Good day, and welcome to the Texas Instruments Q2 2021 Earnings Release Conference Call. Please note that today’s call is being recorded. At this time, I would like to turn the conference over to Dave Pahl. Please go ahead.

Dave Pahl  Texas Instruments Incorporated - Head of IR & VP

Good afternoon, and thank you for joining our second quarter 2021 earnings conference call. 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. A replay will be available through the web. 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.

Our Chief Financial Officer Rafael Lizardi is with me today, and we'll provide the following updates. First, I'll start with a quick overview of the quarter. Next, I'll provide insight into second quarter revenue results, with more details than usual by end market, including some sequential performance since it’s more informative at this time. And lastly, Rafael will cover the financial results, some insight into one-time items and our guidance for the third quarter of 2021.

Starting with a quick overview of the second quarter: Revenue in the quarter was $4.6 billion, an increase of 7% sequentially and 41% year over year, driven by strong demand in industrial, automotive and personal electronics. On a sequential basis, Analog grew 6% and Embedded Processing grew 2%. On a year-over-year basis, Analog grew 42% and Embedded grew 43%. Our “Other” segment grew 30% from the year-ago quarter.

Moving on, given the current environment, again this quarter I'll provide some insight into our second quarter revenue by end market and comment on our lead times.

First, the industrial market was up mid teens sequentially and up about 40% from the year ago. The strength was seen across most sectors.

The automotive market grew sequentially following the strong first quarter 2021 and more than doubled from a weak year-ago compare.

Personal electronics was about even sequentially and up about 25% compared to a year ago. The strength was broad-based across sectors and customers within personal electronics.

Next, communications equipment was up low-single digits sequentially and was down upper teens from the year ago.

Enterprise Systems grew upper teens sequentially and was about even from the year ago.
Regarding lead times, the majority of our products continue to remain steady. However, the growing demand in the second quarter of 2021 again expanded our list of hot spots, which required extending some lead times. As planned, we continue to add incremental capacity in 2021 and first half of 2022, with additional support from the startup of our third 300-millimeter wafer fab, RFAB2, that will come online in the second half of 2022. As discussed during our capital management review in February, our competitive advantage of manufacturing and technology delivers the benefits of lower cost and greater control of our supply chain, which really shows through in a market environment like this.

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

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

Thanks, Dave, and good afternoon everyone.

As Dave mentioned, second quarter revenue was $4.6 billion, up 41% from a year ago. Gross profit in the quarter was $3.1 billion, or 67% of revenue. From a year ago, gross profit margin increased 290 basis points.

Operating expenses in the quarter were $816 million, up 5% from a year ago and about as expected. On a trailing 12-month basis, operating expenses were 19% of revenue. Over the last 12 months, we have invested $1.6 billion in R&D.

Acquisition charges, a noncash expense, were $48 million in the second quarter and are related to the National Semiconductor acquisition. These acquisition charges will remain at about this level through the third quarter of 2021 and then go to zero.

Operating profit was $2.2 billion in the quarter, or 48% of revenue. Operating profit was up 80% from the year-ago quarter.

Net income in the second quarter was $1.9 billion, or $2.05 per share, which included a 6-cent benefit that was not in our prior outlook, due to the signing of a royalty agreement.

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

Cash flow from operations was $2.1 billion in the quarter. Capital expenditures were $386 million in the quarter. Free cash flow on a trailing 12-month basis was $6.5 billion.

In the quarter, we paid $942 million in dividends and repurchased $146 million of our stock. In total, we have returned $3.9 billion in the past 12 months. Over the same period, our dividend represented 56% of free cash flow, underscoring its sustainability.

Our balance sheet remains strong with $7.4 billion of cash and short-term investments at the end of the second quarter.

Regarding inventory. TI inventory dollars were down $34 million from the prior quarter, and days were 111, which are below desired levels.

In the second quarter, we signed an agreement to acquire Micron’s 300-millimeter fab in Lehi, Utah. This investment continues to strengthen our competitive advantage in manufacturing and technology and is part of our long-term capacity planning. The Lehi fab will be our fourth 300-millimeter fab, joining DMOS6, RFAB1 and soon-to-be-completed RFAB2 in our wafer fab manufacturing operations. We continue to believe that our competitive advantage of manufacturing and technology will be of growing importance in owning and controlling our supply chain.

For the third quarter, we expect TI revenue in the range of $4.40 billion to $4.76 billion, and earnings per share to be in the range of $1.87 to $2.13. We continue to expect our annual operating tax rate to be about 14%.

In closing, we continue to invest to strengthen our competitive advantages and in making our business stronger.

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 up for questions. (Operator Instructions) Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll go first to Vivek Arya of Bank of America.

Vivek Arya BofA Securities, Research Division - Director

Rafael and Dave, when I look at the last few quarters, your reported sales have been significantly above your guided range. And I mean, like between 5% to 13% above your original outlook, and that's just making it very hard to distinguish right between how to read your guidance because even now, you're guiding to a flattish outlook in what's supposed to be a seasonally stronger quarter. Should we take that to be conservatism? Should we take that to be a peaking in the cycle? And how is it that the demand is so strong? You're increasing supply, but yet your sales outlook is very flattish. I think it's a very confusing message, and I would love your insights into how to interpret your guidance. Are we reading them in the right way?

Dave Pahl Texas Instruments Incorporated - Head of IR & VP

Yes, Vivek. Thanks for the question. I think, first, I'd say perhaps normal seasonal patterns may not be the best measure to look at things in periods like this. Certainly, the last few quarters we would all agree have been unusual periods that we've gone through and as we continue to move through. So -- and as you said, the last few quarters have been exceptionally strong. Second quarter was certainly strong, both sequentially and year on year. So if you look at our guidance, it would suggest that next quarter will again be a very strong quarter. So -- and as you know, our guidance is the best estimate that we have at this time. So that's what we try to do and try to give you that insight. Do you have a follow-on?

Vivek Arya BofA Securities, Research Division - Director

Yes. So from what you said, I assume that you're again implying conservatism unless you suggest otherwise. But my real question is, when I look at the share buyback activity, it's been very low the last few quarters. And there are only a few reasons why that would be, right? One is the simplest reason that maybe the stock is perhaps not attractive at these valuations. Or it could be that you're preparing for some M&A. Or is it some large CapEx. Or some caution about macro. I'm trying to understand why is there such a material shift in terms of your return of free cash flow strategy, right? We understand the dividend part has been very strong, but the share buyback activity has been very low over the last -- almost a year now. So I would just appreciate your views as to why you are not buying back your stock at the pace at which you have historically done so.

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

No, I'm happy to address that one, Vivek. So first, let me take you back to how we think about cash return, and you know us very well, you've followed us for many years. And you've heard us talk about this in capital management year in and year out. And our objective when it comes to cash return is to return all free cash flow to the owners of the company. We do that through dividends as well as buybacks. Now that has never meant and doesn't mean that every single quarter or even every single year, where that return is going to be exactly 100%, right? If you look at our history over 15-plus years, it has been actually above 100%. So that shows our commitment to that, and that commitment has not changed. We are committed to returning all free cash flow to the owners of the company over time.

Operator

And that next caller will be Toshiya Hari of Goldman Sachs.

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

I had two as well. I guess one clarification, Dave. I think when you talked about automotive, you said up sequentially in the second quarter. Did I catch that right? Did you not give a specific number for automotive?

Dave Pahl Texas Instruments Incorporated - Head of IR & VP

That's correct. It was up low-single digits, Toshiya. Do you have another one?
Toshiya Hari Goldman Sachs Group, Inc., Research Division - MD

Yes. So in terms of gross margins, I realize you guys don't run the business -- manage the business for gross margins. But clearly, you had a very, very strong quarter in Q2. And I know you don't guide gross margins going forward, but based on how you're thinking about utilization rates in your factories, given what you know about pricing in your business, both on the Analog side as well as the Embedded side going forward, how are you thinking about gross margins and kind of the OpEx leverage going forward in your business?

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

Yes. No. So first, let me emphasize the point you made. We do not focus on gross margins in how we run the business, just like you said. Our focus is on free cash flow generation, in fact, free cash flow per share and how we can grow that over the long term, right? Because we think ultimately, that is what drives value to the owners of the company. And you can do it at 67% margin. You can do it at a lower margin. You can do it a higher margin. It depends on a number of factors.

So -- and then to answer your specific question. As we have always guided over the long term, not any one quarter or even any one year, but over the long term, 70% to 75% fall through is the right way to -- generally speaking, the right way to look at -- to model the company as we go forward. So as you put whatever revenue expectation you have there and fall that through at about that rate, and you'll be in the ballpark.

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

So -- and then to answer your specific question. As we have always guided over the long term, not any one quarter or even any one year, but over the long term, 70% to 75% fall through is the right way to -- generally speaking, the right way to look at -- to model the company as we go forward. So as you put whatever revenue expectation you have there and fall that through at about that rate, and you'll be in the ballpark.

Stacy Aaron Rasgon Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So I know you don't think about running the business to gross margins, but I'm going to ask a gross margin question anyways. In (inaudible), you were at 65.2. Obviously, you did very strongly this quarter, but you said you had 6 cents of royalties that was unexpected. That should have been about 1.4 points of gross margin, as I understand it, if I do the math right. And I think you had something like $50 million in Austin costs last quarter that should have rolled off this quarter. That would have been another 100 basis points, give or take. So I'm actually wondering why gross margins were -- if I take out the royalties, they were gross margins were -- if I take out the royalties, they would have been up 60 basis points only with 100 basis points of costs that should have rolled off with a massive revenue increase. Like what's going on with -- what happened with gross margins in the current quarter given all of that?

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

So Stacy, let me address one and then I have to ask your question. I didn't quite understand part of your question, but they...

Stacy Aaron Rasgon Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Well maybe royalties weren't in gross margins. Maybe they...

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

Exactly. That's the part I didn't -- okay. So you were assuming royalty. All right. Okay, so let me address that first. We talk about royalty. It used to be in revenue and gross margin, but that was years ago. I think three or four years ago, we -- yes, we moved that to other income and expense. So that is in that line, other income and expense. So it has nothing to do with margins, it hasn't been for three or four years or so since we -- and the reason we moved that is very de minimis, it's a relatively small amount. It averages about $100 million a year. Of course, in the big scheme of things, given our revenue level is a relatively small amount, and we expect that to be -- continue to be small going forward.

On the other part of your question, so last quarter, we had about a $50 million hit to gross margins. That was because of the winter storm in Texas. We did talk about that during the call. We mentioned it, and that was all in gross margin. So yes, you can adjust that, you can adjust however you wish for first quarter to get you the gross margin without that impact, right? And that may make more sense when you look at the trends. Does that answer your question?

Stacy Aaron Rasgon Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Yes, that answers it. That's very helpful.
Rafael R. Lizardi Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations
I think you have a second one, right? You still have a follow-up or...

Stacy Aaron Rasgon Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst
So my follow-up, yes. You're guiding revenues flat and you're guiding EPS down slightly. So either gross margins are going down or OpEx is going up or -- I mean normally, OpEx, I think seasonally into Q3 would be down a few points. I guess, on those, are you expecting any sort of different OpEx trends into Q3 as you would normally see like in the normal Q3? Is there something else going on? Because normally, it's down a few points sequentially.

Rafael R. Lizardi Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations
Yes. Well, so the reason that EPS is moving at the midpoint is the royalty that we just talked about, right? So you just take out that 6 cents from the EPS that we just delivered, you get to a more normalized EPS without that royalty and then compare that to the next quarter. And you'll see that there's nothing unusual there. Obviously, we only give revenue and EPS range. But if there was something unusual in between the lines, we would point it out, and there's nothing unusual.

Dave Pahl Texas Instruments Incorporated - Head of IR & VP
Yes, nothing is changing much between the other lines.

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

Operator
And next, we have John Pitzer of Credit Suisse.

John William Pitzer Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head
Dave and Rafael, I just want to go back to the revenue guidance. Sort of flat at the midpoint with down sequentially. I guess I'm just trying to wrap my head around the fact that your deficiencies kind of increased in the June quarter. You said your hot spots went up. It sounds like demand is still relatively strong, and yet there's a part of your guidance that could be down sequentially, which I'm having a hard time grasping.

Dave Pahl Texas Instruments Incorporated - Head of IR & VP
And John, when you say down sequentially, just to clarify, are you saying that part of our range would imply that it could be down and the other part would imply that it will be up?

John William Pitzer Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head
Yes.

Dave Pahl Texas Instruments Incorporated - Head of IR & VP
That's what -- just to clarify that part of the question. I got you. Yes. So yes, John, if there's something that's unusual going on within an end market or region or product area, we've always provided insight into that to help understand an outlook or even something that's happened in a current quarter. I'll just say that there's nothing unusual like that, that we feel that we would need to explain what's going on. I think that as I mentioned earlier to Vivek's question on the topic, seasonality probably isn't the best thing to be looking at as we've been moving through the last few quarters. And I would say, with that range implies that the revenue still -- will still be strong. So do you have a follow-on?
John William Pitzer Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head

Yes. Just as my follow-on. On RFAB2, I'm just curious with the proposed purchase of Lehi, should we think about sort of the building going on as planned, the pilot line going on as planned but capacity at RFAB2 kind of slowed? Or how do we think about kind of now your mix of capacity as Lehi comes in next year and what that means for CapEx and the ramp of RFAB2?

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

Yes. No, let me tell you about that. So first, let me step back, remind everyone objective when it comes to CapEx is to invest to support new technology development and revenue growth and specifically extending our low-cost manufacturing advantage, primarily 300-millimeter, right? So we have talked about that for a long time and it's a core part of our strategy, one of our competitive advantages having that manufacturing and technology advantage. RFAB2 will be the third 300-millimeter factory. Lehi will be our fourth 300-millimeter factory. RFAB2 will become operational sometime in the middle of next year. That's when the shell will be completed, and then we'll be deploying equipment there. And then we incur in CapEx because of that. So CapEx, as I said at the last call, will be higher, both in absolute dollars and as a percent of revenue because of that.

And then on top of that, add Lehi, right, which we didn't have last quarter when we had talked -- when we had the earnings call. So now Lehi is going to be on top of that. That's a $900 million purchase price, which will run to CapEx. But then in addition to that factory, it's ready for production once we qualify, but at relatively low volumes, right? We still have to add CapEx to that factory to take it to the volumes that we want, and that will happen over time. And think of that CapEx is probably going to be -- it's probably going to run about half of what RFAB2 CapEx will run. I'm talking over years, right, as we deploy equipment there. And both of those will add to the strength -- or will strengthen our competitive advantage of manufacturing and technology with two more 300-millimeter factories.

Operator

And that will be Blayne Curtis of Barclays.

Blayne Peter Curtis Barclays Bank PLC, Research Division - Director & Senior Research Analyst

Actually, I just want to ask on -- I know you're not going to probably guide December, but just kind of any feel you can for that quarter? Obviously, seasonality has been out the window, it's typically a down quarter. Just trying to get a better handle on the back half here, obviously, the flattening markets but at much higher levels. Anything you can throw out there for December.

Dave Pahl Texas Instruments Incorporated - Head of IR & VP

Yes, Blayne. And certainly, I know there's lots of speculations on how long the strong demand will last. And certainly, we've read the ranges that it's going to end soon and others that say is going to continue for quite some time. And obviously, as you stated, we're not going to forecast the fourth quarter or even comment on how long the cycle lasts because, honestly, as you know, we don't know. I don't think anyone knows.

But I think we can frame how the actions that we've taken and our approach as we've gone through the cycle. And in the first phase, you've seen us accelerate into the widely anticipated decline. And that really enabled us to gain ground. And really, in the second phase, we're working to ensure that we gain strategic ground, particularly in industrial and automotive. And that -- those gains will reward us for years to come. And independent of that, we're investing for the long term. So some of the obvious things that you can see are the new manufacturing investments in RFAB2 -- if you're down here in Texas, you'll see cranes up over the building; I think I counted six or seven at the max that were up over that -- the addition of Lehi, some of the less visible ones are the R&D investments and new capabilities at TI.com, and those investments are continuing. So we won't -- we'll go through cycles. We won't be able to predict it, but we can make the place stronger, we can continue to invest in our competitive advantages. So do you have a follow-on?

Blayne Peter Curtis Barclays Bank PLC, Research Division - Director & Senior Research Analyst

Yes. I just wanted to ask you on inventory levels, obviously, way down at these sales levels on a days inventory, but your ability to grow that absolute amount and if you're able to do that in September.
Rafael R. Lizardi  Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations

I'll start, and Dave, you want to follow up. But inventory levels, first, let me remind everyone the objective there, maintain high levels of customer satisfaction while minimizing obsolescence, which, frankly, is not an issue given our business model. We are clearly below these higher levels, just like we said during the prepared remarks, right? We're running about 111 days, and our target is 130 to 190 days. That's part of the reason why we have the hot spots that we talked about. At the same time, I tell you, we -- go back to second quarter last year, when the pandemic was starting, in fact, March of last year, everybody -- all our competitors were decreasing their inventory levels, slowing down factories. We went the other way, right? We maintained, and in fact, increased our production levels. We increased our inventory levels. They went from about 140 days to 160 some, 170 days almost. And that, along with our business strategy, our business model helped put us in a great position to take advantage of the situation and has helped us do significantly better than our competitors over the last three or four quarters, right?

But we have gotten to a point where, yes, things are -- inventory is now below these higher levels. We'll continue to add incremental capacity as we have talked about, that is in all of our factories, but especially RFAB1. But the next bigger tranche of capacity will come in with RFAB2, as we talked about earlier. Once that is operational sometime in second quarter of next year, then -- well, that's when we finish and will produce revenue sometime in the second half of next year, then that will add a significant amount of capacity. And then shortly after that, Lehi will also come in line for additional revenue capacity there.

Dave Pahl  Texas Instruments Incorporated - Head of IR & VP

Yes. And maybe just quickly what I might add to that. Obviously, whenever things do slow, we will then use that period of time to rebuild inventories and those positions to be able to support growth in the future, so.

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

And I'll just add one more thing. Both RFAB2 and Lehi, those are long-term plays, right? These are -- this is to strengthen our manufacturing advantage, owning our own manufacturing, which clearly has proven over the last 1.5 years, we knew that already, but it has proven that -- how important that is in the current environment. In the current environment, they're going to happen to help in the medium term, most likely. But if they don't, if things slow down and it doesn't work out that way, that is completely fine with us. That's not why we are equipping those factories. That's not why we bought -- why we're buying Lehi. It's for the long-term positioning of the company to support long-term revenue growth in both Analog and Embedded.

Operator

And next, we will go to Ambrish Srivastava of BMO.

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

Rafael and Dave, I had a question on free cash flow per share, and you guys know I don't look at it on a quarterly basis. So if I look at the last two years, if I look at 2020, free cash flow per share, down 3%. 2019, it was flat. And I know that if I look at this year on a trailing 12-month basis, it is up double digits. But it has lagged -- sorry for the background noise, it always happens when I'm on a conference call. If I look at the trailing 12 months and then -- so that's in line with what you have said consistently. But should we expect this to come back to the double digit on an annualized basis? What's the right way to think about the lag over the last two years? And how should we think about it going forward?

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

Yes. This is one -- most financial metrics are this way too, but you want to look at this over the long term, right? Any one quarter or even any one year, they could be a little choppy. You mentioned a couple of years when 2019 and even 2020, where that trajectory does not represent the longer term. And arguably, the same thing for 2021, right, or the trailing 12-month number that you just quoted, right? So you want to look at this over the long term. And that's how we look at it, and that's what's going to ultimately drive value for the owners of the company, right?

Dave Pahl  Texas Instruments Incorporated - Head of IR & VP

Okay. Do you have a follow-on?
Ambrish Srivastava  
BMO Capital Markets Equity Research - MD of Semiconductor Research & Senior Research Analyst

Yes, I did. With all the tightness and contrast this -- the way you guys have managed the business, and these shares should probably
don't show up that quickly because these designs are such long-lasting and they don't change at a time. Are you seeing any discernible
change in your design-in activity as a result of what we've seen from your peers with the tightness and you managing your lead times and
inventory much better than some of your peers?

Dave Pahl  
Texas Instruments Incorporated - Head of IR & VP

Yes, I'll start off, and Rafael, if you want to add. I would say that, as you know, Ambrish, we have started on the journey to have closer
direct relationships with customers really eight -- seven, eight years ago with our investments in TI.com, investments in our sales
applications teams, investments in processes and how we do business and just our structure inside of the company.

And last year, you saw a pretty major step of taking more customers direct and operating with fewer distributors as well as transacting
business through TI.com. So you kind of mix that together with the pandemic and our ability to do virtual sales calls, I think all those
things have positioned us well strategically, especially in markets like industrial, automotive, those markets where we want to gain that
strategic ground. You couple that with availability. And like you say, things don't move quickly. But the supply shortages really started
showing up in the beginning of 2020, took a break in the first or second quarter when the pandemic hit and then reaccelerated after that.
So there are cases that are unusual, but there are cases where customers redesign boards just because of availability. I'll describe that as
an outlier, but we do see cases of that. But we see more cases where you have designs that are being intersected as they come through.
And again, our sales teams are engaged from production all the way back into engineering. That visibility is a great strategic advantage.

And those benefits, again, will be things that will pay rewards for us for a long time to come. Okay. Thank you, Ambrish. And I think we've
got time for one last caller.

Christopher Brett Danely  
Citigroup Inc. Exchange Research - Research Analyst

Dave, by the way, thanks for letting the other analysts go first and beat you up on the flat guidance, so I don't have to. My question is on
the auto revenue. So if we look at the headlines and talk to the folks in the auto supply chain, there's still a lot of shortages, et cetera, et
etera, out there. And I think your revenue is only slightly up. So can you just explain the discrepancy? It seems like it would be up a little
bit more than that, if there's all these folks clamoring for parts out there.

Dave Pahl  
Texas Instruments Incorporated - Head of IR & VP

Well, I'd point out it over doubled from a year ago, Chris. So it's a little bit more than up a little bit. And I think you're pointing to the
sequential. But again, last quarter, it was up over 25% from pre-pandemic levels. I think we're shipping 25% more cars from
pre-pandemic levels, right? So our shipments into automotive are up, and up significantly. And we continue to add capacity and continue
to -- we believe we're gaining share there as well. You got to measure it over time. But yes, so we are -- our shipments are up there and
up strong. So do you have a follow-on?

Christopher Brett Danely  
Citigroup Inc. Exchange Research - Research Analyst

Yes. Just, I guess, a hot spot question. So you said that you're seeing a few more hot spots last quarter. Do you think that the situation
gets a little bit worse this quarter? Or do you think it gets better? When do you guys think you'll start to get a handle on all these sort of
supply issues out there, I guess?

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

Chris, it's going to depend on demand, right? We are -- on the supply side, as we said, we are adding capacity incrementally. We have
been and we'll continue to do that. The bigger tranche of capacity doesn't come in until about a year from now, right, as we just talked
about with RFAB2. And then six months later with Lehi. So it will be a while before we have big tranches of capacity coming online. So
it's going to depend on demand.

At the end of the day, we don't fully control that. It's more of a macro situation. But we are better prepared than our peers and have been
in both the tactical decisions we have made during the pandemic but more importantly, our business model and how we run the company, specifically owning our own manufacturing, that has been key in this whole process. And we're just really doubling down on that with what we're doing with all those factories that we just talked about.

Dave Pahl Texas Instruments Incorporated - Head of IR & VP
Thank you, Chris. Rafael, do you want to wrap first?

Rafael R. Lizardi Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations
Yes. I'll go ahead and wrap up. So let me just emphasize what we have said previously. At our core, we're engineers, and 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.

While we strive to achieve our objective, we will continue to pursue our three ambitions: We will act like owners who will own the company for decades; we will adapt and succeed in a world that's ever changing; and we will be a company that we are personally proud to be a part of and would want as our neighbor. When we're successful, our employees, customers, communities and owners all benefit. Thank you, and have a good evening.

Operator
This concludes today's call. We thank you for your participation. You may now disconnect.

DISCLAIMER
Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS REFINITIV'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2021 Refinitiv. All Rights Reserved.