UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________

Commission File Number 001-03761

TEXAS INSTRUMENTS INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**75-0289970**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
12500 TI Boulevard, Dallas, Texas	**75243**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code 214-479-3773

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, par value $1.00	TXN	The Nasdaq Global Select Market

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
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 ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

917,772,641

Number of shares of Registrant's common stock outstanding as of
April 14, 2020

PART I - FINANCIAL INFORMATION

ITEM 1. Financial statements

Consolidated Statements of Income	For Three Months Ended March 31,	
(Millions of dollars, except share and per-share amounts)	2020	2019
Revenue	$ 3,329	$ 3,594
Cost of revenue (COR)	1,241	1,333
Gross profit	2,088	2,261
Research and development (R&D)	377	389
Selling, general and administrative (SG&A)	417	414
Acquisition charges	50	79
Operating profit	1,244	1,379
Other income (expense), net (OI&E)	25	36
Interest and debt expense	45	38
Income before income taxes	1,224	1,377
Provision for income taxes	50	160
Net income	$ 1,174	$ 1,217
Earnings per common share (EPS):		
Basic	$ 1.25	$ 1.29
Diluted	$ 1.24	$ 1.26
Average shares outstanding (millions):		
Basic	931	939
Diluted	943	956

A portion of net income is allocated to unvested restricted stock units (RSUs) on which we pay dividend equivalents. Diluted EPS is calculated using the following:

Net income	$ 1,174	$ 1,217
Income allocated to RSUs	(6)	(8)
Income allocated to common stock for diluted EPS	$ 1,168	$ 1,209

See accompanying notes.

Consolidated Statements of Comprehensive Income (Millions of dollars)	For Three Months Ended March 31, 2020	2019
Net income	**$ 1,174**	$ 1,217
Other comprehensive income (loss)		
Net actuarial losses of defined benefit plans:		
Adjustments, net of tax effect of ($3) and $1	**9**	(2)
Recognized within net income, net of tax effect of ($2) and ($3)	**8**	10
Available-for-sale investments:		
Unrealized gains, net of tax effect of $0 and $0	**2**	—
Other comprehensive income (loss), net of taxes	**19**	8
Total comprehensive income	**$ 1,193**	$ 1,225

See accompanying notes.

Consolidated Balance Sheets	March 31, 2020	December 31, 2019
(Millions of dollars, except share amounts)		
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,518**	$ 2,437
Short-term investments	**2,224**	2,950
Accounts receivable, net of allowances of ($8) and ($8)	**1,316**	1,074
Raw materials	**175**	176
Work in process	**915**	916
Finished goods	**913**	909
Inventories	**2,003**	2,001
Prepaid expenses and other current assets	**249**	299
Total current assets	**8,310**	8,761
Property, plant and equipment at cost	**5,736**	5,740
Accumulated depreciation	**(2,503)**	(2,437)
Property, plant and equipment	**3,233**	3,303
Long-term investments	**34**	300
Goodwill	**4,362**	4,362
Acquisition-related intangibles	**290**	340
Deferred tax assets	**208**	197
Capitalized software licenses	**138**	69
Overfunded retirement plans	**215**	218
Other long-term assets	**493**	468
Total assets	**$ 17,283**	$ 18,018
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	**$ 1,051**	$ 500
Accounts payable	**363**	388
Accrued compensation	**353**	714
Income taxes payable	**62**	46
Accrued expenses and other liabilities	**552**	475
Total current liabilities	**2,381**	2,123
Long-term debt	**5,499**	5,303
Underfunded retirement plans	**95**	93
Deferred tax liabilities	**64**	78
Other long-term liabilities	**1,510**	1,514
Total liabilities	**9,549**	9,111
Stockholders' equity:		
Preferred stock, $25 par value. Authorized – 10,000,000 shares		
Participating cumulative preferred – None issued	**—**	—
Common stock, $1 par value. Authorized – 2,400,000,000 shares		
Shares issued – 1,740,815,939	**1,741**	1,741
Paid-in capital	**2,096**	2,110
Retained earnings	**40,227**	39,898
Treasury common stock at cost		
Shares: March 31, 2020 – 819,335,097; December 31, 2019 – 808,784,381	**(36,002)**	(34,495)
Accumulated other comprehensive income (loss), net of taxes (AOCI)	**(328)**	(347)
Total stockholders' equity	**7,734**	8,907
Total liabilities and stockholders' equity	**$ 17,283**	$ 18,018

See accompanying notes.

Consolidated Statements of Cash Flows	For Three Months Ended March 31,	
(Millions of dollars)	2020	2019
Cash flows from operating activities		
Net income	**$ 1,174**	$ 1,217
Adjustments to net income:		
Depreciation	**186**	166
Amortization of acquisition-related intangibles	**50**	79
Amortization of capitalized software	**14**	13
Stock compensation	**63**	61
Gains on sales of assets	**—**	(2)
Deferred taxes	**(34)**	4
Increase (decrease) from changes in:		
Accounts receivable	**(242)**	(233)
Inventories	**(2)**	86
Prepaid expenses and other current assets	**(88)**	223
Accounts payable and accrued expenses	**—**	(67)
Accrued compensation	**(353)**	(373)
Income taxes payable	**147**	(94)
Changes in funded status of retirement plans	**27**	7
Other	**(91)**	20
Cash flows from operating activities	**851**	1,107
Cash flows from investing activities		
Capital expenditures	**(161)**	(251)
Proceeds from asset sales	**—**	2
Purchases of short-term investments	**(646)**	(149)
Proceeds from short-term investments	**1,638**	1,584
Other	**(5)**	(13)
Cash flows from investing activities	**826**	1,173
Cash flows from financing activities		
Proceeds from issuance of long-term debt	**749**	743
Dividends paid	**(841)**	(724)
Stock repurchases	**(1,641)**	(1,152)
Proceeds from common stock transactions	**146**	151
Other	**(9)**	(16)
Cash flows from financing activities	**(1,596)**	(998)
Net change in cash and cash equivalents	**81**	1,282
Cash and cash equivalents at beginning of period	**2,437**	2,438
Cash and cash equivalents at end of period	**$ 2,518**	$ 3,720

See accompanying notes.

Notes to financial statements

1. Description of business, including segment and geographic area information

We design, make and sell semiconductors to electronics designers and manufacturers all over the world. We have two reportable segments, which are established along major categories of products as follows:

- *Analog* – consisting of the following product lines: Power, Signal Chain and High Volume.
- *Embedded Processing* – consisting of the following product lines: Connected Microcontrollers and Processors.

We report the results of our remaining business activities in Other. Other includes operating segments that do not meet the quantitative thresholds for individually reportable segments and cannot be aggregated with other operating segments. Other includes DLP® products, calculators and custom ASIC products.

Our centralized manufacturing and support organizations, such as facilities, procurement and logistics, provide support to our operating segments, including those in Other. Costs incurred by these organizations, including depreciation, are charged to the segments on a per-unit basis. Consequently, depreciation expense is not an independently identifiable component within the segments' results and, therefore, is not provided.

Segment information

	For Three Months Ended March 31, 2020	For Three Months Ended March 31, 2019
Revenue:		
Analog	**$ 2,460**	$ 2,518
Embedded Processing	**653**	796
Other	**216**	280
Total revenue	**$ 3,329**	$ 3,594
Operating profit:		
Analog	**$ 1,025**	$ 1,088
Embedded Processing	**182**	249
Other	**37**	42
Total operating profit	**$ 1,244**	$ 1,379

Geographic area information

The following geographic area information includes revenue, based on product shipment destination. The geographic revenue information does not necessarily reflect end demand by geography because our products tend to be shipped to the locations where our customers manufacture their products.

	For Three Months Ended March 31,	
	2020	**2019**
Revenue:		
United States	**$ 390**	$ 477
Asia (a)	**2,027**	2,092
Europe, Middle East and Africa	**619**	743
Japan	**190**	191
Rest of world	**103**	91
Total revenue	**$ 3,329**	$ 3,594

(a) Revenue from products shipped into China was $1.7 billion in the first quarters of both 2020 and 2019, which includes shipments to customers that manufacture in China and then export end products to their customers around the world, as well as distributors that transship inventory through China to service other countries.

2. Basis of presentation and significant accounting policies and practices

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and on the same basis as the audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2019. The Consolidated Statements of Income, Comprehensive Income and Cash Flows for the periods ended March 31, 2020 and 2019, and the Consolidated Balance Sheet as of March 31, 2020, are not audited but reflect all adjustments that are of a normal recurring nature and are necessary for a fair statement of the results of the periods shown. Certain information and note disclosures normally included in annual consolidated financial statements have been omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Because the consolidated interim financial statements do not include all of the information and notes required by GAAP for a complete set of financial statements, they should be read in conjunction with the audited consolidated financial statements and notes included in our annual report on Form 10-K for the year ended December 31, 2019. The results for the three-month periods are not necessarily indicative of a full year's results.

Significant accounting policies and practices

Earnings per share (EPS)
We use the two-class method for calculating EPS because the restricted stock units (RSUs) we grant are participating securities containing non-forfeitable rights to receive dividend equivalents. Under the two-class method, a portion of net income is allocated to RSUs and excluded from the calculation of income allocated to common stock.

Computation and reconciliation of earnings per common share are as follows (shares in millions):

	For Three Months Ended March 31,					
	2020			2019		
	Net Income	**Shares**	**EPS**	**Net Income**	**Shares**	**EPS**
Basic EPS:						
Net income	**$ 1,174**			$ 1,217		
Income allocated to RSUs	**(6)**			(8)		
Income allocated to common stock	**$ 1,168**	**931**	**$ 1.25**	$ 1,209	939	$ 1.29
Dilutive effect of stock compensation plans		**12**			17	
Diluted EPS:						
Net income	**$ 1,174**			$ 1,217		
Income allocated to RSUs	**(6)**			(8)		
Income allocated to common stock	**$ 1,168**	**943**	**$ 1.24**	$ 1,209	956	$ 1.26

Potentially dilutive securities representing 9 million shares of common stock that were outstanding during the first quarters of both 2020 and 2019, were excluded from the computation of diluted earnings per common share during these periods because their effect would have been anti-dilutive.

Derivatives and hedging
We use derivative financial instruments to manage exposure to foreign exchange risk. These instruments are primarily forward foreign currency exchange contracts, which are used as economic hedges to reduce the earnings impact that exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures. Gains and losses from changes in the fair value of these forward foreign currency exchange contracts are credited or charged to OI&E. We do not apply hedge accounting to our foreign currency derivative instruments.

We are exposed to variability in compensation charges related to certain deferred compensation obligations to employees. We use total return swaps to economically hedge this exposure and offset the related compensation expense, recognizing changes in the value of the swaps and the related deferred compensation liabilities in SG&A.

In connection with the issuance of long-term debt, we may use financial derivatives such as treasury-rate lock agreements that are recognized in AOCI and amortized over the life of the related debt. The results of these derivative transactions have not been material.

We do not use derivatives for speculative or trading purposes.

Fair values of financial instruments
The fair values of our derivative financial instruments were not material as of March 31, 2020. Our investments in cash equivalents, short-term investments and certain long-term investments, as well as our deferred compensation liabilities, are carried at fair value. The carrying values for other current financial assets and liabilities, such as accounts receivable and accounts payable, approximate fair value due to the short maturity of such instruments. As of March 31, 2020, the carrying value of long-term debt, including the current portion, was $6.55 billion, and the estimated fair value was $7.06 billion. The estimated fair value is measured using broker-dealer quotes, which are Level 2 inputs. See Note 4 for a description of fair value and the definition of Level 2 inputs.

Changes in accounting standards – adopted standards for current period

We adopted the following Accounting Standards Updates (ASU) during the current period, none of which had a material impact on our financial position or results of operations.

ASU	Description	Adopted Date
ASU No. 2016-13	*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*	January 1, 2020
ASU No. 2018-13	*Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*	January 1, 2020
ASU No. 2018-15	*Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*	January 1, 2020

3. Income taxes

Our estimated annual effective tax rate is about 14%, which does not include discrete tax items. This differs from the 21% statutory corporate tax rate due to the effect of U.S. tax benefits.

Provision for income taxes is based on the following:

	For Three Months Ended March 31,	
	2020	**2019**
Taxes calculated using the estimated annual effective tax rate	**$ 166**	$ 220
Discrete tax items	**(116)**	(60)
Provision for income taxes	**$ 50**	$ 160
Actual effective tax rate	**4 %**	12 %

4. Valuation of debt and equity investments and certain liabilities

Investments measured at fair value

Available-for-sale debt investments and trading securities are stated at fair value, which is generally based on market prices or broker quotes. See *Fair-value considerations* below. Unrealized gains and losses from available-for-sale debt securities are recorded as an increase or decrease, net of taxes, in AOCI on our Consolidated Balance Sheets and any credit losses on available-for-sale debt securities are recorded as an allowance for credit losses with an offset recognized in OI&E in our Consolidated Statements of Income.

We classify certain mutual funds as trading securities. These mutual funds hold a variety of debt and equity investments intended to generate returns that offset changes in certain deferred compensation liabilities. We record changes in the fair value of these mutual funds and the related deferred compensation liabilities in SG&A.

Other investments

Our other investments include equity-method investments and non-marketable equity investments, which are not measured at fair value. These investments consist of interests in venture capital funds and other non-marketable equity securities. Gains and losses from equity-method investments are recognized in OI&E based on our ownership share of the investee's financial results.

Non-marketable equity securities are measured at cost with adjustments for observable changes in price or impairments. Gains and losses on non-marketable equity investments are recognized in OI&E.

Details of our investments are as follows:

	March 31, 2020			December 31, 2019		
	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments
Measured at fair value:						
Available-for-sale debt securities:						
Money market funds	**$ 1,912**	**$ —**	**$ —**	$ 1,213	$ —	$ —
Corporate obligations	**102**	**899**	**—**	174	1,216	—
U.S. government agency and Treasury securities	**150**	**1,325**	**—**	604	1,734	—
Trading securities:						
Mutual funds	**—**	**—**	**14**	—	—	272
Total	**2,164**	**2,224**	**14**	1,991	2,950	272
Other measurement basis:						
Equity-method investments	**—**	**—**	**16**	—	—	24
Non-marketable equity investments	**—**	**—**	**4**	—	—	4
Cash on hand	**354**	**—**	**—**	446	—	—
Total	**$ 2,518**	**$ 2,224**	**$ 34**	$ 2,437	$ 2,950	$ 300

As of March 31, 2020 and December 31, 2019, unrealized gains and losses associated with our available-for-sale investments were not material. We did not recognize any credit losses related to available-for-sale investments for the first three months of 2020 and 2019.

Proceeds from sales, redemptions and maturities of short-term available-for-sale investments were $1.39 billion and $1.58 billion for the first quarters of 2020 and 2019, respectively. Gross realized gains and losses from these sales were not material.

The following table presents the aggregate maturities of our available-for-sale debt investments as of March 31, 2020:

	Fair Value
One year or less	$ 4,368
One to two years	20

During the first quarter of 2020, we entered into total return swaps to economically hedge the variability of certain deferred compensation obligations to employees. As a result, we received proceeds of $253 million from the sale of investments in mutual funds that were previously being utilized to offset this exposure.

Fair-value considerations

We measure and report certain financial assets and liabilities at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The three-level hierarchy described below indicates the extent and level of judgment used to estimate fair-value measurements.

- *Level 1* – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

- *Level 2* – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data. We utilize a third-party data service to provide Level 2 valuations. We verify these valuations for reasonableness relative to unadjusted quotes obtained from brokers or dealers based on observable prices for similar assets in active markets.
- *Level 3* – Uses inputs that are unobservable, supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models that utilize management estimates of market participant assumptions. As of March 31, 2020 and December 31, 2019, we had no Level 3 assets or liabilities.

The following are our assets and liabilities that were accounted for at fair value on a recurring basis. These tables do not include cash on hand, assets held by our postretirement plans, or assets and liabilities that are measured at historical cost or any basis other than fair value.

	March 31, 2020			**December 31, 2019**		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Assets:						
Money market funds	**$ 1,912**	**$ —**	**$ 1,912**	$ 1,213	$ —	$ 1,213
Corporate obligations	**—**	**1,001**	**1,001**	—	1,390	1,390
U.S. government agency and Treasury securities	**1,475**	**—**	**1,475**	2,338	—	2,338
Mutual funds	**14**	**—**	**14**	272	—	272
Total assets	**$ 3,401**	**$ 1,001**	**$ 4,402**	$ 3,823	$ 1,390	$ 5,213
Liabilities:						
Deferred compensation	**$ 251**	**$ —**	**$ 251**	$ 298	$ —	$ 298
Total liabilities	**$ 251**	**$ —**	**$ 251**	$ 298	$ —	$ 298

5. <u>Goodwill and acquisition-related intangibles</u>

Goodwill was $4.36 billion as of March 31, 2020 and December 31, 2019. There was no impairment of goodwill during the first three months of 2020 or 2019.

The components of acquisition-related intangibles are as follows:

		March 31, 2020			**December 31, 2019**		
	Amortization Period (Years)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
Developed technology	8 – 10	**$ 2,000**	**$ 1,710**	**$ 290**	$ 2,000	$ 1,660	$ 340

Acquisition charges

Acquisition charges represent the ongoing amortization of intangible assets resulting from the acquisition of National Semiconductor Corporation. These amounts are included in Other for segment reporting purposes, consistent with how management measures the performance of its segments.

Amortization of acquisition-related intangibles was $50 million and $79 million for the first quarters of 2020 and 2019, respectively. Fully amortized assets are written off against accumulated amortization.

6. Postretirement benefit plans

Expense related to defined benefit and retiree health care benefit plans is as follows:

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit	
For Three Months Ended March 31,	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Service cost	**$ 4**	$ 4	**$ 1**	$ 1	**$ 8**	$ 8
Interest cost	**9**	9	**3**	3	**9**	11
Expected return on plan assets	**(9)**	(9)	**(3)**	(4)	**(18)**	(21)
Recognized net actuarial loss	**2**	2	**—**	—	**3**	7
Net periodic benefit costs	**6**	6	**1**	—	**2**	5
Settlement losses	**4**	3	**—**	—	**1**	1
Total, including other postretirement losses	**$ 10**	$ 9	**$ 1**	$ —	**$ 3**	$ 6

7. Debt and lines of credit

Short-term borrowings

We maintain a line of credit to support commercial paper borrowings, if any, and to provide additional liquidity through bank loans. As of March 31, 2020, we had a variable-rate revolving credit facility from a consortium of investment-grade banks that allows us to borrow up to $2 billion until March 2024. The interest rate on borrowings under this credit facility, if drawn, is indexed to the applicable London Interbank Offered Rate (LIBOR). As of March 31, 2020, our credit facility was undrawn, and we had no commercial paper outstanding.

Long-term debt

In March 2020, we issued a principal amount of $750 million of fixed-rate, long-term debt due in 2025. We incurred $4 million of issuance and other related costs. The proceeds of the offering were $749 million, net of the original issuance discount, and were used for general corporate purposes, including to repay $500 million of 1.75% notes in April 2020.

Long-term debt outstanding is as follows:

	March 31, 2020	**December 31, 2019**
Notes due 2020 at 1.75%	**$ 500**	$ 500
Notes due 2021 at 2.75%	**550**	550
Notes due 2022 at 1.85%	**500**	500
Notes due 2023 at 2.25%	**500**	500
Notes due 2024 at 2.625%	**300**	300
Notes due 2025 at 1.375%	**750**	—
Notes due 2027 at 2.90%	**500**	500
Notes due 2029 at 2.25%	**750**	750
Notes due 2039 at 3.875%	**750**	750
Notes due 2048 at 4.15%	**1,500**	1,500
Total debt	**6,600**	5,850
Net unamortized discounts, premiums and issuance costs	**(50)**	(47)
Total debt, including net unamortized discounts, premiums and issuance costs	**6,550**	5,803
Current portion of long-term debt	**(1,051)**	(500)
Long-term debt	**$ 5,499**	$ 5,303

Interest and debt expense was $45 million and $38 million for the first quarters of 2020 and 2019, respectively. This was net of the amortized discounts, premiums and issuance costs. Capitalized interest was not material.

8. Stockholders' equity

Changes in equity are as follows:

	Common Stock	Paid-in Capital	Retained Earnings	Treasury Common Stock	AOCI
Balance, December 31, 2019	$ 1,741	$ 2,110	$ 39,898	$ (34,495)	$ (347)
2020					
Net income	**—**	**—**	**1,174**	**—**	**—**
Dividends declared and paid ($0.90 per share)	**—**	**—**	**(841)**	**—**	**—**
Common stock issued for stock-based awards	**—**	**(77)**	**—**	**223**	**—**
Stock repurchases	**—**	**—**	**—**	**(1,730)**	**—**
Stock compensation	**—**	**63**	**—**	**—**	**—**
Other comprehensive income (loss), net of taxes	**—**	**—**	**—**	**—**	**19**
Dividend equivalents on RSUs	**—**	**—**	**(4)**	**—**	**—**
Balance, March 31, 2020	**$ 1,741**	**$ 2,096**	**$ 40,227**	**$ (36,002)**	**$ (328)**

	Common Stock	Paid-in Capital	Retained Earnings	Treasury Common Stock	AOCI
Balance, December 31, 2018	$ 1,741	$ 1,950	$ 37,906	$ (32,130)	$ (473)
2019					
Net income	—	—	1,217	—	—
Dividends declared and paid ($0.77 per share)	—	—	(724)	—	—
Common stock issued for stock-based awards	—	(84)	—	235	—
Stock repurchases	—	—	—	(1,185)	—
Stock compensation	—	61	—	—	—
Other comprehensive income (loss), net of taxes	—	—	—	—	8
Dividend equivalents on RSUs	—	—	(4)	—	—
Other	—	—	1	—	—
Balance, March 31, 2019	$ 1,741	$ 1,927	$ 38,396	$ (33,080)	$ (465)

9. Contingencies

Indemnification guarantees

We routinely sell products with an intellectual property indemnification included in the terms of sale. Historically, we have had only minimal, infrequent losses associated with these indemnities. Consequently, we cannot reasonably estimate any future liabilities that may result.

Warranty costs/product liabilities

We accrue for known product-related claims if a loss is probable and can be reasonably estimated. During the periods presented, there have been no material accruals or payments regarding product warranty or product liability. Historically, we have experienced a low rate of payments on product claims. Although we cannot predict the likelihood or amount of any future claims, we do not believe they will have a material adverse effect on our financial condition, results of operations or liquidity. Our stated warranties for semiconductor products obligate us to repair, replace or credit the purchase price of a covered product back to the buyer. Product claim consideration may exceed the price of our products.

General

We are subject to various legal and administrative proceedings. Although it is not possible to predict the outcome of these matters, we believe that the results of these proceedings will not have a material adverse effect on our financial condition, results of operations or liquidity.

10. Supplemental financial information

Details on amounts reclassified out of accumulated other comprehensive income (loss), net of taxes, to net income

Our Consolidated Statements of Comprehensive Income include items that have been recognized within net income during the first quarters of 2020 and 2019. The table below details where these transactions are recorded in our Consolidated Statements of Income.

	For Three Months Ended March 31,		
	2020	**2019**	**Impact to Related Statement of Income Lines**
Net actuarial losses of defined benefit plans:			
Recognized net actuarial loss and settlement losses (a)	**$ 10**	$ 13	Decrease to OI&E
Tax effect	**(2)**	(3)	Decrease to provision for income taxes
Recognized within net income, net of taxes	**$ 8**	$ 10	Decrease to net income

(a) Detailed in Note 6.

Stock compensation

Total shares of 5,214,242 were issued from treasury shares during the first quarter of 2020 related to stock compensation.

ITEM 2. Management's discussion and analysis of financial condition and results of operations

Overview

We design, make and sell semiconductors to electronics designers and manufacturers all over the world. For many years, we have run our business with three overarching ambitions in mind. First, we will act like owners who will own the company for decades. Second, we will adapt and succeed in a world that is ever changing. And third, we will be a company that we are personally proud to be a part of and that we would want as our neighbor. When we are successful in achieving these ambitions, our employees, customers, communities and shareholders all win.

Our business model is designed around the following four sustainable competitive advantages that we believe, in combination, put us in a unique class of companies:

- *A strong foundation of manufacturing and technology.* We invest in manufacturing technologies and do most of our manufacturing in-house. This strategic decision to directly control our manufacturing helps ensure a consistent supply of products for our customers and also allows us to invest in technology that differentiates the features of our products. We have focused on creating a competitive manufacturing cost advantage by investing in our advanced analog 300-millimeter capacity, which has about a 40% cost advantage per unpackaged chip over 200-millimeter. To strengthen this advantage, we are moving forward with our plan to build our new 300-millimeter wafer fabrication facility in Richardson, Texas, as 300-millimeter wafers will continue to support the majority of our Analog growth.
- *Broad portfolio of differentiated analog and embedded processing products.* Our customers need multiple chips for their systems. The breadth of our portfolio means we can meet more of these needs than our competitors can, which gives us access to more customers and the opportunity to sell more products and generate more revenue per customer system. We invest more than $1 billion each year to develop new products for our portfolio, which includes tens of thousands of products.
- *Reach of market channels.* Customers often begin their initial product selection process and design-in journey on our website, and the breadth of our portfolio attracts more customers to our website than any of our competitors' websites. Our web presence and global sales and applications team are advantages that give us unique access and insight to about 100,000 customers designing TI semiconductors into their end products.
- *Diversity and longevity of our products, markets and customer positions.* Together, the attributes above result in diverse and long-lived positions that deliver high terminal value to our shareholders. Because of the breadth of our portfolio, we are not dependent on any single product, customer, technology or market. Some of our products generate revenue for decades, which strengthens the return on our investments.

Our strategic focus, and where we invest the majority of our resources, is on Analog and Embedded Processing, with a particular emphasis on designing and selling those products into the industrial and automotive markets. We believe these markets represent the best growth opportunities over the next decade or longer, due to increasing semiconductor content. Additionally, analog and embedded processing products sold into industrial and automotive markets provide long product life cycles, intrinsic diversity and less capital-intensive manufacturing, which we believe offer stability, profitability and strong cash generation.

This business model is the foundation of our capital management strategy, which is based on our belief that free cash flow growth, especially on a per-share basis, is important for maximizing shareholder value over the long term. We also believe that free cash flow will be valued only if it is productively invested in the business or returned to shareholders.

The combined effect of our ambitions, business model and sustainable competitive advantages is that we have continued to build a stronger company. Over time, we have gained market share in Analog and Embedded Processing and grown and returned all free cash flow to our owners.

Management's discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with the financial statements and the related notes that appear elsewhere in this document. In the following discussion of our results of operations:

- Our segments represent groups of similar products that are combined on the basis of similar design and development requirements, product characteristics, manufacturing processes and distribution channels, and how management allocates resources and measures results. See Note 1 to the financial statements for more information regarding our segments.

- When we discuss our results:
  - Unless otherwise noted, changes in our revenue are attributable to changes in customer demand, which are evidenced by fluctuations in shipment volumes.
  - New products do not tend to have a significant impact on our revenue in any given period because we sell such a large number of products.
  - From time to time, our revenue and gross profit are affected by changes in demand for higher-priced or lower-priced products, which we refer to as changes in the “mix” of products shipped.
  - Because we own much of our manufacturing capacity, a significant portion of our operating cost is fixed. When factory loadings decrease, our fixed costs are spread over reduced output and, absent other circumstances, our profit margins decrease. Conversely, as factory loadings increase, our fixed costs are spread over increased output and, absent other circumstances, our profit margins increase. Increases and decreases in factory loadings tend to correspond to increases and decreases in demand.
- All dollar amounts in the tables are stated in millions of U.S. dollars.

Impact of COVID-19

The coronavirus (COVID-19) pandemic, the likely resulting recession and its follow-on effects are impacting and will likely continue to impact business activity across industries worldwide, including TI.

The impact to our lead times and ability to fulfill orders was minimal in Q1 2020. However, depending on pandemic-related factors like the duration of local manufacturing restrictions in Malaysia and the Philippines, we could experience constraints in fulfilling customer orders in future periods. The coronavirus pandemic remains dynamic with uncertainty around its duration and broader impact. We are monitoring and assessing the situation and preparing for implications to our business, supply chain and customer demand. With a COVID-19 recession likely upon us, and with reduced visibility of customer demand, we are using the 2008 financial crisis to model our forecasted second quarter results of operations in an environment of a potentially significant decrease in customer demand.

TI has long had a business continuity plan in place for unforeseeable situations, like we are experiencing with COVID-19. Additionally, over the past several years, TI has invested in building inventory and expanding our global internally-owned manufacturing footprint. Investing in these capabilities has given us flexibility, such as the ability to build products across multiple manufacturing sites. These investments have helped to minimize disruptions, but may not be sufficient to eliminate them.

Performance summary

Our first quarter revenue was $3.33 billion, net income was $1.17 billion and earnings per share (EPS) were $1.24.

Revenue decreased 7% from the same quarter a year ago.

In our core businesses, Analog revenue declined 2% and Embedded Processing declined 18% from the same quarter a year ago.

Our cash flow from operations of $6.4 billion for the trailing 12 months again underscored the strength of our business model. Free cash flow for the same period was $5.6 billion and 40% of revenue. This reflects the quality of our product portfolio, as well as the efficiency of our manufacturing strategy, including the benefit of 300-millimeter Analog production.

We have returned $6.6 billion to shareholders in the past 12 months through stock repurchases and dividends. Over the same period, our dividends represented 55% of free cash flow, underscoring their sustainability. Together, our stock repurchases and dividends reflect our continued commitment to return all free cash flow to our shareholders.

We expect our annual operating tax rate to be about 14% in 2020.

For an explanation of free cash flow and the term “annual operating tax rate,” see the Non-GAAP financial information section.

Results of operations – first quarter 2020 compared with first quarter 2019

Revenue of $3.33 billion decreased $265 million, or 7%, primarily due to lower revenue from Embedded Processing and, to a lesser extent, Analog.

Gross profit of $2.09 billion was down $173 million, or 8%, due to lower revenue. As a percentage of revenue, gross profit decreased to 62.7% from 62.9%.

Operating expenses (R&D and SG&A) were $794 million compared with $803 million.

Acquisition charges were $50 million compared with $79 million and were non-cash. See Note 5 to the financial statements.

Operating profit was $1.24 billion, or 37.4% of revenue, compared with $1.38 billion, or 38.4% of revenue.

OI&E was $25 million of income compared with $36 million of income.

Interest and debt expense of $45 million increased $7 million due to the issuance of additional long-term debt.

Our provision for income taxes was $50 million compared with $160 million. The decrease was due to higher discrete tax benefits, lower income before income taxes and, to a lesser extent, a lower annual operating tax rate. Our annual operating tax rate, which does not include discrete tax items, is about 14% compared with 16% in 2019. We use "annual operating tax rate" to describe the estimated annual effective tax rate. The 2020 rate differs from the 21% U.S. statutory corporate tax rate due to the effect of U.S. tax benefits.

Net income was $1.17 billion compared with $1.22 billion. EPS was $1.24 compared with $1.26.

First quarter 2020 segment results

Our segment results compared with the year-ago quarter are as follows:

Analog (includes Power, Signal Chain and High Volume product lines)

	Q1 2020	Q1 2019	Change
Revenue	**$ 2,460**	$ 2,518	(2)%
Operating profit	**1,025**	1,088	(6)%
Operating profit % of revenue	**41.7 %**	43.2 %	

Analog revenue decreased in Signal Chain and High Volume due to the mix of products shipped. Power revenue increased. Operating profit decreased primarily due to lower revenue and associated gross profit.

Embedded Processing (includes Connected Microcontrollers and Processors product lines)

	Q1 2020	Q1 2019	Change
Revenue	**$ 653**	$ 796	(18)%
Operating profit	**182**	249	(27)%
Operating profit % of revenue	**27.9 %**	31.3 %	

Embedded Processing revenue decreased in both product lines, led by Processors. Operating profit decreased due to lower revenue and associated gross profit.

Other (includes DLP® products, calculators and custom ASIC products)

	Q1 2020	Q1 2019	Change
Revenue	**$ 216**	$ 280	(23)%
Operating profit*	**37**	42	(12)%
Operating profit % of revenue	**17.1 %**	15.0 %	

* Includes acquisition charges

Other revenue decreased $64 million, and operating profit decreased $5 million.

Financial condition

At the end of the first quarter of 2020, total cash (cash and cash equivalents plus short-term investments) was $4.74 billion, a decrease of $645 million from the end of 2019.

Accounts receivable were $1.32 billion, an increase of $242 million compared with the end of 2019. Days sales outstanding at the end of the first quarter of 2020 were 36 compared with 29 at the end of 2019.

Inventory was $2.00 billion, an increase of $2 million from the end of 2019. Days of inventory at the end of the first quarter of 2020 were 145 compared with 144 at the end of 2019.

Liquidity and capital resources

Our primary source of liquidity is cash flow from operations. Additional sources of liquidity are cash and cash equivalents, short-term investments and a variable-rate, revolving credit facility. Cash flows from operating activities for the first three months of 2020 were $851 million, a decrease of $256 million from the year-ago period primarily due to lower net income and an increase in cash used for working capital.

Our revolving credit facility is with a consortium of investment-grade banks and allows us to borrow up to $2 billion until March 2024. This credit facility also serves as support for the issuance of commercial paper. As of March 31, 2020, our credit facility was undrawn, and we had no commercial paper outstanding.

Investing activities for the first three months of 2020 provided $826 million compared with $1.17 billion of cash provided in the year-ago period. Capital expenditures were $161 million compared with $251 million in the year-ago period and were primarily for semiconductor manufacturing equipment and facilities in both periods. Short-term investments provided cash of $992 million compared with $1.44 billion in the year-ago period.

Financing activities for the first three months of 2020 used $1.60 billion compared with $998 million in the year-ago period. In 2020, we received net proceeds of $749 million from the issuance of fixed-rate, long-term debt. In the year-ago period, we received net proceeds of $743 million from the issuance of fixed-rate, long-term debt. Dividends paid were $841 million compared with $724 million in the year-ago period, reflecting an increase in the dividend rate, partially offset by fewer shares outstanding. We used $1.64 billion to repurchase 14.9 million shares of our common stock compared with $1.15 billion used in the year-ago period to repurchase 11.7 million shares. Employee exercises of stock options provided cash proceeds of $146 million compared with $151 million in the year-ago period.

We had $2.52 billion of cash and cash equivalents and $2.22 billion of short-term investments as of March 31, 2020. We believe we have the necessary financial resources and operating plans to fund our working capital needs, capital expenditures, dividend and debt-related payments, and other business requirements for at least the next 12 months.

Non-GAAP financial information

This MD&A includes references to free cash flow and ratios based on that measure. These are financial measures that were not prepared in accordance with generally accepted accounting principles in the United States (GAAP). Free cash flow was calculated by subtracting capital expenditures from the most directly comparable GAAP measure, cash flows from operating activities (also referred to as cash flow from operations).

We believe that free cash flow and the associated ratios provide insight into our liquidity, our cash-generating capability and the amount of cash potentially available to return to shareholders, as well as insight into our financial performance. These non-GAAP measures are supplemental to the comparable GAAP measures.

Reconciliation to the most directly comparable GAAP measures is provided in the table below.

	For 12 Months Ended March 31, 2020	For 12 Months Ended March 31, 2019	Change
Cash flow from operations (GAAP)	**$ 6,393**	$ 7,184	(11) %
Capital expenditures	**(757)**	(1,193)	
Free cash flow (non-GAAP)	**$ 5,636**	$ 5,991	(6) %
Revenue	**$ 14,118**	$ 15,589	
Cash flow from operations as a percentage of revenue (GAAP)	**45.3 %**	46.1 %	
Free cash flow as a percentage of revenue (non-GAAP)	**39.9 %**	38.4 %	

This MD&A also includes references to an annual operating tax rate, a non-GAAP term we use to describe the estimated annual effective tax rate, a GAAP measure that by definition does not include discrete tax items. We believe the term annual operating tax rate helps differentiate from the effective tax rate, which includes discrete tax items.

Long-term contractual obligations

Information regarding long-term contractual obligations is in Item 7 of our Form 10-K for the year ended December 31, 2019. Additionally, in the first three months of 2020, we issued $750 million principal amount of 1.375% notes maturing in 2025. These proceeds were used for general corporate purposes, including to repay $500 million of 1.75% notes in April 2020.

Changes in accounting standards

See Note 2 to the financial statements for information regarding the status of new accounting and reporting standards.

ITEM 4. Controls and procedures

An evaluation as of the end of the period covered by this report was carried out under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that those disclosure controls and procedures were effective. In addition, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1A. Risk factors

You should read the following risk factors in conjunction with the factors discussed elsewhere in this and other of our filings with the Securities and Exchange Commission (SEC) and in materials incorporated by reference into these filings. These risk factors are intended to highlight certain factors that may affect our financial condition and results of operations and are not meant to be an exhaustive discussion of risks that apply to TI, a company with broad international operations. Like many companies, we are susceptible to a potential downturn associated with macroeconomic weakness, which may affect our performance and the performance of our customers. Similarly, the price of our securities is subject to volatility due to fluctuations in general market conditions, actual financial results that do not meet our and/or the investment community's expectations, changes in our and/or the investment community's expectations for our future results, dividends or share repurchases, and other factors, many of which are beyond our control.

The extent to which the COVID-19 pandemic will adversely affect our business, results of operations and financial condition is uncertain.

The global spread of the novel coronavirus, severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), and the coronavirus disease, COVID-19, has created significant uncertainty and economic disruption, both near-term and potentially long-term. We have modified, and might further modify, our business practices in response to the COVID-19 pandemic, related third-party responses, including from government authorities and our suppliers, customers and distributors, and the economic and social ramifications of the disease and societal responses across the markets in which TI operates. The extent to which the COVID-19 pandemic will continue to affect our business, results of operation and financial condition is difficult to predict and depends on numerous evolving factors including: the duration and scope of the pandemic; government, social, business and other actions that have been and will be taken in response to the pandemic; and the effect of the pandemic on short- and long-term general economic conditions. We might experience short- or long-term constrained supply or volatility in customer demand, which could materially and adversely affect our business and financial results in future periods.

Our global operations subject us to risks associated with domestic or international political, social, economic or other conditions.

We have facilities in more than 30 countries. In 2019, about 85% of our revenue came from shipments to locations outside the United States; shipments of products into China represent a large portion of our revenue. Certain countries where we operate have experienced, and other countries may experience, increasing protectionism that affects global trade and macroeconomic conditions through the enactment of tariffs, import or export restrictions, trade embargoes and sanctions, restrictions on cross-border investment and other trade barriers. This protectionism impacts our ability to deliver products and product support into China, could cause Chinese customers to seek alternate suppliers and could otherwise adversely affect our operations and financial results.

We are exposed to political, social and economic conditions, security risks, terrorism or other hostile acts, health conditions and epidemics, labor conditions, and possible disruptions in transportation, communications and information technology networks of the various countries in which we operate. In addition, our global operations expose us to periods when the U.S. dollar significantly fluctuates in relation to the non-U.S. currencies in which we transact business. The remeasurement of non-U.S. dollar transactions can have an adverse effect on our results of operations and financial condition.

We face substantial competition that requires us to respond rapidly to product development and pricing pressures.

We face intense technological and pricing competition in the markets in which we operate. We expect this competition will continue to increase from large competitors and from small competitors serving niche markets, and also from emerging companies, particularly in Asia, that sell products into the same markets in which we operate. For example, we may face increased competition as a result of China actively promoting and reshaping its domestic semiconductor industry through policy changes and investment. These actions, in conjunction with trade tensions, may restrict us from participating in the China market or may prevent us from competing effectively. Certain competitors possess sufficient financial, technical and management resources to develop and market products that may compete favorably against our products, and consolidation among our competitors may allow them to compete more effectively. The price and product development pressures that result from competition may lead to reduced profit margins and lost business opportunities in the event that we are unable to match the price declines or cost efficiencies, or meet the technological, product, support, software or manufacturing advancements of our competitors.

Changes in expected demand for our products could have a material adverse effect on our results of operations.

Our customers include companies in a wide range of end markets and sectors within those markets. If demand in one or more sectors within our end markets declines or the rate of growth slows, our results of operations may be adversely affected. The cyclical nature of the semiconductor market occasionally leads to significant and rapid increases and decreases in product demand. Additionally, the loss or significant curtailment of purchases by one or more of our large customers, including curtailments due to a change in the design or manufacturing sourcing policies or practices of these customers, the timing of customer or distributor inventory adjustments, or trade restrictions, may adversely affect our results of operations and financial condition.

Our results of operations also might suffer because of a general decline in customer demand resulting from, for example: uncertainty regarding the stability of global credit and financial markets; natural events, epidemics or domestic or international political, social, economic or other conditions; breaches of customer information technology systems that disrupt customer operations; or a customer’s inability to access credit markets and other sources of needed liquidity.

Our ability to match inventory and production with the product mix needed to fill orders may affect our ability to meet a quarter’s revenue forecast. In addition, when responding to customers’ requests for shorter shipment lead times, we manufacture products based on forecasts of customers’ demands. These forecasts are based on multiple assumptions. If we inaccurately forecast customer demand, we may hold inadequate, excess or obsolete inventory that would reduce our profit margins and adversely affect our results of operations and financial condition.

Our operating results and our reputation could be adversely affected by breaches, disruptions or other incidents relating to our information technology systems.

Breaches, disruptions or other incidents relating to our information technology systems or the systems of our customers, vendors and other third parties could be caused by factors such as computer viruses, system failures, restricted network access, unauthorized access, terrorism, employee malfeasance, or human error. These events could, among other things, compromise our information technology networks; result in corrupt or lost data or the unauthorized release of our, our customers’ or our suppliers’ confidential or proprietary information; cause a disruption to our manufacturing and other operations; result in the release of personal data; or cause us to incur costs associated with increased protection, remediation, regulatory inquiries or penalties, or claims for damages, any of which could adversely affect our operating results and our reputation. Cybersecurity or other threats to our information technology systems or the systems of our customers, vendors and other third parties are frequent and constantly evolving, thereby increasing the difficulty of defending against them.

Our ability to successfully implement strategic, business and organizational changes could affect our business plans and results of operations.

From time to time, we undertake strategic, business and organizational changes, including acquisitions, divestitures and restructuring actions, to support or carry out our objectives. Our failure to successfully implement these changes could adversely affect our business plans and operating results. We may not achieve or sustain the expected growth, cost savings or other benefits of strategic, business and organizational changes, and restructuring charges could differ materially in amount and timing from our expectations.

Our results of operations could be affected by natural events in the locations in which we operate.

We have manufacturing, data and design facilities and other operations in locations subject to natural occurrences such as severe weather, geological events or epidemics that could disrupt operations. A natural disaster that results in a prolonged disruption, particularly where we have principal manufacturing and design operations, as listed in Item 2. Properties in our Form 10-K for the year ended December 31, 2019, may adversely affect our results and financial condition.

Rapid technological change in markets we serve requires us to develop new technologies and products.

Rapid technological change in markets we serve could contribute to shortened product life cycles and a decline in average selling prices of our products. Our results of operations depend in part upon our ability to successfully develop, manufacture and market innovative products in a timely manner. We make significant investments in research and development to improve existing technology and products, develop new products to meet changing customer demands, and improve our production processes. In some cases, we might not realize a return or the expected return on our investments because they are generally made before commercial viability can be assured. Further, projects that are commercially viable may not contribute to our operating results until at least a few years after they are completed.

We face supply chain and manufacturing risks.

We rely on third parties to supply us with goods and services in a cost-effective and timely manner. Our access to needed goods and services may be adversely affected by potential disputes with suppliers or disruptions in our suppliers' operations as a result of, for example: quality excursions; uncertainty regarding the stability of global credit and financial markets; domestic or international political, social, economic and other conditions; natural events or epidemics in the locations in which our suppliers operate; or limited or delayed access to key raw materials, natural resources and utilities. Additionally, a breach or other incident relating to our suppliers' information technology systems could result in a release of confidential or proprietary information. If our suppliers are unable to access credit markets and other sources of needed liquidity, we may be unable to obtain needed supplies, collect accounts receivable or access needed technology.

In particular, our manufacturing processes and critical manufacturing equipment require that certain key raw materials, natural resources and utilities be available. Limited or delayed access to and high costs of these items could adversely affect our results of operations. Our products contain materials that are subject to conflict minerals reporting requirements. Our relationships with customers and suppliers may be adversely affected if we are unable to describe our products as conflict-free. Additionally, our costs may increase if one or more of our customers demand that we change the sourcing of materials we cannot identify as conflict-free.

Our inability to timely implement new manufacturing technologies or install manufacturing equipment could adversely affect our results of operations. We subcontract a portion of our wafer fabrication and assembly and testing of our products, and we depend on third parties to provide advanced logic manufacturing process technology development. We do not have long-term contracts with all of these suppliers, and the number of alternate suppliers is limited. Reliance on these suppliers involves risks, including possible shortages of capacity in periods of high demand, suppliers' inability to develop and deliver advanced logic manufacturing process technology in a timely, cost effective, and appropriate manner, the possibility of suppliers' imposition of increased costs on us and the unauthorized disclosure or use of our intellectual property.

Our results of operations and our reputation could be affected by warranty claims, product liability claims, product recalls or legal proceedings.

Claims based on warranty, product liability, epidemic or delivery failures, or other grounds relating to our products, manufacturing, services, designs, communications or cybersecurity could lead to significant expenses as we defend the claims or pay damage awards or settlements. In the event of a claim, we would also incur costs if we decide to compensate the affected customer or end consumer. Any such claims may also cause us to write off the value of related inventory. We maintain product liability insurance, but there is no guarantee that such insurance will be available or adequate to protect against all such claims. In addition, it is possible for a customer to recall a product containing a TI part, for example, with respect to products used in automotive applications or handheld electronics, which may cause us to incur costs and expenses relating to the recall. Any of these events could adversely affect our results of operations, financial condition and reputation.

Our operations could be affected by the complex laws, rules and regulations to which our business is subject.

We are subject to complex laws, rules and regulations affecting our domestic and international operations relating to, for example, the environment, safety and health (including epidemics); trade; bribery and corruption; financial reporting; tax; data privacy and protection; labor and employment; competition; market access; intellectual property ownership and infringement; and the movement of currency. Compliance with these laws, rules and regulations may be onerous and expensive and could restrict our ability to manufacture or ship our products and operate our business. If we fail to comply or if we become subject to enforcement activity, we could be subject to fines, penalties or other legal liability. Furthermore, should these laws, rules and regulations be amended or expanded, or new ones enacted, we could incur materially greater compliance costs or restrictions on our ability to manufacture our products and operate our business.

Some of these complex laws, rules and regulations – for example, those related to environmental, safety and health requirements – may particularly affect us in the jurisdictions in which we manufacture products, especially if such laws and regulations: require the use of abatement equipment beyond what we currently employ; require the addition or elimination of a raw material or process to or from our current manufacturing processes; or impose costs, fees or reporting requirements on the direct or indirect use of energy, natural resources, or materials or gases used or emitted into the environment in connection with the manufacture of our products. A substitute for a prohibited raw material or process might not be available, or might not be available at reasonable cost.

Our results of operations could be affected by changes in tax-related matters.

We have facilities in more than 30 countries and as a result are subject to taxation and audit by a number of taxing authorities. Tax rates vary among the jurisdictions in which we operate. If our tax rate increases, our results of operations could be adversely affected. A number of factors could cause our tax rate to increase, including a change in the jurisdictions in which our profits are earned and taxed; a change in the mix of profits from those jurisdictions; changes in available tax credits or deductions, including for amounts relating to stock compensation; changes in applicable tax rates; changes in tariff regulations or surcharges; changes in accounting principles; or adverse resolution of audits by taxing authorities. We have deferred tax assets on our balance sheet. Changes in applicable tax laws and regulations or in our business performance could affect our ability to realize those deferred tax assets, which could also affect our results of operations.

In addition, we are subject to laws and regulations in various jurisdictions that determine how much profit has been earned and when it is subject to taxation in that jurisdiction. These laws and regulations can be complex and subject to interpretation. Changes in these laws and regulations, including those that align with the Organisation for Economic Cooperation and Development's Base Erosion and Profit Shifting recommendations, could affect the locations where we are deemed to earn income, which could in turn affect our results of operations. Each quarter we forecast our tax expense based on our forecast of our performance for the year. If that performance forecast changes, our forecasted tax expense will change.

Our results of operations and financial condition could be adversely affected if a customer or a distributor suffers a loss with respect to our inventory.

We have consignment inventory programs in place for some of our largest customers and distributors. If a customer or distributor were to experience a loss with respect to TI-consigned inventory, our results of operations and financial condition would be adversely affected if we do not recover the full value of the lost inventory from the customer, distributor or insurer, or if our recovery is delayed.

Our results of operations could be adversely affected by our distributors' promotion of competing product lines or our distributors' financial performance.

In 2019, about 65% of our revenue was generated from sales of our products through distributors. Our distributors carry competing product lines, and our sales could be affected if our distributors promote competing products over our products. Moreover, our results of operations could be affected if our distributors suffer financial difficulties that result in their inability to pay amounts owed to us. Disputes with significant distributors could be disruptive or harmful to our business.

Our margins vary.

Our profit margins vary due to a number of factors, which may include customer demand and shipment volume; our manufacturing processes; product mix; inventory levels; tariffs; and new accounting pronouncements or changes in existing accounting practices or standards. In addition, we operate in a highly competitive market environment that might adversely affect pricing for our products. Because we own much of our manufacturing capacity, a significant portion of our operating costs is fixed. In general, these fixed costs do not decline with reductions in customer demand or factory loadings, and can adversely affect profit margins as a result.

Our performance depends in part on our ability to enforce our intellectual property rights and to maintain freedom of operation.

Access to worldwide markets depends in part on the continued strength of our intellectual property portfolio in all jurisdictions where we conduct business. There can be no assurance that, as our business evolves, we will obtain the necessary intellectual property rights, or that we will be able to independently develop the technology, software or know-how necessary to conduct our business or that we can do so without infringing the intellectual property rights of others. To the extent that we have to rely on licensed technology from others, there can be no assurance that we will be able to obtain licenses at all or on terms we consider reasonable. We, directly or indirectly, face infringement claims from third parties, including non-practicing entities that have acquired patents to pursue enforcement actions against other companies. We also face infringement claims where we or our customers make, use or sell products and where the intellectual property laws may be less established or less predictable. These assertions, whether or not of any merit, expose us to claims for damages and/or injunctions from third parties, as well as claims for indemnification by our customers in instances where we have a contractual or other legal obligation to indemnify them against damages resulting from infringement claims.

We actively enforce and protect our own intellectual property rights. However, our efforts cannot prevent all misappropriation or improper use of our protected technology and information, including, for example, third parties' use of our patented or copyrighted technology, or our trade secrets in their products without the right to do so, or third parties' sale of counterfeit products bearing our trademark. The risk of unfair copying or cloning may impede our ability to sell our products. The laws of countries where we operate may not protect our intellectual property rights to the same extent as U.S. laws.

Our debt could affect our operations and financial condition.

From time to time, we issue debt securities with various interest rates and maturities. While we believe we will have the ability to service this debt, our ability to make principal and interest payments when due depends upon our future performance, which will be subject to general economic conditions, industry cycles, and business and other factors affecting our operations, including our other risk factors, many of which are beyond our control. In addition, our obligation to make principal and interest payments could divert funds that otherwise would be invested in our operations or returned to shareholders, or could cause us to raise funds by, for example, issuing new debt or equity or selling assets.

Our results of operations and liquidity could be affected by changes in the financial markets.

We maintain bank accounts, one or more multiyear revolving credit agreements, and a portfolio of investments to support the financing needs of the company. Our ability to fund our operations, invest in our business, make strategic acquisitions, service our debt obligations and meet our cash return objectives depends upon continuous access to our bank and investment accounts, and may depend on access to our bank credit lines that support commercial paper borrowings and provide additional liquidity through short-term bank loans. If we are unable to access these accounts and credit lines (for example, due to instability in the financial markets), our results of operations and financial condition could be adversely affected and our ability to access the capital markets or redeem our investments could be restricted.

Increases in health care and pension benefit costs could affect our results of operations and financial condition.

Federal and state health care reform programs could increase our costs with regard to medical coverage of our employees, which could reduce profitability and affect our results of operations and financial condition. In addition, obligations related to our pension and other postretirement plans reflect assumptions that affect the planned funding and costs of these plans, including the actual return on plan assets, discount rates, plan participant population demographics and changes in pension regulations. Changes in these assumptions may affect plan funding, cash flow and results of operations, and our costs and funding obligations could increase significantly if our plans' actual experience differs from these assumptions.

Our continued success depends in part on our ability to retain and recruit a sufficient number of qualified employees in a competitive environment.

Our continued success depends in part on the retention and recruitment of skilled personnel, as well as the effective management of succession for key employees. Skilled and experienced personnel in our industry, including engineering, management, marketing, technical and staff personnel, are in high demand and competition for their talents is intense. There can be no assurance that we will be able to successfully retain and recruit the key engineering, management and technical personnel that we require to execute our business strategy. Our ability to recruit internationally or deploy employees to various locations may be limited by immigration laws.

Material impairments of our goodwill or intangible assets could adversely affect our results of operations.

We have a significant amount of goodwill and intangible assets on our consolidated balance sheet. Charges associated with impairments of goodwill or intangible assets could adversely affect our financial condition and results of operations.

ITEM 2. Unregistered sales of equity securities and use of proceeds

The following table contains information regarding our purchases of our common stock during the quarter.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)
January 1, 2020 through January 31, 2020	1,877,337	$ 126.64	1,482,777	$ 13.00 billion
February 1, 2020 through February 29, 2020	3,356,200	124.79	3,356,200	12.58 billion
March 1, 2020 through March 31, 2020	10,925,981	102.74	10,925,981	11.45 billion
Total	16,159,518 (b)	$ 110.10 (b)	15,764,958	$ 11.45 billion (c)

(a) All open-market purchases during the quarter were made under the authorizations from our board of directors to purchase up to $6.0 billion and $12.0 billion of additional shares of TI common stock announced September 21, 2017 and September 20, 2018, respectively.

(b) In addition to open-market purchases, 394,560 shares of common stock were surrendered by employees to satisfy tax withholding obligations in connection with the vesting of restricted stock units.

(c) As of March 31, 2020, this amount consisted of the remaining portion of the $12.0 billion authorized in September 2018. No expiration date has been specified for this authorization.

ITEM 6. Exhibits

Designation of Exhibits in This Report	Description of Exhibit
3(a)	Restated Certificate of Incorporation of the Registrant, dated April 18, 1985, as amended (incorporated by reference to Exhibit 3(a) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014).
3(b)	By-Laws of the Registrant (incorporated by reference to Exhibit 3 of the Registrant's Current Report on Form 8-K filed December 12, 2016).
4(a)	Officer's Certificate, dated March 12, 2020 (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed March 12, 2020).
31(a)	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) or Rule 15d-14(a).†
31(b)	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) or Rule 15d-14(a).†
32(a)	Certification by Chief Executive Officer of Periodic Report Pursuant to 18 U.S.C. Section 1350.†
32(b)	Certification by Chief Financial Officer of Periodic Report Pursuant to 18 U.S.C. Section 1350.†
101.ins	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.†
101.def	XBRL Taxonomy Extension Definition Linkbase Document.†
101.sch	XBRL Taxonomy Extension Schema Document.†
101.cal	XBRL Taxonomy Extension Calculation Linkbase Document.†
101.lab	XBRL Taxonomy Extension Label Linkbase Document.†
101.pre	XBRL Taxonomy Extension Presentation Linkbase Document.†
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).†

† Filed or furnished herewith.

Notice regarding forward-looking statements

This report includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as TI or its management "believes," "expects," "anticipates," "foresees," "forecasts," "estimates" or other words or phrases of similar import. Similarly, statements herein that describe TI's business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

We urge you to carefully consider the following important factors that could cause actual results to differ materially from the expectations of TI or our management:

- The duration and scope of the COVID-19 pandemic, government and other third-party responses to it and the consequences for the global economy, including to our business and the businesses of our suppliers, customers and distributors;
- Economic, social and political conditions, and natural events in the countries in which we, our customers or our suppliers operate, including global trade policies;
- Market demand for semiconductors, particularly in the industrial and automotive markets, and customer demand that differs from forecasts;
- Our ability to compete in products and prices in an intensely competitive industry;
- Evolving cybersecurity and other threats relating to our information technology systems or those of our customers or suppliers;
- Our ability to successfully implement and realize opportunities from strategic, business and organizational changes, or our ability to realize our expectations regarding the amount and timing of restructuring charges and associated cost savings;
- Our ability to develop, manufacture and market innovative products in a rapidly changing technological environment, and our timely implementation of new manufacturing technologies and installation of manufacturing equipment;
- Availability and cost of raw materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;
- Product liability, warranty or other claims relating to our products, manufacturing, delivery, services, design or communications, or recalls by our customers for a product containing one of our parts;
- Compliance with or changes in the complex laws, rules and regulations to which we are or may become subject, or actions of enforcement authorities, that restrict our ability to operate our business, or subject us to fines, penalties or other legal liability;
- Changes in tax law and accounting standards that impact the tax rate applicable to us, the jurisdictions in which profits are determined to be earned and taxed, adverse resolution of tax audits, increases in tariff rates, and the ability to realize deferred tax assets;
- A loss suffered by one of our customers or distributors with respect to TI-consigned inventory;
- Financial difficulties of our distributors or their promotion of competing product lines to our detriment; or disputes with significant distributors;
- Losses or curtailments of purchases from key customers or the timing and amount of distributor and other customer inventory adjustments;
- Our ability to maintain or improve profit margins, including our ability to utilize our manufacturing facilities at sufficient levels to cover our fixed operating costs, in an intensely competitive and cyclical industry and changing regulatory environment;
- Our ability to maintain and enforce a strong intellectual property portfolio and maintain freedom of operation in all jurisdictions where we conduct business; or our exposure to infringement claims;
- Instability in the global credit and financial markets;
- Increases in health care and pension benefit costs;
- Our ability to recruit and retain skilled personnel, and effectively manage key employee succession; and

- Impairments of our non-financial assets.

For a more detailed discussion of these factors, see the Risk factors discussion in Item 1A of this report. The forward-looking statements included in this report are made only as of the date of this report, and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances. If we do update any forward-looking statement, you should not infer that we will make additional updates with respect to that statement or any other forward-looking statement.

SIGNATURE

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, thereunto duly authorized.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ Rafael R. Lizardi

Rafael R. Lizardi
Senior Vice President and
Chief Financial Officer

Date: April 22, 2020

Exhibit 31(a)

CERTIFICATIONS

I, Richard K. Templeton, certify that:

1. I have reviewed this report on Form 10-Q of Texas Instruments Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 22, 2020

/s/ Richard K. Templeton

Richard K. Templeton
Chairman, President
and Chief Executive Officer

Exhibit 31(b)

CERTIFICATIONS

I, Rafael R. Lizardi, certify that:

1. I have reviewed this report on Form 10-Q of Texas Instruments Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 22, 2020

/s/ Rafael R. Lizardi

Rafael R. Lizardi
Senior Vice President and
Chief Financial Officer

Exhibit 32(a)

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Richard K. Templeton, the Chairman, President and Chief Executive Officer of Texas Instruments Incorporated (the “Company”), hereby certifies that, to his knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 22, 2020

/s/ Richard K. Templeton

Richard K. Templeton
Chairman, President
and Chief Executive Officer

Exhibit 32(b)

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Rafael R. Lizardi, Senior Vice President and Chief Financial Officer of Texas Instruments Incorporated (the "Company"), hereby certifies that, to his knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 22, 2020

/s/ Rafael R. Lizardi

Rafael R. Lizardi
Senior Vice President and
Chief Financial Officer