



TI reports first quarter 2022 financial results and shareholder returns

Conference call on TI website at 3:30 p.m. Central time today

www.ti.com/ir

DALLAS (April 26, 2022) – Texas Instruments Incorporated (TI) (Nasdaq: TXN) today reported first quarter revenue of \$4.91 billion, net income of \$2.20 billion and earnings per share of \$2.35. Earnings per share included a 2-cent benefit for items that were not in the company's original guidance.

Regarding the company's performance and returns to shareholders, Rich Templeton, TI's chairman, president and CEO, made the following comments:

- "Revenue increased 14% from the same quarter a year ago primarily due to growth in industrial and automotive.
- "Our cash flow from operations of \$9.1 billion for the trailing 12 months again underscored the strength of our business model. Free cash flow for the same period was \$6.5 billion and 34% of revenue. This reflects the quality of our product portfolio, as well as the efficiency of our manufacturing strategy, including the benefit of 300-millimeter production.
- "Over the past 12 months we invested \$3.2 billion in R&D and SG&A, invested \$2.6 billion in capital expenditures and returned \$5.0 billion to owners.
- "TI's second quarter outlook is for revenue in the range of \$4.20 billion to \$4.80 billion and earnings per share between \$1.84 and \$2.26. This outlook comprehends an impact due to reduced demand from COVID-19 restrictions in China. We continue to expect our 2022 annual operating tax rate to be about 14%."

Free cash flow, a non-GAAP financial measure, is cash flow from operations less capital expenditures.

Earnings summary

Amounts are in millions of dollars, except per-share amounts.

	Q1 2022	Q1 2021	Change
Revenue	\$ 4,905	\$ 4,289	14%
Operating profit	\$ 2,563	\$ 1,939	32%
Net income	\$ 2,201	\$ 1,753	26%
Earnings per share	\$ 2.35	\$ 1.87	26%

Cash generation

Amounts are in millions of dollars.

	Q1 2022	Trailing 12 Months		Change
	Q1 2022	Q1 2022	Q1 2021	Change
Cash flow from operations	\$ 2,144	\$ 9,050	\$ 7,138	27%
Capital expenditures	\$ 443	\$ 2,597	\$ 796	226%
Free cash flow	\$ 1,701	\$ 6,453	\$ 6,342	2%
Free cash flow % of revenue		34.0%	41.1%	

Cash return

Amounts are in millions of dollars.

	Q1 2022	Trailing 12 Months		Change
	Q1 2022	Q1 2022	Q1 2021	Change
Dividends paid	\$ 1,063	\$ 4,009	\$ 3,525	14%
Stock repurchases	\$ 589	\$ 1,016	\$ 1,012	0%
Total cash returned	\$ 1,652	\$ 5,025	\$ 4,537	11%

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Income (In millions, except per-share amounts)	For Three Months Ended March 31,	
	2022	2021
Revenue	\$ 4,905	\$ 4,289
Cost of revenue (COR)	1,463	1,492
Gross profit	3,442	2,797
Research and development (R&D)	391	386
Selling, general and administrative (SG&A)	422	425
Acquisition charges	—	47
Restructuring charges/other	66	—
Operating profit	2,563	1,939
Other income (expense), net (OI&E)	15	46
Interest and debt expense	52	46
Income before income taxes	2,526	1,939
Provision for income taxes	325	186
Net income	<u>\$ 2,201</u>	<u>\$ 1,753</u>
Diluted earnings per common share	<u>\$ 2.35</u>	<u>\$ 1.87</u>
Average shares outstanding:		
Basic	<u>923</u>	<u>922</u>
Diluted	<u>934</u>	<u>935</u>
Cash dividends declared per common share	<u>\$ 1.15</u>	<u>\$ 1.02</u>

Supplemental Information
(Quarterly, except as noted)

Our annual operating tax rate, which does not include discrete tax items, was 14% in both periods.

Provision for income taxes is based on the following:

Operating taxes (calculated using the estimated annual effective tax rate)	\$ 361	\$ 275
Discrete tax items	(36)	(89)
Provision for income taxes (effective taxes)	<u>\$ 325</u>	<u>\$ 186</u>

A portion of net income is allocated to unvested restricted stock units (RSUs) on which we pay dividend equivalents. Diluted EPS is calculated using the following:

Net income	\$ 2,201	\$ 1,753
Income allocated to RSUs	(9)	(8)
Income allocated to common stock for diluted EPS	<u>\$ 2,192</u>	<u>\$ 1,745</u>

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets	March 31,	
(In millions, except par value)	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,505	\$ 2,442
Short-term investments	6,320	4,244
Accounts receivable, net of allowances of (\$9) and (\$9)	1,795	1,584
Raw materials	265	183
Work in process	1,151	980
Finished goods	644	727
Inventories	2,060	1,890
Prepaid expenses and other current assets	330	245
Total current assets	14,010	10,405
Property, plant and equipment at cost	8,236	5,967
Accumulated depreciation	(2,797)	(2,536)
Property, plant and equipment	5,439	3,431
Goodwill	4,362	4,362
Deferred tax assets	273	331
Capitalized software licenses	91	113
Overfunded retirement plans	383	235
Other long-term assets	718	762
Total assets	\$ 25,276	\$ 19,639
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 500	\$ —
Accounts payable	641	554
Accrued compensation	386	388
Income taxes payable	405	278
Accrued expenses and other liabilities	596	480
Total current liabilities	2,528	1,700
Long-term debt	7,242	6,250
Underfunded retirement plans	81	130
Deferred tax liabilities	94	88
Other long-term liabilities	1,314	1,305
Total liabilities	11,259	9,473
Stockholders' equity:		
Preferred stock, \$25 par value. Shares authorized – 10; none issued	—	—
Common stock, \$1 par value. Shares authorized – 2,400; shares issued – 1,741	1,741	1,741
Paid-in capital	2,667	2,391
Retained earnings	47,053	42,860
Treasury common stock at cost		
Shares: March 31, 2022 – 819; March 31, 2021 – 818	(37,291)	(36,479)
Accumulated other comprehensive income (loss), net of taxes (AOCI)	(153)	(347)
Total stockholders' equity	14,017	10,166
Total liabilities and stockholders' equity	\$ 25,276	\$ 19,639

Certain amounts in the prior period's balance sheet have been reclassified to conform to the current presentation.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows (In millions)	For Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities		
Net income	\$ 2,201	\$ 1,753
Adjustments to net income:		
Depreciation	200	179
Amortization of acquisition-related intangibles	—	47
Amortization of capitalized software	14	15
Stock compensation	74	61
Gains on sales of assets	(2)	(1)
Deferred taxes	(1)	8
Increase (decrease) from changes in:		
Accounts receivable	(94)	(170)
Inventories	(150)	65
Prepaid expenses and other current assets	21	73
Accounts payable and accrued expenses	11	69
Accrued compensation	(388)	(379)
Income taxes payable	284	131
Changes in funded status of retirement plans	21	28
Other	(47)	(29)
Cash flows from operating activities	2,144	1,850
Cash flows from investing activities		
Capital expenditures	(443)	(308)
Proceeds from asset sales	2	1
Purchases of short-term investments	(3,988)	(2,782)
Proceeds from short-term investments	2,774	2,000
Other	(13)	(20)
Cash flows from investing activities	(1,668)	(1,109)
Cash flows from financing activities		
Repayment of debt	—	(550)
Dividends paid	(1,063)	(940)
Stock repurchases	(589)	(100)
Proceeds from common stock transactions	57	196
Other	(7)	(12)
Cash flows from financing activities	(1,602)	(1,406)
Net change in cash and cash equivalents	(1,126)	(665)
Cash and cash equivalents at beginning of period	4,631	3,107
Cash and cash equivalents at end of period	\$ 3,505	\$ 2,442

Segment results

Amounts are in millions of dollars.

	<u>Q1 2022</u>	<u>Q1 2021</u>	<u>Change</u>
Analog:			
Revenue	\$ 3,816	\$ 3,280	16%
Operating profit	\$ 2,150	\$ 1,646	31%
Embedded Processing:			
Revenue	\$ 782	\$ 767	2%
Operating profit	\$ 315	\$ 287	10%
Other:			
Revenue	\$ 307	\$ 242	27%
Operating profit*	\$ 98	\$ 6	1,533%

** Includes acquisition charges and restructuring charges/other.*

Non-GAAP financial information

This release includes references to free cash flow and ratios based on that measure. These are financial measures that were not prepared in accordance with GAAP. Free cash flow was calculated by subtracting capital expenditures from the most directly comparable GAAP measure, cash flows from operating activities (also referred to as cash flow from operations).

We believe that free cash flow and the associated ratios provide insight into our liquidity, our cash-generating capability and the amount of cash potentially available to return to shareholders, as well as insight into our financial performance. These non-GAAP measures are supplemental to the comparable GAAP measures.

Reconciliation to the most directly comparable GAAP measures is provided in the table below.

Amounts are in millions of dollars.

	For 12 Months Ended March 31,		Change
	2022	2021	
Cash flow from operations (GAAP)	\$ 9,050	\$ 7,138	27%
Capital expenditures	(2,597)	(796)	
Free cash flow (non-GAAP)	\$ 6,453	\$ 6,342	2%
Revenue	\$ 18,960	\$ 15,421	
Cash flow from operations as a percentage of revenue (GAAP)	47.7%	46.3%	
Free cash flow as a percentage of revenue (non-GAAP)	34.0%	41.1%	

This release also includes references to an annual operating tax rate, a non-GAAP term we use to describe the estimated annual effective tax rate, a GAAP measure that by definition does not include discrete tax items. We believe the term annual operating tax rate helps differentiate from the effective tax rate, which includes discrete tax items.

Notice regarding forward-looking statements

This release includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as TI or its management "believes," "expects," "anticipates," "foresees," "forecasts," "estimates" or other words or phrases of similar import. Similarly, statements herein that describe TI's business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

We urge you to carefully consider the following important factors that could cause actual results to differ materially from the expectations of TI or our management:

- The duration and scope of the COVID-19 pandemic, government and other third-party responses to it and the consequences for the global economy, including to our business and the businesses of our suppliers, customers and distributors;
- Economic, social and political conditions, and natural events in the countries in which we, our customers or our suppliers operate, including global trade policies;
- Market demand for semiconductors, particularly in the industrial and automotive markets, and customer demand that differs from forecasts;
- Our ability to compete in products and prices in an intensely competitive industry;
- Evolving cybersecurity and other threats relating to our information technology systems or those of our customers, vendors and other third parties;
- Our ability to successfully implement and realize opportunities from strategic, business and organizational changes, or our ability to realize our expectations regarding the amount and timing of associated restructuring charges and cost savings;
- Our ability to develop, manufacture and market innovative products in a rapidly changing technological environment, our timely implementation of new manufacturing technologies and installation of manufacturing equipment, and our ability to realize expected returns on significant investments in manufacturing capacity;
- Availability and cost of raw materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;
- Product liability, warranty or other claims relating to our products, software, manufacturing, delivery, services, design or communications, or recalls by our customers for a product containing one of our parts;
- Compliance with or changes in the complex laws, rules and regulations to which we are or may become subject, or actions of enforcement authorities, that restrict our ability to operate our business or subject us to fines, penalties or other legal liability;
- Changes in tax law and accounting standards that impact the tax rate applicable to us, the jurisdictions in which profits are determined to be earned and taxed, adverse resolution of tax audits, increases in tariff rates, and the ability to realize deferred tax assets;
- Financial difficulties of our distributors or semiconductor distributors' promotion of competing product lines to our detriment; or disputes with current or former distributors;
- Losses or curtailments of purchases from key customers or the timing and amount of customer inventory adjustments;
- Our ability to maintain or improve profit margins, including our ability to utilize our manufacturing facilities at sufficient levels to cover our fixed operating costs, in an intensely competitive and cyclical industry and changing regulatory environment;

- Our ability to maintain and enforce a strong intellectual property portfolio and maintain freedom of operation in all jurisdictions where we conduct business; or our exposure to infringement claims;
- Instability in the global credit and financial markets;
- Our ability to recruit and retain skilled personnel, and effectively manage key employee succession; and
- Impairments of our non-financial assets.

For a more detailed discussion of these factors, see the Risk factors discussion in Item 1A of TI's most recent Form 10-K. The forward-looking statements included in this release are made only as of the date of this release, and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances. If we do update any forward-looking statement, you should not infer that we will make additional updates with respect to that statement or any other forward-looking statement.

About Texas Instruments

Texas Instruments Incorporated (Nasdaq: TXN) is a global semiconductor company that designs, manufactures, tests and sells analog and embedded processing chips for markets such as industrial, automotive, personal electronics, communications equipment and enterprise systems. Our passion to create a better world by making electronics more affordable through semiconductors is alive today, as each generation of innovation builds upon the last to make our technology smaller, more efficient, more reliable and more affordable – making it possible for semiconductors to go into electronics everywhere. We think of this as Engineering Progress. It's what we do and have been doing for decades. Learn more at TI.com.