



TI reports Q4 2023 and 2023 financial results and shareholder returns

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

www.ti.com/ir

DALLAS (Jan. 23, 2024) – Texas Instruments Incorporated (TI) (Nasdaq: TXN) today reported fourth quarter revenue of \$4.08 billion, net income of \$1.37 billion and earnings per share of \$1.49. Earnings per share included a 3-cent benefit that was not in the company's original guidance.

Regarding the company's performance and returns to shareholders, Haviv Ilan, TI's president and CEO, made the following comments:

- "Revenue decreased 10% sequentially and 13% from the same quarter a year ago. During the quarter we experienced increasing weakness across industrial and a sequential decline in automotive.
- "Our cash flow from operations of \$6.4 billion for the trailing 12 months again underscored the strength of our business model, the quality of our product portfolio and the benefit of 300mm production. Free cash flow for the same period was \$1.3 billion.
- "Over the past 12 months we invested \$3.7 billion in R&D and SG&A, invested \$5.1 billion in capital expenditures and returned \$4.9 billion to owners.
- "TI's first quarter outlook is for revenue in the range of \$3.45 billion to \$3.75 billion and earnings per share between \$0.96 and \$1.16. We now expect our 2024 effective tax rate to be about 13%."

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

Earnings summary

<i>(In millions, except per-share amounts)</i>	Q4 2023	Q4 2022	Change
Revenue	\$ 4,077	\$ 4,670	(13)%
Operating profit	\$ 1,533	\$ 2,176	(30)%
Net income	\$ 1,371	\$ 1,962	(30)%
Earnings per share	\$ 1.49	\$ 2.13	(30)%

Cash generation

<i>(In millions)</i>	Q4 2023	Trailing 12 Months		Change
		Q4 2023	Q4 2022	
Cash flow from operations	\$ 1,924	\$ 6,420	\$ 8,720	(26)%
Capital expenditures	\$ 1,148	\$ 5,071	\$ 2,797	81 %
Free cash flow	\$ 776	\$ 1,349	\$ 5,923	(77)%
Free cash flow % of revenue		7.7 %	29.6 %	

Cash return

<i>(In millions)</i>	Q4 2023	Trailing 12 Months		Change
		Q4 2023	Q4 2022	
Dividends paid	\$ 1,181	\$ 4,557	\$ 4,297	6 %
Stock repurchases	\$ 65	\$ 293	\$ 3,615	(92)%
Total cash returned	\$ 1,246	\$ 4,850	\$ 7,912	(39)%

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Income	For Three Months Ended		For Years Ended	
	December 31,		December 31,	
(In millions, except per-share amounts)	2023	2022	2023	2022
Revenue	\$ 4,077	\$ 4,670	\$ 17,519	\$ 20,028
Cost of revenue (COR)	1,646	1,583	6,500	6,257
Gross profit	2,431	3,087	11,019	13,771
Research and development (R&D)	460	434	1,863	1,670
Selling, general and administrative (SG&A)	438	429	1,825	1,704
Restructuring charges/other	—	48	—	257
Operating profit	1,533	2,176	7,331	10,140
Other income (expense), net (OI&E)	113	51	440	106
Interest and debt expense	98	60	353	214
Income before income taxes	1,548	2,167	7,418	10,032
Provision for income taxes	177	205	908	1,283
Net income	<u>\$ 1,371</u>	<u>\$ 1,962</u>	<u>\$ 6,510</u>	<u>\$ 8,749</u>
Diluted earnings per common share	<u>\$ 1.49</u>	<u>\$ 2.13</u>	<u>\$ 7.07</u>	<u>\$ 9.41</u>
Average shares outstanding:				
Basic	<u>908</u>	<u>906</u>	<u>908</u>	<u>916</u>
Diluted	<u>915</u>	<u>916</u>	<u>916</u>	<u>926</u>
Cash dividends declared per common share	<u>\$ 1.30</u>	<u>\$ 1.24</u>	<u>\$ 5.02</u>	<u>\$ 4.69</u>

Supplemental Information

Provision for income taxes is based on the following:

Operating taxes (calculated using the estimated annual effective tax rate)	\$ 180	\$ 237	\$ 974	\$ 1,384
Discrete tax items	(3)	(32)	(66)	(101)
Provision for income taxes (effective taxes)	<u>\$ 177</u>	<u>\$ 205</u>	<u>\$ 908</u>	<u>\$ 1,283</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	\$ 1,371	\$ 1,962	\$ 6,510	\$ 8,749
Income allocated to RSUs	(7)	(9)	(33)	(39)
Income allocated to common stock for diluted EPS	<u>\$ 1,364</u>	<u>\$ 1,953</u>	<u>\$ 6,477</u>	<u>\$ 8,710</u>

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets	December 31,	
(In millions, except par value)	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,964	\$ 3,050
Short-term investments	5,611	6,017
Accounts receivable, net of allowances of (\$16) and (\$13)	1,787	1,895
Raw materials	420	353
Work in process	2,109	1,546
Finished goods	1,470	858
Inventories	3,999	2,757
Prepaid expenses and other current assets	761	302
Total current assets	15,122	14,021
Property, plant and equipment at cost	13,268	9,950
Accumulated depreciation	(3,269)	(3,074)
Property, plant and equipment	9,999	6,876
Goodwill	4,362	4,362
Deferred tax assets	757	473
Capitalized software licenses	223	152
Overfunded retirement plans	173	188
Other long-term assets	1,712	1,135
Total assets	\$ 32,348	\$ 27,207
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 599	\$ 500
Accounts payable	802	851
Accrued compensation	836	799
Income taxes payable	172	189
Accrued expenses and other liabilities	911	646
Total current liabilities	3,320	2,985
Long-term debt	10,624	8,235
Underfunded retirement plans	108	118
Deferred tax liabilities	63	66
Other long-term liabilities	1,336	1,226
Total liabilities	15,451	12,630
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	3,362	2,951
Retained earnings	52,283	50,353
Treasury common stock at cost		
Shares: 2023 – 832; 2022 – 835	(40,284)	(40,214)
Accumulated other comprehensive income (loss), net of taxes (AOCI)	(205)	(254)
Total stockholders' equity	16,897	14,577
Total liabilities and stockholders' equity	\$ 32,348	\$ 27,207

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows	For Three Months Ended December 31,		For Years Ended December 31,	
(In millions)	2023	2022	2023	2022
Cash flows from operating activities				
Net income	\$ 1,371	\$ 1,962	\$ 6,510	\$ 8,749
Adjustments to net income:				
Depreciation	322	249	1,175	925
Amortization of capitalized software	15	14	63	54
Stock compensation	68	62	362	289
(Gains) losses on sales of assets	1	—	—	(3)
Deferred taxes	(140)	(173)	(299)	(191)
Increase (decrease) from changes in:				
Accounts receivable	189	145	108	(194)
Inventories	(91)	(353)	(1,242)	(847)
Prepaid expenses and other current assets	8	(39)	46	6
Accounts payable and accrued expenses	(10)	34	(33)	106
Accrued compensation	126	136	29	22
Income taxes payable	58	68	(7)	94
Changes in funded status of retirement plans	(4)	(12)	45	114
Other	11	(51)	(337)	(404)
Cash flows from operating activities	<u>1,924</u>	<u>2,042</u>	<u>6,420</u>	<u>8,720</u>
Cash flows from investing activities				
Capital expenditures	(1,148)	(967)	(5,071)	(2,797)
Proceeds from asset sales	—	—	3	3
Purchases of short-term investments	(2,565)	(3,688)	(12,705)	(14,483)
Proceeds from short-term investments	3,411	3,650	13,387	13,657
Other	(9)	(22)	24	37
Cash flows from investing activities	<u>(311)</u>	<u>(1,027)</u>	<u>(4,362)</u>	<u>(3,583)</u>
Cash flows from financing activities				
Proceeds from issuance of long-term debt	—	799	3,000	1,494
Repayment of debt	—	—	(500)	(500)
Dividends paid	(1,181)	(1,123)	(4,557)	(4,297)
Stock repurchases	(65)	(848)	(293)	(3,615)
Proceeds from common stock transactions	45	50	263	241
Other	(14)	(12)	(57)	(41)
Cash flows from financing activities	<u>(1,215)</u>	<u>(1,134)</u>	<u>(2,144)</u>	<u>(6,718)</u>
Net change in cash and cash equivalents	398	(119)	(86)	(1,581)
Cash and cash equivalents at beginning of period	2,566	3,169	3,050	4,631
Cash and cash equivalents at end of period	<u>\$ 2,964</u>	<u>\$ 3,050</u>	<u>\$ 2,964</u>	<u>\$ 3,050</u>

Quarterly segment results

<i>(In millions)</i>	Q4 2023	Q4 2022	Change
Analog:			
Revenue	\$ 3,120	\$ 3,558	(12)%
Operating profit	\$ 1,280	\$ 1,798	(29)%
Embedded Processing:			
Revenue	\$ 752	\$ 837	(10)%
Operating profit	\$ 195	\$ 293	(33)%
Other:			
Revenue	\$ 205	\$ 275	(25)%
Operating profit*	\$ 58	\$ 85	(32)%

* Includes restructuring charges/other.

Annual segment results

<i>(In millions)</i>	2023	2022	Change
Analog:			
Revenue	\$ 13,040	\$ 15,359	(15)%
Operating profit	\$ 5,821	\$ 8,359	(30)%
Embedded Processing:			
Revenue	\$ 3,368	\$ 3,261	3 %
Operating profit	\$ 1,008	\$ 1,253	(20)%
Other:			
Revenue	\$ 1,111	\$ 1,408	(21)%
Operating profit*	\$ 502	\$ 528	(5)%

* Includes 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.

<i>(In millions)</i>	For Years Ended December 31,		Change
	2023	2022	
Cash flow from operations (GAAP)	\$ 6,420	\$ 8,720	(26)%
Capital expenditures	(5,071)	(2,797)	
Free cash flow (non-GAAP)	\$ 1,349	\$ 5,923	(77)%
Revenue	\$ 17,519	\$ 20,028	
Cash flow from operations as a percentage of revenue (GAAP)	36.6 %	43.5 %	
Free cash flow as a percentage of revenue (non-GAAP)	7.7 %	29.6 %	

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

- 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, suppliers 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;
- 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;
- Availability and cost of key materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;
- Our ability to recruit and retain skilled personnel and effectively manage key employee succession;
- 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; 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.