

To My Fellow Stockholders,

We closed 2022 strong as we continued to make strides in transforming NI into a higher-growth, more profitable, and more resilient company. In Q4 2022, we achieved record non-GAAP quarterly revenue of \$449 and delivered non-GAAP operating margin of 25 percent, which is an all-time record for a quarter. For the full year 2022, we delivered record revenue of \$1.7 billion, up 13 percent YOY, and non-GAAP operating margin of 20 percent, up 130 bps as compared to 2021.

Our Transformation

We believe our strong financial performance is a direct result of the transformation of our business that started in 2017, which we undertook to better position our company to deliver higher value for all our stakeholders. The principal elements of that transformation have included:

- Evolving our go-to-market into a tiered channel strategy based on customer potential to drive growth and significant cost leverage in SG&A
- Standing up industry-specific business units to drive focus on secular growth opportunities
- Shifting our road maps to focus on these higher growth opportunities, including electric and autonomous vehicles, wireless communication, and new space technology
- Expanding our software portfolio, building on our leadership position in automated test through LabVIEW, and adding additional development tools, applications software, and expanding into growing adjacencies in systems management and product analytics
- Accelerating our growth with deliberate acquisitions, creating a new adjacency in product analytics, and enabling us to deliver complete offerings in electric vehicle (EV) testing, now the fastest growing part of our business
- And focusing on our cost structure to deliver a strong increase in operating margin in 2023 and beyond

Our Technology

Our software and systems enable our customers to bring their products to market faster and at a lower cost. Our systems are used to test some of the world's most important and complex technologies. These types of systems are essential for our customers to build new technology and deliver their products to market, and through software and modularity, they uniquely evolve with our customers' changing requirements.

And at the core of these systems is software that automates them. Software is in our DNA and has been the force behind our differentiated market position for many years. We have built the most comprehensive set of driver level software, application software, test operations, and product analytics software in our industry. Building on that leadership position, we intend to grow our software capability alongside our customers' changing needs by bringing



ERIC STARKLOFF
CEO, NI

together concepts of systems and data management, connectivity to design, artificial intelligence, and machine learning—ultimately redefining how our customers approach test and measurement. We aim to make test a key enabler of product performance by integrating automated test systems and test data analytics to create a digital thread of data that goes across engineering and manufacturing workflows.

Customer Focus

Our software-centric approach aligns well to critical customer needs in subsegments with powerful growth drivers, including electric and autonomous vehicles, wireless communication, and new space technology. Through our focus on these secular growth trends, we have increased the mix towards our highest growth industry business units, and areas where we believe we can meaningfully grow share.

We expect to expand our share of wallet with increased direct customer engagement at our Tier 1 accounts, which today account for approximately 40 percent of total revenue. At these accounts, we are delivering more complete solutions that allow customers to develop higher quality products faster and at lower cost. In return, we have seen an increase in program wins and standardization on NI technology.

Accelerating Growth

The areas of intentional focus are delivering to our expectations, a proof point that we are focused on the right areas to accelerate long-term growth.

Semiconductor and Electronics Represented Approximately 26 Percent of Revenue in 2022

This has been a high-growth market over multiple years, and we remain well positioned to meet customer needs. Although 2022 was a strong year, it weakened in the second half, as anticipated. However, we believe the areas we are focused on—wireless, mixed signal, and industrial—will remain much more robust than other areas, like consumer devices. In particular, the needs of the wireless market will continue to drive demand for test capability for wireless infrastructure, including millimeter wave. As we have noted before, approximately 50 percent of our Semiconductor and Electronics Business Unit revenue comes from production test, and the other half of this segment is in R&D test,

which is considerably less exposed to the fluctuations of the semiconductor cycle. We will continue to focus on supporting our customers' needs throughout their product development flow using software and data.

Transportation Represented Approximately 18 Percent of Revenue in 2022

Transportation has become our highest growth industry and represents a significant shift to our more focused strategy. Our shift in focus to EVs and advanced driver-assistance systems (ADAS), where our customers are making significant investments, has changed the trajectory of this business. As we expected, EV and ADAS now represent more than 50 percent of our Transportation business. Our core technology, along with our recent acquisitions of Kratzer test systems, NH Research, and Heinzinger EV systems, represent what we believe is the most competitive portfolio of end-to-end EV battery test capabilities in the market today.

Aerospace, Defense, and Government Represented Approximately 25 Percent of Revenue in 2022

This business remains steady and profitable as we continue to capitalize on robust defense spending. We also continue to see rapidly accelerating opportunities in NewSpace technologies, including launch vehicles and satellites, where our strong customer relationships allow for an easy pivot to this new investment. The overall demand backdrop in this area is healthy, and along with our growing relationships in top ADG accounts, gives us confidence in the long-term growth opportunities of this business.

Portfolio Represented Approximately 31 Percent of Revenue in 2022

This area of our business has historically been most susceptible to a softening macro environment, and we have been taking steps to make this business more resilient. Our Portfolio Business Unit represents the majority of our broad-based customers, and we have intentionally shifted our strategy to better serve these customers through global distribution and our digital channel. This change has gained traction, further providing leverage and scale in this portion of our business. In addition, the recent transition of our single-seat software licenses to subscription is expected to provide stability to this business through increased recurring software.

Corporate Impact Strategy

The impact we have on society is a priority and long been a part of NI's culture. Our Corporate Impact Strategy is rooted in three pillars: changing the faces of engineering, building an equitable and thriving society, and engineering a healthy planet. We released our Corporate Impact Report in 2022 to share strategic progress to our goals across these three pillars. Our focus is intentional and where we believe we can influence the most change. As a business with a purpose, we not only retain key talent but also recruit individuals with similar values. These are areas of passion for me and our employees, who continue to inspire me with their efforts.

Looking Ahead

We have done a lot of hard work over the past five years to fundamentally transform the company and change the trajectory of our performance. The key elements of the strategy have gained traction and demonstrated success in driving a higher level of growth. Now, we are focused on executing the strategy and achieving the return on those investments, with a focus on topline growth, and strong leverage and earnings growth on the bottom line. I am proud of the work and dedication of our teams to transform our business and achieve these results. We remain committed to delivering value to all our stakeholders.

Thank you for your continued trust in NI.



Eric Starkloff
CEO, NI

THIS LETTER CONTAINS NON-GAAP FINANCIAL INFORMATION, INCLUDING NON-GAAP REVENUE AND OPERATING MARGIN. A RECONCILIATION OF OUR NON-GAAP FINANCIAL INFORMATION MENTIONED IN THIS LETTER TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL INFORMATION AND RELATED DISCLOSURES ARE CONTAINED IN THE INSIDE BACK COVER OF THIS ANNUAL REPORT. NON-GAAP FINANCIAL INFORMATION IS NOT MEANT AS A SUBSTITUTE FOR GAAP RESULTS, BUT IS INCLUDED BECAUSE MANAGEMENT BELIEVES SUCH INFORMATION IS USEFUL TO OUR INVESTORS FOR INFORMATIONAL AND COMPARATIVE PURPOSES. IN ADDITION, CERTAIN NON-GAAP FINANCIAL INFORMATION IS USED INTERNALLY BY MANAGEMENT TO EVALUATE AND MANAGE THE COMPANY. THE NON-GAAP FINANCIAL INFORMATION USED BY NI MAY DIFFER FROM THAT USED BY OTHER COMPANIES. THESE NON-GAAP MEASURES SHOULD BE CONSIDERED IN ADDITION TO, AND NOT AS A SUBSTITUTE FOR, THE RESULTS PREPARED IN ACCORDANCE WITH GAAP.

THIS LETTER CONTAINS "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 INCLUDING WITHOUT LIMITATION THOSE STATEMENTS ABOUT OUR STRATEGY, TRANSFORMATION AND LONG-TERM MODEL, SOFTWARE CAPABILITY, VALUE PROPOSITION, GOALS, PRIORITIES, ANTICIPATED REVENUE GROWTH, EARNINGS GROWTH AND RETURN OF INVESTMENTS, ANTICIPATED DEMAND AND GROWTH OPPORTUNITIES FOR OUR PRODUCTS, FUTURE PRODUCT OFFERINGS, SUCCESSFUL INTEGRATION OF ACQUISITIONS AND FUTURE RESULTS OF ACQUIRED COMPANIES, OUR ABILITY TO PROVIDE THE MOST COMPETITIVE PORTFOLIO OF END-TO-END EV BATTERY TEST CAPABILITIES THROUGH RECENT ACQUISITIONS, ANTICIPATED STRENGTHS AND EXPECTED GROWTH OF THE MARKETS THAT WE SELL INTO, THE IMPACT OF THE TRANSITION OF OUR SINGLE-SEAT SOFTWARE LICENSES TO SUBSCRIPTION ON OUR FINANCIAL RESULTS, OUR ABILITY TO INCREASE TIER 1 ACCOUNTS, OUR ABILITY TO MEET THE GOALS IN OUR CORPORATE IMPACT STRATEGY, OUR CUSTOMER NEEDS, AND THE ABILITY OF OUR SOFTWARE, SYSTEMS AND SOLUTIONS TO HELP CUSTOMERS DEVELOP HIGH QUALITY PRODUCTS AT FASTER RATES. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM ANY FUTURE RESULTS EXPRESSED OR IMPLIED BY THE FORWARD-LOOKING STATEMENTS. RISKS AND UNCERTAINTIES INCLUDE WITHOUT LIMITATION: THE GLOBAL SHORTAGE OF KEY COMPONENTS; EFFECT OF THE GLOBAL ECONOMIC AND GEOPOLITICAL CONDITIONS; OUR INTERNATIONAL OPERATIONS AND FOREIGN ECONOMIES; ADVERSE PUBLIC HEALTH MATTERS, INCLUDING EPIDEMICS AND PANDEMICS SUCH AS THE COVID-19 PANDEMIC; OUR ABILITY TO EFFECTIVELY MANAGE OUR PARTNERS AND DISTRIBUTION CHANNELS; INTERRUPTIONS IN OUR TECHNOLOGY SYSTEMS OR CYBER-ATTACKS ON OUR SYSTEMS; THE DEPENDENCY OF OUR PRODUCT REVENUE ON CERTAIN INDUSTRIES AND THE RISK OF CONTRACTIONS IN SUCH INDUSTRIES; CONCENTRATION OF CREDIT RISK AND UNCERTAIN CONDITIONS IN THE GLOBAL FINANCIAL MARKETS; OUR ABILITY TO COMPETE IN MARKETS THAT ARE HIGHLY COMPETITIVE; OUR ABILITY TO RELEASE SUCCESSFUL NEW PRODUCTS OR ACHIEVE EXPECTED RETURNS; THE RISK THAT OUR MANUFACTURING CAPACITY AND A SUBSTANTIAL MAJORITY OF OUR WAREHOUSING AND DISTRIBUTION CAPACITY ARE LOCATED OUTSIDE OF THE U.S.; OUR DEPENDENCE ON KEY SUPPLIERS AND DISTRIBUTORS; LONGER DELIVERY LEAD TIMES FROM OUR SUPPLIERS; RISK OF PRODUCT LIABILITY CLAIMS; DEPENDENCE ON OUR PROPRIETARY RIGHTS AND RISKS OF INTELLECTUAL PROPERTY LITIGATION; THE CONTINUED SERVICE OF KEY MANAGEMENT, TECHNICAL PERSONNEL AND OPERATIONAL EMPLOYEES; OUR ABILITY TO COMPLY WITH ENVIRONMENTAL LAWS AND ASSOCIATED COSTS; OUR ABILITY TO MAINTAIN OUR WEBSITE; THE RISKS OF BUGS, VULNERABILITIES, ERRORS OR DESIGN FLAWS IN OUR PRODUCTS; OUR RESTRUCTURING ACTIVITIES; OUR EXPOSURE TO LARGE ORDERS; OUR SHIFT TO MORE SYSTEM ORDERS; OUR ABILITY TO EFFECTIVELY MANAGE OUR OPERATING EXPENSES AND MEET BUDGET; FLUCTUATIONS IN OUR QUARTERLY RESULTS DUE TO FACTORS OUTSIDE OF OUR CONTROL; OUR OUTSTANDING DEBT; THE INTEREST RATE RISK ASSOCIATED WITH OUR VARIABLE RATE INDEBTEDNESS; SEASONAL VARIATION IN OUR REVENUES; OUR ABILITY TO COMPLY WITH LAWS AND REGULATIONS; CHANGES IN TAX RATES AND EXPOSURE TO ADDITIONAL TAX LIABILITIES; OUR ABILITY TO MAKE CERTAIN ACQUISITIONS OR DISPOSITIONS, INTEGRATE THE COMPANIES WE ACQUIRE OR SEPARATE THE COMPANIES WE SOLD AND/OR ENTER INTO STRATEGIC RELATIONSHIPS; RISKS RELATED TO CURRENCY FLUCTUATIONS; PROVISIONS IN CHARTER DOCUMENTS AND DELAWARE LAW THAT DELAY OR PREVENT OUR ACQUISITION; AND RISKS RELATED TO OUR STRATEGIC REVIEW PROCESS. THE COMPANY DIRECTS READERS TO ITS FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2022 AND THE OTHER DOCUMENTS IT FILES WITH THE SEC FOR OTHER RISKS ASSOCIATED WITH THE COMPANY'S FUTURE PERFORMANCE. THESE DOCUMENTS CONTAIN AND IDENTIFY IMPORTANT FACTORS THAT COULD CAUSE OUR ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN OUR FORWARD-LOOKING STATEMENTS. ALL INFORMATION IN THIS LETTER IS AS OF MARCH 27, 2023. THE COMPANY UNDERTAKES NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENT TO CONFORM THE STATEMENT TO ACTUAL RESULTS OR CHANGES IN THE COMPANY'S EXPECTATIONS. 247109