

ON SEMICONDUCTOR CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share and percentage data)

	Quarters Ended			Six Months Ended	
	July 3, 2026	April 3, 2026	July 4, 2025	July 3, 2026	July 4, 2025
Revenue	\$ 1,603.5	\$ 1,513.3	\$ 1,468.7	\$ 3,116.8	\$ 2,914.4
Cost of revenue	987.2	930.2	916.8	1,917.4	2,068.7
Gross profit	616.3	583.1	551.9	1,199.4	845.7
Gross margin	38.4 %	38.5 %	37.6 %	38.5 %	29.0 %
Operating expenses:					
Research and development	140.8	144.3	143.8	285.1	307.9
Selling and marketing	63.3	63.0	63.3	126.3	131.6
General and administrative	101.9	89.4	91.2	191.3	175.6
Amortization of intangible assets	10.5	10.5	11.0	21.0	22.4
Restructuring, asset impairments and other, net	41.2	329.3	49.2	370.5	588.5
Total operating expenses	357.7	636.5	358.5	994.2	1,226.0
Operating income (loss)	258.6	(53.4)	193.4	205.2	(380.3)
Other income (expense), net:					
Interest expense	(13.7)	(12.7)	(17.9)	(26.4)	(35.9)
Interest income	17.4	17.7	25.2	35.1	51.8
Other income	8.6	3.8	1.5	12.4	5.6
Other income (expense), net	12.3	8.8	8.8	21.1	21.5
Income (loss) before income taxes	270.9	(44.6)	202.2	226.3	(358.8)
Income tax (provision) benefit	(43.4)	11.7	(30.5)	(31.7)	45.3
Net income (loss)	227.5	(32.9)	171.7	194.6	(313.5)
Less: Net income attributable to non-controlling interest	(0.7)	(0.5)	(1.4)	(1.2)	(2.3)
Net income (loss) attributable to ON Semiconductor Corporation	\$ 226.8	\$ (33.4)	\$ 170.3	\$ 193.4	\$ (315.8)
Net income (loss) per share of common stock attributable to ON Semiconductor Corporation:					
Basic	\$ 0.58	\$ (0.08)	\$ 0.41	\$ 0.49	\$ (0.76)
Diluted	\$ 0.56	\$ (0.08)	\$ 0.41	\$ 0.48	\$ (0.76)
Weighted average common shares outstanding:					
Basic	390.3	394.1	414.6	392.2	418.0
Diluted	404.4	394.1	414.9	401.5	418.0

ON SEMICONDUCTOR CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in millions)

	July 3, 2026	April 3, 2026	December 31, 2025
Assets			
Cash and cash equivalents	\$ 3,514.5	\$ 2,003.6	\$ 2,147.6
Short-term investments	350.0	400.0	400.0
Receivables, net	897.2	862.8	908.0
Inventories	2,047.5	2,049.2	1,989.6
Assets held-for-sale	31.4	40.4	25.0
Other current assets	441.2	419.6	352.9
Total current assets	7,281.8	5,775.6	5,823.1
Property, plant and equipment, net	2,924.9	3,035.6	3,369.0
Goodwill	1,687.6	1,679.9	1,679.9
Intangible assets, net	329.4	332.2	343.9
Deferred tax assets	1,014.3	933.2	929.1
ROU financing lease assets	—	—	23.1
Other assets	247.1	254.3	356.0
Total assets	<u>\$ 13,485.1</u>	<u>\$ 12,010.8</u>	<u>\$ 12,524.1</u>
Liabilities and Stockholders' Equity			
Accounts payable	\$ 498.3	\$ 486.1	\$ 572.3
Accrued expenses and other current liabilities	801.0	698.7	714.9
Current portion of financing lease liabilities	0.5	0.5	0.5
Current portion of long-term debt	802.1	—	—
Total current liabilities	2,101.9	1,185.3	1,287.7
Long-term debt	3,657.3	2,982.9	2,980.5
Deferred tax liabilities	46.8	46.5	41.7
Long-term financing lease liabilities	22.8	23.1	23.8
Other long-term liabilities	417.8	452.2	498.5
Total liabilities	6,246.6	4,690.0	4,832.2
ON Semiconductor Corporation stockholders' equity:			
Common stock	6.3	6.3	6.2
Additional paid-in capital	5,632.8	5,582.5	5,538.6
Accumulated other comprehensive loss	(67.1)	(61.7)	(55.5)
Accumulated earnings	8,435.3	8,208.5	8,241.9
Less: Treasury stock, at cost	(6,788.6)	(6,433.9)	(6,057.9)
Total ON Semiconductor Corporation stockholders' equity	7,218.7	7,301.7	7,673.3
Non-controlling interest	19.8	19.1	18.6
Total stockholders' equity	7,238.5	7,320.8	7,691.9
Total liabilities and stockholders' equity	<u>\$ 13,485.1</u>	<u>\$ 12,010.8</u>	<u>\$ 12,524.1</u>

ON SEMICONDUCTOR CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Quarters Ended			Six Months Ended	
	July 3, 2026	April 3, 2026	July 4, 2025	July 3, 2026	July 4, 2025
Cash flows from operating activities:					
Net income (loss)	\$ 227.5	\$ (32.9)	\$ 171.7	\$ 194.6	\$ (313.5)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	141.3	286.7	156.4	428.0	324.6
Gain on sale and disposal of fixed assets	(0.3)	(1.1)	(5.8)	(1.4)	(5.8)
Amortization of debt discount and issuance costs	3.8	2.9	2.8	6.7	5.7
Share-based compensation	37.4	37.3	34.4	74.7	68.3
Non-cash asset impairment charges	16.3	147.0	40.6	163.3	472.1
Change in deferred tax balances	(12.8)	2.7	(18.5)	(10.1)	(32.2)
Other	1.9	(2.2)	2.5	(0.3)	4.3
Changes in assets and liabilities	44.6	(201.3)	(199.8)	(156.7)	263.1
Net cash provided by operating activities	459.7	239.1	184.3	698.8	786.6
Cash flows from investing activities:					
Payments for acquisition of property, plant, and equipment	(34.3)	(21.9)	(78.2)	(56.2)	(225.8)
Proceeds from sale of property, plant and equipment	7.6	1.0	6.5	8.6	6.7
Purchase of short-term investments	(350.0)	(300.0)	(300.0)	(650.0)	(550.0)
Proceeds from the maturity of short-term investments	400.0	300.0	250.0	700.0	550.0
Payments for acquisition of a business, net of cash acquired	(13.0)	—	—	(13.0)	(117.5)
Other	(3.0)	4.2	—	1.2	—
Net cash provided by (used in) investing activities	7.3	(16.7)	(121.7)	(9.4)	(336.6)
Cash flows from financing activities:					
Proceeds for common stock issuance under the ESPP	5.3	6.7	5.3	12.0	10.6
Payment of tax withholding for RSUs	(18.6)	(26.9)	(2.7)	(45.5)	(25.1)
Repurchase of common stock	(344.8)	(345.7)	(302.3)	(690.5)	(602.4)
Issuance and borrowings under debt agreements	1,473.7	—	—	1,473.7	—
Reimbursement of debt issuance and other financing costs	3.4	—	—	3.4	—
Payment of debt issuance and other financing costs	(4.2)	—	—	(4.2)	—
Payment for purchase of bond hedges	(351.6)	—	—	(351.6)	—
Proceeds from issuance of warrants	281.0	—	—	281.0	—
Payment of finance lease obligations	(0.1)	(0.1)	(0.4)	(0.2)	(0.8)
Net cash provided by (used in) financing activities	1,044.1	(366.0)	(300.1)	678.1	(617.7)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(0.3)	(0.3)	1.9	(0.6)	3.9
Net increase (decrease) in cash, cash equivalents and restricted cash	1,510.8	(143.9)	(235.6)	1,366.9	(163.8)
Beginning cash, cash equivalents and restricted cash	2,005.1	2,149.0	2,765.2	2,149.0	2,693.4
Ending cash, cash equivalents and restricted cash	\$ 3,515.9	\$ 2,005.1	\$ 2,529.6	\$ 3,515.9	\$ 2,529.6

ON SEMICONDUCTOR CORPORATION

RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES

(in millions, except per share and percentage data)

	Quarters Ended			Six Months Ended	
	July 3, 2026	April 3, 2026	July 4, 2025	July 3, 2026	July 4, 2025
Reconciliation of GAAP to non-GAAP gross profit:					
GAAP gross profit	\$ 616.3	\$ 583.1	\$ 551.9	\$ 1,199.4	\$ 845.7
Special items:					
a) Restructuring-related inventory and other charges	13.4	(1.0)	(1.9)	12.4	281.5
b) Amortization of intangible assets	1.2	1.2	1.3	2.4	2.6
c) Amortization of fair market value step-up of inventory	—	—	1.2	—	1.2
Total special items	14.6	0.2	0.6	14.8	285.3
Non-GAAP gross profit	\$ 630.9	\$ 583.3	\$ 552.5	\$ 1,214.2	\$ 1,131.0
Reconciliation of GAAP to non-GAAP gross margin:					
GAAP gross margin	38.4 %	38.5 %	37.6 %	38.5 %	29.0 %
Special items:					
a) Restructuring-related inventory and other charges	0.8 %	(0.1)%	(0.1)%	0.4 %	9.7 %
b) Amortization of intangible assets	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
c) Amortization of fair market value step-up of inventory	— %	— %	0.1 %	— %	— %
Total special items	0.9 %	— %	0.1 %	0.5 %	9.8 %
Non-GAAP gross margin	39.3 %	38.5 %	37.6 %	39.0 %	38.8 %
Reconciliation of GAAP to non-GAAP operating expenses:					
GAAP operating expenses	\$ 357.7	\$ 636.5	\$ 358.5	\$ 994.2	\$ 1,226.0
Special items:					
a) Amortization of intangible assets	(10.5)	(10.5)	(11.0)	(21.0)	(22.4)
b) Restructuring, asset impairments and other charges, net	(41.2)	(329.3)	(49.2)	(370.5)	(588.5)
c) Third-party acquisition and divestiture-related costs	(7.6)	(1.4)	(0.6)	(9.0)	(2.9)
d) Adjustments to contingent consideration	(1.6)	(1.6)	—	(3.2)	—
Total special items	(60.9)	(342.8)	(60.8)	(403.7)	(613.8)
Non-GAAP operating expenses	\$ 296.8	\$ 293.7	\$ 297.7	\$ 590.5	\$ 612.2
Reconciliation of GAAP to non-GAAP operating income:					
GAAP operating income (loss)	\$ 258.6	\$ (53.4)	\$ 193.4	\$ 205.2	\$ (380.3)
Special items:					
a) Restructuring-related inventory and other charges	13.4	(1.0)	(1.9)	12.4	281.5
b) Amortization of intangible assets	11.7	11.7	12.3	23.4	25.0
c) Restructuring, asset impairments and other charges, net	41.2	329.3	49.2	370.5	588.5
d) Third-party acquisition and divestiture-related costs	7.6	1.4	0.6	9.0	2.9
e) Amortization of fair market value step-up of inventory	—	—	1.2	—	1.2
f) Adjustments to contingent consideration	1.6	1.6	—	3.2	—
Total special items	75.5	343.0	61.4	418.5	899.1
Non-GAAP operating income	\$ 334.1	\$ 289.6	\$ 254.8	\$ 623.7	\$ 518.8
Reconciliation of GAAP to non-GAAP operating margin (operating income / revenue):					
GAAP operating margin	16.1 %	(3.5)%	13.2 %	6.6 %	(13.0)%
Special items:					
a) Restructuring related inventory and other charges	0.8 %	(0.1)%	(0.1)%	0.4 %	9.7 %
b) Amortization of intangible assets	0.7 %	0.8 %	0.8 %	0.8 %	0.9 %
c) Restructuring, asset impairments and other charges, net	2.6 %	21.8 %	3.3 %	11.9 %	20.2 %
d) Third-party acquisition and divestiture-related costs	0.5 %	0.1 %	— %	0.3 %	0.1 %
e) Amortization of fair market value step-up of inventory	— %	— %	0.1 %	— %	— %
f) Adjustments to contingent consideration	0.1 %	0.1 %	— %	0.1 %	— %
Total special items	4.7 %	22.7 %	4.1 %	13.5 %	30.9 %
Non-GAAP operating margin	20.8 %	19.1 %	17.3 %	20.0 %	17.8 %
Reconciliation of GAAP to non-GAAP income before income taxes:					

ON SEMICONDUCTOR CORPORATION

RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES (Continued)

(in millions, except per share and percentage data)

	Quarters Ended			Six Months Ended	
	July 3, 2026	April 3, 2026	July 4, 2025	July 3, 2026	July 4, 2025
GAAP income (loss) before income taxes	\$ 270.9	\$ (44.6)	\$ 202.2	\$ 226.3	\$ (358.8)
Special items:					
a) Restructuring-related inventory and other charges	13.4	(1.0)	(1.9)	12.4	281.5
b) Amortization of intangible assets	11.7	11.7	12.3	23.4	25.0
c) Restructuring, asset impairments and other charges, net	41.2	329.3	49.2	370.5	588.5
d) Third-party acquisition and divestiture-related costs	7.6	1.4	0.6	9.0	2.9
e) Amortization of fair market value step-up of inventory	—	—	1.2	—	1.2
f) Adjustments to contingent consideration	1.6	1.6	—	3.2	—
Total special items	75.5	343.0	61.4	418.5	899.1
Non-GAAP income before income taxes	\$ 346.4	\$ 298.4	\$ 263.6	\$ 644.8	\$ 540.3
Reconciliation of GAAP to non-GAAP net income attributable to ON Semiconductor Corporation:					
GAAP net income (loss) attributable to ON Semiconductor Corporation	\$ 226.8	\$ (33.4)	\$ 170.3	\$ 193.4	\$ (315.8)
Special items:					
a) Restructuring-related inventory and other charges	13.4	(1.0)	(1.9)	12.4	281.5
b) Amortization of intangible assets	11.7	11.7	12.3	23.4	25.0
c) Restructuring, asset impairments and other charges, net	41.2	329.3	49.2	370.5	588.5
d) Third-party acquisition and divestiture-related costs	7.6	1.4	0.6	9.0	2.9
e) Amortization of fair market value step-up of inventory	—	—	1.2	—	1.2
f) Adjustments to contingent consideration	1.6	1.6	—	3.2	—
g) Adjustment to Income taxes	(8.5)	(56.5)	(10.4)	(65.0)	(130.4)
Total special items	67.0	286.5	51.0	353.5	768.7
Non-GAAP net income attributable to ON Semiconductor Corporation	\$ 293.8	\$ 253.1	\$ 221.3	\$ 546.9	\$ 452.9
Reconciliation of GAAP to non-GAAP diluted shares outstanding:					
GAAP diluted shares outstanding	404.4	394.1	414.9	401.5	418.0
Special items:					
a) Less: dilutive shares attributable to convertible notes	(7.4)	—	—	(4.9)	—
b) Add: dilutive shares attributable to share-based awards	—	1.9	—	—	0.4
Total special items	(7.4)	1.9	—	(4.9)	0.4
Non-GAAP diluted shares outstanding	397.0	396.0	414.9	396.6	418.4
Non-GAAP diluted earnings per share:					
Non-GAAP net income attributable to ON Semiconductor Corporation	\$ 293.8	\$ 253.1	\$ 221.3	\$ 546.9	\$ 452.9
Non-GAAP diluted shares outstanding	397.0	396.0	414.9	396.6	418.4
Non-GAAP diluted earnings per share	\$ 0.74	\$ 0.64	\$ 0.53	\$ 1.38	\$ 1.08
Reconciliation of net cash provided by operating activities to free cash flow:					
Net cash provided by operating activities	\$ 459.7	\$ 239.1	\$ 184.3	\$ 698.8	\$ 786.6
Special items:					
a) Payments for acquisition of property, plant and equipment	(34.3)	(21.9)	(78.2)	(56.2)	(225.8)
Total special items	(34.3)	(21.9)	(78.2)	(56.2)	(225.8)
Free cash flow	\$ 425.4	\$ 217.2	\$ 106.1	\$ 642.6	\$ 560.8

Certain of the amounts in the above tables may not total due to rounding of individual amounts.

ON SEMICONDUCTOR CORPORATION

RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES (Continued)

(in millions, except per share and percentage data)

FREE CASH FLOW

	Quarters Ended				Last Twelve Months
	October 3, 2025	December 31, 2025	April 3, 2026	July 3, 2026	
Net cash provided by operating activities	\$ 418.7	\$ 554.5	\$ 239.1	\$ 459.7	\$ 1,672.0
Payments for acquisition of property, plant and equipment	(46.3)	(69.1)	(21.9)	(34.3)	(171.6)
Free cash flow	<u>\$ 372.4</u>	<u>\$ 485.4</u>	<u>\$ 217.2</u>	<u>\$ 425.4</u>	<u>\$ 1,500.4</u>
Revenue	\$ 1,550.9	\$ 1,530.1	\$ 1,513.3	\$ 1,603.5	\$ 6,197.8

SHARE-BASED COMPENSATION

Total share-based compensation related to restricted stock units, stock grant awards and the employee stock purchase plan was as follows:

	Quarters Ended			Six Months Ended	
	July 3, 2026	April 3, 2026	July 4, 2025	July 3, 2026	July 4, 2025
Cost of revenue	\$ 6.8	\$ 6.4	\$ 6.1	\$ 13.2	\$ 12.1
Research and development	6.0	7.3	6.3	13.3	12.6
Selling and marketing	4.8	5.1	4.9	9.9	9.6
General and administrative	19.8	18.5	17.1	38.3	34.0
Total share-based compensation	<u>\$ 37.4</u>	<u>\$ 37.3</u>	<u>\$ 34.4</u>	<u>\$ 74.7</u>	<u>\$ 68.3</u>

SUPPLEMENTAL FINANCIAL DATA

	Quarters Ended			Six Months Ended	
	July 3, 2026	April 3, 2026	July 4, 2025	July 3, 2026	July 4, 2025
Net cash provided by operating activities	\$ 459.7	\$ 239.1	\$ 184.3	\$ 698.8	\$ 786.6
Free cash flow	\$ 425.4	\$ 217.2	\$ 106.1	\$ 642.6	\$ 560.8
Cash paid for income taxes	\$ 50.8	\$ 46.6	\$ 65.0	\$ 97.4	\$ 86.5
Depreciation and amortization ⁽¹⁾	\$ 141.3	\$ 286.7	\$ 156.4	\$ 428.0	\$ 324.6
Less: Amortization of intangible assets	11.7	11.7	12.3	23.4	25.0
Depreciation and amortization (excl. amortization of intangible assets) ⁽¹⁾	<u>\$ 129.6</u>	<u>\$ 275.0</u>	<u>\$ 144.1</u>	<u>\$ 404.6</u>	<u>\$ 299.6</u>

⁽¹⁾ Accelerated depreciation and amortization related to the 2025 and 2026 Manufacturing Realignment Programs

\$ —	\$ 136.5	\$ 2.0	\$ 136.5	\$ 14.5
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NON-GAAP MEASURES

To supplement the consolidated financial results prepared in accordance with GAAP, onsemi uses certain non-GAAP measures, which are adjusted from the most directly comparable GAAP measures to exclude items related to the amortization of acquisition-related intangibles, restructuring-related cost of revenue charges, expensing of appraised inventory fair market value step-up, inventory valuation adjustments, in-process research and development expenses, restructuring, asset impairments and other, net, goodwill impairment charges, gains and losses on debt prepayment, non-cash interest expense, actuarial (gains) losses on pension plans and other pension benefits, third party acquisition and divestiture-related costs, tax impact of these items and certain other non-recurring items, as necessary. Management does not consider the effects of these items in evaluating the core operational activities of onsemi. Management uses these non-GAAP measures internally to make strategic decisions, forecast future results and evaluate onsemi's current performance. In addition, the Company believes that most analysts covering onsemi use the non-GAAP measures to evaluate onsemi's performance. Given management's and other relevant parties' use of these non-GAAP measures, onsemi believes these measures are important to investors in understanding onsemi's current and future operating results as seen through the eyes of management. In addition, management believes these non-GAAP measures are useful to investors in enabling them to better assess changes in onsemi's core business across different time periods. These non-GAAP measures are not prepared in accordance with, and should not be considered alternatives or necessarily superior to, GAAP financial data and may be different from non-GAAP measures used by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures, even if they have similar names.

Non-GAAP Gross Profit and Gross Margin

The use of non-GAAP gross profit and gross margin allows management to evaluate, among other things, the gross profit and gross margin of the Company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash and non-recurring items including, generally speaking, restructuring-related cost of revenue charges, amortization of intangible assets, amortization of appraised inventory fair market value step-up, impact of business wind down and non-recurring facility costs. In addition, it is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, obtaining targets and forecasting future results. Management presents this non-GAAP financial measure to enable investors and analysts to evaluate our operating performance independent of certain non-cash items and the effects of certain variables unrelated to our overall operating performance.

Non-GAAP Operating Income and Operating Margin

The use of non-GAAP operating income and operating margin allows management to evaluate, among other things, the operating income and operating margin of the Company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash and non-recurring items including, generally speaking, restructuring-related cost of revenue charges, expensing of appraised inventory fair market value step-up, impact of business wind down, non-recurring facility costs, amortization and impairments of intangible assets, third party acquisition and divestiture-related costs, restructuring charges, asset impairments and certain other special items as necessary. In addition, it is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, obtaining targets and forecasting future results. Management presents this non-GAAP financial measure to enable investors and analysts to evaluate our operating performance independent of certain non-cash items and the effects of certain variables unrelated to our overall operating performance.

Non-GAAP Net Income Attributable to ON Semiconductor Corporation and Non-GAAP Diluted Earnings Per Share

The use of non-GAAP net income attributable to ON Semiconductor Corporation and non-GAAP diluted earnings per share allows management to evaluate the operating results of onsemi's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash and non-recurring items including, generally, the restructuring related cost of revenue charges, amortization and impairments of intangible assets, expensing of appraised inventory fair market value step-up, impact of business wind down, non-recurring facility costs, restructuring, asset impairments, gains and losses on debt prepayment, actuarial (gains) losses on pension plans and other pension benefits, third party acquisition and divestiture-related costs, discrete

NON-GAAP MEASURES (Continued)

tax items and other non-GAAP tax adjustments and certain other special items, as necessary. In addition, these measures are important components of management's internal performance measurement and incentive and reward process, as they are used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, setting targets and forecasting future results. For our non-GAAP reporting we apply a projected, normalized non-GAAP effective tax rate of 15% for 2026 and 16% for 2025. We calculate this non-GAAP effective tax rate on an annual basis. We may update this non-GAAP effective tax rate at any time for a variety of reasons, including, but not limited to, the rapidly evolving global tax environment, significant changes in our geographic earnings mix or changes to our strategy or business operations. Management presents these non-GAAP financial measures to enable investors and analysts to understand the results of operations of onsemi's core businesses and, to the extent comparable, to compare our results of operations on a more consistent basis against those of other companies in our industry.

Free Cash Flow

The use of free cash flow allows management to evaluate, among other things, the ability of the Company to make interest or principal payments on its debt. Free cash flow is defined as the difference between cash flow from operating activities and capital expenditures disclosed under investing activities in the consolidated statement of cash flows. Free cash flow is not an alternative to cash flow from operating activities as a measure of liquidity. It is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, obtaining targets and forecasting future results. Management presents this non-GAAP financial measure to enable investors and analysts to evaluate our financial performance independent of the cash capital expenditures.

Non-GAAP Diluted Share Count

The use of non-GAAP diluted share count allows management to evaluate, among other things, the potential dilution due to the outstanding restricted stock units excluding the dilution from the convertible notes that is covered by hedging activity up to a certain threshold. In periods when the quarterly average stock price per share exceeds \$52.97 for the 0% Notes, \$103.87 for the 0.50% Notes, and \$161.30 for the 2031 0% Notes, the non-GAAP diluted share count includes the anti-dilutive impact of the Company's hedge transactions issued concurrently with the 0% Notes, the 0.50% Notes, and the 2031 0% Notes, respectively. At an average stock price per share between \$52.97 and \$74.34 for the 0% Notes, \$103.87 and \$156.78 for the 0.50% Notes, and \$161.30 and \$211.54 for the 2031 0% Notes, the hedging activity offsets the potentially dilutive effect of the 0% Notes, the 0.50% Notes, and the 2031 0% Notes, respectively. In periods when the quarterly average stock price exceeds \$74.34 for the 0% Notes, \$156.78 for the 0.50% Notes, and \$211.54 for the 2031 0% Notes, the dilutive impact of the warrants issued concurrently with such notes is included in the diluted shares outstanding.