LSEG STREETEVENTS

EDITED TRANSCRIPT

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OVERVIEW:

Company Summary

LSEG DATA & ANALYTICS

CORPORATE PARTICIPANTS

Haviv Ilan *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

CONFERENCE CALL PARTICIPANTS

Stacy Rasgon *Sanford C Bernstein & Co LLC - Analyst*

PRESENTATION

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Good morning, almost afternoon, everyone. Thanks for coming. I'm Stacy Rasgon. I'm Bernstein's senior research analyst covering U.S. semiconductors and semi capital equipment. And it's my honor to welcome our guest here today, Haviv Ilan, the president and CEO of Texas Instruments.

Before I start, I want to mention if you have questions you'd like to have asked during the presentation, you should have a link to the Pigeonhole form. I think there's a QR code that you can scan. You can submit your questions there. We'll have time for Q&A at the end.

So Texas Instruments, TI. It used to be that they were sort of the boring semiconductor company. They're kind of proud of it. I think it's been a little less boring lately, both for TI as well as for the space overall. But TI over the last four or five years has embarked on a program of significant capacity expansion that at least temporarily sidelined cash flow and return, and this is for a company who sort of pioneered the whole idea of 100% free cash flow return.

But they always do think long term. And we're now at kind of the tail end of that investment strategy. The cash flow now seems ready to start coming through again. And now with a manufacturing footprint that they'll be left with that potentially leaves an increasingly advantage maybe in a world that is growing increasingly decoupled.

I think more tactically, the post-COVID overhang, and it was pretty long, seems to now be behind us. At a minimum, we've got an industrial rebound now that's driving upside. And now coupled with an AI environment that's gone mainstream and sort of dragging everything along with it. There's a data center story though that may be becoming more of a primary growth driver for the company, which complements the traditional focus on industrial and auto. So I wouldn't say things are all that boring anymore.

To tell us about it, it's my great pleasure to welcome Haviv. So thank you so much for being with us here today.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Thank you. Thank you, Stacy. Great to be here. Thanks for having us.

QUESTIONS AND ANSWERS

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

You bet. And maybe to start off, like just on that CapEx strategy, because that really has sort of been the defining thing -- element of the company over the last like half, I can't believe it's been half a decade already, but it really has. But you're at the end of this like five-year CapEx and investment cycle. And maybe just talk to us about how that's -- like what was the driver of it? What was the impetus? Like how has it gone versus your expectations? Where are we now? What do we expect going forward in terms of CapEx and cash flow and return and margins and all that? Like how is the company now, I guess, on the other side of it, different from where it was and where it was before you went in? And how does that advance?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Sure. Sure. First, thanks for the introduction. You touched more or less the executive summary. I appreciate that.

But in general, you're right, somewhere at the back end of 2020 and 2021, we got together and decided that we are going to set the company and prepare it for the next 10 and 15 years. This was not about the next cycle, but more of a longer-term thinking that secular growth in semiconductors will continue, especially, as you mentioned, in industrial and automotive. We also thought that it's -- we need to be ahead because one of the areas that we've learned during the previous cycle, that when you fall behind and can't supply the parts or the sockets you've won, that's just not a good -- that's not just a good place to be --

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

That kind of did bite you a little bit during COVID.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Our customers deserved that we can support them in every scenario. And then you want to model a set of scenarios, and we said, hey, what could be secular growth in semis? Does it accelerate or not? The answer was yes.

The second is do we only want to grow with the market, or do we want to have an opportunity to gain some market share and also support our customers through the cycle, not only at the middle of the trend line, but also at the peaks, and of course, that's very, very important.

And along the investment plan, there was all these geopolitical tensions that continue to rise, and we said, hey, having manufacturing in North America, but in general, a geopolitically dependable footprint that is broad is going to be very, very important. So that's what kind of derived our plan. As you mentioned it, it was a six-year plan between '21 and '26. Yes, it is '26. It feels again a long time ago. Now in the last year --

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Feels like it went like that. So.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Some days are longer than others, but it does fly by, yes. So we are in the sixth year, and we went through a more than $20 billion investment cycle, and we always said we want to be positioned for every scenario. I mean a couple of years ago, as a cycle, it deepened, or the down cycle deepened and lengthened, to your point before. It looked like, hey, are we on right path? But we always had the conviction that we are.

And I think right now coming into 2026, after a year of growth in 2025, but maybe growing demand driven by industrial and data center, as you mentioned, we are very pleased to be where we are, because we have the capacity. We have inventory that can support short-term demand from customers or surge of demand. And we also have the cleanroom or the footprint, especially if you want brick-and-mortar and cleanroom footprint to grow into even faster growth scenarios. So that's a very good position to be in, because if you are falling behind in a situation like that, you have to wait four to five years if you haven't made the investments.

So we are excited to where we are. I think, as you said, free cash flow should grow, as CapEx goes down and demand goes up. And from here on, we should be more in a steady state of supporting our growth with investments as needed. So very happy to be in that phase of the investment cycle. Yes.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

It might be helpful if you could outline for us exactly what capacity have you actually put in place over the last six years? And where does it sit? I know there's Richardson, and there's Lehi --

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes. So from a footprint location, we made investments mainly in North America of 300mm wafer fabs that are not common, by the way, for our analog and embedded market. We are building very modern fab, fully automated. And the scale of TI allows us to do it. So we've built what we call the Richardson 2. That's RFAB2. It's now almost in full production, almost fully utilized.

We also decided to build a new site in Sherman, Texas. That's north of Dallas. And over there, we are planning a mega site, almost -- four fabs that altogether will be able to support by -- per fab, about $10 billion of revenue.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Each?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Each. And also, by the way, the cost to build one is also similar to that. So think about it at that rate. And we've built two of them. So two shell rooms are built.

The first one is partially equipped, the Sherman one. It went into production. We had an inauguration date in Q4 of last year, ramping out very nicely, but we have a lot of cleanroom available over there that gives us the analog growth that we will need through this upside, through this cycle that we are hopefully experiencing now.

Lehi is really focused on two types of parts. Mainly the Embedded Processing business is served by the Lehi fab. That was an acquisition actually of a fab we bought from Micron.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

That was the Crosspoint facility.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Correct. And what we decided to do is not only to retool the fab into an embedded processing type of a product, but also expand the site with a second fab; it's called Lehi 2, which is a much larger facility that can support even more revenue per the factory, maybe think about $15 billion of capacity over there.

So altogether, the plan is going well. Remember that the Lehi fab was not only to support growth, but also to support internalization.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

That was my next question actually.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Building, actually built at the foundries, mainly in Taiwan, into the U.S. Very, very important to us to control our destiny, and we will grow into our fab. So if Embedded used to be maybe 10% or 15% built internally, it will reverse. So by the end of the decade, we see Embedded running more than 90% internally.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Where it is like right now? Is it still 15%, 20% internal?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

No. So right now, we are almost at 50%-50% already because we are transferring our 65nm embedded processing nodes into the factory. By the way, there is also some analog, high-speed analog mixed-signal solutions that are built over there. But you can think about it as two-third, one-third embedded versus analog. And that's already moving.

Our next step is to move up 45nm. Now that is happening this year. So by the end of the year, Embedded will be predominantly built inside our own factory.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Which 45 do you have and below in your -- I can't imagine be that high, but maybe tighter than I think it is.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

So 45nm, we have a node that’s really for nonembedded flash technologies. So think about external memories for embedded. Think about radar systems. That's the main thing that runs on that.

But we are going a couple of steps forward. So right now, we are already sampling our test chips for 28nm embedded flash systems. So we have several flavors, one more mixed-signal analog base and one more embedded processing, embedded flash-based. Our future MCUs, especially the larger one that has more memory footprint, will be built there.

And we can take it one more step forward into 22. That's more or less the plan of this fab. We are not planning to build a FinFET technology in Lehi.

But that gives us, I would say, the excitement at least 10 or 15 years of runway to support our businesses. And in that sense, very unique. The fact that we have invested in our own technology that allows us right now to respond to developing -- to the developing situations across our markets, whether it's industrial, data center, and hopefully automotive comes back soon as well, and we are feeling very comfortable about that.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

You'd also closed some other fabs, right? There was also part of the internalization?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes. So we decided through this downcycle to shut our last six-inch fabs. One was in Dallas. One of them in the same lane in Sherman.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

That's done, right?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

That's done. So we are now in the last -- also from an overhead perspective, Q2 will be the last quarter of any expense related to these fabs. We are setting them down. And that's good to be because six-inch fabs -- they ran for 50, 60 years, by the way, beautiful ROIC. But it's hard to maintain them. So when a tool goes down, it's really hard to fix it. So we took the opportunity to transfer all that goodness of long-lived parts into our 300mm wafer fabs.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

And so how does all this translate into gross margins then? Because, I mean, you used to -- clearly, when you first embarked on the 300mm, that was probably 15 years ago, like with RFAB1 and Qimonda and everything. I mean, you were running 4% of CapEx to revenue for 10 years or whatever. And I think gross margins peaked at 70%, close to 70%.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

And then we knew as you embarked on this investment cycle, gross margins were to come -- and you never hid that -- and I can't remember where they bottomed, like mid- to upper 50s. They're kind of creeping up now. I think -- I know you don't guide to gross margin, but the -- my math suggests the implied gross margin for the next quarter is right around 60, so at least maybe starting with a six handle. And a lot of the things that you're talking about, like, in theory, should be good for gross margins. We're through the depreciation slug. Revenue and utilization hopefully are going up. You've moved stuff in, so like the cost structure gets better.

Like where do I see those going? Like can that actually get back to where we used to run like back in the old days or -- this is a always the big question everybody always has for TI.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

I understand. And we respect it. You know we run --

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

I know you don't run the company to gross margin --

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes, we'll get there. But let's answer your question because I think it's a fair one. First about Q2, I think you said it. I think -- yes, it's a good assumption. The more you wait, the better it gets. And the reason is Stacy, that -- and that's just the math of depreciation and growth and internalization of wafers. Just I invite you, if you want to see it in action, one way to do it, we now -- I think by segment, you can see the reporting of margin -- or gross margin by segment. Look at the Embedded segment. So you will --

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

You report operating margin by segment, not gross margin --

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

No, gross margins. Yes, that's the new rules. So you go to the 10-Q, you'll see it there --

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Really, I didn't even know that.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Okay, you see, so you always learn something new. So you can look at it and see the progression of Embedded, because what you're seeing there are wafers that are coming into Lehi. The reason Lehi is now at 50% utilization is that transition, and it continues every quarter, because now our 45nm wafers are moving in. And you'll see gross margins right now getting closer again to 50% on Embedded. It used to be much lower. And you'll continue to see that moving. That's one example of how you move a foundry wafer into TI, that's going to be accretive to your gross margins.

Same is going to be in Sherman because -- but over there, you have to grow revenue into that wafer capacity. And I think both are happening right now.

So to your question, can it get back to the areas of before? And again, we don't think that way. The answer is yes, but that's not going to be satisfying for TI. We care about free cash flow per share growth. So you can have very nice margin in high 60s, and your free cash flow per share can do less than double-digit growth as we've done in the previous decade.

So our eye is how do we get back to the trend line of this about 10% CAGR of free cash flow per share. And that's how I talk to the board. That's our commitment.

And as you said, we'll take a big step forward in 2026. Why? Because we are seeing some revenue growth, okay? We are seeing internalization of Lehi, to your point. And we are starting to see the CapEx levels going down. So the math just works together. And then as I said, the more you wait, the better it gets. So that's kind of the plan.

I'm always cautious, and we had an encounter last year where we were in the same point of time a year ago. And I want to see the demand continuing. But so far, the indications that the environment is a little different. This is a more broad environment of demand. I see it across regions, like we see it across markets, to your point. Let's see how it develops. Of course, when we go out there in July, we will report further on the progress over there.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Let's maybe talk about some of those demand drivers, some of those end markets. Maybe start with industrial. And so this historically was the biggest piece of your business. And this was probably the peakiest during COVID, given the shortages and everything, and it fell off the most. I can't remember how much you were down --

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Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Almost 50% down from peak on a quarterly basis.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

So I guess where are we now? Where are you seeing regarding the industrial recovery which areas are stronger, weaker, and where are we sitting today versus that prior, because it's now --

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Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes, that's a great -- because I look at it all the time --

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

And you've been waiting, you draw -- you always draw this chart of like growth versus trend, and you've been making the point we've been below trend for, I don't know, multiple years, right?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

So the beautiful thing is that we are still below our peaks, okay? And we are talking about four years later. So let's go recap what happened first in Q1. I think it's just good to set the stage. Industrial did grow sequentially 20%. So very strong growth of almost a comeback, right. Year over year close to 35%, somewhere between 30% and 35%, but closer to 35%. But still Stacy, 15% below the peak.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

One-five?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

One-five, yes. Okay? Now, it's catching up very quickly. So, as I indicated in the call, the reason we see an above-average growth in Q2 sequentially is driven by industrial --and data center, which is a different story.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

I'll get to data center.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

We'll get there, I'm sure. I appreciate the fact that you haven't started there. That's great.

But the fact that industrial is coming back is very visible for us. And by the way, some of it in sectors that are data center-related. If you think about energy infrastructure as a sector, a big sector for TI, I think data center helps us there. Test and measurement is a sector that is getting helped. So these sectors are growing faster, but aerospace and defense is coming in a big way. And we are starting to see -- this is my biggest excitement -- factory automation or industrial automation and robotics coming back. And that's an area where last year, it was waiting to come back. But I think then with all the anxiety about tariffs, I think our customers took a breather of making the CapEx decisions. And I think they are moving now, okay? So we are seeing this beautiful situation of industrial growing very fast on top of secular growth in data center.

And if I may add, automotive is still hovering at nice levels, closer to the peak but has not grown back to where I think it should. So overall, I think we are in a good setup.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

You sounded a little squishier on auto, I think, on the earnings call --

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Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

No, because in automotive, if you look at the progression, in the last three years, peaked in 2023, automotive never dipped like industrial. It kind of stayed hovering around the same level. And I think that's what happens with content growth. I mean there was inventory correction, but content growth continues to only keep it flattish. So not the industrial story. But I think that also continues to grow. There is secular growth in automotive continuing. And when that happens, my confidence level will be higher. So you're right, automotive was growing about mid-single digits year over year in Q1. But very close to peak levels, which is a better story. Hopefully, that gives you a picture about the industrial.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

It does. So to go back to industrial. So any thoughts on how much of the strength we might be seeing might be customer restock, given lean inventories, versus actual like sort of fundamental underlying demand? And I guess would you be able to tell?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes. First, you're right. We are trying to be very humble about -- we don't have that information. We just have anecdotes, right? I will say that I believe because we are four years further away from the peak and because we are still 15% lower than the peak, I think it's very early in the -- hopefully, the recovery phase. And typically, in the early phase, customers are not building inventory. Typically, that happens towards the end of the cycle, closer to the peak.

Now the customers are sounding -- and I did visits in Asia, I did visits in Europe actually this month. And it does sound that customers need more parts to really support ramps. We have seen also -- I've seen anecdotally -- this is the only way I can tell with data that there is -- yes, I appreciate your six weeks lead time, but I need it now, meaning customers are not carrying inventory. But that is always for one or two parts. That's not across the board. This is not close to what we've seen in the COVID cycle. But there is more -- there are more cases where TI needs to solve a problem. My inbox was very quiet for three years. So it's coming back right now.

Let's see how it plays out, Stacy. I think we saw industrial also picking up in the first half of last year, then it took that a little bit of a breather. I want to see it one more quarter in. So far, so good.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

In general, your lead times are -- do you effectively still have 100% availability of 100% of your parts or pretty close to it?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes, we're saying 100%, then I get a call from a customer, hey but you owe me that part. But in general, yes, our lead times are stable. Most of our portfolio, by the way, the general-purpose portfolio is six weeks lead time. The more application-specific that are more unique and have less diversity, we usually keep them at 12 or 18 weeks of lead time. Depends on the part, but mostly 12. The average lead time is at around 12 weeks, okay, across our revenue footprint. And that has been very stable. And for a good reason. We have built inventory. We have capacity. So we have done -- and I expect it to stay for the foreseeable future that way.

Again, demand, I don't forecast right now. But as long as demand continues to be strong, even at that level, we should be fine.

The only area where we've seen a little bit more work to do on our side is on the assembly and test side. So over there, the mix is changing, sometimes because of demand signals that are coming to solve problems, as we just mentioned. And this is where you never know the mix upfront on this.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

This is like so many different types of package.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Correct, so many SKUs. We have thousands of SKUs on the assembly and test, and it's different bonders, different lead frames that you have to take care of. So we are putting a little bit of adjustment on our -- how we allocate CapEx in 2026. It's really towards more on the assembly and test side. We also see the OSAT, the outside assembly and test houses that we are still using, more compressed, so we are actually accelerating the internalization our manufacturing into TI. We have the cleanroom --

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

I can't remember what the target was for like -- front end, I think, was something 90% internal. Back end, was it similar?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Similar. 2030, what I can comment about, it's probably going to happen quicker, because we are seeing tightness externally. We just have to qualify more technologies internally, and that's what we are doing right -- as we speak right now.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Are you guys holding like more die bank now because of this?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

We do. We do hold more die bank. Again, it gives you that flexibility of what does the customer want. It's also a more -- financially, it's a more effective way to hold inventory.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Got it. Got it. Let's talk about data center. And so --

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

28 minutes or 23 minutes in. I'm proud. That's amazing. Yes.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

We're not halfway through even.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

That's amazing. It's good. Usually, it's the first question. So I appreciate it.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

We got to build to it. So let's talk about it. So you're reporting it as a segment now.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Correct.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

As an end market. And your old segmentation, you had this like enterprise systems, which I think was primarily like more traditional servers and things like that. And it looked like to me you took some of it out of the -- what used to be in industrial and some of out of what used to be comm, put it all together, and that's data center. And it's growing. I think last quarter, it grew 90% year over year or something like that, right?

I guess the first question -- and it was -- I can't remember, 9% of your revenue last year. So relatively small still but growing at a very rapid rate. I guess maybe the first one is just what is in that segment? What are you serving? And how much of it would you classify as like actually like AI-driven versus more traditional data center? And by the way, maybe those two things are the same thing now. Like I don't -- just given the way the market's going. But like see if we can peel the onion back a little for us on what's exactly in that segment?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

No, I think it's -- let me take a moment to just set up the data center market for our type of chips, because you guys spend so much time --

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

It's like zillion things. I'm assuming.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

No, but you -- exactly, but guys logic and memory, you know the story over there, and that's not our area. We make what I like to call foundational chips that are analog and embedded chips, and there are many of them, okay? I think even at the Street level, people like to talk about a few sockets, but there are so many of them, really thousands and sometimes you count on tens of thousands per rack, okay? So very broad opportunity in the sense of product diversity. Customer diversity is more narrow, but the product diversity is very high.

Now, in our case, we decided to define the end market as data center because it was too -- I mean, first, it was very small at the beginning. I would say, go five years ago, when we made our plans, I did not envision data center running at -- now in Q1, 12% of our revenue.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

12% in Q1. Okay.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

In Q1, 12%. Last year, it was 9%. Exactly as you said.

And the definition I like to -- and the definition for us is whatever is inside the walls of the data center. Some people call the white zone, unlike the energy infrastructure that sits in the gray zone where the dust is. So we're inside the --

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Okay. So if you got like stuff in like a turbine that's in a data -- you wouldn't count that.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

SSTs or some of the UPS system, they sit outside. So that's not in our number. That would be in industrial.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

But also still growing.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

It's still growing, yes. That's one of the sectors in industrial that I mentioned before is energy infrastructure.

But go back to the walls. Now you talk about three sectors. And it's really -- if you think of the rack, Stacy, there is the compute trays. And this is why I don't say CPU -- traditional -- today, on a compute node, you can have a CPU and two accelerators, right? So to me, it's compute. And I'm not trying to break it between AI and non-AI. To me, it's all compute. There's networking that is larger than you would think. I'll actually give some numbers in a minute. And then there is what we call rack power and cooling. And the rack power is traditional PSUs. AC comes in, DC comes out. There is also change over there as you might know. But overall, the market, if I quantify it last year, I call it in our area, $7.5 billion. Less than 10% of our TAM, okay? That's --

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

That's where you're at?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

That's the market. We've done 1.5, so at about 20% share.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

It feels low, like, just given all the -- 7.5.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

That's the numbers we are -- we've done our math, and it's not very far away from what we've seen. I call it this year, and you can check some of the analysts out there that we came in very similar numbers. I think it's 12.5 this year. So the growth rate is 65% or so. That's high. TI in Q1, just to complete the point, grew 90% year over year. And the run rate is right now above $2 billion. So it's close to somewhere between $550 million and $600 million. So that's just to set a stage.

Now why do we want to talk about it? Because of the growth rates. As more power is added to data centers and power density also grows and architectures are changing, there is a very important and I think unique growth opportunities for our type of chips, sitting around power, sitting around communication, clocking, sensing, cooling, protection, you name it, and we want to play there.

Our play in data center is across the rack. I would say as architectures change from 480V AC to 800 plus minus 400 DC, our play is going to be in the entire rack. And I would segment it to three sectors, as I said. So I think half of the TAM is more less in the compute side, power.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

This is like analog and other stuff on --

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Feeding the power to the consumers on the board. Think about the compute trays, okay? But not only power sockets. There's also a lot of signal chain, clocking, et cetera. Then there is networking about 35%, and the rest is data center power and cooling. So that's kind of percentage of footprint.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Repeat those percentages for me.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

So 50% will be compute, compute trays; 35% we count -- our estimation for networking, and networking includes also optical networking that -- optical modules, et cetera.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Only 15% on the power side?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Power delivery. Think about the AC to DC, okay? There is power also close to the GPU. That's part of the compute now, okay? So that's the way we think about it. Think about it as the end equipment is the tray, okay? That's the way we think about it. What's the content? And the beautiful thing is, it's very rich. There are so many sockets per board: power, signal chain, clocking, protection, sensing. And we play in all of them, Stacy.

So our growth even last year was in all these sockets that no one likes to talk about. It's like the broad portfolio that we have, and we serve it very, very well. I love this type of sockets. They don't generate a lot of attention. They are not attacked every other day.

But we also want to play -- and that was my comment in the last call -- on the more application-specific ones. Some people will call it -- I like to call it multiphase power, that's what feeds that. You have to take, I don't know, 2,000 amps into a GPU. You don't do it in one wire. This is a heavy socket with multiple voltage regulators that are delivered in different phases of time. Some people call it the Stage 2. We play over there.

And over time, as architecture is growing into, let's call it 800V or plus minus 400, we also want to play there. Because we do have a GaN technology that we've invested in. And that's a great technical solution to convert energy, convert power, call it from 800V all the way to 12 or 6. You can do very nicely with GaN solutions. So that's the opportunity for TI. We can grow into more application-specific sockets, very competitive sockets. You have to win at multiple customers, but we're going to play there.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Is it fair to say that like on the application-specific stuff, that is where you have to compete for the socket, but the other stuff you really don't have to compete as much? Like I said, it's more -- I don't -- I'm probably simplifying, but catalog --

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Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

I think competition is tougher for the application-specific, also because they're defined by the customer's multi -- usually, they'll define the footprint. And if you want to serve the socket, you're not doing it alone. This is not only yours, right? So you have to compete with other players, plus the revenue concentration. We talked about it last year. Revenue concentration per socket is high. Every win or lose is a lot, okay? So obviously, there is more competition there.

Now, our supply footprint, the fact that we have such a broad portfolio serves very well the general-purpose sockets. And they are maybe on average $0.20 or $0.30 per socket, but they add up. That's how --

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

How do you think about content like per rack for you guys?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes. So we -- you can do all kind of math, but I will say it's in the tens of thousands of dollars per rack.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Actual content or opportunity?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Opportunity. Our win rate last year or our share last year was 20%. Do we want to grow market share? We do. So look, I call the TAM at about 65% growth. So far, one quarter, we grew 90%. Can we keep it up at that clip, or can we outgrow the market? We'll have to wait a year and see. But that's always our intention to outgrow the market.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

I mean auto and industrial are clearly your biggest segments --

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Correct, like 1/3, 1/3, and now we are talking about 12%.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Well, does data center become -- does it overtake the other ones at some point?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

I don't know if it overtakes the other one, but I think it overtakes consumer or PE over time just because of the clip of growth rate. If you think about --

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

20%?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

PE is now 20 -- low 20s, I would say, but it doesn't grow fast, Stacy. Again, you've probably talked with people who are saying there's going to be new personal electronics, I don't know, wearables or whatever. I have not seen that market develop yet. But that could also change. But right now, this market has been growing at the low-single digits. So when you grow a market at the 60s, you can come -- it can become our third market or third largest market very quickly. Yes.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Maybe to touch on PE, just -- and I get it, it's not a driver, and it's not that big. But I'm a little worried about PE just into the back half on memory pricing and everything else. What are you seeing there?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

No, I think that's also part of the reason I want to see one more quarter before I call the second half. To me --

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

I don't think you should call the second half. I think it's better.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Call the third quarter, right? I have to give you a third quarter forecast, right? So I don't want to talk about it right now. But to me, our second quarter, I mentioned 8% sequential growth, nice year-over-year growth. Let's say it play out. But as I said, so far, we are on plan. If had to some to report, I would let you know.

To me, the PE is one of the question marks because I think memory is a constraint. I think they would want to build more end equipment, but they can't. So how -- and it's still 21%, 22% of our business. So that could change the number. So we want to see it play out.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Are there memory impacts on anything else besides PE?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

I specifically have not seen it. But I know our customers are busy around that, and they have to -- I heard it's supply limitations. Also, the costs are higher. But luckily, I guess, we don't build memory anymore. And we are focused on our stuff.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

That's right. How are costs in general trending for you guys? I mean we're clearly in another inflationary environment. You got other like -- I mean maybe if you're insourcing, you're a little more protected from foundry pricing, but foundry pricing going up and memory and other things, and there's been -- I don't even know if it's a rumor, I mean you guys have been taking up price along with many of your other peers in this environment.

I guess how do we think about -- maybe the right question is how do we think about your pricing actions both on the wake of costs increasing as well as the potential like to capture more value for yourselves?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

I think you set it up correctly. There is -- we are experiencing inflation, especially when you think about energy in Asia, for example, where we have all of our assembly and test -- cost of resin. So you think about what's coming inside the package and the fillers or the mold compound. And that's all higher. Cost of metals are higher. Yes, that's part of what we're seeing.

But pricing environment is better than last year. So if you think about the COVID cycle where prices went up all the way into 2022, we have seen three years of our model coming through like '23, '24, '25, this low-single digit price effect, if you will, like-for-like didn't materialize in the last three years.

But as I commented on the call, in the first half of this year, we expect pricing to be flat, which is good news for us because usually when you start the year, prices usually because of price negotiations does fall down a couple of percentage points. So that is flattish. But yes, I -- we have started discussion with our customers to talk about costs and what the supply/demand situation, and I think the second half of the year, prices could be a little higher. And we will be a follower here, Stacy. We are not trying to set the market price, but we are watching the market environment. And right now, you're right, market prices are going higher.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

I just thought it's interesting, because I look at the equipment guys. Like lagging edge equipment demand has not been great. I know we're seeing maybe a recovery now in some of the end demand for some of these, right, but the end demand in some of the trailing node stuff has not been great. And like, usually, you see price increases when supply in these markets is really tight. I'm not exactly convinced that in some of the markets that you play that supply is like incredibly tight, and we have been seeing pricing coming. So is that just a function of like we saw during COVID? It is inflationary, and you do have the ability to at least pass those costs along without the customers --

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

I think it's a fair question. But again, this is why we have to be cautious because it's only a couple of quarters in. But you're seeing what's happening in industrial. You've seen the data center market becoming strong. And I just came back from Taiwan. I was there last week, really focused on more data center customers, and the supply chain, if you will, is heavily there. And I think we are starting to see areas of supply and demand mismatch even in our area. So especially on the analog side, Stacy, we do see that. So the discussion I had with customers last week was all about, hey, make sure you continue your lead times as they are, make sure that you can upside if we need to.

And I always tell them we have parts. We have capacity. We have inventory. Bring it on. But it's not -- I think we are a little bit different than average there. I have seen -- and you can see it also in lead times. Our lead times, you've asked before, are stable. It's out there that lead times have been increasing, especially on the analog side, sometimes to a year, okay?

So I think TI is uniquely positioned. And we are not surprised. I think we have been disciplined in adding capacity through the downcycle. We are unique there, okay? And it sets us up, we always said, to every scenario. The scenario is still getting built as we speak. And you and I will watch it together. But I think if it wants to continue to be strong in the second half, we will be ready. If it wants to continue into '27, we'll be ready.

So that's where we are, and I love where we are, because if you fall behind, and we saw it in the previous cycle, and you said, okay, I want to chase it now. You count four years. From the minute you move there to substantial output from your fab, it's four years. So you're not talking about the current cycle anymore. So in that sense, TI doesn't have that lead time issue, okay? We are very well prepared.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Got it. Talk to me about the SLAB deal. You guys sat out of M&A while the industry was consolidating for a long time, and I don't know what it was. It wasn't -- there wasn't strategic fits or the returns on the valuations weren't there.Why now?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes. So first, you said sit out in making a decision, but we don't sit out on making --

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

No, I understand you evaluated all -- I get it.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

We have a quarterly process. Okay. So that's ongoing. And you've seen that. We've done a big one in the early 2000s. We've done a big one in the early 2010. Yes. And we did another one. So on average it's 10 to 15 years. So we are on the cadence, right?

Now, why this one? And that's, I think, let me set up a little bit of embedded, because it's an embedded-centric acquisition. And this is where there is a change. I would say 10 years ago, we would not consider it, because we were not sure about our Embedded business. And then we were very -- I mean, Rich was very open about it. We come from -- you look 10, 15 years ago. Custom business, more than 50%, big logic DSPs, very digital, mainly built externally.

That's not the Embedded business we are building today. So five, six, seven years ago, we said, okay, let's retool our Embedded business towards our competitive advantages. Let's bring it in. Let's create a broad portfolio, meaning less big processors and more MCUs with some analog periphery, some application-specific MCU for power conversion, for motor drive, connectivity solutions, radar systems. These are the type -- which are also part of the DSP investment that we have. So these are the kind of investments we are making right now in Embedded. So number of parts we build every year is higher. We are going to build them all internally. And Embedded is going to be more than 90% internal by the end of the decade.

Now when you come into SiLab. This is where we had an opportunity to give ourselves a step function in our portfolio, because we have some connectivity parts, but they are mainly serving very well the automotive market. This is where we are winning and expanding. Our industrial portfolio is slowly growing, and that's a one-time -- we saw a one-time chance to really increase our portfolio in a step function.

If you think about our competitive advantages, Stacy, it's a beautiful -- there are four elements, but they bring in two, we add two. So we talk about manufacturing and technology, building it internally in our technology. We talk about a broad product portfolio. We talk about a very strong channel position or advantage, both TI.com but also our very large, largest in the industry, of sales team, and the position of diversity and longevity.

What do they bring in? They bring in a broad portfolio, a broad industrial portfolio and a good position in terms of diversity and longevity. 90% of their business is industrial. You look at the revenue by socket, very, very broad. I think you can see it on our website. So they bring in two elements.

You add to that the fact that you can bring it inside our Lehi fab and build it internally and control your destiny in terms of technology and manufacturing. And also the field and the TI.com that can really sell beyond that connectivity chip. They have a very narrow portfolio in that sense from a technology perspective.

You get into -- the Excel sheet works, okay? So that doesn't happen every day. Many times we look at stuff, it looks good strategically, but we can't make sense of the price. And look, if you ask me, would I do this deal today? It would be harder. Look at what happened to the market prices of assets in the last three or four months. So in that sense, I think the stars aligned, and we made the acquisition.

Very pleased about it. Very pleased with the progress towards the -- completing the deal in the next, I would say, three to four quarters by the first half of next year. And I think it will be a great addition to our Embedded business. So that's a story over there. You want to do this deal 10 years ago, you don't have Lehi. You don't have conviction that you can be successful with our portfolio. Our confidence level is higher, and that's kind of the way we'll think about it moving forward.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Got it. So you wouldn't have had confidence in the business and you wouldn't --

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Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

In general, the business --

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

You wouldn't have had anywhere to put it even if you --

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

And the synergies will not come in because these guys were using mainly TSMC and --

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

How long will that take you to internalize their products? And how -- and how difficult is that to do? You have to --

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Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

So luckily, we've been doing it ourselves many times, including right now as we speak, bringing stuff from the foundries into Lehi on our portfolio. But they've done a great job, and this is very rare in a company on an embedded field. Very, very well-organized platform -- operation, I mean. Very well invested. It's only somewhere between 10 and 15 different dies, which is a --

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Across how many different products --

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

2,000 products, okay? So they have done a very good job on doing this platform approach that you can build 10 to 15 dies and then approach many, many products out there. So that would take not too long, okay? It will be mostly completed by the end of the decade. We will start --

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

At the end of decade.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes, it's going to take two to three years. But we're going to start immediately after close. We are -- and that's the way we've modeled the synergies. Now internally, I want the team always to move faster. But as you saw, the $450 million of synergies that we described, they are mainly supported through the COGS, and it's almost fully in by the end of the decade.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Got it. So that also means that it's harder to buy somebody that sells 10,000 different products.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

There you go. And most companies, especially on the embedded side, the breadth of the portfolio is high. It's hard to do. It's hard to do. It's hard to bring in the synergies when you buy a fabless company. Now in the case of National, they had their own fabs, so it's a different story.

But this is why these things are not trivial. They are not easy to do. This is why you see us doing it rarely. But I can tell you nothing has changed on the strategy. We'll continue to look at assets. And I think this one was a unique one.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Got it. Talk to me about China. So clearly, you guys have made a bet on the U.S., and I get it. And I understand the whole concept of geographically or geopolitically attractive capacity.

At the same time, I know it's an investment controversy. I don't know how real it is, but it's an investment controversy about your position in China, and I was joking Texas Instruments has Texas right in the name. And most players in China, there has to be some sort of a China-for-China strategy, whether it's working with local partners or making it directly in the region or whatever.

How do we think about TI's competitiveness over time in China relative to some of the local players, given the trends that we're seeing on the geopolitical spectrum right now?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes. Let me break it -- I think it's an important topic. Let me break it out to two parts. The first one you mentioned is kind of you bet on the U.S. We bet on the U.S. maybe on manufacturing or new manufacturing footprint. Not on the market only. Marketwise, we are a global company, okay? So -- and the fact that we are investing in the U.S., it doesn't mean that we don't know how to solve China from China. We have a factory in China. We have a fab. We are still -- we have a big assembly and test house. So we can support China on manufacturing lines. I think the challenge in China is actually how do you compete in the market. And especially when you are not a Chinese supplier. I think that's more interesting. And first, we want to play there. Why? China is, what, 20% of world GDP more or less --

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Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

What is your revenue, I guess, by headquarters --

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Our revenue by headquarter is in -- last year was about 20%. Okay? More importantly, China has some very important customers, let's take automotive, that are technology leaders. You even go into data centers, optical links. China is a big player there in terms of headquarters company. And we also see areas in industrial where China -- robotics, for example, China is a big player.

So you don't want to exclude yourself from China. You want to compete. It is harder. It is harder because of what you said. There is a growing industry of very hungry supplier base that is always expanding.

I have my own China index. I review with my team every quarter, a set of 25 competitors -- 25 that together add up to about half of TI. But they are doing well. I mean, they are competing, but TI can compete.

And the reason we can compete is that we have some competitive advantages that are very, very important to our China customers.

The portfolio -- the portfolio is very attractive. If I want to solve a problem on the board, do I bring in 25 suppliers? Some of them are start-up companies that are just trying to breathe, versus an established player like TI that has good solution.

Now the portfolio is not enough. Cost competitiveness is key. But can TI play that game? Yes. We are vertically integrated. As much as the foundries in China are serving these local competitors, they still don't work for free. They also some -- if you look at the utilization rates over there, they're also not -- they are not underutilized, let's say that. So we can compete by supply and also cost structure.

Very strong channel or sales team that is entrenched over there and built relations with customers for years. And a customer base, Stacy -- I mentioned data center, but that's not the only case -- that is continuously wanting to diversify their markets, wanting to go into non-China markets. It's actually where they make most of their profit.

So that game has played well for TI. And the reason I say played well, just go with 2025. We report our China business. We grew close to 25%. The index I just mentioned grew slower, okay? And we are watching this every quarter. Q1 is now being reported. We are holding our share, okay? So you can argue that last year, we gained share in China in an impossible environment. This year, I think our odds are even better, because of the supply-demand mismatch. Usually everything starts in China. That's not an outlier this year. So over there, our capacity, our footprint, our cost competitiveness and our broad portfolio and channel advantages are playing on.

And the risk I have about China, don't fall asleep. Don't be complacent. Don't say these guys are commodity players. Respect them, but also don't be scared. Fight the fight. So we take the fight to Shenzhen, to Shanghai. Our customers over there appreciate us. And by the way, every time there is a tie, we lose a socket. So we always have to be a little bit better than the local competition. Hopefully, that covers China.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

No, that does. It does. Two minutes left in the lightning round.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Whatever it means, I don't know.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

We've got some -- a few audience questions.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Okay.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Are robotics, humanoid or general drones or autonomous vehicles a driver of growth for you going forward? When do you expect it to show up meaningfully in the top line?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Look, humanoid content is astonishingly high for TI, not only the TAM. So we are talking about content for TI higher than a car, higher than automotive, think about $1,000 humanoid. That's a content that -- now you tell me the number of humanoids that are going to be built. It

depends who you listen to. But I think we are starting to see it, and I'm excited about it. I don't think it's as soon as people say, but I can see why humanoid-like robotics will be one day walking around our factory, especially assembly and test, and providing value. So I'm excited about that, yes.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Got it. We've got one minute left. So I'm going to finish this up the way I always do with everybody. We've got a whole room -- a full room of folks here. Why should they buy TI stock?

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Yes. So again, I think part of your introduction helped me, but Stacy, as you discussed, we have been preparing for an opportunity for a long time. It's been a long journey. I even kind of wake myself up, boy, it's been six years. But we have done the hard work for being prepared.

Now tell me what the scenario will be. I think we are seeing more and more evidence that this is going to be a good time to be in semis. There is a secular growth in the data center market that is really not negligible anymore. TI is in a great position. There is industrial coming back in a nice way. And I think automotive is around the corner. So you put all these three together, you can envision a very strong demand environment.

We are well positioned to support it. We have the inventory. We have the capacity. We can grow into it, allowing hopefully, share gains for the company.

So thank you, Stacy. I appreciate being here. And thanks for the time.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

I appreciate having you here. Thank you so much.

Haviv Ilan - *Texas Instruments Inc - Chairman, President and Chief Executive Officer*

Thank you.
