

# 2020 Annual Report Chairman's Letter

Texas Instruments Incorporated

March 9, 2021

Rich Templeton, chairman, president and CEO

## Our long-standing passion and ambitions

For decades, Texas Instruments has operated with a passion to create a better world by making electronics more affordable through semiconductors. With each generation, technology has become more reliable, more affordable and lower in power, with semiconductors used by a growing number of customers and markets. Our passion continues to be alive today, as we help customers develop electronics and new applications, particularly in industrial and automotive markets.

Our founders had the foresight to know that passion alone was not enough and that building a great company required a special culture to thrive for the long term. For many years, we've 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's ever changing. And third, we will be a company that we're personally proud to be a part of and would want as our neighbor. When we're successful in achieving these ambitions, our employees, customers, communities and shareholders all win.

## Our commitment to being a good corporate citizen

We take great pride in our commitment to being a good corporate citizen, which impacts our communities and the world in two ways. First, our ambitions guide how we run our business and are foundational to ensuring that we operate in a sustainable, socially thoughtful and environmentally responsible manner. Central to these ambitions is a belief that in order for all stakeholders to benefit, the company must grow stronger over the long term. Second, semiconductors will play a critical role in creating a better world and helping to reduce the impact on the environment. With our ambitions guiding our decision-making for the long term and our products helping to create a better world, we are confident that our collective efforts will be impactful and long-lasting.

## Our objective and strategy

As engineers, we're fortunate to work on exciting technology which helps our customers innovate to create a better world. Technology is the foundation of our company, but ultimately, our objective and the best metric to measure progress and generate long-term value for owners is the growth of free cash flow per share. Our strategy to maximize free cash per share growth has three elements: first, a great business model that's focused on analog and embedded processing products and built around four sustainable competitive advantages; second, discipline in allocating capital to the best opportunities; lastly, a focus on efficiency, which means more output for every dollar spent.

## 2020 performance

2020 was possibly the most challenging year the world has collectively faced in a long time and highlighted the power of our ambitions to guide our decisions and actions:

- We operated our factories to support our customers when their ability to forecast was minimal.
- We invested in our people and kept them safe.
- We invested in R&D, long-term manufacturing capacity and new capabilities.
- We invested in our communities in a year when the need was particularly high.

When 2020 was complete, TI was stronger, revenue grew slightly and the balance sheet remained strong. Additionally, consistent with our commitment to return free cash flow to owners, we increased our dividend 13%.

Perhaps most importantly, I couldn't be prouder of how Tlers adapted and performed in 2020. We have learned through the decades that challenging years are when our ambitions are most critical in guiding our decisions and when Tlers rise to the challenge.

### **Looking ahead**

As engineers, it's a privilege to get to pursue our passion of creating a better world by making electronics more affordable through semiconductors.

We will remain focused on the belief that long-term growth of free cash flow per share is the ultimate measure to generate value. To achieve this, we will invest to strengthen our competitive advantages, be disciplined in capital allocation and stay diligent in our pursuit of efficiencies.

You can count on us to stay true to our ambitions: to think like owners for the long term, adapt and succeed in a world that's ever changing and behave in a way that makes our stakeholders proud. When we're successful, our employees, customers, communities and shareholders all win.