

## To My Fellow Shareholders,



Twenty-three years ago, I started as an application engineer at National Instruments. It was an environment made up of some of the smartest people I had ever met who were changing the way engineers made measurements. Those people grew into a company creating technology that is shaping and improving the world around us.

This is my first letter as President and CEO of NI, more than two decades after that first day on the job. I am honored to take over the leadership of our company, which has a strong heritage of delivering innovative solutions to our customers—and the world at large—and is anchored in a 100-year plan for long-term success and impact.

2019 represents the end of an important era for NI. After a successful three-year journey to improve the company's performance and better position us for growth, Alex Davern retired as CEO. Alex, along with myself and our leadership team, implemented a significant set of changes to position the company for long-term success. We created a new core strategic vision—to be “The leader in software-defined automated test and automated measurement”—and aligned our strategy and organization behind the pursuit of this goal. I believe these changes have provided us with the focus necessary to drive long-term growth.

With this strategy as our foundation, we believe we enter 2020 in a strong position. We realigned our focus behind industry facing business units and a new model for how we execute as a company. We have better leveraged our sales and marketing teams to broaden our reach to customers, elevating discussions from only technology needs to higher-value business impact. We have strengthened our investment in innovation to keep us at the leading edge of technology. And we have increased our leverage of centers of excellence around the globe to improve our efficiency and our ability to scale.

In 2019, many of our customers were affected by a broad industrial recession that negatively impacted our ability to grow revenue. Despite this economic headwind, for

the year we maintained revenue at the level of 2018 and delivered record net income. We also exceeded our non-GAAP operating margin target of 18%. We believe the combination of our broad reach to over 35,000 customer accounts, combined with our focus on key market growth opportunities, provide both stability and the opportunity to grow. I was particularly proud of our team for finishing strong in 2019, with order growth of 9% year-over-year in Q4.

### Focusing on Our Customers

We are all living in a world that has been increasingly defined by engineers and technology—from the cars we drive, to the clean energy systems making our world more sustainable, to the communication devices we rely on every day. Our customers are at the center of innovation impacting the world around us, iterating on new ideas while navigating the fast and complex pace of technology to bring applications to market.

To better drive growth and expand the markets we serve, we have focused our strategy on building on our highly capable platform to better address our customers' needs with more complete systems. We believe the combination of our broad platform, and the application of that platform to solve their business and technical challenges, represents an opportunity to expand market opportunities and grow our share. We are focused around customers in the industries of semiconductor; transportation; and aerospace, defense, and government, as well as customers in our portfolio group, which is composed of the other industries we serve, including electrical equipment, electronics, energy, life sciences, and academia.

In semiconductor, for the year we grew orders high-single digits on a percentage basis from 2018. We believe our strong results are a testament to our system-level strategy, which after multiple years of focus and investment is the most mature among the industries we serve. As a result of our strategy, we believe we were able to continue to increase our share in this industry despite a very difficult year for the overall semiconductor market in 2019. The growth in the market of dedicated instruments for early 5G R&D is a positive indicator for NI, as the automated validation and automated production opportunity is expected to follow in 2020 and beyond.

In transportation, for the year our orders were down mid-single digits on a percentage basis from 2018. We continued to see strong growth in the areas of electrification, active safety,

and autonomy, where we expect to continue to aggressively invest. These high growth areas helped offset the weakness we saw in the overall automotive market. We believe we are increasing our share of wallet through increased customer intimacy within our top accounts.

For the year, our aerospace, defense, and government orders grew high-single digits on a percentage basis from 2018. The diversity of applications and strength of our platform continue to add significant value in this industry, which gives our customers the ability to control their proprietary intellectual property while meeting their demands for highly customized and long life-cycle systems. This differentiation allowed us to maximize our performance with the uptick in defense spending in 2019.

In our portfolio group, our orders were down mid-single digits on a percentage basis for the year. This is the portion of our business most closely correlated to broad industrial economic trends, as represented by measures such as the Global Purchasing Managers Index (PMI). The broad weakness in the industrial economy thus provided the largest headwind in this area for most of 2019. We remain committed both to focusing on growth opportunities within these industries and scaling our business to this broad set of customers more efficiently.

## Unique Software Position

The power of our software-connected systems and our significant investment in innovation helps us stay ahead of our customers' needs, helping them to meet their market demands faster and stay ahead of their competition. Our strong software position continues to be a key differentiator for our company as the world becomes more software-centric and data driven. Growth in software seats outpaced overall company revenue growth year-over-year for 2019 again, adding to a multi-year trend in seat growth and customer adoption. We believe this is a positive indicator of future growth potential as we enter new adjacencies and

expand our reach to new customers. Software is in our DNA, and we plan to build on our software position and extend it to benefit our customers' businesses in new ways.

## Next Decade of Business

As we begin a new decade of business, we have created a strong foundation which I believe will help us achieve our long-term aspirations for all our stakeholders. We are now a more dynamic and responsive company aligned to our customers. We better distribute decision making throughout the company to improve our agility and customer responsiveness. And we remain focused on delivering innovation to help stay ahead of our customers' needs to help them meet their market demands.

My top priority as I take on the role of CEO is to accelerate company growth in order to drive value and opportunities for all our stakeholders. For you—our shareholders—that means creating long-term value by making the right investments to drive sustainable growth and consistent profitability. For our customers, that means partnering closer with them than ever before to understand their needs and create system-level capabilities to help them tackle the technical and business challenges they face. And—for our employees—it means capitalizing on that growth to create new opportunities for them to learn and excel.

Thank you for your support and for the opportunity to earn your continued trust.

Best regards,



Eric Starkloff  
CEO

This letter contains forward-looking statements as defined under applicable securities laws and such statements are intended to be covered by safe harbor provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements relating to our company being anchored in a 100-year plan for long-term success and impact; having implemented a significant set of changes to position the company for long-term success; our core strategic vision to be "The leader in software-defined automated test and automated measurement"; belief that these changes have provided us with the focus necessary to drive long-term growth; belief that we enter 2020 in a strong position; having strengthened our investment in innovation to keep us at the leading edge of technology; having increased our leverage of centers of excellence around the globe to improve our efficiency and our ability to scale; belief that the combination of our broad reach to over 35,000 customer accounts, combined with our focus on key market growth opportunities, provide both stability and the opportunity to grow; to better drive growth and expand the markets we serve, we have focused our strategy on building on our highly capable platform to better address our customers' needs with more complete systems; belief that the combination of our broad platform, and the application of that platform to solve their business and technical challenges, represents an opportunity to expand market opportunities and grow our share; the growth in the market of dedicated instruments for early 5G R&D is a positive indicator for NI, as the automated validation and automated production opportunity is expected to follow in 2020 and beyond; expecting to continue to aggressively invest in the areas of electrification, active safety and autonomy; belief that we are increasing our share of wallet through increased customer intimacy within our top accounts; remaining committed both to focusing on the growth opportunities within these industries as well as scaling our business to this broad set of customers more efficiently; our strong software position continues to be a key differentiator for our company as the world becomes more software-centric and data driven; belief that the multi-year trend in seat growth and customer adoption is a positive indicator of future growth potential as we enter new adjacencies and expand our reach to new customers; we plan to build on our software position and extend it to benefit our customers' businesses in new ways; we have created a strong foundation which I believe will help us achieve our long-term aspirations for all our stakeholders; my top priority as I take on the role of CEO is to accelerate company growth in order to drive value and opportunities for all our stakeholders; and creating long-term value by making the right investments to drive sustainable growth and consistent profitability. These and similar 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, changes in the current global trade regulatory environment, component shortages, delays in the release of new products, fluctuations in customer demand for our new and existing products including orders from our large customers, our ability to effectively manage our operating expenses, manufacturing inefficiencies and capacity utilization, the impact of any recent or future acquisitions or divestitures by us, disruption from public health concerns, and adverse effects of price changes or effective tax rates. Actual results may differ materially from the expected results. We direct you to our Form 10-K for the fiscal year ended December 31, 2019, and the other documents we file with the SEC for other risks associated with our future performance.