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OVERVIEW:

Company Summary

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James Schneider, Ph.D. *Goldman Sachs Group Inc - Analyst*

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Joshua Buchalter *Cowen and Company LLC - Analyst*

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PRESENTATION

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Welcome to the Texas Instruments fourth quarter 2025 earnings conference call. I'm Mike Beckman, head of Investor Relations, and I'm joined by our Chairman, President and Chief Executive Officer Haviv Ilan and 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.

I would like to provide you some information that is important for your calendars. On Tuesday, February 24, at 10 a.m. Central time, we will have our capital management call. Similar to what we've done in the past, Haviv, Rafael and I will share our approach to capital allocation and summarize our progress as we prepare for the opportunity ahead.

Moving on, today we'll provide the following updates. First, Haviv will start with a quick overview of the quarter. Next, he will provide insight into fourth quarter revenue results with some details of what we are seeing in our end markets. Haviv will then provide the annual summary of revenue breakout by end market. Lastly, Rafael will cover the financial results and our guidance for first quarter 2026.

With that, let me turn it over to Haviv.

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Thanks, Mike. Let me start with a quick overview of the fourth quarter. Revenue came in about as expected at $4.4 billion, a decrease of 7% sequentially and an increase of 10% from the same quarter a year ago. Analog revenue grew 14% year over year. Embedded Processing grew 8%, and our “Other” segment declined from the year-ago quarter.

The overall semiconductor market recovery is continuing, and we are well positioned with inventory and capacity to meet immediate customer demand.

Before I walk through our results, I'd like to share an update we've made to our end markets. To better reflect the growth opportunities we see for our analog and embedded products, we reorganized our end markets to include data center, which includes sectors related to data center compute, data center networking, and rack power and thermal management. As such, our end markets are now industrial, automotive, data center, personal electronics and communications equipment.

With that as a backdrop, I'll now provide some insight into our fourth quarter revenue by end market.

First, the industrial market was up high teens year on year, with recovery continuing broadly across sectors, and was down mid-single digits sequentially.

The automotive market increased upper-single digits year on year and was down low-single digits sequentially.

Data center grew around 70% year on year and mid-single digits sequentially.

Personal electronics declined upper teens year on year and mid-teens sequentially.

Lastly, communications equipment declined low-single digits year on year and mid-teens sequentially.

In addition, as we do at the end of each calendar year, I'll describe our estimated 2025 revenue by end market.

Industrial was $5.8 billion, up 12% year on year, and was 33% of revenue.

Automotive was $5.8 billion, up 6% year on year, and was 33% of revenue.

Data center was $1.5 billion, up 64% year on year, and was 9% of revenue.

Personal electronics was $3.7 billion, up 7% year on year, and was 21% of revenue.

Communications equipment was about $500 million, up about 20% year on year, and was 3% of revenue.

In summary, industrial, automotive and data center combined made up about 75% of TI's revenue in 2025, up from about 43% in 2013. We see good opportunities in all of our markets, but we place additional strategic emphasis on industrial, automotive and data center. Our customers across all regions are increasingly turning to analog and embedded technology to make their end products more reliable, more affordable and lower in power. This drives growing chip content per application, or secular content growth, which will likely continue to drive faster growth in these end markets.

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

Rafael Lizardi - *Texas Instruments Inc - Chief Financial Officer, Senior Vice President*

Thanks, Haviv, and good afternoon, everyone.

As Haviv mentioned, fourth quarter revenue was $4.4 billion.

Gross profit in the quarter was $2.5 billion, or 56% of revenue. Sequentially, gross profit margin decreased 150 basis points.

Operating expenses in the quarter were $967 million, up 3% from a year ago and about as expected. On a trailing 12-month basis, operating expenses were $3.9 billion, or 22% of revenue.

Operating profit was $1.5 billion in the quarter, or 33% of revenue, and was up 7% from the year-ago quarter.

Net income in the fourth quarter was $1.2 billion, or $1.27 per share. Earnings per share included a 6-cent reduction not in our original guidance related to the non-cash impairment of goodwill in our “Other” segment and other tax-related items.

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

Cash flow from operations was $2.3 billion in the quarter. Capital expenditures were $925 million in the quarter.

In the quarter, we paid $1.3 billion in dividends and repurchased $403 million of our stock. We also increased our dividend per share by 4% in the fourth quarter, to $1.42 per share, marking our 22nd consecutive year of dividend increases. In total, we have returned $6.5 billion in the past 12 months to owners.

Our balance sheet remains strong with $4.9 billion of cash and short-term investments at the end of the fourth quarter. Total debt outstanding was $14 billion with a weighted average coupon of 4%.

Inventory at the end of the quarter was $4.8 billion, down $25 million from the prior quarter, and days were 222, up 7 days sequentially.

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

In 2025, cash flow from operations was $7.2 billion, and capital expenditures were $4.6 billion, as we continued to make progress on our capacity expansions. We're nearing the end of a six-year elevated CapEx cycle that uniquely positions TI to deliver dependable, low-cost 300mm capacity at scale.

Free cash flow for 2025 was $2.9 billion, or 17% of revenue, representing an increase of 96% from 2024. Our free cash flow growth reflects the strength of our business model as well as our decisions to invest in 300mm manufacturing assets and inventory. This supports our overall objective to maximize long-term free cash flow per share growth, which we believe is the primary driver of long-term value. In 2025, we received a $670 million cash benefit related to CHIPS Act incentives.

Turning to our outlook for the first quarter, we expect TI revenue in the range of $4.32 billion to $4.68 billion and earnings per share to be in the range of $1.22 to $1.48.

We continue to expect our effective tax rate for 2026 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 Mike.

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ross Seymore, Deutsche Bank.

Ross Seymore - *Deutsche Bank AG - Research Analyst*

I guess my first question is the first quarter guidance is significantly stronger than seasonal. And if my math is right, it seems like it's the first time you've guided up sequentially since right after the financial crisis, 15 years ago roughly. So is there anything unique going on by either end market or geography that's given you such an optimistic view versus relative or normal seasonality?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Ross, thanks for the question. I'll take it, and I'll let Mike add some more color as needed. First, let's start with the fourth quarter. We have seen a typical fourth quarter; revenue came in as expected.

But if you look at the year-on-year results, we are seeing recovery continuing in industrial. It grew close to 20%. I think it was 18% year over year. And remember that on the industrial market, we still have a lot of room to go when you think about the previous peak. So if you will, the compare is still easy for industrial to continue to recover.

The other market that I will highlight is the continued strength in data center. We are seeing this market now becoming a little bit more substantial as a percentage of our revenue. I expect this market to continue to grow in Q1. It's been growing for now seven quarters in a row for us. And we left the year at about $450 million a quarter revenue footprint, and I think that continues as we move forward.

The last point I would say, we did see orders improving throughout the quarter, and what guides our guidance is the stronger bookings.

Mike, I don't know if you want to add anything?

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Yeah. So we did see linearity -- revenue linearity through the quarter improve. So month one to month two to month three, we did see it continue to build. Same with backlog, we saw that continue to build through the quarter. And also, as we've talked in previous quarters, turns business or when a customer comes in, wants an order shipped right away, we continue to see that run as well at higher levels. So that's factored into the guidance.

Do you have a follow-up, Ross?

Ross Seymore - *Deutsche Bank AG - Research Analyst*

Yeah, I do. Just a question on the gross margin implications. Given what you guys are talking about with revenue, it seems like you had a nice beat at least versus what I was expecting in the fourth quarter. Rafael, can you just talk a little bit about the puts and takes on gross margin in your first quarter guide and maybe throughout the year. If utilization is changing, if inventory levels are where you want it or if they need to rise? Anything on that would be helpful.

Rafael Lizardi - *Texas Instruments Inc - Chief Financial Officer, Senior Vice President*

Yeah, sure. Let me start with fourth quarter. EPS came in a little better than expected, and once you account for that 6-cent reduction that we talked about in the prepared remarks, and that was a combination of revenue was a little better, mix -- end market mix was a little better, loadings was a little better, and OpEx was a little better. So it was a combination of multiple things there. On first quarter, we gave you the range on EPS and the range on revenue. I would tell you, assume OpEx is up low-single digits, and you should get into a reasonable number for gross margin. And the loadings will depend on demand, and we'll adjust those as needed. Thank you.

Operator

Jim Schneider, Goldman Sachs.

James Schneider, Ph.D. - *Goldman Sachs Group Inc - Analyst*

I was wondering if you could maybe -- relative to your prior comments, maybe address inventory levels and where you expect those to go. You talked about taking loadings down a little bit to bring inventories down, and you accomplished that in the quarter. Do you think inventories are at a pretty good place either from a days or dollars basis? Or would you expect to want to take them down a little bit further at this point?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Let me start, and I'll give -- I'll let Rafael add some color on this, Jim. So again, I think we said it along the fourth quarter when we had the chance that we are very pleased with the inventory position we have built. We are very proud of how we got there. It's across all of our technologies at the right level. So from a high level, the inventory, we are -- we have right now, that's an asset that allows us to serve customers, especially in the current environment, when we see a lot of real-time, just-in-time end demand. The turns business, as Mike mentioned before, is high, and it allows us to support customers at a high level.

Rafael, any more color on how you want to manage inventory moving forward?

Rafael Lizardi - *Texas Instruments Inc - Chief Financial Officer, Senior Vice President*

No, that's it.

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

All right. Jim, do you have a follow-up?

James Schneider, Ph.D. - *Goldman Sachs Group Inc - Analyst*

Yeah. I mean, clearly, industrial and automotive are doing very well right now and that plus data center are your main focus. Can you maybe talk about sort of the prospects of a return to growth or a turnaround in the personal electronics and communications end markets and maybe some of the product areas like Embedded Processing associated with those?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Yeah. So just on the -- maybe on the personal electronics market, it did grow for the year, right? The business grew at -- for the full year at around, I think, 7% for PE. And we just saw a little bit of a weak Q4, I would say, below typical seasonality. Maybe, Mike, you can add a little bit more color on what we've seen there in Q4.

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Yeah. So if you look inside the sectors there, home theater, entertainment, TV declined the most. On the other end of the spectrum, mobile phones actually performed the best out of that group. So it varied within, probably not inconsistent with what you've probably seen around subsidies expiring around in China for things like appliances and TVs. So it's also -- if you think about where personal electronics is and its timing of the cycle and where it is, it was one of the first to correct and also go through its recovery. So there's also a tougher compare than it probably has compared to some of the other end markets.

Operator

Harlan Sur, JPMorgan.

Harlan Sur - *JPMorgan Chase & Co - Analyst*

Good to see the strong double-digit year-over-year growth in industrial. Haviv, last quarter, you talked about seeing some hesitation by customers in your industrial business, especially around manufacturing activity -- things like factory automation, which is one of the largest segments of your industrial business. Are you still seeing that hesitancy, that sort of wait-and-see posture by customers? Or is the order activity there starting to now pick up, especially among your China-based industrial customers?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Yeah, it's a great question. I think from a high-level perspective, let's remember, industrial, when I look at the quarterly revenue, even if I go back to Q3, which was, I think, the highest industrial quarter for 2025, it was still about 25% from the previous peaks in year 2022, right? So I do believe that the secular growth continues in industrial. We are looking at end equipment, and generation to generation, we see just more content growth per system. So I expect industrial to establish new highs in the future.

This is why I talked in the last quarter about maybe a more moderate recovery, especially on the industrial side. And it did behave kind of seasonally in Q4. But as Mike alluded to, we are seeing a little bit of a pickup on orders, including in industrial. And I can't tell you why. We'll have to see how it plays out. But we have seen some noise in the last several months on some issues regarding a certain supplier. And sometimes -- we all know about the memory shortages. So I don't know what makes the customers order more. We'll just have to look and see. I do want to remind us all that earlier in 2025, I would say, the first half of '25, we saw a pickup of industrial, and then it kind of calmed down. We want to see how sustainable this wake-up in orders is.

And Mike, anything to add on the industrial side?

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

I think you covered it well. I wouldn't add anything to that. Harlan, do you have a follow-up?

Harlan Sur - *JPMorgan Chase & Co - Analyst*

Yeah. Thanks for answering the last question. You guys have previously mentioned the team is ahead on the Sherman fab build-outs and on track to complete the build-out of Fab 2 this year. Can you guys just give us an update here? And then on the potential $2 billion to $3 billion of gross CapEx this year, I'm not sure if you guys are willing to articulate what that could be. But what is the size of the potential offsets, right? You've got ITC goes up 35%, and you still have $1.6 billion in direct funding or grants to capture. Just wondering if you can maybe quantify that capture this year?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Yeah, I'll start regarding the execution on the buildup of the fabs, and I'll let Rafael comment the rest of the topics, although we want to save something for the February call, Harlan.

But first on the fabs, yeah, we are very pleased about the execution in Sherman. It's actually ramped ahead of schedule, high yields. We also see with the new equipment that we have, really, the factory is more capable than we originally hoped. So a high level of throughput is being planned for this factory. So I'm very pleased with that execution. And that will help us support our customers for the next five and 10 years. We have a cleanroom in Sherman 1 that is -- already have some production lines running. But remember, we also have the shell in Sherman 2, and we can build into this capacity if the -- if demand wants to be very strong, I think we can be in a great position to support it.

On the Lehi side, also on schedule. I'm very pleased with the transition, or the insourcing progress, from our foundry wafers into Lehi. That's mainly an Embedded Processing comment. That tailwind will continue for us in 2026. I think I've mentioned in '25, we've completed our 65nm transition, and they are yielding at the same level as they used to in the foundries. And now we are busy with our 45nm technology, mainly supporting our automotive radar business; that's also progressing well in Lehi.

Rafael, anything on the ITC?

Rafael Lizardi - *Texas Instruments Inc - Chief Financial Officer, Senior Vice President*

Sure. Yeah. No. So Harlan, you asked about five or six questions in one, but let me see if we can -- Haviv addressed a couple. Let me address the next few. First on CapEx. We continue to expect CapEx for 2026 between $2 billion and $3 billion. So that's consistent with what we said before.

On depreciation for '26, let me give you a new number. We now expect $2.2 billion to $2.4 billion on depreciation in 2026. And for 2027, we expect an upward pressure on that number but at a slower rate of increase. So if you look at what we've increased the last few years, just it will increase again, but slower.

You asked about ITC and direct funding. Direct funding, no change. We expect up to $1.6 billion as we -- in several milestones -- as we reach those milestones. And on ITC, investment tax credit, it is now 35% as of January 1, '26. So anything that we put in place, any CapEx we put in place, both equipment, building, cleanroom in 2026, we get back 35% on the ITC credit.

Operator

Vivek Arya, Bank of America Securities.

Vivek Arya - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

For the first one, Haviv, what do you think is driving this above seasonal Q1? First of all, how much above seasonal is it? And then what role is the pricing playing in that, because there is some discussion about price increases from some of your peers. So is TI raising prices in Q1? Is that part of what's driving? And how would you characterize this? How much above seasonal is it? And what's kind of the main driver of that?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Yeah. Let me just say for the second part of the question, the answer is no, it's not pricing related. Regarding the seasonality, it's more or less, maybe a little bit above seasonal, right? We usually see kind of a low-single digit to flat quarter. I think we've guided what --

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Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Yeah, low single-digit decline to flat --

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

And again, the reason, Vivek, is the orders, we are just seeing growing orders, and it behaved the same through the quarter. I can't speculate on what, but I do know the industrial market, there needs to be a correction. And the second point is data center is now a bigger part of our business, so it starts to move the numbers for us, right? This is a market that is now growing every quarter, and it's not insignificant. So I think that also helps to change the guide compared to previous years.

Mike, anything else on the seasonality?

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

No. I think you called it out on seasonality. So Vivek, do you have a follow-up?

Vivek Arya - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Yeah. For my second question, there's a lot of talk of higher memory pricing impacting demand for consumer electronics, PCs, phones, automotive. Have you seen it already? Have you heard that as a concern from your customers? And how are you thinking about the auto market right now? And just is memory pricing a headwind at all for your businesses that are exposed to consumers?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

High level, we -- I would say that we haven't seen any implications, although then that would be a speculation on my side, but it could be that when customers are seeing some issues on the memory side, do they want to replenish some of their inventory. That could be always the case. And Mike, I don't know if you've seen any examples of --

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Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Yeah. What I would add though is -- and we've heard about it, obviously. And I think not necessarily specifically that scenario, but it could be that, but also when a customer doesn't necessarily have everything needed to complete their bill of materials, when they finally have those parts they need, sometimes they'll come in very quickly and want to order parts. We did see some of that where customers come in the last minute, want product shipped right away because they've just completed their bill of materials. It could be related to that or other different things.

Operator

Timothy Arcuri, UBS.

Timothy Arcuri - *UBS AG - Analyst*

Rafael, I wanted to also ask on CapEx and sort of how quickly it's going to fall off. I think you said this year $2 billion to $3 billion, but the math would then say you're going to kind of exit the year like run rating something like $1.5 billion. So the question is then, can it go lower than that? Because I seem to recall a comment at our conference in December that it could go like lower than 5% of revenue next year. So that would put it down to like $1 billion and that -- like that kind of being a floor. So can you kind of talk about that? Could it go that low next year?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Tim, let me start with the second half, and then I'll let Rafael answer the first part. I made that comment because I was asked about maintenance CapEx, what is maintenance. We always have to spend money to fix equipment, to buy replacement parts, et cetera. So I characterize it as kind of mid-single digit of revenue, that's always kind of a run rate you can think about. There's never zero in an IDM like TI. That was my point. This is when you don't have growth, right?

Now I'll let Rafael talk about CapEx beyond the maintenance.

Rafael Lizardi - *Texas Instruments Inc - Chief Financial Officer, Senior Vice President*

No. So for this year, for 2026, $2 billion to $3 billion, and there's a range there. So as we go through the year, we'll update you on that number. And then beyond that, what we've said it's about 1.2 times long-term revenue growth. So you take -- pick a number for revenue growth, you do 1.2 times, so 10%, you get to 12% CapEx intensity, but that's a gross number before ITC benefit. So once you get those ITC benefits, you essentially get back to 1:1 on that growth rate. So whatever growth rate you assume, you kind of get back to a net capital intensity of about the same level.

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Do you have a follow-up, Tim?

Timothy Arcuri - *UBS AG - Analyst*

I do, Mike. So I also wanted to ask about loadings. It looks like cash gross margin is up like 50 basis points or something in March. So that would kind of suggest that loadings are going up just a smidge. And the bigger question is sort of are you thinking about loadings that you want to keep inventory sort of in this $4.8 billion range, and you just want to match loadings with demand from here? Or do you want to bring inventory down over time versus that $4.8 billion number?

Rafael Lizardi - *Texas Instruments Inc - Chief Financial Officer, Senior Vice President*

As Haviv said earlier, we're very pleased with inventory levels. That's good inventory on a number of fronts, on the buffers that we have and the position that we have to support potential revenue growth. The same goes with capacity. We are well positioned with capacity. So we'll adjust those loadings as needed, depending on what we see for demand for the rest of the year.

Operator

Thomas O'Malley, Barclays.

Thomas O'Malley - *Barclays Services Corp - Analyst*

Haviv, in your outlook for March, you talked about strength in data center, recovery in industrial continues, and bookings are improving, turns are good. There was no mention of auto there. You guys have said previously, maybe the auto business is a little bit slower off the bottom than industrial. Any update on the auto business and how that trended through the quarter and kind of your updated view there?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Yeah, great question. On the automotive market, I think we -- I think in Q4, we were slightly down?

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Down low-single digits.

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Low-single digits. And we did see strength in the automotive in the second half of this year, right, in Q3 and Q4. It's back to the level more or less of the peaks somewhere in 2023. This is an automotive peak. Remember, automotive was last into the cycle, right? If you go back all the way back to the COVID cycle, they were the last ones to peak. They peaked in Q3 '23.

But the -- I think what's happening in automotive, and it continues to happen, is secular growth continuing. So generation to generation, model to model, we just see more content per vehicle. Even if it's an ICE, a combustion engine vehicle, rather than EVs.

Strength in China continued in Q4. And typically, in Q1 -- if I need to comment about Q1, typically Q1 is a quarter where, at least in China, we see always -- with Chinese New Year, we always see a seasonally down quarter. I expect that to be the same in Q1.

But again, we are -- we've seen a single-digit drop versus the peak in automotive, back to the same levels, and I think secular growth continues into the foreseeable future, at least for the next five years.

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Okay. You have a follow-up, Tom?

Thomas O'Malley - *Barclays Services Corp - Analyst*

Yeah. I just wanted to clarify a comment earlier. You mentioned that pricing didn't have anything to do with the above seasonal margin. You talked more about these end market trends. Is that because you've raised pricing previously, you plan to in the future? The reason -- the question comes from your competitors are talking about an increase in pricing early in 2026 and being very clear about that. Do you guys feel like you don't want to do that? Or is it just something you'd rather not comment on?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

No, I think we've been clear along the year, and I'll just repeat it, and Mike, you can add a little bit more color, but we said that we expect the pricing -- price -- we have 80,000 products. Prices always go up and down. But for the company, the overall price effect like-for-like in '25, we expected it to be low-single digits down. Now we finished '25, it was exactly there. When you say low-single digits, think about 2% or 3% down.

That's my assumption for 2026. That's what we expect the market conditions to be. If anything changes with pricing, if we'll see -- of course, TI will respond. But right now, that's our assumption moving forward. That's why I was so convinced that the Q1, I think we have a little sequential growth there, is not due to pricing.

Mike, anything to add there on the pricing side?

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

No, I think you called it out. In a base case assumption of low-single digit decline over time, we'll have to see what the market presents to us, but continue to expect --

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Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Definitely no step function planned in Q1. Actually, usually Q1 pricing usually goes down a little bit because of yearly negotiations. That's usually what we see in Q1. Do you have a follow-up -- no, that was the follow-up. Okay. Sorry about that.

Operator

Josh Buchalter, TD Cowen.

Joshua Buchalter - *Cowen and Company LLC - Analyst*

I wanted to (inaudible) your data center business a little bit more. Any details you can give us on the exposure across power or embedded and maybe non-power analog parts? And 70% growth is a pretty big number, any sort of handicap here you're willing to give us on what that business could grow over the medium to long term?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Yeah, definitely. I can take that. So again, data center has grown nicely, as you said, in 2025. As CapEx continues to be invested in data centers, we expect that growth to continue.

In terms of our position, most of our business is based on the analog side. And there is also -- there is -- between power and signal chain, I would say it's kind of maybe a little bit more power, but both power and signal chain are very strong in data center. We see a lot of opportunity, a lot of diversity of parts. I know most people like to talk about a specific socket, if you call it the VRM or the VCORE voltage regulators, that's always a large -- very large socket. But if you look at the rack and you open it up, there are thousands of different parts, and many of them are analog and embedded parts, and TI plays across the board there.

As I've mentioned over the years, we have also invested in our technology to be able to support the higher power, call it, rails. Think about the VCORE, this is where a lot of the current going into an accelerated computer or a CPU come from, and TI is building the technology in Sherman, Texas. This is where our BCP process is serving us very well there. That product is sampling, and we expect our opportunity in data center to further expand in the coming years.

So TI plans to play across the different sockets in data center, and I see it -- as long as CapEx continues into this market, I see the opportunity as an attractive one.

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

A follow-up, Josh?

Joshua Buchalter - *Cowen and Company LLC - Analyst*

Yeah. Thank you for all the color there, and it is a good (inaudible) and interesting several years for the analog industry. And for a while, you talked about the benefits of your US-based (inaudible) capacity. Do you feel like we're at (inaudible) in the industry and you guys from a cyclical standpoint being (inaudible) on inventory. But are we at the point where we expect TI can get back into sort of the shared leadership. Everything is normal enough yet?

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

So Josh, I think there was a little trouble on the line, but I'm going to repeat what I believe the question was, and then we'll answer it. So I think it was talking about the cycle and how it's been playing out. And with the capacity that we have in place, are we in a position to be able to get back to market share gains. And maybe if you want to start with the answer? I can also answer as well.

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Was that the question, Josh?

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

I believe that was --

Joshua Buchalter - *Cowen and Company LLC - Analyst*

Yeah, close enough.

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Okay. Yeah. As we said, look, cycle -- this cycle has recovered slowly. We just -- forget about TI, just look at the overall unit trend. You can look at units without memory. You can look at ICs. It's been one of the slowest, if not the slowest, recovery ever in our history at a time where I think more semis are used in our life. I mentioned the secular growth in automotive. We see that across many, many end equipments.

In industrial across the board, just more content per system. That's just -- and of course, the investments in data center that are becoming more and more substantial even for the analog and embedded portfolio that we have.

So I do believe that there is going to be a point of time where you -- all this capacity we've put in place and the inventory that we've positioned is going to serve us well. We have seen cases where it served us very well with an immediate response to customer needs, and our customers value that a lot. And I believe there is more to do here. So let's see how the market wants to continue and develop.

One thing is very clear to me, end equipments are being redesigned with more semis every day. It will continue to be the case in the future. This is why I'm continuing to stay very optimistic and encouraged by the investments we've made in the past several years.

Operator

William Stein, Truist.

William Stein - *Truist Securities - Analyst*

First, I'm hoping you can talk a little bit more about the strong bookings you referred to. Would you be able to disclose the book-to-bill to us? And maybe even more interesting, has the duration of your backlog changed at all in the quarter?

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

So maybe I'll take that one. So Will, we did see throughout the quarter backlog did build. And I think, first of all, it's important to remember that we transact most of our revenue direct with our customers, meaning that we don't sell through a channel. So we do see things typically pretty real time. And that's part of the reason you heard us talk about the fact that we have seen our turns business also exhibit strength over the last several quarters.

I don't have a number specifically to provide you for what bookings did, but it is reflected in our guidance. And I think going back to what Haviv said about where our end markets are, industrial is going through recovery, and we saw that in the fourth quarter. You've got a data center end market that is growing for, I think, seven consecutive quarters. Those are all part of what factor into how we think about our guidance.

Do you have a follow-up, Will?

William Stein - *Truist Securities - Analyst*

Yeah. I mean I'll ask maybe the same question a little bit of a different way. Are you seeing -- either based on customer willingness to place the orders or because of your own lead times to customers, have you seen an extension in the orders further out into the future?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

The shorter answer is yes. But again, not because of lead times.

Our lead times are very competitive, unchanged, I think on average, below 13 weeks. Many of our products are at six weeks. Part of our ambition and objective as we prepare to the next cycle was to be able to maintain very competitive lead times across the cycle.

So far this cycle has not been very tough to meet, right? As I said, it's been a slow recovery, but our lead times continue to stay very, very competitive, probably the lowest in the industry, and our inventory position allows us to support customers. So I don't think customers are placing -- I mean, they are placing orders a little bit more forward, but they have the ability to change their opinion even within this quarter.

This is what Mike mentioned before. Our terms are very friendly, very customer-friendly. We want customers to be showing us their demand real time, and we are willing to carry this inventory, especially when it's so diverse and long-lived, to increase customer support. So that would be my high-level comment.

Mike, anything else about what we see into the longevity of the inventory?

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Well, the inventory that we have in place has incredible longevity.

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

No, no. But on the orders that was asked.

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Yeah. I'd say that if you look at -- does a customer need to put long-term backlog in place when lead times are stable; they probably don't feel like they have to necessarily. So nothing to spike out that I would say, but what we have seen is a lot of customers wanting to come in, want product quickly. That has been something we've seen build over the past several quarters.

Operator

Chris Caso, Wolfe Research.

Chris Caso - *Wolfe Research LLC - Analyst*

I guess the first question is a clarification of some -- what you said about factory loadings, and you did say that you'd adjust loadings according to what you saw with demand. And take into consideration that you reduced those loadings more recently, are there any plans in place now to increase those loadings? And what would you need to see in order to take those steps?

Rafael Lizardi - *Texas Instruments Inc - Chief Financial Officer, Senior Vice President*

What I would tell you is that if we had something significant changing like we did back in the third quarter, we would tell you. We are not making any disclosure right now on which way the loadings are going. So it's just -- there's nothing significant versus where we've been running in fourth quarter.

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

And I'd just add that part of that is we have the ability to make those adjustments as we see things occur, and that's part of the flexibility we have in our manufacturing to be able to do that.

All right. Chris, do you have the follow-up?

Chris Caso - *Wolfe Research LLC - Analyst*

I do. And it's related to geographic revenue. You made some comments on China. Obviously, you have the New Year holiday that hits in the first quarter. But if we look at the different regions, how does that stack up against what you would expect for normal seasonality in each one of those regions in the first quarter?

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

Yeah. In general, I think we haven't seen anything specific on -- the only comment I made, Chris, before was that typically Q1 in China for automotive is lower just because of Chinese New Year. But I think from where the backlog comes from, it's been pretty even, right, across the geographies, Mike?

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

And then maybe I'll just talk about last quarter, what we saw, and we don't have a guidance by region for the top level. But China came in right about -- on a sequential basis, pretty much in line with what we saw at the top level, down about 7%. On a year on year for fourth quarter, it was up about 16%. So didn't see something on a sequential basis that stood out very differently there compared to the overall top-level results.

Haviv Ilan - *Texas Instruments Inc - Chairman, President, Chief Executive Officer, Director*

And I want to make -- maybe before we let Mike finish the call, I want to make one more comment on the orders and everything. I just want to remind us all that TI has invested in capacity and in inventory over the last three or four years to be exactly ready for this type of environment, right? We've seen a lot of real-time demand coming in, in Q4, which we were able to support. We are seeing a little bit of strengthening in the orders right now in Q1. And we'll see how long-lived it will be.

The market has been jittery in the last 12 years -- 12 months, sorry. And we'll just have to see how it plays out. This is also related to Rafael's comments about loading. We have the knobs to turn as needed. And we have the inventory to allow us time to adjust our loading, for example, as we go. So we are in a very good position as we come into 2026. We worked very hard to get here, and I'm very proud of our execution. And we'll be ready for any scenario that the market wants to present to us. And I'll turn it over to you, Mike.

Mike Beckman - *Texas Instruments Inc - Head of Investor Relations, Vice President*

Yeah. Thank you, Haviv, and thank you, all of you for joining us today. Again, as we mentioned earlier, we look forward to sharing with you our capital management call on Tuesday, February 24, at 10 a.m. Central time.

A replay of this call will be available shortly on our website. And with that, have a great evening.

Operator

Thank you. And this concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.