

# Summary of NI Growth Strategy

The NI Platform Accelerates Productivity in a Converging World

Eric Starkloff

Executive Vice President of Global Sales, Marketing, and Support

# LabVIEW™ Investment Areas



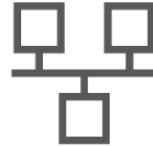
Measurement  
Automation



Comprehensive  
Data Analysis



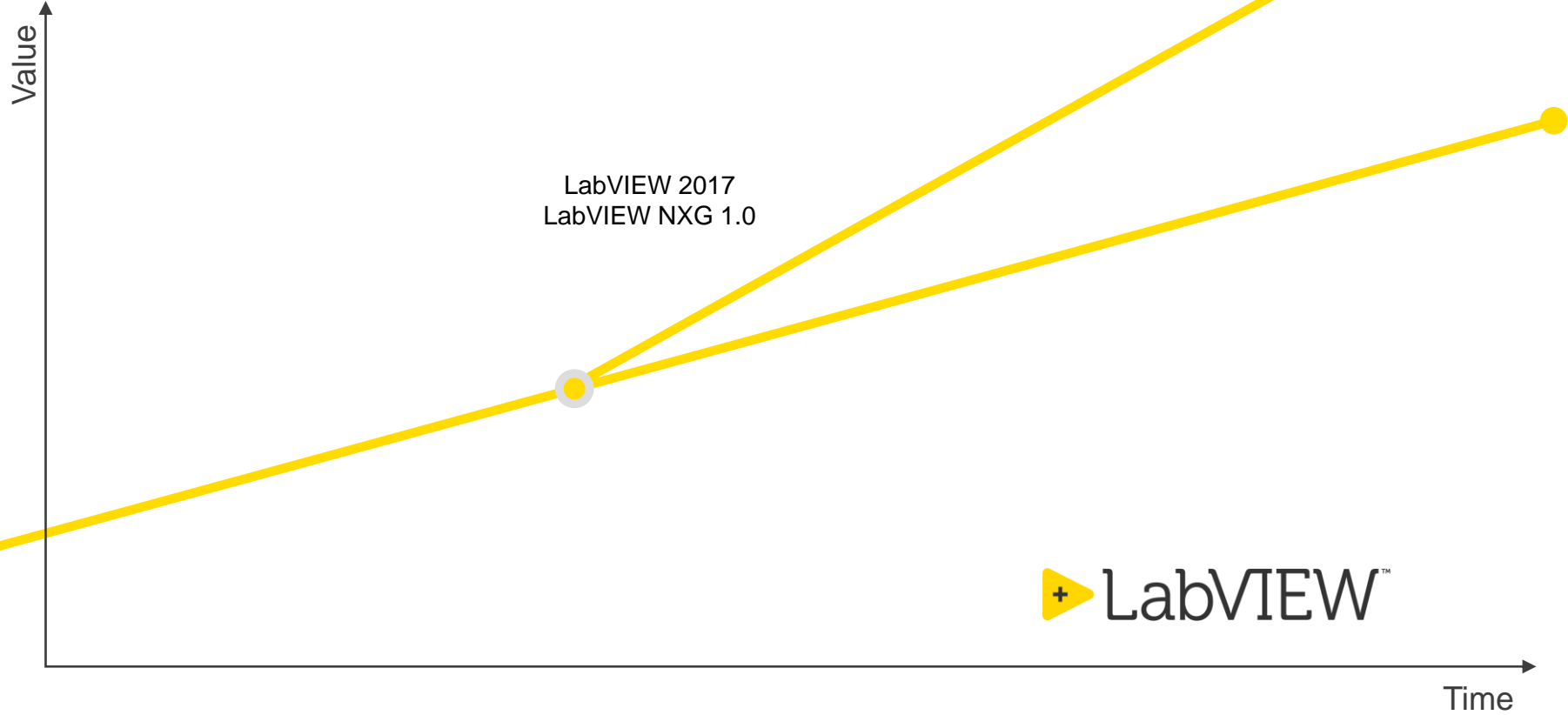
Managing  
Distributed  
Systems



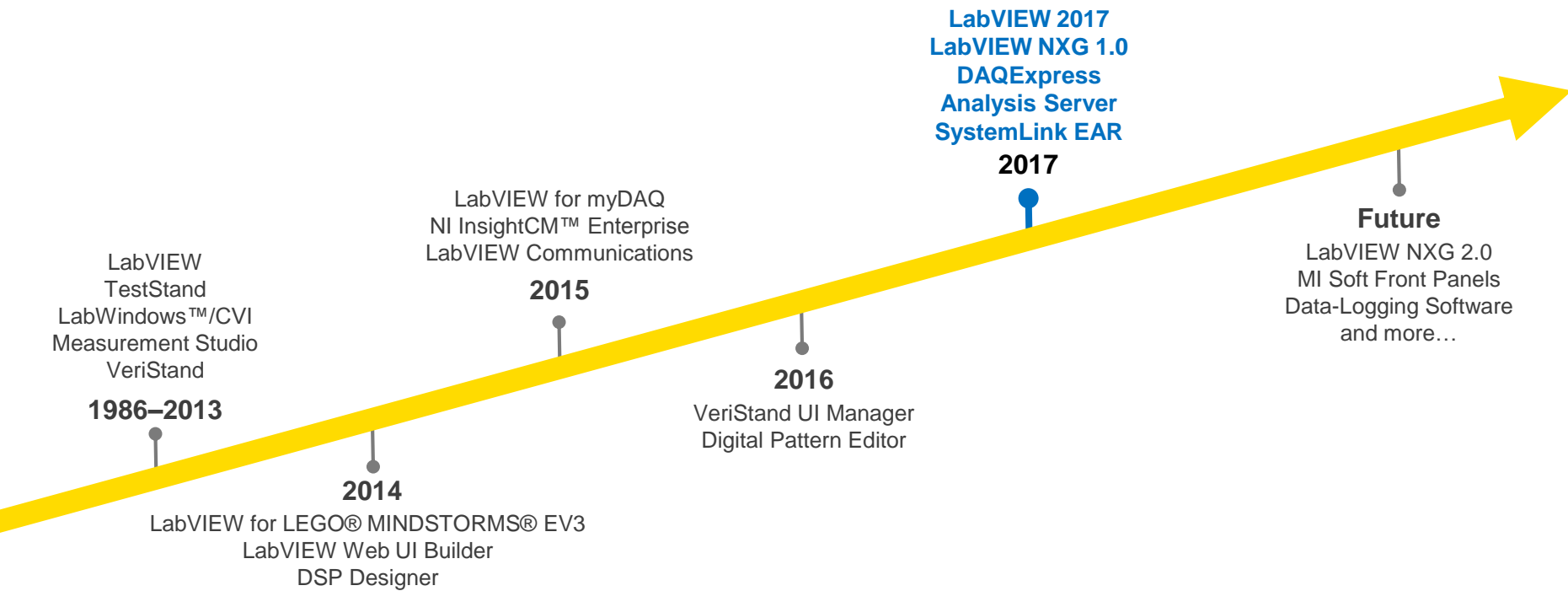
Large  
System  
Development



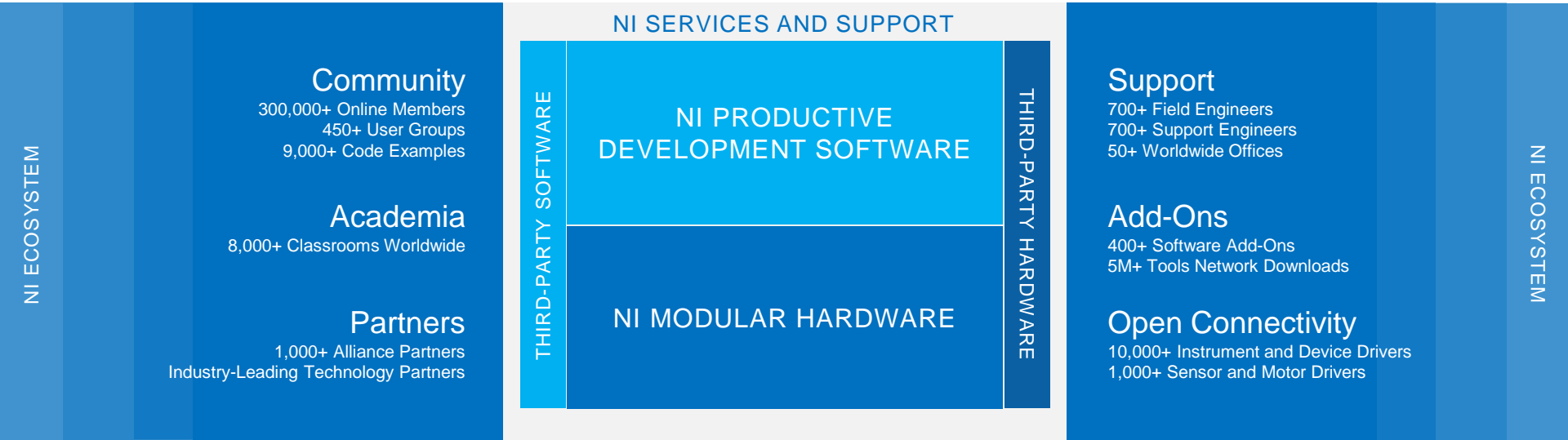
Technology  
and Industry  
Trends



# LabVIEW NXG | A Product of Shared Investment



# ONE-PLATFORM APPROACH



# NI Badging Pilot Program

Sharing your accomplishments just became easier.



Find learning content and test your understanding.

Digitally share and instantly verify achievements.

Thousands of badges claimed within hours of go-live.

# Leveraging Our Platform

## Focused Opportunities for Growth



### **RF/Wireless Test**

- Internet of Things (IoT) driving ubiquitous connectivity
- Development of new wireless technologies (5G)
- Strong position in software defined radio (SDR)



### **Semiconductor Test**

- Mixed-signal test
- IoT driving RFICs
- Differentiated offering between “Big Iron” ATE and rack and stack



### **Connected Vehicle**

- Advanced driver-assistance systems (ADAS) to improve safety
- Electrification to reduce emissions
- V2X communication to reduce congestion and improve efficiency



### **Industrial IoT**

- Predictive maintenance to maximize uptime
- Connected control and analysis at the edge to boost performance
- Connected, real-world sensor data to improve product design and manufacturing

# Electronic Product Development Workflow

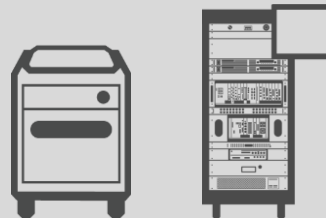
RESEARCH  
AND PROTOTYPING



VALIDATION, VERIFICATION,  
AND CHARACTERIZATION



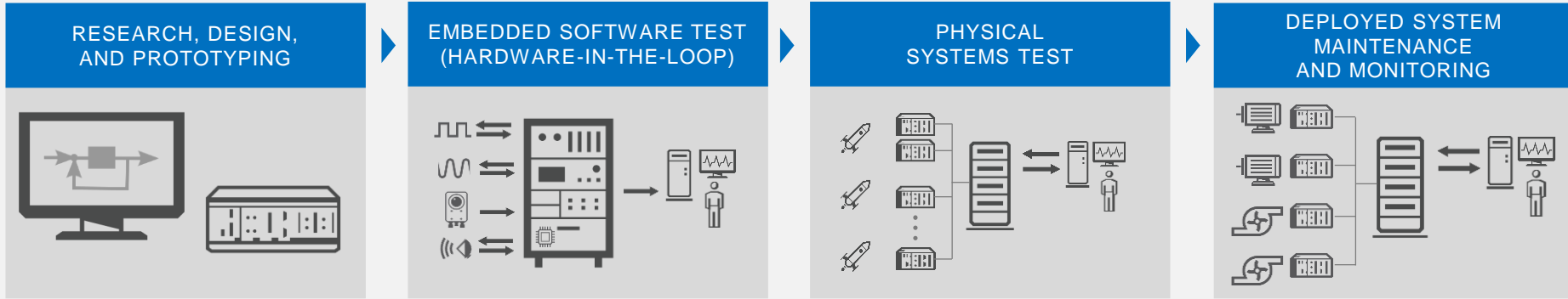
END DEVICE AND  
INTEGRATED SYSTEM TEST



NI's software allows us to serve a wide range of applications with a differentiated approach.

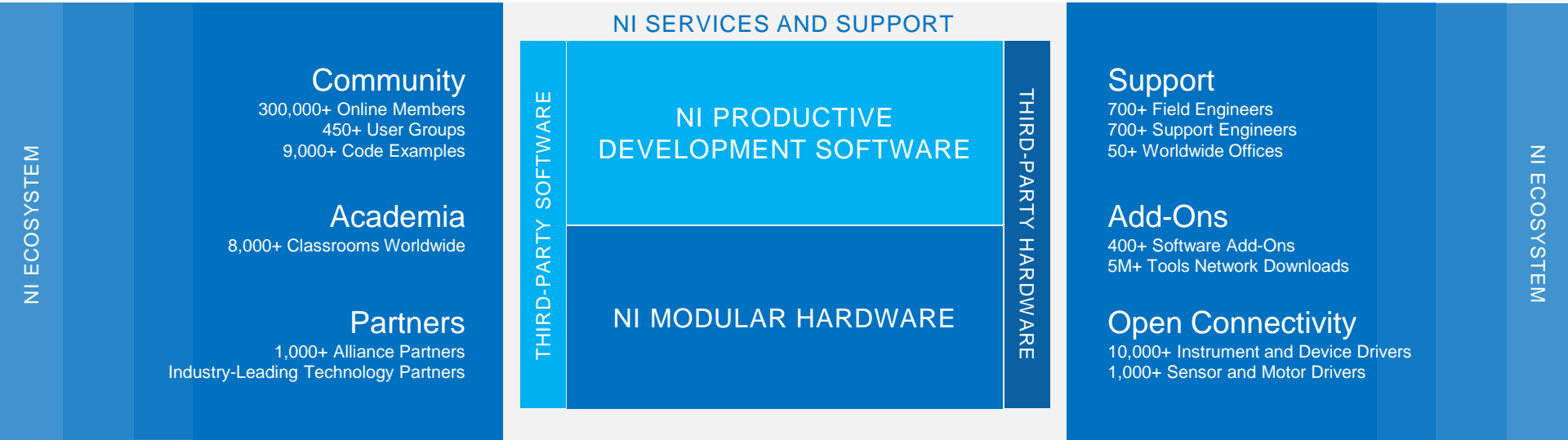


# Smart, Physical System Development Workflow



NI's software allows us to serve a wide range of applications with a differentiated approach.

# ONE-PLATFORM APPROACH



# NIWeek 2017 Demonstrated Business Impact



# Q&A



# Business and Capital Management Update

Karen Rapp

Chief Financial Officer

# Long-Term Success for Our Stakeholders



# Safe Harbor Warning

During the course of this presentation, we will make projections or other forward-looking statements regarding the future financial performance of the company or future events, including our strategic goals, operating leverage, revenue from our largest customer, market growth and trends, growth plans, marketing strategy, GAAP and core revenue guidance for Q2, the effect of foreign exchange on our business, improved profitability, R&D investment targets, market opportunities, and product features and performance. We wish to caution you that such statements are just predictions and that actual events or results may differ materially. We refer you to the documents the company files regularly with the Securities and Exchange Commission, specifically the company's most recent Form 10-K filed on February 16, 2017 and Form 10-Q filed on May 1, 2017. These documents contain and identify important factors that could cause our actual results to differ materially from those contained in our projections or forward-looking statements.

## **Non-GAAP Information**

In this presentation, we have included certain non-GAAP financial results with respect to some or all of the following items: revenue, gross margin, research and development and other operating expenses, operating margin, operating income, net income, and diluted EPS. Our non-GAAP results exclude, as applicable, the impact of stock-based compensation, amortization of acquisition-related intangibles, acquisition accounting for deferred revenue, acquisition-related adjustments, acquisition-related transaction costs, restructuring charges, foreign exchange loss on acquisitions, taxes levied on the transfer of acquired intellectual property, and impairment of minority cost basis investments. In each of our quarterly earnings press releases since March 31, 2006, we have included a reconciliation of our GAAP results to our non-GAAP results for the applicable periods and such press releases are available on our website at [ni.com/nati](http://ni.com/nati). For periods prior to March 31, 2006, our non-GAAP results are the same as our GAAP results. We also include information in this presentation about our year-over year (YOY) GAAP revenue growth excluding the effect of our current largest customer and the impact of foreign currency exchange (i.e., our "core revenue" growth). We have included a reconciliation of such YOY core revenue growth to our GAAP YOY revenue growth on our website at [ni.com/nati](http://ni.com/nati) and in the appendix of this presentation.



# Strategic Goals

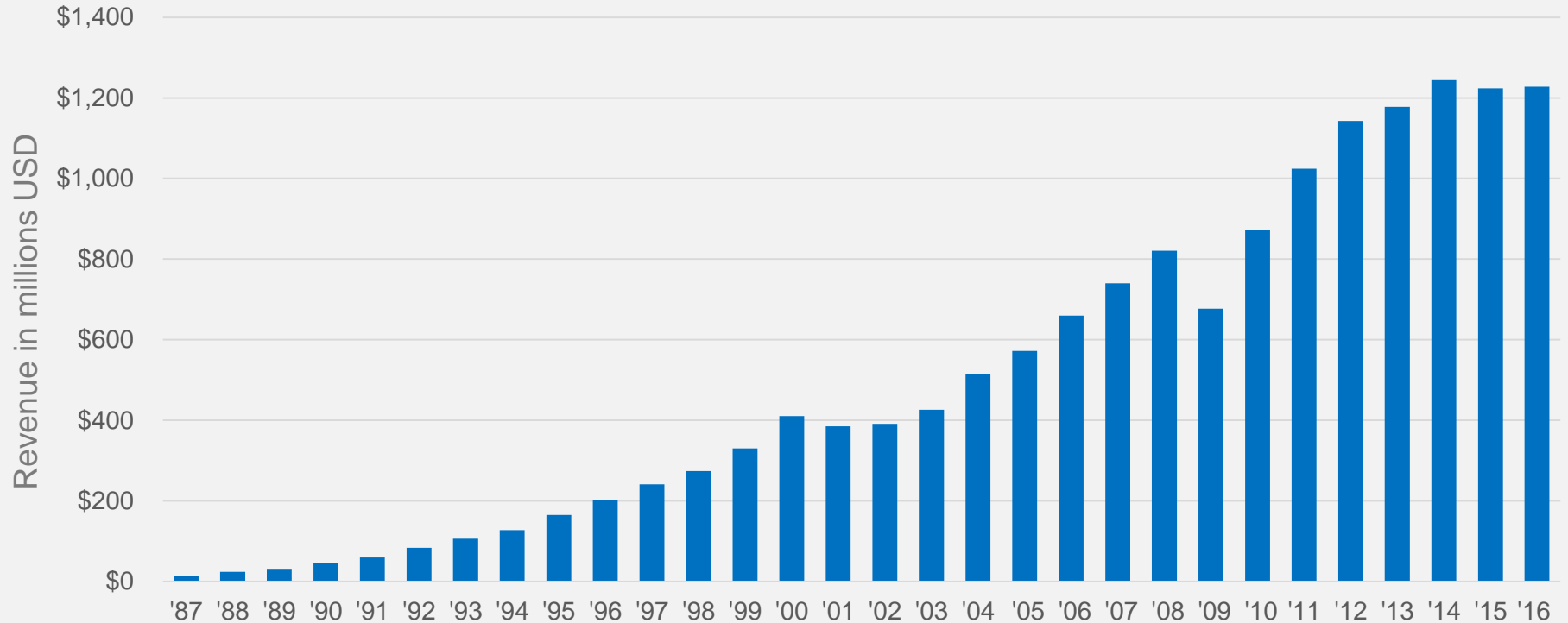
## **Drive Organic Revenue Growth**

- Leverage our strategic investments in R&D and field sales
- Broaden and deepen our customer relationships
- Gain market share

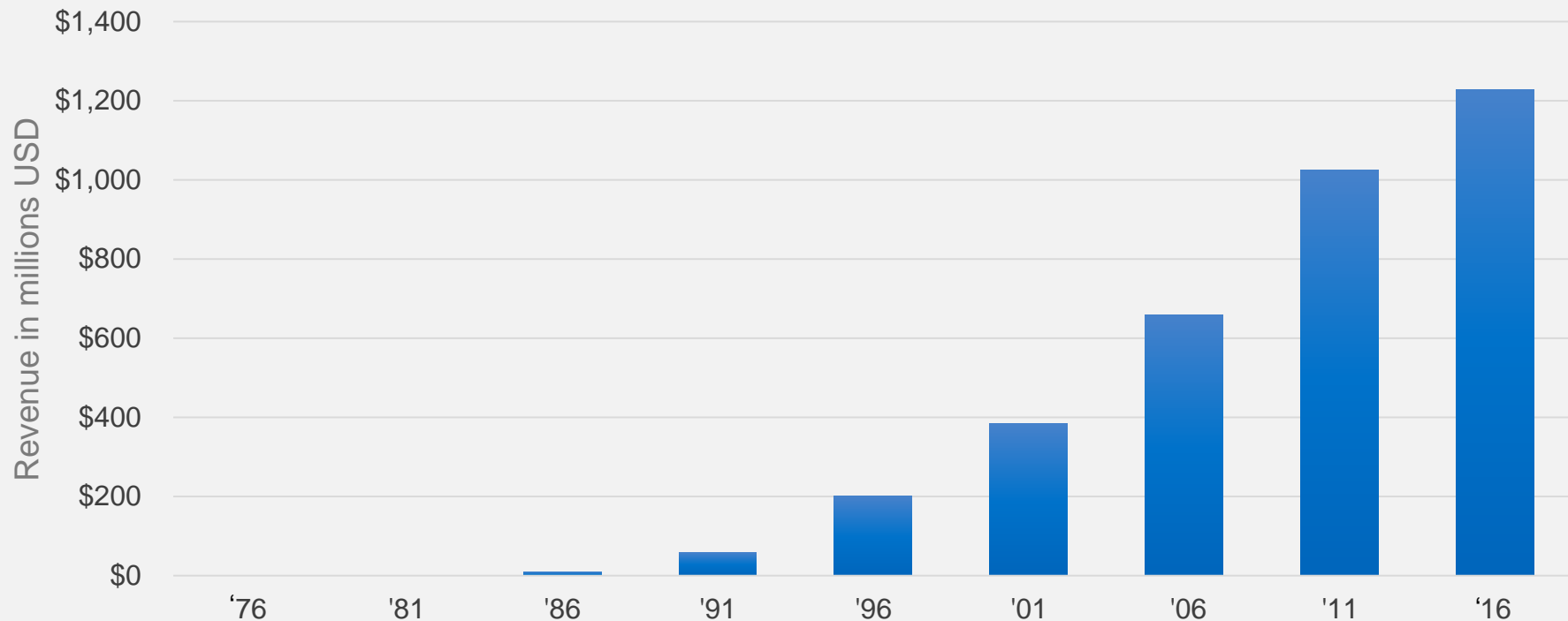
## **Deliver Strong Profitability**

- Preserve our strong gross margins
- Drive efficiency of resources
- Optimize operating expenses

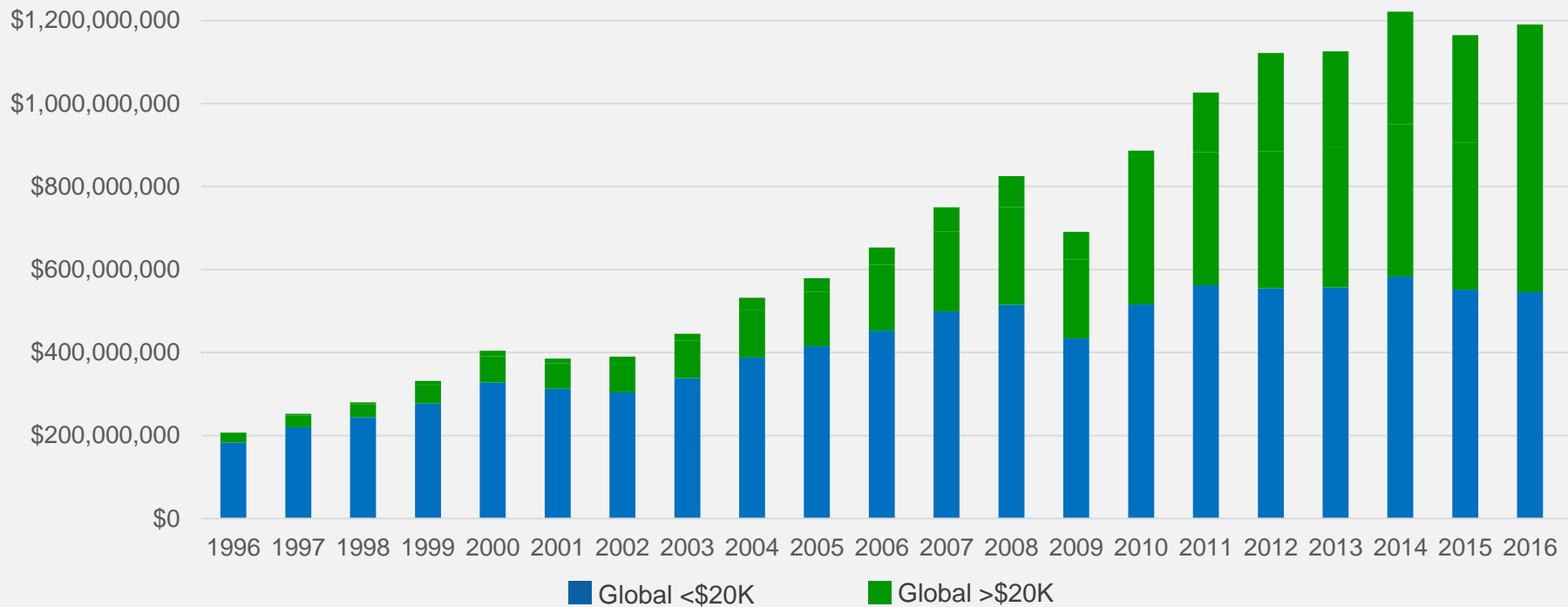
# Strong Track Record of Growth and Profitability



# Strong Track Record of Growth and Profitability



# Accelerate System Business Growth



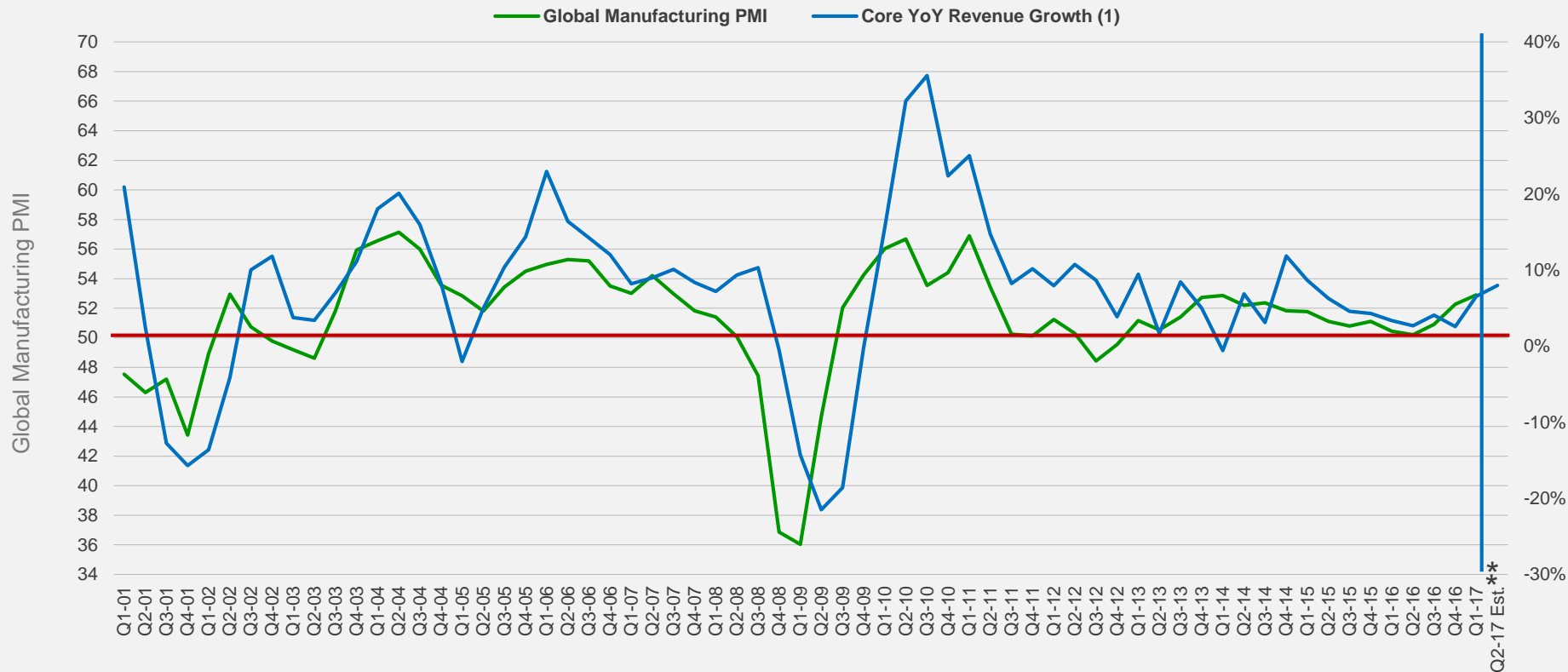
# H1 2017 Update

	Q1 Actual	Q2 Guidance* at Midpoint
YOY Revenue Growth	5%	5%
YOY Core Revenue Growth	7%	8%

Core revenue growth excludes the effect of our current largest customer and the impact of foreign currency exchange. See reconciliation of GAAP revenue growth to core revenue growth at [ni.com/nati](http://ni.com/nati)

\*This guidance was provided by NI on April 27, 2017 and is as of such date.

# Global Manufacturing PMI vs WW Core Revenue Growth\*

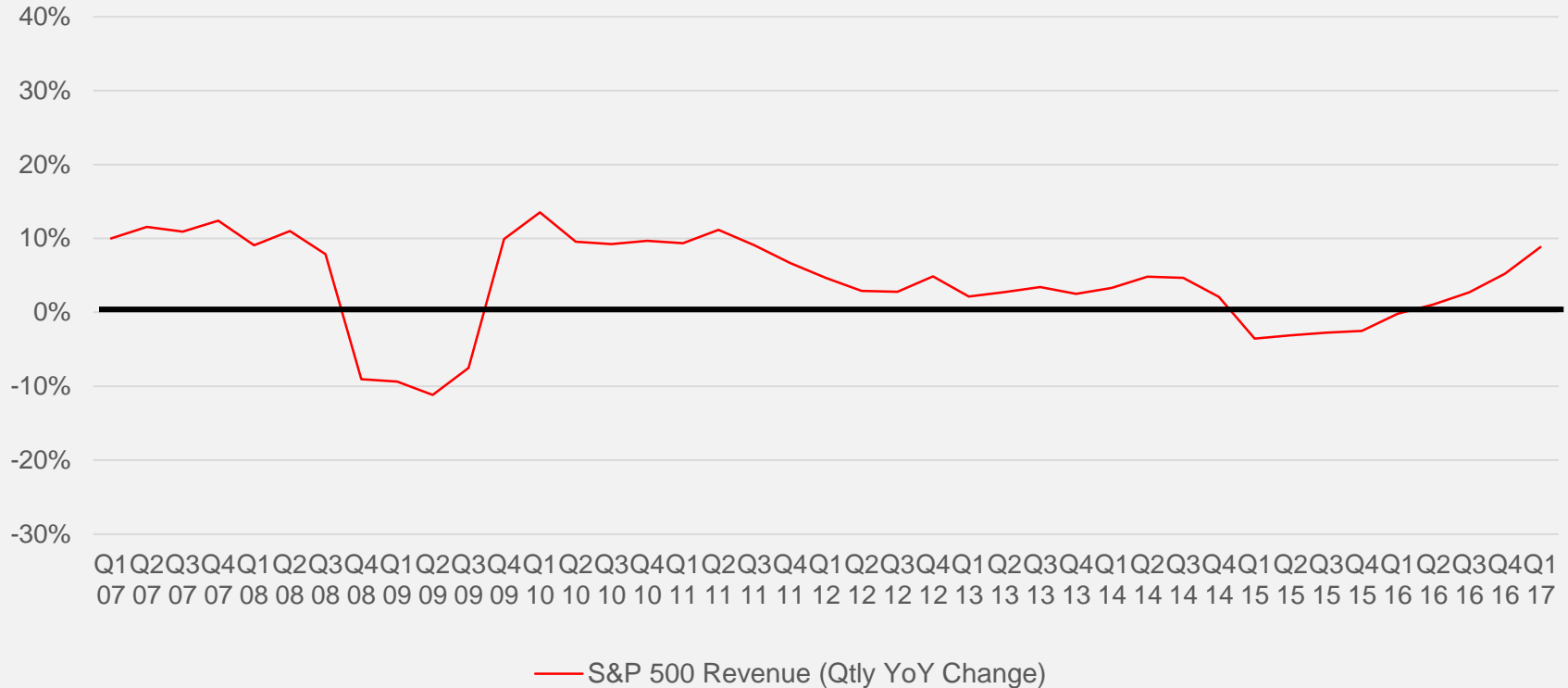


\*Core Revenue Growth excludes the effect of our current largest customer and the impact of foreign currency exchange.

See reconciliation of GAAP revenue growth to core revenue growth at [ni.com/nati](http://ni.com/nati)

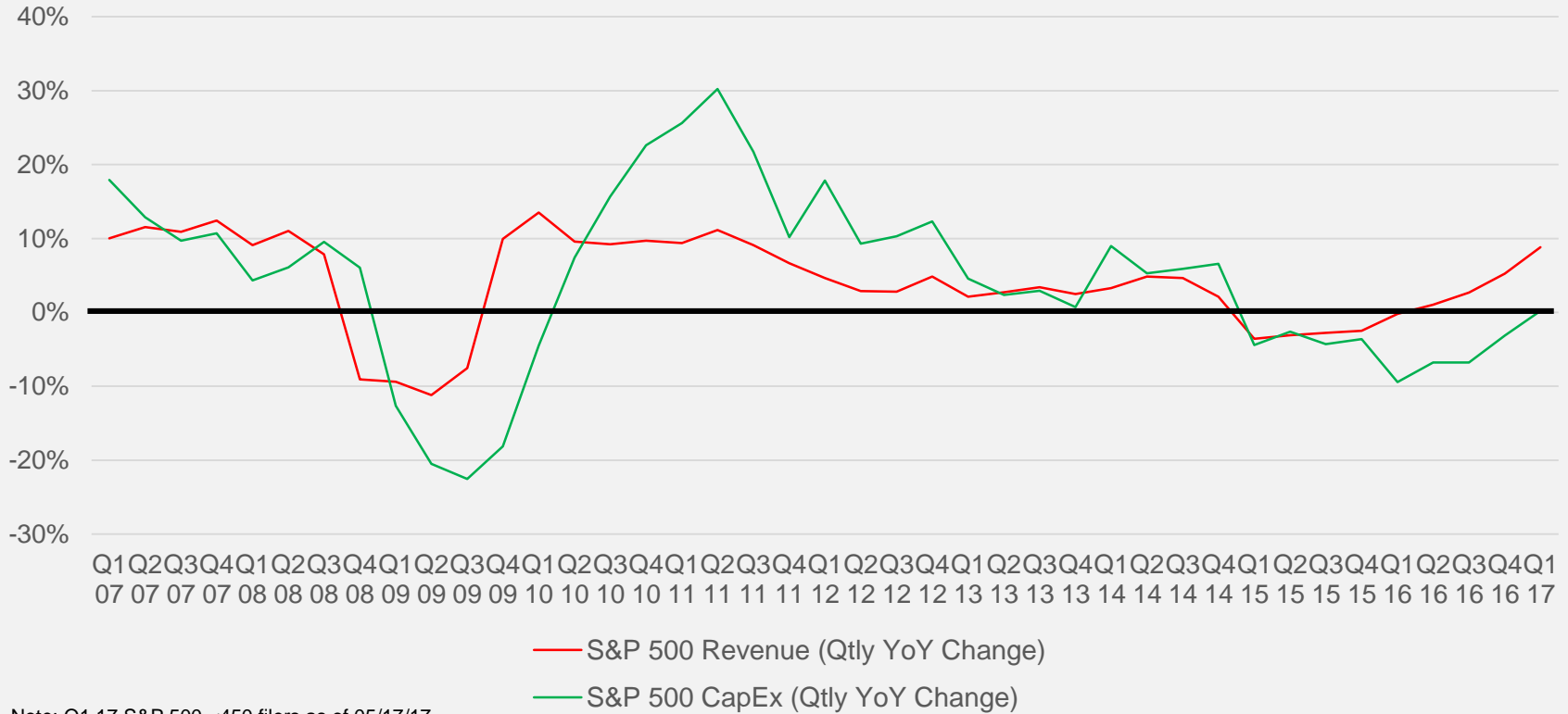
\*\*Midpoint of guidance provided by NI on April 27, 2017 and is as of such date.

# S&P 500 Revenue



Note: Q1 17 S&P 500 <450 filers as of 05/17/17

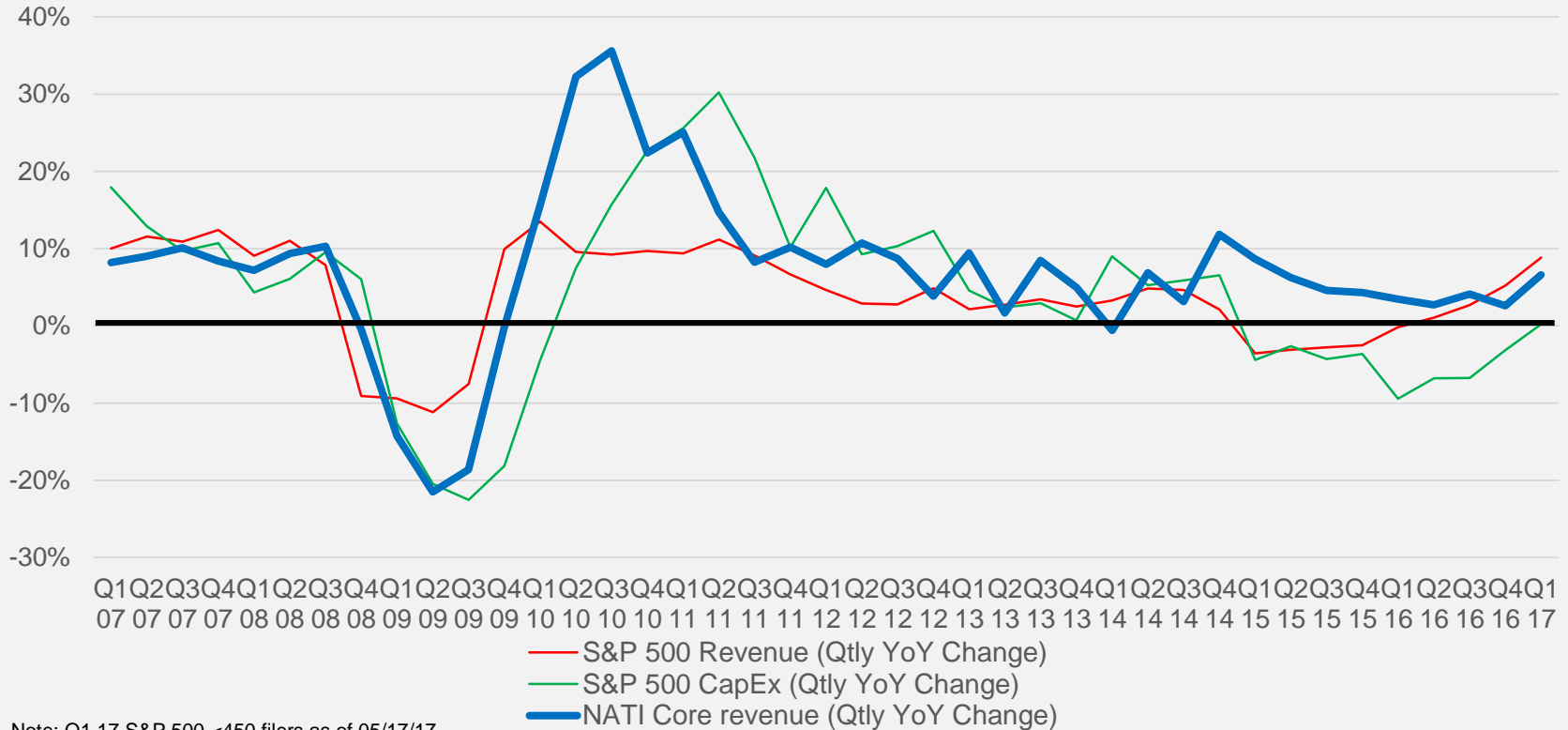
# S&P 500 Revenue and CapEx



Note: Q1 17 S&P 500 <450 filers as of 05/17/17



# NI Core Revenue

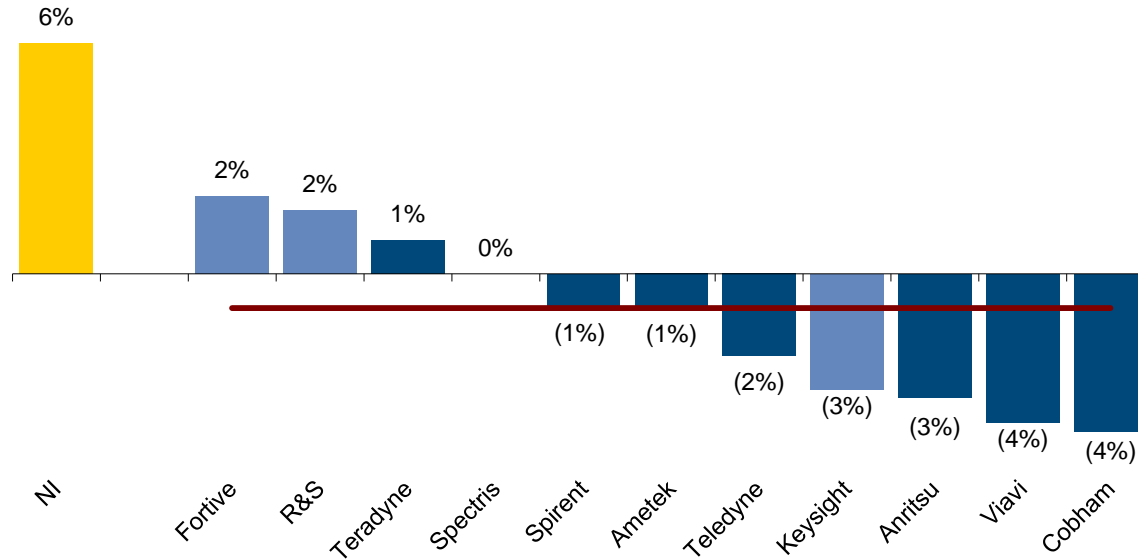


Note: Q1 17 S&P 500 <450 filers as of 05/17/17



\*Core revenue growth excludes the effect of our current largest customer and the impact of foreign currency exchange. See reconciliation of GAAP revenue growth to core revenue growth at [ni.com/nati](http://ni.com/nati) and in the appendix of this presentation.

## Performance Relative to Peers: CY2012 – CY2016 Core Revenue CAGR



Wall Street consensus and Company filings as of 5/17/17.

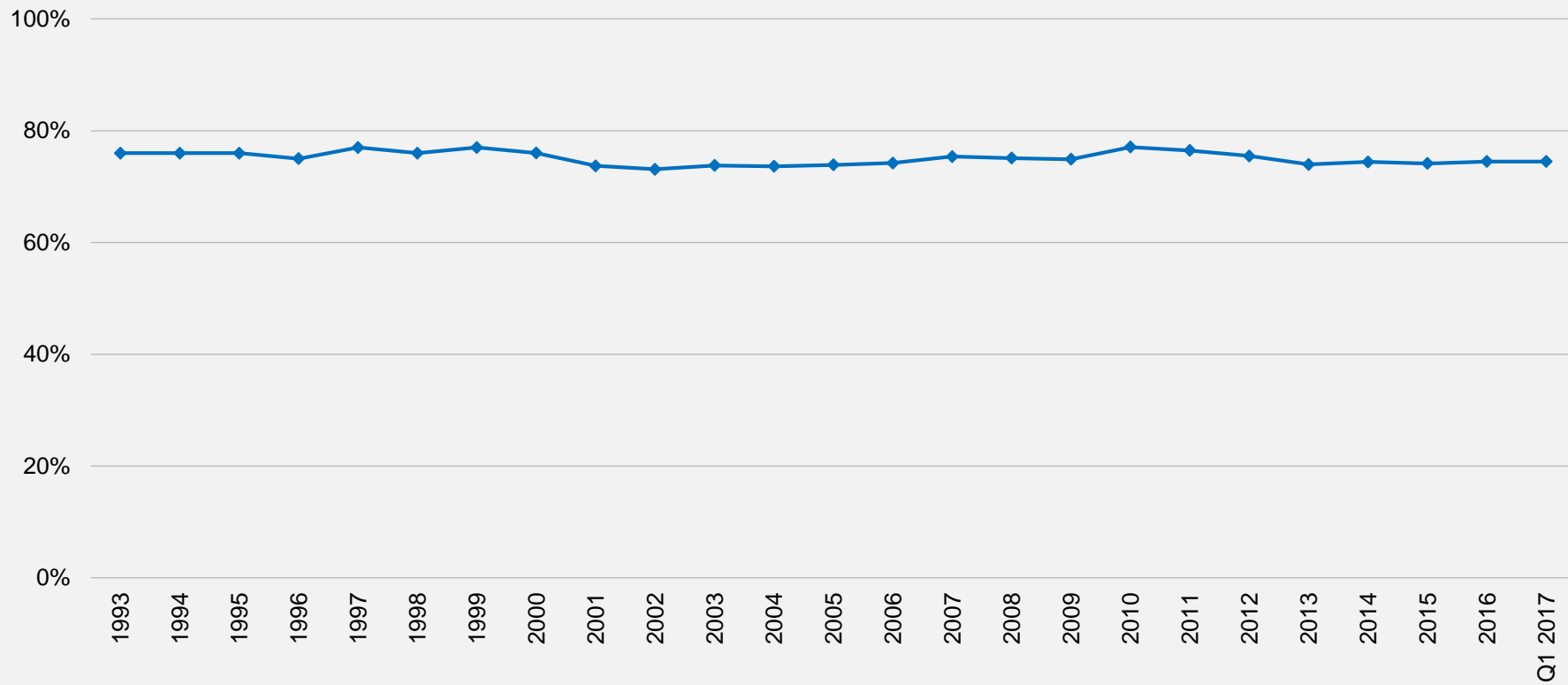
Note: Ametek, Cobham, Fortive, Keysight, Spectris and Teledyne core growth excludes the impact of foreign currency and acquisitions. NI core growth excludes the impact of largest customer and foreign currency. Anritsu, Rohde & Schwarz, Spirent, Teradyne and Viavi core growth excludes the impact of acquisitions.

Note: Rohde & Schwarz based on fiscal year (6/30) statistics. Keysight based on fiscal year (10/31) statistics. Note: Red line represents median of peer statistics.



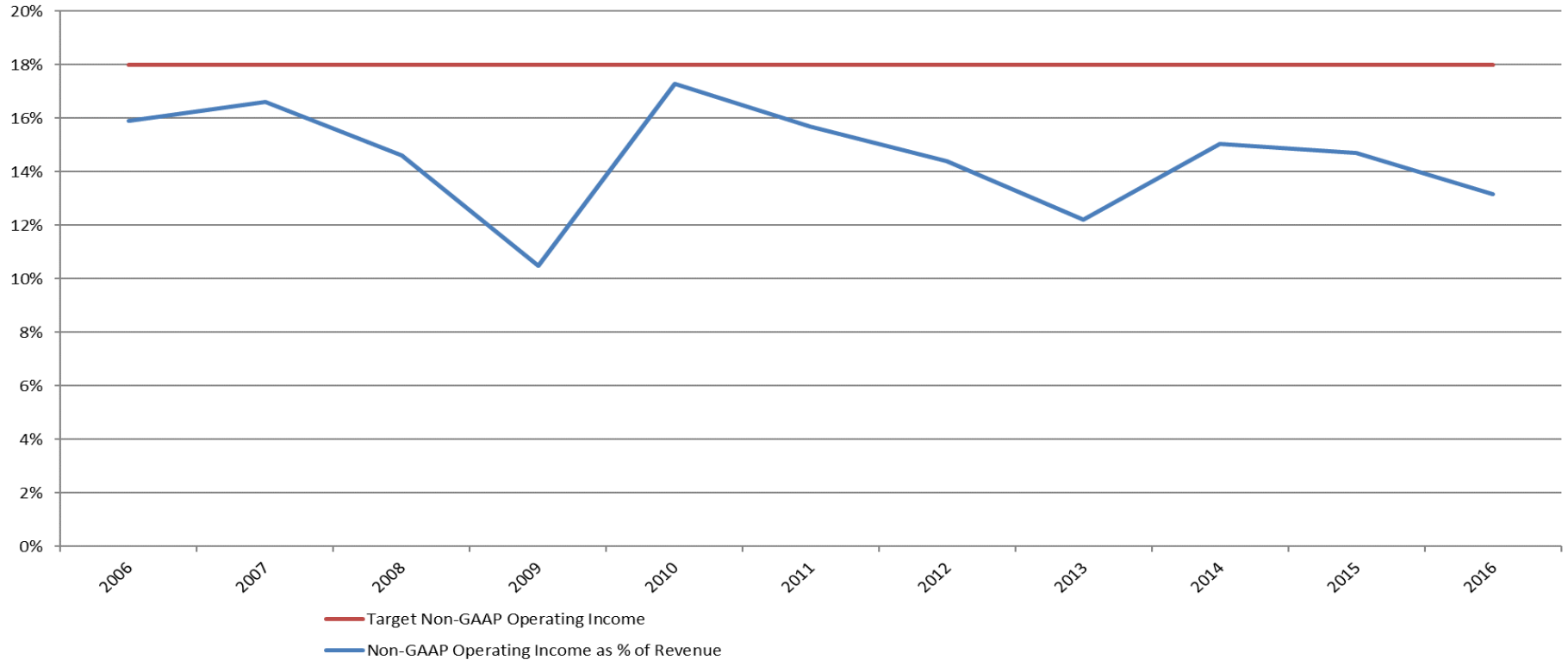
# Driving Leverage

# Preserving our Non-GAAP Gross Margins



\*A reconciliation of GAAP gross margin to non-GAAP gross margin results is available at [. See appendix for corresponding GAAP chart.](#)

# Focused on Improving Profitability



A reconciliation of Non-GAAP operating income to GAAP operating income results is available at [ni.com/nati](http://ni.com/nati)

# 2017/2018 Expense Growth Scenarios

Revenue Growth Scenarios	0% Growth	5% Growth	10% Growth	15% Growth
Previous Model	0%	2%–4%	5%–6%	7%–8%
Current Model*	0%	1%–2%	3%–4%	5%–6%

\*This represents NI Management's current planning as of May 23, 2017 given each revenue growth scenario.

# Non-GAAP Effective Tax Rate Guidance as of May 23, 2017

2015 Actual	2016 Actual	2017 Estimate	2018 Estimate
28.0%	24.5%	20%-22%	19%-21%

The company is not able to provide guidance on its GAAP tax rate or a related reconciliation without unreasonable efforts since its future GAAP tax rate depends on its future stock price and related information that is not currently available.

# Capital Management



# Priorities for Cash

1. Dividends
2. Opportunistic Repurchases
3. Strategic Acquisitions

# Deployment of Cash (in USD \$millions)

	2016	5 Years	10 Years
Dividends	\$103	\$415	\$603
Share Repurchases	\$6	\$81	\$341
Acquisitions	\$0	\$152	\$247
Total	\$109	\$648	\$1,191

5 Years: 2012 to 2016

10 Years: 2007 to 2016

# Strategic Goals

## **Drive Organic Revenue Growth**

- Leverage our strategic investments in R&D and field sales
- Broaden and deepen our customer relationships
- Gain market share

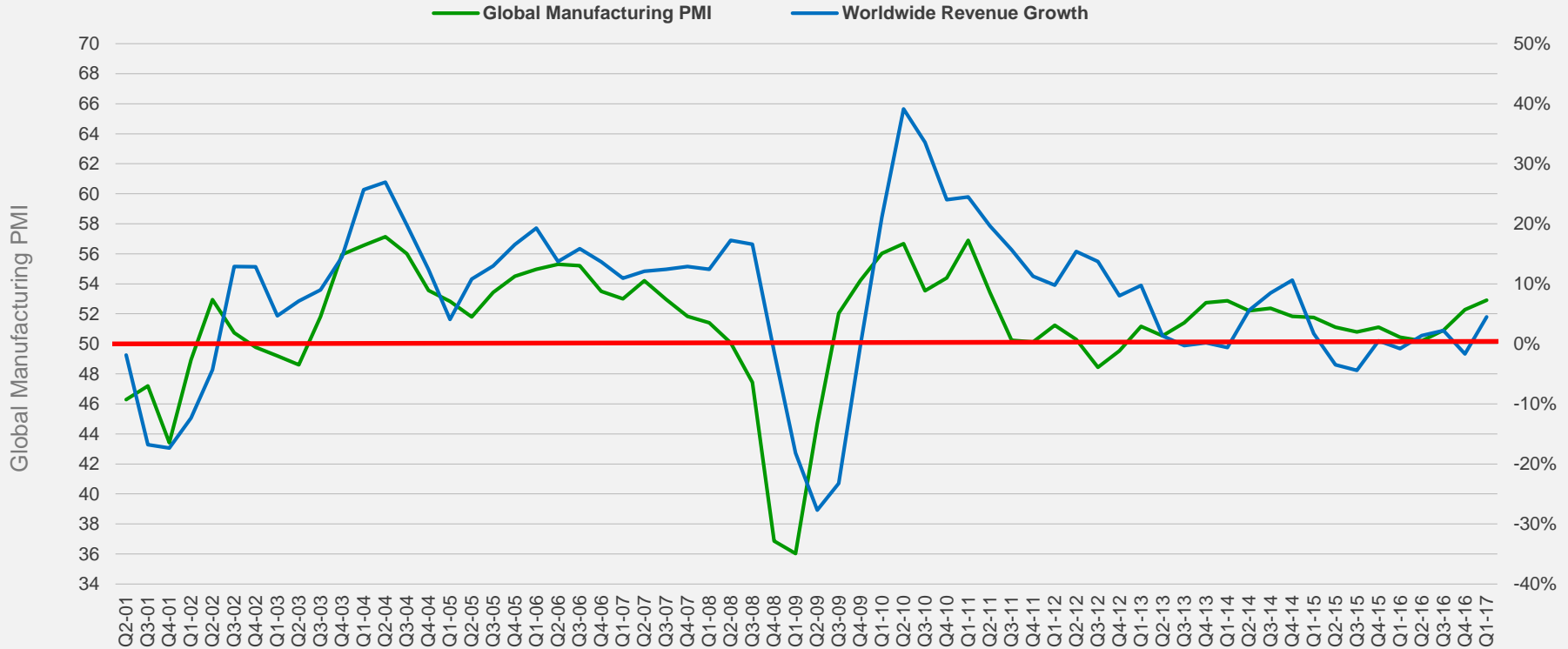
## **Deliver Strong Profitability**

- Preserve our strong gross margins
- Drive efficiency of resources
- Optimize operating expenses

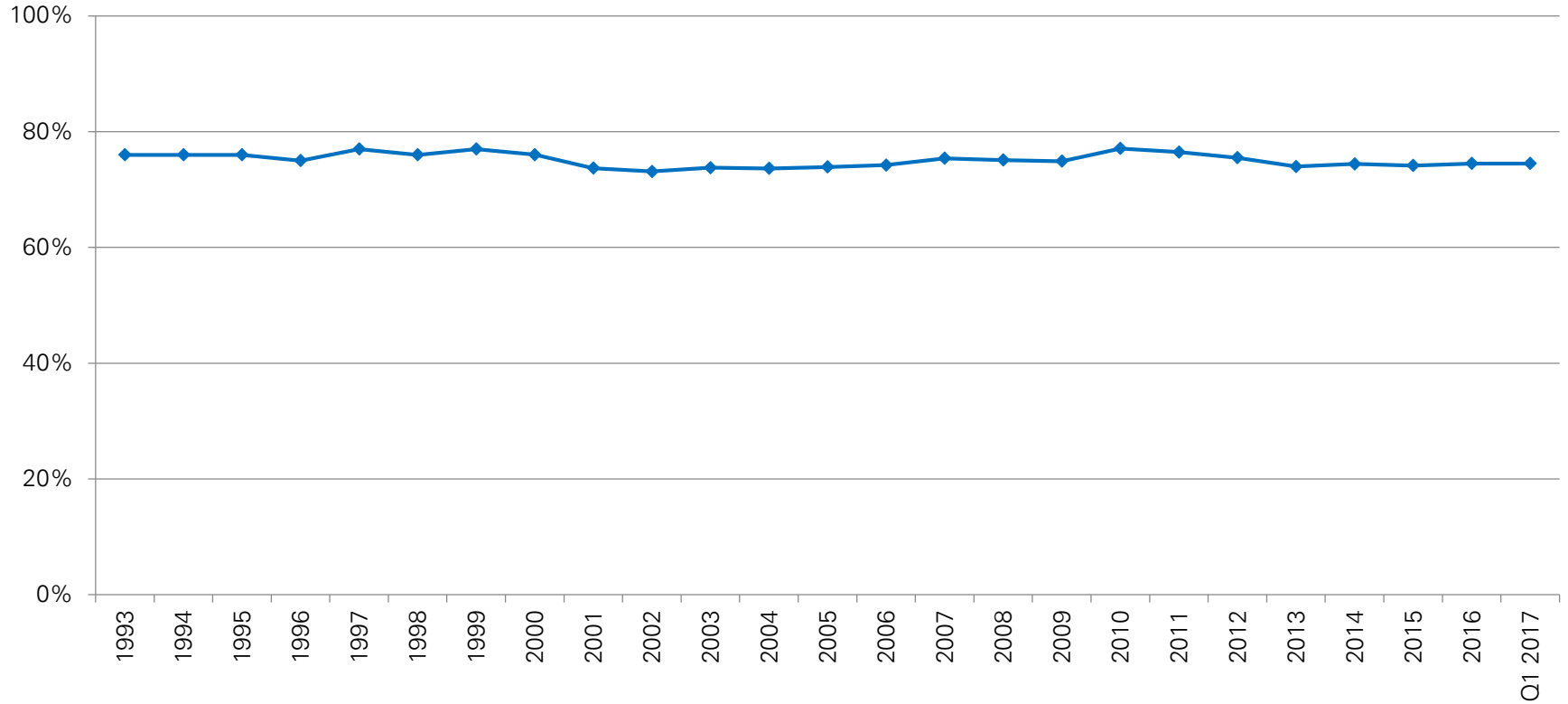


# Appendix

# Global Manufacturing PMI vs WW Revenue Growth



# Preserving our GAAP Gross Margins



# GAAP to non-GAAP Operating Income Reconciliation

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	Q1 2017
Operating income, as reported	\$ 76,415	\$ 48,444	\$ 40,355	\$ 40,349	\$ 62,696	\$ 78,212	\$ 87,722	\$ 102,091	\$ 95,717	\$ 46,531	\$ 128,313	\$ 112,712	\$ 116,934	\$ 98,617	\$ 145,187	\$ 137,172	\$ 119,726	\$ 22,318
Acquisition related deferred revenue and GSA accrual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,837	\$ 807	\$ -	\$ -	\$ -	\$ -	\$ -
Stock based compensation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,544	\$ 14,140	\$ 17,534	\$ 19,747	\$ 20,299	\$ 18,795	\$ 23,219	\$ 27,796	\$ 28,935	\$ 25,758	\$ 25,487	\$ 25,766	\$ 6,479
Amortization of acquisition intangibles	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,951	\$ 3,202	\$ 3,191	\$ 4,167	\$ 3,948	\$ 3,887	\$ 8,135	\$ 10,962	\$ 14,749	\$ 14,002	\$ 14,276	\$ 13,072	\$ 2,331
Acquisition related adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,783	\$ (1,316)	\$ -	\$ -	\$ 1,585	\$ -
Acquisition related transaction costs and restructuring charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,084	\$ 1,335	\$ 2,050	\$ 2,161	\$ 2,625	\$ 1,695	\$ 3,287
Non-GAAP operating income	\$ 76,415	\$ 48,444	\$ 40,355	\$ 40,349	\$ 62,696	\$ 81,707	\$ 105,064	\$ 122,816	\$ 119,631	\$ 70,778	\$ 150,995	\$ 163,987	\$ 164,617	\$ 143,035	\$ 187,108	\$ 179,565	\$ 161,844	\$ 34,415

## Reconciliation of Operating Income % to Non-GAAP Operating Income %

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	Q1 2017
Operating income %, as reported	19%	13%	10%	9%	12%	14%	13%	14%	12%	7%	15%	11%	10%	8%	12%	11%	10%	7%
Acquisition related deferred revenue and GSA accrual																		
Stock based compensation	0%	0%	0%	0%	0%	0%	2%	2%	2%	3%	2%	2%	2%	2%	2%	2%	2%	2%
Amortization of acquisition intangibles	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	0%	1%	1%	1%	1%	1%	1%	1%
Acquisition related adjustments	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%
Acquisition related transaction costs and restructuring charges	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
Non-GAAP operating income %	19%	13%	10%	9%	12%	14%	16%	17%	15%	10%	17%	16%	14%	12%	15%	15%	13%	11%



## Annual reconciliation of YoY GAAP revenue growth to YoY GAAP revenue growth excluding the effect of our current largest customer and the impact of foreign currency exchange

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Q1 2017
YoY GAAP Revenue growth, as reported	1.4%	9.0%	20.7%	11.2%	15.5%	12.1%	10.8%	-17.5%	29.1%	17.3%	11.7%	2.5%	6.1%	-1.5%	0.2%	4.5%
Effect of excluding our current largest customer	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.1%	-5.6%	3.2%	-1.3%	1.8%	-0.4%	1.7%
YoY GAAP Revenue growth, excluding our largest customer	1.4%	9.0%	20.7%	11.2%	15.5%	12.1%	10.8%	-17.5%	29.1%	16.2%	6.1%	5.7%	4.8%	0.3%	-0.2%	6.2%
Effect of excluding the impact of foreign currency exchange	-1.2%	-2.5%	-5.5%	-4.1%	0.7%	-3.2%	-4.5%	3.7%	-2.8%	-2.1%	1.6%	0.4%	0.6%	5.5%	3.3%	0.4%
YoY Core Revenue growth	0.2%	6.5%	15.2%	7.1%	16.2%	8.9%	6.3%	-13.8%	26.3%	14.1%	7.7%	6.1%	5.4%	5.8%	3.1%	6.6%

# Reconciliation of YoY GAAP revenue growth to YoY GAAP revenue growth excluding the effect of our current largest customer and the impact of foreign currency exchange

	00 - Q1	00 - Q2	00 - Q3	00 - Q4	01 - Q1	01 - Q2	01 - Q3	01 - Q4	02 - Q1	02 - Q2	02 - Q3	02 - Q4	03 - Q1	03 - Q2	03 - Q3	03 - Q4	04 - Q1	04 - Q2	04 - Q3	04 - Q4	
YoY GAAP Revenue growth, as reported	27.7%	24.8%	23.6%	22.3%	14.9%	-1.9%	-16.8%	-17.3%	-12.3%	-4.3%	12.9%	12.8%	4.7%	7.1%	9.0%	14.4%	25.7%	26.9%	19.8%	12.4%	
Effect of excluding our current largest customer	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
YoY GAAP Revenue growth, excluding our largest customer	27.7%	24.8%	23.6%	22.3%	14.9%	-1.9%	-16.8%	-17.3%	-12.3%	-4.3%	12.9%	12.8%	4.7%	7.1%	9.0%	14.4%	25.7%	26.9%	19.8%	12.4%	
Effect of excluding the impact of foreign currency exchange	1.6%	3.0%	-0.9%	3.4%	6.1%	4.3%	4.1%	1.7%	-1.3%	0.2%	-2.9%	-1.0%	-0.9%	-3.7%	-2.0%	-3.3%	-7.6%	-6.8%	-3.8%	-4.1%	
YoY Core Revenue growth	29.3%	27.8%	22.7%	25.7%	21.0%	2.4%	-12.7%	-15.7%	-13.6%	-4.1%	10.0%	11.8%	3.8%	3.4%	7.0%	11.2%	18.1%	20.1%	16.0%	8.3%	

	04 - Q4	05 - Q1	05 - Q2	05 - Q3	05 - Q4	06 - Q1	06 - Q2	06 - Q3	06 - Q4	07 - Q1	07 - Q2	07 - Q3	07 - Q4	08 - Q1	08 - Q2	08 - Q3	08 - Q4
YoY GAAP Revenue growth, as reported	12.4%	4.1%	10.8%	13.0%	16.6%	19.3%	13.7%	15.9%	13.6%	10.9%	12.1%	12.4%	12.9%	12.4%	17.3%	16.6%	-1.3%
Effect of excluding our current largest customer	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
YoY GAAP Revenue growth, excluding our largest customer	12.4%	4.1%	10.8%	13.0%	16.6%	19.3%	13.7%	15.9%	13.6%	10.9%	12.1%	12.4%	12.9%	12.4%	17.3%	16.6%	-1.3%
Effect of excluding the impact of foreign currency exchange	-4.1%	-6.1%	-5.8%	-2.6%	-2.2%	3.7%	2.7%	-1.6%	-1.6%	-2.7%	-3.1%	-2.3%	-4.5%	-5.2%	-7.9%	-6.3%	0.8%
YoY Core Revenue growth	8.3%	-2.0%	5.0%	10.4%	14.4%	23.0%	16.4%	14.3%	12.0%	8.2%	9.0%	10.1%	8.4%	7.2%	9.4%	10.3%	-0.5%

	09 - Q1	09 - Q2	09 - Q3	09 - Q4	10 - Q1	10 - Q2	10 - Q3	10 - Q4	11 - Q1	11 - Q2	11 - Q3	11 - Q4	12 - Q1	12 - Q2	12 - Q3	12 - Q4
YoY GAAP Revenue growth, as reported	-18.2%	-27.7%	-23.3%	-0.3%	21.1%	39.1%	33.6%	24.0%	24.5%	19.6%	15.7%	11.2%	9.8%	15.4%	13.7%	8.0%
Effect of excluding our current largest customer	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.5%	-1.0%	-1.7%	-1.3%	-1.3%	-7.5%	-9.0%	-4.5%
YoY GAAP Revenue growth, excluding our largest customer	-18.2%	-27.7%	-23.3%	-0.3%	21.1%	39.1%	33.6%	24.0%	24.0%	18.6%	14.0%	10.0%	8.5%	7.9%	4.7%	3.6%
Effect of excluding the impact of foreign currency exchange	3.9%	6.2%	4.6%	0.0%	-5.5%	-6.9%	2.0%	-1.6%	1.1%	-3.9%	-5.8%	0.2%	-0.6%	2.8%	4.0%	0.3%
YoY Core Revenue growth	-14.3%	-21.5%	-18.6%	-0.2%	15.6%	32.3%	35.6%	22.4%	25.0%	14.7%	8.2%	10.2%	8.0%	10.7%	8.7%	3.9%

	13 - Q1	13 - Q2	13 - Q3	13 - Q4	14 - Q1	14 - Q2	14 - Q3	14 - Q4	15 - Q1	15 - Q2	15 - Q3	15 - Q4	16 - Q1	16 - Q2	16 - Q3	16 - Q4	17 - Q1
YoY GAAP Revenue growth, as reported	9.7%	1.3%	-0.3%	0.2%	-0.6%	5.6%	8.5%	10.6%	1.7%	-3.5%	-4.4%	0.5%	-0.8%	1.4%	2.2%	-1.7%	4.5%
Effect of excluding our current largest customer	0.1%	-0.6%	8.6%	4.1%	-1.2%	1.6%	-4.4%	-1.1%	1.0%	3.5%	3.5%	-0.7%	-1.4%	-1.7%	-0.6%	1.9%	1.7%
YoY GAAP Revenue growth, excluding our largest customer	9.8%	0.8%	8.3%	4.3%	-1.8%	7.2%	4.1%	9.6%	2.7%	0.0%	-0.9%	-0.2%	-2.2%	-0.3%	1.6%	0.2%	6.2%
Effect of excluding the impact of foreign currency exchange	-0.4%	0.9%	0.2%	0.7%	1.2%	-0.3%	-1.0%	2.3%	6.0%	6.2%	5.5%	4.5%	5.6%	3.0%	2.5%	2.4%	0.4%
YoY Core Revenue growth	9.5%	1.7%	8.5%	5.0%	-0.6%	6.9%	3.1%	11.9%	8.7%	6.3%	4.6%	4.3%	3.4%	2.7%	4.1%	2.6%	6.6%

