



**INVESTOR DAY 2016**

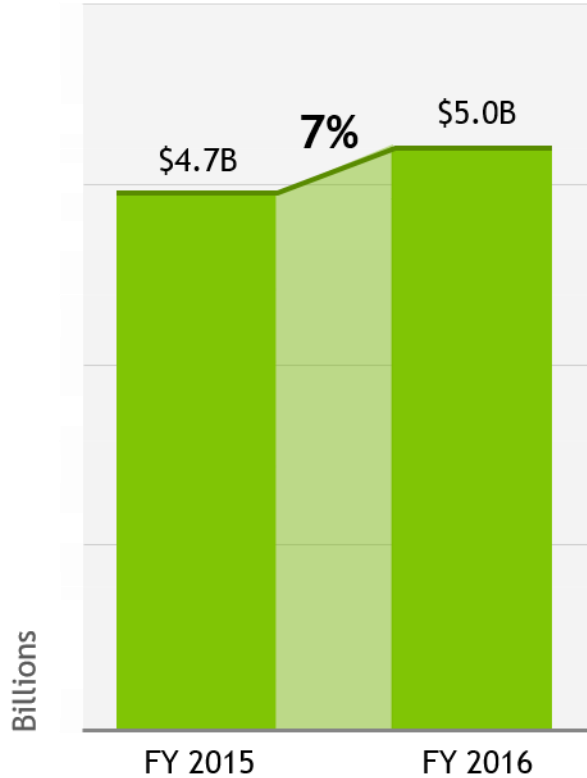


# FINANCIAL

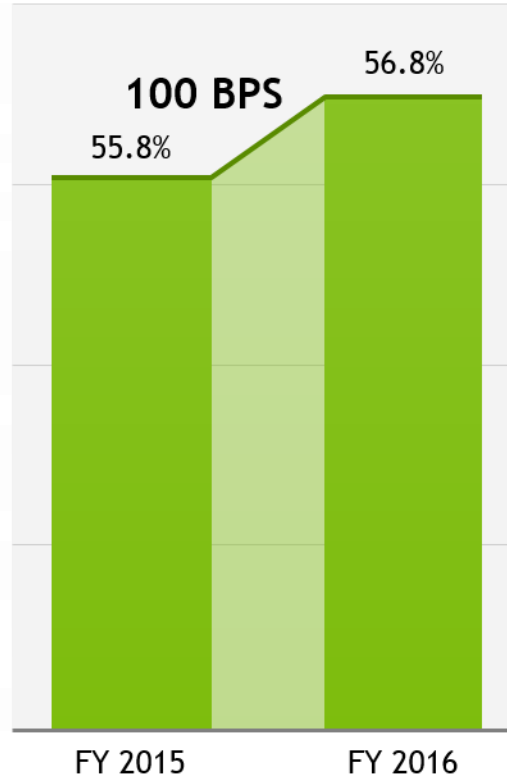
Colette Kress, EVP & CFO

# RECORDS

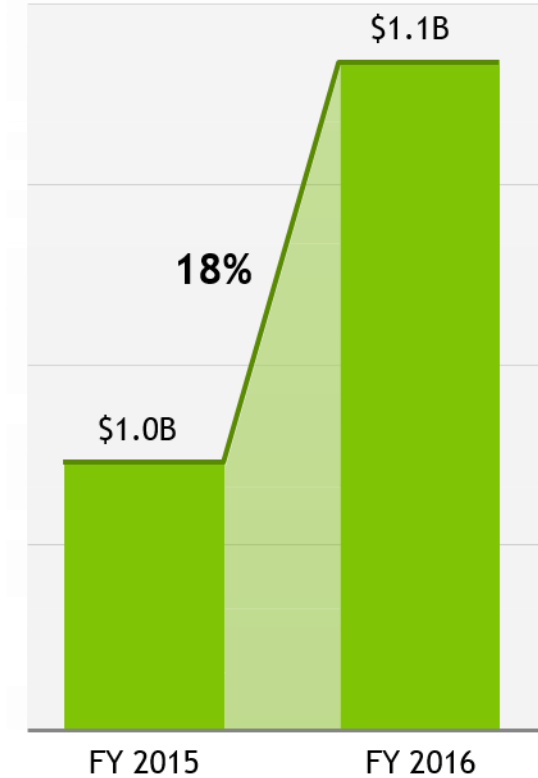
## RECORD REVENUE



## RECORD GROSS MARGIN\*



## RECORD OPERATING INCOME\*

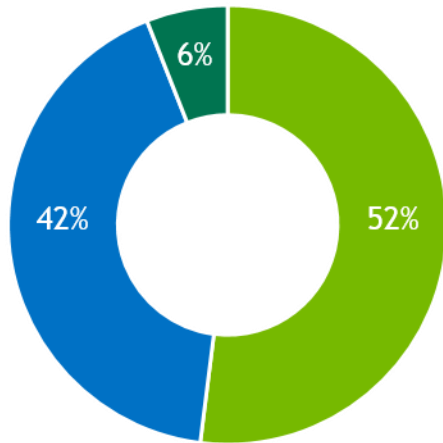


\* Gross margin and Operating income are non-GAAP measures.

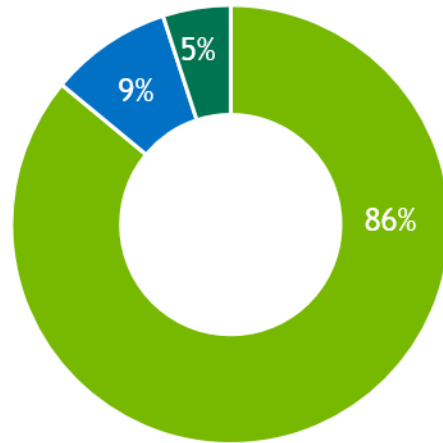
# TRANSFORMATION

BUSINESS MIX

FY 2013

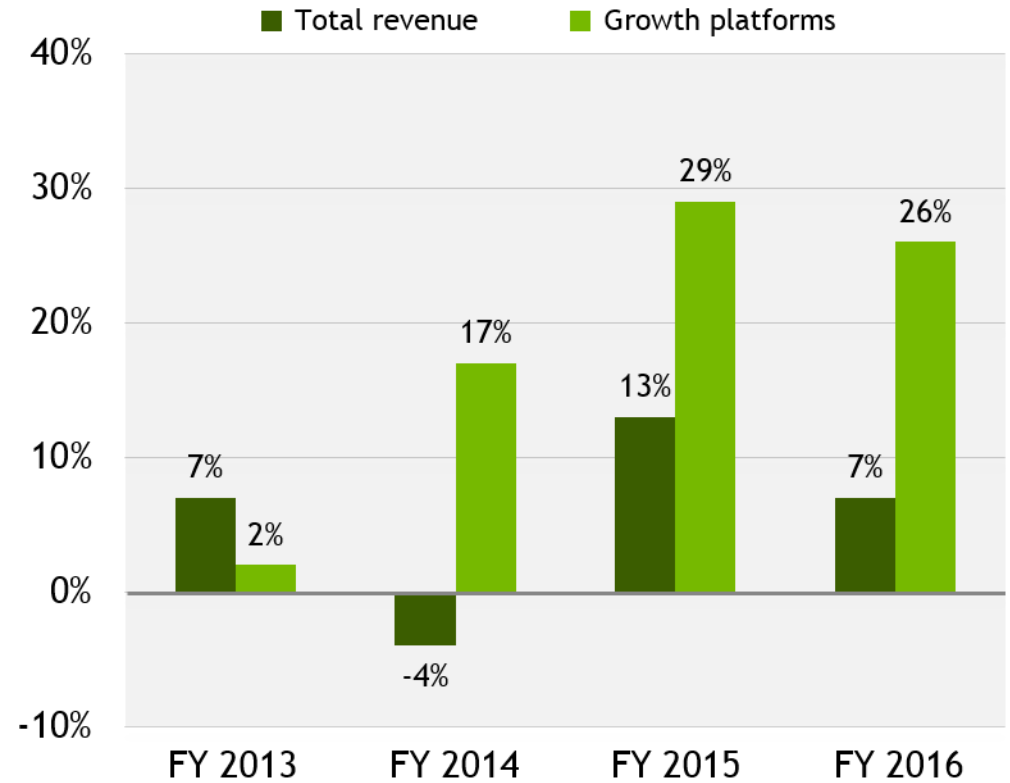


Q4 FY 2016



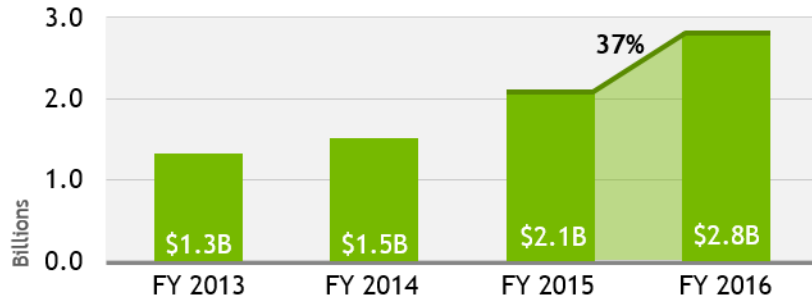
- Gaming, Pro Visualization, Datacenter, Auto
- PC & Tegra OEM
- IP

GROWTH MIX (Y-Y)

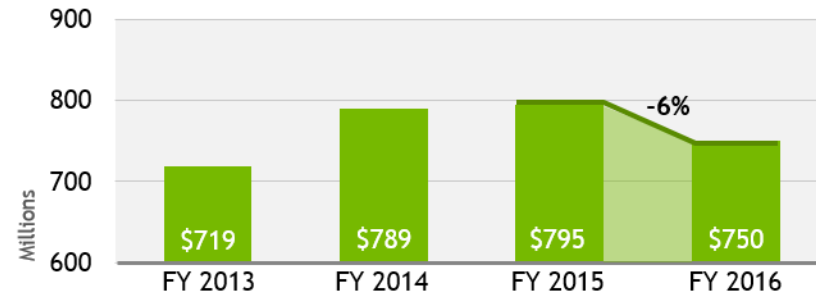


# MARKET PLATFORMS

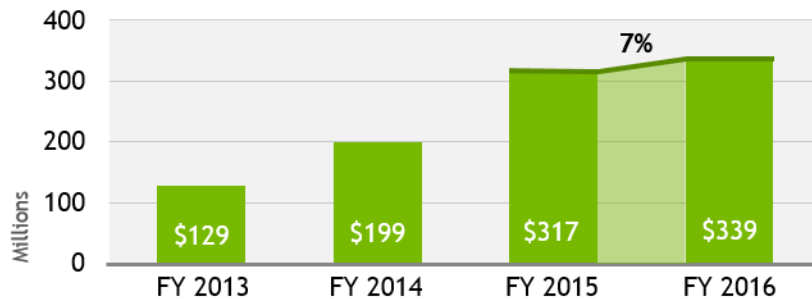
## GAMING 3-YEAR CAGR ~30%



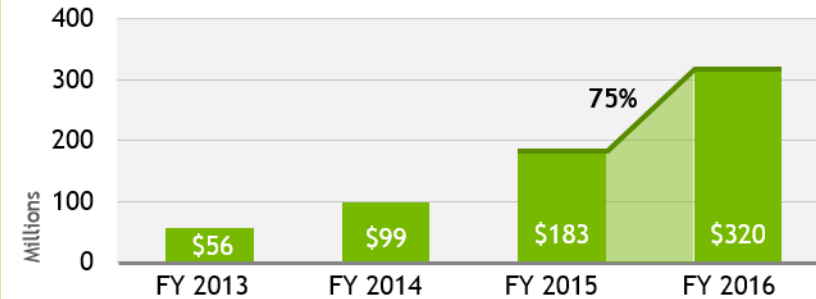
## PRO VISUALIZATION 3-YEAR CAGR --%



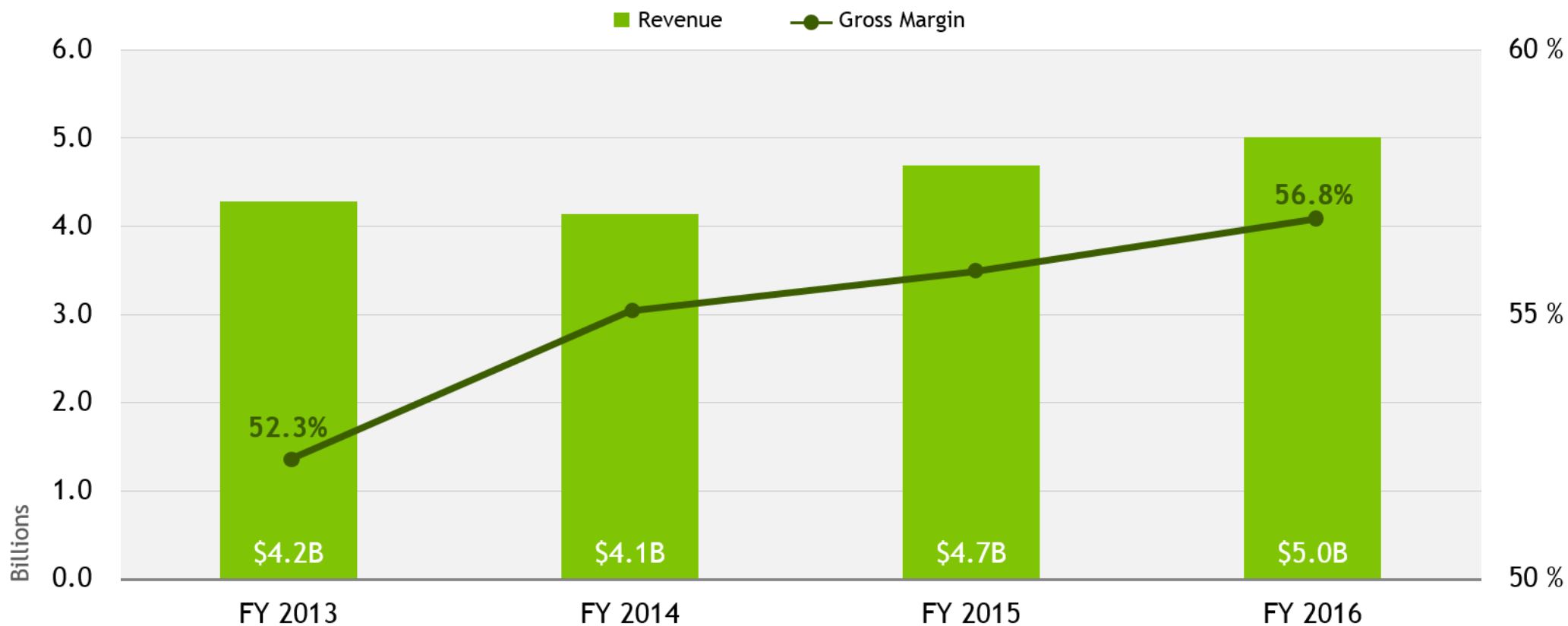
## DATACENTER 3-YEAR CAGR ~40%



## AUTO 3-YEAR CAGR ~80%



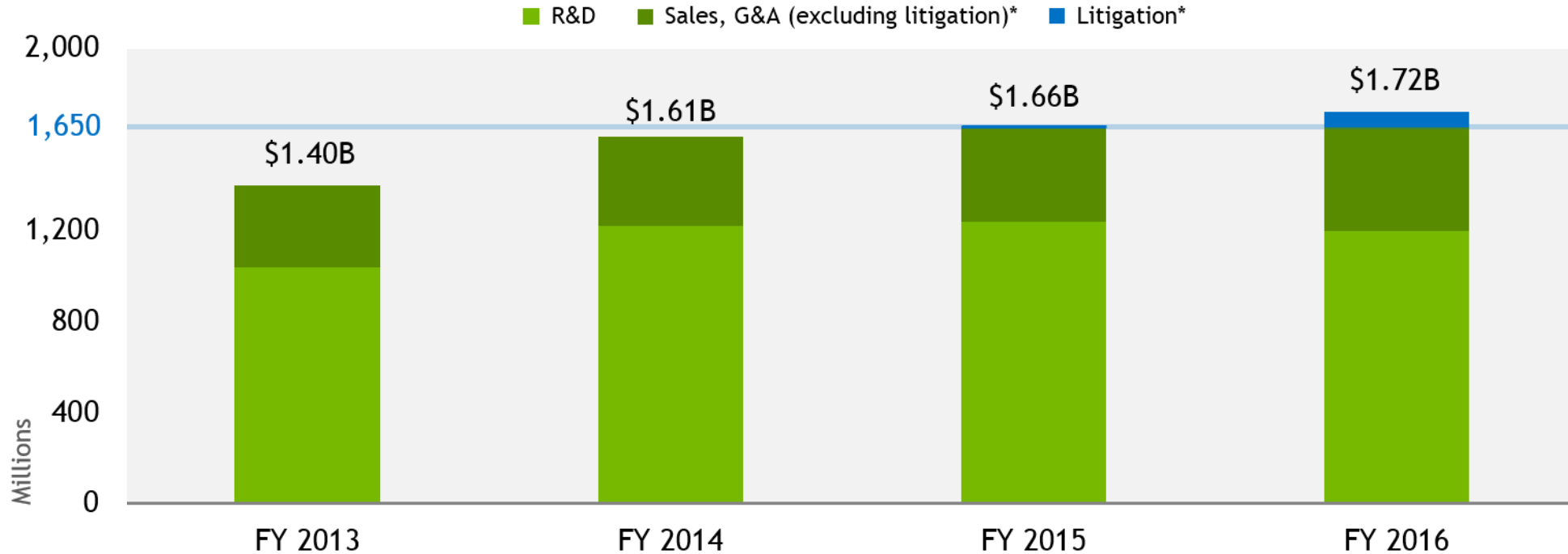
# GROSS MARGIN EXPANSION



Gross Margin is a non-GAAP measure.

# OPERATING EXPENSES

## Benefits of a Leveraged Model

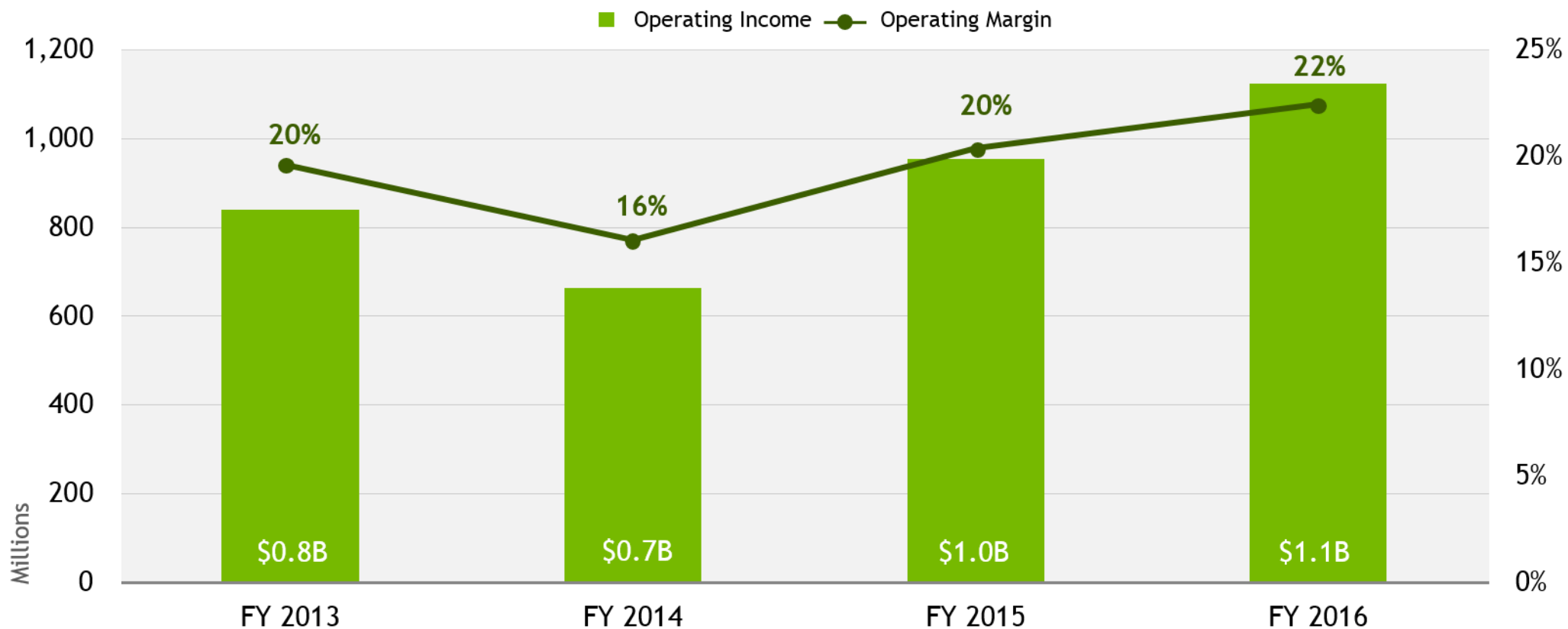


**~1% Growth since FY 2014**  
Excluding litigation

*Operating expense is a non-GAAP measure.*

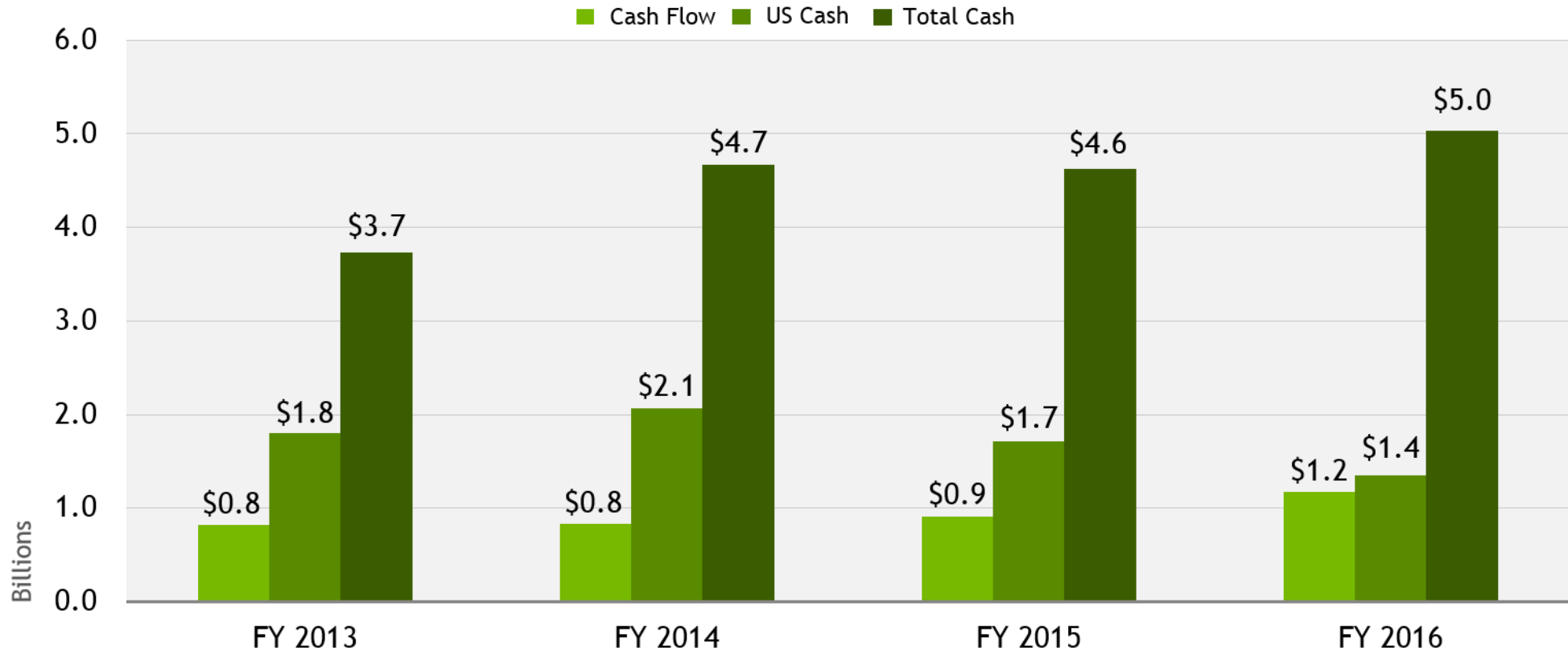
*\* Litigation consists of legal fees associated with our litigation against Samsung and Qualcomm.*

# OPERATING MARGIN EXPANSION



*Operating Income and Operating Margin are Non-GAAP measures.*

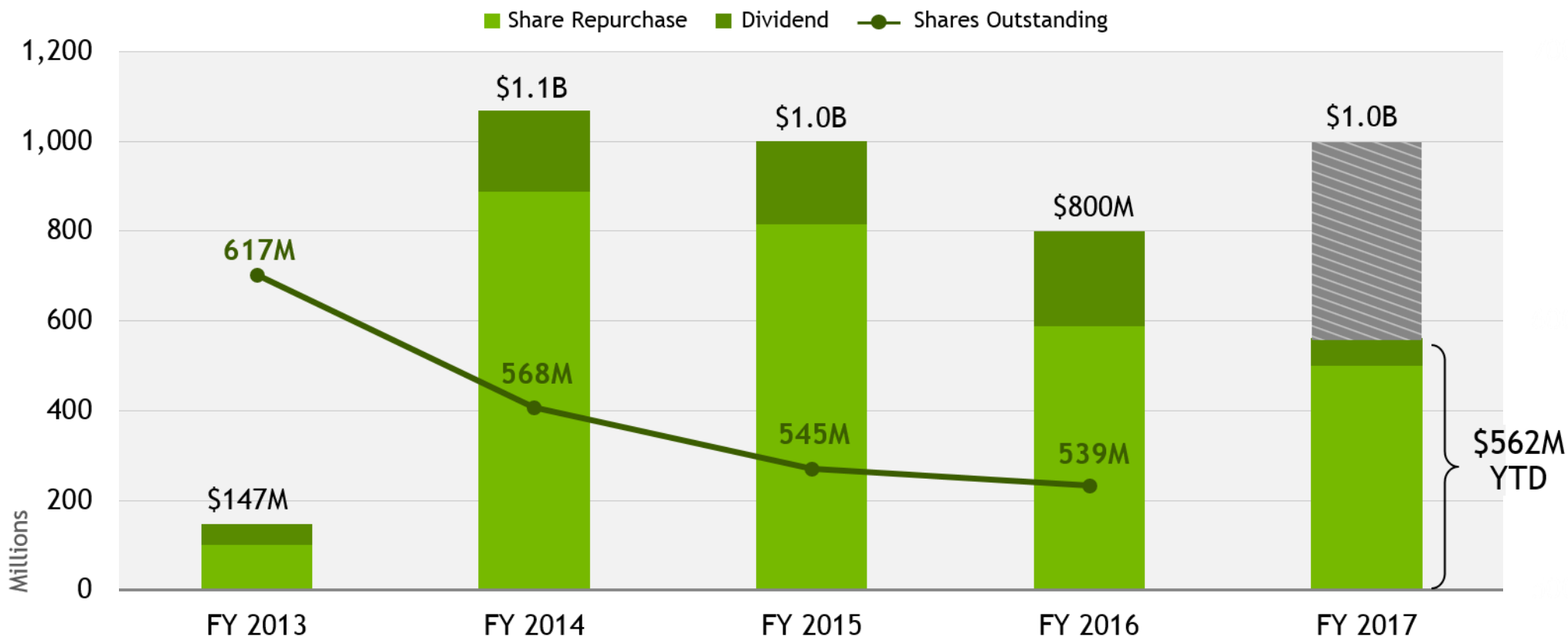
# CASH AND CASH FLOW





# CAPITAL RETURN

Since FY 2013: \$3B ~100% FCF



Free Cash Flow is a Non-GAAP measure.

# DRIVING SHAREHOLDER VALUE

Driving revenue growth across market platforms

Improving gross margins with value-driven platforms

Leveraging investments

Expanding operating margins

Returning free cash flow to shareholders with capital return program



**INVESTOR DAY 2016**



**Q&A**

JOIN THE CONVERSATION

#GTC16   

# RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL MEASURES

# RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL MEASURES

		NON-GAAP	STOCK-BASED COMPENSATION (A)	PRODUCT WARRANTY (B)	OTHER (C)	GAAP
FY 2013	Gross margin	52.3%	(0.3)	—	—	52.0%
FY 2014	Gross margin	55.1%	(0.3)	0.2	(0.1)	54.9%
FY 2015	Gross margin	55.8%	(0.3)	—	—	55.5%
FY 2016	Gross margin	56.8%	(0.3)	(0.4)	—	56.1%

A. Stock-based compensation charge was allocated to cost of goods sold, research and development expense, and sales, general and administrative expense.

B. FY 2014 consists of the release of warranty reserve balance related to the weak die/packaging material set used in certain versions of our previous generation chips; FY 2016 consists of warranty charge associated with a product recall.

C. Consists of a legal settlement charge.

# RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL MEASURES (CONTD.)

(\$ IN MILLIONS)		NON-GAAP	STOCK-BASED COMPENSATION (A)	ACQUISITION-RELATED ITEMS (B)	OTHER (C)	GAAP
FY 2013	OPEX	\$1,396	126	36	20	\$1,578
FY 2014	OPEX	\$1,610	126	32	4	\$1,772
FY 2015	OPEX	\$1,657	146	37	—	\$1,840
FY 2016	OPEX	\$1,721	190	22	131	\$2,064

A. Stock-based compensation charge was allocated to cost of goods sold, research and development expense, and sales, general and administrative expense.

B. Consists of amortization of acquisition-related intangible assets, transaction costs, and other credits related to acquisitions.

C. Other comprises the net present value of a charitable contribution and restructuring and other charges.

# RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL MEASURES (CONTD.)

(\$ IN MILLIONS)		NON-GAAP	STOCK-BASED COMPENSATION (A)	PRODUCT WARRANTY (B)	ACQUISITION-RELATED ITEMS (C)	RESTRUCTURING & OTHER CHARGES	OTHER (D)	GAAP
FY 2013	Operating income &	\$841	(137)	—	(36)	—	(20)	\$648
	Operating margin	20%	(3)	—	(1)	—	(1)	15%
FY 2014	Operating income &	\$664	(137)	—	(32)	—	1	\$496
	Operating margin	16%	(3)	—	(1)	—	—	12%

# RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL MEASURES (CONTD.)

(\$ IN MILLIONS)		NON-GAAP	STOCK-BASED COMPENSATION (A)	PRODUCT WARRANTY (B)	ACQUISITION-RELATED ITEMS (C)	RESTRUCTURING & OTHER CHARGES	OTHER (D)	GAAP
FY 2015	Operating income &	\$954	(158)	—	(37)	—	—	\$759
	Operating margin	20%	(3)	—	(1)	—	—	16%
FY 2016	Operating income &	\$1,125	(205)	(20)	(22)	(131)	—	\$747
	Operating margin	22%	(4)	—	—	(3)	—	15%

A. Stock-based compensation charge was allocated to cost of goods sold, research and development expense, and sales, general and administrative expense.

B. Consists of warranty charge associated with a product recall.

C. Consists of amortization of acquisition-related intangible assets, transaction costs, and other credits related to acquisitions.

D. Other comprises of legal settlement benefits and the net present value of a charitable contribution.



# RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL MEASURES (CONTD.)

(\$ IN MILLIONS)	FY 2013	FY 2014	FY 2015	FY 2016
GAAP net cash flow provided by operating activities	\$824	\$835	\$905	\$1,175
Purchase of property and equipment and intangible assets	(183)	(255)	(122)	(86)
Free cash flow	\$641	\$580	\$783	\$1,089

# REVENUE BY MARKETS

(\$ IN MILLIONS)	FY 2013	FY 2014	FY 2015	FY 2016	3 YR CAGR APPROXIMATE %S
Gaming	1,316	1,511	2,058	2,818	~30%
Pro Visualization	719	789	795	750	--%
Datacenter	129	199	317	339	~40%
Auto	56	99	183	320	~80%
<b>GROWTH PLATFORMS</b>	<b>2,220</b>	<b>2,598</b>	<b>3,353</b>	<b>4,227</b>	<b>~25%</b>
OEM & IP	2,060	1,532	1,329	783	--30%
<b>TOTAL</b>	<b>\$4,280</b>	<b>\$4,130</b>	<b>\$4,682</b>	<b>\$5,010</b>	<b>~5%</b>