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
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.

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