

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported)

July 30, 2019

National Instruments Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

000-25426

(Commission File Number)

74-1871327

(IRS Employer
Identification No.)

**11500 North MoPac Expressway
Austin, Texas 78759**

(Address of principal executive offices, including zip code)

(512) 683-0100

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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, \$0.01 par value | NATI | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an 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.

Item 2.02 Results of Operations and Financial Condition.

Attached hereto as Exhibit 99.1 and incorporated by reference herein is the text of the press release of National Instruments Corporation (“NI”), dated July 30, 2019, regarding financial results for NI’s second fiscal quarter ended June 30, 2019.

The information in the press release attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Press Release dated July 30, 2019 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NATIONAL INSTRUMENTS CORPORATION

By: /s/ Alex M. Davern
Name: Alex M. Davern
Title: Chief Executive Officer

Date: July 30, 2019

Contact: Marissa Vidauri
Head of Investor Relations
(512) 683-5215

National Instruments Reports Second Quarter Revenue of \$334 Million
Company delivers strong cash flow from operations of \$264 million for trailing twelve months

Q2 2019 Highlights

- Revenue of \$334 million, down 2 percent year over year and up 7 percent sequentially
- GAAP gross margin of 75 percent
- Non-GAAP gross margin of 77 percent
- Fully diluted GAAP EPS of \$0.22 and fully diluted non-GAAP EPS of \$0.35
- GAAP net income of \$29 million, down 8 percent year over year
- Non-GAAP net income of \$46 million, up 3 percent year over year
- GAAP net income down 6 percent year over year through first six months
- Non-GAAP net income up 11 percent year over year through first six months
- EBITDA of \$49 million
- Cash and short-term investments of \$440 million as of June 30, 2019
- Cash flow from operating activities of \$264 million for the twelve months ended June 30, 2019, up 11 percent year over year
- 1.1 million shares of common stock repurchased at an average price of \$41 per share

AUSTIN, Texas - July 30, 2019 - National Instruments (Nasdaq: NATI) today announced Q2 2019 revenue of \$334 million, down 2 percent year over year and up 7 percent sequentially from Q1 2019.

In Q2 2019 the value of the company's total orders was down 4 percent year over year; orders under \$20,000 were down 6 percent year over year; and orders over \$20,000 were down 2 percent year over year.

In Q2, GAAP gross margin was 75 percent and non-GAAP gross margin was 77 percent. Total GAAP operating expenses were \$218 million, down 2 percent year over year. Total non-GAAP operating expenses were down 4 percent year over year at \$203 million. GAAP operating margin was 10 percent in Q2, with GAAP operating income of \$32 million, down 13 percent year over year. Non-GAAP operating margin was 17 percent in Q2, with non-GAAP operating income of \$56 million, up 1 percent year over year. For the first half of 2019, GAAP operating expenses were \$430 million, flat year over year, and non-GAAP operating expenses were \$403 million, down 4 percent year over year. GAAP operating income for the first half of 2019 was \$56 million, down 14 percent year over year, and non-GAAP operating income for the first half of 2019 was \$99 million, up 6 percent year over year.

GAAP net income for Q2 was \$29 million, with fully diluted earnings per share (EPS) of \$0.22, and non-GAAP net income was \$46 million, with non-GAAP fully diluted EPS of \$0.35. EBITDA, or Earnings Before Interest, Taxes, Depreciation and Amortization, was \$49 million for Q2.

"I am pleased with our execution this quarter despite external disruptions in our industry. Revenue came in at 98 percent of the midpoint of our guidance and we delivered an all-time record non-GAAP net income for a second quarter," said Alex Davern, NI CEO. "We are on a journey to position NI for long-term growth and I believe we have an opportunity to deliver significant operating leverage when the market dynamics recover. I remain optimistic about our opportunity for growth and delivering 18 percent non-GAAP operating margin through the cycle."

"In Q2, we delivered record non-GAAP net income for a second quarter, due to our increased scalability and strong culture of operational efficiency. In addition, we returned \$80 million to shareholders through dividends and share repurchases," said Karen Rapp, NI CFO. "Our commitment to delivering long-term shareholder value remains a priority."

Geographic revenue in U.S. dollar terms for Q2 2019 compared with Q2 2018 was down 1 percent in the Americas, up 5 percent in APAC and down 10 percent in EMEA. Excluding the impact of foreign currency exchange, revenue was flat in the Americas, up 8 percent in APAC and down 6 percent in EMEA. Historical revenue from these three regions can be found on NI's investor website at www.ni.com/nati.

As of June 30, 2019, NI had \$440 million in cash and short-term investments. During the second quarter, NI paid \$33 million in dividends and repurchased 1.1 million shares of our common stock at an average price of \$41. The NI Board of Directors approved a quarterly dividend of \$0.25 per share payable on September 3, 2019, to stockholders of record on August 12, 2019.

The company's non-GAAP results exclude, as applicable, the impact of stock-based compensation, amortization of acquisition-related intangibles, acquisition-related transaction costs, taxes levied on the transfer of acquired intellectual property, foreign exchange loss on acquisitions, restructuring charges, tax reform charges, and capitalization and amortization of internally developed software costs. Reconciliations of the company's GAAP and non-GAAP results are included as part of this news release.

Guidance

NI currently expects Q3 revenue to be in the range of \$325 million to \$355 million. The company currently expects that GAAP fully diluted EPS will be in the range of \$0.30 to \$0.44 for Q3, with non-GAAP fully diluted EPS expected to be in the range of \$0.36 to \$0.50. Included in the company's Q3 2019 GAAP EPS guidance is approximately \$0.03 of restructuring charges and approximately \$0.12 related to disposal gains from the pending sale of an office building less a charitable contribution using a portion of the sale proceeds.

Non-GAAP Presentation

In addition to disclosing results determined in accordance with GAAP, NI discloses certain non-GAAP operating results and non-GAAP information that exclude certain charges. In this news release, the company has presented its gross profit, gross margin, operating expenses, operating income, operating

margin, income before income taxes, provision for income taxes, net income and basic and fully diluted EPS for the three and six months ended June 30, 2019 and 2018, on a GAAP and non-GAAP basis. NI is also providing guidance on its non-GAAP fully diluted EPS.

When presenting non-GAAP information, the company includes a reconciliation of the non-GAAP results to the GAAP results. Management believes that including the non-GAAP results assists investors in assessing the company's operational performance and its performance relative to its competitors. The company presents these non-GAAP results as a complement to results provided in accordance with GAAP, and these results should not be regarded as a substitute for GAAP. Management uses these non-GAAP measures to manage and assess the profitability and performance of its business and does not consider stock-based compensation expense, amortization of acquisition-related intangibles, acquisition-related transaction costs, taxes levied on the transfer of acquired intellectual property, foreign exchange loss on acquisitions, restructuring charges, tax reform charges, and capitalization and amortization of internally developed software costs in managing its operations. Specifically, management uses non-GAAP measures to plan and forecast future periods; to establish operational goals; to compare with its business plan and individual operating budgets; to measure management performance for the purposes of executive compensation, including payments to be made under bonus plans; to assist the public in measuring the company's performance relative to the company's long-term public performance goals; to allocate resources; and, relative to the company's historical financial performance, to enable comparability between periods. Management also considers such non-GAAP results to be an important supplemental measure of its performance.

This news release discloses the company's EBITDA for the three and six months ended June 30, 2019 and 2018. The company believes that including the EBITDA results assists investors in assessing the company's operational performance relative to its competitors. A reconciliation of EBITDA to GAAP net income is included with this news release.

Conference Call Information and Availability of Presentation Materials

Interested parties can listen to the Q2 2019 earnings conference call with NI management today, July 30, at 4:00 p.m. CT at www.ni.com/call or by dialing (855) 212-2361 and entering confirmation code 7489827 ten minutes prior to the call start time. Replay information is available by calling (855) 859-2056, confirmation code 7489827, shortly after the call through August 2 at 10:00 p.m. CT or by visiting the company's website at www.ni.com/call. Presentation materials referred to on the conference call can be found at www.ni.com/nati.

Forward-Looking Statements

This release contains "forward-looking statements" including statements regarding our journey to position NI for long-term growth, believing we have an opportunity to deliver significant operating leverage when the market dynamics recover, remaining optimistic about our opportunity for growth and delivering 18 percent non-GAAP operating margin through the cycle, increased scalability and strong culture of operational efficiency, that our commitment to delivering long-term shareholder value remains a priority, expecting Q3 revenue to be in the range of \$325 million to \$355 million, expecting that GAAP fully diluted EPS will be in the range of \$0.30 to \$0.44 for Q3, with non-GAAP fully diluted EPS expected to be in the range of \$0.36 to \$0.50, and including in our Q3 EPS guidance approximately \$0.03 of restructuring charges and approximately \$0.12 of disposal gains from the pending sale of an office building and a charitable contribution using a portion of the sale proceeds. These statements are subject to a number of risks and uncertainties, including the risk of adverse changes or fluctuations in the global economy, further adverse fluctuations in our industry, foreign exchange fluctuations, fluctuations in demand for NI products including orders from NI's large customers, component shortages, delays in the release of new products, the company's ability to effectively manage its operating expenses, manufacturing inefficiencies and the level of capacity utilization, the impact of any recent or future acquisitions by NI, expense overruns, and adverse effects of price changes or effective tax rates. Actual results may differ materially from the expected results.

The company directs readers to its Form 10-K for the year ended Dec. 31, 2018, its Form 10-Q for the quarter ended March 31, 2019 and the other documents it files with the SEC for other risks associated with the company's future performance.

About NI

NI (ni.com) develops high-performance automated test and automated measurement systems to help you solve your engineering challenges now and into the future. Our open, software-defined platform uses modular hardware and an expansive ecosystem to help you turn powerful possibilities into real solutions. (NATI-F)

LabVIEW, National Instruments, NI and ni.com are trademarks of National Instruments. Other product and company names listed are trademarks or trade names of their respective companies.

National Instruments
Condensed Consolidated Balance Sheets
(in thousands)

| | June 30, 2019 (unaudited) | December 31, 2018 |
|---|---------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 191,761 | \$ 259,386 |
| Short-term investments | 247,892 | 271,396 |
| Accounts receivable, net | 222,565 | 242,955 |
| Inventories, net | 206,851 | 194,146 |
| Prepaid expenses and other current assets | 66,021 | 54,337 |
| Total current assets | 935,090 | 1,022,220 |
| Property and equipment, net | 233,900 | 245,201 |
| Goodwill | 263,984 | 264,530 |
| Intangible assets, net | 97,612 | 110,783 |
| Operating lease right-of-use assets | 70,799 | — |
| Other long-term assets | 38,088 | 28,501 |
| Total assets | \$ 1,639,473 | \$ 1,671,235 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 54,966 | \$ 48,388 |
| Accrued compensation | 39,613 | 45,821 |
| Deferred revenue - current | 128,787 | 127,288 |
| Operating lease liabilities - current | 15,735 | — |
| Other current liabilities | 12,665 | 25,913 |
| Other taxes payable | 33,517 | 35,574 |
| Total current liabilities | 285,283 | 282,984 |
| Deferred income taxes | 27,903 | 25,457 |
| Liability for uncertain tax positions | 8,329 | 9,775 |
| Income tax payable - long-term | 67,046 | 74,546 |
| Deferred revenue - long-term | 32,937 | 32,636 |
| Operating lease liabilities - non-current | 38,495 | — |
| Other long-term liabilities | 4,906 | 7,479 |
| Total liabilities | 464,899 | 432,877 |
| Stockholders' equity: | | |
| Preferred stock | — | — |
| Common stock | 1,319 | 1,327 |
| Additional paid-in capital | 924,801 | 897,544 |
| Retained earnings | 264,484 | 356,418 |
| Accumulated other comprehensive loss | (16,030) | (16,931) |
| Total stockholders' equity | 1,174,574 | 1,238,358 |
| Total liabilities and stockholders' equity | \$ 1,639,473 | \$ 1,671,235 |

National Instruments
Condensed Consolidated Statements of Income
(in thousands, except per share data, unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------------|--------------------------------|------------|------------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net sales: | | | | |
| Product | \$ 299,798 | \$ 306,780 | \$ 577,500 | \$ 587,139 |
| Software maintenance | 34,433 | 34,229 | 67,805 | 65,767 |
| Total net sales | 334,231 | 341,009 | 645,305 | 652,906 |
| Cost of sales: | | | | |
| Product | 81,741 | 79,806 | 155,929 | 152,122 |
| Software maintenance | 2,025 | 2,353 | 3,912 | 4,560 |
| Total cost of sales | 83,766 | 82,159 | 159,841 | 156,682 |
| Gross profit | 250,465 | 258,850 | 485,464 | 496,224 |
| | 74.9% | 75.9% | 75.2% | 76.0% |
| Operating expenses: | | | | |
| Sales and marketing | 120,868 | 127,138 | 238,419 | 247,255 |
| Research and development | 68,257 | 66,908 | 134,423 | 128,751 |
| General and administrative | 29,044 | 27,892 | 56,927 | 55,170 |
| Total operating expenses | 218,169 | 221,938 | 429,769 | 431,176 |
| Operating income | 32,296 | 36,912 | 55,695 | 65,048 |
| | 9.7% | 10.8% | 8.6% | 10.0% |
| Other income (expense): | | | | |
| Interest income | 2,023 | 1,290 | 4,257 | 2,305 |
| Net foreign exchange loss | (1,611) | (2,105) | (1,245) | (1,126) |
| Other income (loss), net | 143 | (1,095) | 119 | (1,613) |
| Income before income taxes | 32,851 | 35,002 | 58,826 | 64,614 |
| Provision for income taxes | 4,159 | 3,948 | 6,914 | 9,292 |
| Net income | \$ 28,692 | \$ 31,054 | \$ 51,912 | \$ 55,322 |
| Basic earnings per share | \$ 0.22 | \$ 0.24 | \$ 0.39 | \$ 0.42 |
| Diluted earnings per share | \$ 0.22 | \$ 0.23 | \$ 0.39 | \$ 0.42 |
| Weighted average shares outstanding - | | | | |
| Basic | 132,062 | 131,877 | 132,156 | 131,504 |
| Diluted | 132,973 | 133,054 | 133,172 | 132,838 |
| Dividends declared per share | \$ 0.25 | 0.23 | 0.50 | 0.46 |

National Instruments
Condensed Consolidated Statements of Cash Flows
(in thousands, unaudited)

| | Six Months Ended June 30, | |
|---|----------------------------------|------------------|
| | 2019 | 2018 |
| Cash flow from operating activities: | | |
| Net income | \$ 51,912 | 55,322 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 35,984 | 35,098 |
| Stock-based compensation | 24,662 | 17,936 |
| Deferred income taxes | 2,268 | 1,766 |
| Net change in operating assets and liabilities | (26,189) | (11,270) |
| Net cash provided by operating activities | 88,637 | 98,852 |
| Cash flow from investing activities: | | |
| Capital expenditures | (26,048) | (19,764) |
| Capitalization of internally developed software | (4,497) | (11,344) |
| Acquisitions, net of cash received | (9,784) | — |
| Additions to other intangibles | (487) | (3,936) |
| Purchases of short-term investments | (91,777) | (137,275) |
| Sales and maturities of short-term investments | 117,108 | 47,634 |
| Net cash used by investing activities | (15,485) | (124,685) |
| Cash flow from financing activities: | | |
| Proceeds from issuance of common stock | 17,645 | 16,622 |
| Repurchase of common stock | (92,375) | — |
| Dividends paid | (66,067) | (60,575) |
| Net cash used by financing activities | (140,797) | (43,953) |
| Impact of changes in exchange rates on cash | 20 | (2,759) |
| Net change in cash and cash equivalents | (67,625) | (72,545) |
| Cash and cash equivalents at beginning of period | 259,386 | 290,164 |
| Cash and cash equivalents at end of period | \$ 191,761 | 217,619 |

The following tables provide details with respect to the amount of GAAP charges related to stock-based compensation, amortization of acquisition-related intangibles, acquisition-related transaction costs, restructuring charges, and capitalization and amortization of internally developed software costs, that were recorded in the line items indicated below (unaudited) (in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Stock-based compensation | | | | |
| Cost of sales | \$ 890 | \$ 846 | \$ 1,683 | \$ 1,571 |
| Sales and marketing | 5,140 | 3,617 | 9,515 | 6,956 |
| Research and development | 4,379 | 3,255 | 7,929 | 5,773 |
| General and administrative | 3,219 | 2,013 | 5,535 | 3,636 |
| Provision for income taxes | (3,940) | (2,955) | (5,776) | (4,663) |
| Total | <u>\$ 9,688</u> | <u>6,776</u> | <u>18,886</u> | <u>13,273</u> |
| Amortization of acquisition intangibles | | | | |
| Cost of sales | \$ 841 | \$ 846 | \$ 1,692 | \$ 1,747 |
| Sales and marketing | 494 | 533 | 993 | 1,070 |
| Research and development | 28 | 28 | 56 | 56 |
| Other income (loss), net | 162 | — | 162 | — |
| Provision for income taxes | (192) | (178) | (386) | (370) |
| Total | <u>\$ 1,333</u> | <u>1,229</u> | <u>2,517</u> | <u>2,503</u> |
| Acquisition transaction costs, restructuring charges, and other | | | | |
| Cost of sales | \$ — | \$ — | \$ — | \$ 29 |
| Sales and marketing | 3,153 | 3,033 | 5,296 | 4,678 |
| Research and development | 311 | 893 | 656 | 1,103 |
| General and administrative | 616 | 553 | 1,528 | 1,165 |
| Other income (loss), net | — | 709 | — | 709 |
| Provision for income taxes | (1,010) | (1,630) | (1,850) | (2,183) |
| Total | <u>\$ 3,070</u> | <u>\$ 3,558</u> | <u>\$ 5,630</u> | <u>\$ 5,501</u> |
| Capitalization and amortization of internally developed software costs | | | | |
| Cost of sales | \$ 6,537 | \$ 6,494 | \$ 13,119 | \$ 12,324 |
| Research and development | (2,218) | (3,676) | (4,497) | (11,343) |
| Provision for income taxes | (907) | (592) | (1,811) | (206) |
| Total | <u>\$ 3,412</u> | <u>\$ 2,226</u> | <u>\$ 6,811</u> | <u>\$ 775</u> |

National Instruments
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------------|------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Reconciliation of Gross Profit to Non-GAAP Gross Profit | | | | |
| Gross profit, as reported | \$ 250,465 | \$ 258,850 | \$ 485,464 | \$ 496,224 |
| Stock-based compensation | 890 | 846 | 1,683 | 1,571 |
| Amortization of acquisition intangibles | 841 | 846 | 1,692 | 1,747 |
| Acquisition transaction costs and restructuring charges | — | — | — | 29 |
| Amortization of internally developed software costs | 6,537 | 6,494 | 13,119 | 12,324 |
| Non-GAAP gross profit | <u>\$ 258,733</u> | <u>\$ 267,036</u> | <u>\$ 501,958</u> | <u>\$ 511,895</u> |
| Non-GAAP gross margin | 77.4% | 78.3% | 77.8% | 78.4% |
| Reconciliation of Operating Expenses to Non-GAAP Operating Expenses | | | | |
| Operating expenses, as reported | \$ 218,169 | \$ 221,938 | \$ 429,769 | \$ 431,176 |
| Stock-based compensation | (12,738) | (8,885) | (22,979) | (16,365) |
| Amortization of acquisition intangibles | (522) | (561) | (1,049) | (1,126) |
| Acquisition transaction costs and restructuring charges | (4,080) | (4,479) | (7,480) | (6,946) |
| Capitalization of internally developed software costs | 2,218 | 3,676 | 4,497 | 11,343 |
| Non-GAAP operating expenses | <u>\$ 203,047</u> | <u>\$ 211,689</u> | <u>\$ 402,758</u> | <u>\$ 418,082</u> |
| Reconciliation of Operating Income to Non-GAAP Operating Income | | | | |
| Operating income, as reported | \$ 32,296 | \$ 36,912 | \$ 55,695 | \$ 65,048 |
| Stock-based compensation | 13,628 | 9,731 | 24,662 | 17,936 |
| Amortization of acquisition intangibles | 1,363 | 1,407 | 2,741 | 2,873 |
| Acquisition transaction costs and restructuring charges | 4,080 | 4,479 | 7,480 | 6,975 |
| Net amortization of internally developed software costs | 4,319 | 2,818 | 8,622 | 981 |
| Non-GAAP operating income | <u>\$ 55,686</u> | <u>\$ 55,347</u> | <u>\$ 99,200</u> | <u>\$ 93,813</u> |
| Non-GAAP operating margin | 16.7% | 16.2% | 15.4% | 14.4% |
| Reconciliation of Income before income taxes to Non-GAAP Income before income taxes | | | | |
| Income before income taxes, as reported | \$ 32,851 | \$ 35,002 | \$ 58,826 | \$ 64,614 |
| Stock-based compensation | 13,628 | 9,731 | 24,662 | 17,936 |
| Amortization of acquisition intangibles | 1,525 | 1,407 | 2,903 | 2,873 |
| Acquisition transaction costs and restructuring charges | 4,080 | 5,188 | 7,480 | 7,684 |
| Net amortization of internally developed software costs | 4,319 | 2,818 | 8,622 | 981 |
| Non-GAAP income before income taxes | <u>\$ 56,403</u> | <u>\$ 54,146</u> | <u>\$ 102,493</u> | <u>\$ 94,088</u> |
| Reconciliation of Provision for income taxes to Non-GAAP Provision for income taxes | | | | |
| Provision for income taxes, as reported | \$ 4,159 | \$ 3,948 | \$ 6,914 | \$ 9,292 |
| Stock-based compensation | 3,940 | 2,955 | 5,776 | 4,663 |
| Amortization of acquisition intangibles | 192 | 178 | 386 | 370 |
| Acquisition transaction costs, restructuring charges, and other | 1,010 | 1,630 | 1,850 | 2,183 |
| Net amortization of internally developed software costs | 907 | 592 | 1,811 | 206 |
| Non-GAAP provision for income taxes | <u>\$ 10,208</u> | <u>\$ 9,303</u> | <u>\$ 16,737</u> | <u>\$ 16,714</u> |

Reconciliation of GAAP Net Income, Basic EPS and Diluted EPS to Non-GAAP Net Income, Non-GAAP Basic EPS and Non-GAAP Diluted EPS
(in thousands, except per share data, unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income, as reported | \$ 28,692 | \$ 31,054 | \$ 51,912 | \$ 55,322 |
| Adjustments to reconcile net income to non-GAAP net income: | | | | |
| Stock-based compensation, net of tax effect | 9,688 | 6,776 | 18,886 | 13,273 |
| Amortization of acquisition intangibles, net of tax effect | 1,333 | 1,229 | 2,517 | 2,503 |
| Acquisition transaction costs, restructuring, and other, net of tax effect | 3,070 | 3,558 | 5,630 | 5,501 |
| Net amortization of internally developed software costs, net of tax effect | 3,412 | 2,226 | 6,811 | 775 |
| Non-GAAP net income | <u>\$ 46,195</u> | <u>\$ 44,843</u> | <u>\$ 85,756</u> | <u>\$ 77,374</u> |
| Basic EPS, as reported | \$ 0.22 | \$ 0.24 | \$ 0.39 | \$ 0.42 |
| Adjustment to reconcile basic EPS to non-GAAP basic EPS: | | | | |
| Impact of stock-based compensation, net of tax effect | 0.07 | 0.05 | 0.15 | 0.10 |
| Impact of amortization of acquisition intangibles, net of tax effect | 0.01 | — | 0.02 | 0.02 |
| Impact of acquisition transaction costs, restructuring, and other, net of tax effect | 0.02 | 0.03 | 0.04 | 0.04 |
| Impact of net amortization of internally developed software costs, net of tax effect | 0.03 | 0.02 | 0.05 | 0.01 |
| Non-GAAP basic EPS | <u>\$ 0.35</u> | <u>\$ 0.34</u> | <u>\$ 0.65</u> | <u>\$ 0.59</u> |
| Diluted EPS, as reported | \$ 0.22 | \$ 0.23 | \$ 0.39 | \$ 0.42 |
| Adjustment to reconcile diluted EPS to non-GAAP diluted EPS: | | | | |
| Impact of stock-based compensation, net of tax effect | 0.07 | 0.05 | 0.14 | 0.10 |
| Impact of amortization of acquisition intangibles, net of tax effect | 0.01 | 0.01 | 0.02 | 0.02 |
| Impact of acquisition transaction costs, restructuring, and other, net of tax effect | 0.02 | 0.03 | 0.04 | 0.04 |
| Impact of net amortization of internally developed software costs, net of tax effect | 0.03 | 0.02 | 0.05 | — |
| Non-GAAP diluted EPS | <u>\$ 0.35</u> | <u>\$ 0.34</u> | <u>\$ 0.64</u> | <u>\$ 0.58</u> |
| Weighted average shares outstanding - | | | | |
| Basic | 132,062 | 131,877 | 132,156 | 131,504 |
| Diluted | 132,973 | 133,054 | 133,172 | 132,838 |

National Instruments
Reconciliation of Net Income to EBITDA
(in thousands, unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income, as reported | \$ 28,692 | \$ 31,054 | \$ 51,912 | \$ 55,322 |
| Adjustments to reconcile net income to EBITDA: | | | | |
| Interest income, net | (2,012) | (1,253) | (4,232) | (2,180) |
| Tax expense | 4,159 | 3,948 | 6,914 | 9,292 |
| Depreciation and amortization | 17,972 | 17,662 | 35,984 | 35,098 |
| EBITDA | <u>\$ 48,811</u> | <u>\$ 51,411</u> | <u>\$ 90,578</u> | <u>\$ 97,532</u> |
| Weighted average shares outstanding - Diluted | 132,973 | 133,054 | 133,172 | 132,838 |

Reconciliation of GAAP to Non-GAAP EPS Guidance
(unaudited)

| | Three Months Ended September 30, 2019 | |
|--|--|----------------|
| | Low | High |
| GAAP Diluted EPS, guidance | \$ 0.30 | \$ 0.44 |
| Adjustment to reconcile diluted EPS to non-GAAP diluted EPS: | | |
| Impact of stock-based compensation, net of tax effect | 0.09 | 0.09 |
| Impact of amortization of acquisition intangibles, net of tax effect | 0.01 | 0.01 |
| Impact of acquisition transaction costs and restructuring charges, net of tax effect | 0.03 | 0.03 |
| Impact of disposal gains and other(1), net of tax effect | (0.12) | (0.12) |
| Impact of net amortization of software development costs, net of tax effect | 0.03 | 0.03 |
| Impact of tax reform-related adjustments | 0.02 | 0.02 |
| Non-GAAP Diluted EPS, guidance | <u>\$ 0.36</u> | <u>\$ 0.50</u> |

(1) Includes adjustments for \$(0.16) related to disposal gain from sale of office building and \$0.04 related to charge for charitable contribution of a portion of the sale proceeds.