

Capital management

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Agenda for this call

Introduction

- Executive summary
- Our objective and strategy
- Business model built on sustainable competitive advantages

Capital management scorecard and update

Historical view of our capital allocation

Strengthening our sustainable competitive advantages

- 300-millimeter investment acceleration
- R&D allocation priorities and results
- Building closer direct customer relationships

Free cash flow per share* results and cash returns

* Free cash flow (FCF) = Cash flow from operations minus capital expenditures

Executive summary (from Investor Overview on TI.com)

At Texas Instruments:

- We run the company with the mindset of being a long-term owner.

- We believe that growth of free cash flow per share is the primary driver of long-term value.

- Our ambitions and values are integral to how we build TI stronger; when we're successful in achieving these ambitions, our employees, customers, communities and shareholders all win.

- Our strategy is comprised of a great business model, a disciplined approach to capital allocation and a focus on efficiency.

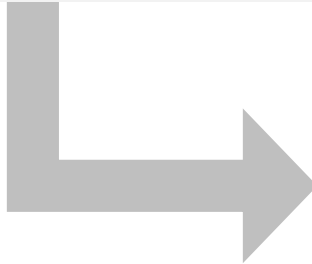
- Our business model is built around four sustainable competitive advantages: manufacturing and technology, broad product portfolio, reach of our market channels, and diverse and long-lived positions.

- After accretive investments in the business to grow free cash flow for the long term, the remaining cash will be returned over time via dividends and share repurchases.

Our company objective and strategy

Objective:

Maximize long-term growth of free cash flow per share

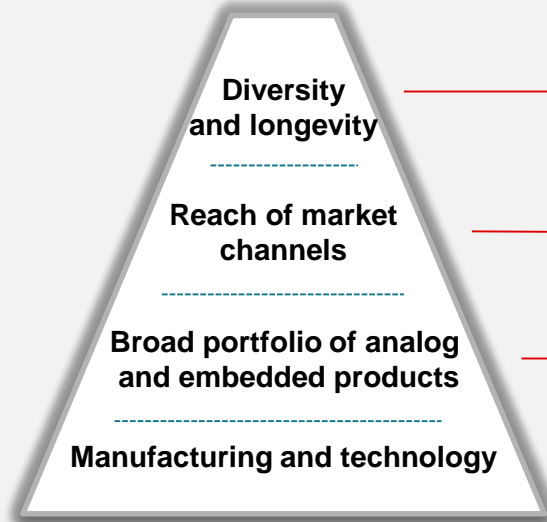


Strategy:

1. **Great business model** focused on analog and embedded products and built around four sustainable competitive advantages
2. **Discipline in allocating capital** to the best opportunities
3. **Efficiency**, which means constantly striving for more output for every dollar spent

Building competitive advantages unique to TI

Business model built on competitive advantages



What we get (tangible benefit)

Less single point dependency and longer returns on our investments

Access to more customers, projects, sockets per project, and insight

More opportunity per customer, more value for our investments

Lower costs and greater control of our supply chain

Capital management scorecard 2021

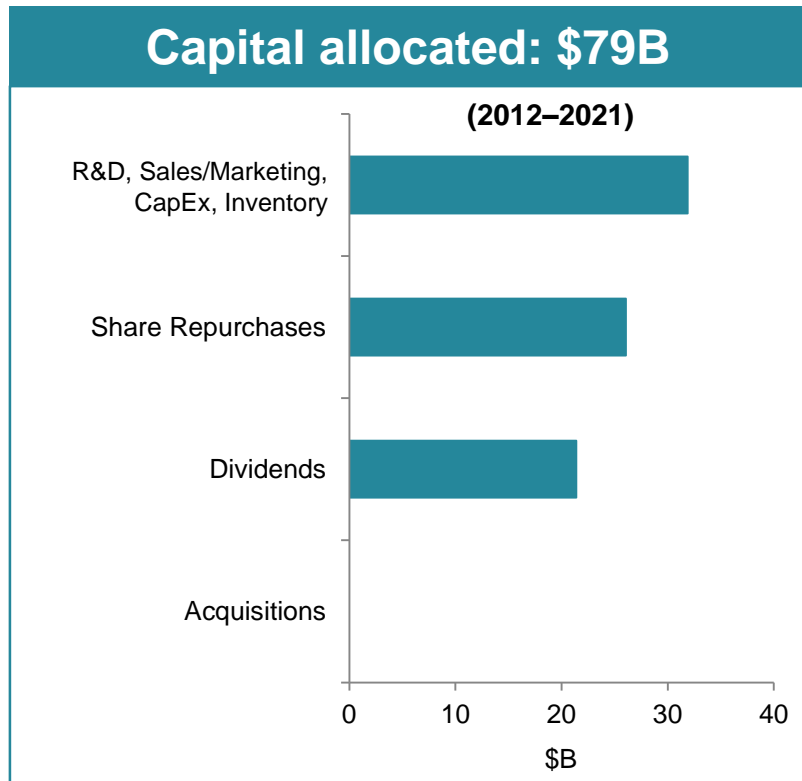
Metric	Long-term objective	Target	Result
Free cash flow generation	Maximize long-term growth of free cash flow per share.	25 – 35% of revenue (TTM)	✓
Capital expenditures	Invest to support new technology development and revenue growth. Extend our low-cost manufacturing advantage, including 300-millimeter. <i>Recognize it may run higher if there is an opportunity to extend long-term manufacturing advantage.</i>	~6% of revenue	13% including purchase of Lehi
Inventory	Maintain high levels of customer service, minimize inventory obsolescence and improve manufacturing asset utilization. Will vary based on percent of direct revenue, market conditions and consignment levels.	130 – 190 days	✓
Cash management	Provide necessary liquidity in all market conditions. Recognize there may be times for strategic buildup or drawdown of cash.	10% revenue (TTM) + dividends (NTM)	✓
Pensions	Be fully funded on a tax-efficient basis. Have annual free cash flow reflect what is available to owners by minimizing one-shot calls for cash, unless there is a P&L or cash advantage.	Fully funded	✓
Debt	Increase rates of return with some leverage on balance sheet when economics make sense. Avoid concentrated maturities and ensure strategic flexibility.	When economics make sense	✓
Cash return	Return all free cash flow via dividends and repurchases. <i>Recognize there may be times for strategic buildup or drawdown of cash.</i>	All free cash flow	~70% of FCF returned
Dividends	Provide a sustainable and growing dividend to appeal to a broader set of owners.	40 – 80% of current year free cash flow	✓
Repurchases	Accretive capture of future free cash flow for long-term owners.	Free cash flow minus dividends (TTM)	✓

Capital management scorecard update for 2022

Metric	Long-term objective	Target
Free cash flow generation	Maximize long-term growth of free cash flow per share.	25 – 35% of revenue (TTM)
Capital expenditures	Invest to support new technology development and revenue growth. Extend our low-cost manufacturing advantage, including 300-millimeter. Recognize it may run higher if there is an opportunity to extend long-term manufacturing advantage.	~\$3.5B/year 2022-2025; ~10% of revenue 2026 and beyond
Inventory	Maintain high levels of customer service, minimize inventory obsolescence and improve manufacturing asset utilization. Will vary based on market conditions.	130 – 190 days
Cash management	Provide necessary liquidity in all market conditions. Recognize there may be times for buildup or drawdown of cash.	10% revenue (TTM) + dividends (NTM)
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Cash return	Return all free cash flow via dividends and repurchases. Recognize there may be times for buildup or drawdown of cash.	All free cash flow
Dividends	Provide a sustainable and growing dividend to appeal to a broader set of owners.	40 – 80% of current year free cash flow
Repurchases	Accretive capture of future free cash flow for long-term owners.	Free cash flow minus dividends (TTM)

Disciplined allocation of capital: a 10-year view

Where and why we've allocated our capital



Organic growth of business



Accretive capture of future free cash flow for long-term investors



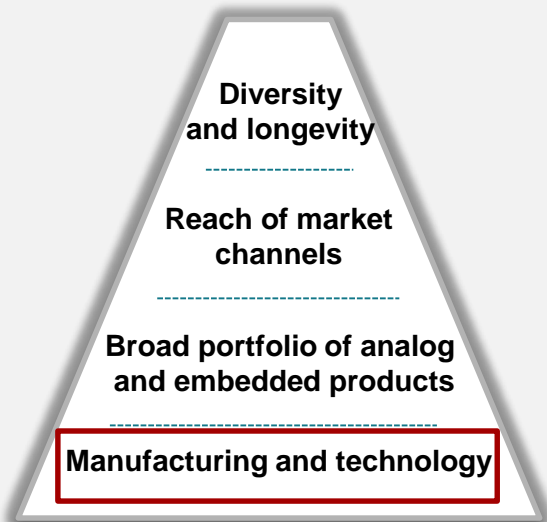
Appeal to broader set of investors



Inorganic growth

Strengthening our sustainable competitive advantages

Business model built on competitive advantages



Investing to support growth for next 10-15 years:

Extending our cost advantage and greater control of our supply chain

Chip cost is ~40% less on 300-millimeter

Illustration of the GPM impact from 300-millimeter

		Built on 200-mm wafer	Built on 300-mm wafer
Sales price of example part		\$1.00	\$1.00
Cost of goods:	Chip cost	\$0.20	\$0.12
	Assembly, test, other	\$0.20	\$0.20
	Total	\$0.40	\$0.32
Gross margin %		60%	68%

Supporting 10 to 15 years of growth

RFAB2 – Richardson, Texas

Third 300-mm wafer fab



- Will be >30% larger than RFAB1
- Equipment installations in first half of 2022
- Production output in second half of 2022

LFAB – Lehi, Utah

Fourth 300-mm wafer fab



- Clean room space equivalent of RFAB1
- 65-nm/45-nm process technology nodes, smaller lithography as needed
- Production output in early 2023

Sherman, Texas

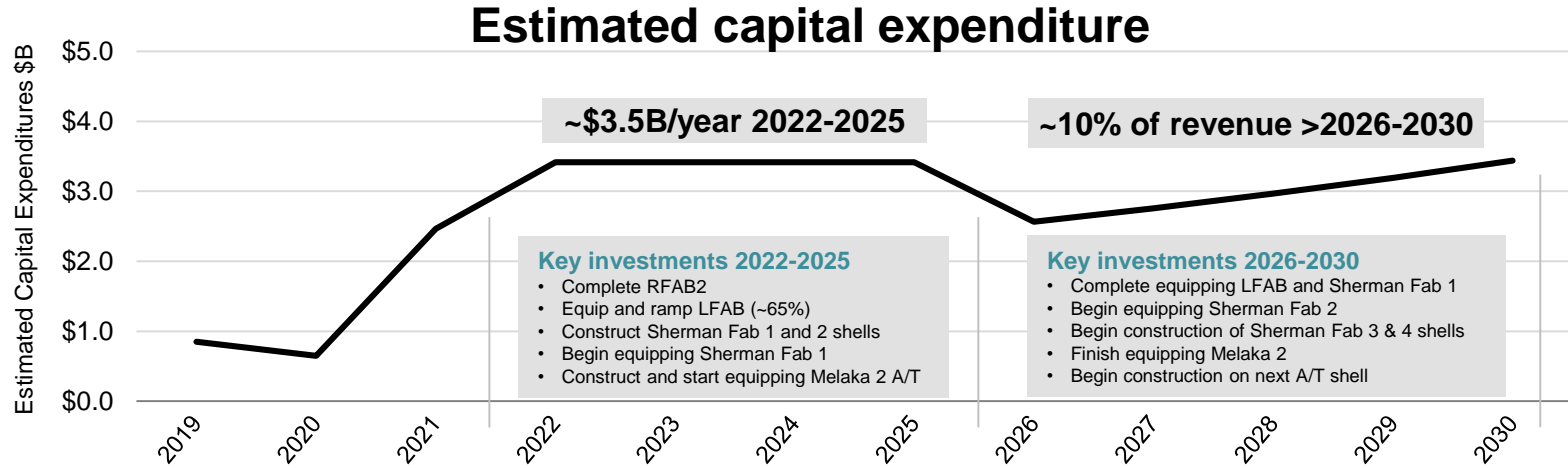
Fifth to eighth 300-mm wafer fabs



- Size of four RFAB2s: provides fab capacity for a decade of growth (~2025-2035)
- Construction of Fab 1 and Fab 2 starting in 2022
- Production output in 2025

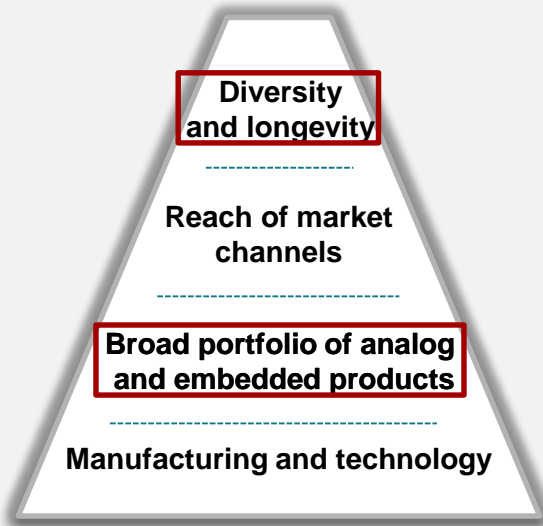
45-nm to 130-nm process technology nodes, optimized for analog and embedded products

Capital expenditures support long-term growth



Key metrics	2021	2025	2030
Revenue supported	~\$18 billion	~\$24 billion	~\$34 billion
% wafers internal	80%	85%	90%
% of internal wafers 300-mm	40%	65%	75%
% of Assembly internal	60%	75%	85%

Business model built on competitive advantages



R&D investments:

Strengthening our technology and our product portfolio, while improving our diversity and longevity

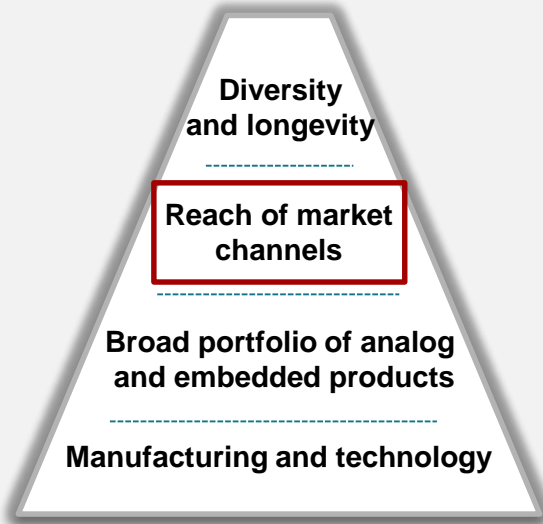
Disciplined allocation of R&D strengthens portfolio

Market segment	R&D investments	% of TI revenue		
		2013	2020	2021
Industrial	Up broadly	30%	37%	41%
Automotive	Up broadly	12%	20%	21%
Personal electronics	Slightly up, continue to be selective	32%	27%	24%
Communications equipment	Steady, continue Analog only	15%	8%	6%
Enterprise systems	Slightly up	6%	6%	6%
Other	Flat, at low levels	5%	2%	2%

Disciplined allocation of R&D strengthens portfolio

Market segment	R&D investments	% of TI revenue		
		2013	2020	2021
Industrial	Up broadly	30%	42% 37%	41% 62%
Automotive	Up broadly	12%	20%	21%
Personal electronics	Slightly up, continue to be selective	32%	27%	24%
Communications equipment	Steady, continue Analog only	15%	8%	6%
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Other	Flat, at low levels	5%	2%	2%

Business model built on competitive advantages

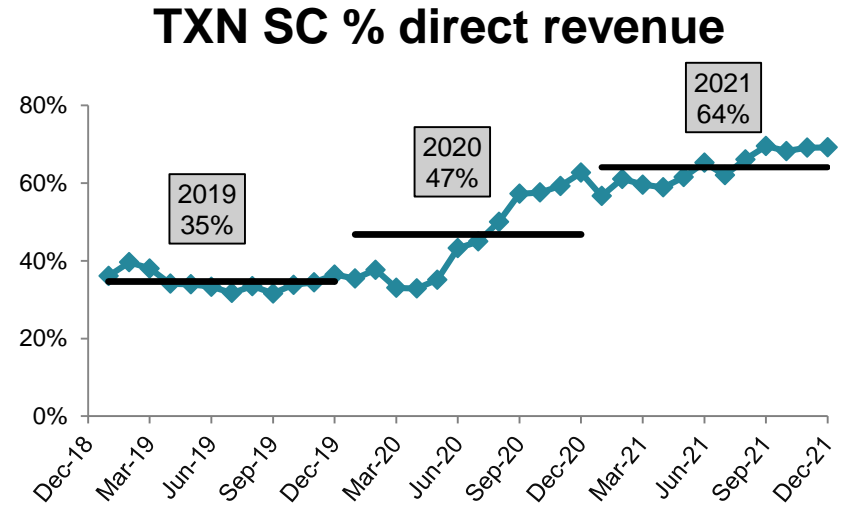


Building closer direct relationships with customers:

Strengthening the reach of our market channels

Building closer direct customer relationships

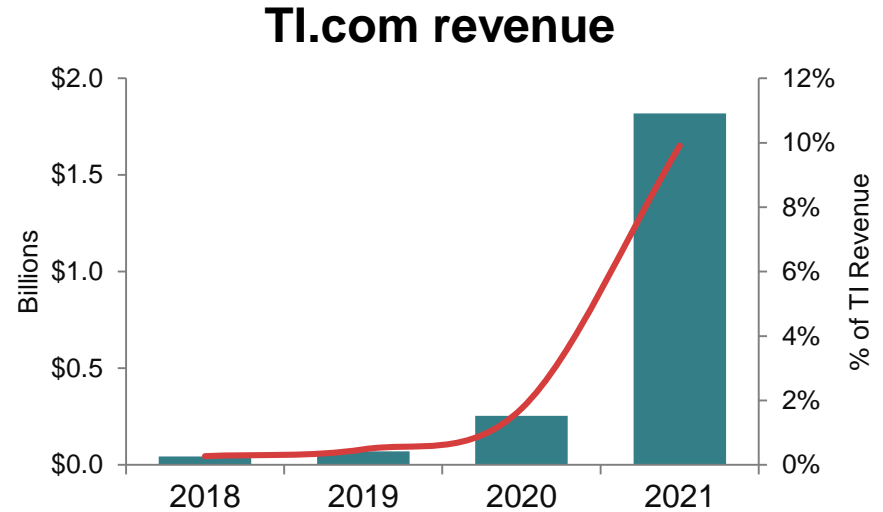
- Secular trend: growing demand for the convenience and productivity of online relationships complemented with skilled technical and commercial support.
- TI's multiyear investment in our sales and applications team, TI.com, business processes and logistics uniquely positions us to lead in this transition in the semiconductor industry.
- Continued progress in 2021, with 64% of our revenue direct.
- TI's reach of channel advantage results in higher growth through access to more customers, projects, sockets per project, and insight.



TI.com: convenience of online sales

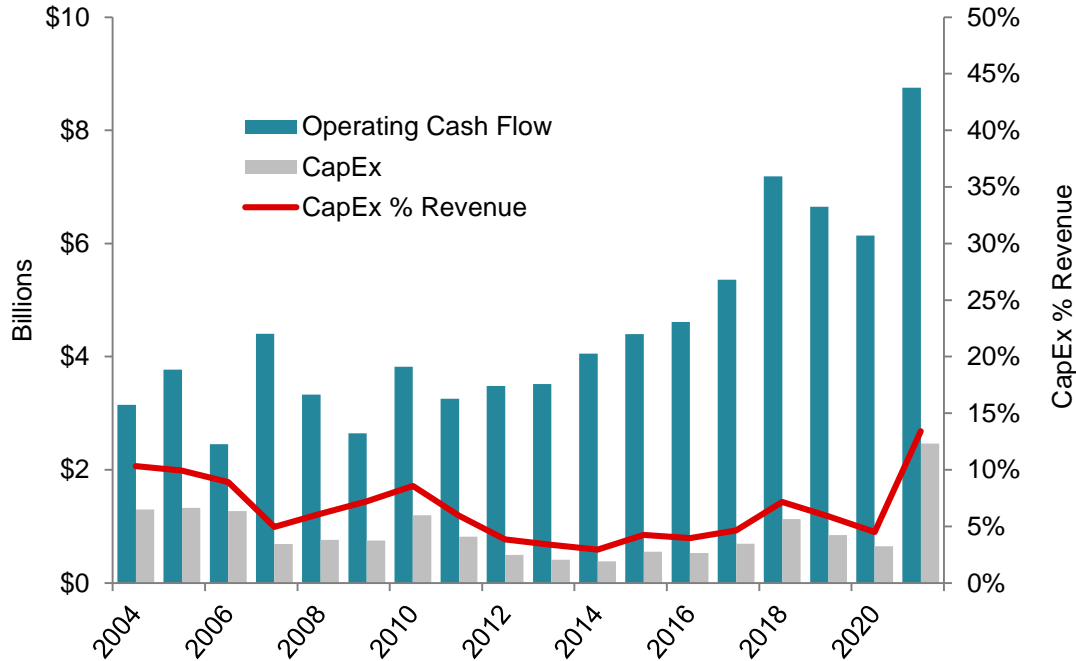
- Deliver customer convenience with online purchasing and shipping transactions.
- In 2019, we formed an online catalog team to accelerate investment:
 - Expanded country coverage with local currency and importer of record.
 - Expanded payment methods and financing.
 - Logistics investments for fast delivery.

- In 2021, we had more than 50,000 customers transacting business with quantities from one to 100,000s of units. Revenue grew 7x over 2020 and was ~10% of TI revenue.
- 2021 was most likely helped by market conditions, but long-term strategic potential is high.



Free cash flow per share growth and cash returns

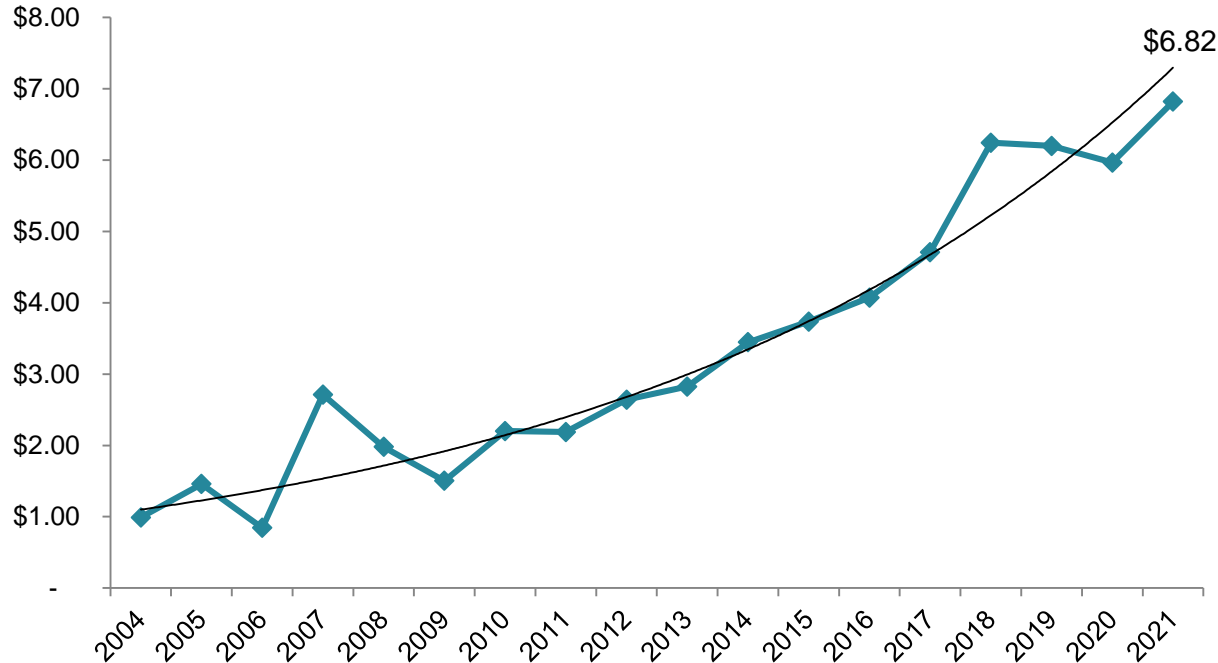
Operating cash flows enable long-term investments



- Operating cash flow at \$8.8 billion in 2021, up >40% vs. 2020.
- CapEx at \$2.5 billion, 13% of revenue.
- Beginning higher investment levels in 300-millimeter wafer fabs to strengthen competitive advantages.

Free cash flow per share drives long-term value

TXN free cash flow per share

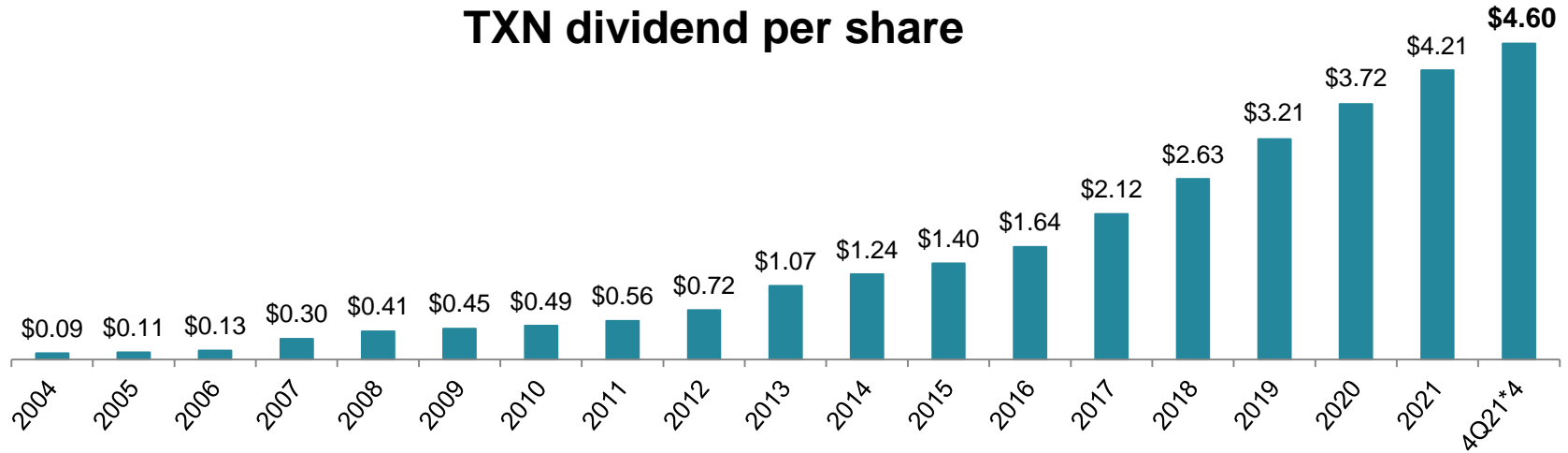


2021 free cash flow per share of \$6.82:

- +14.3% versus 2020.
- Free cash flow margin 34%.
- 12% annual growth 2004-2021.

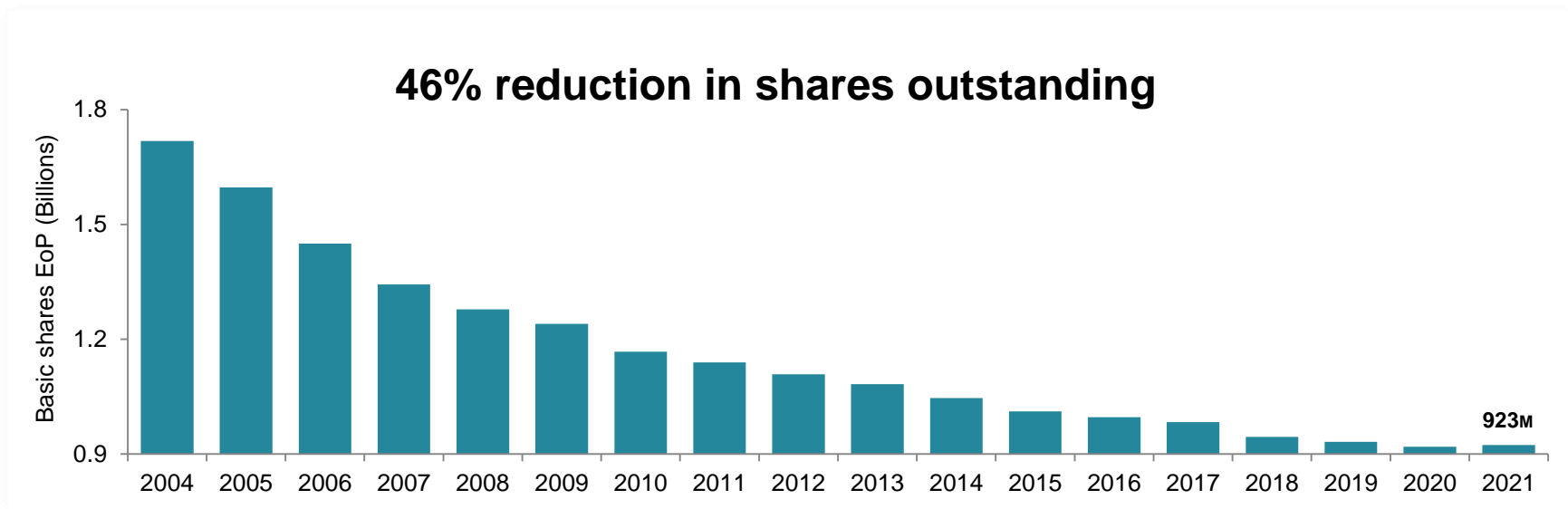
Sustainability and growth of dividends

TXN dividend per share



- Increased dividend 18 consecutive years, including 13% increase in Q4 2021.
- ~21% & 22% CAGR (five- and 10-year).
- 2021 dividend payments used 62% of 2021 free cash flow.
- Yield is 2.6% (as of 1/31/2022).

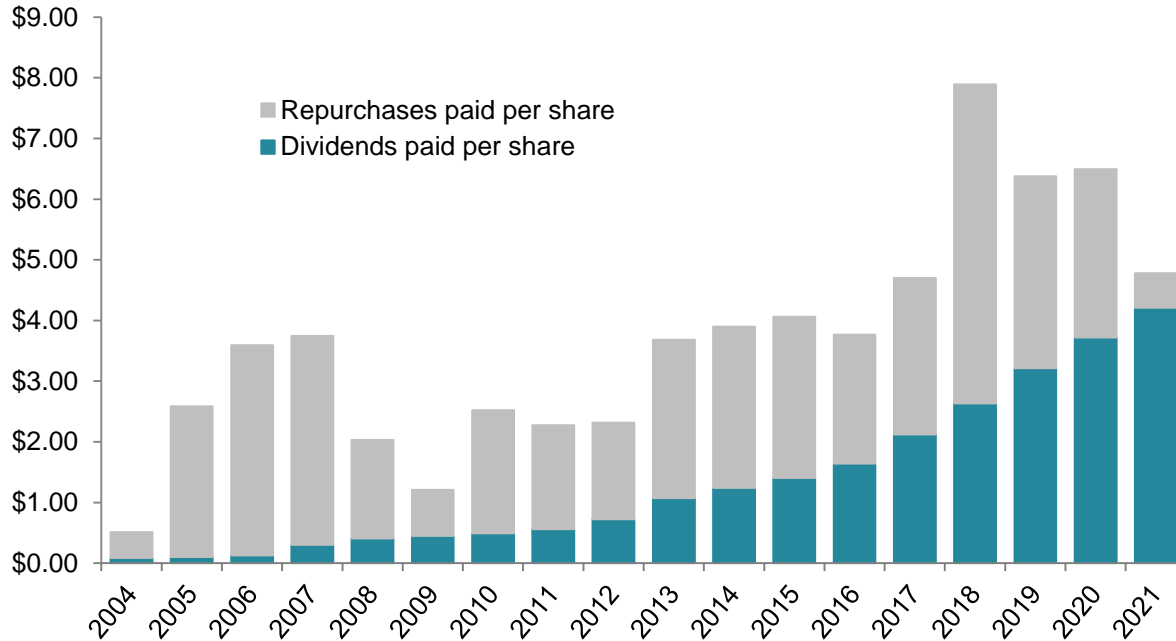
Accretive capture of future free cash flow for long-term investors



- Repurchase steadily when discounted cash flow value exceeds stock price.
- Disciplined with stock-based compensation.
- Shares outstanding reduced by 46% since 2004.
- \$10.1B of authorization remaining as of end of Q4 2021.

Strong return of cash continues

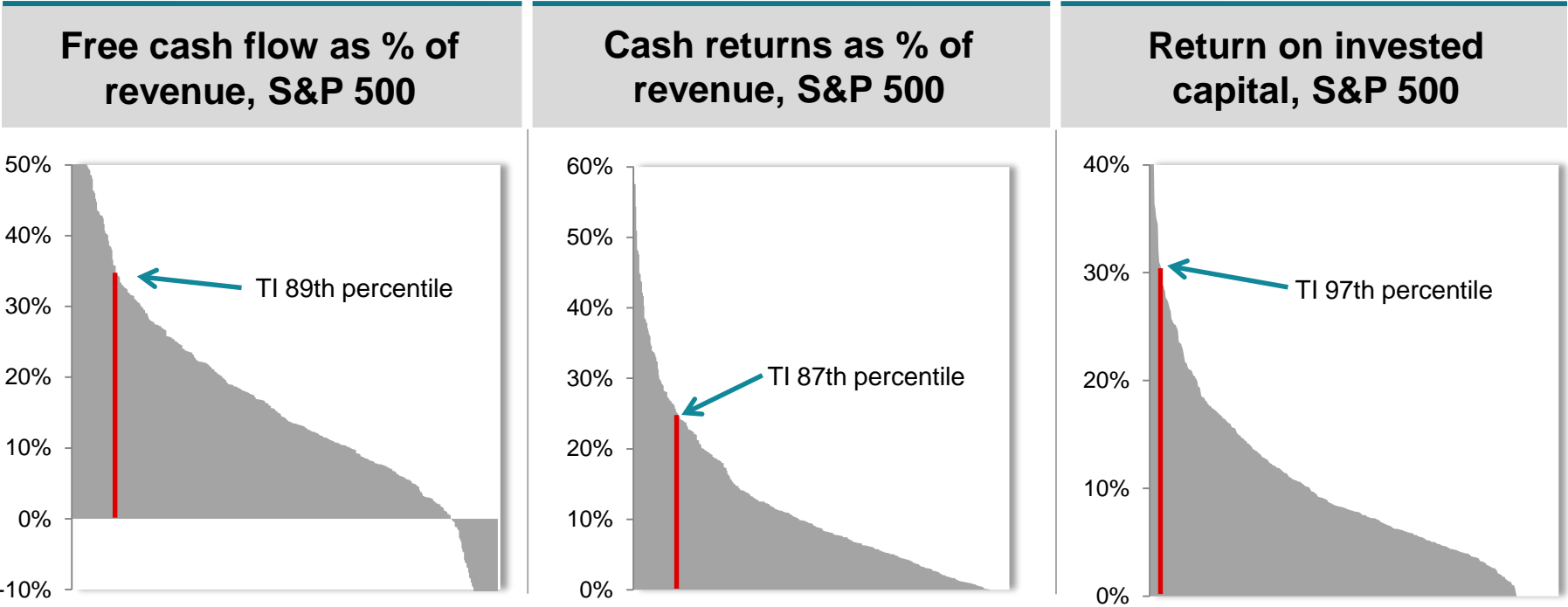
TXN cash returned per share



2021 return of \$4.78 per share:

- -26% versus 2020.
- Returned 70% free cash flow in 2021.
- 14% annual growth 2004-2021.

How TXN ranks on cash generation and returns



Source: S&P Capital IQ, Public filings as of 1/27/2022

Summary (from Investor Overview on TI.com)

- As engineers, it's a privilege to get to pursue our passion of creating a better world by making electronics more affordable through semiconductors.
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- We were fortunate that our founders had the foresight to know that passion alone was not enough. Building a great company required a special culture to thrive for the long term, and we continue to build this culture stronger every day. The desires of ESG and sustainable investors are aligned with our long-term ambitions and have been part of our formula for success for decades.
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- We will remain focused on the belief that long-term growth of free cash flow per share is the ultimate measure to generate value. We will invest to strengthen our competitive advantages, be disciplined in capital allocation and stay diligent in our pursuit of efficiencies.
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- You can count on us to stay true to our ambitions: to think like owners for the long term, adapt and succeed in a world that's ever changing and behave in a way that makes us and our stakeholders proud. When we're successful, our employees, customers, communities and shareholders all win.
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Risk factors and non-GAAP measures

This presentation is a statement of management's intentions and describes a strategy that TI intends to pursue as management, in its judgment, deems appropriate. The application of this strategy during any given period may vary depending on market conditions and other factors that management deems relevant. This presentation includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. See Item 1A of TI's most recent Form 10-K for a detailed discussion of risk factors that may cause results to differ materially from the forward-looking statements. TI undertakes no obligation to update forward-looking statements to reflect subsequent events or circumstances.

This presentation contains non-GAAP financial measures, specifically free cash flow (FCF) and ratios based on it. See www.ti.com/ir for reconciliation to GAAP. Free cash flow per share is not an alternative to earnings per share as an indicator of TI's performance, and investors should not consider presentation of free cash flow per share as implying that stockholders have a contractual or other right to the cash.



TEXAS INSTRUMENTS