

2019 Annual Report Chairman's letter

Texas Instruments Incorporated

March 10, 2020

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. We were pioneers in the transition of the world from vacuum tubes to transistors and then to integrated circuits. As each generation became more reliable, more affordable and lower in power, semiconductors were used by a growing number of customers and markets. This passion is alive today as we help our customers develop electronics and new applications, particularly in industrial and automotive markets. It's why we do what we do.

Our founders had the foresight to know that passion alone was not enough. 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.

Building a stronger TI

For almost a decade, we've had a clear plan for building the company stronger by focusing on analog and embedded products and the industrial and automotive markets, because they're the best products and the best markets for semiconductors. We've focused our investments in these strategic areas and in strengthening our competitive advantages: manufacturing and technology; portfolio breadth; market reach; and diverse and long-lived products, markets and customer positions. Together, these competitive advantages separate us from our peers and are difficult to replicate.

2019 performance

Our performance in 2019 showed what our business model can deliver, despite headwinds from trade tensions and an industry downturn. After investing in our people, products and capacity for the future, we again returned more than 100% of free cash flow to our shareholders in the form of dividends and stock repurchases. With free cash flow of \$5.8 billion, or 40% of revenue, we returned \$6.0 billion. Our quarterly dividend increased 17%, marking the 16th year of dividend increases. In addition, our balance sheet remained strong. We will continue to be disciplined in executing our capital management strategy: investing in and strengthening our competitive advantages, growing free cash flow per share over the long term and returning free cash flow to the owners of the company.

Looking ahead

We remain committed to pursuing our passion to create a better world by making electronics more affordable through semiconductors. You can count on us to do this by staying true to our ambitions to think like owners for the long term, adapt 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.