

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 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): January 28, 2021

National Instruments Corporation

(Exact Name of Registrant as Specified in Its Charter)

000-25426

(Commission File Number)

Delaware

(State or Other Jurisdiction of Incorporation)

74-1871327

(I.R.S. 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)

NOT APPLICABLE

(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:

- 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 | 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 January 28, 2021, regarding the unaudited financial results for NI's fourth fiscal quarter and year ended December 31, 2020.

The information in the press release attached hereto as Exhibit 99.1 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 8.01 Other Events

On January 28, 2021, NI announced that the Board of Directors of NI approved a dividend of \$0.27 per share payable on March 1, 2021, to stockholders of record at the close of business on February 8, 2021. A copy of the press release announcing the dividend is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

| Item | Description |
|------|---|
| 99.1 | Press Release, dated January 28, 2021 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

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/ R. Eddie Dixon, Jr.

Name: R. Eddie Dixon, Jr.

Title: Vice President, General Counsel and Secretary

Date: January 28, 2021

NI Reports Record Quarterly Revenue

Company saw strong sequential growth in revenue and orders in fourth quarter

Q4 2020 Highlights

- Revenue of \$368 million
- Orders up 7 percent year over year
- Diluted GAAP EPS of \$0.04
- Diluted non-GAAP EPS of \$0.51
- Cash and short-term investments of \$320 million as of Dec. 31, 2020

AUSTIN, Texas - Jan. 28, 2021 - National Instruments (Nasdaq: NATI) today announced Q4 2020 revenue of \$368 million, up slightly year over year for an all-time quarterly record.

In Q4 2020, the value of the company's total orders were up 7 percent year over year; orders over \$20,000 were up 13 percent year over year; and orders under \$20,000 were down 4 percent year over year. As we expand our systems and software offerings, we may see larger differences between bookings and revenue on a quarterly basis.

"This year was a stress test for our strategy and it proved resilient. We delivered a strong close to a challenging year with record quarterly revenue above the high end of guidance," said Eric Starkloff, NI president and CEO. "The areas where we have focused showed strength and momentum increased throughout the year with fourth quarter orders up sequentially across all regions and business units. I believe we enter 2021 in a position of strength and poised to accelerate growth and deliver increased value to all our stakeholders."

Geographic revenue in U.S. dollar terms for Q4 2020 compared with Q4 2019 was down 6 percent in the Americas, up 5 percent in APAC and up 3 percent in EMEA. Excluding the impact of foreign currency exchange, revenue was down 6 percent in the Americas, up 5 percent in APAC and up 1 percent in EMEA. Historical revenue from these three regions can be found on NI's investor website at www.ni.com/nati.

In Q4, GAAP gross margin was 70 percent and non-GAAP gross margin was 74 percent. Total Q4 GAAP operating expenses were \$245 million, up 10 percent year over year, which includes approximately \$30 million of restructuring-related charges. Total Q4 non-GAAP operating expenses were \$196 million, down 3 percent year over year. GAAP operating margin was 4 percent in Q4, with GAAP operating income of \$13 million, down 75 percent year over year. Non-GAAP operating margin was 21 percent in Q4, with non-GAAP operating income of \$79 million, down 6 percent year over year.

GAAP net income for Q4 was \$5 million, with diluted earnings per share ("EPS") of \$0.04, and non-GAAP net income was \$67 million, with non-GAAP diluted EPS of \$0.51. EBITDA, or Earnings Before Interest, Taxes, Depreciation and Amortization, was \$42 million for Q4. GAAP EPS includes higher restructuring charges than previously expected.

"I believe our strong close to 2020 is proof in our ability to adapt quickly to the global pandemic. We were diligent in managing expenses and achieved the 2020 annual targets shared at our investor conference in August," said Karen Rapp, NI CFO. "We remain committed to our 2023 financial model. In order to accelerate growth, we will continue to align investments to our higher growth opportunities within our four strategic pillars. I believe our strong balance sheet also gives us the opportunity to capitalize on inorganic investments to meet our growth targets faster and deliver shareholder returns."

As of Dec. 31, 2020, NI had \$320 million in cash and short-term investments with \$181 million in cash generated from operations in 2020. During Q4, NI paid \$34 million in dividends and repurchased approximately 275,000 shares of our common stock at an average price of \$34.39 per share. For the year, we returned over \$185 million to our shareholders through dividends and stock repurchases, including the repurchase of 1.4 million shares at an average price of \$35.04 per share. The NI Board of Directors approved a dividend of \$0.27 per share payable on March 1, 2021, to stockholders of record on February 8, 2021. This represents an increase of 4 percent per share.

The company's non-GAAP results exclude, as applicable, the impact of purchase accounting fair value adjustments, stock-based compensation expense, amortization of acquisition-related intangibles, acquisition-related transaction and integration costs, taxes levied on the transfer of acquired intellectual property, foreign exchange loss on acquisitions, restructuring charges, tax reform charges, disposal gains on buildings and related charitable contributions, tax effects related to businesses held for sale, gain on sale of businesses, 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.

FY 2020 Highlights

- Revenue of \$1.29 billion, down 5 percent year over year
- GAAP gross margin of 71 percent
- Non-GAAP gross margin of 75 percent
- Diluted GAAP EPS of \$1.09
- Diluted non-GAAP EPS of \$1.24
- Dividends paid of \$137 million, or \$1.04 per share

In 2020, GAAP operating expenses were \$876 million, up 1 percent year over year, and non-GAAP operating expenses were \$759 million, down 5 percent year over year. GAAP net income in 2020 was \$144 million, down 11 percent year over year, and non-GAAP net income in 2020 was \$164 million, down 24 percent year over year.

Guidance

NI currently expects Q1 revenue to be in the range of \$324 million to \$354 million and Q1 non-GAAP revenue, which we define as GAAP revenue adjusted to exclude the impact of purchase accounting fair value adjustments (for Q4 2020 these adjustments related to our recently acquired OptimalPlus subsidiary), to be in the range of \$325 million to \$355 million. The company currently expects that GAAP diluted EPS will be in the range of \$(0.05) to \$0.09 for Q1, with non-GAAP diluted EPS expected to be in the range of \$0.24 to \$0.38. For 2021, NI estimates its non-GAAP effective tax rate to be approximately 17 percent to 18 percent.

Conference Call Information

Interested parties can listen to the Q4 2020 earnings conference call with NI management today, January 28, at 4:00 p.m. CT at www.ni.com/call or dial (855) 212-2361 and enter confirmation code 3484087. Replay information is available by calling (855) 859-2056, confirmation code 3484087, shortly after the call through January 31, at 11:59 p.m. CT or by visiting the company's website at www.ni.com/call.

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, provision for income taxes, net income, net margin and diluted EPS for the three-month and 12-month periods ending Dec. 31, 2020 and 2019, on a GAAP and non-GAAP basis. In this news release the company has also presented its non-GAAP revenue, and guidance for its Q1 non-GAAP revenue. In this news release revenue is also referred to as net sales, and non-GAAP revenue is also referred to as non-GAAP net sales. In this news release the company has also presented its estimated non-GAAP effective tax rate for 2021. When presenting non-GAAP information, the company includes a reconciliation of the non-GAAP results to the GAAP results. The company is not able to provide guidance on its GAAP tax rate or a related reconciliation without unreasonable efforts since its future GAAP tax rate depends on its future stock price and related information that is not currently available. 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 purchase accounting fair value adjustments, stock-based compensation expense, amortization of acquisition-related intangibles, acquisition-related transaction and integration costs, taxes levied on the transfer of acquired intellectual property, foreign exchange loss on acquisitions, restructuring charges, tax reform charges, disposal gains on buildings and related charitable contributions, tax effects related to businesses held-for-sale, gain on sale of businesses, 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-month and 12-month periods ending Dec. 31, 2020 and 2019. 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.

Forward-Looking Statements

This release contains "forward-looking statements" including statements regarding as we expand our systems and software offerings, we may see larger differences between bookings and revenue on a quarterly basis; the areas where we have focused showed strength and momentum increased throughout the year; I believe we enter 2021 in a position of strength and poised to accelerate growth and deliver increased value to all our stakeholders; I believe our strong close to 2020 is proof in our ability to adapt quickly to the global pandemic; we remain committed to our 2023 financial model; in order to accelerate growth, we will continue to align investments to our higher growth opportunities within our four strategic pillars; I believe our strong balance sheet gives us the opportunity to capitalize on inorganic investments to meet our growth targets faster and deliver shareholder returns; expecting Q1 revenue to be in the range of \$324 million to \$354 million; expecting Q1 non-GAAP revenue to be in the range of \$325 million to \$355 million; expecting that GAAP diluted EPS will be in the range of \$(0.05) to \$0.09 for Q1, with non-GAAP diluted EPS expected to be in the range of \$0.24 to \$0.38; and estimating its non-GAAP effective tax rate to be approximately 17 percent to 18 percent for 2021. These statements are subject to a number of risks and uncertainties, including risks and uncertainties related to the COVID-19 virus and further economic and market disruptions resulting from COVID-19; further 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; fluctuations in customer demands and markets; fluctuations in demand for our products including orders from our large customers; component shortages; delays in the release of new products; our ability to effectively manage our operating expenses; manufacturing inefficiencies and the level of capacity utilization; the impact of any recent or future acquisitions or divestitures by NI (including the ability to successfully operate or integrate the acquired company's business into NI, the ability to retain and integrate the acquired company's employees into NI, and the ability to realize the expected benefits of the acquisition); our ability to achieve the benefits of employee restructuring plans and possible changes in the size and timing of the related charges; cyber-attacks; 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, 2019, its Form 10-Q for the quarter ended Sept. 30, 2020 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 release is as of the date above. 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.

About NI

At NI, we bring together the people, ideas and technology so forward thinkers and creative problem solvers can take on humanity's biggest challenges. From data and automation to research and validation, we provide the tailored, software-connected systems engineers and enterprises need to Engineer Ambitiously™ every day. (NATI-F)

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)

| | December 31, 2020 (unaudited) | December 31, 2019 |
|---|-------------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 260,232 | \$ 194,616 |
| Short-term investments | 59,923 | 237,983 |
| Accounts receivable, net | 266,869 | 248,872 |
| Inventories, net | 194,012 | 200,410 |
| Prepaid expenses and other current assets | 68,470 | 65,477 |
| Total current assets | 849,506 | 947,358 |
| Property and equipment, net | 254,399 | 243,717 |
| Goodwill | 467,547 | 262,242 |
| Intangible assets, net | 172,719 | 84,083 |
| Operating lease right-of-use assets | 67,674 | 70,407 |
| Other long-term assets | 79,670 | 44,082 |
| Total assets | 1,891,515 | 1,651,889 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 51,124 | 52,192 |
| Accrued compensation | 87,068 | 47,732 |
| Deferred revenue - current | 132,151 | 131,445 |
| Other lease liabilities - current | 15,801 | 13,431 |
| Other taxes payable | 48,129 | 40,607 |
| Debt - current | 5,000 | — |
| Other current liabilities | 42,578 | 20,716 |
| Total current liabilities | 381,851 | 306,123 |
| Deferred income taxes | 25,287 | 14,065 |
| Liability for uncertain tax positions | 10,868 | 6,652 |
| Income tax payable - non-current | 61,623 | 69,151 |
| Deferred revenue - long-term | 36,335 | 33,480 |
| Operating lease liabilities - non-current | 35,854 | 40,650 |
| Debt, non-current | 92,036 | — |
| Other long-term liabilities | 22,789 | 5,418 |
| Total liabilities | 666,643 | 475,539 |
| Stockholders' equity: | | |
| Preferred stock | — | — |
| Common stock | 1,312 | 1,305 |
| Additional paid-in capital | 1,033,285 | 953,578 |
| Retained earnings | 211,101 | 242,537 |
| Accumulated other comprehensive loss | (20,826) | (21,070) |
| Total stockholders' equity | 1,224,872 | 1,176,350 |
| Total liabilities and stockholders' equity | \$ 1,891,515 | \$ 1,651,889 |

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

| | Three Months Ended | | Years Ended | |
|---------------------------------------|---------------------------|------------------|---------------------|-------------------|
| | December 31, | | December 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Net sales: | | | | |
| Product | \$ 327,714 | \$ 332,267 | \$ 1,137,603 | \$ 1,215,014 |
| Software maintenance | 40,124 | 35,201 | 149,068 | 138,201 |
| Total net sales | <u>367,838</u> | <u>367,468</u> | <u>1,286,671</u> | <u>1,353,215</u> |
| Cost of sales: | | | | |
| Product | 105,625 | 89,308 | 359,861 | 329,364 |
| Software maintenance | 3,571 | 1,827 | 11,260 | 7,527 |
| Total cost of sales | <u>109,196</u> | <u>91,135</u> | <u>371,121</u> | <u>336,891</u> |
| Gross profit | <u>258,642</u> | <u>276,333</u> | <u>915,550</u> | <u>1,016,324</u> |
| | 70% | 75% | 71% | 75% |
| Operating expenses: | | | | |
| Sales and marketing | 134,570 | 121,052 | 465,509 | 473,392 |
| Research and development | 73,733 | 71,471 | 280,381 | 272,452 |
| General and administrative | 36,883 | 30,129 | 129,863 | 122,768 |
| Total operating expenses | <u>245,186</u> | <u>222,652</u> | <u>875,753</u> | <u>868,612</u> |
| Gain on sale of business/asset | — | — | 159,753 | 26,842 |
| Operating income | <u>13,456</u> | <u>53,681</u> | <u>199,550</u> | <u>174,554</u> |
| Other income (expense) | 1,797 | 611 | (788) | 5,990 |
| Income before income taxes | 15,253 | 54,292 | 198,762 | 180,544 |
| Provision (Benefit) for income taxes | <u>10,515</u> | <u>(4,304)</u> | <u>55,103</u> | <u>18,393</u> |
| Net income | <u>\$ 4,738</u> | <u>\$ 58,596</u> | <u>\$ 143,659</u> | <u>\$ 162,151</u> |
| Basic earnings per share | \$ 0.04 | \$ 0.45 | \$ 1.10 | \$ 1.23 |
| Diluted earnings per share | \$ 0.04 | \$ 0.45 | \$ 1.09 | \$ 1.22 |
| Weighted average shares outstanding - | | | | |
| Basic | 131,277 | 130,776 | 131,082 | 131,722 |
| Diluted | 131,732 | 131,432 | 131,799 | 132,734 |
| Dividends declared per share | \$ 0.26 | \$ 0.25 | \$ 1.04 | \$ 1.00 |

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

| | Years Ended December 31, | |
|---|---------------------------------|-------------------|
| | 2020 | 2019 |
| | (unaudited) | |
| Cash flow from operating activities: | | |
| Net income | \$ 143,659 | \$ 162,151 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 87,064 | 73,541 |
| Stock-based compensation | 58,376 | 51,438 |
| Disposal gain on sale of business/asset | (159,753) | (26,842) |
| Deferred income taxes | 7,089 | (12,680) |
| Net change in operating assets and liabilities | 44,332 | (23,203) |
| Net cash provided by operating activities | 180,767 | 224,405 |
| Cash flow from investing activities: | | |
| Capital expenditures | (49,652) | (60,857) |
| Proceeds from sale of assets/business, net of cash divested | 160,266 | 32,492 |
| Capitalization of internally developed software | (4,054) | (9,065) |
| Additions to other intangibles | (1,441) | (1,209) |
| Acquisitions of equity-method investments | (9,761) | (13,670) |
| Acquisitions, net of cash received | (334,981) | — |
| Purchases of short-term investments | (206,330) | (185,267) |
| Sales and maturities of short-term investments | 384,652 | 219,628 |
| Net cash used by investing activities | (61,301) | (17,948) |
| Cash flow from financing activities: | | |
| Proceeds from term loan | 170,000 | — |
| Payments of term loan | (71,250) | — |
| Proceeds from revolving line of credit | 20,000 | — |
| Payments of revolving line of credit | (20,000) | — |
| Debt issuance costs | (1,893) | — |
| Proceeds from issuance of common stock | 31,947 | 33,191 |
| Repurchase of common stock | (48,713) | (171,316) |
| Dividends paid | (136,545) | (131,855) |
| Other | — | (837) |
| Net cash used by financing activities | (56,454) | (270,817) |
| Impact of changes in exchange rates on cash | 2,604 | (410) |
| Net change in cash and cash equivalents | 65,616 | (64,770) |
| Cash and cash equivalents at beginning of period | 194,616 | 259,386 |
| Cash and cash equivalents at end of period | \$ 260,232 | \$ 194,616 |

The following tables provide details with respect to the amount of GAAP charges related to stock-based compensation, amortization of acquisition-related intangibles and fair value adjustments, acquisition-related transaction costs, disposal gains on sale of business/assets and related charitable contributions, tax effects related to businesses held-for-sale, capitalization and amortization of internally developed software costs, and restructuring charges that were recorded in the line items indicated below (unaudited) (in thousands):

| | Three Months Ended | | Years Ended | |
|---------------------------------|--------------------|------------------|------------------|------------------|
| | December 31, | | December 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Stock-based compensation | | | | |
| Cost of sales | \$ 979 | \$ 887 | \$ 3,766 | \$ 3,475 |
| Sales and marketing | 5,462 | 4,868 | 22,288 | 19,612 |
| Research and development | 5,129 | 4,236 | 17,769 | 16,265 |
| General and administrative | 4,251 | 3,393 | 14,552 | 12,086 |
| Provision for income taxes | (445) | (1,433) | (8,705) | (9,337) |
| Total | \$ 15,376 | \$ 11,951 | \$ 49,670 | \$ 42,101 |

Amortization of acquisition-related intangibles and fair value adjustments

| | | | | |
|----------------------------|-----------------|-----------------|------------------|-----------------|
| Net sales | \$ 1,961 | \$ — | \$ 3,260 | \$ — |
| Cost of sales | 4,313 | 823 | 9,892 | 3,348 |
| Sales and marketing | 1,965 | 485 | 5,264 | 1,970 |
| Research and development | 9 | 28 | 94 | 112 |
| General and administrative | 846 | — | 846 | — |
| Other expense (income) | 124 | 124 | 487 | 409 |
| Provision for income taxes | (606) | (127) | (2,554) | (703) |
| Total | \$ 8,612 | \$ 1,333 | \$ 17,289 | \$ 5,136 |

Acquisition related transaction and integration costs, restructuring charges, and other⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

| | | | | |
|--|------------------|-------------------|--------------------|-------------------|
| Cost of sales | \$ 1,620 | \$ — | \$ 1,626 | \$ — |
| Sales and marketing | 23,309 | 5,356 | 32,079 | 13,646 |
| Research and development | 1,184 | 3,266 | 6,374 | 4,166 |
| General and administrative ⁽¹⁾⁽⁴⁾ | 8,685 | 2,002 | 21,279 | 11,527 |
| Gain on sale of business/asset ⁽¹⁾⁽²⁾ | — | — | (159,753) | (26,842) |
| Other expense (income) | 191 | — | 589 | — |
| Provision for income taxes ⁽³⁾ | (1,602) | (13,477) | 32,364 | (12,237) |
| Total | \$ 33,387 | \$ (2,853) | \$ (65,442) | \$ (9,740) |

(1): During the third quarter of 2019, the company recognized a gain of \$27 million related to the sale of an office building, presented within "Gain on sale of business/assets". The company also recognized a charitable contribution expense of \$7 million related to an infrequent donation using a portion of the proceeds from the sale of the building, presented within "General and administrative".

(2): During the first quarter of 2020, we recognized a gain of \$160 million related to the divestiture of AWR, presented within "Gain on sale of business/assets".

(3): During the fourth quarter of 2019, we recognized an income tax benefit of \$11 million related to the recognition of deferred taxes on the outside basis difference of our AWR business, which was held-for-sale as of December 31, 2019.

(4): During the third quarter of 2020, we recognized \$5 million of compensation expense related to the replacement of unvested options acquired from OptimalPlus. These amounts were accounted for as post-combination expense and will be recognized over the required service period.

(Capitalization) and amortization of internally developed software costs

| | | | | |
|----------------------------|-----------------|-----------------|------------------|------------------|
| Cost of sales | \$ 6,936 | \$ 7,012 | \$ 27,931 | \$ 27,085 |
| Research and development | (1,248) | (1,887) | (4,043) | (9,066) |
| Provision for income taxes | (1,195) | (1,076) | (5,017) | (3,784) |
| Total | \$ 4,493 | \$ 4,049 | \$ 18,871 | \$ 14,235 |

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

| | Three Months Ended December 31, | | Years Ended December 31, | |
|--|--|-------------------|-------------------------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Reconciliation of Net sales to Non-GAAP Net sales | | | | |
| Net sales, as reported | \$ 367,838 | \$ 367,468 | \$ 1,286,671 | \$ 1,353,215 |
| Impact of acquisition related fair value adjustments | 1,961 | — | 3,260 | — |
| Non-GAAP net sales | <u>\$ 369,799</u> | <u>\$ 367,468</u> | <u>\$ 1,289,931</u> | <u>\$ 1,353,215</u> |
| Reconciliation of Gross Profit to Non-GAAP Gross Profit | | | | |
| Gross profit, as reported | \$ 258,642 | \$ 276,333 | \$ 915,550 | \$ 1,016,324 |
| Stock-based compensation | 979 | 887 | 3,766 | 3,475 |
| Amortization of acquisition-related intangibles and fair value adjustments | 6,274 | 823 | 13,152 | 3,348 |
| Acquisition transaction and integration costs, restructuring charges and other | 1,620 | — | 1,626 | — |
| Amortization of internally developed software costs | 6,936 | 7,012 | 27,931 | 27,085 |
| Non-GAAP gross profit | <u>\$ 274,451</u> | <u>\$ 285,055</u> | <u>\$ 962,025</u> | <u>\$ 1,050,232</u> |
| <i>Non-GAAP gross margin</i> | 74% | 78% | 75% | 78% |
| Reconciliation of Operating Expenses to Non-GAAP Operating Expenses | | | | |
| Operating expenses, as reported | \$ 245,186 | \$ 222,652 | \$ 875,753 | \$ 868,612 |
| Stock-based compensation | (14,842) | (12,497) | (54,609) | (47,963) |
| Amortization of acquisition-related intangibles and fair value adjustments | (2,820) | (513) | (6,204) | (2,082) |
| Acquisition transaction and integration costs, restructuring charges and other | (33,178) | (10,624) | (59,732) | (29,339) |
| Capitalization of internally developed software costs | 1,248 | 1,887 | 4,043 | 9,066 |
| Non-GAAP operating expenses | <u>\$ 195,594</u> | <u>\$ 200,905</u> | <u>\$ 759,251</u> | <u>\$ 798,294</u> |
| Reconciliation of Operating Income to Non-GAAP Operating Income | | | | |
| Operating income, as reported | \$ 13,456 | \$ 53,681 | \$ 199,550 | \$ 174,554 |
| Stock-based compensation | 15,821 | 13,384 | 58,375 | 51,438 |
| Amortization of acquisition-related intangibles and fair value adjustments | 9,094 | 1,336 | 19,356 | 5,430 |
| Acquisition transaction and integration costs, restructuring charges and other | 34,798 | 10,624 | 61,358 | 29,339 |
| Net amortization of internally developed software costs | 5,688 | 5,125 | 23,888 | 18,019 |
| Gain on sale of business/assets | — | — | (159,753) | (26,842) |
| Non-GAAP operating income | <u>\$ 78,857</u> | <u>\$ 84,150</u> | <u>\$ 202,774</u> | <u>\$ 251,938</u> |
| <i>Non-GAAP operating margin</i> | 21% | 23% | 16% | 19% |
| Reconciliation of Provision for income taxes to Non-GAAP Provision for income taxes | | | | |
| Provision for income taxes, as reported⁽¹⁾ | \$ 10,515 | \$ (4,304) | \$ 55,103 | \$ 18,393 |
| Stock-based compensation | 445 | 1,433 | 8,705 | 9,337 |
| Amortization of acquisition-related intangibles and fair value adjustments | 606 | 127 | 2,554 | 703 |
| Acquisition transaction and integration costs, restructuring charges and other | 1,328 | 2,715 | 4,122 | 7,136 |
| Net amortization of internally developed software costs | 1,195 | 1,076 | 5,017 | 3,784 |
| Gain on sale of business/assets | 274 | 10,762 | (36,486) | 5,101 |
| Tax reform charge (benefit) | — | — | — | (2,774) |
| Non-GAAP provision for income taxes⁽¹⁾ | <u>\$ 14,363</u> | <u>\$ 11,809</u> | <u>\$ 39,015</u> | <u>\$ 41,680</u> |

(1): The income tax effect related to each non-GAAP item is calculated based on the tax laws and statutory income tax rates applicable in the tax jurisdiction(s) of the underlying non-GAAP adjustment, and considers the current and deferred tax impact of those adjustments.

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

| | Three Months Ended | | Years Ended | |
|---|---------------------------|------------------|---------------------|-------------------|
| | December 31, | | December 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Net income, as reported | \$ 4,738 | \$ 58,596 | \$ 143,659 | \$ 162,151 |
| <i>Adjustments to reconcile net income to non-GAAP net income:</i> | | | | |
| Stock-based compensation | 15,821 | 13,384 | 58,375 | 51,438 |
| Amortization of acquisition-related intangibles and fair value adjustments | 9,218 | 1,460 | 19,843 | 5,839 |
| Acquisition transaction and integration costs, restructuring charges and other | 34,989 | 10,624 | 61,947 | 29,339 |
| Net amortization of internally developed software costs | 5,688 | 5,125 | 23,888 | 18,019 |
| Gain on sale of business/asset | — | — | (159,753) | (26,842) |
| Income tax effects and adjustments ⁽¹⁾ | (3,848) | (16,113) | 16,088 | (23,287) |
| Non-GAAP net income | \$ 66,606 | \$ 73,076 | \$ 164,047 | \$ 216,657 |
| <i>Non-GAAP net margin</i> | 18.0% | 19.9% | 12.7% | 16.0% |
| Diluted EPS, as reported | \$ 0.04 | \$ 0.45 | \$ 1.09 | \$ 1.22 |
| <i>Adjustment to reconcile diluted EPS to non-GAAP diluted EPS</i> | | | | |
| Stock-based compensation | 0.12 | 0.10 | 0.44 | 0.39 |
| Amortization of acquisition-related intangibles and fair value adjustments | 0.07 | 0.01 | 0.15 | 0.04 |
| Acquisition transaction and integration costs, restructuring charges and other | 0.27 | 0.08 | 0.47 | 0.22 |
| Net amortization of internally developed software costs | 0.04 | 0.04 | 0.18 | 0.14 |
| Gain on sale of business/asset | — | — | (1.21) | (0.20) |
| Income tax effects and adjustments ⁽¹⁾ | (0.03) | (0.12) | 0.12 | (0.18) |
| Non-GAAP diluted EPS | \$ 0.51 | \$ 0.56 | \$ 1.24 | \$ 1.63 |
| <i>(1): The income tax effect related to each non-GAAP item is calculated based on the tax laws and statutory income tax rates applicable in the tax jurisdiction(s) of the underlying non-GAAP adjustment, and considers the current and deferred tax impact of those adjustments.</i> | | | | |
| Net income, as reported | \$ 4,738 | \$ 58,596 | \$ 143,659 | \$ 162,151 |
| <i>Adjustments to reconcile net income to EBITDA:</i> | | | | |
| Interest expense (income), net | 592 | (1,934) | (2,016) | (8,089) |
| Tax expense (benefit) | 10,515 | (4,304) | 55,103 | 18,393 |
| Depreciation and amortization | 25,836 | 18,995 | 87,064 | 73,541 |
| EBITDA | \$ 41,681 | \$ 71,353 | \$ 283,810 | \$ 245,996 |
| Weighted average shares outstanding | | | | |
| Basic | 131,277 | 130,776 | 131,082 | 131,722 |
| Diluted | 131,732 | 131,432 | 131,799 | 132,734 |

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

**Three Months Ended
March 31, 2021**

| | Low | High |
|--|----------------|----------------|
| GAAP Diluted EPS, guidance | \$ (0.05) | \$ 0.09 |
| <i>Adjustment to reconcile diluted EPS to non-GAAP diluted EPS:</i> | | |
| Stock-based compensation | 0.13 | 0.13 |
| Amortization of acquisition-related intangibles and fair value adjustments | 0.06 | 0.06 |
| Acquisition transaction and integration costs, restructuring charges and other | 0.12 | 0.12 |
| Net amortization of internally developed software costs | 0.05 | 0.05 |
| Income tax effects and adjustments ⁽¹⁾ | (0.07) | (0.07) |
| Non-GAAP Diluted EPS, guidance | \$ 0.24 | \$ 0.38 |

(1): The income tax effect related to each non-GAAP item is calculated based on the tax laws and statutory income tax rates applicable in the tax jurisdiction(s) of the underlying non-GAAP adjustment, and considers the current and deferred tax impact of those adjustments.

**Reconciliation of GAAP Net Sales to Non-GAAP Net Sales, Guidance
(unaudited)**

**Three Months Ended
March 31,**

| | 2021 (midpoint) | 2020 | Percent Inc(Dec) |
|--|----------------------------|-------------------|-------------------------|
| GAAP Net sales, guidance | \$ 339,000 | \$ 309,381 | 10% |
| Impact of purchase accounting fair value adjustments | 1,000 | — | |
| Non-GAAP Net sales, guidance | \$ 340,000 | \$ 309,381 | 10% |