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PRESENTATION

Operator

Good day, and welcome to the Texas Instruments First Quarter '22 Earnings Release Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Dave Pahl. Please go ahead, sir.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Good afternoon, and thank you for joining our first quarter 2022 earnings conference call.

For any of you who missed the release, you can find it on our website at ti.com/ir. This call is being broadcast live over the web and can be accessed through our website. A replay will be available through the web.

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.

Our Chief Financial Officer Rafael Lizardi is with me today, and we'll provide the following updates. First, I'll start with a quick overview of the quarter. Next, I'll provide insight into first quarter revenue results with some details of what we're seeing with respect to our customers and markets. And lastly, Rafael will cover the financial results and our guidance for second quarter, including the impact from COVID-19 restrictions in China.

Starting with a quick overview of first quarter. Revenue in the quarter was $4.9 billion, an increase of 2% sequentially and 14% year over year, driven by growth in industrial and automotive, as well as enterprise systems. Analog revenue grew 16%, Embedded Processing grew 2%, and our "Other" segment grew 27% from the year-ago quarter.

Now let me comment on the environment in the first quarter to provide some context on what we saw with our customers and markets. Overall, the quarter came in about as we expected across product segments, end markets and geographies.

The market environment in the first quarter was similar to what we've observed for the last several quarters. Customers continued to be selective in their expedite requests, focusing on products that completed a "matched set" rather than expediting products across the board. This behavior was not specific to any product family, end market or geography.

Moving on, I'll provide some insight into our first quarter revenue by end market from the year ago quarter. First, the industrial and automotive markets were each up about 20% and both were driven by broad-based growth across sectors. Personal electronics was down mid-single digits off a strong compare. And next, communications equipment was up about 10%. And finally, enterprise systems was up about 35% off of a weak compare, and the growth was primarily from data centers and enterprise computing.

Rafael will now review profitability, capital management and our outlook. Rafael?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Thanks, Dave, and good afternoon, everyone.

As Dave mentioned, first quarter revenue was $4.9 billion, up 14% from a year ago. Gross profit in the quarter was $3.4 billion, or 70% of revenue. From a year ago, gross profit margin increased 500 basis points. As a reminder, we had about $50 million of additional utility expenses in cost of revenue related to the winter storm in the year-ago quarter.

Operating expenses in the quarter were $813 million, about flat from a year ago and about as expected. On a trailing 12-month basis, operating expenses were $3.2 billion, or 17% of revenue.

Restructuring charges were $66 million in the first quarter and are associated with the LFAB purchase we closed in October of last year.

Operating profit was $2.6 billion in the quarter, or 52% of revenue. Operating profit was up 32% from the year-ago quarter.

Net income in the first quarter was $2.2 billion, or $2.35 per share, which included a 2-cent benefit that was not in our prior outlook.

Let me now comment on our capital management results, starting with our cash generation. Cash flow from operations was $2.1 billion in the quarter. Capital expenditures were $443 million in the quarter and $2.6 billion over the last 12 months. Free cash flow on a trailing 12-month basis was $6.5 billion.

In the quarter, we paid $1.1 billion in dividends and repurchased $589 million of our stock. In total, we have returned $5 billion in the past 12 months. Over the same period, our dividend represented 62% of free cash flow.

Our balance sheet remains strong, with $9.8 billion of cash and short-term investments at the end of the first quarter. Total debt outstanding was $7.8 billion, with a weighted average coupon of 2.6%.

Inventory dollars were up $150 million from the prior quarter, to $2.1 billion, and days were 127, up 11 days sequentially but still below desired levels.

For the second quarter, we expect TI revenue in the range of $4.2 billion to $4.8 billion and earnings per share to be in the range of $1.84 to $2.26. This outlook comprehends an impact due to reduced demand from COVID-19 restrictions in China which are affecting our customers' manufacturing operations.

We continue to expect our annual operating tax rate for 2022 to be about 14% and our effective tax rate to be about a point lower.

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 ***Texas Instruments Incorporated - Head of IR & VP***

Thanks, Rafael. Operator, you can now open up the lines for questions. In order to provide as many of you as possible the 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?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question from Stacy Rasgon with Bernstein Research.

Stacy Aaron Rasgon ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***

First of all, I was wondering if you had any feeling for the size of the gap in revenue that's getting impacted by the COVID issues in China. Do you have any view for like what demand would be if you could ship? And like are the customers like getting out of line at all? Or is the overall demand and order environment like kind of where it was, you just can't ship? But any color you can give on the size of that gap would be helpful.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes, Stacy. I'll comment on that. Our assessment in early April indicated that revenue would continue to incrementally grow again in the second quarter. However, it just became clear that we were experiencing lower demand, particularly due to COVID-19 restrictions in China. And just to be clear, customers' behavior wasn't changing as it related to backlog or cancellations. In fact, we continued to see expedites for deliveries. However, we did see that our customers' manufacturing operations were being impacted.

So as a result, the approach that we took, we just took a tops-down assessment and just reduced the midpoint of second quarter by 10% and so from roughly $5 billion at the midpoint, to the $4.5 billion that you see. And the second thing we did was we slightly widened the range just to comprehend the higher uncertainty that we're seeing overall. Do you have a follow-up, Stacy?

Stacy Aaron Rasgon ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***

I do. And that's helpful. Just wondering, the fact that you guys have mostly internal manufacturing and you're trying to go most direct, does that imply that, I mean, do you have to ship more direct to your customers in China? Do you think that these kinds of issues would impact you more than the broader industry? Or do you think this is something that everybody is going to have to be dealing with to the same degree?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Stacy, our sense is this is primarily due to issues with operations at our customers' factories, and it is not related to shipping, to direct or to distribution, or anything of that sort.

Operator

And so we'll take our next question from Vivek Arya with Bank of America Securities.

Vivek Arya ***BofA Securities, Research Division - MD in Equity Research & Research Analyst***

The first one, also related to China. Do you think this is something you can recover? Is this demand destruction, or is this something you can recover? And then, along those lines, how would you characterize demand, excluding your China customers, where there were no other, these kind of restrictions in place?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes, Vivek. Again, the approach that we took was really just a tops-down 10% assessment of what the impact would be. So I wouldn't look at that as any precision in choosing that number, part of the reason why we widened the guidance. I think trying to get into predictions of what could happen as the quarter unfolds, I think time will tell, and we'll see how that unfolds, and we'll report that when the quarter is over. So that's really the approach that we took at trying to assess what was going on. Do you have a follow-on?

Vivek Arya ***BofA Securities, Research Division - MD in Equity Research & Research Analyst***

Yes. So how are you managing your fab utilization and your inventory? It seems like you're implying gross margins down a few hundred basis points sequentially. So just curious how you are managing fab utilization because I thought I heard Rafael say that you are still below your target inventory level. So do you continue to plan and build more inventory during the quarter?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. So a couple of things in that question. Let me try to address most of them. We -- our factories are running at high levels of utilization as they have been over the last couple of years really. We've continued -- in fact, we've continued adding incremental capacity, as we have said we would. And the next step beyond incremental will be once RFAB2 starts production in the second half of the year and then LFAB in the first quarter of next year, of 2023, while at the same time, we're breaking ground later this year for the Sherman factory.

So we're going to continue running our production high. We are going to build inventory. Inventory did build about $150 million in this last quarter we just reported, but we're still below desired levels. So our intent is to continue building that inventory that is -- our objective in inventory, as you know, is to maintain high levels of customer service. And roughly, our target is 130 to 190 days, but we want to be at the high end of that and we would not be uncomfortable even above the high end of that range.

Operator

We have our next from Ross Seymore with Deutsche Bank.

Ross Clark Seymore ***Deutsche Bank AG, Research Division - MD***

I guess the China side is weak, and I guess, 10% is as good a number as anyone could come up with. But to the extent there are shortages across the industry and demand elsewhere, it doesn't sound like it's changed, from part of your preamble, Dave. Why wouldn't this allow a little bit of the fungibility of your standard product shipments to just increase to those customers and shortages to make up for the shortfall that you're otherwise going to see in China?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

So yes, no, that's a fair question, and that's already embedded in our process to the extent that that is doable. We -- our processes allow for that redirecting of inventory. But keep in mind, we're talking about 100,000 different parts -- 100,000 different customers, 80,000 different parts, so it never quite fits in a perfect situation where the excess in one place can go to the other place neatly, right? And then the other thing I would tell you, just like Dave stressed a couple of times, this is a tops-down estimate assessment on that adjustment; it's not meant to imply precision.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. And maybe I'll just add to that too, Ross. The behavior that we've talked about now for a couple of quarters, that we've been seeing, is customers being more focused on matched sets, and that can be symptomatic of growing customer inventory that's out of mix. So even though we might have some parts that are available in one region, customers may not need them in the other. So you've got multiple dynamics at work there. Do you have a follow-on?

Ross Clark Seymore ***Deutsche Bank AG, Research Division - MD***

I do. Since kind of we collectively have given you guys some grief over the last couple of years for not really buying back any stock despite your 100% cash return goals, this quarter you did, and it seems like you got pretty darn close back to that 100% return. What changed?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

So Ross, you've known us for a long time, and you know how we think about cash return. But just for everybody else, we talked about this in capital management and every quarter, our objective when it comes to cash return is to return all free cash flow to the owners of the company. We do that through dividends and repurchases. And we've been really consistent in how we do that, and we have a really good track record. So we have done that and are committed to continuing to do that.

Operator

We'll hear next from Chris Danely with Citi.

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

So given all these COVID issues in China and the shutdowns, but then no change in the rest of the world, do you expect the shortage situation at TI and in semis to get better or worse from this? Or do you think there will be no change?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. I'll take a first shot, and Rafael, if you want to add in. I -- we're not trying to predict the cycle or call even the out-quarters of what's going on. I think what we'll continue to do and how -- just how we approach this, independent of cycles, is just staying focused on building the company stronger for the long term. And that includes things like adding in the new manufacturing capacity that we have, investing in R&D, investing in new capabilities. So those are the things that we can control, and that's what we'll stay focused on. Do you have a follow-on, Chris?

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

Yes. So if we take the COVID issues in China outside, how would -- any sort of end market commentary you would make, anything a little better or worse than your expectations either during the quarter or going forward?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. The quarter came in, I'd say, about what we expected. We were just slightly above the top end of our range overall. The quarter was driven by the industrial and automotive markets. We did see strong growth in enterprise systems as we had talked about. That was primarily from data center and enterprise computing. Now that's a small part of our revenue, but you saw it grow strongly last quarter. And as you look over the coming years, that probably will continue to be a strong grower, but it's just not a very large portion of our revenue. So we continue to be pleased with the growth that we're seeing in industrial and automotive. That -- when you zoom out for a second, that is where the strategic focus has been for the company. And so we're pleased to see that turn into growth longer term.

Operator

We'll hear next from Joe Moore with Morgan Stanley.

Joseph Lawrence Moore ***Morgan Stanley, Research Division - Executive Director***

I wonder if you could address first in terms of you said you're still seeing strong expedite activity. Are the constraints that you guys are still seeing coming from your internal fab capacity, from foundry back-end? Can you just kind of give us an idea where the bottlenecks are?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

So I'll start. First, I want to maybe adjust what -- your premise a little bit. We are still seeing some expedites. But as Dave mentioned a couple of times, customers continue to be selective in how they're expediting. So they're continuing to focus on the matched set, okay? So it's not just expedite across the board. Second, specifically on what you said, on your second -- the second part of your question, what we're seeing is primarily based on the -- how our customers' manufacturing operation is -- are being affected in China.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

And we're able to meet many of those expedite requests as well. So I think your question more, Joe, is where we do have constraints, what's driving those. And that's not specific to any product or any particular area. It can move from one quarter to the other. It may be a process technology. It could be a packaging technology, other things that may drive it, that our teams work with customers on to meet those needs. Do you have a follow-on?

Joseph Lawrence Moore ***Morgan Stanley, Research Division - Executive Director***

Yes. I also was curious about pricing to the extent that your competition has kind of passed along foundry price increases and has raised prices. How have you guys reacted to that? And do you have -- can you give us any sense for what your pricing has done on a like-for-like basis?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. So a couple of things. First, on the input cost side of things, part of our -- one of our competitive advantages is manufacturing technology. We own the vast majority of our manufacturing, in fact, on the front end, over 80%. And our goal is to grow that to 90% over the coming years. So that puts us in a really good situation to not be beholden by -- to the mercy of what those foundries or subcons do in terms of pricing, right? So we have a much better way to handle those input costs. So that's on the input cost side of things.

On the pricing, in general, we -- our pricing with our customers, our process on that has not changed. Our process is to price to market. And as prices have moved up over the last two or three quarters, and that certainly did happen in first quarter, we have moved our prices as well. And growth in first quarter did benefit from the pricing tailwind.

Operator

We'll take our next question from Timothy Arcuri with UBS.

Timothy Michael Arcuri ***UBS Investment Bank, Research Division - MD and Head of Semiconductors & Semiconductor Equipment***

I just wanted to push on this 10% that you talked about the haircut for June. If -- the lockdown seemed like they're already getting a little bit better. They're seeming to kind of loosen up a little bit. So I guess, the question is, does the 10% assume that the situation persists through the month of June? Or if it gets better, between now and June, will that 10% prove to be conservative? And then I had a follow-up as well.

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. And I know maybe it's unsatisfying, but I'll just repeat what we said before. This is a top-level assessment, tops-down, it's not meant to imply precision. In fact, just like as we said earlier, we even widened the range to reflect that higher uncertainty. So time will tell. And when we report 90 days from now, we'll see where things land.

Timothy Michael Arcuri ***UBS Investment Bank, Research Division - MD and Head of Semiconductors & Semiconductor Equipment***

Got it. Maybe as my second -- yes, yes. Thanks, Dave. So I guess, my second question is, this is a question that Ross asked before. But if customers are so tight and if the lockdowns are certainly going to be transitory, I would think, it seems like customers would just take the product, and they would put it into inventory. So obviously, during the past three weeks, you opted to take this big cut to guidance. But is that because they're pushing out shipments? Or is it because they just can't accept shipment of your product? I mean it seems like it has to be the latter versus them pushing out shipments or not pulling from consignment because everything is tight and the whole chain is trying to build inventory.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Sure. Yes. And Tim, I think we've talked about now for a couple of quarters that we've observed behavior where customers' behavior really shifted to focusing on those matched sets. And as we've talked about, that can be symptomatic of growing customer inventory, that's just not a mix, right? So -- and with that, we've got tens of thousands of products that are immediately available on TI.com. So they can get more product if they wanted and if they're indiscriminate of the types of products that they need. But increasingly, they're trying to find those matched sets to complete those bills. Whether that's our product, in some cases, a lot of times, it's our peers' products in the industry, and sometimes, it's maybe not even a semiconductor product that they need to complete their system to get it out the door. So yes, so just to say just because you have a product sitting there, customers just indiscriminately aren't taking product overall.

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Let me just add to that. And Tim, if I understood your question correctly, you're asking tactically of whether the customers -- where is the bottleneck for the customers in China not being able to run their operations. We're seeing cases where factories are shut down, and they just will not accept -- they cannot accept deliveries. In other cases, the freight forwarders will not take our parts from our distribution centers to ship them to the factories in China, particularly in the Shanghai area, because those are shut down. So tactically, that is what's keeping -- the primary reason why we took this adjustment because that's keeping our parts from being delivered to the...

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Or the factory staff or other reasons that are going on that's reducing that demand.

Operator

And so we'll take our next question from William Stein with Truist Securities.

William Stein ***Truist Securities, Inc., Research Division - MD***

The last question is very similar to mine. And I just want to ask it maybe in a little bit more of a detailed fashion. When we talk about the disruptions in China, are you -- maybe you can just provide a bit more detail. Are you not shipping to the region as a whole? Or are you taking this on a customer-by-customer basis in terms of what you're choosing to -- or in terms of what you're able to ship?

And then the follow-up is related to that, we've heard at least one large automotive OEM talk about having opened up their facility recently and ramping with a vengeance. And I wonder if you see this among customers more broadly, or is that an exception.

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. So I'll give you my take. It is case by case. There's at least -- just saw a report -- dozens, if not hundreds, of factories that are shut down, but there are other hundreds that are operating at different levels, right? Some -- and some cities are affected more than others. Obviously, Shanghai, we've all read in the news what's going on there, and factories in that area are affected more. And -- but there are restrictions beyond Shanghai. But it's case by case. There are factories operating at zero, like complete shutdown. There are others operating at 20%, 50% and so forth.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Do you have a follow-on, Will?

William Stein ***Truist Securities, Inc., Research Division - MD***

Perhaps you can talk about changes in delivery patterns by channel? In particular, I would be curious if you saw any slowdown in orders at TI.com, which I think is somewhat of a different channel from your typical direct business.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. I would say that in the quarter and as we described the environment in the first quarter, we would describe it as similar to what we've seen over the last couple of quarters. And just order rates and cancellation -- order rates remain strong, cancellations, reschedules and those things, that customer behavior is consistent. Those things are low and consistent with what we've seen over the last couple of quarters. And that's across those different channels and inputs.

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. The other thing I would add is, as we have seen in other cases during the entire pandemic, being able to ship direct and have the direct relationship with customers, it's a huge advantage. Especially when you face these type of challenges, just not having an intermediary that kind of, frankly, most of the time gets in the way, and it's not optimal for your relationship with the customer, but also there's the tactical operational delivery of products. So whether it's TI.com or non-TI.com legacy shipments going direct, it's a huge benefit being able to do that. Now, close to 70% of our revenue is direct.

Operator

We'll take our next question from Blayne Curtis with Barclays.

Blayne Peter Curtis ***Barclays Bank PLC, Research Division - Director & Senior Research Analyst***

I want to ask you on the CapEx plans. You're pretty clear about your plans with the capital allocation day. I guess the spend in March is a little bit kind of flat at that kind of base level for, as you said, Lehi. I guess you were talking about adding capacity in the second half. So maybe refresh us if you're still going to spend kind of $3.5 billion and if the capacity is still coming in line with the second half.

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. So a couple of angles on your question. First, no changes to our plans. These are long-term plans. So our -- in terms of CapEx, so our $3.5 billion per year for the next four years, that is intact. We're very excited about those. I'm very excited about those. We are -- RFAB2 will ramp production in the second half of this year. Lehi will qualify and ramp production in the first quarter of next year. In just a matter of weeks, or a month or so, we're going to break ground in Sherman. So that's all very exciting, and that is not changing.

Maybe the first part of your question, on the CapEx, short term, -- just keep in mind that the fourth quarter CapEx had the Lehi numbers there. So that -- that's why that number was higher, and now you're seeing that number come down in first quarter. That's just -- we had about $800 million -- close to $900 million worth of CapEx. But our plans, the $3.5 billion run rate per year for '22, '23, '24, '25, of course that's just an average. But that is still -- that is in place, and we're very excited about that.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. That's just math. Blayne, do you have a follow-up?

Blayne Peter Curtis ***Barclays Bank PLC, Research Division - Director & Senior Research Analyst***

Yes. Well, I guess, 400 times four is not $3.5 billion. That was, I guess, the question. But I guess, you're still sticking to that forecast and it should go up.

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

So just remember, it's just an average. The $3.5 billion is an average. So it's not going to be every year $3.5 billion. We'll likely run below -- very likely run below $3.5 billion in 2022, which, of course, means we'll run higher in the next three years. That's just the math on that, right?

Blayne Peter Curtis ***Barclays Bank PLC, Research Division - Director & Senior Research Analyst***

Right. And then, I guess, just for the guide, I want to make sure I understand the mechanics. It sounds like utilization stays high. The mix has been kind of, industrial and auto, that's all favorable on gross margin. You did hit 70%. I think a lot of companies have signaled that maybe gross margins would tail off through the rest of the year as kind of pricing comes down. I'm kind of curious to your perspective on kind of gross margins at this level, being sustainable for the rest of the year.

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. Our focus is not on managing gross margins. Our focus has been and will continue to be on growing free cash flow per share for the long term. So gross margin will be what it will be, but we'll continue to make our investments on CapEx to support our revenue plans and generate long-term growth of free cash flow.

Operator

We'll take our next question from Ambrish Srivastava with BMO.

Ambrish Srivastava ***BMO Capital Markets Equity Research - MD of Semiconductor Research & Senior Research Analyst***

I had a question on -- I just wanted to make sure I understood this. From a top-down, I got that perspective. But then Dave, I thought I heard you mention that cancellations have not changed. Why shouldn't cancellation change if you're taking your numbers down by 10%? Shouldn't that lead to cancellations changing versus what they have been in the last couple of quarters?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. So just to explain that, customers that -- where their operations are being impacted, they would still like that product. And so they are not canceling those orders. They would still like to be in line and get that product as soon as they can take it. So that's what they're communicating to us from that. So that's why we're not -- that's not showing up as a cancellation though we are seeing the demand being impacted at this point.

Ambrish Srivastava ***BMO Capital Markets Equity Research - MD of Semiconductor Research & Senior Research Analyst***

Got it. But that metric is usually for that one quarter or -- and I should know this answer, but I don't, that metric is usually for the quarter that you provide us, or is it for more than -- is it for longer than a quarter?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Well, yes, the cancellations, as we look at them, are the cancellations that we would receive in a quarter. It could, of course, be for demand that might be outside, of either in the current quarter or even a longer period of time. If a cancellation comes in, right, a customer could say they want to cancel an order for next week and also for six months out as well. So -- but if they canceled it, we record it as a cancellation in the quarter that we received the cancellation. So well, with that, we'll go ahead and wrap up. Rafael?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Okay. So let me wrap up by reiterating what we have said previously. At our core, we're engineers, and technology is the foundation of our company. But ultimately, our objective and the best metric to measure progress and generate long-term value for owners is the growth of free cash flow per share.

While we strive to achieve our objective, we'll continue to pursue our three ambitions. We will act like owners who will own the company for decades. We will adapt and succeed in a world that's ever changing. And 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, our employees, customers, communities and owners all benefit.

Thank you, and have a good evening.

Operator

Thank you. And that does conclude today's conference. We do thank you all for your participation, and you may now disconnect.