

**2022 Annual Report Chairman's Letter**  
**Texas Instruments Incorporated**  
**March 14, 2023**  
**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 for owners to measure our progress is through the growth of free cash flow per share over the long term. Our strategy to maximize long-term 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.

**Strengthening our competitive advantages**

Our business model is built around four sustainable competitive advantages that, in combination, provide tangible benefits and are difficult to replicate. These competitive advantages are manufacturing and technology, a broad portfolio of analog and embedded processing products, reach of our market channels, and diverse and long-lived positions. We continued to make progress in 2022, investing to strengthen and leverage these advantages for the long term.

We believe owning our own manufacturing, process and packaging technology provides us with lower costs and greater control of our supply chain and provides our customers with geopolitically dependable capacity. In 2022, we continued to invest in and expand our internal manufacturing capacity roadmap for the long term.

- We began production in two additional 300-mm fabs, RFAB2 in Richardson, Texas, and LFAB in Lehi, Utah.
- We began construction on our next two 300-mm fabs in Sherman, Texas. This site has the potential for four fabs to support customers' demand in the coming decades.

Additionally, we continued to make progress on strengthening and extending our reach of market channels by building closer direct relationships with our customers. This activity builds on prior multiyear investments in our sales and marketing team, TI.com, business processes and logistics. About 70% of our business is now transacting directly, up from about one-third of our business in 2019. We've also focused on making it easier for our customers to buy online by offering attractive convenience features. We provide a localized buying experience in many countries, offering local currency, payment methods, invoicing and importer of record.

Our investments to extend our reach of market channels is providing us better insight and knowledge of customers' needs and design trends. Ultimately, this translates into market share gains by providing us access to more customers and more of their design projects, allowing us the opportunity to sell more TI products.

## **2022 performance**

In 2022, despite the ongoing global challenges related to the pandemic and resulting supply chain disruptions, TI maintained a focus on keeping our employees safe, keeping our factories running, adding capacity to support customer demand and giving back to our communities when needs continued to be great. We strengthened our competitive advantages, grew revenue 9% and maintained a strong balance sheet. Additionally, consistent with our commitment to return free cash flow to owners, we increased our dividend 8% in 2022.

I continue to be proud of how Tlers adapted and performed in 2022. 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**

In January 2023, we announced that Haviv Ilan will become president and CEO, effective April 1, and I will remain as TI's chairman. Haviv is a 24-year veteran of TI, and this is a well-planned transition. I'm confident he is the right person to serve as TI's next CEO and further strengthen the company for the long term.

Looking ahead, 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.