Welcome to the Texas Instruments fourth quarter 2022 earnings release conference call. I'm Dave Pahl, head of Investor Relations, and I'm joined by our Chief Financial Officer Rafael Lizardi.

For any of you who missed the release, you can find it on our website at ti.com/ir. This call is being broadcast live over the web and can be accessed through our website. In addition, today's call is being recorded and will be available via replay on our website.

This call will include forward-looking statements that involve risks and uncertainties that could cause TI's results to differ materially from management's current expectations. We encourage you to review the notice regarding forward-looking statements contained in the earnings release published today, as well as TI's most recent SEC filings, for a more complete description.

First, you likely saw last week, we announced that Haviv Ilan will become president and CEO on April 1 and that Rich Templeton will continue as our chairman. I'm sure you want to join me in congratulating both of them.

Secondly, let me provide some information that's important to your calendars. Next week on Thursday, February 2, at 10 a.m. Central time, we'll have our capital management call. Similar to what we've done in the past, Rafael and I will summarize our progress and provide some insights into our business and our approach to capital allocation. This will include an update of our 300-mm capacity expansion plans to support the increasing confidence that we have in our long-term growth.

Moving on, today, we'll provide the following updates. First, I'll start with a quick overview of the quarter. Next, I'll provide insight into fourth quarter revenue results with some details of what we're seeing with respect to our customers and markets. I'll then provide an annual summary of our revenue breakdown by end market. And lastly, Rafael will cover the financial results and our guidance for the first quarter of 2023.

Starting with a quick overview: Revenue was $4.7 billion, a decrease of 11% sequentially and 3% from the same quarter a year ago. As expected, our results reflect weaker demand in all end markets with the exception of automotive. A component of the weaker demand was customers working to reduce their inventories. In the first quarter, we expect a weaker than seasonal decline with the exception of automotive, as we believe customers will continue to reduce inventory levels.

Turning to our segments, fourth quarter Analog revenue declined 5% year over year and Embedded Processing grew 10%. Our "Other" segment declined 11% from the year-ago quarter.

Now I'll provide some insight into our fourth quarter revenue by end market. I'll focus on sequential performance again this quarter, as it's more informative at this time.

First, the industrial market was down about 10%.
The automotive market was up mid-single digits with strength in most sectors.

Personal electronics was down mid-teens with broad-based weakness.

Next, communications equipment was down about 20%.

And finally, enterprise systems was also down about 20%.

Lastly, as we do at the end of each calendar year, I’ll describe our revenue by end market for 2022. We break our end markets into six categories that are grouped by their life cycles and market characteristics. The six end markets are industrial; automotive; personal electronics, which includes products such as mobile phones, PCs, tablets and TVs; communications equipment; enterprise systems; and other, which is primarily calculators.

As a percentage of revenue for 2022, industrial was 40%; automotive about 25%; personal electronics, 20%; communications equipment, 7%; enterprise systems, 6%; and other was 2%.

In 2022, industrial and automotive combined made up 65% of TI's revenue, up about three percentage points from 2021 and up from 42% in 2013. We see good opportunities in all of our markets, but we place additional strategic emphasis on industrial and automotive. Our industrial and automotive customers are increasingly turning to analog and embedded technologies to make their end products smarter, safer, more connected and more efficient. These trends have resulted and will continue to result in growing chip content per application, which will drive faster growth compared to our other markets.

Rafael will now review profitability, capital management and our outlook. Rafael?

Rafael R. Lizardi  Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations

Thanks, Dave, and good afternoon, everyone.

As Dave mentioned, fourth quarter revenue was $4.7 billion.

Gross profit in the quarter was $3.1 billion, or 66% of revenue. From a year ago, gross profit decreased primarily due to lower revenue, increased capital expenditures and the transition of LFAB-related charges to cost of revenue. Gross profit margin decreased 320 basis points.

Operating expenses in the quarter were $863 million, up 9% from a year ago and about as expected. On a trailing 12-month basis, operating expenses were $3.4 billion, or 17% of revenue.

Restructuring charges were $48 million in the fourth quarter and were associated with the LFAB factory preproduction costs. As production started at the beginning of December, these costs then transitioned to cost of revenue, where they will be reflected moving forward. In addition, depreciation has begun on these assets.

Operating profit was $2.2 billion in the quarter, or 47% of revenue. Operating profit was down 13% from the year-ago quarter.

Net income in the fourth quarter was $2 billion, or $2.13 per share. Earnings per share included an 11-cent benefit for items that were not in our original guidance.

Let me now comment on our capital management results, starting with our cash generation.

Cash flow from operations was $2 billion in the quarter. Capital expenditures were $1 billion in the quarter. Free cash flow on a trailing 12-month basis was $5.9 billion, down 6% from a year ago.
In the quarter, we paid $1.1 billion in dividends and repurchased $848 million of our stock. In total, we have returned $7.9 billion in the past 12 months to owners. We also increased our dividend per share by 8% in the fourth quarter, marking our 19th year of dividend increases.

Our balance sheet remains strong with $9.1 billion of cash and short-term investments at the end of the fourth quarter. In the quarter we issued $800 million in debt. Total debt outstanding was $8.8 billion with a weighted average coupon of 2.93%.

Inventory was up $353 million from the prior quarter to $2.8 billion, and days were 157, up 24 days sequentially.

Next to summarize the benefits of the CHIPS Act, we accrued about $350 million on our balance sheet under long-term assets in fourth quarter, in addition to the $50 million accrued in the third quarter. These accruals are due to the 25% investment tax credit for investments in our U.S. factories. This will eventually flow through our income statement as lower depreciation, and we will receive the associated cash benefit in the future.

Now let's look at some of these results for the year.

In 2022, cash flow from operations was $8.7 billion. Capital expenditures were $2.8 billion, or 14% of revenue. Free cash flow for 2022 was $5.9 billion, or 30% of revenue. Our cash flow reflects the strength of our business model. As we have said, we believe that growth of free cash flow per share is the primary driver of long-term value.

Turning to our outlook for the first quarter, we expect TI revenue in the range of $4.17 billion to $4.53 billion and earnings per share to be in the range of $1.64 to $1.90.

We now expect our 2023 annual effective tax rate to be about 13% to 14%.

In closing, we will stay focused in the areas that add value in the long term. We continue to invest in our competitive advantages, which are manufacturing and technology, a broad product portfolio, reach of our channels, and diverse and long-lived positions. We will continue to strengthen these advantages through disciplined capital allocation and by focusing on the best opportunities, which we believe will enable us to continue to deliver free cash flow per share growth over the long term.

With that, let me turn it back to Dave.

Dave Pahl Texas Instruments Incorporated - Head of IR & VP

Thanks, Rafael. Operator, you can now open the lines for questions. (Operator Instructions) Operator?

QUESTIONS AND ANSWERS

Operator

We'll first hear from Chris Caso of Credit Suisse.

Christopher Caso Crédit Suisse AG, Research Division - Research Analyst

I guess the first question is, if you could just maybe characterize what you're seeing going to Q1, you're talking about that being worse than seasonal. Is that also broadly based in terms of the decline as you've seen in Q4? And I know you don't guide by segment, but any kind of color you could provide by segment as to what you're seeing and the extent to which customers are burning inventory as you go into the first quarter?
Yes, Chris, thanks for that question. I'd say that the trends that we saw in the fourth quarter will continue in the first, meaning that we expect our end markets to decline with the exception of automotive. So automotive is continuing to be resilient. And we do believe, as you just said, that the customers are continuing to work to get their inventories lower. So you have a follow-on?

Christopher Caso Crédit Suisse AG, Research Division - Research Analyst

I do. I wonder if you could speak about the pace of depreciation expenses as you go through next year. You spoke about RFAB and I know it started production and it's hitting depreciation now. Is there additional incremental depreciation coming from RFAB as you go through the year? What happens to LFAB as you, I guess, maybe the timing of when that starts production and starts hitting depreciation? And then how should we think about some of the benefits that come from CHIPS Act that tend to decrease depreciation over time. I'm sure you're going to speak about that on the capital day coming up as well.

Rafael R. Lizardi Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations

Yes. Let me take that, and we're going to go through all of that, both the CapEx, depreciation and ITC and the CHIPS Act in great detail next week. For now, what I would tell you is, as you said, RFAB2 is in production, Lehi is in production. So both of those are running. That cost now is in cost of revenue and they're both depreciating -- they're both depreciating and that is a function of the -- when the equipment is placed in service it starts depreciating, right? So as both of those ramp, the equipment goes into service, it starts depreciating.

But big picture, what we told you last year on depreciation was that it would ramp roughly linearly to about $2.5 billion in 2025. And again, we'll give you an update on that next week. But I do want to say, just as I said 90 days ago, that since we talked about this last year, our confidence surrounding our long-term growth prospects have only grown. And as you alluded to, we've had the CHIPS Act also since last year. That legislation passed in August, so we'll -- next week, we'll give you all the puts and takes between those trends, and we'll paint a clear picture at that point.

Dave Pahl Texas Instruments Incorporated - Head of IR & VP

Yes. And maybe just to add a small piece. That linear ramp will go from about $1 billion of depreciation that we had this year at about $0.5 billion a year until we get to $2.5 billion. So just kind of doing the math for you. So thanks, Chris. Now we will go to the next caller, please.

Operator

Next, we'll hear from Chris Danely of Citi.

Christopher Brett Danely Citigroup Inc., Research Division - MD & Analyst

It's the Chris brothers. So Dave, I believe you said that your confidence in the long-term growth rate has only increased. Maybe just share with us what you've seen in the last three to six months that's giving you that confidence? Do you expect the, I guess, non-auto markets to bounce back this year? And conversely, would you expect auto to cool off or to remain strong all year?

Dave Pahl Texas Instruments Incorporated - Head of IR & VP

Yes. And again, that's -- thanks for the question, Chris. The longer term growth rates are really -- we're speaking to how things are going to grow over the next three and five and 10 years. And that higher confidence comes from the higher semiconductor content growth that we're seeing, particularly in industrial and automotive, and the fact that those two markets now make up two-thirds of our revenue, so just as that structurally grows faster than the rest of the market, we're convinced more than ever that, that will continue to drive our top line and also the products that we have inside of those markets. And I'd say also the strong customer response we're getting to our geopolitically dependable capacity. So since we've shared publicly our plans last February in the capital management call, I'd just say that the response has been very, very strong. So those are really the three things that are adding to our confidence. Do you have a follow-up?
Christopher Brett Danely  
*Citigroup Inc., Research Division - MD & Analyst*

Yes. One on inventory. So it’s bouncing up towards your long-term target. Can you talk about when you would start to ease back utilization rates to maintain that inventory? And then maybe spend a little bit of time on the mix. I know there’s still shortages out there. How do you think -- how long do you think it will take to, I guess, balance out your inventory this year to achieve some sort of ideal mix?

Rafael R. Lizardi  
*Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations*

Yes. So let me take that. And first, big picture, let me point you to our scorecard. The one that we use for capital management, we talked about the objectives in -- when it comes to inventory is to maintain high levels of customer service, keeping stable lead times while minimizing inventory obsolescence. You know our strategy and our portfolio is such that it’s long-lived. We have a very diverse customer base. So the risk of obsolescence is very low. So that’s part of the equation. And the other part is the upside that we get by having that inventory, both short term and long term to support customers. So that’s why we’re comfortable holding higher levels of inventory. I’ve been talking about, from current levels, we could add $1 billion to $2 billion of additional inventory. And the timing -- that all depends on revenue trends. So if they are higher, then it will take longer. If those certain trends are a little weaker, it will be a little faster to get there. On the mix, there’s a number of angles on that. Chip stock versus finished goods, we have a mix of both of those. And in some cases, it makes sense to have more of one than the other, but they’re both very low risk. So that’s how we think about it.

Dave Pahl  
*Texas Instruments Incorporated - Head of IR & VP*

We’ll go to the next caller, please.

Toshiya Hari  
*Goldman Sachs Group, Inc., Research Division - MD*

Dave, hoping you guys could talk a little bit about trends in China, what you saw in Q4, if there was any choppiness toward the end of the quarter? And more importantly, how you’re thinking about Q1 and beyond? I guess there’s hope out there that China as an economy bounces back in ’23. Are you guys seeing any early signs of a recovery in terms of end consumption of your products?

Dave Pahl  
*Texas Instruments Incorporated - Head of IR & VP*

Yes. I’d say some of the disruptions that we saw earlier in the year, we didn’t see any of that here in the fourth quarter. And so nothing exceptional to report with China as a region versus the other regions. And we long held the practice that we call it out if there’s something going on. So really, nothing exceptional. And certainly, as that economy comes back and consumption increases in China, obviously helping the world GDP, but that would obviously help us as well. It was what we would expect. So -- do you have a follow-on?

Toshiya Hari  
*Goldman Sachs Group, Inc., Research Division - MD*

Yes, I do. Your Analog business in the quarter was down 5% year-to-year and obviously, you guys are the first to report, so it’s hard for us to compare and contrast how you guys did relative to your competition or your peer group. But it feels like you may have underperformed in the quarter, and I realize it’s only one quarter. What’s the competitive landscape like today? What kind of pricing trends are you seeing as demand patterns start to soften?

Dave Pahl  
*Texas Instruments Incorporated - Head of IR & VP*

Yes. Yes. I’ll take that question, and Rafael, if you like to add. But I think certainly looking at any particular quarter, as we’ve talked about before, that our performance is just best measured over time. And I think that, that’s the way the markets behave. And even looking at one year or even longer, you’ve got to look at three and five and 10 years of performance, especially when you go through choppy times like we’ve been through in the last 18 months or so.

And so pricing, just to comment on that. I’d say that there’s nothing unusual going on with pricing. As you know, pricing doesn’t move quickly in our markets. Our practices in pricing -- though I know that they’ve changed with many of our peers, our practices have not changed. We just continue to price aggressively in the marketplace, but that pricing isn’t the reason why customers choose our products. That’s usually not the top few reasons why they choose our products. So really no changes on that front. So thank you for those questions.
Harlan Sur of JP Morgan.

Harlan Sur JPMorgan Chase & Co, Research Division - Senior Analyst

Last earnings call, the team talked about seeing increasing cancellations. Did cancellations continue to increase through Q4? Did they level off? And then for your consignment-based business, what are the aggregate trends that you're seeing within your customers 6- to 9-month sort of rolling forecast?

Dave Pahl Texas Instruments Incorporated - Head of IR & VP

Yes. Harlan, so the first question is, in a weakening environment, not too surprising. The cancellations were up in the quarter. So we did see an increase there. And not -- and from a consignment versus classic backlog, customers, really not much difference there. Their visibility, even though we'll get visibility out six months, their visibility to their demand can change, as we know, very rapidly within the 90 days or certainly even within 30 days as that -- those windows move a long time.

So I would say that there's not much change in that. And oftentimes, if customers aren't canceling orders, what they're doing is rescheduling them back out in time. So we're certainly seeing that happen as well.

Do you have a follow-on?

Harlan Sur JPMorgan Chase & Co, Research Division - Senior Analyst

Yes. So Embedded drove 10% year-over-year growth in the second half of last year. It also drove a slight sequential growth in the fourth quarter. So the business is holding up relatively well versus Analog. And I know that the team seems to have moved past some of the headwinds in this segment as you've sort of focused investments on selective markets and opportunities, right? Is that refocusing like helping the near-term trends in Embedded? And with all of the restructuring, how do you think about the forward opportunities and growth outlook for Embedded over the next few years?

Dave Pahl Texas Instruments Incorporated - Head of IR & VP

Yes, yes. Thanks -- great question. Thank you for it. Yes, first, I would just say that, are efforts having an impact? They are. And I would just say that we're pleased with the progress that we're making there with Embedded, and we believe that progress in those results just need to be measured again over time. So we continue to work on that business, and we'll continue to do that. When we think about the market opportunity for Embedded and Analog, we think that both of those markets have about the same growth opportunities. So in time, they'll -- the growth rates will converge though they could be -- you could see differences in any given quarter. But longer term, we believe that they can grow at the same rates. So thank you.

And Harlan, we'll go to the next caller, please.

Operator

Next, we'll hear from Timothy Arcuri of UBS.

Timothy Michael Arcuri UBS Investment Bank, Research Division - MD and Head of Semiconductors & Semiconductor Equipment

Dave, I had a question about just the Analog business generally, both with respect to share and margins. The margins are quite a bit lower than in early '21 on quite a bit more revenue. I guess, is that all just still supply chain-related costs? And do we get that back at some point? And then on share, just in that same point, the share, we don't know what the -- all of the calendar fourth quarter looks like, but it's pretty clear that the share is going to be down about 150 basis points this year, and you're kind of back to 2012 levels. So I just wonder kind of what's going on there? Is there some -- is there some pricing issues that might explain why that share would be down so much next, Dave? And then I have a follow-up.
Rafael R. Lizardi  Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations

Let me go ahead and start. And yes, let me address first on your margin question. Analog is a huge portion of the company. So anything you're seeing in Analog is what you're seeing at the company level. And when it comes to gross profit, we're very pleased with the results. We came in about as expected. And it decreased, as we said in the prepared remarks, it decreased primarily due to lower revenue. The transition of LFAB-related cost to cost of revenue, as well as the cost related to increased investments over the last several quarters that are now flowing through the P&L, those are long-term investments that are going to position us very well for top-line growth for many years to come.

And on the second part of the question, I think Dave already answered, you got to look at this over a long time, not any one quarter. And particularly during choppy times. So stay tuned on that.

Dave Pahl  Texas Instruments Incorporated - Head of IR & VP

Yes. And I'll just add that I think our approach to building closer relationships with customers has served us well. As you know, we've moved and taken more of our revenue direct as well as providing services through TI.com. So it's provided a lot of advantages, including us being better able to see and respond to changes in demand. And as customers are reducing their inventories now, we haven't employed any long-term sales agreements or noncancelable non-reschedulable contracts, we really just focused on customers and trying to meet their needs and service them well for the long term.

I think all those things has us in a position where we do believe that we're able to grow the top line faster over the next few years. And as we talked about, we'll give you some insight into that next week and how that's going to change some of our plans. So -- was that Tim's follow-up or you have a follow-up, Tim?

Timothy Michael Arcuri  UBS Investment Bank, Research Division - MD and Head of Semiconductors & Semiconductor Equipment

I do, Dave. I do, Dave. So just a comment that autos grow in Q1. Is that a year-over-year comment? Or you expect auto to be up on a Q-on-Q basis also in Q1?

Dave Pahl  Texas Instruments Incorporated - Head of IR & VP

Yes. So year on year, automotive was up about 30%. And just to put that in context, from fourth quarter '19 -- I just picked that because it's pre-pandemic levels -- our revenues in auto are up in the mid-70s. So we continue to see strong growth there. So that's the year on year -- the comment that we made before that it was up mid-single digits was a sequential comment, Tim.

We'll go to the next caller, please.

Operator

Next, we'll hear from Ambrish Srivastava of BMO Capital Markets.

Ambrish Srivastava  BMO Capital Markets Equity Research - MD & Senior Semiconductors Research Analyst

Dave. I'll just stay with autos. It's an interesting data point versus the pre-pandemic. But I'm just looking at the auto business and the rest of the business, everything is decelerating, as you would expect, and auto seems to be, if not accelerating, kind of in that high 20%, 30% range. I just wanted your perspective on what's your sense? Usually, all these things are pretty interconnected, and maybe it's a quarter or two quarters before everything kind of follows the same cadence. So I would just love to get some perspective from you guys on the disparity between autos and the rest of the broader businesses?

Dave Pahl  Texas Instruments Incorporated - Head of IR & VP

Yes. Ambrish, thanks. I'd say that as we -- you almost have to go back to the beginning of the pandemic and how revenues behaved as we went through first quarter and into second and third. And if you remember, as the pandemic spread in third quarter, we saw wide and very deep cancellations across all of the markets, including automotive, but as we all went home to set up our home offices, we either bought a new monitor or a printer or PC. So very quickly, our personal electronics customers came back and came back very strong, if you remember. The other markets began to follow, but automotive was the last to respond. And people early in the pandemic weren't shopping for cars, they weren't going out of the house. So they had that issue, and as manufacturers tried to reopen, they had more
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issues with COVID protocols and working to bring their plants back on line. So it's not too surprising that as it asynchronously came out, it's asynchronously going down. So -- but all these markets, we believe, over the long term, will behave the same.

And at some point, we believe that we will see a correction in automotive. It may not, but we don't -- we just don't know. And we'll continue to ship product to customer demand. It's obviously very strong. There's lots of reasons why. Besides us gaining share, there's more content, there's mix and other factors inside of that. But clearly, there's inventory, built across all markets is inclusive of automotive.

So do you have a follow-on?

Ambrish Srivastava BMO Capital Markets Equity Research - MD & Senior Semiconductors Research Analyst

I did. Just a quick one on the cash grant side of the CHIPS Act. And whatever I have read, it may be incorrect, but my recollection is that in Q1, Q2 time frame, the government will delineate kind of the guidelines. And what's your expectation of when that cash starts to come in?

Rafael R. Lizardi Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations

Yes. So the CHIPS Act has both an ITC, investment tax credit, and grants. So you're asking about the grants. We're still working through those details. We do not have an update to share right now. Those applications open in February. So we are actively -- we're going to actively seek funding on those for whatever we could qualify. So we're going to submit our application in February. But right now, we don't have any information to share on that. The -- all the accruals that we have taken so far, the $400 million that we have taken, are all for the ITC -- for the investment tax credit, 25% investment credit for U.S.-based manufacturing.

Ambrish Srivastava BMO Capital Markets Equity Research - MD & Senior Semiconductors Research Analyst

And the timing on that, Rafael, you will let us know about when that flows through the cash flow later on, right?

Rafael R. Lizardi Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations

Yes. In fact, let me take a second and kind of walk through how it flows through the financials. So you can actually look at our balance sheet on the Page 4 of our release, the other long-term assets that is up to $1.1 billion. You can see the increase year on year. That's where the $400 million receivable is for that ITC. If we had not taken the ITC, that $400 million would have gone to property, plant and equipment. So you can see property, plant and equipment $6.9 billion, that would have been $7.3 billion. So instead it's on a long-term asset, a receivable. Therefore, it's not going to depreciate -- that $400 million doesn't depreciate because it's not part of PP&E. And eventually, we'll get the cash.

Now to your question right now, based on our interpretation of the law, we're not going to get that cash until late '24. And then every year, it will be like one year in arrears, right? You got to count one year late, but that could change. Clearly, that's something that companies are advocating for, to get that cash early. But right now, we're not planning to get that until '24.

So again, that's how you see it on the balance sheet, lower PP&E. You see a receivable instead, then because of lower PP&E, you have lower depreciation over the life of the asset and then the receivable -- because the receivable eventually, you get the cash, so it goes from a receivable to the cash line, right? And then eventually, we return it to the owners of the company or use it for other corporate purposes. Hopefully, that answers your question.

Dave Pahl Texas Instruments Incorporated - Head of IR & VP

Yes. Maybe just quickly there. '24 timing is tied to when we file our taxes for '23, right?

Rafael R. Lizardi Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations

Yes. So yes, so not to add more confusion, but we get the cash through filing the taxes. However, this will not affect the tax rate because the accounting will put that, as I just described, through lower PP&E, and you actually see the cash in the cash flow statement in the investing section. But the actual receiving of the cash happens at tax filing time in October or so, of September of every year, and we just paid less taxes to that. But again, not to confuse you, the tax rate will not change.
Okay. Operator, we have time for one more caller, please.

And our final question for today will come from Joshua Buchalter of Cowen.

You mentioned customers getting inventory lower in the quarter. You're more direct than many of your peers that you have a better, I guess, view into end demand theoretically. And so can you help us understand, are we close to bottoming? Do you think we're getting to healthy levels? And were there particular end markets that saw more acute inventory correction in the short term?

Yes. Joshua, maybe just quickly, obviously, when customers begin reducing inventory, it's never a one-quarter phenomenon. It usually takes several quarters for that to happen. We won't have insight. And it obviously, will also depend on what happens to their end demand, which we can't predict. And -- but yes, we do believe that we get better visibility because we do have more direct relationships with customers overall.

So do you have a follow-on?

Yes. A lot of attention gets paid to your CapEx for obvious reasons, but R&D grew, I think, 7%, 8% in 2022, after being flat for a few years. And I think you guys -- fair or unfair -- get dinged for underinvesting on the R&D line. So I was wondering, could you walk through some of your priorities for that spending? And how should we think about R&D into 2023, recognize it might be a question for next week.

Sure. No, I'm happy to address that. So first, these are long-term investments in nature. The R&D clearly -- that's where we get the -- continue to build in the broad portfolio. That's where we have process technology and that -- we get results over many, many years into the future, and we're going to protect those investments.

But it's not just R&D. Even in SG&A, we have areas that are tied to capabilities. TI.com is the best example. That's another place where we're investing, and that's tied to long-term top-line growth of the company to be strengthening the reach of channel advantage.

You could add CapEx to that picture. That's also obviously a long-term investment to strengthen our manufacturing and technology advantage. If you look at the -- over the last four or five years, our OpEx, so R&D and SG&A, they've been at a very steady $3.2 billion for like four or five years. This year, for the first time, we ticked that up to $3.4 billion. So we went up a little bit as we increased the investments and also there was an impact on -- due to inflation, which we're not immune to that. You can expect that to continue increasing a little bit over the -- in '23 and over the next several years as we continue to increase investment. There's also the inflation component. And -- but big picture, those are great long-term investments that will fuel the growth for the company over the next 10 to 15 years.

Okay. Thank you, Joshua, and thank you all for joining us. Again, we look forward to sharing with you our capital management update next Thursday, February 2, at 10:00 a.m. Central time. And a replay of this call will be available shortly on our website. Good evening.

That does conclude today's conference. Thank you all for your participation. You may now disconnect.