

# **Q3 2024 Financial Results Texas Instruments Incorporated**

## **Conference Call Prepared Remarks**

**Tuesday, October 22, 2024  
3:30 p.m. Central time**

### **Dave Pahl, vice president and head of Investor Relations**

Welcome to the Texas Instruments third quarter 2024 earnings conference call. I'm Dave Pahl, head of Investor Relations, and I'm joined by our 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](https://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.

Today, we'll provide the following updates:

- First, Haviv will start with a quick overview of the quarter.
- Next, he will provide insight into third quarter revenue results, with some details of what we are seeing with respect to our end markets.
- Lastly, Rafael will cover the financial results, give an update on capital management, as well as share the guidance for fourth quarter 2024.

With that, let me turn it over to Haviv.

### **Haviv Ilan, president and chief executive officer**

Thanks Dave. Let me start with a quick overview of the third quarter.

Revenue in the quarter came in about as expected at \$4.2 billion, an increase of 9% sequentially and a decrease of 8% year over year. Analog revenue declined 4% year over year, and Embedded Processing declined 27%. Our "Other" segment declined 5% from the year-ago quarter.

Now I'll provide some insight into our third quarter revenue by end market. Our results continue to reflect the asynchronous market behavior that we've seen throughout this cycle. Similar to last quarter, I'll focus on sequential performance, as it is more informative at this time.

First, the industrial market was down low-single digits, as customers continued to reduce their inventory levels. The automotive market increased upper-single digits, primarily due to strength in China. Personal electronics grew about 30%. Enterprise systems was up about 20%, and communications equipment was up about 25%, as the cyclical recovery continued in these three markets.

With that, let me turn it over to Rafael to review profitability, capital management and our outlook.

**Rafael Lizardi, senior vice president and chief financial officer**

Thanks Haviv, and good afternoon everyone.

As Haviv mentioned, third quarter revenue was \$4.2 billion. Gross profit in the quarter was \$2.5 billion, or 60% of revenue. Sequentially, gross profit margin increased 180 basis points, primarily due to higher revenue.

Operating expenses in the quarter were \$920 million, about flat from a year ago and about as expected. On a trailing 12-month basis, operating expenses were \$3.7 billion, or 24% of revenue.

Operating profit was \$1.6 billion in the quarter, or 37% of revenue, and was down 18% from the year-ago quarter.

Net income in the quarter was \$1.4 billion, or \$1.47 per share. Earnings per share included a 3-cent benefit for items that were not in our original guidance.

Let me now comment on our capital management results, starting with our cash generation. Cash flow from operations was \$1.7 billion in the quarter and \$6.2 billion on a trailing 12-month basis. Capital expenditures were \$1.3 billion in the quarter and \$4.8 billion over the last 12 months. Free cash flow on a trailing 12-month basis was \$1.5 billion.

As a reminder, free cash flow includes benefits from the CHIPS Act investment tax credit, which was \$220 million for third quarter and \$532 million on a trailing 12-month basis.

In the quarter, we paid \$1.2 billion in dividends and repurchased \$318 million of our stock. In September, we announced we would increase our dividend by 5%, marking our 21st consecutive year of dividend increases. This reflects our continued commitment to return free cash flow to our owners over time. In total, we returned \$5.2 billion to our owners in the past 12 months.

Our balance sheet remains strong with \$8.8 billion of cash and short-term investments at the end of the third quarter. Total debt outstanding is \$14.0 billion with a weighted average coupon of 3.8%.

Inventory at the end of the quarter was \$4.3 billion, up \$190 million from the prior quarter, and days were 231, up 2 days sequentially.

For the fourth quarter we expect TI revenue in the range of \$3.70 billion to \$4.00 billion and earnings per share to be in the range of \$1.07 to \$1.29.

We continue to expect our effective tax rate to be about 13% in fourth quarter. As you are looking at 2025, based on current tax law, we would expect our effective tax rate to remain about the same.

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 Dave.

**Dave Pahl, vice president and head of Investor Relations**

Thanks, Rafael. Operator, you can now open the lines for questions. In order to provide as many of you as possible an opportunity to ask your questions, please limit yourself to a single question. After our response, we'll provide you an opportunity for an additional follow-up. Operator...

*[Q&A]*