

2024 Annual Report CEO Letter

Texas Instruments Incorporated

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Haviv Ilan, 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.

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 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, including 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 2024, 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 supply. In 2024, we continued to expand our internal manufacturing capacity. Tool installations continued at two of our 300mm wafer fabs, RFAB2 in Richardson, Texas, and LFAB1 in Lehi, Utah, and preparations continued at our next 300mm wafer fabs, SM1 and SM2 in Sherman, Texas, and LFAB2 in Lehi. We also made good progress towards our goal of sourcing more than 95% of our wafers internally, with more than 80% on 300mm, by 2030.

Additionally, we continued to make progress on strengthening our reach of market channels by building closer direct relationships with our customers. In 2024, about 80% of our revenue was transacted directly with customers, up from about a third of our business in 2019. Our closer direct relationships with our customers give us access to more customers as well as better insight and knowledge of their design projects, leading to the opportunity to sell more TI products into each design and ultimately translating into greater market share.

Lastly, our broad portfolio is able to address an increasing number of semiconductor opportunities. Our investments in research and development enable us to introduce hundreds of new products each year. With more than 80,000 products, we have a comprehensive portfolio of general-purpose and application-specific standard products to support our customers. Our breadth of analog and embedded processing products, combined with our investments in process and package technologies, have strengthened our portfolio offering.

2024 performance

In 2024, we continued to make progress despite a weaker overall semiconductor market environment. We are nearly 70% through a six-year elevated CapEx cycle that, when completed, will uniquely position TI to deliver:

- Dependable, low-cost 300mm capacity at scale to meet customers' demand
- Scalability of CapEx, including capacity modularity
- Free cash flow per share growth across a range of market conditions

In addition, we continued to have high exposure to the industrial and automotive markets, which represented about 70% of revenue. We believe these markets have the potential to grow faster than the overall semiconductor market in the coming years, given the secular content growth. We made progress in our inventory strategy which prepares us for the next upcycle and allows us to maintain high levels of customer service. We kept a steady hand in our research and development investments to make the company stronger for the long term and maintained a strong balance sheet. Lastly, we continued our commitment to return all free cash flow to our owners over time by increasing the dividend 5% in 2024.

Looking ahead

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.