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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Christopher Brett Danely *Citigroup Inc., Research Division - MD & Analyst*

PRESENTATION

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Okay. Great. I hope everybody can hear me. Good morning, good afternoon, good evening, wherever you are. I guess everybody's tuning in from everywhere now that these things are virtual. I'm Chris Danely, your friendly neighborhood semiconductor analyst here at Citigroup. It's our pleasure to have our latest and greatest keynote from one of my top picks in the space. In fact, the stock I've had a buy on since 2012, I believe, which probably out lasts half the people's careers out there that are listening these days, Texas Instruments.

So why do we like Texas Instruments so much? Simply put, it gets down to the best margin and earnings and free cash flow growth of any name that we cover. And I want to mention a very important note. This is (technical difficulty)

Hey, guys. Can you hear me okay?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

I can hear you now, Chris.

Unidentified Company Representative

You're back. Yes.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Great. Lovely.

Unidentified Company Representative

Just got cut out again.

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

I agree.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

(technical difficulty) in semiconductors. So pleasure to have the CEO, Rich Templeton here. Rich, how are you doing down there?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

I am doing terrific, Chris.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Great. Thanks. So I'll get right into it. The topic on everybody's mind is COVID. By the way, for those of you out there that don't see me or Rich, this is an audio-only presentation. So it's kind of a shame that this is the first time I've worn a suit in months and you don't get to see me in it.

QUESTIONS AND ANSWERS

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

But anyway, Rich, why don't you talk about the impacts from COVID to Texas Instruments, maybe go through the increased costs that you're incurring? And do you feel that this is having a long-term change in your business and your end markets? Then we'll jump right in.

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. Chris, I would describe it in general. And I joined the earnings call back in, I guess, April, and Dave and Rafael gave some updates in July during it. But I just -- I remain pleased with the way our team is handling things around the world. The good news is that the team was exceptionally well prepared in terms of we operate in a very virtual way even before with a lot of Webex meetings, and we've got strong relationships built with the people. So the productivity of what we're able to get done on a global basis is very high. We continue to be doing kind of business as usual because we have processes in place with how we were selling virtually, and I continue to have customer meetings. We just do them over Webex or Zoom or whatever the tool of choice is. So navigating that all well.

Our global footprint, diversified manufacturing locations and having great business continuity or BCP plans have really rewarded us, as, I think, you saw even through the second quarter results, as we were able to keep things running even with a lot of the different restrictions that took place around the world. So pleased with how the team is navigating it. We've really kept our eye on the ball. And all of us -- and I'm sure you've got the same feeling. We look forward to getting back to seeing people and working more closely together. But we also think there's things you can learn in terms of can you travel more efficiently, meaning less in areas like that. But we look forward to getting back to more usual business environment, probably sometime in 2021. So so far, so good.

Unidentified Company Representative

Chris, we can't hear you?

(technical difficulty)

Unidentified Company Representative

Standby, please. He seems to have dropped. One second before we...

Unidentified Company Representative

Okay. All right.

Unidentified Company Representative

Chris just said via notes that he's dialing in. His Zoom has crashed. Would be in here in a second.

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

As soon as he connects...

Unidentified Company Representative

Okay.

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

I'm dialing out to him. He accepted. Should be joining shortly. Here, we go. Hello, Chris. Can you hear us?

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Hey, guys. Can you hear me?

Unidentified Company Representative

I hear you.

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

I can.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Okay. Great. Sorry. Zoom doesn't like me, and we're on my cell phone. So I'm probably going to get logged off on this once or twice as well. Anyway, Rich, just to pick up with the last question. Apologies that I logged out. Do you think that COVID is having any impact on your end markets and, in particular, the automotive or the industrial end markets? Do you think that the automotive end market might be a little bit slower growing or faster growing and the same thing with the industrial end market longer term as a result of COVID?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. Chris, I think, in general -- and I think you've monitored and watched this. I think as you went through the July earnings calls, I think things were reasonably logical. Meaning, things that had work from home or remote learning drivers, be it personal electronics or stronger server/cloud, stronger to handle capacity, automotive because you had North American, European plants taken down in late March and really just starting to come back up in June. And then within the industrial market, you could see the logical areas, where, obviously, a medical end market is going to do well, where everything in the energy field or factory automation where you can't get people into plants to install stuff is going to be slower. So I think that all made reasonable sense.

My general guess over a 4- or 5-year period is that you're actually going to see secular trends accelerate. And so I think of things like electrification of vehicles. It's going to continue to move very strong and pull forward on that. I think you'll find companies actually going on an increasing basis to more semiconductors and electronics because they've got to make their equipment better and more differentiated and more unique. And those newer products get higher priority in terms of their products and their launches. So in general, I think it's going to look pretty much like we expected 3, 4 years from now on when you think about COVID and impacts from COVID.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Great. And since you're one of the deans of the space and TI is so diversified, I'm going to ask you a few of the sort of the big pressing issues in semis. The question I get asked the most is, we're in the middle of a pandemic and a recession and yet semis are hitting new highs or at least they were as of 3 or 4 business days ago. So what's your impression as to why have semis done so well despite all these economic headwinds this year?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. I think it's -- and I think time will have to sort a little bit of this out. And you watched this as much as anybody and have as good instinct. Some of it is you have to remember that we were coming off of a pretty modest '19 -- 2019 because 2017 and '18 were pretty strong and then things pulled back a little bit in '19. So the industry was due to do better in 2020, even though you had the pandemic hit early in the year.

Second is, I think, you're just seeing, as I commented before on implications of COVID, the things that our industry does and what we put electronics into to make people more productive, has, if anything, accelerated through the pandemic, and that will vary depending on end market as I commented. So if you're looking for some of those reasons that's there, I know you've written -- David sent me some of your comments even before. Do you have customers being careful about not wanting to be exposed to supply chain limitations due to either the pandemic or even on a broader basis, some of the trade implications? You'd be naive to say there's not some of that, but being able to quantify that is always difficult.

The great news, and it's how I look at things, is in the near term, we know how we're going to play this, which is make sure that we're operating the factories pretty strong. It's really, really served us well. And I think it will continue to serve us well. And then in the "longer term" and longer term, think 2, 3, 4 years out, you can really count on trend line growth and make sure you've got the right capacity invested to be able to support that as well. And so that's what we keep our eyes focused on. And we don't have to make the same decisions that you're trying to navigate or help investors through.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Yes. And so if we look at your business as a whole, I mean, clearly, some end markets are better and some end markets are still recovering. Does it feel like it's exhibiting something close to a normal seasonal pattern? And then one of the big challenges these days is visibility still fairly limited. How about like the broader business for TI?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. I think as long as you're careful about getting down and looking at the smaller-sized end markets, I think, they can make "seasonal sense." But automotive is not seasonal as you can well relate to in terms of what it did slowing down and coming back up. So I think you've just got to be very careful putting high-level seasonal trends on numbers, and you've got to look at them at a more granular level. And then, yes, I think they're making sense. I laugh at the visibility comment because everybody talks in good markets about high visibility and in bad markets they have none, but it's the same damn market. And so I think we've got a reasonable sense of what our customers are trying to do. It doesn't mean we'll ever be able to predict it.

It's why you heard us and saw us take the strategy that we described in April of keeping our optionality very high. And we've got the luxury because of our product mix and our product diversity that we can do that, and we can do that at actually a very, very low cost. And therefore, it puts us in a position to be most flexible. So we don't have to get it called precisely right, and that's a very nice thing. And as you know, 10, 15 years ago, we didn't have that luxury as we were much more dependent on high-volume, single concentrated customers, where you better get those mixes called pretty accurately. We're in -- we're fortunately by design in a very different situation.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Yes. One other change in your business has been that you've been able to take your inventory a little bit higher and move to this more of a consignment model. Can you just address the high levels of inventory that TI has? How comfortable you feel with that? And is this a sign of things to come? Do you think you can kind of run the business with 150, 160 days of inventory going forward?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. I think, in general, that -- and the best comparison, and again, you followed us for a long time, look at where we were 10, 15 years ago when you were doing essentially custom high-volume parts. You better not be operating at those rates, you're going to be in trouble. And today, we have the luxury of being able to do that. And it really puts us in a position where our customers gain great confidence, because we tell them, don't worry about giving us a great forecast. Just when you need something, we'll have it. And that ends up being, I think, a much better way to do business with customers. And they respond well to that.

Now in terms of what's the exact amount of inventory that we're going to need, Rafael and I have talked. I think we do owe investors an update. We've got this "inventory range." We're above it right now. And I think what you see us doing is making good decisions, thinking like owners, not just being static and trying to adhere to some arbitrary metric, but we will probably get an update or updated thoughts on that. Maybe the capital management call in February of '21, we'll give some insight into how we're thinking over time on that front.

The good news is it's because of the confidence in what we're building, you've just got extraordinarily low cost and the carrying cost on it is small. The other thing that gets lost in that a little bit, and you suggested it even with the question is, we continue to bring much, much more of the inventory that used to be downstream in the channel on to our balance sheet. So the days on TI's balance sheet are a lot higher. But we look through the whole channel and try to make sense of that as well. So I think we've done a pretty thoughtful job, and we'll provide some better help about how to think about the appropriate inventory range, as I said, early next year.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Great. And then talking to another unique topic. One of the reasons why we like TI is your high margins and your free cash flow growth. I know you guys don't necessarily give out formal margin targets anymore, but maybe just touch on what would be the future drivers of free cash flow growth from here, given your margins are so high?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. It's -- to me, it really comes down to the same things that we've talked about over time. And much of it, in some way, centers around the 4 competitive advantages that you hear from Dave and you hear from Rafael of the foundation, manufacturing and technology most visible or most recognized as our 300-millimeter wafer-size analog manufacturing, then the breadth of our products, then the reach of our channel, then the benefits of diversity and longevity. And in the side of that, you see this growing mix of automotive and industrial and products that just live a long time, which, as you know, correlates quite well to increasing returns.

So what are the things that continue to drive either gross margins or free cash flow margins? It's more 300-millimeter. It's better execution. It's more efficiency, higher quality of product mix, higher quality of end markets. A number of the things that we've been doing over the past 10 years. Obviously, the amount of improvement that we can still get because we're just starting from a higher point is less, but I still think there's some things that we can do.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Yes. We like increasing returns here at Citi Research. Shifting gears to talk about another big issue in the semis is the whole trade war with China and companies going on or off the preferred list, and starting with Huawei. Can you just discuss the impact to your business from Huawei being put on the list? And then do you think that there are any other companies that could get banned as well?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. It's -- the simplest way to describe it is -- and I think probably every company is going to do this, at least I expect or hope and that is we're going to comply with all the laws and all the rulings that come out. And we'll deal with them as they occur. And we will not try to predict what that's going to look like. Dave may have the Huawei numbers, but they've been a declining and reducing customer for us in general. But we'll deal with it and navigate it accordingly.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Yes. And so, Rich, you were one of the first, I think, at our conference a couple of years ago to talk about this is going to be an increasing reality as far as the sort of cold war or trade war between the U.S. and China. Are you -- is TI doing anything to prepare for this continued issue to pop up between the 2? Can you do anything to better prepare the company for? Or is it just kind of take it as it goes?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Well, if I recall, and I think I recall the discussion, and I had it both at the conference because I had spent time talking about it internally was to get everybody expecting that this is a way of life going forward, not will the next trade negotiation resolve things because I never expected it would. I just think it's going to be a growing reality. And now the companies that adapt and adjust and deal with it best are going to be the ones that cope with it accordingly. And so I think we've had good efforts by our team to understand the customers are still the customers in China, even with tensions and even with any inclination of nationalism and preferences of where to buy. Our job is still to come to them with the most appealing offers and most competitive offers and help them and help their business. And that's where we keep our teams focused right now. So I think that's the right way to approach it. And is it going to be an issue that, I think, continues to grow? It probably will. But we just have to be -- it's not just happening to TI. It's happening across the industry. And we've got to just handle it better than anybody else.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Yes. And then another -- maybe it's a related topic on that. We're starting to hear more and more about, I'm starting to get more and more questions about, is the possibility or the potential for the U.S. government to begin to subsidize the semiconductor industry, either parts of it or companies. Does -- has this ever come up with you? Do you think that this is possible? Is this a good thing? Is it a bad thing? Is this just fake news out there? What do you think of that topic?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. I'm careful because I think there's a lot of different stories that you hear. And obviously, there's some proposed legislation and activities that are taking place. I go back to the things that we support, the things that when I spend time with the folks in D.C. is really to make the U.S. headquartered semiconductor companies and semiconductor industry strong for the next 10, 20 and 30 years. And I think the things that can be best done on that are making sure you're investing in the long-term research and making sure that we have access to great people. And then, finally, make sure you've got competitive tax structure, so you can run manufacturing in the U.S. And we've made progress on some of that over the past 4 years. We've gone backwards on some of it. And I think there's a growing awareness in Washington that having a significant percent of the world -- of the global semiconductor market is a good thing. And so I think people are trying to figure out just what that means and what are the right ways to be able to do that. We've seen -- go back to the '80s, we've seen the semi techs invested in to make sure that we were doing well against the growth of the Japanese competition. And so I think we'll just have to find what the right balance of things are for this current phase.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Yes. One question I got on that note from an investor as it relates to 300-millimeter. So you are doing your 300-millimeter manufacturing at home in Dallas. Your competitors outsource that to TSMC. Could you just talk about the sort of the puts and takes of doing it internally? Why you chose to do it internally versus using a foundry like your competitors?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. I think it's just really simple math. And that is that when you've got your manufacturing internal and you run your manufacturing at world-class competitive levels, you end up with a cost advantage, and you end up with better control of your supply chains. And so to me, that is the only way when you operate a $10 billion-plus semiconductor company, we're doing, pick a number, 40 billion units a year when you look at your -- how you manufacture. And to me, COVID-19 was a perfect example of what TI can do because of the way we're structured with it internally. Not only do you get cost advantage but we performed, I think, better than the majority of our competitors that were highly outsourced around the world or they had very concentrated test facilities. So I just -- I think we're just going to get growing and growing advantages of that internal manufacturing and technology. 300-millimeter is just kind of the most visible example of the advantage we have, and we're going to keep building that advantage, leveraging it, and I think it's going to serve us quite well. Put aside, do you have supply chain risks of stuff built in Taiwan over a 5- or 10-year period? That's even beyond that question.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Yes. And then another competitive question is, 2 of your biggest competitors are merging. Do you expect any change from that? And 2 of your biggest competitors just merged, I believe, 2 years ago. Have you seen any change, good or bad or otherwise, from that merger?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. It's -- Chris, somewhat, the question is, I think, a good way to frame it because it's actually how people thought about it internally even when that news came out just a couple of months back. We compete against those companies while they were stand-alone. And when they're put together, you're competing with them together. They just have 1 name above them. And so nothing magical occurred, nothing different happened. And the biggest thing -- and you and I've talked about this in the past. When companies are busy integrating and merging, they're not working on getting fundamentally or organically stronger. And what I love about what we've been doing over the past 5 years, while -- and even beyond just the acquisition you're mentioning, the other acquisitions that took place, particularly in '16 and '17, we've been busy building the company stronger organically. So more capabilities with ti.com, better product execution, more disciplined internally of how we're executing. And just look at the steady and continuous gains, particularly on the analog side that you see us continue to achieve. And I do believe that in the end that organic strength or that building the company stronger is what really determines success in the long term, not have you combined things together to make a larger company. So we feel pretty good about where we are, and we feel pretty good about where we're going.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

And speaking out the old COO, you have pretty intimate knowledge of your product lines. Are there any -- you guys are pretty diversified. Are there any products out there you see that you don't have that you would like to have?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

It's -- there's really 2 answers to that. At the high level, if you think about the kind of major product categories, go down a level or 2 inside of analog or a level or 2 inside of embedded. And you put 8 or 10 boxes across the page, representing the next level of granularity. We've got checkmarks in all them. And so we're in solid position, and there's just nothing we have to go get. As we've already discussed on "scale and size," we can afford to do things that our other competitors can't do, running manufacturing -- wafer fabs internally, the size of our sales force, what we're doing to transition and bring customers direct, those are all great benefits of our "size and scale." But to the last part, if you go down far enough in the granularity of products, are there products that we don't have that if there was ever the right match, we could possibly do something? Sure. We don't have something covering every space. We're not arrogant enough to think that. But the area that we've got well covered, we're going to keep building them stronger.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

And then on the M&A front, so you guys were fairly active from roughly 2000 to 2010 in terms of M&A, and you really built up the analog business. But you haven't been active since 2010, and you've seen some other companies being a little more active. Has the reason you haven't done much since 2010, is it just pure valuation? Or has -- you just felt like you had enough and you didn't need any more? Is it a combination of those? Maybe talk about why you haven't been as active in the last decade as you were in the previous decade.

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. It's -- I'm careful on that characterization because I actually think the more accurate one that somebody had pointed out, go back and look at the Burr-Browns and the Unitrodes, those were really 2000 -- pre 2000. So it really wasn't the decade of the 2000. That was the end of the '90s, where we thought there was really some good capabilities that we wanted to bring in to help accelerate the growth of our analog business.

If you look at what we did and think of it as really 2009, '10 and '11, and you remember -- well, I remember meeting with you the morning that we announced the National deal in April of '11. Everybody on this call remember how depressed everybody was about the economy in 2009, '10 and '11. They thought the sun was never going to come up again. And so we just use that as a great time to be more aggressive, be it picking up used wafer fab equipment. Used wafer fabs are eventually National. So valuations really made great sense.

And now we've got -- and I think you said it. We've got scale and we've got the capabilities. And oh, by the way, valuations are exceptionally high. It's just not a great time to be doing those things. You've heard me for a number of years when you're buying things where the purchase price or the free cash flow yield on purchase price is 3%. I know as an operator how to get 4 or 5 percentage points on top of that. But you're just not doing your owners over the long term any good when you're buying stuff at that level. So I just think discipline on allocating or where you spend your money really matters in the long term. And we're going to continue to stay disciplined on that front.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Yes. And you've been pretty forthright about we're just going to take our free cash flow after debt payback and go with buyback versus a dividend split. What are your thoughts on how much to the buyback versus how much to the dividend these days? Maybe talk about how you've implemented that so far this year and going forward?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. I think it continues. And I think Rafael and Dave do a really nice job each February talking through during the capital management presentation just how we think we're thinking about that. We continue to get a lot of positive feedback from investors that, that presentation is really helpful for them. It's a good reminder and any updates that we provide. But basically, the 2 things you'll see under stock repurchase and dividends is on stock repurchase is to just really think like owners and make sure that when you're buying back the stock, you're doing it in very accretive ways for the owners for the long term. And go back and look at what we've even done over the past 6 or 8 quarters. And now the grade on that, you don't get for 10 years, but just tactically look at what we've done. And you see large purchases. And I guess it was fourth quarter of '18 and then you saw us again pretty aggressive in first quarter of '20 and second quarter of '20. And I just think that thoughtfulness of really bringing -- being very disciplined about what levels you buy back at really add to the owners for the long term.

And on dividends, I think dividends play a key role. I think they allow us to attract a broader set of investors. And we think it's important to provide that dividend, but also the ability for that dividend to grow. And I forget the exact data, but I think our past 5 years and probably 10 years growth rate on the average on the dividend is probably sitting in the 20% growth rate, maybe a little north of that. And in the end, though, what this all comes back to is the comment you made, which is, we've got to be great growers of free cash flow and disciplined of being focused on free cash flow per share because then you've got the ability to then make decisions like stock repurchases or dividend increases.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Yes. I think for the last 10 years, it's averaged 22% and for the last 5, 17%, but who's counting. One other topic I want to talk to you that's sort of TI-specific is the move to a single distributor. I believe we're about 2/3 of the way through that. Can you just take us through sort of why you consolidated the distribution system first? And I have a couple of other questions on that.

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. It gets a lot of attention in the near term. And I think you're close enough. We should have the transition mostly completed by the end of this year. But as you know, we've been on this journey for 5 and really 10 years. And we believe the reach of our channel is a real asset. We think we do that work better. We think we get better results. I think you can see what we've been able to do with market share over time on that front. And I just think this is the kind of final piece to get that chapter completed, to build closer direct relationships.

And the goal is not to be direct. The goal is to grow your revenue faster by being direct. And I think we're going to be able to do that. But obviously, the proof on that will lie with how we perform in 2021 and 2022, but I think we're lining up to be able to do that well. And as we touched on before, I think that's a very difficult thing for our competitors to do because they haven't built out the sales and applications team. They haven't built the systems and the processes in place. So that heavy lifting and that thoughtful work over the long term is really going to be a great asset to us.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

A lot of people say that this will result in higher margins, but perhaps lower revenue growth. Do you think that that's true, not true, some, all of it, none?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Not true. I think the top goal of this, of building closer direct relationships with customers, is to grow faster. And so I think we're going to end up with greater market share and greater growth in terms of where revenue comes out. And we heard that same nonsense when we took distributors off of these design win registration programs. It's probably 5, 6 years ago now. And you've just watched us continue to power through that. And gain in this final act will be the, I think, the same thing. Are there potential margin lift? Obviously, when you've got fewer people stacking things up, there's less margin lift. It's not the reason we're going after it. But obviously, if we gain margin through the process of doing that, we will certainly accept that, but revenue growth is what we'll really benefit from in the long term.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Yes. We're -- we only have a couple of minutes left. I got 2 more topics I really want to touch on. Number one is the embedded business. You talk about your focus on free cash flow growth and the embedded business continues to have lower growth and lower margins than your other businesses like analog, for example. Any thoughts? Or why wouldn't you get rid of it like you did with Sensor & Control or spin it out or do something like that? Why keep it?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. We will always -- and I think the question is the great way to frame it. If we thought that the better thing for long-term free cash flow per share for the owners was to do something different, I think you've seen in our past, we wouldn't be afraid to do that. But the fact is I think embedded is going to be a great contributor to our free cash flow per share growth over the next 10 years. We clearly had outperformed for 4- or 5-year stretch. We gave back some of that performance in 2018 and '19, but we've got work and effort underway, so I've got a lot of confidence. I'm going to guess we're not getting that question 3 or 4 years from now. And I think we're going to be very pleased with what it can do.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Great. And then last question. I'd be remiss if I didn't ask you about the sort of the succession plan of the replacement search. I think you had the shortest retirement this side of Michael Jordan in his prime. So what's the latest on succession plan? And how much long do you plan on hanging out?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

Yes. I refer to it as a brief sabbatical where Michael got to play baseball for a few years. But...

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

You play golf, okay?

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

It's really very simple, and that is that we are going to make sure that we've got a great answer for a 10- or 15-year shift. And I'll be here until we've got a good answer for that. I love the candidates and people that we got leading the company inside. I think you've got a chance over the years to see the people that we have, and they just -- I believe, they just keep getting better in terms of who we have growing up. You watched recently that we promoted Haviv Ilan to the Chief Operating Officer role. He's just going to simply help us build the company stronger. When you get a chance to meet him, I think, you'll see that intensity and that thought process that really continues to make us a better company. I love the business. And so it's not a question of my timing or what I like doing. It's how do you get ready for the next 10 to 15-years or so.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Great. Thanks, again, Rich. Really appreciate you taking the time, as always, and hope you are happy, healthy and safe down there.

Richard K. Templeton - *Texas Instruments Incorporated - Chairman, President & CEO*

I am, and, Chris, thanks for hosting this so early in the morning in California.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Always a pleasure. Take care, guys.