2\)](#)

- 10.7(j) [Stock Grant Award Agreement for Directors under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(form of standard Stock Grant Award for Non-employee Directors\) \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 6, 2011\)\(2\)](#)
- 10.7(k) [Performance-Based Restricted Stock Units Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(2017 form of Performance-Based Award for Senior Vice Presidents and Above\) \(incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2017\)\(2\)](#)
- 10.7(l) [Performance-Based Restricted Stock Units Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(2018 form of Performance-Based Award for Senior Vice Presidents and Above\) \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on April 30, 2018\)\(2\)](#)
- 10.7(m) [Restricted Stock Units Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(2018 form agreement for Senior Vice Presidents and Above\) \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on April 30, 2018\)\(2\)](#)
- 10.7(n) [Restricted Stock Units Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(2019 form agreement for Section 16 Officers\) \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 19, 2019\)\(2\)](#)
- 10.7(o) [Performance-Based Restricted Stock Units Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(2019 form agreement for Senior Vice Presidents and Above\) \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 19, 2019\)\(2\)](#)
- 10.7(p) [Performance-Based Restricted Stock Units Upside Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(2019 form agreement for Senior Vice Presidents and Above\) \(incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on February 19, 2019\)\(2\)](#)
- 10.7(q) [2020 Form of Performance-Based Restricted Stock Units Award for Senior Vice Presidents and Above \(Upside\) under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the Commission on March 5, 2020\)\(2\)](#)
- 10.7(r) [Restricted Stock Units Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan for Hassane S. El-Khoury, dated December 7, 2020\(1\)\(2\)](#)
- 10.7(s) [Performance-Based Restricted Stock Units Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan for Hassane S. El-Khoury, dated December 7, 2020\(1\)\(2\)](#)
- 10.8(a) [ON Semiconductor Corporation 2000 Employee Stock Purchase Plan, as amended and restated as of May 20, 2009 \(incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 No. 333-159381 filed with the Commission on May 21, 2009\)\(2\)](#)
- 10.8(b) [Amendment to the ON Semiconductor Corporation 2000 Employee Stock Purchase Plan, as amended as of May 15, 2013 \(incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed with the Commission on August 2, 2013\)\(2\)](#)
- 10.8(c) [Amendment to the ON Semiconductor Corporation 2000 Employee Stock Purchase Plan, as amended as of May 20, 2015 \(incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 3, 2015\)\(2\)](#)
- 10.8(d) [Amendment to the ON Semiconductor Corporation 2000 Employee Stock Purchase Plan, as amended as of May 17, 2017 \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2017\)\(2\)](#)
- 10.9 [Amended and Restated Employment Agreement, effective June 1, 2017, by and between Semiconductor Components Industries, LLC and Keith Jackson \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2017\)\(2\)](#)

- 10.10 [Amended and Restated Employment Agreement, effective June 1, 2017, by and between Semiconductor Components Industries, LLC and George H. Cave \(incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed with the Commission on February 21, 2018\)\(2\)](#)
- 10.11(a) [Employment Agreement by and between Semiconductor Components Industries, LLC and Bernard Gutmann, dated as of September 26, 2012 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 27, 2012\)\(2\)](#)
- 10.11(b) [Amendment No. 1 to Employment Agreement by and between Semiconductor Components Industries, LLC and Bernard Gutmann, dated as of June 1, 2017 \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2017\)\(2\)](#)
- 10.12(a) [Employment Agreement between Semiconductor Components Industries, LLC and William Schromm dated as of August 25, 2014 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on August 25, 2014\)\(2\)](#)
- 10.12(b) [Amendment No. 1 to Employment Agreement by and between Semiconductor Components Industries, LLC and William Schromm, dated as of June 1, 2017 \(incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2017\)\(2\)](#)
- 10.13(a) [Employment Agreement between Semiconductor Components Industries, LLC and Paul Rolls dated as of July 14, 2013 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 4, 2015\)\(2\)](#)
- 10.13(b) [Amendment No. 1 to Employment Agreement by and between Semiconductor Components Industries, LLC and Paul Rolls, effective June 1, 2017 \(incorporated by reference to Exhibit 10.21\(b\) to the Company's Annual Report on Form 10-K filed with the Commission on February 21, 2018\)\(2\)](#)
- 10.14 [Employment Agreement by and between Semiconductor Components Industries, LLC and Vincent C. Hopkin, dated as of May 11, 2018 \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on July 30, 2018\)\(2\)](#)
- 10.15 [Employment Agreement by and between Semiconductor Components Industries, LLC and Simon Keeton, dated January 1, 2019 \(incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed with the Commission on February 20, 2019\)\(2\)](#)
- 10.16 [Employment Agreement by and between Semiconductor Components Industries, LLC and Hassane S. El-Khoury, dated December 7, 2020\(1\)\(2\)](#)
- 10.17 [Key Officer Severance and Change in Control Agreement by and between Semiconductor Components Industries, LLC and Ross F. Jatou, dated as of October 1, 2020 \(1\)\(2\)](#)
- 10.18 [Form of Indemnification Agreement with Directors and Officers \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 25, 2016\)\(2\)](#)
- 10.19(a) [Environmental Side Letter, dated March 11, 1997, between National Semiconductor Corporation and Fairchild Semiconductor Corporation \(incorporated by reference to Exhibit 10.19 to Fairchild Semiconductor Corporation's Registration Statement filed with the Commission on May 12, 1997 \(File No. 333-26897\)\)](#)
- 10.19(b) [Intellectual Property License Agreement, dated April 13, 1999, between Samsung Electronics Co., Ltd. and Fairchild Korea Semiconductor, Ltd. \(incorporated by reference to Exhibit 10.41 to Fairchild Semiconductor International, Inc.'s Registration Statement filed with the Commission on June 30, 1999 \(File No. 333-78557\)\)](#)
- 10.19(c) [Fairchild Benefit Restoration Plan \(incorporated by reference to Exhibit 10.23 to Fairchild Semiconductor Corporation's Registration Statement filed with the Commission on May 12, 1997 \(File No. 333-26897\)\)\(2\)](#)
- 10.19(d) [Technology Licensing and Transfer Agreement, dated March 11, 1997, between National Semiconductor Corporation and Fairchild Semiconductor Corporation \(incorporated by reference to Amendment No. 3 to Fairchild Semiconductor Corporation's Registration Statement on Form S-4, filed with the Commission on July 9, 1997 \(File No. 333-28697\)\)](#)

10.19(e)	<u>Intellectual Property Assignment and License Agreement, dated December 29, 1997, between Raytheon Semiconductor, Inc. and Raytheon Company (incorporated by reference to Fairchild Semiconductor International, Inc.'s Current Report on Form 8-K, dated December 31, 1997, filed with the Commission on January 13, 1998. (File No. 333-26897))</u>
10.20(a)	<u>Asset Purchase Agreement, dated as of April 22, 2019, between GLOBALFOUNDRIES U.S. Inc. and Semiconductor Components Industries, LLC (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 5, 2019)†</u>
10.20(b)	<u>Amendment No. 1 to Asset Purchase Agreement, dated October 1, 2020, by and among Semiconductor Components Industries, LLC, GLOBALFOUNDRIES U.S. Inc., and GLOBALFOUNDRIES Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 7, 2020)</u>
10.21	<u>Settlement Agreement, dated October 19, 2019, by and between ON Semiconductor Corporation and Settlement Agreement, dated October 19, 2019, by and between ON Semiconductor Corporation and Power Integrations, Inc. (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed with the Commission on February 19, 2020)</u>
14.1	<u>ON Semiconductor Corporation Code of Business Conduct effective as of August 16, 2016 (incorporated by reference to Exhibit 14.1 to the Company's Current Report on Form 8-K filed with the Commission on August 24, 2016)</u>
21.1	<u>List of Significant Subsidiaries(1)</u>
23.1	<u>Consent of Independent Registered Public Accounting Firm-PricewaterhouseCoopers LLP(1)</u>
24.1	<u>Powers of Attorney(1)</u>
31.1	<u>Certification by CEO pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)</u>
31.2	<u>Certification by CFO pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)</u>
32	<u>Certification by CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(3)</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

* Reports filed under the Securities Exchange Act (Form 10-K, Form 10-Q and Form 8-K) are filed under File No. 000-30419 and File No. 001-39317.

(1) Filed herewith.

(2) Management contract or compensatory plan, contract or arrangement.

(3) Furnished herewith.

† Schedules or other attachments to these exhibits not filed herewith shall be furnished to the Commission upon request.

Item 16. *Form 10-K Summary*

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 16, 2021

ON Semiconductor Corporation

By: /s/ HASSANE S. EL-KHOURY

Name: Hassane S. El-Khoury

Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Titles</u>	<u>Date</u>
<u>/s/ HASSANE S. EL-KHOURY</u> Hassane S. El-Khoury	President, Chief Executive Officer and Director (Principal Executive Officer)	February 16, 2021
<u>/s/ BERNARD GUTMANN</u> Bernard Gutmann	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	February 16, 2021
<u>/s/ BERNARD R. COLPITTS, JR.</u> Bernard R. Colpitts, Jr.	Chief Accounting Officer (Principal Accounting Officer)	February 16, 2021
* Alan Campbell	Chair of the Board of Directors	February 16, 2021
* Atsushi Abe	Director	February 16, 2021
* Susan K. Carter	Director	February 16, 2021
* Thomas L. Dietrich	Director	February 16, 2021
* Gilles Delfassy	Director	February 16, 2021
* Emmanuel T. Hernandez	Director	February 16, 2021
* Bruce E. Kiddoo	Director	February 16, 2021
* Paul A. Mascarenas	Director	February 16, 2021
* Gregory L. Waters	Director	February 16, 2021
* Christine Y. Yan	Director	February 16, 2021
*By: <u>/s/ BERNARD GUTMANN</u> Bernard Gutmann	Attorney-in-Fact	February 16, 2021

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of ON Semiconductor Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of ON Semiconductor Corporation and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 4 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and

expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Ship and Credit Reserves

As described in Notes 2 and 8 to the consolidated financial statements, the Company's ship and credit reserves are \$180.2 million as of December 31, 2020. Sales returns and allowances, which include ship and credit reserves for distributors, are estimated by management based on historical claims data and expected future claims. Provisions for ship and credit claims are provided for in the same period the related revenue is recognized, and are netted against revenue.

The principal considerations for our determination that performing procedures relating to ship and credit reserves is a critical audit matter are the significant judgment by management in estimating the reserves, which in turn led to significant auditor judgment, subjectivity and effort in performing procedures to evaluate management's expected future claims assumptions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the ship and credit reserves. These procedures also included, among others (i) testing management's process for determining the estimate, (ii) evaluating the appropriateness of the approach used by management in developing the estimate, (iii) evaluating the reasonableness of the expected future claims assumptions, and (iv) testing the completeness and accuracy of historical claims data. Evaluating the assumptions related to the expected future claims involved evaluating whether the assumptions used were reasonable considering the past claim activity.

Valuation of Inventories

As described in Notes 2 and 8 to the consolidated financial statements, the Company's inventory balance of \$1,251.4 million as of December 31, 2020, is stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or net realizable value. Management writes down excess and obsolete inventories based upon a regular analysis of inventory on hand compared to historical and projected end-user demand.

The principal considerations for our determination that performing procedures relating to the valuation of inventories is a critical audit matter are the significant judgment by management in developing the write down for excess and obsolete inventories. This in turn led to significant auditor judgment, subjectivity and effort in performing procedures to evaluate the reasonableness of management's analysis, including the inputs utilized and the significant assumptions related to projected end-user demand employed within the analysis.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of inventories. These procedures also included, among others (i) testing management's process for developing the write down for excess and obsolete inventories, (ii) evaluating the appropriateness of the analysis, and (iii) evaluating the reasonableness of the significant assumptions related to projected end-user demand used by management in developing the write down for excess and obsolete inventories. Evaluating the reasonableness of the assumptions related to projected end-user demand involved considering the performance of product sales and whether they were consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP
Phoenix, Arizona
February 16, 2021

We have served as the Company's auditor since 1999.

ON SEMICONDUCTOR CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share data)

	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 1,080.7	\$ 894.2
Receivables, net	676.0	705.0
Inventories	1,251.4	1,232.4
Other current assets	176.0	188.4
Total current assets	3,184.1	3,020.0
Property, plant and equipment, net	2,512.3	2,591.6
Goodwill	1,663.4	1,659.2
Intangible assets, net	469.0	590.5
Deferred tax assets	429.0	307.8
Other assets	410.2	256.4
Total assets	\$ 8,668.0	\$ 8,425.5
Liabilities, Non-Controlling Interest and Stockholders' Equity		
Accounts payable	\$ 572.9	\$ 543.6
Accrued expenses and other current liabilities	570.0	538.8
Current portion of long-term debt	531.6	736.0
Total current liabilities	1,674.5	1,818.4
Long-term debt	2,959.7	2,876.5
Deferred tax liabilities	57.3	60.2
Other long-term liabilities	418.4	346.3
Total liabilities	5,109.9	5,101.4
Commitments and contingencies (Note 13)		
ON Semiconductor Corporation stockholders' equity:		
Common stock (\$0.01 par value, 1,250,000,000 shares authorized, 570,766,439 and 565,562,607 shares issued, 411,842,629 and 411,312,664 shares outstanding, respectively)	5.7	5.7
Additional paid-in capital	4,133.1	3,809.5
Accumulated other comprehensive loss	(57.6)	(54.3)
Accumulated earnings	1,425.5	1,191.3
Less: Treasury stock, at cost; 158,923,810 and 154,249,943 shares, respectively	(1,968.2)	(1,650.5)
Total ON Semiconductor Corporation stockholders' equity	3,538.5	3,301.7
Non-controlling interest	19.6	22.4
Total stockholders' equity	3,558.1	3,324.1
Total liabilities and stockholders' equity	\$ 8,668.0	\$ 8,425.5

See accompanying notes to consolidated financial statements

ON SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in millions, except per share data)

	Year ended December 31,		
	2020	2019	2018
Revenue	\$ 5,255.0	\$ 5,517.9	\$ 5,878.3
Cost of revenue (exclusive of amortization shown below)	3,539.2	3,544.3	3,639.6
Gross profit	1,715.8	1,973.6	2,238.7
Operating expenses:			
Research and development	642.9	640.9	650.7
Selling and marketing	278.7	301.0	324.7
General and administrative	258.7	284.0	293.3
Litigation settlement (Note 13)	—	169.5	—
Amortization of acquisition-related intangible assets	120.3	115.2	111.7
Restructuring, asset impairments and other charges, net	65.2	28.7	4.3
Goodwill and intangible asset impairment	1.3	1.6	6.8
Total operating expenses	1,367.1	1,540.9	1,391.5
Operating income	348.7	432.7	847.2
Other income (expense), net:			
Interest expense	(168.4)	(148.3)	(128.2)
Interest income	4.9	10.2	6.1
Loss on debt refinancing and prepayment	—	(6.2)	(4.6)
Gain on divestiture of business	—	—	5.0
Licensing income	—	—	36.6
Other expense	(8.6)	(11.8)	(7.1)
Other income (expense), net	(172.1)	(156.1)	(92.2)
Income before income taxes	176.6	276.6	755.0
Income tax (provision) benefit	59.8	(62.7)	(125.1)
Net income	236.4	213.9	629.9
Less: Net income attributable to non-controlling interest	(2.2)	(2.2)	(2.5)
Net income attributable to ON Semiconductor Corporation	\$ 234.2	\$ 211.7	\$ 627.4
Comprehensive income (loss), net of tax:			
Net income	\$ 236.4	\$ 213.9	\$ 629.9
Foreign currency translation adjustments	1.8	0.1	0.7
Effects of cash flow hedges	(5.1)	(16.5)	2.0
Other comprehensive income (loss), net of tax	(3.3)	(16.4)	2.7
Comprehensive income	233.1	197.5	632.6
Comprehensive income attributable to non-controlling interest	(2.2)	(2.2)	(2.5)
Comprehensive income attributable to ON Semiconductor Corporation	\$ 230.9	\$ 195.3	\$ 630.1
Net income per share of common stock attributable to ON Semiconductor Corporation:			
Basic	\$ 0.57	\$ 0.52	\$ 1.48
Diluted	\$ 0.56	\$ 0.51	\$ 1.44
Weighted-average shares of common stock outstanding:			
Basic	410.7	410.9	423.8
Diluted	418.8	416.0	435.9

See accompanying notes to consolidated financial statements

ON SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions, except share data)

	Common Stock					Treasury Stock		Non- Controlling Interest	Total Equity
	Number of shares	At Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated (Deficit) Earnings	Number of shares	At Cost		
Balance at December 31, 2017	551,873,115	\$ 5.5	\$ 3,593.5	\$ (40.6)	\$ 351.5	(126,754,921)	\$ (1,131.1)	22.2	\$ 2,801.0
Impact of the adoption of ASU 2016-16	—	—	—	—	(1.4)	—	—	—	(1.4)
Impact of the adoption of ASC 606	—	—	—	—	2.1	—	—	—	2.1
Stock option exercises	794,165	—	5.7	—	—	—	—	—	5.7
Shares issued pursuant to the ESPP	1,516,012	—	24.9	—	—	—	—	—	24.9
RSUs and stock grant awards issued	4,518,328	0.1	(0.1)	—	—	—	—	—	—
Payment of tax withholding for RSUs	—	—	—	—	—	(1,343,961)	(31.6)	—	(31.6)
Share-based compensation	—	—	78.3	—	—	—	—	—	78.3
Repurchase of common stock	—	—	—	—	—	(16,768,511)	(315.3)	—	(315.3)
Dividend to non-controlling shareholder	—	—	—	—	—	—	—	(2.2)	(2.2)
Comprehensive income	—	—	—	2.7	627.4	—	—	2.5	632.6
Balance at December 31, 2018	558,701,620	5.6	3,702.3	(37.9)	979.6	(144,867,393)	(1,478.0)	22.5	3,194.1
Stock option exercises	266,363	—	1.7	—	—	—	—	—	1.7
Shares issued pursuant to the ESPP	1,666,559	—	26.2	—	—	—	—	—	26.2
RSUs and stock grant awards issued	4,928,065	0.1	(0.1)	—	—	—	—	—	—
Payment of tax withholding for RSUs	—	—	—	—	—	(1,620,543)	(33.5)	—	(33.5)
Share-based compensation	—	—	79.4	—	—	—	—	—	79.4
Repurchase of common stock	—	—	—	—	—	(7,762,007)	(139.0)	—	(139.0)
Dividend to non-controlling shareholder	—	—	—	—	—	—	—	(2.3)	(2.3)
Comprehensive income (loss)	—	—	—	(16.4)	211.7	—	—	2.2	197.5
Balance at December 31, 2019	565,562,607	5.7	3,809.5	(54.3)	1,191.3	(154,249,943)	(1,650.5)	22.4	3,324.1
Stock option exercises	5,625	—	—	—	—	—	—	—	—
Shares issued pursuant to the ESPP	1,838,256	—	23.6	—	—	—	—	—	23.6
RSUs and stock grant awards issued	3,359,951	—	—	—	—	—	—	—	—
Payment of tax withholding for RSUs	—	—	—	—	—	(1,062,377)	(20.0)	—	(20.0)
Share-based compensation	—	—	67.7	—	—	—	—	—	67.7
Repurchase of common stock	—	—	—	—	—	(3,611,413)	(65.4)	—	(65.4)
Dividend to non-controlling shareholder	—	—	—	—	—	—	—	(5.0)	(5.0)
Shares issued to settle excess over principal for 1.00% Notes	—	—	(88.7)	—	—	11,823,271	88.7	—	—
Repurchase of shares under bond hedges	—	—	321.0	—	—	(11,823,348)	(321.0)	—	—
Comprehensive income (loss)	—	—	—	(3.3)	234.2	—	—	2.2	233.1
Balance at December 31, 2020	570,766,439	5.7	4,133.1	(57.6)	1,425.5	(158,923,810)	(1,968.2)	19.6	3,558.1

See accompanying notes to consolidated financial statements

ON SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income	\$ 236.4	\$ 213.9	\$ 629.9
Adjustments to reconcile net income to net cash provided by operating activities and other adjustments:			
Depreciation and amortization	625.1	593.1	508.7
(Gain) loss on sale or disposal of fixed assets	(3.2)	1.9	2.4
Gain on divestiture of business	—	—	(5.0)
Loss on debt refinancing and prepayment	—	6.2	4.6
Amortization of debt discount and issuance costs	12.1	13.0	13.2
Payments for term debt modification	—	—	(1.1)
Share-based compensation	67.7	79.4	78.3
Non-cash interest on convertible notes	38.2	37.8	36.1
Non-cash asset impairment charges	17.5	3.4	2.4
Goodwill and intangible asset impairment charges	1.3	1.6	6.8
Change in deferred tax balances	(122.6)	11.2	69.2
Other	10.5	(0.1)	(1.6)
Changes in assets and liabilities (exclusive of the impact of acquisitions and divestitures):			
Receivables	31.4	4.7	(2.7)
Inventories	(26.3)	34.6	(129.5)
Other assets	(60.0)	(34.6)	(37.4)
Accounts payable	34.2	(79.9)	44.8
Accrued expenses and other current liabilities	(18.5)	(201.7)	56.5
Other long-term liabilities	40.5	10.2	(1.4)
Net cash provided by operating activities	<u>\$ 884.3</u>	<u>\$ 694.7</u>	<u>\$ 1,274.2</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	\$ (383.6)	\$ (534.6)	\$ (514.8)
Proceeds from sale of property, plant and equipment	6.3	1.9	36.5
Deposits utilized for purchases of property, plant and equipment	2.2	4.6	4.1
Purchase of business, net of cash acquired	(4.5)	(888.0)	(70.9)
Settlement of purchase price and purchase of equity interest and assets, net of cash acquired	26.0	—	(24.6)
Purchase of license and deposit made for manufacturing facility	(100.0)	(100.0)	—
Proceeds from divestiture of business and release of escrow	—	5.2	8.4
Proceeds from repayment of note receivable	—	—	10.2
Other	—	—	2.2
Net cash used in investing activities	<u>\$ (453.6)</u>	<u>\$ (1,510.9)</u>	<u>\$ (548.9)</u>
Cash flows from financing activities:			
Proceeds for the issuance of common stock under the ESPP	\$ 23.6	\$ 26.2	\$ 25.0
Proceeds from exercise of stock options	—	1.7	5.7
Payments of tax withholding for RSUs	(20.0)	(33.5)	(31.6)
Repurchase of common stock	(65.4)	(139.0)	(315.3)
Issuance and borrowings under debt agreements	1,858.0	1,404.8	15.3
Payment of debt issuance and other financing costs	(2.4)	(24.0)	—
Repayment of borrowings under debt agreements	(2,023.9)	(594.4)	(298.4)
Release of escrow related to prior acquisition	—	(10.4)	—
Payment of finance lease obligations	—	(0.8)	(3.6)
Payments related to prior acquisition	(8.9)	(5.2)	—
Dividend to non-controlling shareholder	(5.0)	(2.3)	(2.2)
Net cash provided by (used in) financing activities	<u>\$ (244.0)</u>	<u>\$ 623.1</u>	<u>\$ (605.1)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	0.6	0.2	0.3
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 187.3</u>	<u>\$ (192.9)</u>	<u>\$ 120.5</u>
Cash, cash equivalents and restricted cash, beginning of period (Note 18)	<u>\$ 894.2</u>	<u>\$ 1,087.1</u>	<u>\$ 966.6</u>
Cash, cash equivalents and restricted cash, end of period (Note 18)	<u><u>\$ 1,081.5</u></u>	<u><u>\$ 894.2</u></u>	<u><u>\$ 1,087.1</u></u>

See accompanying notes to consolidated financial statements

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Background and Basis of Presentation

ON Semiconductor Corporation, together with its wholly and majority-owned subsidiaries (the "Company"), prepares its consolidated financial statements in accordance with GAAP. As of December 31, 2020, the Company was organized into three operating segments, which also represent its three reportable segments: PSG, ASG and ISG. Additional information about the Company's operating and reportable segments is included in Note 3: "Revenue and Segment Information".

The Company assessed certain accounting matters that generally require consideration of forecasted financial information in the context of the information reasonably available as of December 31, 2020, and through the filing date of this Form 10-K. The accounting matters assessed included, but were not limited to, the allowance for doubtful accounts, share-based compensation, inventory valuation, carrying value of indefinite-lived intangible assets, other long-lived assets and goodwill, valuation allowance for tax assets, contingencies and revenue recognition. Future assessment of the current expectations, including of the magnitude and duration of the COVID-19 pandemic, as well as other factors, could result in a material adverse impact to the consolidated financial statements in future reporting periods.

Unless otherwise noted, all dollar amounts are in millions, except per share amounts.

Note 2: Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, revenue and expenses of all wholly-owned and majority-owned subsidiaries over which the Company exercises control and, when applicable, entities in which the Company has a controlling financial interest or is the primary beneficiary. Investments in affiliates where the Company does not exert a controlling financial interest are not consolidated. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management evaluates these estimates and judgments on an ongoing basis and bases its estimates on experience, current and expected future conditions, third-party evaluations and various other assumptions that management believes are reasonable under the circumstances. Significant estimates have been used by management in conjunction with the following: (i) future payouts for customer incentives and amounts subject to allowances and returns; (ii) valuation and obsolescence relating to inventories; (iii) variable and share-based compensation; and (iv) measurement of valuation allowances against deferred tax assets, and evaluations of uncertain tax positions. Additionally, during periods where it becomes applicable, significant estimates will be used by management in determining the future cash flows used to assess and test for impairment of indefinite-lived intangible assets, long-lived assets and goodwill and in assumptions used in connection with business combinations. Actual results may differ from the estimates and assumptions used in the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments with original maturities at the time of purchase of three months or less. The Company maintains amounts on deposit at various financial institutions, which may at times exceed federally insured limits. However, management periodically evaluates the credit-worthiness of those institutions and has not experienced any losses on such deposits.

Inventories

Inventories are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or net realizable value. General market conditions, as well as the Company's design activities, can cause certain of its products to become obsolete. The Company writes down excess and obsolete inventories based upon a regular analysis of inventory on hand compared to historical and projected end-user demand. The determination of projected end-user demand requires the use of estimates and assumptions related to projected unit sales for each product. These write downs can influence results from operations. For example, when demand for a given part falls, all or a portion of the related inventory that is considered to be in

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

excess of anticipated demand is written down, impacting cost of revenue and gross profit. However, the majority of product inventory that has been previously written down is ultimately discarded. Although the Company does sell some products that have previously been written down, such sales have historically been consistently insignificant and the related impact on the Company's gross profit has also been insignificant.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated over estimated useful lives of 30-50 years for buildings and 3-10 years for computers, machinery and equipment using straight-line methods. Expenditures for maintenance and repairs are charged to operations in the period in which the expense is incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is reflected in operations in the period realized.

The Company evaluates the recoverability of the carrying amount of its property, plant and equipment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be fully recoverable. A potential impairment charge is evaluated when the undiscounted expected cash flows derived from an asset group are less than its carrying amount. Impairment losses, if applicable, are measured as the amount by which the carrying value of an asset group exceeds its fair value and are recognized in operating results. Judgment is used when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of the asset group.

Business Combination Purchase Price Allocation

The allocation of the purchase price of business combinations is based on management estimates and assumptions, which utilize established valuation techniques appropriate for the technology industry. These techniques include the income approach, cost approach or market approach, depending upon which approach is the most appropriate based on the nature and reliability of available data. Management records the acquired assets and liabilities at fair value. If the income approach is used, the fair value determination is predicated upon the value of the future cash flows that an asset is expected to generate over its economic life. The cost approach takes into account the cost to replace (or reproduce) the asset and the effects on the asset's value of physical, functional and/or economic obsolescence that has occurred with respect to the asset. The market approach is used to estimate value from an analysis of actual market transactions or offerings for economically comparable assets available as of the valuation date. Determining the fair value of acquired technology assets is judgmental in nature and requires the use of significant estimates and assumptions, including the discount rate, revenue growth rates, projected gross margins, and estimated research and development and other operating expenses.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in a business combination. The Company evaluates its goodwill for impairment annually during the fourth quarter and whenever events or changes in circumstances indicate the carrying value of a reporting unit may not be recoverable. The Company's divisions are one level below the operating segments, constituting individual businesses, at which level the Company's segment management conducts regular reviews of the operating results. The Company's divisions, either individually or in a combination, constitute reporting units for purposes of allocating and testing goodwill.

The Company's impairment evaluation consists of a qualitative assessment. If this assessment indicates that it is more likely than not the estimated fair value of a reporting unit exceeds its carrying value, goodwill is not considered impaired. Otherwise, the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying value, including goodwill. If the carrying value of the net assets associated with the reporting unit exceeds the fair value of the reporting unit, goodwill is considered impaired and will be determined as the amount by which the reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The Company can bypass the qualitative assessment for any period and proceed directly to the quantitative impairment test.

Determining the fair value of the Company's reporting units is subjective in nature and involves the use of significant estimates and assumptions, including projected net cash flows, discount rates and long-term growth rates. The Company determines the fair value of its reporting units based on an income approach derived from the present value of estimated future cash flows. The assumptions about estimated cash flows include factors such as future revenue, gross profit, operating expenses and industry trends. The Company considers historical rates and current market conditions when determining the discount and long-term growth rates to use in its analysis. The Company considers other valuation methods, such as the cost approach or market approach, if it is determined that these methods provide a more representative approximation of fair value.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Intangible Assets

The Company's acquisitions have resulted in intangible assets consisting of values assigned to customer relationships, patents, developed technology, licenses, IPRD and trademarks. IPRD is considered an indefinite-lived intangible asset until the abandonment or completion of the associated research and development efforts. If abandoned, the assets would be impaired. If the activities are completed, a determination is made regarding the useful lives of such assets and methods of amortization.

The Company is required to test its IPRD assets for impairment annually using the guidance for indefinite-lived intangible assets. The Company calculates the fair value of the IPRD asset and records an impairment charge if the carrying amount exceeds fair value. The Company determines the fair value based on an income approach, which is calculated as the present value of the estimated future cash flows of the IPRD asset. The assumptions about estimated cash flows include factors such as future revenue, gross profit, operating expenses and industry trends. The Company can bypass the qualitative assessment for any asset in any period and proceed directly to the quantitative impairment test.

The remaining intangible assets are considered long-lived assets and are stated at cost less accumulated amortization. These intangible assets are amortized over their estimated useful lives and are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset group containing these assets may not be recoverable.

Leases

The Company determines if an arrangement is a lease at its inception. Operating lease arrangements are comprised primarily of real estate and equipment agreements for which the right-of-use ("ROU") assets are included in other assets and the corresponding lease liabilities, depending on their maturity, are included in accrued expenses and other current liabilities or other long-term liabilities in the Consolidated Balance Sheet.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The lease term includes options to extend the lease when it is reasonably certain that the option will be exercised. Leases with a term of 12 months or less are not recorded on the Consolidated Balance Sheet.

The Company uses its estimated incremental borrowing rate in determining the present value of lease payments considering the term of the lease, which is derived from information available at the lease commencement date, giving consideration to publicly available data for instruments with similar characteristics. The Company accounts for the lease and non-lease components as a single lease component.

Debt Issuance Costs

Debt issuance costs for line-of-credit agreements, including the Company's Revolving Credit Facility, are capitalized and amortized over the term of the underlying agreements on a straight-line basis. Amortization of these debt issuance costs is included in interest expense while the unamortized balance is included in other assets.

Debt issuance costs for the Company's convertible notes and term debt are recorded as a direct deduction from the carrying amounts of the such debt, consistent with debt discounts, and are amortized over their term using the effective interest method. Amortization of these debt issuance costs is included in interest expense.

Contingencies

The Company is involved in a variety of legal matters, IP matters, environmental, financing and indemnification contingencies that arise in the ordinary course of business. Based on the information available, management evaluates the relevant range and likelihood of potential outcomes and records the appropriate liability when the amount is deemed probable and reasonably estimable.

Treasury Stock

Treasury stock is recorded at cost, inclusive of fees, commissions and other expenses, when outstanding common shares are repurchased by the Company, including when outstanding shares are withheld to satisfy tax withholding obligations in connection with certain shares pursuant to RSUs under the Company's share-based compensation plans. Reissuance of shares

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

held in treasury stock is accounted for on a first-in, first-out basis.

Revenue Recognition

The Company generates revenue from sales of its semiconductor products to OEMs, electronic manufacturing service providers and distributors. The Company also generates revenue, to a much lesser extent, from product development agreements and manufacturing services provided to customers. The Company recognizes revenue when it satisfies a performance obligation in an amount reflecting the consideration to which it expects to be entitled. For sales agreements, the Company has identified the promise to transfer products, each of which is distinct, as the performance obligation. For product development agreements, the Company has identified the completion of a service defined in the agreement as the performance obligation. The Company applies a five-step approach in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations in the contract; and (5) recognizing revenue when the performance obligation is satisfied.

Sales agreements with customers are renewable periodically and contain terms and conditions with respect to payment, delivery, warranty and supply, but typically do not require minimum purchase commitments. In the absence of a sales agreement, the Company's standard terms and conditions apply. The Company considers the customer purchase orders, governed by sales agreements or the Company's standard terms and conditions, to be the contract with the customer. The Company evaluates certain factors including the customer's ability to pay (or credit risk).

Most of the Company's OEM customers negotiate pricing terms on an annual basis, distributors generally negotiate pricing terms on a quarterly basis, while the pricing terms for electronic manufacturing service providers are negotiated periodically during the year. Pricing terms on product development agreements are negotiated at the beginning of a project. The Company allocates the transaction price to each distinct product based on its relative stand-alone selling price.

In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. The Company's OEM customers do not have the right to return products, other than pursuant to the provisions of the Company's standard warranty. Sales to distributors, however, are typically made pursuant to agreements that provide return rights and stock rotation provisions permitting limited levels of product returns. Sales to certain distributors, primarily those with ship and credit rights, can also be subject to price adjustment on certain products. Although payment terms vary, most distributor agreements require payment within 30 days. In addition, the Company offers cash discounts to certain customers for payments received within an agreed upon time, generally ten days after shipment.

The Company recognizes revenue when it satisfies a performance obligation. The Company recognizes revenue from sales agreements upon transferring control of a product to the customer. This typically occurs when products are shipped or delivered, depending on the delivery terms, or when products that are consigned at customer locations are consumed. The Company recognizes revenue from product development agreements over time based on the cost-to-cost method. Sales returns and allowances, which include ship and credit reserves for distributors, are estimated based on historical claims data and expected future claims. Provisions for discounts and rebates to customers, estimated returns and allowances, ship and credit claims and other adjustments are provided for in the same period the related revenue are recognized, and are netted against revenue. For non-quality related returns, the Company recognizes a related asset for the right to recover returned products with a corresponding reduction to cost of goods sold. The Company records a reserve for cash discounts as a reduction to accounts receivable and a reduction to revenue, based on the experience with each customer.

Frequently, the Company receives orders with multiple delivery dates that may extend across reporting periods. Each delivery constitutes an individual performance obligation, which consists of transferring control of the products to the customers based on their stand-alone selling price. The Company invoices the customer for each delivery upon shipment and recognizes revenue in accordance with delivery terms. As scheduled delivery dates are within one year, revenue allocated to future shipments of partially completed contracts are not disclosed.

The Company records freight and handling costs associated with outbound freight after control over a product has transferred to a customer as a fulfillment cost and includes it in cost of revenue. Taxes assessed by government authorities on revenue-producing transactions, including value-added and excise taxes, are presented on a net basis (excluded from revenue).

The Company generally warrants that products sold to its customers will, at the time of shipment, be free from defects in workmanship and materials and conform to specifications. The Company's standard warranty extends for a period of two years from the date of delivery, except in the case of image sensor products, which are warrantied for one year from the date of

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

delivery. At the time revenue is recognized, the Company establishes an accrual for estimated warranty expenses associated with its sales and records them as a component of the cost of revenue.

Research and Development Costs

Research and development costs are expensed as incurred.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which management cannot conclude that it is more likely than not that such deferred tax assets will be realized.

In determining the amount of the valuation allowance, estimated future taxable income, feasible tax planning strategies, future reversals of existing temporary differences and taxable income in prior carryback years, if a carryback is permitted, are considered. If the Company determines it is more likely than not that all or a portion of the remaining deferred tax assets will not be realized, the valuation allowance will be increased with a charge to income tax expense. Conversely, if the Company determines it is more likely than not to be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be recorded as a reduction to income tax expense.

The Company recognizes and measures benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax positions will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not to be sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon settlement. No tax benefit is recognized for tax positions that are not more likely than not to be sustained. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. Significant judgment is required to evaluate uncertain tax positions. Evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of tax audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in significant increases or decreases in income tax expense in the period in which the change is made, which could have a significant impact to the Company's effective tax rate.

Foreign Currencies

Most of the Company's foreign subsidiaries conduct business primarily in U.S. dollars and, as a result, utilize the U.S. dollar as their functional currency. For the remeasurement of financial statements of these subsidiaries, assets and liabilities in foreign currencies that are receivable or payable in cash are remeasured at current exchange rates, while inventories and other non-monetary assets in foreign currencies are remeasured at historical rates. Gains and losses resulting from the remeasurement of such financial statements are included in the operating results, as are gains and losses incurred on foreign currency transactions.

Some of the Company's Japanese subsidiaries utilize Japanese Yen as their functional currency. The assets and liabilities of these subsidiaries are translated at current exchange rates, while revenue and expenses are translated at the average rates in effect for the period. The related translation gains and losses are included in other comprehensive income or loss within the Consolidated Statements of Operations and Comprehensive Income.

Share-Based Compensation

Share-based compensation is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period and for awards with performance conditions, over the performance measurement period. The Company has outstanding awards that vest based on service, performance and market conditions.

Defined Benefit Pension Plans

The Company maintains defined benefit pension plans covering certain of its foreign employees. Net periodic pension costs and

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

pension obligations are determined based on actuarial assumptions, including discount rates for plan obligations, assumed rates of return on pension plan assets and assumed rates of compensation increases for employees participating in plans. These assumptions are based upon management's judgment and consultation with actuaries, considering all known trends and uncertainties. The service cost component of the net periodic pension cost is allocated between the cost of revenue, research and development, selling and marketing and general and administrative line items, while the other components are included in other expense in the Consolidated Statements of Operations and Comprehensive Income.

Fair Value Measurement

The Company measures certain of its financial and non-financial assets at fair value by using the fair value hierarchy that prioritizes certain inputs into individual fair value measurement approaches. Fair value is the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Companies may choose to measure certain financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings. The Company has elected not to carry any of its debt instruments at fair value.

Note 3: Revenue and Segment Information

Revenue recognized for product sales amounted to \$5,227.8 million, \$5,492.0 million and \$5,849.0 million for the years ended December 31, 2020, 2019 and 2018, respectively. Revenue recognized for product development agreements amounted to \$27.2 million, \$25.9 million and \$29.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The Company is organized into three operating and reportable segments consisting of PSG, ASG and ISG. The Company's wafer manufacturing facilities fabricate ICs for all business units, as necessary, and their operating costs are reflected in the segments' cost of revenue on the basis of product costs. Because operating segments are generally defined by the products they design and sell, they do not make sales to each other. The Company does not allocate income taxes or interest expense to its operating segments as the operating segments are principally evaluated on gross profit. Additionally, restructuring, asset impairments and other charges, net and certain other manufacturing and operating expenses, which include corporate research and development costs, unallocated inventory reserves and miscellaneous nonrecurring expenses, are not allocated to any segment. In addition to the operating and reportable segments, the Company also operates global operations, sales and marketing, information systems and finance and administration groups. A portion of the expenses for each of these groups are allocated to the segments based on specific and general criteria and are included in the segment results.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Revenue and gross profit for the Company's operating and reportable segments are as follows (in millions):

	PSG	ASG	ISG	Total
For year ended December 31, 2020:				
Revenue from external customers	\$ 2,606.1	\$ 1,910.4	\$ 738.5	\$ 5,255.0
Segment gross profit	801.7	730.5	237.7	1,769.9
For year ended December 31, 2019:				
Revenue from external customers	\$ 2,788.3	\$ 1,972.3	\$ 757.3	\$ 5,517.9
Segment gross profit	976.0	794.8	275.4	2,046.2
For year ended December 31, 2018:				
Revenue from external customers	\$ 3,038.2	\$ 2,071.2	\$ 768.9	\$ 5,878.3
Segment gross profit	1,110.1	878.3	317.1	2,305.5

The Company had one customer, a distributor, whose revenue accounted for approximately 11% of the total revenue for the year ended December 31, 2020. There were no customers whose revenue exceeded 10% or more of total revenue for the years ended December 31, 2019 or 2018.

Gross profit is exclusive of the amortization of acquisition-related intangible assets. Depreciation expense is included in segment gross profit. Reconciliations of segment gross profit to consolidated gross profit are as follows (in millions):

	Year Ended December 31,		
	2020	2019	2018
Gross profit for reportable segments	\$ 1,769.9	\$ 2,046.2	\$ 2,305.5
Less: unallocated manufacturing costs	(54.1)	(72.6)	(66.8)
Consolidated gross profit	<u>\$ 1,715.8</u>	<u>\$ 1,973.6</u>	<u>\$ 2,238.7</u>

Revenue for the Company's operating and reportable segments disaggregated into geographic locations based on sales billed from the respective country and sales channels are as follows (in millions):

	Year Ended December 31, 2020			
	PSG	ASG	ISG	Total
Geographic Location				
Singapore	\$ 978.0	\$ 695.0	\$ 126.5	\$ 1,799.5
Hong Kong	723.2	410.6	177.8	1,311.6
United Kingdom	395.7	264.5	145.7	805.9
United States	282.8	282.0	163.8	728.6
Other	226.4	258.3	124.7	609.4
Total	<u>\$ 2,606.1</u>	<u>\$ 1,910.4</u>	<u>\$ 738.5</u>	<u>\$ 5,255.0</u>
Sales Channel				
Distributors	\$ 1,776.4	\$ 986.4	\$ 406.8	\$ 3,169.6
OEM	673.6	794.6	297.5	1,765.7
Electronic Manufacturing Service Providers	156.1	129.4	34.2	319.7
Total	<u>\$ 2,606.1</u>	<u>\$ 1,910.4</u>	<u>\$ 738.5</u>	<u>\$ 5,255.0</u>

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

	Year Ended December 31, 2019			
	PSG	ASG	ISG	Total
Geographic Location				
Singapore	\$ 864.7	\$ 679.7	\$ 168.7	\$ 1,713.1
Hong Kong	843.5	436.8	137.0	1,417.3
United Kingdom	467.1	303.5	151.0	921.6
United States	356.3	332.6	121.4	810.3
Other	256.7	219.7	179.2	655.6
Total	\$ 2,788.3	\$ 1,972.3	\$ 757.3	\$ 5,517.9

Sales Channel				
Distributors	\$ 1,740.6	\$ 971.5	\$ 461.0	\$ 3,173.1
OEM	857.5	860.3	258.8	1,976.6
Electronic Manufacturing Service Providers	190.2	140.5	37.5	368.2
Total	\$ 2,788.3	\$ 1,972.3	\$ 757.3	\$ 5,517.9

	Year Ended December 31, 2018			
	PSG	ASG	ISG	Total
Geographic Location				
Singapore	\$ 1,086.6	\$ 704.2	\$ 164.2	\$ 1,955.0
Hong Kong	847.9	496.5	144.7	1,489.1
United Kingdom	488.5	319.8	138.2	946.5
United States	398.5	339.2	125.0	862.7
Other	216.7	211.5	196.8	625.0
Total	\$ 3,038.2	\$ 2,071.2	\$ 768.9	\$ 5,878.3

Sales Channel				
Distributors	\$ 2,011.1	\$ 1,066.4	\$ 464.2	\$ 3,541.7
OEM	846.8	860.7	263.4	1,970.9
Electronic Manufacturing Service Providers	180.3	144.1	41.3	365.7
Total	\$ 3,038.2	\$ 2,071.2	\$ 768.9	\$ 5,878.3

The Company operates in various geographic locations. Sales to unaffiliated customers have little correlation with the location of manufacturers. It is, therefore, not meaningful to present operating profit by geographical location.

The Company does not discretely allocate assets to its operating segments, nor does management evaluate operating segments using discrete asset information. The Company's consolidated assets are not specifically ascribed to its individual reportable segments. Rather, assets used in operations are generally shared across the Company's operating and reportable segments.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Property, plant and equipment, net by geographic location, are summarized as follows (in millions):

	As of December 31,	
	2020	2019
United States	\$ 686.6	\$ 616.7
South Korea	455.5	485.4
Philippines	386.6	433.5
China	229.6	243.6
Japan	209.3	218.1
Czech Republic	216.1	213.4
Malaysia	190.2	204.4
Other	138.4	176.5
	\$ 2,512.3	\$ 2,591.6

The following table illustrates the product technologies under each of the Company's reportable segments based on the Company's operating strategy. Because many products are sold into different end-markets, the total revenue reported for a segment is not indicative of actual sales in the end-market associated with that segment, but rather is the sum of the revenue from the product lines assigned to that segment. These segments represent the Company's view of the business and as such are used to evaluate progress of major initiatives and allocation of resources.

PSG	ASG	ISG
Analog products	Analog products	LSI products
Discrete products	ASIC products	Sensors
MOSFET products	Connectivity products	
Power Module products	ECL products	
Isolation products	Foundry products / services	
Memory products	Gate Driver products	
Gate Driver products	LSI products	
Standard Logic products	Standard Logic products	
WBG products		

Note 4: Recent Accounting Pronouncements

Adopted:

ASU 2020-04 – Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04")

In March 2020, the FASB issued ASU 2020-04 to address constituents' concerns about certain accounting consequences that could result from the global markets' anticipated transition away from the use of the LIBO Rate and other interbank offered rates to alternative reference rates. ASU 2020-04 includes optional expedients and the relief provided is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBO Rate or another reference rate expected to be discontinued because of reference rate reform. These amendments are effective for entities as of March 12, 2020 through December 31, 2022. The Company elected to apply the provisions of ASU 2020-04 for its contracts and hedging relationships as of March 12, 2020. The adoption of ASU 2020-04 did not have a material impact on the Company's consolidated financial statements.

ASU 2019-12 – Income taxes (Topic 740): Simplifying the accounting for income taxes ("ASU 2019-12")

In December 2019, the FASB issued ASU 2019-12, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Income taxes (Topic 740). The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company early adopted ASU 2019-12 during the quarter ended April 3, 2020. The adoption of ASU 2019-12 did not have a material impact on the Company's consolidated financial statements.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

ASU 2018-14 – Defined Benefit Plans – General (Topic 715-20): Disclosure Framework – Changes to the Disclosure Requirements of Defined Benefit Plans ("ASU 2018-14")

During 2018, the FASB issued ASU 2018-14, which amended ASC 715: Compensation - Retirement Benefits, to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. ASU 2018-14 added requirements to disclose, among others, a narrative description of the reasons for significant gains and losses affecting the benefit obligation for the period, and also removed certain other disclosure requirements. For public business entities, the provisions of ASU 2018-14 is effective for fiscal years ending after December 15, 2020. The adoption of ASU 2018-14 did not have a material impact on the Company's consolidated financial statements.

ASU No. 2016-02 - Leases (Topic 842) ("ASU 2016-02"), ASU No. 2018-10 - Codification improvements to Topic 842, Leases ("ASU 2018-10"), ASU No. 2018-11 - Leases (Topic 842) ("ASU 2018-11") (collectively, the "New Leasing Standard")

The New Leasing Standard became effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted the New Leasing Standard as of January 1, 2019 using the effective date method by recording right-of-use assets of \$112.3 million, net of deferred rent liabilities of \$5.1 million that were reclassified to right-of-use assets, and lease liabilities of \$117.4 million. Under this method, periods prior to 2019 remain unchanged. The Company applied the practical expedients relating to the leases that commenced before January 1, 2019 whereby the Company elected to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases.

Pending Adoption:

ASU 2020-06 - Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06")

In August 2020, the FASB issued ASU 2020-06, which simplifies the guidance on the issuer's accounting for convertible debt instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, entities will not separately present in equity an embedded conversion feature in such debt and will account for a convertible debt instrument wholly as debt, unless certain other conditions are met. The elimination of these models will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that is within the scope of ASU 2020-06. Also, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share and the treasury stock method will be no longer available. ASU 2020-06 is applicable for fiscal years beginning after December 15, 2021, with early adoption permitted no earlier than fiscal years beginning after December 15, 2020. The Company does not intend to early adopt ASU 2020-06; however, based on the application of the new standard on the 1.625% Notes, there would be a decrease in interest expense and an increase in the dilutive effect of convertible notes included in diluted weighted average shares of common stock outstanding for calculating earnings per share.

Note 5: Acquisitions, Divestiture and Licensing Transactions

The Company pursues strategic acquisitions and divestitures from time to time to leverage its existing capabilities and further build its business. Acquisition costs are not included as components of consideration transferred and instead are accounted for as expenses in the period in which the costs are incurred. During the years ended December 31, 2020 and 2019, the Company incurred acquisition and divestiture related costs of approximately \$1.0 million and \$11.3 million, respectively, which are included in operating expenses in the Company's Consolidated Statements of Operations and Comprehensive Income. The decrease in 2020 was due to the lack of any significant acquisition-related activities.

Pending Acquisition of Manufacturing Facility and Related Assets

On April 22, 2019, the Company entered into the Asset Purchase Agreement with GFUS and GLOBALFOUNDRIES Inc. pursuant to which the Company will acquire GFUS's East Fishkill, New York site and fabrication facilities and certain other assets and liabilities on or around the Closing Date, subject to certain conditions, for the Total Consideration of \$400.0 million. On April 22, 2019, the Company paid GFUS \$70.0 million of the Total Consideration in cash as a non-refundable deposit, which will be applied toward and reduce the Total Consideration.

Also on April 22, 2019, the parties entered into certain ancillary agreements pursuant to which, the Company will be provided with technology transfer and development services as well as foundry services prior to the Closing Date, and GFUS will be

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

provided foundry services for a limited period of time following the Closing Date, and the Company paid GFUS a license fee of \$30.0 million in cash for certain technology. This amount has been recorded as an intangible asset in the Consolidated Balance Sheets.

On October 1, 2020, the Company entered into an amendment to the APA Amendment pursuant to which the Company paid GFUS a non-refundable deposit in the amount of \$100.0 million in cash on October 5, 2020 (the "Additional Deposit"). The Additional Deposit will be applied toward and reduce the Total Consideration, and the remaining \$230.0 million of the Total Consideration will be paid on or around the Closing Date. Other terms and conditions of the Asset Purchase Agreement remain unchanged. In connection with the APA Amendment, the Company also entered into an amendment to an ancillary agreement relating to the provision of foundry services entered into in connection with the execution of the Asset Purchase Agreement, which provides the Company certain additional tools and flexibility in its capital expenditures and manufacturing plans for 2021.

2019 Acquisition

On June 19, 2019, the Company acquired 100% of the outstanding shares of Quantenna, a global leader and innovator of high performance Wi-Fi solutions, whereby Quantenna became a wholly-owned subsidiary of the Company. The acquisition of Quantenna created a strong platform for addressing connectivity solutions for industrial IoT by combining the Company's expertise in power management and Bluetooth technologies with Quantenna's Wi-Fi technologies and software capabilities. Following the acquisition, Quantenna changed its name to ON Semiconductor Connectivity Solutions, Inc.

The purchase price consideration for the acquisition totaled \$1,039.3 million, and was funded by a combination of a draw of \$900.0 million against the Revolving Credit Facility and cash on hand. From the closing date of the Quantenna acquisition through December 31, 2019, the Company recognized approximately \$84.8 million in revenue and \$39.3 million in net loss relating to Quantenna, which included the amortization of fair market value step-up of inventory and intangible assets and restructuring charges. The operations of Quantenna have since been integrated with that of the Company.

The following table presents the allocation of the purchase price of Quantenna for the assets acquired and liabilities assumed based on their relative fair values, which was finalized during the year ended December 31, 2019 (in millions):

	Purchase Price Allocation
Cash and cash equivalents	\$ 133.4
Receivables	22.2
Inventories	41.8
Other current assets	4.3
Property, plant and equipment	16.9
Goodwill	726.7
Intangible assets (excluding IPRD)	87.1
IPRD	23.8
Deferred tax assets	29.2
Other non-current assets	12.7
Total assets acquired	1,098.1
Accounts payable	22.6
Other current liabilities	17.5
Deferred tax liabilities	3.3
Other non-current liabilities	15.4
Total liabilities assumed	58.8
Net assets acquired/purchase price	\$ 1,039.3

Acquired intangible assets of \$110.9 million include developed technology of \$58.3 million (which are estimated to have a useful life of eight years). The value assigned to developed technology was determined using the income approach. The total weighted average amortization period for the acquired intangibles is eight years.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

IPRD assets are amortized over the estimated useful life of the assets upon successful completion of the related projects. The value assigned to IPRD was determined by estimating the net cash flows from the projects when completed and discounting the net cash flows to their present value using a discount rate of approximately 12.0%. The cash flows from IPRD's significant products commenced from 2020 onwards.

The acquisition produced \$726.7 million of goodwill, which has been assigned to a reporting unit within ASG. The goodwill is attributable to a combination of Quantenna's assembled workforce, expectations regarding a more meaningful engagement by the customers due to the scale of the combined company and other product and operating synergies. Goodwill arising from the Quantenna acquisition is not deductible for tax purposes.

Pro-Forma Results of Operations

Unaudited pro-forma consolidated results of operations for the year ended December 31, 2020 is not required because the results of the acquired business are included in the Consolidated Statements of Operations and Comprehensive Income for this period. The following unaudited pro-forma consolidated results of operations for the years ended December 31, 2019 and December 31, 2018 have been prepared as if the acquisition of Quantenna had occurred on January 1, 2018 and includes adjustments for amortization of intangibles, interest expense from financing, restructuring, and the effect of purchase accounting adjustments including the step-up of inventory (in millions, except per share data):

	Year Ended	
	December 31, 2019	December 31, 2018
Revenue	\$ 5,613.2	\$ 6,098.8
Net income	218.2	567.2
Net income attributable to ON Semiconductor Corporation	216.0	564.7
Net income per common share attributable to ON Semiconductor Corporation:		
Basic	0.53	1.33
Diluted	0.52	1.30

2018 Acquisition

On May 8, 2018, the Company acquired 100% of the outstanding shares of SensL, a company specializing in SiPM, single photon avalanche diode and LiDAR sensing products for the automotive, medical, industrial and consumer markets, for \$71.6 million, funded with cash on hand. This acquisition positioned the Company to extend its products in automotive sensing applications for ADAS and autonomous driving by adding LiDAR capabilities to the Company's existing capabilities in imaging and radar.

The following table presents the allocation of the purchase price of SensL for the assets acquired and liabilities assumed based on their fair values (in millions):

	Purchase Price Allocation
Current assets (including cash and cash equivalents of \$0.7)	\$ 4.2
Property, plant and equipment and other non-current assets	1.8
Goodwill	18.9
Intangible assets (excluding IPRD)	31.4
IPRD	20.0
Total assets acquired	76.3
Current liabilities	0.7
Other non-current liabilities	4.0
Total liabilities assumed	4.7
Net assets acquired/purchase price	\$ 71.6

Acquired intangible assets of \$31.4 million include developed technology of \$30.0 million (which are estimated to have a

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

weighted-average useful life of seven years). The total weighted average amortization period for the acquired intangibles is seven years. IPRD assets are amortized over the estimated useful life of the assets upon successful completion of the related projects. The value assigned to IPRD was determined by estimating the net cash flows from the projects when completed and discounting the net cash flows to their present value using a discount rate of 30.0%. The cash flows from IPRD's significant products commenced in 2019.

The acquisition produced \$18.9 million of goodwill, which was allocated to ISG. Goodwill is attributable to a combination of SensL's assembled workforce, expectations regarding a more meaningful engagement by the customers due to the scale of the combined company and other product and operating synergies. Goodwill arising from the SensL acquisition is not deductible for tax purposes.

Unaudited pro-forma consolidated results of operations for the year ended December 31, 2018 is not included considering the significance of the acquisition to the results of the Company.

2018 Divestiture

On June 25, 2018, the Company divested the transient voltage suppressing diodes business it acquired from Fairchild to TSC America, Inc. for \$5.6 million in cash and recorded a gain of \$4.6 million after writing off the carrying values of the assets and liabilities disposed. There were certain other insignificant transactions resulting in a total gain of \$5.0 million during the year ended December 31, 2018.

Licensing Transactions

During 2016 and 2017, the Company entered into an asset purchase agreement with Huaian Imaging Device Manufacturer Corporation ("HIDM") pursuant to which the Company provided perpetual, non-exclusive licenses relating to certain technologies to HIDM and recognized \$10.0 million of licensing income during the year ended December 31, 2018.

On November 29, 2017, the Company and QST Co. Ltd ("QST") entered into an IP license and technology transfer agreement ("IP Agreement") to grant QST patent licenses and IP rights to certain of the Company's technologies. Pursuant to the IP Agreement, QST receives perpetual, worldwide, nonexclusive and nontransferable patents licenses and IP rights upon the payment of license fees of which the Company recognized licensing income of \$22.7 million during the year ended December 31, 2018. The Company also recognized certain insignificant amounts of licensing income relating to other transactions during the year ended December 31, 2018.

Note 6: Goodwill and Intangible Assets

Goodwill

Goodwill is tested for impairment at the reporting unit level, which is one level below the Company's operating segments. The Company performed qualitative assessments for the annual impairment analysis during the fourth quarters of 2020 and 2019 and concluded that it is more likely than not that the fair value of its reporting units exceed their carrying amounts and a quantitative impairment test was not required.

The following table summarizes goodwill by operating and reportable segments (in millions):

	As of December 31, 2020			As of December 31, 2019			As of December 31, 2018		
	Goodwill	Accumulated Impairment Losses	Carrying Value	Goodwill	Accumulated Impairment Losses	Carrying Value	Goodwill	Accumulated Impairment Losses	Carrying Value
<i>Operating and Reportable Segments:</i>									
ASG	\$ 1,566.3	\$ (418.9)	\$ 1,147.4	\$ 1,563.4	\$ (418.9)	\$ 1,144.5	\$ 836.7	\$ (418.9)	\$ 417.8
ISG	114.7	—	114.7	114.4	—	114.4	114.4	—	114.4
PSG	433.2	(31.9)	401.3	432.2	(31.9)	400.3	432.2	(31.9)	400.3
Total	\$ 2,114.2	\$ (450.8)	\$ 1,663.4	\$ 2,110.0	\$ (450.8)	\$ 1,659.2	\$ 1,383.3	\$ (450.8)	\$ 932.5

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company recorded a goodwill impairment charge of \$3.3 million in 2018 as a result of the licensing transaction with QST, which represented the entire goodwill assigned to a reporting unit within PSG.

The following table summarizes the change in goodwill (in millions):

Net balance as of December 31, 2018	\$	932.5
Addition due to business combination		<u>726.7</u>
Net balance as of December 31, 2019		1,659.2
Addition due to business combination		<u>4.2</u>
Net balance as of December 31, 2020	\$	<u><u>1,663.4</u></u>

Intangible Assets

Intangible assets, net, were as follows (in millions):

	As of December 31, 2020			
	Original Cost	Accumulated Amortization	Accumulated Impairment Losses	Carrying Value
Customer relationships	\$ 581.5	\$ (411.7)	\$ (17.6)	\$ 152.2
Developed technology	794.7	(532.9)	(2.6)	259.2
IPRD	49.5	—	(25.4)	24.1
Licenses	30.0	—	—	30.0
Other intangibles	79.3	(60.6)	(15.2)	3.5
Total intangible assets	<u>\$ 1,535.0</u>	<u>\$ (1,005.2)</u>	<u>\$ (60.8)</u>	<u>\$ 469.0</u>

	As of December 31, 2019			
	Original Cost	Accumulated Amortization	Accumulated Impairment Losses	Carrying Value
Customer relationships	\$ 585.2	\$ (386.8)	\$ (20.1)	\$ 178.3
Developed technology	779.5	(440.3)	(2.6)	336.6
IPRD	64.7	—	(24.1)	40.6
Licenses	30.0	—	—	30.0
Other intangibles	79.3	(59.1)	(15.2)	5.0
Total intangible assets	<u>\$ 1,538.7</u>	<u>\$ (886.2)</u>	<u>\$ (62.0)</u>	<u>\$ 590.5</u>

During the years ended December 31, 2020 and December 31, 2019, the Company completed certain of its IPRD projects resulting in the reclassification of \$15.2 million and \$23.2 million, respectively, from IPRD to developed technology.

During the year ended December 31, 2018, the Company determined that the value of one of its IPRD projects under ISG was impaired and recorded a charge of \$3.5 million.

Amortization expense for intangible assets for the years ended December 31, 2020, 2019 and 2018 amounted to \$120.3 million, \$115.2 million and \$111.7 million, respectively. Amortization expense for intangible assets, with the exception of the \$24.1 million of IPRD assets that will be amortized once the corresponding projects have been completed, is expected to be as follows over the next five years, and thereafter (in millions):

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

	Total
2021	\$ 99.2
2022	83.8
2023	65.9
2024	54.1
2025	41.1
Thereafter	100.8
Total estimated amortization expense	<u>\$ 444.9</u>

Note 7: Restructuring, Asset Impairments and Other Charges, net

Details of restructuring, asset impairments and other charges, net are as follows (in millions):

	Restructuring	Asset Impairments (1)	Other	Total
Year Ended December 31, 2020				
Voluntary separation program	\$ 27.5	\$ —	\$ —	\$ 27.5
2020 Involuntary separation program	11.8	—	—	11.8
General workforce reduction	12.3	—	—	12.3
Other	—	17.5	(3.9)	13.6
Total	<u>\$ 51.6</u>	<u>\$ 17.5</u>	<u>\$ (3.9)</u>	<u>\$ 65.2</u>
Year Ended December 31, 2019				
General workforce reduction	\$ 8.4	\$ —	\$ —	\$ 8.4
Post-Quantenna acquisition restructuring	15.7	—	—	15.7
Other	0.8	3.4	0.4	4.6
Total	<u>\$ 24.9</u>	<u>\$ 3.4</u>	<u>\$ 0.4</u>	<u>\$ 28.7</u>
Year Ended December 31, 2018				
Other	\$ 3.9	\$ 4.6	\$ (4.2)	\$ 4.3
Total	<u>\$ 3.9</u>	<u>\$ 4.6</u>	<u>\$ (4.2)</u>	<u>\$ 4.3</u>

(1) The asset impairment charges recorded during the year ended December 31, 2020 related to a) property, plant and equipment amounting to \$9.1 million b) investments in certain entities where the Company does not exert a significant influence amounting to \$7.0 million and c) lease right-of-use assets of \$1.4 million.

Summary of changes in accrued restructuring charges as follows (in millions):

	Estimated employee separation charges	Estimated costs to exit	Total
<i>Balance as of December 31, 2018</i>	\$ 0.3	\$ 0.2	\$ 0.5
Charges	24.9	—	24.9
Usage	(25.1)	(0.1)	(25.2)
<i>Balance as of December 31, 2019</i>	\$ 0.1	\$ 0.1	\$ 0.2
Charges	51.6	—	51.6
Usage	(45.5)	(0.1)	(45.6)
<i>Balance as of December 31, 2020</i>	<u>\$ 6.2</u>	<u>\$ —</u>	<u>\$ 6.2</u>

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Year ended December 31, 2020:

Voluntary Separation Program

During the first quarter of 2020, the Company offered the VSP to employees that met certain criteria. Participation was subject to management review and approval. The purpose of the VSP was to allow employees to voluntarily separate employment during a specific time and with enhanced separation compensation and benefits, thereby enabling the Company to optimize its cost structure and progress towards its target financial model. Management approved 243 employees for participation in the VSP during the first quarter, after which the VSP was terminated. The aggregate expense for the VSP amounted to \$27.5 million for the 243 employees, all of whom had exited by the end of the second quarter of 2020. All amounts under the VSP have been paid during 2020, and there are no payments remaining as of December 31, 2020.

2020 Involuntary Separation Program

During the second quarter of 2020, the Company implemented the ISP restructuring program. Under the ISP, the Company notified approximately 191 employees of their employment termination with aggregate severance costs and other benefits amounting to \$11.8 million. All notified employees have exited during 2020 and an insignificant amount remained accrued as of December 31, 2020. The Company currently does not anticipate additional employee terminations under this program.

General workforce reduction

In addition to the VSP and the ISP, the Company undertook certain general workforce reduction measures during 2020.

During the first three quarters of 2020, the Company notified approximately 153 employees of their employment termination with aggregate severance costs and other benefits amounting \$6.2 million. All notified employees have exited during 2020 and an insignificant amount remained accrued as of December 31, 2020.

During the fourth quarter of 2020, the Company notified approximately 106 employees of their employment termination with aggregate severance costs and other benefits amounting to approximately \$6.1 million, of which 67 employees have exited as of the end of the year. As of December 31, 2020, \$5.3 million remained accrued and is expected to be paid during the first quarter of 2021.

Year ended December 31, 2019:

General workforce reductions and post-Quantenna acquisition restructuring

During the first quarter of 2019, the Company approved and began to implement certain restructuring actions aimed at cost savings, primarily through workforce reductions. As of December 31, 2019, the Company had notified approximately 143 employees of their employment termination, all of whom had exited by December 31, 2019. For the year ended December 31, 2020, the expense for this program amounted to \$8.4 million, all of which was paid as of December 31, 2019.

Following the acquisition of Quantenna and during the quarter ended June 28, 2019, the Company implemented a cost-reduction plan resulting in the elimination of approximately eight executive positions from Quantenna's workforce, primarily as a result of redundancies. During the year ended December 31, 2019, the Company terminated an additional ten employees. The total restructuring expense of \$15.7 million was attributable to the accelerated vesting of stock awards previously issued by Quantenna, executive retention and other severance benefits. All severance benefits for this program were paid as of December 31, 2019.

Year ended December 31, 2018:

The Company did not have any significant restructuring activities during the year ended December 31, 2018.

The Company continues to evaluate employee positions and locations for potential efficiencies and may incur additional charges in the future.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Note 8: Balance Sheet Information

Certain significant amounts included in the Company's Consolidated Balance Sheets consist of the following (in millions):

	As of	
	December 31, 2020	December 31, 2019
Inventories:		
Raw materials	\$ 135.7	\$ 138.4
Work in process	829.7	772.9
Finished goods	286.0	321.1
	<u>\$ 1,251.4</u>	<u>\$ 1,232.4</u>
Property, plant and equipment, net:		
Land	\$ 119.7	\$ 125.2
Buildings	850.0	860.6
Machinery and equipment	4,538.0	4,275.2
Property, plant and equipment, gross	5,507.7	5,261.0
Less: Accumulated depreciation	(2,995.4)	(2,669.4)
	<u>\$ 2,512.3</u>	<u>\$ 2,591.6</u>
Accrued expenses:		
Accrued payroll and related benefits	\$ 166.8	\$ 153.4
Sales related reserves	233.3	247.3
Income taxes payable	25.5	22.5
Other	144.4	115.6
	<u>\$ 570.0</u>	<u>\$ 538.8</u>

Assets classified as held-for-sale, consisting primarily of land and buildings, are required to be recorded at the lower of carrying value or fair value less any costs to sell. The carrying value of these assets as of December 31, 2020 was \$7.4 million, and is reported as other current assets on the Company's Consolidated Balance Sheet.

Depreciation expense for property, plant and equipment, including amortization of finance leases, totaled \$444.1 million, \$409.7 million and \$359.3 million for 2020, 2019 and 2018, respectively.

Included within sales related reserves are ship and credit reserves for distributors amounting to \$180.2 million and \$178.7 million as of December 31, 2020 and 2019, respectively.

Leases

Operating lease arrangements are comprised primarily of real estate and equipment agreements. The Company's existing leases do not contain significant restrictive provisions or residual value guarantees; however, certain leases contain renewal options and provisions for payment of real estate taxes, insurance and maintenance costs by the Company.

The components of lease expense are as follows (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Operating lease	\$ 38.2	35.0
Variable lease	4.2	4.0
Short-term lease	4.1	2.6
Total lease expense	<u>\$ 46.5</u>	<u>41.6</u>

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The lease liabilities included in the following captions in the Consolidated Balance Sheet are as follows (in millions):

	As of	
	December 31, 2020	December 31, 2019
Accrued expenses and other current liabilities	\$ 32.2	26.1
Other long-term liabilities	115.7	87.9
Total lease liabilities	\$ 147.9	114.0

Operating lease assets of \$136.3 million and \$110.2 million are included in other assets in the Consolidated Balance Sheet as of December 31, 2020 and December 31, 2019, respectively. As of December 31, 2020, the weighted-average remaining lease-term was 6.9 years and the weighted-average discount rate was 4.9%.

As of December 31, 2020, there was an insignificant amount of commitments for operating leases that have not yet commenced. The reconciliation of the maturities of the operating leases to the lease liabilities recorded in the Consolidated Balance Sheet as of December 31, 2020 is as follows (in millions):

2021	\$	36.5
2022		30.1
2023		23.1
2024		20.8
2025		14.2
Thereafter		49.9
Total lease payments	\$	174.6
Less: Interest		(26.7)
Total lease liabilities	\$	147.9

Total rent expense associated with operating leases for 2018 was \$43.6 million.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Note 9: Long-Term Debt

The Company's long-term debt consists of the following (annualized interest rates, dollars in millions):

	As of	
	December 31, 2020	December 31, 2019
Amended Credit Agreement:		
Revolving Credit Facility due 2024, interest payable monthly at 1.90% and 3.30%, respectively	\$ 700.0	\$ 800.0
Term Loan "B" Facility due 2026, interest payable monthly at 2.15% and 3.80%, respectively	1,614.5	1,630.9
3.875% Notes due 2028 (1)	700.0	—
1.00% Notes due 2020 (2)	—	690.0
1.625% Notes due 2023 (3)	575.0	575.0
Other long-term debt (4)	—	53.3
Gross long-term debt, including current maturities	3,589.5	3,749.2
Less: Debt discount (5)	(69.7)	(102.7)
Less: Debt issuance costs (6)	(28.5)	(34.0)
Net long-term debt, including current maturities	3,491.3	3,612.5
Less: Current maturities	(531.6)	(736.0)
Net long-term debt	\$ 2,959.7	\$ 2,876.5

- (1) Interest is payable on March 1 and September 1 of each year at 3.875% annually.
- (2) Interest was payable on June 1 and December 1 of each year at 1.00% annually. Balance was fully repaid during 2020.
- (3) Interest is payable on April 15 and October 15 of each year at 1.625% annually.
- (4) Consisted of a term loan, finance lease and other facility at certain international locations where interest is payable monthly or quarterly, with interest rates ranging between 1.00% and 1.48% and maturity dates in 2020.
- (5) Debt discount of \$6.5 million and zero for the 3.875% Notes, zero and \$20.4 million for the 1.00% Notes, \$54.2 million and \$71.8 million for the 1.625% Notes and \$9.0 million and \$10.5 million for the Term Loan "B" Facility, in each case as of December 31, 2020 and December 31, 2019, respectively.
- (6) Debt issuance costs of \$2.3 million and zero for the 3.875% Notes, zero and \$2.8 million for the 1.00% Notes, \$5.2 million and \$6.9 million for the 1.625% Notes and \$21.0 million and \$24.3 million for the Term Loan "B" Facility, in each case as of December 31, 2020 and December 31, 2019, respectively.

Maturities

Expected maturities relating to the Company's gross long-term debt (including current maturities) as of December 31, 2020 are as follows (in millions):

	Annual Maturities
2021	\$ 591.4
2022	16.3
2023	16.3
2024	716.4
2025	16.3
Thereafter	2,232.8
Total	\$ 3,589.5

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Amended Credit Agreement

The Company obtained capital for the acquisition of Fairchild and other general corporate purposes under a Credit Agreement dated as of April 15, 2016, by and among the Company, as borrower, the several lenders party thereto, Deutsche Bank AG, New York Branch, as administrative agent and collateral agent, and certain other parties (as subsequently amended, the "Amended Credit Agreement"). The Amended Credit Agreement provides for a \$1.97 billion revolving credit facility (the "Revolving Credit Facility") and a \$2.4 billion term loan "B" facility (the "Term Loan "B" Facility").

Amendments to the Amended Credit Agreement

Between 2016 and 2019, the Company, the Guarantors (as defined in the Amended Credit Agreement), the several lenders party thereto and the Agent (as defined in the Amended Credit Agreement) entered into seven amendments to the Amended Credit Agreement. These amendments, among others, reduced the interest rates payable under the Term Loan "B" Facility and the Revolving Credit Facility, increased the amounts that may be borrowed under the Term Loan "B" Facility and the Revolving Credit Facility and also amended certain financial covenants. As part of the seventh amendment to the Amended Credit Agreement executed during 2019, the Company drew an additional \$500.0 million under Term Loan "B" Facility and utilized the additional borrowings to repay \$500.0 million of the outstanding balance under the Revolving Credit Facility. The maturity date of borrowings under the Revolving Credit Facility and Term Loan "B" Facility currently is June 12, 2024 and September 19, 2026, respectively.

On June 23, 2020, the Company entered into the Eighth Amendment ("Eighth Amendment") to the Amended Credit Agreement to change certain defined terms and to modify certain terms and conditions of the Amended Credit Agreement to align with the domestication of certain foreign subsidiaries. There was no impact to the consolidated financial statements due to the Eighth Amendment. See Note 16: "Income Taxes" for additional information on the domestication.

The obligations under the Amended Credit Agreement are guaranteed by the Guarantors and collateralized by a pledge of substantially all of the assets of the Company and the Guarantors, including a pledge of the equity interests in certain of the Company's domestic and first tier foreign subsidiaries, subject to customary exceptions. The obligations under the Amended Credit Agreement are also collateralized by mortgage on certain real property assets of the Company and its domestic subsidiaries.

The Amended Credit Agreement includes a maximum total net leverage ratio as a financial maintenance covenant, which the Company was in compliance as of December 31, 2020. It also contains other customary affirmative and negative covenants and events of default.

Loss on debt refinancing and prepayment

In connection with an amendment during 2019, the Company incurred fees to lenders, third parties, legal and other costs amounting to \$17.5 million, of which a significant portion was capitalized. Management recorded a loss on debt refinancing amounting to \$5.8 million, which included a proportionate write-off of the unamortized debt discount and issuance costs and the third party fees incurred for the transaction. In connection with another amendment during 2019, the Company incurred third party, legal and other fees of \$6.6 million and recorded \$0.4 million as loss on extinguishment of debt, while capitalizing the remaining cost incurred.

The loss on debt refinancing and prepayment amounted to \$6.2 million for the year ended December 31, 2019. No such losses were recorded during the year ended December 31, 2020.

Borrowing and repayments under the Revolving Credit Facility

On March 24, 2020, the Company borrowed \$1,165.0 million under the Revolving Credit Facility as a precautionary measure in order to increase the Company's cash position and provide financial flexibility in light of the uncertainty resulting from the impact of the COVID-19 pandemic. Due to better macroeconomic and business conditions, on August 21, 2020, the Company used the net proceeds from the issuance of the 3.875% Notes along with cash on hand to repay \$1,200 million of such outstanding borrowings. Additionally, on December 31, 2020, the Company repaid \$65.0 million of outstanding borrowings under the Revolving Credit Facility. As of December 31, 2020, approximately \$1,269.0 million was available for future borrowings under the Revolving Credit Facility.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Issuance of 3.875% Notes

On August 21, 2020, the Company completed its private offering of \$700.0 million aggregate principal amount of the 3.875% Notes. The 3.875% Notes were offered in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. The 3.875% Notes are fully and unconditionally guaranteed, on a joint and several basis, by each of the Company's subsidiaries that is a borrower or Guarantor under the Amended Credit Agreement and will also be fully and unconditionally guaranteed by any of the Company's subsidiaries that becomes a borrower or guarantees any indebtedness under the Amended Credit Agreement in the future.

The 3.875% Notes and the guarantees thereof are the Company's and the Guarantors' general unsecured obligations, respectively, and (i) rank equally in right of payment with all of the Company's and the Guarantors' existing and future senior indebtedness (including the 1.625% Notes); (ii) rank senior to any subordinated indebtedness that the Company or the Guarantors may incur; (iii) are effectively subordinated to all of the Company's or the Guarantors' existing and future secured indebtedness (including indebtedness under the Amended Credit Agreement), in each case, to the extent of the value of the assets securing such indebtedness; and (iv) are structurally subordinated in right of payment to all existing and future obligations of the Company's subsidiaries that are not Guarantors of the 3.875% Notes.

The 3.875% Notes bear interest at a rate of 3.875% per year, payable semi-annually on March 1 and September 1 of each year, beginning on March 1, 2021, and will mature on September 1, 2028, unless earlier redeemed or repurchased by the Company. The original issue discount and debt issuance costs incurred by the Company in connection with the offering of the 3.875% Notes amounted to \$9.4 million, which has been capitalized and will be amortized to interest expense through the maturity date of September 1, 2028. The net proceeds from the issuance of the 3.875% Notes were used entirely to repay borrowings under the Revolving Credit Facility.

Maturity and Settlement of 1.00% Notes due 2020

The 1.00% Notes matured on December 1, 2020. The maturity of the notes resulted in the Company paying \$690.0 million in cash to holders of the 1.00% Notes, representing the principal portion of the 1.00% Notes, using the available cash and cash equivalents.

The excess over the principal amount was settled on December 1, 2020 by issuing shares of the Company's common stock held in treasury. The transaction resulted in a net impact of \$88.7 million to additional paid-in capital and treasury stock, measured based on the acquisition cost of the reissued shares with no overall impact to equity. At the time of issuance of the 1.00% Notes, the Company concurrently entered into hedge transactions with certain of the initial purchasers of the 1.00% Notes. According to the terms of these hedge contracts, on December 1, 2020, the Company repurchased an equivalent amount of shares of its common stock at the prevailing fair market value, to effectively offset the issuance of shares, which resulted in an impact of \$321.0 million to additional paid-in capital and treasury stock, with no overall impact to equity.

Also at the time of issuance of the 1.00% Notes, the Company sold warrants to certain bank counterparties whereby the holders of the warrants have the option to purchase the equivalent number of shares of the Company's common stock at a price of \$25.96 per share from the Company. These warrants can be exercised by the holders beginning in March and expire no later than April 2021. The Company currently anticipates the holders to exercise the warrants to purchase up to 37.3 million shares of common stock from the Company, which will be settled on a net-share basis depending on the average stock price on the day of exercise.

1.625% Notes due 2023

On March 31, 2017, the Company completed a private placement of \$575.0 million of its 1.625% Notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 1.625% Notes are governed by an indenture between the Company, as the issuer, the guarantors named therein and Wells Fargo Bank, National Association, as trustee (the "1.625% Indenture"). The 1.625% Notes are convertible by holders into cash and shares of the Company's common stock at a conversion rate of 48.2567 shares of common stock per \$1,000 principal amount of notes (subject to adjustment in certain events), which is equivalent to an initial conversion price of \$20.72 per share of common stock. The Company will settle conversion of all 1.625% Notes validly tendered for conversion in cash, shares of the Company's common stock or a combination of cash and shares to be determined by the Company.

Holders may convert their 1.625% only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on June 30, 2017 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 1.625% Notes for each trading day of such period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; (iii) upon the occurrence of specified corporate transactions described in the 1.625% Indenture; or (iv) on or after July 15, 2023 (each considered a "trigger"). Upon conversion of the 1.625% Notes, the Company will deliver cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company's election.

The last reported sale price of the Company's common stock for at least 20 trading days during the period of 30 consecutive trading days ending on December 31, 2020 was greater than or equal to \$26.94 (130% of the conversion price) on each applicable trading day. As a result, the Company recorded the outstanding balance of the 1.625% Notes amounting to \$515.6 million, net of unamortized discount and issuance costs, as a current portion of long-term debt as of December 31, 2020, and as required by the 1.625% Indenture, gave notice to the trustee, the conversion agent and each holder on December 31, 2020 that each holder has the right to surrender any portion of its 1.625% Notes (in minimum denominations of \$1,000 in principal amount or an integral multiple thereof) for conversion during the calendar quarter ending March 31, 2021 (and only during such calendar quarter unless the trigger remains) pursuant to the terms of the 1.625% Indenture.

Other Long-term Debt

Note Payable to Fujitsu

On October 1, 2018, the Company assumed a yen-denominated non-collateralized loan obligation amounting to \$50.6 million as a result of the Company acquiring a majority ownership in OSA. Amortization and maturity of the loan was at the request of the lender, FSL. Upon acquiring 100% ownership in OSA, the Company repaid the balance in full during the year ended December 31, 2020.

Note 10: Earnings Per Share and Equity

Earnings Per Share

Net income per share of common stock attributable to ON Semiconductor Corporation is shown below (in millions, except per share data):

	Year ended December 31,		
	2020	2019	2018
Net income attributable to ON Semiconductor Corporation	\$ 234.2	\$ 211.7	\$ 627.4
Basic weighted-average shares of common stock outstanding	410.7	410.9	423.8
Add: Incremental shares for:			
Dilutive effect of share-based awards	1.9	1.9	4.3
Dilutive effect of convertible notes and warrants	6.2	3.2	7.8
Diluted weighted average shares of common stock outstanding	418.8	416.0	435.9
Net income per share of common stock attributable to ON Semiconductor Corporation:			
Basic	\$ 0.57	\$ 0.52	\$ 1.48
Diluted	\$ 0.56	\$ 0.51	\$ 1.44

Basic income per share of common stock is computed by dividing net income attributable to the Company by the weighted average number of shares of common stock outstanding during the period.

To calculate the diluted weighted-average shares of common stock outstanding, treasury stock method has been applied to calculate the number of incremental shares from the assumed issuance of shares relating to RSUs. Share-based awards of approximately 0.8 million, 0.8 million and 0.6 million for the years ended December 31, 2020, 2019 and 2018, respectively, were excluded as the impact was considered to be anti-dilutive.

The dilutive impact related to the Company's 1.00% Notes and 1.625% Notes, for the period such notes were outstanding, has

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

been determined in accordance with the net share settlement requirements, under which the Company's convertible notes are assumed to be convertible into cash up to the par value, with the excess of par value being convertible into common stock. The 1.00% Notes matured and were repaid and settled on December 1, 2020. While the dilutive impact of the warrants that were issued concurrently with the issuance of the 1.00% Notes which have an exercise price of \$25.96 have been included in the calculation of diluted weighted-average common shares outstanding, the warrants issued concurrently with the issuance of the 1.625% Notes which have an exercise price of \$30.70 were still anti-dilutive and excluded. Prior to conversion, the convertible note hedges are not considered for purposes of the earnings per share calculations, as their effect would be anti-dilutive. Upon conversion, the convertible note hedges are expected to offset the dilutive effect of the 1.625% Notes when the stock price is above \$20.72 per share.

Equity

Share Repurchase Programs

On December 1, 2014, the Company announced the "Capital Allocation Policy" under which the Company intends to return to stockholders approximately 80 percent of free cash flow, less repayments of long-term debt, subject to a variety of factors, including the strategic plans, market and economic conditions and the discretion of the Board of Directors. For the purposes of the Capital Allocation Policy, the Company defines "free cash flow" as net cash provided by operating activities less purchases of property, plant and equipment.

On December 1, 2014, the Company announced the 2014 Share Repurchase Program pursuant to the Capital Allocation Policy. Under the Company's 2014 Share Repurchase Program, the Company had the ability to repurchase up to \$1.0 billion (exclusive of fees, commissions and other expenses) of the Company's common stock over a period of four years from December 1, 2014, subject to certain contingencies. The 2014 Share Repurchase Program, which did not require the Company to purchase any particular amount of common stock and was subject to the discretion of the Board of Directors, expired on November 30, 2018 with approximately \$288.2 million remaining unutilized. The Company repurchased common stock for an aggregate purchase price of approximately \$315.0 million under the 2014 Share Repurchase Program during the year ended December 31, 2018.

On November 15, 2018, the Company announced the 2018 Share Repurchase Program pursuant to the Capital Allocation Policy. Under the 2018 Share Repurchase Program, the Company is authorized to repurchase up to \$1.5 billion of its common shares from December 1, 2018 through December 31, 2022, exclusive of any fees, commissions or other expenses. The Company may repurchase its common stock from time to time in privately negotiated transactions or open market transactions, including pursuant to a trading plan in accordance with Rule 10b5-1 and Rule 10b-18 of the Exchange Act, or by any combination of such methods or other methods. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including the Company's stock price, corporate and regulatory requirements, restrictions under the Company's debt obligations and other market and economic conditions. There were \$65.3 million and \$138.9 million in repurchases of the Company's common stock under the 2018 Share Repurchase Program during the years ended December 31, 2020 and December 31, 2019, respectively. As of December 31, 2020, the remaining authorized amount under the 2018 Share Repurchase Program was \$1,295.8 million.

Information relating to the Company's 2018 and 2014 Share Repurchase Programs is as follows (in millions, except per share data):

	Year ended December 31,		
	2020	2019	2018
Number of repurchased shares (1)	3.6	7.8	16.8
Aggregate purchase price	\$ 65.3	\$ 138.9	\$ 315.0
Fees, commissions and other expenses	0.1	0.1	0.3
Total cash used for share repurchases	\$ 65.4	\$ 139.0	\$ 315.3
Weighted-average purchase price per share (2)	\$ 18.08	\$ 17.89	\$ 18.78
Available under the 2018 Share Repurchase Program	\$ 1,295.8	\$ 1,361.1	\$ 1,500.0

(1) None of these shares had been reissued or retired as of December 31, 2020, but may be reissued or retired later.

(2) Exclusive of fees, commission or other expenses

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Reissuance of shares held in treasury stock

In connection with the maturity of the 1.00% Notes, the Company reissued shares of common stock held in treasury to settle the excess over the principal amount. This was the first time the Company reissued shares held in treasury stock and accounted for such reissuance on a first-in, first-out basis. Pursuant to the hedge transactions entered concurrently with the issuance of the 1.00% Notes, the Company repurchased an equivalent number of shares of its common stock at the prevailing fair market value, to effectively offset the reissuance from treasury stock. This repurchase did not reduce the authorized amount remaining under the 2018 Share Repurchase Program.

Shares for Restricted Stock Units Tax Withholding

Treasury stock is recorded at cost and is presented as a reduction of stockholders' equity in the accompanying consolidated financial statements. Shares with a fair market value equal to the applicable amount of the employee withholding taxes due are withheld upon the vesting of RSUs to pay the applicable amount of employee withholding taxes and are considered common stock repurchases. The Company then pays the applicable amount of withholding taxes in cash. The amounts remitted during the years ended December 31, 2020, 2019 and 2018 were \$20.0 million, \$33.5 million and \$31.6 million, respectively, for which the Company withheld approximately 1.1 million, 1.6 million and 1.3 million shares of common stock, respectively, that were underlying the RSUs that vested. None of these shares had been reissued or retired as of December 31, 2020, but may be reissued or retired later. These deemed repurchases in connection with tax withholding upon vesting were not made under the 2018 Share Repurchase Program or 2014 Share Repurchase Program, and the amounts spent in connection with such deemed repurchases did not reduce the authorized amount remaining under the 2018 Share Repurchase Program.

Non-Controlling Interest

Leshan operates assembly and test operations in Leshan, China. The Company owns 80% of the outstanding equity interests in Leshan, and the results of Leshan have been consolidated in the Company's financial statements. At December 31, 2020, the Leshan non-controlling interest balance was \$19.6 million. This balance included the Leshan non-controlling interest's \$2.2 million share of the earnings for the year ended December 31, 2020 offset by \$5.0 million of dividends paid to the non-controlling shareholder. At December 31, 2019, the Leshan non-controlling interest balance was \$22.4 million. This balance included the Leshan non-controlling interest's \$2.2 million share of the earnings for the year ended December 31, 2019 offset by \$2.3 million of dividends paid to the non-controlling shareholder.

OSA operates a front-end wafer fabrication facility in Aizuwakamatsu, Japan. During 2018, the Company acquired an incremental 50% equity interest in OSA for approximately \$24.6 million, net of cash acquired, to increase its ownership to 60% of the outstanding equity interest. During 2020, the Company acquired the remaining 40% of the equity interest in OSA from FSL, whereby OSA became a wholly-owned subsidiary of the Company. The purchase price payable to FSL for the remaining 40% equity, offset by the purchase price adjustment, resulted in the Company receiving \$26.0 million in settlement of the purchase price from FSL during the year ended December 31, 2020. The results of OSA have been consolidated in the Company's financial statements since 2018 when the Company became the majority owner.

Stockholders' Rights Plan

On June 7, 2020, the Board of Directors authorized and declared a dividend of one preferred share purchase right (a "Right") to be issued as of 5:00 p.m. New York City time on June 18, 2020 for each outstanding share of common stock to the stockholders of record on that date. In connection with the Rights, the Company and Computershare Trust Company, N.A., as rights agent, entered into a Rights Agreement, dated as of June 8, 2020 (the "Rights Agreement"). Each Right entitles the registered holder of common stock to purchase from the Company one one-hundred-thousandth of a share (a "Unit") of Series B Junior Participating Preferred Stock, par value \$0.01 per share, at a purchase price of \$100.80 per Unit (the "Purchase Price"), subject to adjustment as provided in the Rights Agreement. Subject to certain exceptions, if a person or group becomes the beneficial owner of more than 15% of the Company's outstanding shares of common stock, the Rights will become exercisable for that number of shares of Common Stock having a market value of two times the Purchase Price. The Rights, which have a de minimis value as of December 31, 2020, expire on the earlier of (i) the close of business on June 7, 2021, (ii) the time at which the Rights are redeemed pursuant to the Rights Agreement, (iii) the closing of any merger or other acquisition transaction involving the Company that has been approved by the Board of Directors, at which time the Rights are terminated, and (iv) the time at which the Rights are exchanged pursuant to the Rights Agreement. The Rights are in all respects subject to and governed by the provisions of the Rights Agreement.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Note 11: Share-Based Compensation

Total share-based compensation expense related to the Company's RSUs, stock grant awards and ESPP were recorded within the Consolidated Statements of Operations and Comprehensive Income as follows (in millions):

	Year Ended December 31,		
	2020	2019	2018
Cost of revenue	\$ 11.5	\$ 10.6	\$ 7.0
Research and development	18.2	17.0	14.3
Selling and marketing	12.9	14.8	14.1
General and administrative	25.1	37.0	42.9
Share-based compensation expense	67.7	79.4	78.3
Income tax benefit	(14.2)	(16.7)	(16.4)
Share-based compensation expense, net of taxes	\$ 53.5	\$ 62.7	\$ 61.9

At December 31, 2020, total unrecognized share-based compensation expense, net of estimated forfeitures, related to non-vested RSUs with service, performance and market conditions was \$74.5 million, which is expected to be recognized over a weighted-average period of 1.6 years. There was an insignificant amount of stock options exercised during the year ended December 31, 2020. Upon option exercise, vesting of RSUs, stock grant awards or completion of a purchase under the ESPP, the Company issues new shares of common stock.

Share-Based Compensation Information

The fair value per unit of RSU and stock grant award is determined on the grant date. There were no employee stock options granted during the years ended December 31, 2020, 2019 and 2018. Share-based compensation expense is based on awards ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The annualized pre-vesting forfeitures for RSUs were estimated to be approximately 5% for the years ended December 31, 2020, 2019 and 2018.

Plan Descriptions

On March 23, 2010, the Company adopted the Amended and Restated SIP, which was subsequently approved by the Company's stockholders at the annual stockholder meeting on May 18, 2010 and reapproved by the Company's stockholders at the annual stockholder meeting on May 20, 2015. The Amended and Restated SIP provides key employees, directors and consultants with various equity-based incentives as described in the plan document. The Amended and Restated SIP is administered by the Board of Directors or a committee thereof, which is authorized to determine, among other things, the key employees, directors or consultants who will receive awards under the plan, the amount and type of award, exercise prices or performance criteria, if applicable, and vesting schedules. On May 15, 2012, stockholders approved certain amendments to the Amended and Restated SIP to increase the number of shares of common stock subject to all awards under the Amended and Restated SIP by 33.0 million. On May 17, 2017, stockholders approved certain amendments to the Amended and Restated SIP to increase the number of shares of common stock subject to all awards under the Amended and Restated SIP by 27.9 million to 87.0 million, exclusive of shares of common stock subject to awards that were previously granted pursuant to the 2000 SIP that have or will become available for grant pursuant to the Amended and Restated SIP.

Generally, RSUs granted under the Amended and Restated SIP vest ratably over three years for awards with service conditions and over two years for awards with performance or market conditions, or a combination thereof, and are settled in shares of the Company's common stock upon vesting. Generally, upon the termination of an RSU holder's employment, all unvested RSUs will immediately cancel, except under circumstances where the service condition has been fulfilled.

As of December 31, 2020, there was an aggregate of 16.5 million shares of common stock available for grant under the Amended and Restated SIP.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Restricted Stock Units

A roll forward of the beginning to ending balance of RSUs outstanding as of December 31, 2020 is as follows (number of shares in millions):

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested shares of RSUs at December 31, 2019	8.9	\$ 20.84
Granted	6.5	19.50
Released	(3.3)	18.57
Canceled	(0.8)	20.86
Nonvested shares of RSUs at December 31, 2020	<u>11.3</u>	<u>20.73</u>

During 2020, the Company awarded 2.7 million RSUs to certain officers and employees of the Company that vest upon the achievement of certain performance criteria and market conditions. The number of units expected to vest is evaluated each reporting period and compensation expense is recognized for those units for which achievement of the performance criteria is considered probable. Compensation expense for RSUs with market conditions are recognized based on the grant date fair value irrespective of the achievement of the condition.

As of December 31, 2020, unrecognized compensation expense, net of estimated forfeitures related to non-vested RSUs granted under the Amended and Restated SIP with service, performance and market conditions, was \$69.7 million, \$0.8 million and \$4.0 million, respectively. For RSUs with time-based service conditions, expense is being recognized over the vesting period; for RSUs with performance criteria, expense is recognized over the period when the performance criteria is expected to be achieved; for RSUs with market conditions, expense is recognized over the period in which the condition is assessed irrespective of whether it would be achieved or not. Unrecognized compensation cost for awards with certain performance criteria that are not expected to be achieved is not included here. Total compensation expense related to performance-based, service-based, and market-based RSUs was \$58.1 million for the year ended December 31, 2020, which included \$52.5 million for RSUs with time-based service conditions that were granted in 2020 and prior that are expected to vest.

Stock Grant Awards

During the year ended December 31, 2020, the Company granted 0.1 million shares of stock under stock grant awards to certain directors of the Company with immediate vesting at a weighted-average grant date fair value of \$18.19 per share. Total compensation expense related to stock grant awards for the year ended December 31, 2020 was \$1.5 million.

Employee Stock Purchase Plan

On February 17, 2000, the Company adopted the ESPP. Subject to local legal requirements, each of the Company's eligible employees may elect to contribute up to 10% of eligible payroll applied towards the purchase of shares of the Company's common stock at a price equal to 85% of the fair market value of such shares as determined under the plan. Employees are limited to annual purchases of \$25,000 under this plan. In addition, during each quarterly offering period, employees may not purchase stock exceeding the lesser of: (i) 500 shares; or (ii) the number of shares equal to \$6,250 divided by the fair market value of the stock on the first day of the offering period. During the years ended December 31, 2020, 2019 and 2018 employees purchased approximately 1.8 million, 1.7 million and 1.5 million shares, respectively, under the ESPP. On May 17, 2017, stockholders approved an amendment to the Company's ESPP, which increased the number of shares reserved and available to be issued pursuant to the ESPP to a total of 28.5 million. As of December 31, 2020, there were approximately 3.0 million shares available for issuance under the ESPP. Total compensation expense related to the ESPP for the year ended December 31, 2020 was \$8.1 million.

Note 12: Employee Benefit Plans

Defined Benefit Pension Plans

The Company maintains defined benefit pension plans for employees of certain of its foreign subsidiaries. Such plans conform to local practice in terms of providing minimum benefits mandated by law, collective agreements or customary practice. The

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Company recognizes the aggregate amount of all overfunded plans as assets and the aggregate amount of all underfunded plans as liabilities in its Consolidated Balance Sheets. The Company's expected long-term rate of return on plan assets is updated at least annually, taking into consideration its asset allocation, historical returns on similar types of assets and the current economic environment. For estimation purposes, the Company assumes its long-term asset mix will generally be consistent with the current mix. The Company determines its discount rates using highly rated corporate bond yields and government bond yields.

Benefits under all of the plans are valued utilizing the projected unit credit cost method. The Company's policy is to fund its defined benefit plans in accordance with local requirements and regulations. The funding is primarily driven by the current assessment of the economic environment and projected benefit payments of foreign subsidiaries. The measurement date for determining the defined benefit obligations for all plans is December 31 of each year.

The Company recognizes actuarial gains and losses during the period the Company's annual pension plan actuarial valuations are prepared, which generally occurs during the fourth calendar quarter of each year, or during any interim period where a revaluation is deemed necessary. For the years ended December 31, 2020, 2019 and 2018, the Company recognized actuarial losses amounting to \$4.0 million, \$15.6 million and \$6.1 million, respectively. For 2020, the net actuarial loss of \$8.1 million which was primarily due to a decrease in the discount rates and other insignificant changes in actuarial assumptions, was partially offset by better than expected return on plan assets amounting to \$4.1 million.

Following is a summary of the status of the Company's foreign defined benefit pension plans and the net periodic pension cost (amounts in millions):

	Year Ended December 31,		
	2020	2019	2018
Service cost	\$ 10.9	\$ 9.4	\$ 9.6
Interest cost	4.7	5.0	4.7
Expected return on plan assets	(6.3)	(6.0)	(6.1)
Curtailement gain	(1.6)	—	(0.3)
Actuarial losses	4.0	15.6	6.1
Total net periodic pension cost	<u>\$ 11.7</u>	<u>\$ 24.0</u>	<u>\$ 14.0</u>
Weighted average assumptions			
Discount rate used for net periodic pension costs	1.43 %	1.74 %	1.66 %
Discount rate used for pension benefit obligations	1.31 %	1.43 %	1.74 %
Expected return on plan assets	3.06 %	3.23 %	3.18 %
Rate of compensation increase	3.26 %	3.07 %	3.22 %

The long-term rate of return on plan assets was determined using the weighted-average method, which incorporates factors that include the historical inflation rates, interest rate yield curve and current market conditions.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

	2020	2019
Change in projected benefit obligation (PBO)		
Projected benefit obligation at the beginning of the year	\$ 322.9	\$ 290.8
Service cost	10.9	9.4
Interest cost	4.7	5.0
Net actuarial loss	8.1	25.8
Benefits paid by plan assets	(8.9)	(5.7)
Benefits paid by the Company	(7.4)	(3.8)
Curtailments and settlements	(1.6)	(0.2)
Translation and other loss	22.5	1.6
Projected benefit obligation at the end of the year	<u>\$ 351.2</u>	<u>\$ 322.9</u>
Accumulated benefit obligation at the end of the year	<u>\$ 288.3</u>	<u>\$ 258.8</u>
Change in plan assets		
Fair value of plan assets at the beginning of the year	\$ 190.2	\$ 174.9
Actual return on plan assets	10.4	16.2
Benefits paid from plan assets	(8.9)	(5.7)
Employer contributions	4.3	4.6
Settlements	—	(0.2)
Translation and other gain	13.3	0.4
Fair value of plan assets at the end of the year	<u>\$ 209.3</u>	<u>\$ 190.2</u>
	As of December 31,	
	2020	2019
Plans with underfunded or non-funded projected benefit obligation (1)		
Projected benefit obligation	\$ 248.7	\$ 314.7
Fair value of plan assets	97.7	180.5
Plans with underfunded or non-funded accumulated benefit obligation		
Accumulated benefit obligation	\$ 189.4	\$ 193.6
Fair value of plan assets	97.7	115.2
Amounts recognized in the balance sheet consist of		
Non-current assets	\$ 9.0	\$ —
Current liabilities	(0.3)	(0.3)
Non-current liabilities	(150.6)	(132.4)
Funded status	<u>\$ (141.9)</u>	<u>\$ (132.7)</u>

(1) Certain pension plans that were in an underfunded status as of December 31, 2019 changed to an overfunded status as of December 31, 2020.

Plan Assets

The Company's overall investment strategy is to focus on stable and low credit risk investments aimed at providing a positive rate of return to the plan assets. The Company has an investment mix with a wide diversification of asset types and fund strategies that are aligned with each region and foreign location's economy and market conditions. Investments in government securities are generally guaranteed by the respective government offering the securities. Investments in corporate bonds, equity securities, and foreign mutual funds are made with the expectation that these investments will give an adequate rate of long-term returns despite periods of high volatility. Other types of investments include investments in cash deposits, money market funds and insurance contracts. Asset allocations are based on the anticipated required funding amounts, timing of benefit payments, historical returns on similar assets and the influence of the current economic environment.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table sets forth, by level within the fair value hierarchy, a summary of investments measured at fair value and the asset allocations of the plan assets in the Company's foreign pension plans (in millions):

Asset Category	As of December 31, 2020				
	Allocation	Total	Level 1	Level 2	Level 3
Cash/Money Markets	2 %	\$ 4.1	\$ 4.1	\$ —	\$ —
Foreign Government/Treasury Securities (1)	10 %	21.4	21.4	—	—
Corporate Bonds, Debentures (2)	18 %	36.9	—	36.9	—
Equity Securities (3)	23 %	48.5	—	48.5	—
Mutual Funds	5 %	9.5	—	9.5	—
Investment and Insurance Contracts (4)	42 %	88.9	—	31.4	57.5
	100 %	\$ 209.3	\$ 25.5	\$ 126.3	\$ 57.5

Asset Category	As of December 31, 2019				
	Allocation	Total	Level 1	Level 2	Level 3
Cash/Money Markets	3 %	\$ 4.5	\$ 4.5	\$ —	\$ —
Foreign Government/Treasury Securities (1)	10 %	19.4	19.4	—	—
Corporate Bonds, Debentures (2)	19 %	35.3	—	35.3	—
Equity Securities (3)	21 %	40.4	—	40.4	—
Mutual Funds	4 %	8.0	—	8.0	—
Investment and Insurance Contracts (4)	43 %	82.6	—	30.6	52.0
	100 %	\$ 190.2	\$ 23.9	\$ 114.3	\$ 52.0

(1) Includes investments primarily in guaranteed return securities.

(2) Includes investments in government bonds and corporate bonds of developed countries, emerging market government bonds, emerging market corporate bonds and convertible bonds.

(3) Includes investments in equity securities of developed countries and emerging markets.

(4) Includes certain investments with insurance companies that guarantee a minimum rate of return on the investment.

When available, the Company uses observable market data, including pricing on recently closed market transactions and quoted prices, which are included in Level 2. When data is unobservable, valuation methodologies using comparable market data are utilized and included in Level 3. Activity during the years ended December 31, 2020 and 2019, respectively, for plan assets with fair value measurement using significant unobservable inputs (Level 3) were as follows (in millions):

	Investment and Insurance Contracts
Balance at December 31, 2018	\$ 50.6
Actual return on plan assets	3.3
Purchase, sales and settlements, net	(0.9)
Foreign currency impact	(1.0)
Balance at December 31, 2019	\$ 52.0
Actual return on plan assets	0.8
Purchase, sales and settlements, net	(0.3)
Foreign currency impact	5.0
Balance at December 31, 2020	\$ 57.5

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The expected benefit payments from the Company's defined benefit plans from 2021 through 2025 and the five years thereafter are as follows (in millions):

2021	\$	7.0
2022		10.6
2023		14.0
2024		15.8
2025		17.9
Five years thereafter		114.3
Total	\$	<u>179.6</u>

The total underfunded status was \$141.9 million at December 31, 2020. The Company expects to contribute \$22.1 million during 2021 to its foreign defined benefit plans.

Defined Contribution Plans

The Company has a deferred compensation savings plan for all eligible U.S. employees established under the provisions of Section 401(k) of the Internal Revenue Code (the "Code"). Eligible employees may contribute a percentage of their salary subject to certain limitations. The Company has elected to match 100% of employee contributions between 0% and 4% of their salary, with an annual limit of \$11,400. The Company recognized \$19.4 million, \$18.1 million and \$19.2 million of expense relating to matching contributions in 2020, 2019 and 2018, respectively.

Certain foreign subsidiaries have defined contribution plans in which eligible employees participate. The Company recognized compensation expense of \$21.8 million, \$20.6 million and \$20.5 million relating to these plans for the years ended 2020, 2019 and 2018, respectively.

Note 13: Commitments and Contingencies

Purchase Obligations

The Company has agreements with suppliers, external manufacturers and other vendors for capital expenditures, inventory purchases, manufacturing services, information technology and other goods and services. The following is a schedule by year of future minimum purchase obligations under non-cancelable arrangements entered into during the ordinary course of business as of December 31, 2020 (in millions):

Year Ending December 31,		
2021	\$	524.9
2022 (1)		598.9
2023		259.5
2024		248.0
2025		3.5
Thereafter		3.5
Total	\$	<u>1,638.3</u>

(1) During 2019, the Company incurred additional commitments related to the pending acquisition of a manufacturing facility, of which \$70.0 million and \$100.0 million were deposited with the seller during the years ended December 31, 2019 and 2020, respectively. The remaining commitment of \$230.0 million will be owed on or around December 31, 2022.

Environmental Contingencies

The Company's headquarters in Phoenix, Arizona are located on property that is a "Superfund" site, which is a property listed on the National Priorities List and subject to clean-up activities under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). Motorola and Freescale (acquired by NXP Semiconductors N.V.) have been

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

involved in the clean-up activities of on-site solvent contaminated soil and groundwater and off-site contaminated groundwater pursuant to consent decrees with the State of Arizona. As part of the Company's separation from Motorola in 1999, Motorola retained responsibility for this contamination, and Motorola and Freescale have agreed to indemnify the Company with respect to remediation costs and other costs or liabilities related to this matter. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be, material.

The Company's former front-end manufacturing location in Aizu, Japan is located on property where soil and ground water contamination was detected. The Company believes that the contamination originally occurred during a time when the facility was operated by a prior owner. The Company worked with local authorities to implement a remediation plan and has completed remaining remediation. The majority of the cost of remediation was covered by insurance. During 2018, semi-annual groundwater monitoring indicated that the treatment was effective, and accordingly, we ceased such monitoring and have determined that this remediation project is complete. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be material.

The Company's manufacturing facility in the Czech Republic has undergone remediation to respond to releases of hazardous substances that occurred during the years that this facility was operated by government-owned entities. The remediation projects consisted primarily of monitoring groundwater wells located on-site and off-site with additional action plans developed to respond in the event certain contamination levels are exceeded. The government of the Czech Republic has agreed to indemnify the Company and its respective subsidiaries, subject to specified limitations, for remediation costs associated with this historical contamination. The Company has completed remediation on this project, and accordingly, has ceased all related monitoring efforts. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be material.

The Company's design center in East Greenwich, Rhode Island is located on property that has localized soil contamination. In connection with the purchase of the facility, the Company entered into a Settlement Agreement and Covenant Not to Sue with the State of Rhode Island. This agreement requires that remedial actions be undertaken and a quarterly groundwater monitoring program be initiated by the former owners of the property. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be material.

As a result of the acquisition of AMIS in 2008, the Company is a "primary responsible party" to an environmental remediation and clean-up plan at AMIS's former corporate headquarters in Santa Clara, California. Costs incurred by AMIS include implementation of the clean-up plan, operations and maintenance of remediation systems, and other project management costs. However, AMIS's former parent company, a subsidiary of Nippon Mining, contractually agreed to indemnify AMIS and the Company for any obligations relating to environmental remediation and clean-up activities at this location. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be material.

Through its acquisition of Fairchild, the Company acquired a facility in South Portland, Maine. This facility has ongoing environmental remediation projects to respond to certain releases of hazardous substances that occurred prior to the leveraged recapitalization of Fairchild from its former parent company, National Semiconductor Corporation, which is now owned by Texas Instruments Incorporated. Although the Company may incur certain liabilities with respect to these remediation projects, pursuant to a 1997 asset purchase agreement entered into in connection with the Fairchild recapitalization, National Semiconductor Corporation agreed to indemnify Fairchild, without limitation and for an indefinite period of time, for all future costs related to these projects. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be material.

Under a 1999 asset purchase agreement pursuant to which Fairchild purchased the power device business of Samsung, Samsung agreed to indemnify Fairchild in an amount up to \$150.0 million for remediation costs and other liabilities related to historical contamination at Samsung's Bucheon, South Korea operations. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be material.

Under a 2001 asset purchase agreement pursuant to which Fairchild purchased a manufacturing facility in Mountain Top, Pennsylvania, Intersil Corp. (subsequently acquired by Renesas Electronics Corporation) agreed to indemnify Fairchild for remediation costs and other liabilities related to historical contamination at the facility. Any costs to the Company incurred to respond to the above conditions and projects have not been, and are not expected to be material, and any future payments the Company makes in connection with such liabilities are not expected to be material.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company was notified by the EPA that it has been identified as a PRP under CERCLA in the Chemetco Superfund matter. Chemetco, a defunct reclamation services supplier that operated in Hartford, Illinois at what is now a Superfund site, has performed reclamation services for the Company in the past. The EPA is pursuing Chemetco customers for contribution to the site clean-up activities. The Company has joined a PRP group, which is cooperating with the EPA in the evaluation and funding of the clean-up activities. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be material.

Financing Contingencies

In the ordinary course of business, the Company provides standby letters of credit or other guarantee instruments to certain parties initiated by either the Company or its subsidiaries, as required for transactions, including, but not limited to, material purchase commitments, agreements to mitigate collection risk, leases, utilities or customs guarantees. As of December 31, 2020, the Company's Revolving Credit Facility included \$15.0 million available for the issuance of letters of credit. There were \$0.9 million letters of credit outstanding under the Revolving Credit Facility as of December 31, 2020, which reduced the Company's borrowing capacity. The Company also had outstanding guarantees and letters of credit outside of its Revolving Credit Facility totaling \$9.7 million as of December 31, 2020.

As part of obtaining financing in the ordinary course of business, the Company issued guarantees related to certain of its subsidiaries, which totaled \$0.9 million as of December 31, 2020. Based on historical experience and information currently available, the Company believes that it will not be required to make payments under the standby letters of credit or guarantee arrangements for the foreseeable future.

Indemnification Contingencies

The Company is a party to a variety of agreements entered into in the ordinary course of business pursuant to which it may be obligated to indemnify the other parties for certain liabilities that arise out of or relate to the subject matter of the agreements. Some of the agreements entered into by the Company require it to indemnify the other party against losses due to IP infringement, property damage (including environmental contamination), personal injury, failure to comply with applicable laws, the Company's negligence or willful misconduct or breach of representations and warranties and covenants related to such matters as title to sold assets.

The Company faces risk of exposure to warranty and product liability claims in the event that its products fail to perform as expected or such failure of its products results, or is alleged to result, in economic damage, bodily injury or property damage. In addition, if any of the Company's designed products are alleged to be defective, the Company may be required to participate in their recall. Depending on the significance of any particular customer and other relevant factors, the Company may agree to provide more favorable rights to such customer for valid defective product claims.

The Company and its subsidiaries provide for indemnification of directors, officers and other persons in accordance with limited liability company operating agreements, certificates of incorporation, by-laws, articles of association or similar organizational documents, as the case may be. Section 145 of the Delaware General Corporation Law ("DGCL") authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the DGCL are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Exchange Act. As permitted by the DGCL, the Company's Amended and Restated Certificate of Incorporation (as amended, the "Certificate of Incorporation"), contains provisions relating to the limitation of liability and indemnification of directors and officers. The Certificate of Incorporation eliminates the personal liability of each of the Company's directors to the fullest extent permitted by Section 102(b)(7) of the DGCL, as it may be amended or supplemented, and provides that the Company will indemnify its directors and officers to the fullest extent permitted by Section 145 of the DGCL, as amended from time to time.

The Company has entered into indemnification agreements with each of its directors and executive officers. The form of agreement (the "Indemnification Agreement") provides, subject to certain exceptions and conditions specified in the Indemnification Agreement, that the Company will indemnify each indemnitee to the fullest extent permitted by Delaware law against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with a proceeding or claim in which such person is involved because of his or her status as one of the Company's directors or executive officers. In addition, the Indemnification Agreement provides that the Company will, to the extent not

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

prohibited by law and subject to certain exceptions and repayment conditions, advance specified indemnifiable expenses incurred by the indemnitee in connection with such proceeding or claim.

The Company also maintains directors' and officers' insurance policies that indemnify its directors and officers against various liabilities, including certain liabilities under the Exchange Act, which might be incurred by any director or officer in his or her capacity as such.

The agreement and plan of merger relating to the acquisition of Fairchild (the "Fairchild Agreement") provides for indemnification and insurance rights in favor of Fairchild's then current and former directors, officers and employees. Specifically, the Company has agreed that, for no fewer than six years following the Fairchild acquisition, the Company will: (a) indemnify and hold harmless each such indemnitee against losses and expenses (including advancement of attorneys' fees and expenses) in connection with any proceeding asserted against the indemnified party in connection with such person's services as a director, officer, employee or other fiduciary of Fairchild or its subsidiaries prior to the effective time of the acquisition; (b) maintain in effect all provisions of the certificate of incorporation or bylaws of Fairchild or any of its subsidiaries or any other agreements of Fairchild or any of its subsidiaries with any indemnified party regarding elimination of liability, indemnification of officers, directors and employees and advancement of expenses in existence on the date of the Fairchild Agreement for acts or omissions occurring prior to the effective time of the acquisition; and (c) subject to certain qualifications, provide to Fairchild's then current directors and officers an insurance and indemnification policy that provides coverage for events occurring prior to the effective time of the acquisition that is no less favorable than Fairchild's then-existing policy, or, if insurance coverage that is no less favorable is unavailable, the best available coverage.

Similarly, the agreement and plan of merger relating to the acquisition of Quantenna (the "Quantenna Agreement") provides for indemnification and insurance rights in favor of Quantenna's then current and former directors, officers, employees and agents. Specifically, the Company has agreed that, for no fewer than six years following the Quantenna acquisition, the Company will: (a) indemnify and hold harmless each such indemnified party to the fullest extent permitted by Delaware law in the event of any threatened or actual claim suit, action, proceeding or investigation against the indemnified party based in whole or in part on, or pertaining to, such person's serving as a director, officer, employee or agent of Quantenna or its subsidiaries or predecessors prior to the effective time of the acquisition or in connection with the Quantenna Agreement; (b) maintain in effect provisions of the certificate of incorporation and bylaws of Quantenna and each of its subsidiaries regarding the elimination of liability of directors and indemnification of officers, directors and employees that are no less advantageous to the intended beneficiaries than the corresponding provisions in the certificate of incorporation and bylaws of Quantenna and each of its subsidiaries in existence on the date of the Quantenna Agreement; and (c) obtain and fully pay the premium for a non-cancelable extension of directors' and officers' liability coverage of Quantenna's directors' and officers' policies and Quantenna's fiduciary liability insurance policies in effect as of the date of the Quantenna Agreement.

While the Company's future obligations under certain agreements may contain limitations on liability for indemnification, other agreements do not contain such limitations and under such agreements it is not possible to predict the maximum potential amount of future payments due to the conditional nature of the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under any of these indemnities have not had a material effect on the Company's business, financial condition, results of operations or cash flows. Additionally, the Company does not believe that any amounts that it may be required to pay under these indemnities in the future will be material to the Company's business, financial position, results of operations, or cash flows.

Legal Matters

From time to time, the Company is party to various legal proceedings arising in the ordinary course of business, including indemnification claims, claims of alleged infringement of patents, trademarks, copyrights and other IP rights, claims of alleged non-compliance with contract provisions and claims related to alleged violations of laws and regulations. The Company regularly evaluates the status of the legal proceedings in which it is involved to assess whether a loss is probable or there is a reasonable possibility that a loss, or an additional loss, may have been incurred and determines if accruals are appropriate. If accruals are not appropriate, the Company further evaluates each legal proceeding to assess whether an estimate of possible loss or range of possible loss can be made for disclosure. Although litigation is inherently unpredictable, the Company believes that it has adequate provisions for any probable and estimable losses. Nevertheless, it is possible that the Company's consolidated financial position, results of operations or liquidity could be materially and adversely affected in any particular period by the resolution of a legal proceeding. The Company's estimates do not represent its maximum exposure. Legal expenses related to defense, negotiations, settlements, rulings and advice of outside legal counsel are expensed as incurred.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company is currently involved in a variety of legal matters that arise in the ordinary course of business. Based on information currently available, except as disclosed below, the Company is not involved in any pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition, results of operations or liquidity. The litigation process is inherently uncertain, and the Company cannot guarantee that the outcome of any litigation matter will be favorable to the Company.

Patent Litigation with PI

On October 19, 2019, the Company and PI entered into a Settlement Agreement (the "Settlement Agreement") pursuant to which the parties agreed to withdraw all outstanding legal and administrative disputes on the terms set forth in a binding term sheet previously entered into by and among the Company and PI on October 4, 2019.

Pursuant to the Settlement Agreement, the Company paid PI \$175.0 million in cash on October 22, 2019, and the parties have dismissed all previously pending litigation and administrative proceedings. In addition, each party agreed to release the other party from any claims to damages or monetary relief for alleged acts of patent infringement across the various patent infringement litigations and not to file any additional action for legal or equitable relief until June 30, 2023. Neither party granted any licenses to the other.

Litigation with AcBel Polytech, Inc.

On November 27, 2013, Fairchild and Fairchild Semiconductor Corporation were named as defendants in a complaint filed by AcBel Polytech, Inc. ("AcBel") in the U.S. District Court for the District of Massachusetts. The lawsuit alleged a number of causes of action, including breach of warranty, fraud, negligence and strict liability. In parallel to the litigation with AcBel, Fairchild filed an arbitration against its distributor, Synnex Technology International Corp ("Synnex"), in Hong Kong in response to Synnex's failure to pass along Fairchild's limited warranty to AcBel.

On July 31, 2020, the Company entered into a settlement agreement and release in respect of the dispute with Synnex and AcBel. On August 6, 2020, the Company paid its full aggregate liability of \$6.0 million in accordance with the settlement agreement and all applicable claims were released.

Intellectual Property Matters

The Company faces risk of exposure from claims of infringement of the IP rights of others. In the ordinary course of business, the Company receives letters asserting that the Company's products or components breach another party's rights. Such letters may request royalty payments from the Company, that the Company cease and desist using certain IP or other remedies.

Note 14: Fair Value Measurements

Fair Value of Financial Instruments

The following table summarizes the Company's financial assets and liabilities, excluding pension assets, measured at fair value on a recurring basis (in millions):

Description	As of December 31, 2020	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Assets:				
Cash, cash equivalents:				
Demand and time deposits	\$ 8.5	\$ 8.5	—	—

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Description	As of December 31, 2019	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Assets:				
Cash, cash equivalents:				
Demand and time deposits	\$ 28.2	\$ 28.2	—	—

Other

The carrying amounts of other current assets and liabilities, such as accounts receivable and accounts payable, approximate fair value based on the short-term nature of these instruments.

Fair Value of Long-Term Debt, including Current Portion

The carrying amounts and fair value of the Company's long-term borrowings are as follows (in millions):

	As of December 31,			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion (1)				
Convertible notes	\$ 515.6	\$ 967.1	\$ 1,163.1	\$ 1,730.2
Long-term debt	2,975.7	2,966.8	2,449.3	2,427.8

(1) Long-term debt is carried on the Consolidated Balance Sheets at historical cost net of debt discount and issuance costs.

The fair value of the Company's 1.00% Notes (as of December 31, 2019), 3.875% Notes (as of December 31, 2020) and 1.625% Notes (as of December 31, 2020 and December 31, 2019) were estimated based on market prices in active markets (Level 1). The fair value of other long-term debt was estimated based on discounting the remaining principal and interest payments using current market rates for similar debt (Level 2) at December 31, 2020 and December 31, 2019.

Fair Values Measured on a Non-Recurring Basis

Our non-financial assets, such as property, plant and equipment, goodwill and intangible assets are recorded at fair value upon a business combination and are remeasured at fair value only if an impairment charge is recognized. The Company uses unobservable inputs to the valuation methodologies that are significant to the fair value measurements, and the valuations require management's judgment due to the absence of quoted market prices. The Company determines the fair value of its held and used assets, goodwill and intangible assets using an income, cost or market approach as determined reasonable.

As of December 31, 2020 and December 31, 2019, there were no non-financial assets included in the Company's Consolidated Balance Sheet that were remeasured at fair value on a non-recurring basis.

The following table shows the adjustments to fair value of certain of the Company's non-financial assets that had an impact on the Company's results of operations (in millions):

	Year Ended December 31,		
	2020	2019	2018
Nonrecurring fair value measurements			
Asset impairments (Level 3)	\$ 17.5	\$ 3.4	\$ 2.4
Goodwill and IPRD impairments (Level 3)	1.3	1.6	6.8
	<u>\$ 18.8</u>	<u>\$ 5.0</u>	<u>\$ 9.2</u>

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Note 15: Financial Instruments

Foreign Currencies

As a multinational business, the Company's transactions are denominated in a variety of currencies. When appropriate, the Company uses forward foreign currency contracts to reduce its overall exposure to the effects of currency fluctuations on its results of operations and cash flows. The Company's policy prohibits trading in currencies for which there are no underlying exposures and entering into trades for any currency to intentionally increase the underlying exposure. The Company primarily hedges existing assets and liabilities associated with transactions currently on its balance sheet, which are undesignated hedges for accounting purposes.

As of December 31, 2020 and 2019, the Company had outstanding foreign exchange contracts with notional amounts of \$263.4 million and \$183.3 million, respectively. Such contracts were obtained through financial institutions and were scheduled to mature within one to three months from the time of purchase. Management believes that these financial instruments should not subject the Company to increased risks from foreign exchange movements because gains and losses on these contracts should offset losses and gains on the underlying assets, liabilities and transactions to which they are related.

The following schedule summarizes the Company's net foreign exchange positions in U.S. dollars (in millions):

	As of December 31,			
	2020		2019	
	Buy (Sell)	Notional Amount	Buy (Sell)	Notional Amount
Japanese Yen	\$ 71.2	\$ 71.2	\$ 49.8	\$ 49.8
Philippine Peso	57.2	57.2	36.4	36.4
Euro	47.7	47.7	—	—
Korean Won	34.4	34.4	18.1	18.1
Chinese Yuan	17.7	17.7	20.2	20.2
Malaysian Ringgit	11.7	11.7	20.4	20.4
Czech Koruna	—	—	11.9	11.9
Other currencies - Buy	12.4	12.4	21.9	21.9
Other currencies - Sell	(11.1)	11.1	(4.6)	4.6
	\$ 241.2	263.4	\$ 174.1	\$ 183.3

Amounts receivable or payable under the contracts are included in other current assets or accrued expenses and other current liabilities in the accompanying Consolidated Balance Sheets. For the years ended December 31, 2020, 2019 and 2018, realized and unrealized foreign currency transactions totaled a loss of \$6.2 million, \$5.0 million and \$8.0 million, respectively. The realized and unrealized foreign currency transactions are included in other income (expense) in the Company's Consolidated Statements of Operations and Comprehensive Income.

Cash Flow Hedges

All derivatives are recognized on the balance sheet at their fair value and classified based on each instrument's maturity date.

Foreign currency risk

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual cash flows resulting from transactions in foreign currencies will be adversely affected by changes in exchange rates. The Company enters into forward contracts that are designated as foreign currency cash flow hedges of selected forecasted payments denominated in currencies other than U.S. dollars.

The Company did not have outstanding derivatives for its foreign currency exposure designated as cash flow hedges as of December 31, 2020 and 2019. See Note 17: "Changes in Accumulated Other Comprehensive Loss" for the effective amounts

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

related to derivative instruments designated as cash flow hedges affecting accumulated other comprehensive loss and the Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2020.

Interest rate risk

The Company uses interest rate swap contracts to mitigate its exposure to interest rate fluctuations. On April 17, 2020, the Company entered into interest rate swap agreements for notional amounts totaling \$1.25 billion (effective as of April 30, 2020) and \$750.0 million (effective as of December 31, 2020) and \$750.0 million (effective as of December 31, 2021) with maturity dates of December 31, 2020, December 31, 2021 and December 31, 2022, respectively.

The Company did not identify any ineffectiveness with respect to the notional amounts of the interest rate swap contracts effective as of December 31, 2020 and December 31, 2019 amounting to \$1.5 billion and \$1.0 billion, respectively.

Convertible Note Hedges

The Company entered into convertible note hedges in connection with the issuance of the 1.625% Notes.

Other

At December 31, 2020, the Company had no outstanding commodity derivatives, currency swaps or options relating to either its debt instruments or investments. The Company does not hedge the value of its equity investments in its subsidiaries or affiliated companies. The Company is exposed to credit-related losses if counterparties to hedge contracts fail to perform their obligations. As of December 31, 2020, the counterparties to the Company's hedge contracts are held at financial institutions which the Company believes to be highly rated, and no credit related losses are anticipated.

Note 16: Income Taxes

The Company's geographic sources of income (loss) before income taxes and non-controlling interest are as follows (in millions):

	Year ended December 31,		
	2020	2019	2018
United States	\$ (181.2)	\$ (308.2)	\$ (181.8)
Foreign	357.8	584.8	936.8
Income before income taxes	<u>\$ 176.6</u>	<u>\$ 276.6</u>	<u>\$ 755.0</u>

The Company's provision (benefit) for income taxes is as follows (in millions):

	Year ended December 31,		
	2020	2019	2018
Current:			
Federal	\$ 0.6	\$ 1.2	\$ (2.0)
State and local	0.1	—	(2.2)
Foreign	54.0	48.5	55.3
	<u>54.7</u>	<u>49.7</u>	<u>51.1</u>
Deferred:			
Federal	(69.2)	(5.0)	99.4
State and local	(66.4)	—	—
Foreign	21.1	18.0	(25.4)
	<u>(114.5)</u>	<u>13.0</u>	<u>74.0</u>
Total provision (benefit)	<u>\$ (59.8)</u>	<u>\$ 62.7</u>	<u>\$ 125.1</u>

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

	Year ended December 31,		
	2020	2019	2018
U.S. federal statutory rate	21.0 %	21.0 %	21.0 %
Increase (decrease) resulting from:			
State and local taxes, net of federal tax benefit	(1.4)	(2.6)	(1.0)
Impact of U.S. Tax Reform and related effects (1)	—	—	4.7
Impact of foreign operations	7.6	3.8	(1.2)
Impact of U.S. tax method changes (2)	—	—	(6.4)
Impact of the Domestication (3)	(35.7)	—	—
Change in valuation allowance and related effects (4)	(24.4)	1.8	0.6
Non-deductible share-based compensation costs	1.7	(0.5)	(0.5)
U.S. federal R&D credit	(3.6)	(3.7)	(1.1)
Nondeductible officer compensation	1.1	1.5	0.4
Other	(0.1)	1.4	0.1
Total	(33.8)%	22.7 %	16.6 %

- (1) For the year ended December 31, 2018, this primarily included expense of (i) \$31.8 million, or 4.2%, related to the recognition of deferred tax liability for undistributed prior years' earnings of the foreign subsidiaries, (ii) \$1.8 million, or 0.3% related to the limitation on deductibility of prior years' executive compensation, and (iii) \$1.5 million, or 0.2% related to the impact of the mandatory repatriation tax. These adjustments were made pursuant to SAB 118.
- (2) For the year ended December 31, 2018, this included a one-time benefit of \$48.2 million, or 6.4%, related to U.S. tax method changes made during the year that impacted the Company's GILTI inclusion.
- (3) On July 6, 2020, the Company completed a simplification of its corporate structure by repatriating the economic rights of its non-U.S. IP to the United States via domestication of certain foreign subsidiaries (the "Domestication"). The Domestication more closely aligns the Company's corporate structure with its operating structure in accordance with the OECD's BEPS conclusions and changes to U.S. and European tax laws. The impact of the Domestication, which is regarded as a change in tax status, resulted in a benefit primarily from recognizing certain deferred tax assets, net of deferred tax liabilities, of \$63.0 million, or 35.7%.
- (4) For the year ended December 31, 2020, this included a benefit of \$49.4 million, or 28.0%, for the release of a partial state valuation allowance due to an increase to forecasted domestic income as a result of the Domestication of certain foreign subsidiaries and an expense of \$61.8 million, or 35.0%, primarily related to the expiration of Japan net operating losses, netted with the offsetting benefit of \$61.8 million, or 35.0%, primarily for the decrease in the related valuation allowance for those same Japan net operating losses. For the year ended December 31, 2019, this included an expense of \$11.2 million, or 4.0%, primarily related to the write-off of Hong Kong NOL and expiration of Japan NOL, netted with the offsetting benefit of \$11.2 million, or 4.0%, primarily for the decrease in related valuation allowance for those same Hong Kong and Japan NOLs. For the year ended December 31, 2018, this included an expense of \$135.2 million, or 17.9%, primarily related to the expiration of Japan NOLs, netted with the offsetting benefit of \$135.2 million, or 17.9%, primarily for the decrease in the related valuation allowance for those same Japan NOLs.

The Company's effective tax rate for 2020 was a benefit of (33.8)%, which differs from the U.S. federal income tax rate of 21%, primarily due to the Domestication of certain foreign subsidiaries and a partial release of state valuation allowance, partially offset by foreign taxes for which the Company will not receive a U.S. tax credit as well as period costs related to the Company's GILTI inclusion.

The Company's effective tax rate for 2019 was 22.7%, which differs from the U.S. federal income tax rate of 21%, primarily due to foreign taxes for which the Company will not receive a U.S. tax credit as well as period costs related to the Company's GILTI inclusion.

The Company's effective tax rate for 2018 was 16.6%, which differs from the U.S. federal statutory income tax rate of 21% primarily due to a one-time benefit of U.S. tax method changes made during the year that impacted the Company's GILTI inclusion.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The tax effects of temporary differences in the recognition of income and expense for tax and financial reporting purposes that give rise to significant portions of the net deferred tax asset (liability) are as follows (in millions):

	As of December 31,	
	2020	2019
NOL and tax credit carryforwards	\$ 471.6	\$ 612.9
163 (j) interest expense carryforward	65.7	49.3
Lease liabilities (1)	32.5	22.1
ROU asset (1)	(32.5)	(22.1)
Tax-deductible goodwill and amortizable intangibles	(38.0)	(48.6)
Capitalization of research and development expenses	90.7	42.7
Reserves and accruals	68.4	27.5
Property, plant and equipment	(95.8)	(81.2)
Inventories	84.3	22.0
Undistributed earnings of foreign subsidiaries	(57.5)	(63.7)
Share-based compensation	7.7	10.3
Pension	21.2	26.3
Other	3.2	8.0
Deferred tax assets and liabilities before valuation allowance	621.5	605.5
Valuation allowance	(249.9)	(357.9)
Net deferred tax asset	\$ 371.6	\$ 247.6

(1) The deferred tax assets and liabilities disclosure as of December 31, 2019 has been adjusted to reflect the gross deferred tax right-of-use asset and related gross deferred lease liability recognized in accordance with the New Leasing Standard.

As of December 31, 2020 and 2019, the Company had approximately \$99.0 million and \$521.9 million, respectively, of federal NOL carryforwards, before reduction for unrecognized tax benefits, which are subject to annual limitations prescribed in Section 382 of the Internal Revenue Code. The decrease is due to current year utilization. If not utilized, a portion of the NOLs will expire in varying amounts from 2028 to 2036; however, a small portion of the NOL that was generated after December 31, 2017 is carried forward indefinitely.

As of December 31, 2020 and 2019, the Company had approximately \$153.4 million and \$134.5 million, respectively, of federal credit carryforwards, before consideration of valuation allowance or reduction for unrecognized tax benefits, which are subject to annual limitations prescribed in Section 383 of the Internal Revenue Code. If not utilized, the credits will expire in varying amounts from 2028 to 2040.

As of December 31, 2020 and 2019, the Company had approximately \$741.3 million and \$825.8 million, respectively, of state NOL carryforwards, before consideration of valuation allowance or reduction for unrecognized tax benefits. The decrease is primarily due to current year utilization. If not utilized, a portion of the NOLs will expire in varying amounts starting in 2021. Certain states have adopted the federal rule allowing unlimited NOL carryover for NOLs generated in tax years beginning after December 31, 2017. Therefore, a portion of the state NOLs generated after 2017 carry forward indefinitely. As of December 31, 2020 and 2019, the Company had \$141.1 million and \$138.6 million, respectively, of state credit carryforwards before consideration of valuation allowance or reduction for unrecognized tax benefits. If not utilized, a portion of the credits will begin to expire in varying amounts starting in 2021.

As of December 31, 2020 and 2019, the Company had approximately \$581.6 million and \$757.1 million, respectively, of foreign NOL carryforwards, before consideration of valuation allowance. The decrease is primarily due to expiration of Japan NOLs as discussed above. If not utilized, a portion of the NOLs will begin to expire in varying amounts starting in 2021. A significant portion of these NOLs will expire by 2025. As of December 31, 2020 and 2019, the Company had \$69.4 million and

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

\$76.8 million, respectively, of foreign credit carryforwards before consideration of valuation allowance. If not utilized, the majority of these credits will expire by 2026.

The Company continues to maintain a valuation allowance of \$128.5 million on a portion of its Japan NOLs, which expire in varying amounts from 2021 to 2024. In addition to the valuation allowance on the Japan NOLs, the Company maintains a partial valuation allowance of \$72.5 million on its U.S. state deferred tax assets, and a valuation allowance on foreign net operating losses and tax credits in certain other foreign jurisdictions.

At December 31, 2020, 2019 and 2018, respectively, the Company was not indefinitely reinvested with respect to the earnings of its foreign subsidiaries and has therefore accrued withholding taxes that would be owed upon future distributions of such earnings.

The Company maintains liabilities for unrecognized tax benefits. These liabilities involve considerable judgment and estimation and are continuously monitored by management based on the best information available, including changes in tax regulations, the outcome of relevant court cases, and other information. The Company is currently under examination by various taxing authorities. Although the outcome of any tax audit is uncertain, the Company believes that it has adequately provided in its consolidated financial statements for any additional taxes that the Company may be required to pay as a result of such examinations. If the payment ultimately proves not to be necessary, the reversal of these tax liabilities would result in tax benefits being recognized in the period the Company determines such liabilities are no longer necessary. However, if an ultimate tax assessment exceeds the Company's estimate of tax liabilities, additional tax expense will be recorded. The impact of such adjustments could have a material impact on the Company's results of operations in future periods.

The activity for unrecognized gross tax benefits is as follows (in millions):

	2020	2019	2018
Balance at beginning of year	\$ 130.0	\$ 112.2	\$ 114.8
Acquired balances	—	15.5	—
Additions for tax benefits related to the current year	11.9	9.4	7.4
Additions for tax benefits of prior years	12.3	8.0	2.8
Reductions for tax benefits of prior years	(1.4)	(0.2)	(1.9)
Lapse of statute	(1.3)	(8.2)	(10.9)
Settlements	(0.5)	(6.7)	—
Balance at end of year	<u>\$ 151.0</u>	<u>\$ 130.0</u>	<u>\$ 112.2</u>

Included in the December 31, 2020 balance of \$151.0 million is \$116.0 million related to unrecognized tax benefits that, if recognized, would affect the annual effective tax rate. Also included in the balance of unrecognized tax benefits as of December 31, 2020 is \$35.0 million of benefit that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes. Although the Company cannot predict the timing of resolution with taxing authorities, if any, the Company believes it is reasonably possible that its unrecognized tax benefits will be reduced by \$48.8 million in the next 12 months due to settlement with tax authorities or expiration of the applicable statute of limitations.

The Company recognized approximately \$0.2 million of tax expense for interest and penalties during the year ended December 31, 2020. The Company had approximately \$5.3 million, \$5.1 million, and \$5.1 million of accrued interest and penalties at December 31, 2020, 2019, and 2018, respectively.

Tax years prior to 2017 are generally not subject to examination by the IRS except for items involving tax attributes that have been carried forward to tax years whose statute of limitations remains open. The Company is currently under IRS examination for the 2017 tax year. For state tax returns, the Company is generally not subject to income tax examinations for tax years prior to 2016. The Company is also subject to routine examinations by various foreign tax jurisdictions in which it operates. With respect to jurisdictions outside the United States, the Company is generally not subject to examination for tax years prior to 2010. The Company believes that adequate provisions have been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with the Company's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs.

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Note 17: Changes in Accumulated Other Comprehensive Loss

Amounts comprising the Company's accumulated other comprehensive loss and reclassifications are as follows (in millions):

	Currency Translation Adjustments	Effects of Cash Flow Hedges	Total
<i>Balance December 31, 2018</i>	\$ (42.5)	4.6	\$ (37.9)
Other comprehensive income (loss) prior to reclassifications	0.1	(19.6)	(19.5)
Amounts reclassified from accumulated other comprehensive loss	—	3.1	3.1
Net current period other comprehensive income (loss) (1)	0.1	(16.5)	(16.4)
<i>Balance December 31, 2019</i>	(42.4)	(11.9)	(54.3)
Other comprehensive income prior to reclassifications	1.8	14.9	16.7
Amounts reclassified from accumulated other comprehensive loss	—	(20.0)	(20.0)
Net current period other comprehensive income (loss) (1)	1.8	(5.1)	(3.3)
<i>Balance December 31, 2020</i>	\$ (40.6)	\$ (17.0)	\$ (57.6)

(1) Effects of cash flow hedges are net of tax benefit of \$1.7 million and \$4.4 million for the years ended December 31, 2020 and December 31, 2019, respectively.

Amounts reclassified from accumulated other comprehensive loss to the specific caption within the Consolidated Statements of Operations and Comprehensive Income were as follows:

	Year Ended December 31,		To caption
	2020	2019	
Interest rate swaps	\$ 20.0	\$ (3.1)	Interest expense
Total reclassifications	\$ 20.0	\$ (3.1)	

Note 18: Supplemental Disclosures

Supplemental Disclosure of Cash Flow Information

Certain of the Company's cash and non-cash activities were as follows (in millions):

	Year ended December 31,		
	2020	2019	2018
Non-cash investing activities:			
Capital expenditures in accounts payable and other long-term liabilities	\$ 162.5	\$ 155.3	\$ 233.9
Sale of property in exchange of note receivable	7.2	—	—
Right-of-use assets obtained in exchange of lease liabilities (1)	58.2	17.5	
Non-cash financing activities:			
Liability incurred for purchase of business	\$ —	\$ 12.7	\$ —
Debt assumed through purchase of equity interest and assets	—	—	50.6
Cash paid for:			
Interest expense	\$ 109.1	\$ 97.2	\$ 80.0
Income taxes	52.5	62.9	53.2
Operating lease payments in operating cash flows (1)	36.9	37.6	

(1) These disclosures are not applicable for the year ended December 31, 2018 due to the method of adoption of the New Leasing Standard.

See Note 9: "Long-Term Debt" and 10: "Earnings Per Share and Equity" for shares of common stock issued and repurchased in

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

connection with the maturity and settlement of the 1.00% Notes.

Following is a reconciliation of the captions in the Consolidated Balance Sheets to the Consolidated Statements of Cash Flows (in millions):

	As of December 31,		
	2020	2019	2018
Consolidated Balance Sheets:			
Cash and cash equivalents	\$ 1,080.7	\$ 894.2	\$ 1,069.6
Restricted cash (included in other current assets)	0.8	—	17.5
Cash, cash equivalents and restricted cash in Consolidated Statements of Cash Flows	<u>\$ 1,081.5</u>	<u>\$ 894.2</u>	<u>\$ 1,087.1</u>

The restricted cash balance as of December 31, 2018, which included the consideration held in escrow for the acquisition of Aptina in 2014, was settled during the year ended December 31, 2019, upon satisfaction of certain outstanding items contained in the merger agreement relating to such acquisition.

Note 19: Supplementary Financial Information - Selected Quarterly Financial Data (Unaudited)

Consolidated unaudited quarterly financial information is as follows (in millions, except per share data):

	Quarters ended in 2020			
	April 3	July 3	October 2	December 31
Revenue	\$ 1,277.9	\$ 1,213.5	\$ 1,317.3	\$ 1,446.3
Gross Profit (exclusive of the amortization of acquisition-related intangible assets)	402.7	374.3	441.2	497.6
Net income (loss) attributable to ON Semiconductor Corporation	(14.0)	(1.4)	160.6	89.0
Diluted net income (loss) per common share attributable to ON Semiconductor Corporation	(0.03)	0.00	0.38	0.21
	Quarters ended in 2019			
	March 29	June 28	September 27 (1)	December 31
Revenue	\$ 1,386.6	\$ 1,347.7	\$ 1,381.8	\$ 1,401.8
Gross Profit (exclusive of the amortization of acquisition-related intangible assets)	513.7	499.0	475.2	485.7
Net income (loss) attributable to ON Semiconductor Corporation	114.1	101.8	(60.7)	56.5
Diluted net income (loss) per common share attributable to ON Semiconductor Corporation	0.27	0.24	(0.15)	0.14

(1) The net loss for the quarter ended September 27, 2019 was primarily due to the expensing of \$169.5 million relating to the settlement of litigation with PI.

ON SEMICONDUCTOR CORPORATION
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(in millions)

Description	Balance at Beginning of Period	Charged (Credited) to Costs and Expenses	Charged to Other Accounts	Deductions/Write- offs	Balance at End of Period
<i>Allowance for deferred tax assets</i>					
Year ended December 31, 2018	\$ 462.3	\$ 4.6	\$ 15.8 (1)	\$ (135.2) (2)	\$ 347.5
Year ended December 31, 2019	347.5	5.0	16.6 (3)	(11.2) (4)	357.9
Year ended December 31, 2020	357.9	(43.1) (5)	11.0 (1)	(75.9) (2)	249.9

(1) Primarily represents the effects of cumulative translation adjustments.

(2) Primarily relates to the expiration of Japan net operating losses. See Note 16: "Income Taxes."

(3) Primarily represents the effects of cumulative translation adjustments and includes \$14.0 million of additional allowance for deferred tax assets arising from the Quantenna acquisition.

(4) Primarily relates to the write-off of Hong Kong net operating losses upon the liquidation of Sanyo Semiconductor (H.K.) Co., Ltd. as well as the expiration of Japan net operating losses.

(5) Primarily relates to the release of state valuation as a result of the Domestication of certain foreign subsidiaries. See Note 16: "Income Taxes."

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED UNDER SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

Our common stock and our Preferred Stock, Series B Junior Participating, Purchase Rights are registered under Section 12 of the Securities Exchange Act of 1934, as amended. References herein to “we,” “us,” “our” or the “Company” refer to ON Semiconductor Corporation.

DESCRIPTION OF COMMON STOCK

In the paragraphs below, we describe our common stock. However, this summary does not purport to be complete and is subject to, and is qualified in its entirety by express reference to, the provisions of our Certificate of Incorporation (the “Certificate”) and our bylaws (the “Bylaws”), each as amended, copies of which have been filed with the Securities and Exchange Commission (the “Commission”) and the applicable provisions of the Delaware General Corporation Law (the “DGCL”).

Authorized Capital Stock

The Certificate provides that the total number of shares of capital stock that may be issued by the Company is 1,250,100,000, and the number of authorized shares and the par value of the shares of each such class are as follows:

Class	No. of Shares Authorized	Par Value
Common	1,250,000,000	\$ 0.01
Preferred	100,000	\$ 0.01

Description of the Company’s Common Stock

Voting Rights

General

Except as otherwise provided by law or as set forth in the Certificate or as otherwise provided by any outstanding series of preferred stock, the holders of the Company’s common stock will have general voting power on all matters as a single class.

Votes Per Share

On each matter to be voted on by the holders of the Company’s common stock, each outstanding share of the Company’s common stock will be entitled to one vote per share.

Cumulative Voting

Holders of the Company’s common stock are not entitled to cumulative voting of their shares in elections of Directors.

Liquidation Rights

In the event of a voluntary or involuntary liquidation, dissolution, or winding up of the Company, the prior rights of the Company’s creditors and the liquidation preference of any preferred stock then outstanding must first be satisfied. The holders of common stock will be entitled to share in the remaining assets of the Company on a pro rata basis.

Dividends

Subject to any preferential rights of any series of preferred stock, holders of shares of common stock will be entitled to receive dividends on the stock out of assets legally available for distribution when, as, and if authorized and declared by our Board of Directors. The payment of dividends on the common stock will be a business decision

to be made by our Board of Directors from time to time based upon results of our operations and our financial condition and any other factors our Board of Directors considers relevant. Payment of dividends on the Company's common stock may be restricted by loan agreements, indentures, and other transactions entered into by us from time to time. In addition, our principal income consists of dividends paid to us by our subsidiaries. Our subsidiaries' ability to pay dividends could be limited or restricted from time to time by loan agreements, indentures, and other transactions or by law or regulatory authorities.

Preemptive and Other Rights

No holder of shares of any class or series of capital stock of the Company has any preemptive right to subscribe for, purchase, or otherwise acquire shares of any class or series of capital stock of the Company. The common stock has no conversion rights and is not subject to redemption. All outstanding shares of common stock are fully paid and nonassessable.

Transfer Agent and Registrar

The transfer agent and registrar for the Company's common stock is currently Computershare Investor Services, LLC, but this may change from time to time.

Anti-Takeover Provisions

The DGCL, the Certificate, and the Bylaws contain provisions that could discourage or make more difficult a change in control of the Company, including an acquisition of the Company by means of a tender offer or an acquisition of the Company by means of a proxy contest and removal of the Company's incumbent officers and directors, without the support of the Board of Directors. A summary of these provisions follows.

Board of Directors

Subject to the rights granted to holders of preferred stock, members of our Board of Directors (each a "Director" and collectively, "Directors") may be removed from office for any reason with the affirmative vote of the majority of holders of the voting power of the Company's capital stock entitled to vote generally in the election of Directors.

The Certificate limits the number of Directors. Within these limits, the Board of Directors must determine the exact number of Directors and may increase or decrease the size of the Board of Directors from time to time. Any vacancy on the Board of Directors may be filled by a majority of the Directors then in office, or in certain cases, by a sole remaining Director.

Under the Bylaws, subject to the rights granted to holders of preferred stock, each Director is elected by the vote of the majority of the votes cast with respect to that Director's election at any meeting for the election of Directors at which a quorum is present. However, if, as of the 10th day preceding the date we first mail the notice of such meeting to our stockholders, the number of nominees exceeds the number of Directors to be elected ("Contested Election"), the Directors shall be elected by the vote of a plurality of the votes cast. A majority of votes cast means that the number of votes cast "for" a Director's election exceeds the number of votes cast "against" that Director's election (with "abstentions" and "broker non-votes" not counted as a vote cast either "for" or "against" that Director's election).

In the event an incumbent Director fails to receive a majority of the votes cast in an election that is not a Contested Election, the incumbent Director must promptly tender his or her resignation to the Board of Directors. The Corporate Governance and Nominating Committee of the Company, or such other committee designated by the Board of Directors for this purpose (the "Committee"), shall make a recommendation to the Board of Directors as to whether to accept or reject the resignation of such incumbent Director, or whether other action should be taken. The Board of Directors must act on the resignation, taking into account the Committee's recommendation, and publicly disclose (by a press release and filing an appropriate disclosure with the Commission) its decision regarding the resignation and, if such resignation is rejected, the rationale behind the decision, within 90 days following certification of the election results. The Committee, in making its recommendation, and the Board of Directors, in making its decision, each may consider any factors and other information that it considers appropriate and relevant. If the Board of Directors accepts a Director's resignation pursuant to these provisions, or if a nominee for Director is

not elected and the nominee is not an incumbent Director, then the resulting vacancy may be filled by vote of a majority of the Directors then in office.

This system of electing and removing Directors may discourage a third party from making a tender offer, or otherwise attempting to obtain control of the Company, because it generally makes it more difficult for stockholders to replace a majority of the Directors.

Stockholder Meetings

Under the Bylaws, except as described below, only the Board of Directors or the chair of the Board of Directors may call special meetings of stockholders, and any business conducted at any special meeting will be limited to the purpose or purposes specified in the order calling for the special meeting. The Bylaws also provide that, subject to certain requirements and restrictions, a special meeting of stockholders may also be called upon the written request of stockholders holding at least 25% of the voting power of the outstanding capital stock of the Company entitled to vote on the matters to be brought before the proposed special meeting. The requesting stockholders must timely provide certain specified information, including information with respect to the requesting stockholders and the beneficial owners, if any, on whose behalf the proposal is made, their holdings of Company stock, the matters to be acted upon at the proposed special meeting, and any material interest of the requesting stockholders and beneficial owners in such matters.

Requirements for Advance Notification of Stockholder Nominations and Proposals

The Bylaws contain provisions requiring stockholders to give advance written notice to the Company of a proposal or Director nomination in order to have the proposal or the nominee considered at an annual meeting of stockholders. The written notice must usually be given not less than 90 nor more than 120 days before the first Tuesday in June (or, if the Board of Directors has designated another date for an annual meeting, not less than 90 nor more than 120 days before such other date, or, if such other date has not been publicly disclosed or announced at least 105 days in advance, then not less than 15 days after the initial public disclosure or announcement of the date). The stockholders submitting the proposal or Director nomination must timely provide certain specified information, including a brief description of the proposal, the name and address of the stockholder, the class and number of shares owned by the stockholder, and any material interest of the stockholder in such proposal.

Undesignated Preferred Stock

The Certificate authorizes the issuance of undesignated or “blank check” preferred stock. The authorization of blank check preferred stock makes it possible for the Board of Directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of the Company. These and other provisions may have the effect of deferring hostile takeovers or delaying, deterring, or preventing a change in control or management of the Company.

Business Combinations with Interested Stockholders

The Certificate provides that Section 203 of the DGCL shall not apply to or govern the Company.

Amendment of Charter or Bylaw Provisions

The amendment of specified provisions of the Certificate and Bylaws requires approval by holders of at least 66 2/3% of the voting power of the Company’s capital stock entitled to vote in the election of Directors. Among other such provisions are the provisions described above under the headings “Stockholder Meetings,” “Requirements for Advance Notification of Stockholder Nominations and Proposals,” and “Business Combinations with Interested Stockholders.” In addition, the same vote would be required to change this voting requirement.

DESCRIPTION OF Preferred Stock, Series B Junior Participating, Purchase Rights

In the paragraphs below, we describe our Preferred Stock, Series B Junior Participating, Purchase Rights. However, this summary does not purport to be complete and is subject to, and is qualified in its entirety by express reference to, the provisions of the Rights Agreement (as defined below) and the Certificate of Designations (as defined below), copies of which have been filed with the Commission.

Rights Agreement

On June 7, 2020, the Board of Directors authorized and declared a dividend of one Series B Junior Participating, Purchase Right (a “Right”) for each outstanding share of common stock. The dividend was payable on June 18, 2020 (the “Record Date”), to the holders of record of shares of common stock as of 5:00 P.M., New York City time, on the Record Date. The description and terms of the Rights are set forth in a Rights Agreement, dated as of June 8, 2020 (as the same may be amended from time to time, the “Rights Agreement”), between the Company and Computershare Trust Company, N.A., as Rights Agent (the “Rights Agent”).

The Rights

The Rights were issued in respect of all shares of common stock outstanding on the Record Date. The Rights will initially trade with, and will be inseparable from, the common stock, and the record holders of shares of common stock will be the record holders of the Rights. The Rights will be evidenced only by certificates (or, in the case of uncertificated shares, by notations in the book-entry account system of the transfer agent for the common stock) that represent shares of common stock. Rights will also be issued in respect of any shares of common stock that shall become outstanding after the Record Date and, subject to certain exceptions specified in the Rights Agreement, prior to the earlier of the Distribution Date (as defined below) and the Expiration Date (as defined below).

Exercise; Distribution Date; Transfer of Rights; Right Certificates

The Rights are not exercisable until the Distribution Date. After the Distribution Date and prior to the time any person or group of affiliated or associated persons becomes an Acquiring Person (as defined below), each Right will be exercisable to purchase from the Company one one-hundred-thousandth of a share (a “Unit”) of Series B Junior Participating Preferred Stock, par value \$0.01 per share, of the Company (the “Preferred Stock”), at a purchase price of \$100.80 per Unit (the “Purchase Price”), subject to adjustment as provided in the Rights Agreement. This portion of a share of Preferred Stock will give the stockholder approximately the same dividend, voting or liquidation rights as would one share of common stock. Prior to exercise or exchange, Rights holders in their capacity as such have no rights as a stockholder of the Company by virtue of holding Rights, including the right to vote and to receive dividends.

The “Distribution Date” is the earlier of (i) the tenth business day after the public announcement that a person or group of affiliated or associated persons has become an Acquiring Person or such earlier date, as determined by the Board of Directors, on which an Acquiring Person has become such, and (ii) such date (prior to such time as any person or group of affiliated or associated persons becomes an Acquiring Person), if any, as may be determined by the Board of Directors following the commencement of, or the first public announcement of an intention to commence, a tender offer or exchange offer the consummation of which would result in any person or group of affiliated or associated persons becoming an Acquiring Person. A person or group of affiliated or associated persons becomes an “Acquiring Person” upon acquiring beneficial ownership of 15% or more of the outstanding shares of common stock, except in certain situations specified in the Rights Agreement.

Certain synthetic interests in securities created by derivative positions – whether or not such interests are considered to be ownership of the underlying shares of common stock or are reportable for purposes of Regulation 13D of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) – are treated as beneficial ownership of the number of shares of common stock equivalent to the economic exposure created by the derivative security, to the extent actual underlying shares of common stock are directly or indirectly beneficially owned by the counterparty to such derivative security (or by a counterparty to such first counterparty, or any other successive counterparty). Swaps dealers unassociated with any control intent or intent to evade the purposes of the Rights Agreement are exempted from such imputed beneficial ownership.

Until the earliest of (i) the Distribution Date and (ii) the Expiration Date (as defined below), the Rights will be transferable only in connection with the transfer of the underlying common stock, and any transfer of shares of common stock will constitute a transfer of the associated Rights. After the Distribution Date, the Rights will separate from the common stock and, as soon as practicable after the Distribution Date, separate certificates evidencing the

Rights (“Rights Certificates”) will be mailed to holders of record of the common stock as of the close of business on the Distribution Date and such separate Rights Certificates alone will evidence the Rights.

Expiration Date

The Rights will expire on the earliest of (i) the close of business on June 7, 2021, (ii) the time at which the Rights are redeemed pursuant to the Rights Agreement, (iii) the closing of any merger or other acquisition transaction involving the Company that has been approved by the Board of Directors, at which time the Rights are terminated, and (iv) the time at which the Rights are exchanged pursuant to the Rights Agreement (such earliest date, the “Expiration Date”).

Consequences of a Person or Group Becoming an Acquiring Person

Flip-In Trigger. Subject to the Company’s exchange rights (as described below), if any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right (other than Rights beneficially owned by an Acquiring Person, affiliates and associates of an Acquiring Person and certain transferees thereof, which Rights will thereupon become null and void) will thereafter have the right to receive upon exercise of a Right that number of shares of common stock having a market value of two times the Purchase Price.

Flip-Over Trigger. If, after any person or group of affiliated or associated persons has become an Acquiring Person, the Company is acquired in a merger, consolidation or combination or 50% or more of its consolidated assets, cash flow or earning power are transferred, proper provisions will be made so that each holder of a Right (other than Rights beneficially owned by an Acquiring Person, affiliates and associates of an Acquiring Person and certain transferees thereof, which Rights will have become null and void) will thereafter have the right to receive upon the exercise of a Right that number of shares of common stock of the person (or its parent) with whom the Company has engaged in the foregoing transaction having a market value of two times the Purchase Price.

Exchange Feature. At any time after any person or group of affiliated or associated persons becomes an Acquiring Person and prior to the earlier of one of the events described in the previous paragraph or the acquisition by an Acquiring Person of 50% or more of the outstanding shares of common stock, the Board of Directors may exchange the Rights (other than Rights owned by an Acquiring Person, affiliates and associates of an Acquiring Person and certain transferees thereof, which Rights will have become null and void), in whole or in part, for shares of common stock or Units of Preferred Stock (“Exchange Securities”), at an exchange ratio of one Exchange Security per Right.

Redemption of the Rights

At any time before the close of business on the tenth business day after the public announcement that a person or group of affiliated or associated persons has become an Acquiring Person or such earlier date, as determined by the Board of Directors, on which an Acquiring Person has become such, the Board of Directors may redeem the then-outstanding Rights in whole, but not in part, for \$0.0001 per Right (the “Redemption Price”). The Redemption Price is payable, at the option of the Company, in cash, common stock or such other form of consideration as the Board of Directors shall determine. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price. The Redemption Price will be subject to adjustment to appropriately reflect any stock split, stock dividend or similar transaction occurring after the date of the Rights Agreement.

If the Company receives a Qualifying Offer (as defined in the Rights Agreement) and the Company does not redeem the Rights, the Company may exempt such Qualifying Offer from the Rights Agreement, or call a special meeting of stockholders to vote on whether or not to exempt such Qualifying Offer from the Rights Agreement, in each case within 90 days of the commencement of the Qualifying Offer (within the meaning of Rule 14d-2(a) under the Exchange Act). In addition, the holders of record of 25% or more of the outstanding shares of common stock (excluding shares held by the person making the Qualifying Offer or by such person’s affiliates or associates) may

submit a written demand to the Board of Directors (the “Special Meeting Demand”), not earlier than 90 days and not later than 120 days following the commencement of the Qualifying Offer (within the meaning of Rule 14d-2(a) under the Exchange Act), directing the Board of Directors to propose a resolution exempting the Qualifying Offer from the Rights Agreement to be voted upon at a special meeting to be convened within 120 days following the Board of Director’s receipt of the Special Meeting Demand (the “Special Meeting Period”). The Board of Directors must take the necessary actions to cause such resolution to be submitted to a vote of stockholders at a special meeting within the Special Meeting Period. The Board of Directors may recommend in favor of or against or take no position with respect to the adoption of such resolution, as it determines to be appropriate in the exercise of its fiduciary duties.

Amendment

For so long as the Rights are then redeemable, the Company may supplement and amend the Rights Agreement in any manner. After the Rights are no longer redeemable, the Company may supplement and amend the Rights Agreement in any manner that does not adversely affect the interests of holders of the Rights (other than an Acquiring Person, affiliates and associates of an Acquiring Person and certain transferees thereof).

Anti-Dilution Provisions

The Board of Directors may adjust the Purchase Price, the number of shares of Preferred Stock issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split, a reclassification of the Preferred Stock or common stock or certain other specified transactions. No adjustments to the Purchase Price of less than 1% are required to be made.

Description of the Preferred Stock

Each Unit of Preferred Stock, if issued:

- Will not be redeemable.
- Will entitle holders to quarterly dividend payments of \$0.001 per Unit, or an amount equal to the dividend paid on one share of common stock, whichever is greater.
- Will entitle holders upon liquidation either to receive \$0.01 per Unit, or an amount equal to the payment made on one share of common stock, whichever is greater.
- Will have the same voting power as one share of common stock.
- If shares of common stock are exchanged as a result of a merger, consolidation, or a similar transaction, will entitle holders to a per share payment equal to the payment made on one share of common stock.

The value of one Unit of Preferred Stock should approximate the value of one share of common stock.

Certificate of Designations

In connection with the adoption of the Rights Agreement, the Board of Directors approved a Certificate of Designations of the Series B Junior Participating Preferred Stock (the “Certificate of Designations”). The Certificate of Designations was filed with the Secretary of State of the State of Delaware on June 8, 2020. The Certificate of Designations sets forth the rights, powers and preferences of the Preferred Stock.

**ON SEMICONDUCTOR CORPORATION
AMENDED AND RESTATED STOCK INCENTIVE PLAN
RESTRICTED STOCK UNITS AWARD AGREEMENT**

ON Semiconductor Corporation, a Delaware Corporation, (the “Company”) hereby grants to Hassane El-Khoury (the “Grantee”), a Participant in the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, as amended from time-to-time (the “Plan”), a Restricted Stock Units Award (the “Award”) for units (“Units”) representing shares of the common stock of the Company (“Stock”). This agreement to grant Stock Units (this “Grant Agreement”) is made effective as of December 7, 2020 (the “Grant Date”).

RECITALS

A. *The Board of Directors of the Company (the “Board”) has adopted the Plan as an incentive to retain employees, officers, and non-employee Directors of, and Consultants to, the Company and to enhance the ability of the Company to attract, retain, and motivate individuals upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent.*

B. Under the Plan, the Board has delegated its authority to administer the Plan to the Compensation Committee of the Board (the “Committee”).

C. The Committee has approved the granting of Units to the Grantee pursuant to the Plan to provide an incentive to the Grantee to focus on the long-term growth of the Company, to protect the Company’s goodwill with its employees, to protect the Company’s goodwill with its customers, and to protect the confidential information of the Company.

D. To the extent not specifically defined herein or in the Grantee’s offer letter, employment agreement or comparable agreement, as amended from time to time (the “Employment Agreement”), all capitalized terms used in this Grant Agreement shall have the meaning set forth in the Plan unless a contrary meaning is set forth in the Employment Agreement.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Grantee agree as follows:

1. Grant of Units. The Company hereby grants to the Grantee a Restricted Stock Units Award for 98,120 Units, representing the right to receive the same number of shares of Stock, subject to the terms and conditions in this Grant Agreement. This Award is granted pursuant to the Plan and its terms are incorporated by reference.

2. Vesting of Units. Subject to the provisions of the Plan and Section 3 below, the Units will vest in accordance with the schedule below:

2.1 32,707 Units will vest on **December 7, 2021**;

2.2 An additional 32,707 Units will vest on **December 7, 2022**; and

2.3 The final 32,706 Units will vest on **December 7, 2023**.

3. Termination of Employment or Services.

3.1 General. Subject to the provisions of Section 3.2, Section 3.3 and Section 3.4 below, if the Grantee terminates employment with the Company for any reason (including upon a termination for Cause), or otherwise ceases to perform services for the Company, any Units that are not vested under the schedule in Section 2 above, will be canceled and forfeited as of the date of the Grantee's termination of employment or service.

3.2 Termination without Cause / Resignation for Good Reason. In the event of the termination of the Grantee's employment by the Company without Cause (including a deemed termination for Good Reason, if applicable for the Grantee, as defined in the Employment Agreement, but excluding any termination for Retirement), and subject to the release of claims described in the Employment Agreement, then all remaining unvested portions of the Units shall become immediately vested as of the date of the Grantee's termination of employment.

3.3 Retirement. If: (i) the Grantee is Retirement Eligible (as defined below) as of the Grant Date; and (ii) actually Retires after the six month anniversary of the Grant Date, the Grantee shall continue to vest in the Units, as set forth in Section 2 above, as if the Grantee's termination of employment had not occurred. For purposes of this Grant Agreement: (A) "Retirement Eligible" means attainment of age 55, with 10 or more years of service with the Company, or attainment of age 65; and (B) "Retires," "Retire," or "Retirement" means the voluntary termination of employment by the Grantee if the Grantee is Retirement Eligible; provided, that, the Grantee delivers a Notice of Termination (as defined in the Employment Agreement) to the Company at least three months prior to his or her last day of employment.

3.4 Change in Control. In the event the Company terminates the Grantee's employment without Cause (including a deemed termination for Good Reason, if applicable for the Grantee, as defined in the Employment Agreement) within two years following a Change in Control, then the unvested portion of the Units shall become immediately vested as of the date of the Grantee's termination of employment. If a Change in Control occurs following the date on which the Grantee Retires, then the unvested portion of the Units shall become immediately vested as of the date of the Change in Control.

4. Time and Form of Payment. Subject to the provisions of this Grant Agreement and the Plan, as the number of Units vest under Section 2 or under Section 3 above, as the case may be, the Company will deliver to the Grantee the same number of whole shares of Stock, rounded up or down. Subject to Section 20 below, the Company must deliver the vested shares (if any) within 15 days of the applicable vesting date.

5. Nontransferability. The Units granted by this Grant Agreement shall not be transferable by the Grantee or any other person claiming through the Grantee, either voluntarily

or involuntarily, except by will or the laws of descent and distribution or as otherwise provided under Article 13 of the Plan.

6. Adjustments. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Grant Agreement the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all as set forth in Section 5.3 of the Plan.

7. Delivery of Shares. No shares of Stock shall be delivered under this Grant Agreement until: (i) the Units vest in accordance with the schedule set forth in Section 2 or pursuant to Section 3 above, as the case may be; (ii) approval of any governmental authority required in connection with the Grant Agreement, or the issuance of shares thereunder, has been received by the Company; (iii) if required by the Committee, the Grantee has delivered to the Company documentation (in form and content acceptable to the Company in its sole and absolute discretion) to assist the Company in concluding that the issuance to the Grantee of any share of Stock under this Grant Agreement would not violate the Securities Act of 1933, as amended (the "Securities Act"), or any other applicable federal, state or local securities or other laws or regulations; (iv) the Grantee has complied with Section 13 below, in order for the proper provision for required tax withholdings to be made; and (v) the Grantee has executed and returned this Grant Agreement to the Company (which, in the case of a Grant Agreement provided to the Grantee in electronic format, requires that the Grantee click the "ACCEPT" button). This Grant Agreement must be executed by the Grantee no later than the date 11 months from the Grant Date, which is through and including the normal close of business of the Company for its headquarters location in Phoenix, Arizona on November 7, 2021.

8. Securities Act. The Company shall not be required to deliver any shares of Stock pursuant to the vesting of Units if, in the opinion of counsel for the Company, such issuance would violate the Securities Act or any other applicable federal, state or local securities laws or regulations.

9. Voting and Other Stockholder Related Rights. The Grantee will have no voting rights or any other rights as a stockholder of the Company (e.g., no rights to cash dividends) with respect to unvested Units until the Units become vested and the Company issues shares of Stock to the Grantee.

10. Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Grant Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Grantee by the Company or an Affiliate, or upon deposit in the U.S. Post Office or foreign postal service, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the

current address on file with the Company or at such other address as such party may designate in writing from time-to-time to the other party.

10.1 Description of Electronic Delivery. The Plan documents – which may include but do not necessarily include the Plan, a grant notice, this Grant Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company’s stockholders – may be delivered to the Grantee electronically. In addition, the Grantee may deliver electronically any grant notice and this Grant Agreement to the Company or to such third party involved in administering the Plan as the Company may designate from time-to-time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

10.2 Consent to Electronic Delivery. The Grantee acknowledges that the Grantee has read Section 10.1 above, and consents to the electronic delivery of the Plan documents and any grant notice, as described in Section 10.1. The Grantee acknowledges that he may receive from the Company a paper copy of any documents delivered electronically at no cost to the Grantee by contacting the Company by telephone or in writing.

11. Administration. This Grant Agreement is subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Committee in accordance with the terms and provisions of the Plan. The Committee shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Committee with respect to the Plan and this Grant Agreement shall be final and binding upon the Grantee and the Company. In the event of any conflict between the terms and conditions of this Grant Agreement and the Plan, the provisions of the Plan shall control.

12. Continuation of Employment or Services. This Grant Agreement shall not be construed to confer upon the Grantee any right to continue employment with, or to provide services to, the Company and shall not limit the right of the Company, in its sole and absolute discretion, to terminate the employment or services of the Grantee at any time.

13. Responsibility for Taxes and Withholdings. The Grantee acknowledges that, regardless of any action the Company or the Grantee’s actual employer (the “Employer”) takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account, or other tax-related items related to the Grantee’s participation in the Plan and legally applicable to the Grantee (the “Tax-Related Items”), the ultimate liability for all Tax-Related Items is and remains the Grantee’s responsibility and may exceed the amount actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and/or the Employer: (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Units, including the grant of the Units, the vesting of Units, the conversion of the Units into shares or the receipt of an equivalent cash payment, the subsequent sale of any shares acquired at vesting and the receipt of any dividends and/or dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Units to reduce or eliminate the

Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Grantee shall pay, or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, pursuant to Article 17 of the Plan, if permissible under local law and subject to any restrictions provided by the Committee prior to the vesting of the shares, the Grantee authorizes the Company or the Employer, or their respective agents, to withhold all applicable Tax-Related Items in shares of Stock to be issued upon vesting/settlement of the Units. Alternatively, or in addition, subject to any restrictions provided by the Committee prior to the vesting of the shares, the Grantee authorizes the Company and/or the Employer, or their respective agents, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer; (ii) withholding from proceeds of the sale of shares of Stock acquired upon vesting/settlement of the Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization); or (iii) personal check or other cash equivalent acceptable to the Company.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or such greater amounts not to exceed the maximum statutory rate necessary, in the applicable jurisdiction, to satisfy federal, state, and local withholding tax requirements (but only if withholding at a rate greater than the minimum statutory rate will not result in adverse financial accounting consequences). In the event that the Company withholds an amount for Tax-Related Items that exceeds the maximum withholding amount under applicable law, the Grantee shall receive a refund of such over-withheld amount in cash and shall have no entitlement to an equivalent amount in Stock. If the obligation for Tax-Related Items is satisfied by withholding a number of shares of Stock as described herein, for tax purposes, the Grantee shall be deemed to have been issued the full number of shares of Stock subject to the Award, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items due as a result of the Grantee's participation in the Plan.

Finally, the Grantee shall pay to the Company or to the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver shares or the proceeds of the sale of shares of Stock if the Grantee fails to comply with his or her obligation in connection with the Tax-Related Items.

14. Amendments. Unless otherwise provided in the Plan or this Grant Agreement, this Grant Agreement may be amended only by a written agreement executed by the Company and the Grantee.

15. Integrated Agreement. Any grant notice, this Grant Agreement and the Plan shall constitute the entire understanding and agreement of the Grantee and the Company with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties between the Grantee and the Company with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of any grant notice and this Grant Agreement shall survive any settlement of the Award and shall remain in full force and effect.

16. Severability. If one or more of the provisions of this Grant Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Grant Agreement to be construed so as to foster the intent of this Grant Agreement and the Plan.

17. Counterparts. Any grant notice and this Grant Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18. Governing Law and Venue. This Grant Agreement shall be interpreted and administered under the laws of the State of Delaware. For purposes of litigating any dispute that arises under this grant or this Grant Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Arizona, agree that such litigation shall be conducted in the courts of Maricopa County, Arizona, or the federal courts for the United States for the District of Arizona, where this grant is made and/or to be performed.

19. Other. The Grantee represents that the Grantee has read and is familiar with the provisions of the Plan and this Grant Agreement, and hereby accepts the Award subject to all of their terms and conditions.

20. Section 409A Compliance. Section 409A of the Code imposes an additional 20% tax, plus interest, on payments from “non-qualified deferred compensation plans.” Certain payments under this Grant Agreement could be considered to be payments under a “non-qualified deferred compensation plan.” The additional 20% tax and interest do not apply if the payment qualifies for an exception to the requirements of Section 409A or complies with the requirements of Section 409A. The Company believes, but does not and cannot warrant or guaranty, that the payments due pursuant to this Grant Agreement comply with, or are exempt from, the requirements of Section 409A. Notwithstanding anything to the contrary in this Grant Agreement, if the Company determines that no exception to Section 409A applies to the

payments due pursuant to this Grant Agreement, to the extent any payments are due on the Grantee's termination of employment, the term "termination of employment" shall mean "separation from service" as defined in Treasury Regulation Section 1.409A-1(h) and, to the extent any payments are due on a Change in Control, the term Change in Control shall mean a "change in control event" as defined in Section 409A of the Code. In addition, if the Grantee is a "specified employee" (as defined in Treasury Regulation Section 1.409A-1(i)) and any payments due pursuant to this Grant Agreement are payable on the Grantee's "separation from service," then such payments shall be paid on the first business day following the expiration of the six month period following the Grantee's "separation from service." This Grant Agreement shall be operated in compliance with Section 409A or an exception thereto and each provision of this Grant Agreement shall be interpreted, to the extent possible, to comply with Section 409A or to qualify for an applicable exception. The Grantee remains solely responsible for any adverse tax consequences imposed upon the Grantee by Section 409A.

21. Confidentiality; Reaffirmation of Restrictive Covenants; Violation.

21.1 Confidentiality of Agreement. The Grantee acknowledges and agrees that the terms of this Grant Agreement are considered proprietary information of the Company. The Grantee hereby agrees that Grantee shall maintain the confidentiality of these matters to the fullest extent permitted by law and shall not disclose them to any third party.

21.2 Exceptions. There are limited exceptions to the above confidentiality requirement if the Grantee is providing information to government agencies, including but not limited to the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration (or its state equivalent), and the Securities and Exchange Commission. This Grant Agreement does not limit the Grantee's ability to communicate with any government agencies regarding matters within their jurisdiction or otherwise participate in any investigation or proceeding that may be conducted by any government agency, including providing documents or other information, without notice, to the government agencies. Nothing in this Grant Agreement shall prevent the Grantee from disclosing confidential information or trade secrets that: (i) is made: (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In the event that the Grantee files a lawsuit alleging retaliation by the Company for reporting a suspected violation of law, the Grantee may disclose confidential information or trade secrets related to the suspected violation of law or alleged retaliation to the Grantee's attorney and use the confidential information or trade secrets in the court proceeding if the Grantee or the Grantee's attorney: (x) files any document containing confidential information or trade secrets under seal; and (y) does not disclose the confidential information or trade secrets, except pursuant to court order. The Company provides this notice in compliance with, among others, the Defend Trade Secrets Act of 2016.

21.3 Reaffirmation of Restrictive Covenants. By accepting this Award, the Grantee reaffirms his or her obligation to comply with the confidentiality, non-competition, non-

solicitation, non-disclosure, confidential information, and similar restrictive covenant provisions set forth in the Employment Agreement or any other agreement to which the Grantee and the Company or any Affiliate are parties.

21.4 Violation. If the Grantee violates the confidentiality provisions of this Section 21, or the restrictive covenant provisions contained in the Employment Agreement or any other agreement to which the Grantee and the Company or any Affiliate are parties (e.g., non-competition provisions, non-solicitation provisions, non-disclosure provisions, confidential information provisions, etc.), the Company, without waiving any other remedy available, may revoke this Award without further obligation or liability, and the Grantee may be subject to disciplinary action, up to and including the Company's termination of the Grantee's employment.

22. Appendix. Notwithstanding any provisions in this Grant Agreement, the grant of the Units shall be subject to any special terms and conditions set forth in any appendix (or any appendices) to this Grant Agreement for the Grantee's country (the "Appendix"). Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Grant Agreement.

23. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Grantee's participation in the Plan, on the Units and on any shares of Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Further, the Award and profits under this Grant Agreement are subject to the Company's compensation recovery policy or policies (and related Company practices) as such may be in effect from time-to-time, whether or not such policies were adopted in response to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, and similar or related laws, rules and regulations. In addition to the Company's compensation recovery policy or policies, and notwithstanding anything in the Plan or any Employment Agreement to the contrary, the Company may require the Grantee to forfeit all or a portion of any unvested Units and any shares of Stock delivered pursuant to this Grant Agreement if: (i) the Grantee's employment is terminated for Cause; or (ii) the Committee, in its sole and absolute discretion, determines that the Grantee engaged in serious misconduct that results or might reasonably be expected to result in financial or reputational harm to the Company. The Grantee agrees to fully cooperate with the Company in assuring compliance with the provisions of this Section 23 and such compensation recovery policies and the provisions of applicable law, including, but not limited to, promptly returning any compensation subject to recovery by the Company pursuant to the provisions of this Section 23, such policies and applicable law.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Grant Agreement to be signed by its duly authorized representative and the Grantee has signed this Grant Agreement as of the date first written above.

ON SEMICONDUCTOR CORPORATION

By: /s/ GEORGE H. CAVE _____
Name: George H. Cave
Title: Executive Vice President, General Counsel
and Secretary

GRANTEE

/s/ HASSANE EL-KHOURY _____
Name: Hassane El-Khoury

**ON SEMICONDUCTOR CORPORATION
AMENDED AND RESTATED STOCK INCENTIVE PLAN
PERFORMANCE-BASED RESTRICTED STOCK UNITS AWARD AGREEMENT**

ON Semiconductor Corporation, a Delaware Corporation (the “Company”), hereby grants to Hassane El-Khoury (the “Grantee”), a Participant in the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, as amended from time-to-time (the “Plan”), a Performance-Based Restricted Stock Units Award (the “Award”) for units (“Units”) representing shares of the common stock of the Company (“Stock”). This agreement to grant Stock Units (this “Grant Agreement”) is made effective as of December 7, 2020 (the “Grant Date”).

RECITALS

A. The Board of Directors of the Company (the “Board”) has adopted the Plan as an incentive to retain employees, officers, and non-employee Directors of, and Consultants to, the Company and to enhance the ability of the Company to attract, retain and motivate individuals upon whose judgment, interest and special effort the successful conduct of the Company’s operation is largely dependent.

B. Under the Plan, the Board has delegated its authority to administer the Plan to the Compensation Committee of the Board (the “Committee”).

C. The Committee has approved the granting of Units to the Grantee pursuant to the Plan to provide an incentive to the Grantee to focus on the long-term growth of the Company.

D. To the extent not specifically defined herein or in the Grantee’s offer letter, employment agreement or comparable agreement, as amended from time to time (the “Employment Agreement”), all capitalized terms used in this Grant Agreement shall have the meaning set forth in the Plan unless a contrary meaning is set forth in the Employment Agreement.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Grantee agree as follows:

1. Grant of Units. The Company hereby grants to the Grantee a Performance-Based Restricted Stock Units Award for 228,946 Units, representing the right to receive payment of the same number of shares of Stock, subject to the terms and conditions of this Grant Agreement and the provisions of the Plan, which terms are incorporated herein by reference.

2. Earning Units and Related Information.

2.1 Earning Units. Subject to the terms and conditions set forth in the Plan and this Grant Agreement, the Grantee shall be entitled to receive payment for the number of Units earned by the Grantee over the two year period beginning December 7, 2020 and ending December 6, 2022 (the “Performance Measurement Period”). The number of Units earned

pursuant to this Grant Agreement is a function of the extent to which the Performance Goal described in the table below is achieved.

RELATIVE TSR PERFORMANCE GOAL

Performance Level	Relative TSR	Percentage of Units Eligible to be Earned
Target or Above	Greater than or equal to the 75 th percentile	100%
Threshold	Greater than the 50 th percentile	50%

If the Company's Relative TSR (defined below) for the Performance Measurement Period is equal to or less than the 50th percentile performance achievement level, no Units will be earned at the end of the Performance Measurement Period. If the Company's Relative TSR for the Performance Measurement Period exceeds the 50th percentile performance level, but is less than the Target performance level, the number of Units earned at the end of the Performance Measurement Period will be determined by applying straight-line interpolation between the Threshold performance level and Target performance level for the Performance Goal. If the Company's Relative TSR for the Performance Measurement Period equals or exceeds the Target performance level, then all of the Units will be earned at the end of the Performance Measurement Period. Any Units that are unearned pursuant to Section 2.1 at the end of the Performance Measurement Period will be forfeited no later than the Vesting Date. The number of earned Units that will become vested shall be determined pursuant to Section 3 and Section 4 below. Whether the Performance Goal for the Performance Measurement Period has been achieved shall be determined pursuant to Section 2.3 below.

2.2 Relative TSR Performance Goal Defined. For purposes of this Grant Agreement, "Relative TSR" shall mean the Company's Total Shareholder Return as compared to the Total Shareholder Return of the group of companies listed on Exhibit A (the "TSR Companies"). For this purpose, "TSR" or "Total Shareholder Return" for the Company and the TSR Companies will be calculated by adding any dividends paid by the Company (or such other companies) to the change in value of the Stock (or the other companies' common stock). The change in value shall be measured by comparing the "Beginning Stock Price" and "Ending Stock Price." The "Beginning Stock Price" is the average closing price of the Stock (or the common stock of the other companies) for the three-month period immediately preceding the Grant Date. Subject to Section 4.2 and Section 4.3 in connection with any applicable termination of the Grantee's employment, the "Ending Stock Price" is the average closing price of the Stock (or the common stock of the other companies) for the three-month period immediately preceding the end of the Performance Measurement Period; provided that (even absent a termination of employment of the Grantee in connection with a Change in Control, which is covered by Section 4.2 below) in the event of a Change in Control: (i) following which the Stock is no longer listed for trading on NASDAQ or another U.S. national securities trading exchange, and (ii) in connection with which the fair value of a Share is determinable as of the effective time of such Change in Control, then the "Ending Stock Price" shall be based on the fair value of a Share as of the effective time of the Change in Control.

2.3 Final Determination of Performance Goals Attained. Subject to the provisions of the Plan and the Charter of the Committee, the Committee shall be responsible for determining in good faith whether, and to what extent, the Performance Goal set forth in this Grant Agreement has been achieved. The Committee may reasonably rely on information from, and representations by, individuals within the Company in making such determination and when made such determination shall be final and binding on the Grantee. The Committee shall certify such determination no later than December 29, 2022.

3. Vesting of Earned Units. Subject to Section 4 below, all of the Units earned pursuant to Section 2.1 (the “Total Earned Units”), shall vest on the first business day following the Committee’s certification pursuant to Section 2.3 (the “Vesting Date”).

4. Termination of Employment or Services.

4.1 General. Subject to the provisions of Section 4.2 and Section 4.3 below, if the Grantee terminates employment with the Company for any reason (including upon a termination for Cause), or otherwise ceases to perform services for the Company, any unvested Units will be canceled and forfeited as of the date of the Grantee’s termination of employment. In other words, subject to Section 4.2 and Section 4.3 below, the Grantee must be employed by the Company on the Vesting Date to receive any payment for the Units that are scheduled to vest on such Vesting Date.

4.2 Change in Control. If the Company terminates the Grantee’s employment without Cause (including, if applicable, a termination for Good Reason as defined in the Employment Agreement) in connection with or following any Change in Control, and subject to the release of claims described in the Employment Agreement, (i) any then unvested Total Earned Units shall become immediately vested, and (ii) the Total Earned Units that vest hereunder shall equal all Units as if the Target performance level had been achieved. The Vesting Date for any Units that vest pursuant to this Section 4.2 shall be the date of the Grantee’s termination of employment.

4.3 Termination without Cause / Resignation for Good Reason. In the event of the termination of the Grantee’s employment by the Company without Cause (including a deemed termination for Good Reason, as defined in the Employment Agreement) other than in circumstances covered by Section 4.2 above, and subject to the release of claims described in the Employment Agreement, the number of Total Earned Units that will vest will be determined by multiplying (a) the number of Total Earned Units (determined in accordance with the following sentence), by (b) a fraction, the numerator of which is the number of days the Grantee was employed by the Company or its affiliates during the Performance Measurement Period, and the denominator of which is 730 (the “Pro Rata Vesting Amount”). In such circumstances, the number of Total Earned Units for purposes of subsection (a) of this Section 4.3 shall be the number of Units the Grantee would have earned pursuant to Sections 2.1 and 2.2 above, except that the “Ending Stock Price” shall be based on the average closing price of the Stock for the three-month period immediately preceding the date of the Grantee’s termination of employment.

The Vesting Date for any Units that vest pursuant to this Section 4.3 shall be the date of the Grantee's termination of employment.

5. Time and Form of Payment. Subject to the provisions of this Grant Agreement and the Plan, as Units vest on the Vesting Dates set forth in Section 3, Section 4.2, or Section 4.3 above, as the case may be, the Company will deliver to the Grantee the same number of whole shares of Stock, rounded up or down. Subject to Section 21 below, the Company shall deliver the vested shares (if any) within 15 days of the applicable Vesting Date. If the Company determines that the acceleration of the time of payment for the Units that vest in accordance with Section 4.2 or Section 4.3 above, would violate the requirements of Section 409A of the Code, the payment will be deferred and shall be paid on the earliest date coinciding with or following the Vesting Date that does not result in a violation of or penalties under Section 409A of the Code.

6. Nontransferability. The Units granted by this Grant Agreement shall not be transferable by the Grantee or any other person claiming through the Grantee, either voluntarily or involuntarily, except by will or the laws of descent and distribution or as otherwise provided under Article 13 of the Plan.

7. Adjustments. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger, or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Grant Agreement the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all as set forth in Section 5.3 of the Plan.

8. Delivery of Shares. No shares of Stock shall be delivered under this Grant Agreement until: (i) the Units vest pursuant to Section 3, Section 4.2, or Section 4.3 above, as the case may be; (ii) approval of any governmental authority required in connection with the Grant Agreement, or the issuance of shares thereunder, has been received by the Company; (iii) if required by the Committee, the Grantee has delivered to the Company documentation (in form and content acceptable to the Company in its sole and absolute discretion) to assist the Company in concluding that the issuance to the Grantee of any share of Stock under this Grant Agreement would not violate the Securities Act of 1933, as amended (the "Securities Act"), or any other applicable federal, state or local securities or other laws or regulations; (iv) the Grantee has complied with Section 14 below, in order for the proper provision for required tax withholdings to be made; and (v) the Grantee has executed and returned this Grant Agreement to the Company (which, in the case of a Grant Agreement provided to the Grantee in electronic format, requires that the Grantee click the "ACCEPT" button). This Grant Agreement must be executed by the Grantee no later than the earlier of: (x) 10 months from the Grant Date (through and including the normal close of business of the Company for its headquarters location in Phoenix, Arizona on October 7, 2021); or (y) the date preceding the Vesting Date described in Section 3 above.

9. Securities Act. The Company shall not be required to deliver any shares of Stock pursuant to the vesting of Units if, in the opinion of counsel for the Company, such issuance

would violate the Securities Act or any other applicable federal, state or local securities laws or regulations.

10. Voting and Other Stockholder Related Rights. The Grantee will have no voting rights or any other rights as a stockholder of the Company (e.g., no rights to cash dividends) with respect to unvested Units until the Units become vested and the Company issues shares of Stock to the Grantee.

11. Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Grant Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Grantee by the Company or an Affiliate, or upon deposit in the U.S. Post Office or foreign postal service, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the current address on file with the Company or at such other address as such party may designate in writing from time-to-time to the other party.

11.1 Description of Electronic Delivery. The Plan documents – which may include but do not necessarily include the Plan, a grant notice, this Grant Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company’s stockholders – may be delivered to the Grantee electronically. In addition, the Grantee may deliver electronically any grant notice and this Grant Agreement to the Company or to such third party involved in administering the Plan as the Company may designate from time-to-time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

11.2 Consent to Electronic Delivery. The Grantee acknowledges that the Grantee has read Section 11.1 above, and consents to the electronic delivery of the Plan documents and any grant notice, as described in Section 11.1. The Grantee acknowledges that the Grantee may receive from the Company a paper copy of any documents delivered electronically at no cost by contacting the Company by telephone or in writing.

12. Administration. This Grant Agreement is subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Committee in accordance with the terms and provisions of the Plan. The Committee shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Committee with respect to the Plan and this Grant Agreement shall be final and binding upon the Grantee and the Company. In the event of any conflict between the terms and conditions of this Grant Agreement and the Plan, the provisions of the Plan shall control.

13. Continuation of Employment. This Grant Agreement shall not be construed to confer upon the Grantee any right to continue employment with the Company and shall not limit

the right of the Company, in its sole and absolute discretion, to terminate the Grantee's employment or services at any time.

14. Responsibility for Taxes and Withholdings. The Grantee acknowledges that, regardless of any action the Company or the Grantee's actual employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee (the "Tax-Related Items"), the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and/or the Employer: (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Units, including the grant of the Units, the vesting of Units, the conversion of the Units into shares or the receipt of an equivalent cash payment, the subsequent sale of any shares acquired at vesting and the receipt of any dividends and/or dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Units to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Grantee shall pay, or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, pursuant to Article 17 of the Plan, if permissible under local law and subject to any restrictions provided by the Committee prior to the vesting of the shares, the Grantee authorizes the Company or the Employer, or their respective agents, to withhold all applicable Tax-Related Items in shares of Stock to be issued upon vesting/settlement of the Units. Alternatively, or in addition, subject to any restrictions provided by the Committee prior to the vesting of the shares, the Grantee authorizes the Company and/or the Employer, or their respective agents, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer; (ii) withholding from proceeds of the sale of shares of Stock acquired upon vesting/settlement of the Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization); (iii) personal check or other cash equivalent acceptable to the Company; or (iv) any other means as determined appropriate by the Company or the Committee.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or such greater amounts not to exceed the maximum statutory rate necessary, in the applicable jurisdiction, to satisfy federal, state, and local withholding tax requirements (but only if withholding at a rate greater than the minimum statutory rate will not result in adverse financial accounting consequences). In the event that the Company withholds an amount for Tax-Related Items that

exceeds the maximum withholding amount under applicable law, the Grantee shall receive a refund of such over-withheld amount in cash and shall have no entitlement to an equivalent amount in Stock. If the obligation for Tax-Related Items is satisfied by withholding a number of shares of Stock as described herein, for tax purposes, the Grantee shall be deemed to have been issued the full number of shares of Stock subject to the Award, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items due as a result of the Grantee's participation in the Plan.

Finally, the Grantee shall pay to the Company or to the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver shares or the proceeds of the sale of shares of Stock if the Grantee fails to comply with his or her obligation in connection with the Tax-Related Items.

15. Amendments. Unless otherwise provided in the Plan or this Grant Agreement, this Grant Agreement may be amended only by a written agreement executed by the Company and the Grantee.

16. Integrated Agreement. Any grant notice, this Grant Agreement and the Plan shall constitute the entire understanding and agreement of the Grantee and the Company with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations or warranties between the Grantee and the Company with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of any grant notice and this Grant Agreement shall survive any settlement of the Award and shall remain in full force and effect.

17. Severability. If one or more of the provisions of this Grant Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Grant Agreement to be construed so as to foster the intent of this Grant Agreement and the Plan.

18. Counterparts. Any grant notice and this Grant Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Governing Law and Venue. This Grant Agreement shall be interpreted and administered under the laws of the State of Delaware. For purposes of litigating any dispute that arises under this grant or this Award, the parties hereby submit to and consent to the jurisdiction of the State of Arizona, agree that such litigation shall be conducted in the courts of Maricopa County, Arizona, or the federal courts for the United States for the District of Arizona, where this grant is made and/or to be performed.

20. Other. The Grantee represents that the Grantee has read and is familiar with the provisions of the Plan and this Grant Agreement, and hereby accepts the Award subject to all of their terms and conditions.

21. Section 409A Compliance. Section 409A of the Code imposes an additional 20% tax, plus interest, on payments from “non-qualified deferred compensation plans.” Certain payments under this Grant Agreement could be considered to be payments under a “non-qualified deferred compensation plan.” The additional 20% tax and interest do not apply if the payment qualifies for an exception to the requirements of Section 409A or complies with the requirements of Section 409A. The Company believes, but does not and cannot warrant or guaranty, that the payments due pursuant to this Grant Agreement qualify for the short-term deferral exception to Section 409A of the Code as set forth in Treasury Regulation Section 1.409A-1(b)(4). Notwithstanding anything to the contrary in this Grant Agreement, if the Company determines that neither the short-term deferral exception nor any other exception to Section 409A applies to the payments due pursuant to this Grant Agreement, to the extent any payments are due on the Grantee’s termination of employment, the term “termination of employment” shall mean “separation from service” as defined in Treasury Regulation Section 1.409A-1(h). In addition, if the Grantee is a “specified employee” (as defined in Treasury Regulation Section 1.409A-1(i)) and any payments due pursuant to this Grant Agreement are payable on the Grantee’s “separation from service,” then such payments shall be paid on the first business day following the expiration of the six month period following the Grantee’s “separation from service.” This Grant Agreement shall be operated in compliance with Section 409A or an exception thereto and each provision of this Grant Agreement shall be interpreted, to the extent possible, to comply with Section 409A or to qualify for an applicable exception. The Grantee remains solely responsible for any adverse tax consequences imposed upon the Grantee by Section 409A.

22. Confidentiality of Agreement.

22.1 General. The Grantee acknowledges and agrees that the terms of this Grant Agreement are considered proprietary information of the Company. The Grantee hereby agrees that Grantee shall maintain the confidentiality of these matters to the fullest extent permitted by law and shall not disclose them to any third party.

22.2 Exceptions. There are limited exceptions to the above confidentiality requirement if the Grantee is providing information to government agencies, including but not limited to the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration (or its state equivalent), and the Securities and Exchange Commission. This Grant Agreement does not limit the Grantee’s ability to communicate with any government agencies regarding matters within their jurisdiction or otherwise participate in any investigation or proceeding that may be conducted by any government agency, including providing documents or other information, without notice, to the government agencies. Nothing in this Grant Agreement shall prevent the Grantee from disclosing confidential information or trade secrets that: (i) is made: (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and

(B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In the event that the Grantee files a lawsuit alleging retaliation by the Company for reporting a suspected violation of law, the Grantee may disclose confidential information or trade secrets related to the suspected violation of law or alleged retaliation to the Grantee's attorney and use the confidential information or trade secrets in the court proceeding if the Grantee or the Grantee's attorney: (x) files any document containing confidential information or trade secrets under seal; and (y) does not disclose the confidential information or trade secrets, except pursuant to court order. The Company provides this notice in compliance with, among others, the Defend Trade Secrets Act of 2016.

22.3 Reaffirmation of Restrictive Covenants. By accepting this Award, the Grantee reaffirms his or her obligation to comply with the confidentiality, non-competition, non-solicitation, non-disclosure, confidential information, and similar restrictive covenant provisions set forth in the Employment Agreement or any other agreement to which the Grantee and the Company or any Affiliate are parties.

22.4 Violation. If the Grantee violates the confidentiality provisions of this Section 22, or the restrictive covenant provisions contained in the Employment Agreement or any other agreement to which the Grantee and the Company or any Affiliate are parties (e.g., non-competition provisions, non-solicitation provisions, non-disclosure provisions, confidential information provisions, etc.), the Company, without waiving any other remedy available, may revoke this Award without further obligation or liability, and the Grantee may be subject to disciplinary action, up to and including the Company's termination of the Grantee's employment.

23. Appendix. Notwithstanding any provisions in this Grant Agreement, the grant of the Units shall be subject to any special terms and conditions set forth in any appendix (or any appendices) to this Grant Agreement for the Grantee's country (the "Appendix"). Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Grant Agreement.

24. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Grantee's participation in the Plan, on the Units and on any shares of Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Further, the Award and profits under this Grant Agreement are subject to the Company's compensation recovery policy or policies (and related Company practices) as such may be in effect from time-to-time, whether or not such policies were adopted in response to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, and similar or related laws, rules and regulations. In addition to the Company's compensation

recovery policy or policies, and notwithstanding anything in the Plan or any Employment Agreement to the contrary, the Company may require the Grantee to forfeit all or a portion of any unvested Units and any shares of Stock delivered pursuant to this Grant Agreement if: (i) the Grantee's employment is terminated for Cause; or (ii) the Committee, in its sole and absolute discretion, determines that the Grantee engaged in serious misconduct that results or might reasonably be expected to result in financial or reputational harm to the Company. The Grantee agrees to fully cooperate with the Company in assuring compliance with the provisions of this Section 24 and such compensation recovery policies and the provisions of applicable law, including, but not limited to, promptly returning any compensation subject to recovery by the Company pursuant to the provisions of this Section 24, such policies and applicable law.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Grant Agreement to be signed by its duly authorized representative and the Grantee has signed this Grant Agreement as of the date first written above.

ON SEMICONDUCTOR CORPORATION

By: /s/ GEORGE H. CAVE
Name: George H. Cave
Title: Executive Vice President, General Counsel
and Secretary

GRANTEE

/s/ HASSANE EL-KHOURY
Name: Hassane El-Khoury

EMPLOYMENT AGREEMENT

This Employment Agreement, dated as of December 7, 2020 (the "Agreement"), is made and entered into by and between Semiconductor Components Industries, LLC (the "Company"), a wholly-owned subsidiary of ON Semiconductor Corporation, a Delaware Corporation (the "Parent"), with offices at 5005 East McDowell Road, Phoenix, Arizona 85008, and Hassane El-Khoury (the "Executive").

WHEREAS, the Company desires to employ Executive on the terms and conditions set forth herein; and

WHEREAS, Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. Employment, Duties and Agreements.

(a) The Company agrees to employ Executive as President and Chief Executive Officer as described in Section 3 hereof (the "Employment Period"). Executive shall report to the Board of Directors of the Parent or its designee (the "Board") and shall have such duties and responsibilities as the Board may reasonably determine from time to time as are consistent with Executive's position as President and Chief Executive Officer. In addition, (i) Executive shall be appointed as a member of the Board, effective as of the date of this Agreement, and (ii) during the Employment Period, the Company shall cause the Executive to be appointed as a member of the Board. During the Employment Period, Executive shall be subject to, and shall act in accordance with, all reasonable instructions and directions of the Board and all applicable policies and rules of the Company. Executive's principal work location shall be Phoenix, Arizona, provided that Executive shall be required to travel as required in order to perform his duties and responsibilities hereunder.

(b) During the Employment Period, excluding any periods when, pursuant to the Company's flexible vacation policy, Executive may take time off as desired, consistent with the performance of his duties and responsibilities, Executive shall devote his full working time, energy and attention to the performance of his duties and responsibilities hereunder and shall faithfully and diligently endeavor to promote the business and best interests of the Company.

(c) Executive agrees to submit himself for physical examination on one occasion per year as requested by the Company; provided, however, that the Company shall bear the entire cost of such examinations.

(d) During the Employment Period, Executive may not, without the prior written consent of the Company, directly or indirectly, operate, participate in the management, operations or control of, or act as an executive, officer, consultant, agent or representative of, any type of business or service (other than as an executive of the Company), provided that it shall not be a violation of the foregoing for Executive to manage his personal, financial and legal affairs

so long as such activities do not interfere with the performance of his duties and responsibilities to the Company as provided hereunder.

(e) Executive represents that his employment with the Company and future performance of services under this Agreement does not and will not violate any other agreement or obligation that Executive may have with any current or former employers or other third parties.

2. Compensation.

(a) As compensation for the agreements made by Executive herein and the performance by Executive of his obligations hereunder, during the Employment Period, the Company shall pay Executive, pursuant to the Company's normal and customary payroll procedures, a base salary of approximately \$950,000 annually (subject to annual review and adjustment as determined by the Compensation Committee of the Board of Directors) (the "Base Salary").

(b) In addition to the Base Salary, during the Employment Period, Executive shall be eligible to participate in a discretionary bonus program established and approved by the Board and/or its Compensation Committee (the "Program") and, pursuant to the Program, Executive may earn a cash bonus (the "Bonus") on an annual or other performance period basis (a "Performance Cycle") with a target amount of 150% of Base Salary earned and paid in respect of the applicable Performance Cycle (it being acknowledged and agreed that the actual amount earned and paid may be less than the 150% target amount based on actual achievement of the performance criteria), plus a potential additional amount as may be approved by the Board and/or its Compensation Committee under the Program and in each case based on performance criteria determined by the Board and/or its Compensation Committee, in their discretion; provided that, among other eligibility, Executive is actively employed by the Company on the date the Bonuses are paid under the Program, except as provided in Section 5(a) herein. The Bonus may be paid annually or more frequently depending upon the Performance Cycle, as determined by the Board and/or its Compensation Committee and pursuant to the Program. The Bonus will be specified by the Board and/or its Compensation Committee, and the Bonus will be reviewed at least annually by the Board and/or its Compensation Committee.

(c) During the Employment Period: (i) except as specifically provided herein, Executive shall be entitled to participate in all savings and retirement plans, practices, policies and programs of the Company which are made available generally to other senior executive officers of the Company, and (ii) except as specifically provided herein, Executive and/or Executive's family, as the case may be, shall be eligible for participation in, and shall receive all benefits under, all welfare benefit plans, practices, policies and programs (including the Company's disability plan) provided by the Company which are made available generally to other senior executive officers of the Company (for the avoidance of doubt, such plans, practices, policies or programs shall not include any plan, practice, policy or program which provides benefits in the nature of severance or continuation pay).

(d) During the Employment Period, the Company shall provide Executive with a car allowance of \$1,200 per month, subject to applicable withholdings and without any tax gross-ups.

(e) During the Employment Period, the Company shall reimburse Executive up to \$10,000 annually for actual financial planning expenses, subject to applicable withholdings and without any tax gross-ups.

(f) During the Employment Period, the Company shall reimburse Executive for all reasonable business expenses upon the presentation of statements of such expenses in accordance with the Company's normal and customary policies and procedures now in force or as such policies and procedures may be modified with respect to senior executive officers of the Company; provided that it is acknowledged and agreed that any expenses incurred by Executive in connection with travel to and from his personal residences within or outside of the State of Arizona shall constitute personal expenses of Executive and shall not be reimbursable hereunder.

(g) No later than thirty (30) days following the date that Executive commences his employment with the Company, the Company will pay to Executive, for use in connection with the relocation of Executive and his immediate family to the Phoenix metropolitan area, an amount equal to \$250,000 (the "Relocation Amount"), in one lump sum, subject to applicable withholdings and without any tax gross-ups. The Relocation Amount shall be in lieu of any amounts otherwise payable under the Company's standard relocation policies. In addition, in the event that the Executive voluntarily terminates his employment with the Company for any reason prior to or on the first anniversary of the date that he commences employment with the Company, then Executive shall be required to repay the Relocation Amount to the Company (on a pro rata basis).

(h) During the Employment Period, the Board may ask Executive to provide services to affiliates of the Company, including the Parent, that are consistent with Executive's position as President and Chief Executive Officer. Executive agrees to perform such services without additional compensation from the Company, any affiliate, or the Parent.

(i) On the Effective Date, Executive shall receive:

(i) an award of restricted stock units ("RSUs") pursuant to the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan ("SIP") (x) for the underlying number of shares of ON Semiconductor common stock approximately equal to an aggregate grant date fair value of \$3,000,000 (the "RSU Award") and with the number of RSUs awarded being determined by dividing (A) \$3,000,000, by (B) the NASDAQ closing price of one share of ON Semiconductor common stock on the Effective Date, and (y) on such other terms and conditions as set forth in the form of equity award agreement attached as Exhibit A hereto; and

(ii) an award of performance-based restricted stock units ("PBRsUs") pursuant to the SIP (x) for an underlying number of shares of ON Semiconductor common stock approximately equal to an aggregate grant date fair value of \$7,000,000 (the "PBRsU Award") and with the number of PBRsUs awarded, and potentially earned, being determined by dividing (A)

\$7,000,000, by (B) the NASDAQ closing price of one share of ON Semiconductor common stock on the Effective Date, and (y) on such other terms and conditions as set forth in the form of equity award agreement attached as Exhibit B hereto.

(j) During the Employment Period, Executive shall be eligible to participate in the SIP. Subject to approval by the Board, Executive will receive a 2021 annual grant under the SIP that shall (i) include PBRsUs with an aggregate grant date fair value of \$4,800,000 at target, and RSUs with an aggregate grant date fair value of \$3,200,000 at target, and (ii) subject to the following sentence, otherwise be subject to the terms and conditions generally applicable to other Company officers, as may be determined by the Board in its sole and absolute discretion. Any future equity awards of RSUs or PBRsUs (including the 2021 annual grants) that the Executive may receive under the SIP (in each case, subject to approval by the Board) will contain provisions such that:

(i) with respect to a grant of RSUs, in the event of the termination of Executive's employment by the Company without Cause (including a deemed termination for Good Reason), and subject to the release of claims described below, then (A) if such termination or deemed termination occurs upon or within two years following a Change in Control, all remaining unvested RSUs shall become immediately vested as of the date of Executive's termination of employment; and otherwise (absent such Change in Control) (B) the number of unvested RSUs that will vest on the date of Executive's termination will be an amount equal to (x) one-third (1/3) of the total number of RSUs granted under the applicable award agreement, multiplied by (y) a fraction, (a) the numerator of which is the number of days elapsed between the most recently occurred vesting date immediately preceding the date of the Executive's termination of employment (or the grant date if no vesting date has yet occurred) and the date of Executive's termination of employment, and (b) the denominator of which is 365; and

(ii) with respect to a grant of PBRsUs, in the event of the termination of Executive's employment by the Company without Cause (including a deemed termination for Good Reason), and subject to the release of claims described below, then (A) if such termination or deemed termination occurs upon or within two years following a Change in Control, all remaining unvested PBRsUs shall become immediately vested as of the date of Executive's termination of employment assuming achievement at target performance levels; and otherwise (absent such Change in Control) (B) the number of total earned PBRsUs that will vest immediately upon confirmation of achievement of the applicable performance criteria will be determined by multiplying (a) the number of total earned PBRsUs under the award agreement (which number of total earned PBRsUs will be determined based on the actual achievement of the performance metrics under the applicable award agreement for the full performance period under such award agreement), by (b) a fraction, the numerator of which is the number of days Executive was employed by the Company or its affiliates during the performance measurement period, and the denominator of which is the number of days in the entire performance measurement period.

3. Employment Period. The Company shall employ Executive on the terms and subject to the conditions of this Agreement commencing as of the date of the execution of this Agreement (the "Effective Date") and continuing until terminated by either party pursuant to this

Section 3 in accordance with the terms hereof. Notwithstanding the foregoing, Executive shall be considered an “at-will” employee, which means that Executive’s employment may be terminated by the Company or by Executive at any time for any reason or no reason at all. Executive’s employment hereunder may be terminated during the Employment Period upon the earliest to occur of the following events (at which time the Employment Period shall be terminated):

(a) *Death.* Executive’s employment hereunder shall terminate upon his death.

(b) *Disability.* The Company shall be entitled to terminate Executive’s employment hereunder for “Disability” if, as a result of Executive’s incapacity due to physical or mental illness or injury, after any accommodation required by law, Executive shall have been unable to perform his duties hereunder for a period of ninety (90) consecutive days, and within thirty (30) days after Notice of Termination (as defined in Section 4 below) for Disability is given following such 90-day period, Executive shall not have returned to the performance of his duties on a full-time basis.

(c) *Cause.* The Company may terminate Executive’s employment hereunder for Cause. For purposes of this Agreement, the term “Cause” shall mean: (i) a material breach by Executive of this Agreement (including a material breach of the Company’s Code of Business Conduct, a copy of which is attached to this Agreement as Appendix 1); (ii) the failure by Executive to reasonably and substantially perform his duties hereunder (other than as a result of Disability); (iii) Executive’s willful misconduct or gross negligence which is materially injurious to the Company; or (iv) the commission by Executive of a felony or other serious crime involving moral turpitude. In the case of clauses (i) and (ii) above, the Company shall provide notice to Executive indicating in reasonable detail the events or circumstances that it believes constitute Cause hereunder and, if such breach or failure is reasonably capable of cure, provide Executive with a reasonable period of time (not to exceed thirty (30) days) to cure such breach or failure. If, subsequent to Executive’s termination of employment hereunder for other than Cause, it is determined in good faith by the Board that Executive’s employment could have been terminated for Cause (except for a termination under (ii) of the above definition of Cause), Executive’s employment shall, at the election of the Board, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred; provided, however, that if the retroactive determination of Cause is based on clause (i) above for material breach, and if such breach is reasonably capable of cure, the Company shall provide Executive with a reasonable period of time (not to exceed thirty (30) days) to cure such breach. In addition, the Executive acknowledges and agrees that he is subject to the Company’s Executive Compensation Recovery (Clawback) Policy and constitutes a “covered person” thereunder.

(d) *Without Cause.* The Company may terminate Executive’s employment hereunder during the Employment Period without Cause.

(e) *Voluntarily.* Executive may voluntarily terminate his employment hereunder (other than for Good Reason), provided that Executive provides the Company with notice of his intent to terminate his employment at least three months in advance of the Date of Termination (as defined in Section 4 below).

(f) *For Good Reason.* Executive may terminate his employment hereunder for Good Reason and any such termination shall be deemed a termination by the Company without Cause. For purposes of this Agreement, “Good Reason” shall mean (i) a material breach of this Agreement by the Company; (ii) without Executive’s written consent, reducing Executive’s salary or target cash bonus opportunity under the Bonus Program, in each case, as in effect immediately prior to such reduction, while at the same time not proportionately reducing the salaries or target bonus opportunities of the other executive officers of the Company; (iii) without Executive’s written consent, a material and continued diminution of Executive’s duties and responsibilities hereunder, unless Executive is provided with comparable duties and responsibilities in a comparable position (i.e., a position of equal or greater duties and responsibilities), including without limitation, Executive ceasing to have the title of “President and Chief Executive Officer” of the Company (or, following a Change in Control, its ultimate parent or successor entity) or any requirement that Executive report to any person(s) other than the Board, or (iv) if, following a Change in Control (as defined herein), the Company requires a relocation, without Executive’s written consent, to a facility or location that is greater than fifty (50) miles from the Company’s current headquarters in Phoenix, Arizona; provided that in either (i), (ii), (iii) or (iv) above, Executive shall notify the Company within thirty (30) days after the event or events which Executive believes constitute Good Reason hereunder and shall describe in such notice in reasonable detail such event or events and provide the Company a (30) day period after delivery of such notice to cure such breach or diminution.

4. Termination Procedure.

(a) *Notice of Termination.* Any termination of Executive’s employment by the Company or by Executive during the Employment Period (other than a termination on account of the death of Executive) shall be communicated by written “Notice of Termination” to the other party hereto in accordance with Section 11(a).

(b) *Date of Termination.* “Date of Termination” shall mean (i) if Executive’s employment is terminated by his death, the date of his death; (ii) if Executive’s employment is terminated pursuant to Section 3(b), thirty (30) days after Notice of Termination, provided that Executive shall not have returned to the performance of his duties hereunder on a full-time basis within such thirty (30) day period; (iii) if Executive voluntarily terminates his employment, the date specified in the notice given pursuant to Section 3(e) herein which shall not be less than three months after the Notice of Termination is delivered to the Company; (iv) if Executive terminates his employment for Good Reason pursuant to Section 3(f) herein, thirty (30) days after Notice of Termination (unless the applicable Good Reason is cured during such 30-day period); and (v) if Executive’s employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days, or any alternative time period agreed upon by the parties, after the giving of such notice) set forth in such Notice of Termination.

5. Termination Payments.

(a) *Without Cause.* In the event of the termination of Executive’s employment during the Employment Period by the Company without Cause (including a deemed termination without

Cause as provided for in Section 3(f) herein) Executive shall be entitled to: (i) Base Salary through the Date of Termination (to the extent not theretofore paid); (ii) the continuation of Base Salary (as in effect immediately prior to termination) for a period of two (2) years, which, subject to the restrictions set forth below, shall be paid in accordance with the Company's ordinary payroll practices in effect from time to time and which shall begin on the first payroll period immediately following the date on which the general release and waiver described below in this Section 5(a) becomes irrevocable; (iii) any earned but not paid Bonus for the Performance Cycle that had a performance period that ended prior to the Date of Termination; and (iv) an amount equal to one (1) times the total target Bonus under the Bonus Program in effect as of the Date of Termination (provided that if Bonuses are paid semi-annually as of the Date of Termination, then Executive shall be entitled to an amount equal two (2) times the total target Bonus for the Performance Cycle in which the Date of Termination occurs). The amounts set forth in (i) above shall be paid in accordance with applicable law on the Date of Termination. The amounts set forth in (iii) and (iv) above shall be paid as soon as is reasonably practicable after the close of the accounting books and records of the Company for the relevant performance period at the same time bonuses are paid to other active employees, but in no event will payment be made for any performance period ending on December 31 before January 1 or after March 15 of the year following the year in which the performance period ends. If payment by such date is administratively impracticable, payment may be made at a later date as permitted under Treasury Regulation Section 1.409A-1(b)(4)(ii). In addition, in the event of a termination by the Company without Cause under this Section 5(a) (including a deemed termination without Cause as provided in Section 3(f) herein): (A) the Company shall provide Executive with continuation of medical, dental and vision benefits for two (2) years after the Date of Termination, provided that these benefits shall be provided to Executive at the same cost, and at the same coverage level, as in effect as of Executive's Date of Termination and, in the event the cost and/or level of coverage shall change for all employees of the Company, the cost and/or coverage level, likewise, shall change for Executive in a corresponding manner. , and (B) the Company will provide Executive with outplacement services from vendors designated by the Company for a period of six (6) months following the Date of Termination at a cost not to exceed \$25,000 (subject to applicable withholdings and without tax gross-ups).

(b) *Cause, Disability, Death or Voluntarily other than for Good Reason.* If Executive's employment is terminated during the Employment Period by: (i) the Company for Cause or (ii) voluntarily by Executive other than for Good Reason, the Company shall pay Executive within thirty (30) days following the Date of Termination Executive's Base Salary through the Date of Termination (to the extent not theretofore paid). If Executive's employment is terminated during the Employment Period as a result of Executive's Death or Disability, the Company shall pay Executive or Executive's estate, as the case may be, in addition to his accrued but unpaid Base Salary through the Date of Termination: (x) any earned but not paid Bonus earned in respect of the Company's Performance Cycle that had a performance period that ended prior the Date of Termination; and (y) an amount equal to the product of (A) the Bonus earned by Executive in the year immediately preceding the Date of Termination, and (B) a fraction, the numerator of which is the number of days in the Company's fiscal year in which the Date of Termination occurs which are prior to the Date of Termination and the denominator of which is 365. Except as

provided in this Section 5(b), the Company shall have no additional obligations under this Agreement.

(c) *Change in Control.* If within twenty-four (24) months following a Change in Control (as defined herein), (i) the Company terminates Executive's employment without Cause or (ii) Executive terminates employment with the Company for Good Reason, then, in addition to all of the benefits provided to Executive under Section 5(a) of this Agreement (other than Section 5(a)(iv), which is covered in the immediately following sentence), and notwithstanding any provision in any applicable option grant agreement or restricted stock unit award agreement where the award vests based solely on the passage of time between the Company (or Parent) and Executive, any outstanding but unvested options and any restricted stock units which vest solely based on the passage of time shall fully vest upon Date of Termination. In addition, Executive shall be entitled to an amount equal to two (2) times the total target Bonus (as defined above) under the Bonus Program in effect as of the Date of Termination; provided that if Bonuses are paid semi-annually as of the Date of Termination Executive shall be entitled to an amount equal four (4) times the total target Bonus for the Performance Cycle in which the Date of Termination occurs, with such amount paid as soon as is reasonably practicable after the close of the accounting books and records of the Company for the relevant Performance Cycle at the same time bonuses are paid to other active employees, but in no event will payment be made for any Performance Cycle ending on December 31 before January 1 or after March 15 of the year following the year in which the Performance Cycle ends. If payment by such date is administratively impracticable, payment may be made at a later date as permitted under Treasury Regulation Section 1.409A-1(b)(4)(ii). For purposes of this Agreement, a "Change in Control" shall have the meaning set forth in the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, as it may be amended from time-to-time.

(d) *Release Required.* Notwithstanding any provision of this Agreement or any understanding to the contrary, in order to be eligible for and to receive the termination related payments and benefits described in this Section 5, Executive must execute (and not revoke) and must continue to comply with the terms of a general release and waiver (in substantially the form attached hereto as Exhibit C, subject to any applicable changes as may be required by law) waiving all claims Executive may have against the Company, its affiliates (including, without limitation, Parent), successors, assigns, executives, officers and directors, and others. The release shall be provided to Executive on or before the date that is five (5) days following the Date of Termination and Executive shall have twenty-one (21) days following the date on which the release is given to Executive to sign and return the release to the Company. The release must be executed and returned to the Company within the time period described in the release and it must not be revoked by Executive during the seven (7) day revocation period that will be described in the release. Notwithstanding anything in this Agreement to the contrary, if the Company concludes that the severance payments described in Section 5(a) constitute a "deferral of compensation" within the meaning of the Section 409A Regulations, and if the consideration period that will be described in the release, plus the seven (7) day revocation period that will be described in the release, spans two (2) calendar years, the severance payments shall not begin until the second calendar year.

6. Legal Fees; Directors' and Officers' Liability Insurance.

(i) In the event of any contest or dispute between the Company and Executive with respect to this Agreement or Executive's employment hereunder, each of the parties shall be responsible for its own legal fees and expenses.

(ii) During the Employment Period, Executive shall be entitled to the same directors' and officers' liability insurance coverage that the Company provides generally to its other directors and officers, as may be amended from time to time for such directors and officers.

(iii) The Company hereby agrees to indemnify Executive and hold Executive harmless to the extent provided under the standard form of indemnification agreement of the Company. This obligation will survive the termination of Executive's employment with the Company.

7. Non-Solicitation. Executive recognizes that the Company's employees are a valuable asset to the Company and represent a substantial investment of Company time and resources. Accordingly, during the Employment Period and for two (2) years thereafter, Executive hereby agrees not to, directly or indirectly, solicit or assist any other person or entity in soliciting any employee of the Parent, the Company or any of their subsidiaries to perform services for any entity (other than the Parent, the Company or their subsidiaries), or attempt to induce any such employee to leave the employment of the Parent, the Company or their subsidiaries; provided, however, that in the event that Executive's employment is terminated without Cause or the Executive resigns for Good Reason (in accordance with Section 3 and Section 4 above) at any time prior to the one (1)-year anniversary of the date of this Agreement, then the obligations under this Section 7 shall terminate and the restrictions described in this Section 7 shall not apply following such termination of Executive.

8. Confidentiality; Non-Compete; Non-Disclosure; Non-Disparagement; Invention Assignment.

(iv) During the Employment Period and thereafter, Executive shall hold in strict confidence any proprietary or Confidential Information related to the Parent, the Company and their affiliates. For purposes of this Agreement, "Confidential Information" shall mean all information of the Parent, the Company or any of their affiliates (in whatever form) which is not generally known to the public, including without limitation any inventions, processes, methods of distribution, customer lists or customers' or trade secrets. "Confidential Information" does not include information that: (i) is or becomes part of the public domain through no fault of Executive; (ii) is already known to Executive and has been identified by Executive to the Company in writing prior to the commencement of Executive's employment with Company; or (iii) is subsequently lawfully received by Executive from a third party not subject to confidentiality restrictions.

(v) During Executive's employment with Company, and at all times thereafter, Executive will (i) keep confidential and not divulge, furnish or make accessible to any person any Confidential Information; and (ii) use the Confidential Information solely for the purpose of performing Executive's duties of employment and not for Executive's own benefit or the benefit

of any other Person. Promptly after the Date of Termination, or at any time upon request by Company, Executive shall return to Company any Confidential Information (in hard copy and electronic formats) in Executive's possession.

(vi) With the limited exceptions noted below, Executive shall be permitted to disclose Confidential Information to the extent, but only to the extent, (i) Company provides its express prior written consent to such disclosure; (ii) it is necessary to perform the duties of Executive's employment; or (iii) as required by law; provided, that prior to making any disclosure of Confidential Information required by law (whether pursuant to a subpoena, government investigative demand, or other similar process), Executive must notify Company of Executive's intent to make such disclosure, so that Company may seek a protective order or other appropriate remedy and may participate with Executive in determining the amount and type of Confidential Information, if any, which must be disclosed to comply with applicable law.

(vii) There are limited exceptions to the above confidentiality requirement if Executive is providing information to government agencies, including but not limited to the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration (or its state equivalent) and the Securities and Exchange Commission. This Agreement does not limit Executive's ability to communicate with any government agencies regarding matters within their jurisdiction or otherwise participate in any investigation or proceeding that may be conducted by any government agency, including providing documents or other information, without notice, to the government agencies. Nothing in this Agreement shall prevent Executive from the disclosure of Confidential Information or trade secrets that: (i) is made: (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In the event that Executive files a lawsuit alleging retaliation by Company for reporting a suspected violation of law, Executive may disclose Confidential Information or trade secrets related to the suspected violation of law or alleged retaliation to Executive's attorney and use the Confidential Information or trade secrets in the court proceeding if Executive or Executive's attorney: (x) files any document containing Confidential Information or trade secrets under seal; and (y) does not disclose Confidential Information or trade secrets, except pursuant to court order. The Company provides this notice in compliance with, among other laws, the Defend Trade Secrets Act of 2016.

(viii) Executive and the Company agree that the Parent, the Company and their affiliates would likely suffer significant harm from Executive's competing with any or all of the Parent, the Company or their affiliates for a certain period of time after the Date of Termination. Accordingly, Executive agrees that Executive will not, during the Employment Period and for a period of twelve (12) months following the Date of Termination, directly or indirectly, become employed by, engage in business with, serve as an agent or consultant to, become a partner, member, principal, stockholder or other owner (other than a holder of less than 1% of the outstanding voting shares of any publicly held company) of, or otherwise perform services for (whether or not for compensation) any Competitive Business (as defined below) in or from any

location in the United States or in or from any foreign jurisdiction where the Company is located (the “Restricted Territory”); provided, however, that in the event that Executive’s employment is terminated without Cause or the Executive resigns for Good Reason (in accordance with Section 3 and Section 4 above) at any time prior to the one (1)-year anniversary of the date of this Agreement, then the obligations under this Section 8(e) shall terminate and the restrictions described in this Section 8(e) shall not apply following such termination of Executive. For purposes of this Agreement, “Competitive Business” shall mean any of the companies (or any of their affiliates or successors (including following any acquisition or change in control of any such company)) set forth on Schedule 1 attached hereto.

(ix) Upon the termination of the Employment Period, Executive shall not take, without the prior written consent of the Company, any drawing, blueprint, specification or other document (in whatever form) of the Parent, the Company or their affiliates, which is of a confidential nature relating to the Parent, the Company or their affiliates, or, without limitation, relating to any of their methods of distribution, or any description of any formulas or secret processes and will return any such information (in whatever form) then in Executive’s possession.

(x) In the Event Executive’s employment hereunder is terminated pursuant to Section 3(d), 3(e) or 3(f) hereof, Executive and the Company shall mutually agree on the time, method and content of any public announcement regarding Executive’s termination of employment hereunder, and Executive shall not make any public statements which are inconsistent with the information mutually agreed upon by the Company and Executive and the parties hereto shall cooperate with each other in refuting any public statements made by other persons, which are inconsistent with the information mutually agreed upon between Executive and Company as described above.

(xi) During the Employment Period and at all times thereafter, Executive agrees Executive will not make (or cause or encourage others to make) statements that unlawfully defame or disparage the Parent, the Company, their affiliates and their officers, directors, members or executives and the Company hereby agrees that it shall not disparage or defame Executive through any official statement of the Company, provided that, in the event Executive’s employment is terminated for Cause, the Company shall be permitted, in its discretion, to disclose the facts and circumstances surrounding such termination. Executive hereby agrees to cooperate with the Company in refuting any defamatory or disparaging remarks by any third party made in respect of the Parent, the Company, their affiliates or their directors, members, officers or executives.

(xii)

a. Executive agrees to disclose to the Company all ideas, concepts, discoveries, inventions, innovations, designs, patents, trademarks, trade secrets, copyrights, intellectual property relating to the Company’s business that Executive conceives or creates, individually or jointly with others, during the course of Executive’s employment (collectively referred to as “Developments”). Executive’s compensation and benefits, as outlined herein, or as such may be changed from time to time, constitutes compensation to Executive for all of Executive’s Developments as outlined in this section. As such, all such Developments are

prepared as works for hire for the Company and all such Developments and all rights subsisting in, relating to or used in connection with the Developments will be solely owned and be the exclusive property of the Company.

b. Executive agrees to assign to and, to the fullest extent allowed by applicable law, hereby does assign to the Company or the Company's designee all right, title, and interest in and to all such Developments made or conceived by Executive during the course of Executive's employment. Upon the Company's request, and at the Company's expense, Executive agrees to execute all instruments, including specific assignments required for securing or maintaining the Company's rights in such Developments. Where the Executive has rights in the Developments that cannot be assigned to the Company, Executive hereby grants to the Company an unconditional, perpetual, exclusive, worldwide, royalty-free, fully paid license or sublicense to use such rights in any way and without any limitation whatsoever. Where such rights cannot be assigned, licensed or sublicensed to the Company, Executive hereby irrevocably and without any further compensation waives the enforcement of all such rights, and all claims and causes of action against the Company.

9. Injunctive Relief. It is impossible to measure in money the damages that will accrue to the Company in the event that Executive breaches any of the restrictive covenants provided in Sections 7 and 8 hereof. In the event that Executive breaches any such restrictive covenant, the Company shall be entitled to an injunction restraining Executive from violating such restrictive covenant (without posting any bond or other security). If the Company shall institute any action or proceeding to enforce any such restrictive covenant, Executive hereby waives the claim or defense that the Company has an adequate remedy at law and agrees not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the Company's right to require Executive to account for and pay over to the Company, and Executive hereby agrees to account for and pay over, the compensation, profits, monies, accruals or other benefits derived or received by Executive as a result of any transaction constituting a breach of any of the restrictive covenants provided in Sections 7 or 8 hereof. If Executive is in breach of any of the provisions of Section 7 or 8 above, then the time periods set forth in Sections 7 or 8 will be extended by the length of time during which Executive is in breach of any of such provisions.

Executive acknowledges that the covenants contained in Sections 7 and 8 of this Agreement are reasonable in scope and duration, do not and will not unduly restrict Executive's ability to engage in his livelihood, and are necessary to protect the Parent's, the Company's and their affiliate's legitimate business interests.

10. Representations.

(xiii)The parties hereto hereby represent that they each have the authority to enter into this Agreement, and Executive hereby represents to the Company that the execution of, and performance of duties under, this Agreement shall not constitute a breach of or otherwise violate any other agreement to which Executive is a party.

(xiv) Executive hereby represents to the Company that he will not utilize or disclose any confidential information obtained by Executive in connection with his former employment with respect to his duties and responsibilities hereunder.

11. Miscellaneous.

(xv) Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and shall be deemed to be given when delivered personally, e-mailed, or four days after it is mailed by registered or certified mail, postage prepaid, return receipt requested or one day after it is sent by a reputable overnight courier service and, in each case, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to the Company:

ON Semiconductor Corporation
5005 East McDowell Road
Phoenix, Arizona 85008
Attention: Secretary of the Board of Directors

If to Executive, to the address for Executive on file with the Company at the time of the notice or to such other address as any party hereto may designate by notice to the others.

(xvi) This Agreement shall constitute the entire agreement among the parties hereto with respect to Executive's employment hereunder, and supersedes and is in full substitution for any and all prior understandings or agreements with respect to Executive's employment (it being understood that, except as otherwise expressly stated in this Agreement, any equity awards granted to Executive shall be governed by the relevant equity plan document and related equity grant agreement and any other related documents).

(xvii) This Agreement may be amended only by an instrument in writing signed by the parties hereto, and any provision hereof may be waived only by an instrument in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of any party hereto at any time to require the performance by any other party hereto of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by any party hereto of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(xviii) The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties hereto and not in favor or against either party.

(xix)

c. This Agreement is binding on and is for the benefit of the parties hereto and their respective successors, assigns, heirs, executors, administrators and other legal representatives. Neither this Agreement nor any right or obligation hereunder may be assigned by Executive.

a. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in the Agreement, the “Company” shall mean both the Company as defined above and any such successor that assumes this Agreement, by operation of law or otherwise.

(xx) Any provision of this Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Section, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable. No waiver of any provision or violation of this Agreement by Company shall be implied by Company’s forbearance or failure to take action.

(xxi) The Company may withhold from any amounts payable to Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation, (it being understood, that Executive shall be responsible for payment of all taxes in respect of the payments and benefits provided herein).

(xxii) The payments and other consideration to Executive under this Agreement shall be made without right of offset.

(xxiii)

b. Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of Executive’s termination of employment which constitutes a “deferral of compensation” within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (“Section 409A Regulations”) shall be paid unless and until Executive has incurred a “separation from service” within the meaning of the Section 409A Regulations. Each installment payment hereunder shall be treated as a separate payment for purposes of Section 409A. Furthermore, to the extent that Executive is a “specified employee” within the meaning of the Section 409A Regulations as of the date of Executive’s separation from service, no amount that constitutes a deferral of compensation that is payable on account of Executive’s separation from service shall be paid to Executive before the date (“Delayed Payment Date”) which is the first day of the seventh month after the date of Executive’s separation from service or, if earlier, the date of Executive’s death following such separation from service. All such amounts that would, but for this subsection, become payable prior to the

Delayed Payment Date will be accumulated and paid on the Delayed Payment Date. Any reimbursements or in-kind benefits provided to or for the benefit of Executive that constitute a “deferral of compensation” within the meaning of the Section 409A Regulations shall be provided in a manner that complies with Treasury Regulation Section 1.409A-3(i)(1)(iv). Accordingly, (x) all such reimbursements will be made not later than the last day of the calendar year after the calendar year in which the expenses were incurred, (y) any right to such reimbursements or in-kind benefits will not be subject to liquidation or exchange for another benefit, and (z) the amount of the expenses eligible for reimbursement, or the amount of any in-kind benefit provided, during any taxable year will not affect the amount of expenses eligible for reimbursement, or the in-kind benefits provided, in any other taxable year.

a. The Company intends that income provided to Executive pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code and the Section 409A Regulations. However, the Company does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement. In any event, except for the Company’s responsibility to withhold applicable income and employment taxes from compensation paid or provided to Executive, the Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to Executive pursuant to this Agreement. Notwithstanding the foregoing, in the event this Agreement or any benefit paid to Executive hereunder is deemed to be subject to Section 409A of the Code, Executive consents to the Company adopting such conforming amendments as the Company deems necessary, in its sole discretion, to comply with Section 409A, without reducing the amounts of any benefits due to Executive hereunder.

(xxiv) By signing this Agreement, Executive agrees to be bound by, and comply with the terms of the compensation recovery policy or policies (and related practices) of the Company or its affiliates as such may be in effect from time-to-time.

(xxv) This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona without reference to its principles of conflicts of law. Any action or proceeding by either of the parties to enforce this Agreement shall be brought only in a state or federal court located in the state of Arizona, county of Maricopa. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

(l) This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(m) The headings in this Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of any provision hereof.

12. Section 280G of the Code.

(xxvi) Sections 280G and 4999 of the Code may place significant tax burdens on both Executive and the Company if the total payments made to Executive due to certain change in control events

described in Section 280G of the Code (the “Total Change in Control Payments”) equal or exceed Executive’s 280G Cap. For this purpose, Executive’s “280G Cap” is equal to Executive’s average annual compensation in the five calendar years preceding the calendar year in which the change in control event occurs (the “Base Period Income Amount”) times three. If the Total Change in Control Payments equal or exceed the 280G Cap, Section 4999 of the Code imposes a 20% excise tax (the “Excise Tax”) on all amounts in excess of one (1) times Executive’s Base Period Income Amount. In determining whether the Total Change in Control Payments will equal or exceed the 280G Cap and result in the imposition of an Excise Tax, the provisions of Sections 280G and 4999 of the Code and the applicable Treasury Regulations will control over the general provisions of this Section 12. All determinations and calculations required to implement the rules set forth in this Section 12 shall take into account all applicable federal, state, and local income taxes and employment taxes (and for purposes of such calculations, Executive shall be deemed to pay income taxes at the highest combined federal, state and local marginal tax rates for the calendar year in which the Total Change in Control Payments are to be made, less the maximum federal income tax deduction that could be obtained as a result of a deduction for state and local taxes (the “Assumed Taxes”).

(xxvii) Subject to the “best net” exception described in Section 12(c), in order to avoid the imposition of the Excise Tax, the total payments to which Executive is entitled under this Agreement or otherwise will be reduced to the extent necessary to avoid equaling or exceeding the 280G Cap, with such reduction first applied to the cash severance payments that Executive would otherwise be entitled to receive pursuant to this Agreement and thereafter applied in a manner that will not subject Executive to tax and penalties under Section 409A of the Code. Any reduction in payments and/or benefits pursuant to this Section 12(b) will occur in the following order: (i) reduction of cash payments; (ii) cancellation of accelerated vesting of equity awards other than stock options; (iii) cancellation of accelerated vesting of stock options; and (iv) reduction of other benefits payable to you. Notwithstanding the foregoing, any reduction in payments pursuant to this Section 12(b) shall be made in compliance with Section 409A Regulations.

(xxviii) If Executive’s Total Change in Control Payments minus the Excise Tax and the Assumed Taxes (payable with respect to the amount of the Total Change in Control Payments) exceeds the 280G Cap minus the Assumed Taxes (payable with respect to the amount of the 280G Cap), then the total payments to which Executive is entitled under this Agreement or otherwise will not be reduced pursuant to Section 12(b). If this “best net” exception applies, Executive shall be fully responsible for paying any Excise Tax (and income or other taxes) that may be imposed on Executive pursuant to Section 4999 of the Code or otherwise.

(xxix) The Company will engage a law firm, a certified public accounting firm, and/or a firm of reputable executive compensation consultants (the “Consultant”) to make any necessary determinations and to perform any necessary calculations required in order to implement the rules set forth in this Section 12. The Consultant shall provide detailed supporting calculations to both the Company and Executive and all fees and expenses of the Consultant shall be borne by the Company. If the provisions of Section 280G and 4999 of the Code are repealed without succession, this Section 12 shall be of no further force or effect. In addition, if this provision

does not apply to Executive for whatever reason, this Section shall be of no further force or effect.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

ON Semiconductor Corporation

/s/ George H. Cave

Name: George H. Cave

Title: Executive Vice President, General Counsel and Secretary

/s/ Hassane El-Khoury

Name: Hassane El-Khoury

**KEY OFFICER
SEVERANCE AND CHANGE IN CONTROL AGREEMENT**

This Key Officer Severance and Change in Control Agreement, dated as of October 1, 2020 (the “Agreement”), is made and entered into between Semiconductor Components Industries, LLC (the “Company”), with offices at 5005 East McDowell Road, Phoenix, Arizona 85008, and Ross Jatou (the “Executive”).

RECITALS

A. The Executive has been and continues to be employed by the Company in a key officer position at the Company. As such, the Executive has earned a commensurate level of base salary, Bonus (as defined below), equity based awards, and other compensation and benefits, including certain perquisites. In recognition of the Executive's services on behalf of the Company, the Company has determined that the Executive deserves a promotion, effective October 1, 2020, to Senior Vice President and General Manager of the Intelligent Sensing Group of the Company.

B. The Board of Directors (the “Board”) of the Parent (as defined below) and its Compensation Committee (the “Committee”) have determined that it is in the best interests of the Company and its stockholders to ensure that the Company continue to have the full support, dedication and objectivity of certain key officers of the Company (including, without limitation, the key officer position that the Executive holds (“Key Officer” or “Key Officers”)) under various possible circumstances and situations (as summarized below in these Recitals) that the Company and the Key Officers and/or the Executive may find themselves.

C. The Board and Committee believe it is important to diminish the inevitable distractions that each of the Key Officers may experience by virtue of the personal risks and uncertainties associated with their key officer roles and responsibilities at the Company. The Board and Committee have therefore determined to provide Key Officers with assurances regarding certain severance payments and benefits to be received by the Key Officers in the event of a loss of their employment so that these persons can provide their full attention and dedication to the business and affairs of the Company notwithstanding any attendant personal risks and uncertainties to the Key Officers including the Executive.

D. The Board and Committee also recognize that the possibility, threat or occurrence of a Change in Control (as defined below) transaction involving the Company can be a distraction to the Key Officers and can cause the Key Officers to consider alternative employment opportunities. The Board and Committee have therefore determined to provide the Key Officers with: (i) incentive to continue their employment and to motivate each Key Officer to maximize the value of the Company upon a Change in Control; and (ii) certain severance payments and benefits upon each Key Officer's termination of employment following a Change in Control.

E. In connection with this Agreement, the Board and Committee have previously stated the belief that it is important to secure each Key Officer's commitment to comply with certain restrictive covenants contained herein (e.g., non-solicitation, non-compete, confidentiality, etc.). These governing bodies also require herein that the Executive's rights to any severance payments and benefits be subject to and conditioned upon the execution by the Executive of a general release and waiver (in the form reasonably acceptable to the Company), waiving all claims the Executive may have against the Company, its affiliates and others. For the remainder of this Agreement, reference to the “Board” may refer to both the Board and the Committee or either of these two bodies.

AGREEMENT

NOW, THEREFORE, it is hereby agreed as follows:

a. Employment Period.

The employment of the Executive shall be subject to the terms and conditions of this Agreement commencing as of the date of the execution of this Agreement (the "Effective Date"). The Executive shall be considered an "at-will" employee, which means that the Executive's employment may be terminated by the Company or by the Executive at any time for any reason or no reason at all. The period during which the Executive is employed by the Company pursuant to this Agreement shall be referred to as the "Employment Period." The Executive's employment hereunder may be terminated during the Employment Period upon the earliest to occur of the following events (at which time the Employment Period shall be terminated):

(a) *Death.* The Executive's employment hereunder shall terminate upon the Executive's death.

(b) *Disability.* The Company shall be entitled to terminate the Executive's employment hereunder for "Disability" if, as a result of the Executive's incapacity due to physical or mental illness or injury, after any accommodation required by law, the Executive shall have been unable to perform the Executive's duties hereunder for a period of ninety (90) consecutive days, and within thirty (30) days after Notice of Termination (as defined below) for Disability is given following such 90-day period the Executive shall not have returned to the performance of his duties on a full-time basis.

(c) *Cause.* The Company may terminate the Executive's employment hereunder for Cause. For purposes of this Agreement, "Cause" shall mean: (i) a material breach by the Executive of this Agreement; (ii) the failure by the Executive to reasonably and substantially perform the Executive's duties hereunder (other than as a result of physical or mental illness or injury); (iii) the Executive's willful misconduct or gross negligence which is materially injurious to the Company; or (iv) the commission by the Executive of a felony or other serious crime involving moral turpitude. In the case of clauses (i) and (ii) above, the Company shall provide notice to the Executive indicating in reasonable detail the events or circumstances that it believes constitute Cause hereunder and, if such breach or failure is reasonably susceptible to cure, provide the Executive with a reasonable period of time (not to exceed thirty (30) days) to cure such breach or failure. If, subsequent to the Executive's termination of employment hereunder for other than Cause, it is determined in good faith by the Board of the Parent that the Executive's employment could have been terminated for Cause (except for a termination under (ii) of the above definition of Cause), the Executive's employment shall, at the election of the Board, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

(d) *Without Cause.* The Company may terminate the Executive's employment hereunder during the Employment Period without Cause.

(e) *Voluntarily.* The Executive may voluntarily terminate the Executive's employment hereunder (other than for Good Reason), provided that the Executive provides the Company with notice of the Executive's intent to terminate employment at least three (3) months in advance of the Date of Termination (as defined below).

(f) *For Good Reason.* The Executive may terminate employment hereunder for Good Reason. For purposes of this Agreement, “Good Reason” shall mean (i) a material breach of this Agreement by the Company, (ii) without the Executive’s written consent, reducing the Executive’s salary, as in effect immediately prior to such reduction, while at the same time not proportionately reducing the salaries of the other comparable officers of the Company, or (iii) without the Executive’s written consent, a material and continued diminution of the Executive’s duties and responsibilities hereunder, unless the Executive is provided with comparable duties and responsibilities in a comparable position (i.e., a position of equal or greater duties and responsibilities); provided that in either (i), (ii), or (iii) above, the Executive shall notify the Company within thirty (30) days after the event or events which the Executive believes constitute Good Reason hereunder and shall describe in such notice in reasonable detail such event or events and provide the Company a thirty (30) day period after delivery of such notice to cure such breach or diminution.

a. Termination Procedure.

(a) *Notice of Termination.* Any termination of the Executive’s employment by the Company or by the Executive during the Employment Period (other than a termination on account of the death of the Executive) shall be communicated by written “Notice of Termination” to the other party hereto in accordance with Section 9(a).

(b) *Date of Termination.* “Date of Termination” shall mean (i) if the Executive’s employment is terminated by death, the date of the Executive’s death, (ii) if the Executive’s employment is terminated pursuant to Section 1(b), thirty (30) days after Notice of Termination, provided that the Executive shall not have returned to the performance of the Executive’s duties hereunder on a full-time basis within such thirty (30) day period, (iii) if the Executive voluntarily terminates employment, the date specified in the notice given pursuant to Section 1(e) herein which shall not be less than three (3) months after the Notice of Termination is delivered to the Company, (iv) if the Executive terminates employment for Good Reason pursuant to Section 1(f) herein, thirty (30) days after Notice of Termination, and (v) if the Executive’s employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days, or any alternative time period agreed upon by the parties, after the giving of such notice) set forth in such Notice of Termination.

b. Termination Payments.

(a) *Without Cause.* In the event of the termination of the Executive’s employment during the Employment Period by the Company without Cause, the Executive shall be entitled to: (i) any accrued but unused vacation, (ii) base salary through the Date of Termination (to the extent not theretofore paid), (iii) the continuation of base salary (as in effect immediately prior to the termination) for twelve (12) months following the Date of Termination which, subject to the restrictions set forth below, shall be paid in accordance with the Company’s ordinary payroll practices in effect from time to time and which shall begin on the first payroll period immediately following the date on which the release described below in Section 3(d) becomes irrevocable, (iv) any earned but unpaid Bonus (as defined below) for the performance period immediately preceding the Date of Termination, and (v) a pro-rata portion of the Bonus, if any, for the performance period in which the Date of Termination occurs (based on the achievement of the applicable performance criteria and related to the applicable performance period). Notwithstanding the foregoing, the amount of payment set forth in (iii) above during the six-month period following the Date of Termination shall not exceed the separation pay exception limitation

amount set forth in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) (any amount that is payable during such six-month period that is in excess of the separation pay exception limitation shall be paid in a single lump sum on the first day of the seventh month after the date of the Executive's separation from service or, if earlier, the date of the Executive's death following such separation from service (the "Delayed Payment Date"). If the Company determines in good faith that the separation pay exception set forth in Treasury Regulation Section 1.409A-1(b)(9)(iii) does not apply as of the Date of Termination, the amount set forth in (iii) above shall be paid (a) in an initial lump sum equal to six months' base salary (net of applicable taxes and withholdings) on the Delayed Payment Date and (b) thereafter in installments in accordance with the Company's ordinary payroll practices. The amounts set forth in (i) and (ii) above shall be paid in accordance with applicable law on the Date of Termination. The amounts set forth in (iv) and (v) above shall be paid as soon as is reasonably practicable after the close of the accounting books and records of the Company for the relevant performance period at the same time bonuses are paid to other active employees, but in no event will payment be made for any performance period ending on December 31 before January 1 or after March 15 of the year following the year in which the performance period ends. If payment by such date is administratively impracticable, payment may be made at a later date as permitted under Treasury Regulation Section 1.409A-1(b)(4)(ii). In addition, in the event of a termination by the Company without Cause under this Section 3(a): (1) if the Executive elects to continue the Company's group health plans pursuant to the Executive's rights under COBRA, the Company shall pay the Executive's COBRA continuation premiums until the earlier of (x) the date the Executive receives group health benefits from another employer or (y) the one-year anniversary of the Date of Termination; and (2) the Company will provide the Executive with outplacement services from vendors designated by the Company for a period of six (6) months following the Date of Termination, at a cost not to exceed \$5,000. For the avoidance of doubt, Executive shall pay Executive's share of any such premiums with after-tax income and any premium reimbursements or premiums paid by the Company pursuant to this Section 3(a) shall be taxable to Executive for federal and state tax purposes. For purposes of this Agreement, the "Bonus Program" shall mean the discretionary bonus program established and approved by the Board or Committee for employees of the Company in similar positions to the Executive. Also, for purposes of this Agreement, the "Bonus" shall mean a bonus earned, if any, by the Executive on an annual or other performance period basis up to a certain percentage of base salary actually earned and paid, if any, to the Executive during an applicable performance period, or a lesser or an additional amount, as approved by the Board or Committee under the Bonus Program and in all cases based on certain performance criteria; provided that the Executive is actively employed by the Company on the date the bonuses are paid under the Bonus Program, except as provided in this Section 3(a). Notwithstanding anything else in this Agreement, the payments and benefits provided in this Section 3(a) are subject to and conditioned upon the Executive executing (and not revoking) the general release and waiver described below in Section 3(d) and conditioned upon the Executive's compliance with the restrictive covenants provided in Sections 5 and 6 hereof. For the avoidance of any doubt or confusion, the Executive shall not be entitled to any payments or benefits provided under this Section 3(a) in the event of any for Good Reason termination of employment by the Executive. Except as provided in this Section 3(a), the Company shall have no additional obligations under this Agreement.

(b) *Cause, Disability, Death or Voluntarily (including for Good Reason Absent a Change in Control)*. If the Executive's employment is terminated during the Employment Period by (i) the Company for Cause, (ii) as a result of the Executive's death or Disability, or (iii) voluntarily by the Executive (including for Good Reason but absent a Change in Control (as defined below)), the Company shall pay the Executive or the Executive's estate, as the case may be, within thirty (30) days following

the Date of Termination the Executive's accrued but unused vacation and the Executive's base salary through the Date of Termination (to the extent not theretofore paid). Except as provided in this Section 3(b), the Company shall have no additional obligations under this Agreement.

(c) *Change in Control.* If, within twenty-four (24) months following a Change in Control, (i) the Company terminates the Executive's employment without Cause or (ii) the Executive terminates employment with the Company for Good Reason, then, in addition to all the other benefits provided to the Executive under Section 3(a) of this Agreement, notwithstanding any provision in any applicable option grant agreement or restricted stock or restricted stock unit award agreement where the award vests based solely on the passage of time between the Parent (or the Company) and the Executive: (A) any outstanding but unvested options or any earned but unvested restricted stock or restricted stock unit awards where the award vests based solely on the passage of time granted in connection with the Executive's hiring by the Company shall fully vest upon the Date of Termination; (B) any such options (both vested and unvested) granted in connection with the Executive's hiring by the Company will remain fully exercisable until the first to occur of (1) the one-year anniversary of the Date of Termination, and (2) either the tenth anniversary or the seventh anniversary of the grant date of such options depending upon what the relevant option grant agreement specifies with regard to an option's term or expiration date, provided, however, that if the Company determines in good faith that the extension of the option's exercise period results in the options being considered non-qualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), such extension shall not take effect; and (C) an amount equal to the total target Bonus (as defined above) under the Bonus Program in effect as of the Date of Termination; provided that if Bonuses are paid semi-annually as of the Date of Termination the Executive shall be entitled to an amount equal to two (2) times the total target Bonus for the performance period in which the Date of Termination occurs. The amounts set forth in subSection (C) above shall be paid as soon as is reasonably practicable after the close of the accounting books and records of the Company for the relevant performance period at the same time bonuses are paid to other active employees, but in no event will payment be made for any performance period ending on December 31 before January 1 or after March 15 of the year following the year in which the performance period ends. If payment by such date is administratively impracticable, payment may be made at a later date as permitted under Treasury Regulation Section 1.409A-1(b)(4)(ii). For purposes of this Agreement, a "Change in Control" shall have the meaning set forth in the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, as it may be amended from time to time. Except as provided in this Section 3(c), the Company shall have no additional obligations under this Agreement. For the avoidance of doubt, the equity award vesting provisions described in this Section 3(c) do not apply to performance-based restricted stock or performance-based restricted stock unit awards and such awards shall continue to be governed by the Amended and Restated Stock Incentive Plan, as it may be amended from time to time and any other related equity grant or award agreement document.

(d) *Release Required.* To receive the termination-related payments and benefits described in this Section 3 within the time periods described below, the Executive must execute (and not revoke) a general release and waiver (in a form reasonably acceptable to the Company) waiving all claims the Executive may have against the Company, its affiliates (including, without limitation, Parent), successors, assigns, executives, officers and directors, and others. The release shall be provided to the Executive on or before the date that is five (5) days following the Executive's Date of Termination and the Executive shall have twenty-one (21) days following the date on which the release is given to the Executive to sign and return the release to the Company.

The release must be executed and returned to the Company within this time period and it must not be revoked by the Executive during the seven (7) day revocation period that will be described in the release. Notwithstanding anything in this Agreement to the contrary, if the period during which the Executive may consider and revoke the release spans two (2) calendar years, payment will not begin to be made to the Executive until the second calendar year.

c. Legal Fees.

In the event of any contest or dispute between the Company and the Executive with respect to this Agreement or the Executive's employment hereunder, each of the parties shall be responsible for their respective legal fees and expenses.

d. Non-Solicitation.

The Executive recognizes that the Company's employees are a valuable asset to the Company and represent a substantial investment of Company time and resources. Accordingly, during the Employment Period and for one (1) year thereafter, the Executive hereby agrees not to, directly or indirectly, solicit or assist any other person or entity in soliciting any employee of ON Semiconductor Corporation (the "Parent"), the Company or any of their subsidiaries to perform services for any entity (other than the Parent, the Company or their subsidiaries), or attempt to induce any such employee to leave the employment of the Parent, the Company or their subsidiaries.

e. Confidentiality; Non-Compete; Non-Disclosure; Non-Disparagement.

During the Employment Period and thereafter, the Executive shall hold in strict confidence any proprietary or Confidential Information related to the Parent, the Company and their affiliates. For purposes of this Agreement, "Confidential Information" shall mean all information of the Parent, the Company or any of their affiliates (in whatever form) which is not generally known to the public, including without limitation any inventions, processes, methods of distribution, customer lists or customers' or trade secrets. "Confidential Information" does not include information that (i) is or becomes part of the public domain through no fault of the Executive; (ii) is already known to the Executive and has been identified by the Executive to the Company in writing prior to the commencement of the Executive's employment with Company; or (iii) is subsequently lawfully received by the Executive from a third party not subject to confidentiality restrictions.

(a) During the Executive's employment with Company, and at all times thereafter, the Executive will (i) keep confidential and not divulge, furnish or make accessible to any person any Confidential Information, and (ii) use the Confidential Information solely for the purpose of performing the Executive's duties of employment and not for the Executive's own benefit or the benefit of any other Person. Promptly after the Date of Termination, or at any time upon request by Company, the Executive shall return to Company any Confidential Information (in hard copy and electronic formats) in the Executive's possession.

(b) With the limited exceptions noted below, the Executive shall be permitted to disclose Confidential Information to the extent, but only to the extent, (i) Company provides its express prior written consent to such disclosure; (ii) it is necessary to perform the duties of the Executive's employment; or (iii) as required by law; provided, that prior to making any disclosure of Confidential Information required by law (whether pursuant to a subpoena, government investigative demand, or other similar process), the Executive must notify Company of the Executive's intent to make such

disclosure, so that Company may seek a protective order or other appropriate remedy and may participate with the Executive in determining the amount and type of Confidential Information, if any, which must be disclosed to comply with applicable law.

(c) Limited Exceptions. There are limited exceptions to the above confidentiality requirement if the Executive is providing information to government agencies, including but not limited to the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration (or its state equivalent), and the Securities and Exchange Commission. This Agreement does not limit the Executive's ability to communicate with any government agencies regarding matters within their jurisdiction or otherwise participate in any investigation or proceeding that may be conducted by any government agency, including providing documents or other information, without notice, to the government agencies. Nothing in this Agreement shall prevent the Executive from the disclosure of Confidential Information or trade secrets that: (i) is made: (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In the event that the Executive files a lawsuit alleging retaliation by Company for reporting a suspected violation of law, the Executive may disclose Confidential Information or trade secrets related to the suspected violation of law or alleged retaliation to the Executive's attorney and use the Confidential Information or trade secrets in the court proceeding if the Executive or the Executive's attorney: (i) files any document containing Confidential Information or trade secrets under seal; and (ii) does not disclose Confidential Information or trade secrets, except pursuant to court order. The Company provides this notice in compliance with, among other laws, the Defend Trade Secrets Act of 2016.

(d) The Executive and the Company agree that the Parent, the Company, and their affiliates would likely suffer significant harm from the Executive competing with any or all of the Parent, the Company or their affiliates for a certain period of time after the Date of Termination. Accordingly, the Executive agrees that the Executive will not, for a period of one (1) year following the Date of Termination, directly or indirectly, become employed by, engage in business with, serve as an agent or consultant to, become a partner, member, principal, stockholder or other owner (other than a holder of less than 1% of the outstanding voting shares of any publicly held company) of, or otherwise perform services for (whether or not for compensation) any Competitive Business (as defined below) in or from any location in the United States (the "Restricted Territory"); provided, however, that if (and only if) required by a court of competent jurisdiction for the provisions of this Section to remain valid and enforceable against the Executive, the Restricted Territory means the state of Arizona. For purposes of this Agreement, "Competitive Business" shall mean any individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or government agency or political subdivision thereof that is engaged in, or otherwise competes or has demonstrated a potential for competing with the Business (as defined below) for customers of the Company or its affiliates anywhere in the world. For purposes of this Agreement, "Business" shall mean the design, marketing and sale of semiconductors in the power, analog, digital signal processing, mixed signal, advanced logic, discrete and custom devices, data management semiconductors, memory and standard semiconductor components and integrated circuits offered by any or all of the Parent, the Company or their affiliates for use in electronic products, appliances and automobiles, computing, consumer and industrial electronics, wireless communications, networking, military and aerospace and medical end-user markets.

(e) Upon the termination of the Employment Period, the Executive shall not take, without the prior written consent of the Company, any drawing, blueprint, specification or other document (in whatever form) of the Parent, the Company or their affiliates, which is of a confidential nature relating to the Parent, the Company or their affiliates, or, without limitation, relating to any of their methods of distribution, or any description of any formulas or secret processes and will return any such information (in whatever form) then in the Executive's possession.

(f) During the Employment Period and at all times thereafter, the Executive agrees that the Executive will not make (or cause or encourage others to make) statements that unlawfully defame or disparage the Parent, the Company, their affiliates and their officers, directors, members or executives. The Executive hereby agrees to cooperate with the Company in refuting any defamatory or disparaging remarks by any third party made in respect of the Parent, the Company, their affiliates or their directors, members, officers or executives.

f. Injunctive Relief.

It is impossible to measure in money the damages that will accrue to the Company in the event that the Executive breaches any of the restrictive covenants provided in Sections 5 and 6 hereof. In the event that the Executive breaches any such restrictive covenant, the Company shall be entitled to an injunction restraining the Executive from violating such restrictive covenant (without posting any bond or other security). If the Company shall institute any action or proceeding to enforce any such restrictive covenant, the Executive hereby waives the claim or defense that the Company has an adequate remedy at law and agrees not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the Company's right to require the Executive to account for and pay over to the Company, and the Executive hereby agrees to account for and pay over, the compensation, profits, monies, accruals or other benefits derived or received by the Executive as a result of any transaction constituting a breach of any of the restrictive covenants provided in Sections 5 or 6 hereof. If the Executive is in breach of any of the provisions of Section 5 or 6 above, then the time periods set forth in Sections 5 or 6 will be extended by the length of time during which the Executive is in breach of any of such provisions.

g. Representations.

(a) The parties hereto hereby represent that they each have the authority to enter into this Agreement, and the Executive hereby represents to the Company that the execution of, and performance of duties under, this Agreement shall not constitute a breach of or otherwise violate any other agreement to which the Executive is a party.

(b) The Executive hereby represents to the Company that the Executive will not utilize or disclose any confidential information obtained by the Executive in connection with the Executive's former employment with respect to the Executive's duties and responsibilities hereunder.

h. Miscellaneous.

(a) Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and shall be deemed to be given when delivered personally or four (4) days after it is mailed by registered or certified mail, postage prepaid, return receipt requested or one day after it is sent by a reputable overnight courier service and, in each case, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to the Company:

Semiconductor Components Industries, LLC
5005 East McDowell Road
Phoenix, Arizona 85008
Attention: General Counsel

If to the Executive, to the address for the Executive on file with the Company at the time of the notice or to such other address as any party hereto may designate by notice to the others.

(b) This Agreement shall constitute the entire agreement among the parties hereto with respect to the Executive's employment hereunder, and supersedes and is in full substitution for any and all prior understandings or agreements with respect to the Executive's employment (it being understood that, except as otherwise expressly stated in this Agreement, any equity awards granted to the Executive shall be governed by the relevant equity plan document and any other related equity grant or award agreement and any other related documents).

(c) This Agreement may be amended only by an instrument in writing signed by the parties hereto, and any provision hereof may be waived only by an instrument in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of any party hereto at any time to require the performance by any other party hereto of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by any party hereto of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(d) The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties hereto and not in favor or against either party.

(e) (i) This Agreement is binding on and is for the benefit of the parties hereto and their respective successors, assigns, heirs, executors, administrators and other legal representatives. Neither this Agreement nor any right or obligation hereunder may be assigned by the Executive.

(ii) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in the Agreement, the "Company" shall mean both the Company (as defined above) and any such successor that assumes this Agreement, by operation of law or otherwise.

(f) Any provision of this Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Section, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in anyway the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so

that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable. No waiver of any provision or violation of this Agreement by Company shall be implied by Company's forbearance or failure to take action.

(g) The Company may withhold from any amounts payable to the Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation, (it being understood, that the Executive shall be responsible for payment of all taxes in respect of the payments and benefits provided herein).

(h) The payments and other consideration to the Executive under this Agreement shall be made without right of offset.

(i) (i) Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Executive's termination of employment which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code ("Section 409A Regulations") shall be paid unless and until the Executive has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Executive is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Executive's separation from service, no amount that constitutes a deferral of compensation that is payable on account of the Executive's separation from service shall be paid to the Executive before the Delayed Payment Date. All such amounts that would, but for this subsection, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

(ii) The Company intends that income provided to the Executive pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code and the Section 409A Regulations or an exception thereto. However, the Company does not guarantee any particular tax effect for income provided to the Executive pursuant to this Agreement. In any event, except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to the Executive, the Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to the Executive pursuant to this Agreement.

(j) By signing this Agreement, the Executive agrees to be bound by, and comply with the terms of the compensation recovery policy or policies (and related practices) of the Company or its affiliates as such may be in effect from time-to-time.

(k) This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona without reference to its principles of conflicts of law.

(l) This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The headings in this Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of any provision hereof.

i. Section 280G of the Code.

(a) Sections 280G and 4999 of the Code may place significant tax burdens on both Executive and the Company if the total payments made to Executive due to certain change in control events

described in Section 280G of the Code (the “Total Change in Control Payments”) equal or exceed Executive’s 280G Cap. For this purpose, Executive’s “280G Cap” is equal to Executive’s average annual compensation in the five (5) calendar years preceding the calendar year in which the change in control event occurs (the “Base Period Income Amount”) times three (3). If the Total Change in Control Payments equal or exceed the 280G Cap, Section 4999 of the Code imposes a 20% excise tax (the “Excise Tax”) on all amounts in excess of one (1) times Executive’s Base Period Income Amount. In determining whether the Total Change in Control Payments will equal or exceed the 280G Cap and result in the imposition of an Excise Tax, the provisions of Sections 280G and 4999 of the Code and the applicable Treasury Regulations will control over the general provisions of this Section 10. All determinations and calculations required to implement the rules set forth in this Section 10 shall take into account all applicable federal, state, and local income taxes and employment taxes (and for purposes of such calculations, Executive shall be deemed to pay income taxes at the highest combined federal, state and local marginal tax rates for the calendar year in which the Total Change in Control Payments are to be made, less the maximum federal income tax deduction that could be obtained as a result of a deduction for state and local taxes (the “Assumed Taxes”).

(b) Subject to the “best net” exception described in Section 10(c), in order to avoid the imposition of the Excise Tax, the total payments to which Executive is entitled under this Agreement or otherwise will be reduced to the extent necessary to avoid equaling or exceeding the 280G Cap, with such reduction first applied to the cash severance payments that Executive would otherwise be entitled to receive pursuant to this Agreement and thereafter applied in a manner that will not subject Executive to tax and penalties under Section 409A of the Code.

(c) If Executive’s Total Change in Control Payments minus the Excise Tax and the Assumed Taxes (payable with respect to the amount of the Total Change in Control Payments) exceeds the 280G Cap minus the Assumed Taxes (payable with respect to the amount of the 280G Cap), then the total payments to which Executive is entitled under this Agreement or otherwise will not be reduced pursuant to Section 10(b). If this “best net” exception applies, Executive shall be fully responsible for paying any Excise Tax (and income or other taxes) that may be imposed on Executive pursuant to Section 4999 of the Code or otherwise.

(d) The Company will engage a law firm, a certified public accounting firm, and/or a firm of reputable executive compensation consultants (the “Consultant”) to make any necessary determinations and to perform any necessary calculations required in order to implement the rules set forth in this Section 10. The Consultant shall provide detailed supporting calculations to both the Company and Executive and all fees and expenses of the Consultant shall be borne by the Company. If the provisions of Section 280G and 4999 of the Code are repealed without succession, this Section 10 shall be of no further force or effect. In addition, if this provision does not apply to Executive for whatever reason, this Section shall be of no further force or effect.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Semiconductor Components Industries, LLC

By: /s/ TOBIN COOKMAN

Tobin Cookman

Senior Vice President, Human Resources and Assistant Compliance and Ethics Officer

/s/ ROSS JATOU

Ross Jatou

Senior Vice President and General Manager, Intelligent Sensing Group

ON SEMICONDUCTOR CORPORATION

List of Subsidiaries as of 12/31/2020 (1)

AMI Semiconductor Canada Company {Nova Scotia, Canada}
AMIS Foreign Holdings, Inc. {Delaware}
Aptina (Mauritius) Limited {Mauritius}
Aptina Holdings (Cayman) Inc. {Cayman Islands}
Aptina Imaging Corporation {Cayman Islands}
Aptina India Private Limited {India}
Aptina Pte. Ltd. {Singapore}
Aptina, LLC {Delaware}
Axsem AG {Switzerland}
Fairchild Energy, LLC {Maine}
Fairchild Semiconductor (Malaysia) Sdn. Bhd. {Malaysia}
Fairchild Semiconductor (Netherlands) B.V. {Netherlands}
Fairchild Semiconductor (Suzhou) Co., Ltd. {China (PRC)}
Fairchild Semiconductor Corporation {Delaware}
Fairchild Semiconductor Corporation of California {Delaware}
Fairchild Semiconductor GmbH {Germany}
Fairchild Semiconductor Hong Kong (Holdings) Limited {Hong Kong, China (PRC)}
Fairchild Semiconductor Hong Kong Limited {Hong Kong, China (PRC)}
Fairchild Semiconductor International, Inc. {Delaware}
Fairchild Semiconductor Mauritius (Trading) Ltd. {Mauritius}
Fairchild Semiconductor Mauritius Ltd. {Mauritius}
Fairchild Semiconductor Pte. Ltd. {Singapore}
Fairchild Semiconductor Technology (Beijing) Co., Ltd. {China (PRC)}
Fairchild Semiconductor Technology (Shanghai) Co., Ltd. {China (PRC)}
Giant Holdings, Inc. {Delaware}
Giant Semiconductor Corporation {North Carolina}
Leshan-Phoenix Semiconductor Company Limited {China (PRC)}
Micro-Ohm Corporation {North Carolina}
New Conversion Co., Ltd. {Taiwan}
ON Design Czech s.r.o. {Czech Republic}
ON Design Israel Ltd {Israel}
ON Electronics Private Limited {India}
ON Management, Inc. {Delaware}
ON Semiconductor (Shenzhen) Limited {China (PRC)}
ON Semiconductor (Thailand) Co. Ltd. {Thailand}
ON Semiconductor Adria d.o.o. {Slovenia}
ON Semiconductor Aizu Co., Ltd. {Japan}
ON Semiconductor Austria GmbH {Austria}
ON Semiconductor Belgium BV {Belgium}
ON Semiconductor Benelux B.V. {Netherlands}
ON Semiconductor Binh Duong Company Limited {Vietnam}
ON Semiconductor Canada Holding Corporation {Ontario, Canada}
ON Semiconductor Canada Trading Corporation {Nova Scotia, Canada}

ON Semiconductor Cebu Philippines, Inc. {Philippines}
ON Semiconductor Connectivity Solutions, Inc. {Delaware}
ON Semiconductor Cooperatief U.A. {Netherlands}
ON Semiconductor Corporation {Delaware}
ON Semiconductor Czech Republic, s.r.o. {Czech Republic}
ON Semiconductor France SAS {France}
ON Semiconductor Germany GmbH {Germany}
ON Semiconductor Holdings Malaysia Sdn. Bhd. {Malaysia}
ON Semiconductor Holland B.V. {Netherlands}
ON Semiconductor Ireland Research and Design Limited {Ireland}
ON Semiconductor Italy S.r.l. {Italy}
ON Semiconductor Japan Holdings Ltd. {Japan}
ON Semiconductor Japan Ltd. {Japan}
ON Semiconductor Kanto Co. Ltd. {Japan}
ON Semiconductor Korea, Ltd. {South Korea}
ON Semiconductor Leasing BV {Belgium}
ON Semiconductor Limited {United Kingdom}
ON Semiconductor Malaysia Sdn. Bhd. {Malaysia}
ON Semiconductor Netherlands BV {Netherlands}
ON Semiconductor Netherlands Cooperatief U.A. {Netherlands}
ON Semiconductor Niigata Co., Ltd. {Japan}
ON Semiconductor Philippines, Inc. {Philippines}
ON Semiconductor Romania SRL {Romania}
ON Semiconductor s.r.l. {Italy}
ON Semiconductor SAS {France}
ON Semiconductor Shenzhen China (ONSC) Limited {China (PRC)}
ON Semiconductor Slovakia a.s. {Slovak Republic}
ON Semiconductor SSMP Philippines Corporation {Philippines}
ON Semiconductor Switzerland SA {Switzerland}
ON Semiconductor Technology Hong Kong Limited {Hong Kong, China (PRC)}
ON Semiconductor Technology India Private Limited {India}
ON Semiconductor Technology Korea Limited {South Korea}
ON Semiconductor Trading (Shanghai) Limited {China (PRC)}
ON Semiconductor Trading Sàrl {Switzerland}
ON Semiconductor United Kingdom Limited {United Kingdom}
ON Semiconductor Vietnam Company Limited {Vietnam}
ON Semiconductor, LLC {Delaware}
Quantenna Communications (Shanghai) Co., Ltd. {China (PRC)}
Quantenna Communications (Wuxi) Co. Ltd. {China (PRC)}
Quantenna Communications Australia Pty. Ltd. {Australia}
Quantenna Communications B.V. {Netherlands}
Quantenna Communications Hong Kong Limited {Hong Kong, China (PRC)}
Quantenna Communications International Pte. Ltd. {Singapore}
Quantenna Communications Limited Liability Company {Russia}
Quantenna Communications Spain SL {Spain}
Quantenna, Inc. {Delaware}
ROCTOV, LLC {Delaware}
SANYO LSI Technology India Private Limited {India}

SANYO Semiconductor (S) Pte. Ltd. {Singapore}
SCG Czech Design Center, s.r.o. {Czech Republic}
SCG Hong Kong SAR Limited {Hong Kong, China (PRC)}
SCG Korea Limited {South Korea}
Semiconductor Components Industries Singapore Pte Ltd {Singapore}
Semiconductor Components Industries, LLC {Delaware}
SensL Technologies Limited {Ireland}
Silicon Patent Holdings {California}
Sound Design Technologies Ltd. {Ontario, Canada}
TranSiC AB {Sweden}

{ } Denotes Jurisdiction

(1) All ON Semiconductor Corporation subsidiaries generally do business under the name "ON Semiconductor" or such other similar name as they transition to "ON Semiconductor."

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-219751, No. 333-219752, No. 333-206471, No. 333-190344, No. 333-183389, No. 333-166958, No. 333-159381, No. 333-118814 and No. 333-71336) of ON Semiconductor Corporation of our report dated February 16, 2021 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Phoenix, Arizona
February 16, 2021

POWER OF ATTORNEY
(Atsushi Abe)

I hereby appoint Bernard Gutmann and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation (the "Corporation") and file with the Securities and Exchange Commission the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto.

Dated: February 7, 2021

/s/ ATSUSHI ABE

Atsushi Abe

POWER OF ATTORNEY
(Alan Campbell)

I hereby appoint Bernard Gutmann and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation (the "Corporation") and file with the Securities and Exchange Commission the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto.

Dated: February 7, 2021

/s/ ALAN CAMPBELL

Alan Campbell

POWER OF ATTORNEY
(Susan K. Carter)

I hereby appoint Bernard Gutmann and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation (the "Corporation") and file with the Securities and Exchange Commission the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto.

Dated: February 11, 2021

/s/ SUSAN K. CARTER

Susan K. Carter

POWER OF ATTORNEY
(Thomas L. Deitrich)

I hereby appoint Bernard Gutmann and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation (the "Corporation") and file with the Securities and Exchange Commission the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto.

Dated: February 6, 2021

/s/ THOMAS L. DEITRICH

Thomas L. Deitrich

POWER OF ATTORNEY
(Gilles Delfassy)

I hereby appoint Bernard Gutmann and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation (the "Corporation") and file with the Securities and Exchange Commission the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto.

Dated: February 7, 2021

/s/ GILLES DELFASSY

Gilles Delfassy

**POWER OF ATTORNEY
(Emmanuel T. Hernandez)**

I hereby appoint Bernard Gutmann and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation (the "Corporation") and file with the Securities and Exchange Commission the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto.

Dated: February 10, 2021

/s/ EMMANUEL T. HERNANDEZ

Emmanuel T. Hernandez

POWER OF ATTORNEY
(Bruce E. Kiddoo)

I hereby appoint Bernard Gutmann and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation (the "Corporation") and file with the Securities and Exchange Commission the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto.

Dated: February 8, 2021

/s/ BRUCE E. KIDDOO

Bruce E. Kiddoo

POWER OF ATTORNEY
(Paul A. Mascarenas)

I hereby appoint Bernard Gutmann and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation (the "Corporation") and file with the Securities and Exchange Commission the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto.

Dated: February 7, 2021

/s/ PAUL A. MASCARENAS

Paul A. Mascarenas

POWER OF ATTORNEY
(Gregory L. Waters)

I hereby appoint Bernard Gutmann and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation (the "Corporation") and file with the Securities and Exchange Commission the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto.

Dated: February 6, 2021

/s/ GREGORY L. WATERS

Gregory L. Waters

POWER OF ATTORNEY
(Christine Y. Yan)

I hereby appoint Bernard Gutmann and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation (the "Corporation") and file with the Securities and Exchange Commission the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto.

Dated: February 6, 2021

/s/ CHRISTINE Y. YAN

Christine Y. Yan

CERTIFICATIONS

I, Hassane S. El-Khoury, certify that:

1. I have reviewed this annual report on Form 10-K of ON Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2021

/s/ HASSANE S. EL-KHOURY

Hassane S. El-Khoury

Chief Executive Officer

CERTIFICATIONS

I, Bernard Gutmann, certify that:

1. I have reviewed this annual report on Form 10-K of ON Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2021

/s/ BERNARD GUTMANN

Bernard Gutmann

Chief Financial Officer

Certification**Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906
of the Sarbanes-Oxley Act of 2002**

For purposes of Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of ON Semiconductor Corporation, a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the “Form 10-K”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 16, 2021

/s/ HASSANE S. EL-KHOURY

Hassane S. El-Khoury

President and Chief Executive Officer

Date: February 16, 2021

/s/ BERNARD GUTMANN

Bernard Gutmann

Executive Vice President,

Chief Financial Officer, and Treasurer