

Capital management

Rafael Lizardi

Senior vice president, chief financial officer

Dave Pahl

Vice president, head of investor relations

February 1, 2024, 10 a.m. Central time

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

- 300mm investments
- 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.

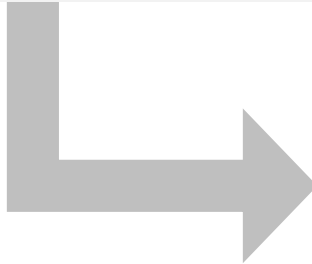
- Our business model is built around four sustainable competitive advantages: manufacturing and technology, broad product portfolio, reach of our market channels, and diverse and long-lived positions.

- 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

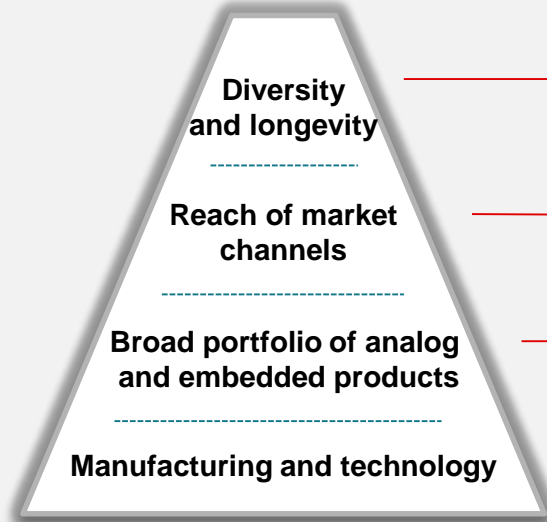


Strategy:

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 2023

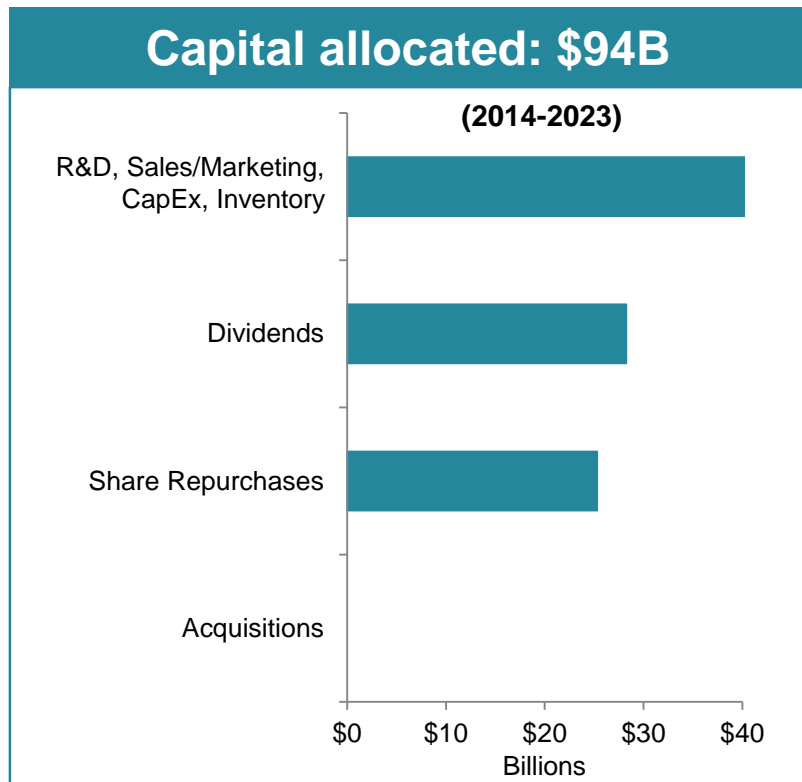
| Metric | Long-term objective | Target | Result |
|---------------------------|--|--|---------------|
| Free cash flow generation | Maximize long-term growth of free cash flow per share. | 25-35% of revenue (TTM) | 8% of revenue |
| Capital expenditures | Invest to support new technology development and revenue growth. Extend our low-cost manufacturing advantage, including 300mm. Recognize it may run higher if there is an opportunity to extend long-term manufacturing advantage. | ~\$5B/year 2023-2026; 10% to 15% of revenue 2027 and beyond | ✓ |
| Inventory | Maintain high levels of customer service, minimize inventory obsolescence and improve manufacturing asset utilization. Will vary based on market conditions. | 130 to >200 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. Recognize there may be times for strategic 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 | 5% increase |
| Repurchases | Accretive capture of future free cash flow for long-term owners. | Free cash flow minus dividends (TTM) | ✓ |

Capital management scorecard update for 2024

| 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 300mm. Recognize it may run higher if there is an opportunity to extend long-term manufacturing advantage. | ~\$5B/year 2023-2026; 10% to 15% of revenue 2027 and beyond |
| Inventory | Maintain high levels of customer service, minimize inventory obsolescence and improve manufacturing asset utilization. Will vary based on market conditions. | 130 to >200 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) |
| 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. 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



Appeal to broader set of investors



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



Inorganic growth

Our approach to capital allocation for the opportunity ahead

Preparing for the opportunity ahead

Confidence in the secular growth of semiconductor content, especially in industrial and automotive, remains high.

Industrial and automotive was ~75% of TI revenue in 2023, 10% CAGR since 2013.

Geopolitically dependable, low-cost 300mm capacity will be increasingly critical and valuable in the next 10 years. Our elevated level of CapEx (2021-2026) enables us to support customer demand for supply outside of China and Taiwan at scale.

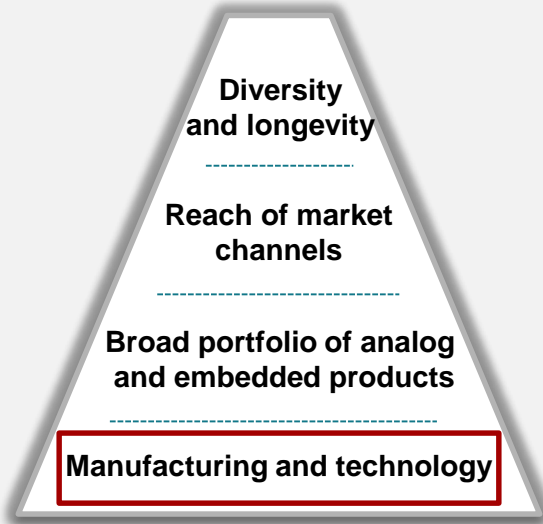


Consistent with last year, we are investing in capacity to support ~\$45 billion of revenue in 2030 and increase internal manufacturing to >90% (wafers and assembly).

History has shown the importance of staying focused on the opportunity ahead, even through weak periods of the semiconductor cycle.

Strengthening our sustainable competitive advantages

Business model built on competitive advantages



Investing to support growth for the long term

Extending our 300mm cost advantage and greater control of our supply chain

Benefits of owning & controlling our supply chain

Support for growth

Investments in manufacturing capacity will support growth for decades to come

Control of our supply

>90% of wafers, assembly and test will be **manufactured internally**

Optimal technology

45nm to 130nm process technology **optimized for analog and embedded**, vital for industrial and automotive markets

Structural cost advantage

300mm provides **~40% lower cost and ~2.3x chips per wafer** compared to 200mm

Providing geopolitically dependable capacity for analog and embedded processing semiconductors

Chip cost is ~40% less on 300mm

Illustration of the GPM impact from 300mm

| | | Built on 200mm wafer | Built on 300mm 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 long-term growth

300mm fabs ramping

RFAB2: Richardson, TX



LFAB1: Lehi, UT



- Initial production began end of 2022
- Tool installations continue through full ramp

300mm fabs under construction

SM1-4: Sherman, TX



LFAB2: Lehi, UT

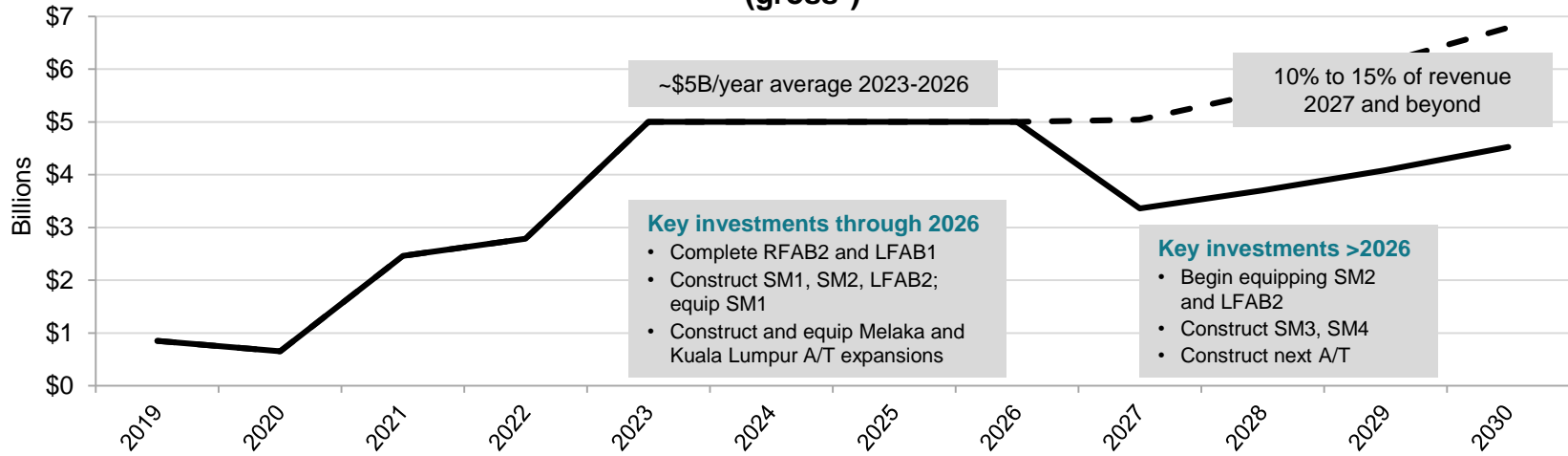


- Construction underway
- Provides capacity for a decade of growth

45nm to 130nm process technology nodes, optimal for our analog and embedded products

Capital expenditures support long-term growth

Estimated capital expenditure (gross*)

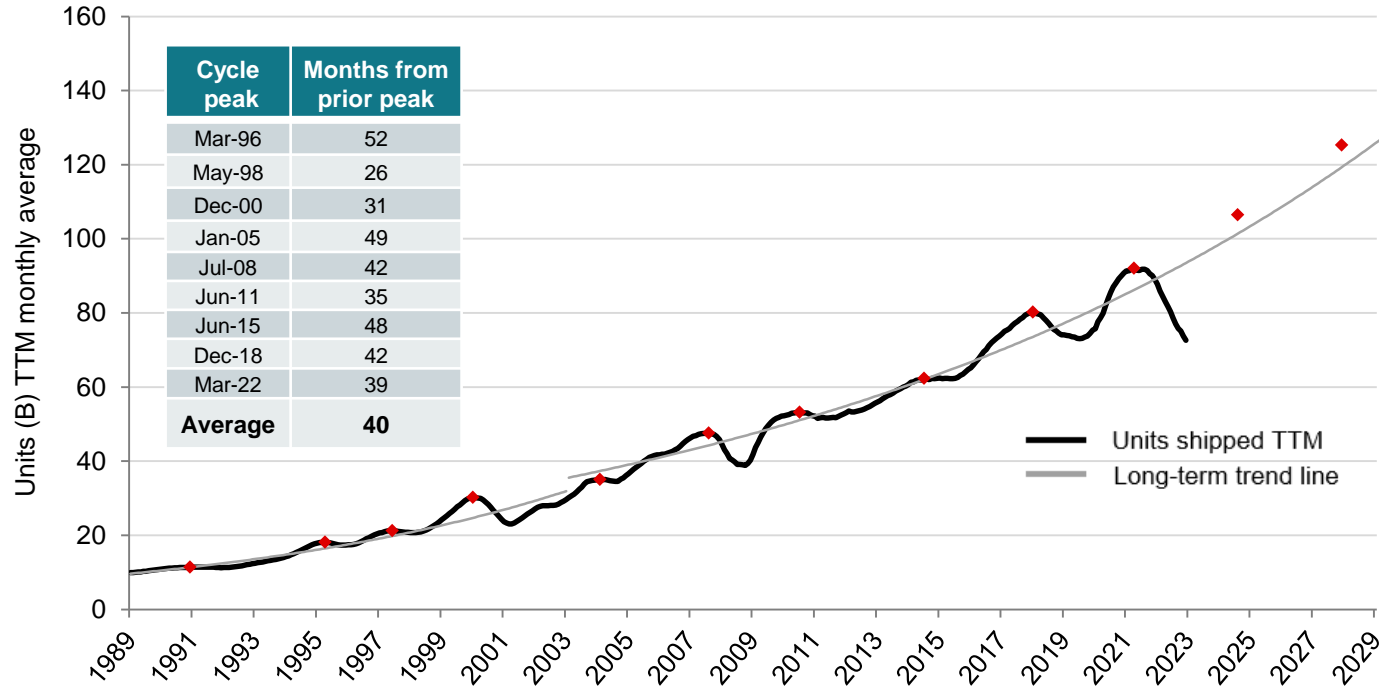


| Key metrics | 2022 | 2026 | 2030 |
|----------------------------|---------------|---------------|---------------|
| Revenue supported | ~\$20 billion | ~\$30 billion | ~\$45 billion |
| % of wafers internal | 80% | >85% | >90% |
| % of internal wafers 300mm | 40% | >65% | >80% |
| % of assembly internal | 60% | >75% | >90% |

* Gross CapEx, does not include CHIPS Act benefits

Semiconductor cycles: planning for the long term

Semiconductor market units shipped*



* Source: WSTS excluding memory trailing twelve months

CHIPS and Science Act

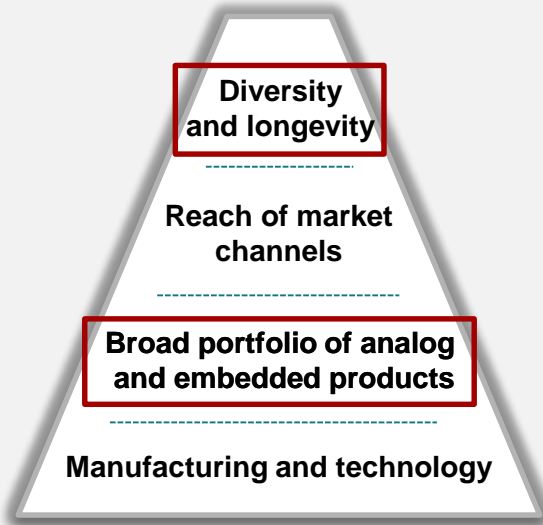
Investment tax credit

- 25% tax credit for U.S. semiconductor manufacturing investments
- ~\$4 billion of cash benefit on investments made through 2026
- Additional benefit extends beyond 2026

Manufacturing grants

- TI applications submitted
- Benefit to be determined

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 | 2022 | 2023 |
| Industrial | Up broadly | 30% | 40% | 40% |
| Automotive | Up broadly | 12% | 25% | 34% |
| Personal electronics | Steady | 32% | 20% | 15% |
| Communications equipment | Steady | 15% | 7% | 5% |
| Enterprise systems | Slightly up | 6% | 6% | 4% |
| Other | Flat, at low levels | 5% | 2% | 2% |

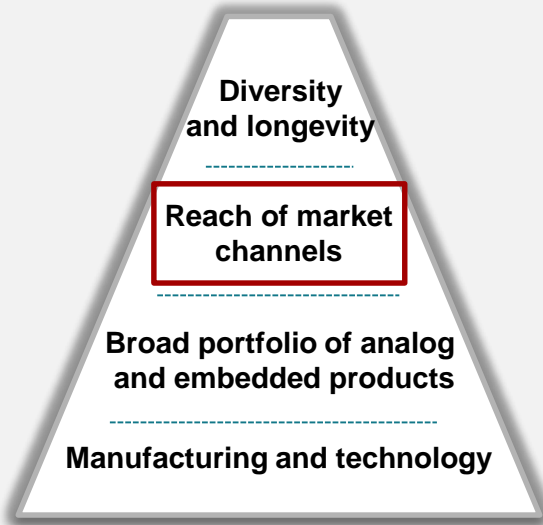
Disciplined allocation of R&D strengthens portfolio

| Market segment | R&D investments | % of TI revenue | | |
|--------------------------|---------------------|-----------------|------|------|
| | | 2013 | 2022 | 2023 |
| Industrial | Up broadly | 30% | 40% | 40% |
| Automotive | Up broadly | 12% | 25% | 34% |
| Personal electronics | Steady | 32% | 20% | 15% |
| Communications equipment | Steady | 15% | 7% | 5% |
| Enterprise systems | Slightly up | 6% | 6% | 4% |
| Other | Flat, at low levels | 5% | 2% | 2% |

42%

74%

Business model built on competitive advantages

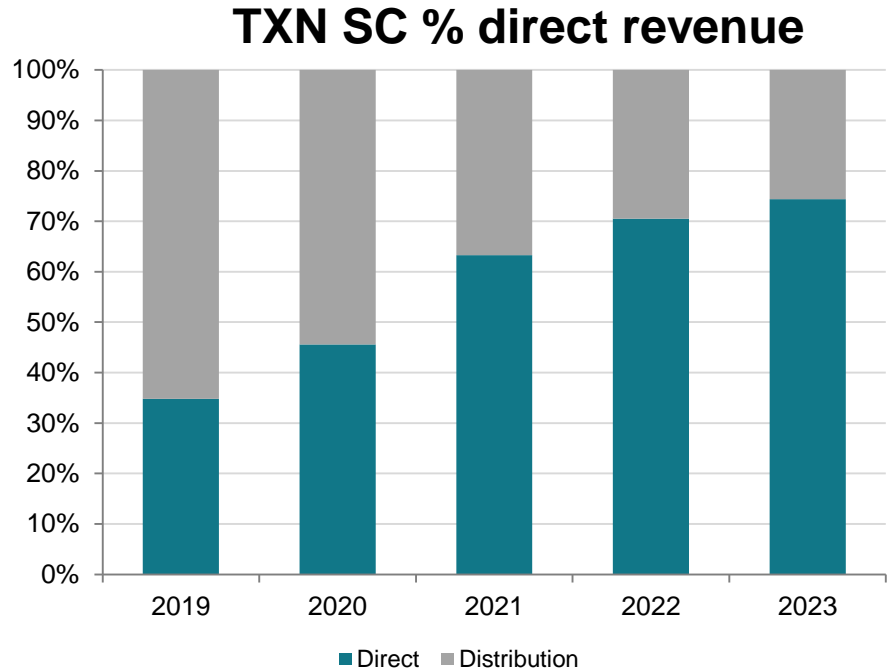


Building closer direct relationships with customers:

Strengthening the reach of our market channels

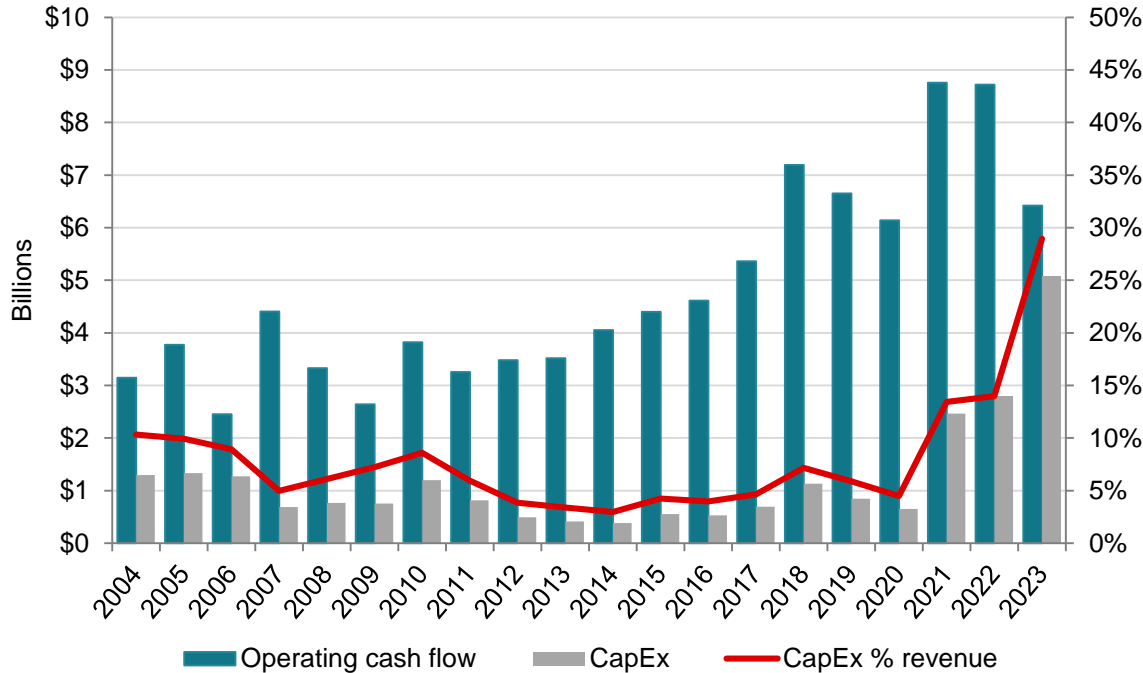
Building closer direct customer relationships

- Secular trend: growing demand for the convenience and productivity of online relationships complemented with skilled technical and commercial support
- Customers have the choice of buying direct from TI:
 - Backlog scheduled at lead time
 - TI.com for immediate shipment
- Deliver customer convenience with online ordering, best price and availability
- TI's reach of channel advantage results in higher growth through access to more customers, projects, sockets per project, and greater insight



Free cash flow per share growth and cash returns

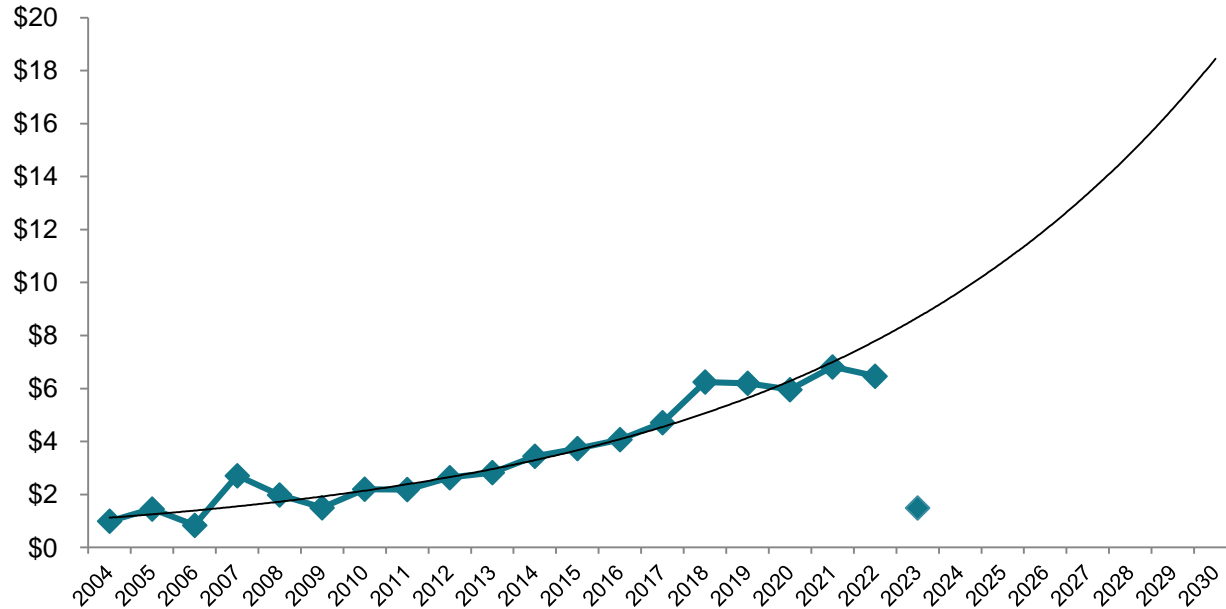
Operating cash flows enable long-term investments



- Operating cash flow at \$6.4 billion in 2023
- Including \$1.2 billion of inventory growth
- CapEx at \$5.1 billion, 29% of revenue
- Continuing higher investment levels in 300mm wafer fabs to strengthen competitive advantages

Free cash flow per share drives long-term value

TXN free cash flow per share

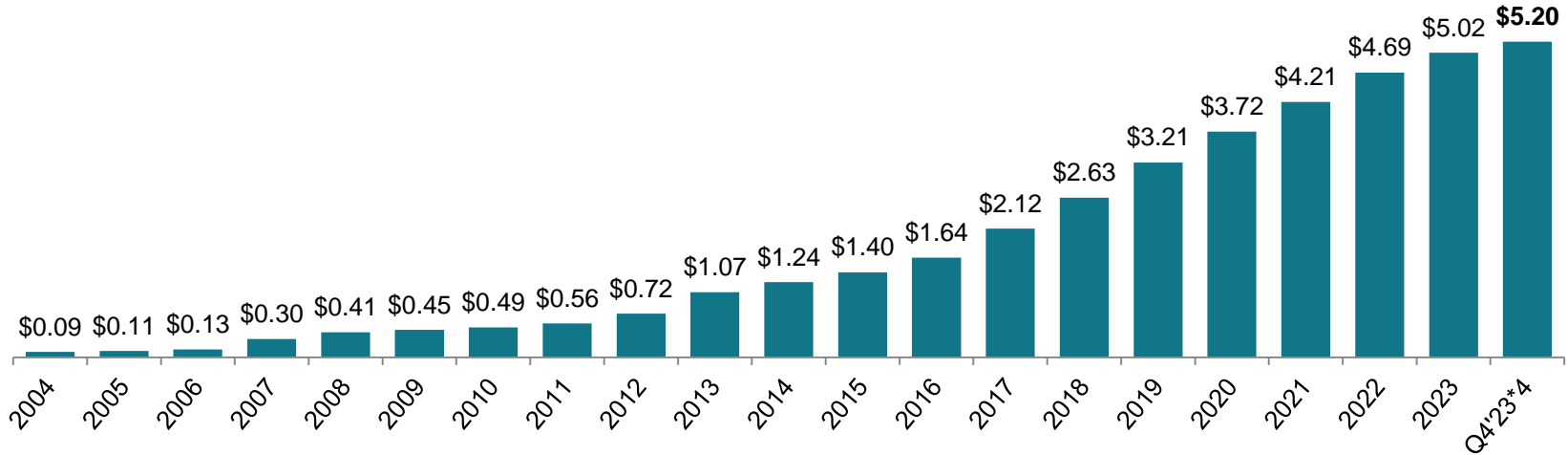


2023 free cash flow per share of \$1.49:

- About 11% annual growth 2004-2022
- Elevated level of CapEx continues through 2026
- Long-term free cash flow per share growth guides our capital allocation decisions

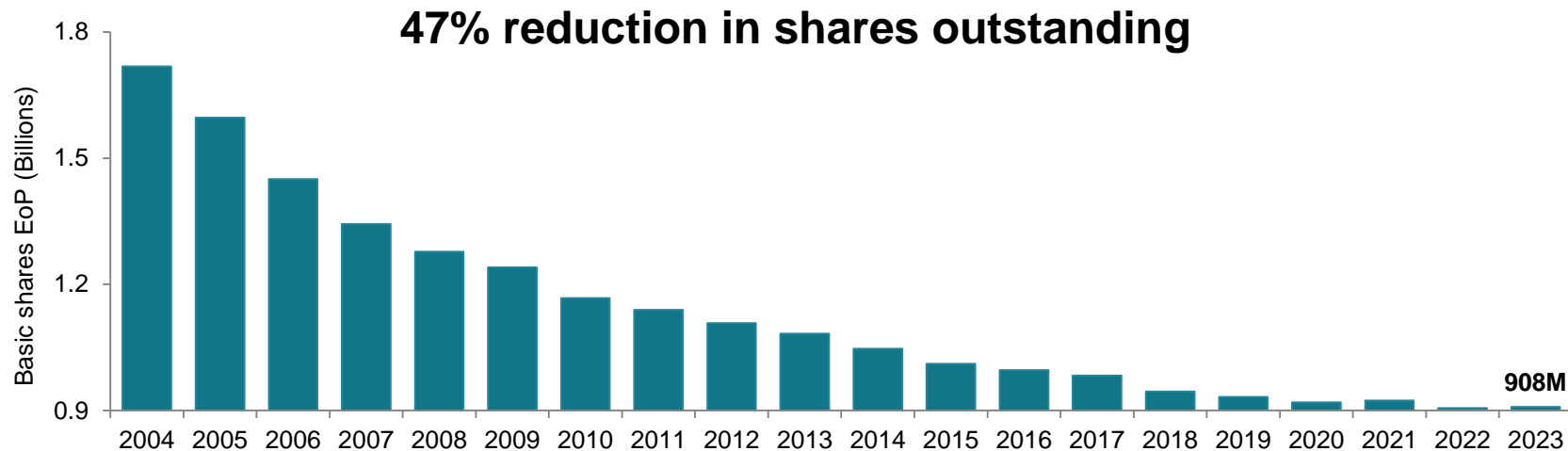
Sustainability and growth of dividends

TXN dividend per share



- Increased dividend 20 consecutive years, including 5% increase in Q4 2023
- ~14% and ~17% 2023 CAGR (five- and 10-year)
- Yield is 3.1% (as of 1/26/2024)

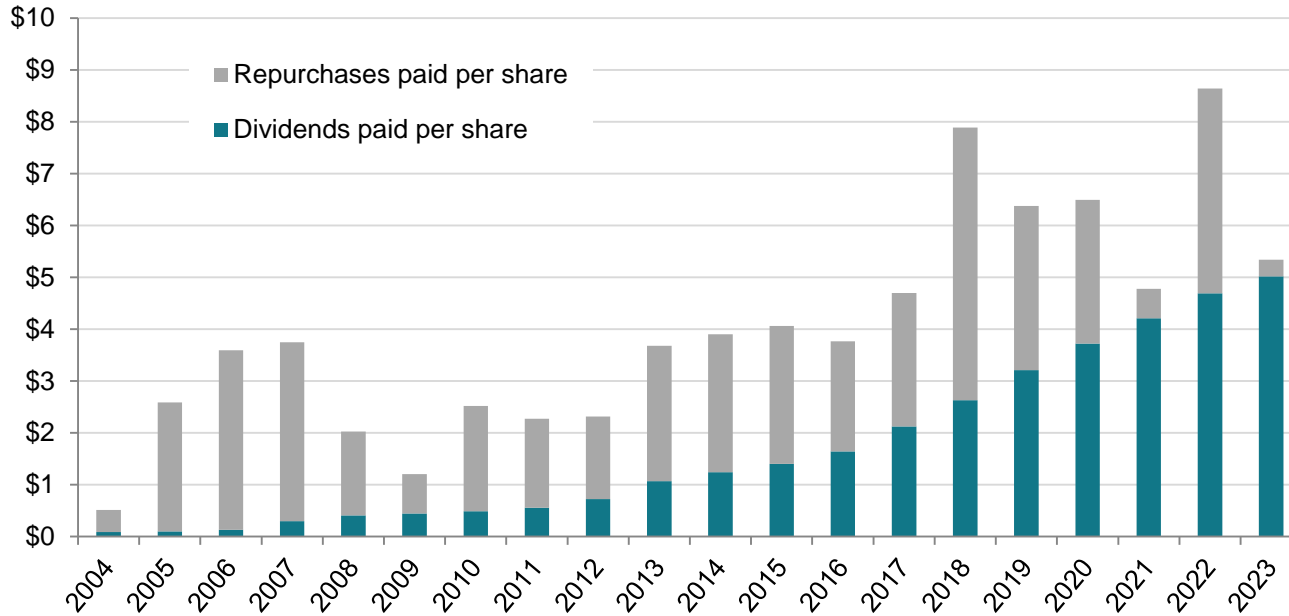
Accretive capture of future free cash flow for long-term investors



- Repurchase steadily when discounted cash flow value exceeds stock price
- Disciplined with stock-based compensation
- Shares outstanding reduced by 47% since 2004
- \$21.2 billion of authorization remaining as of December 2023

Strong return of cash continues

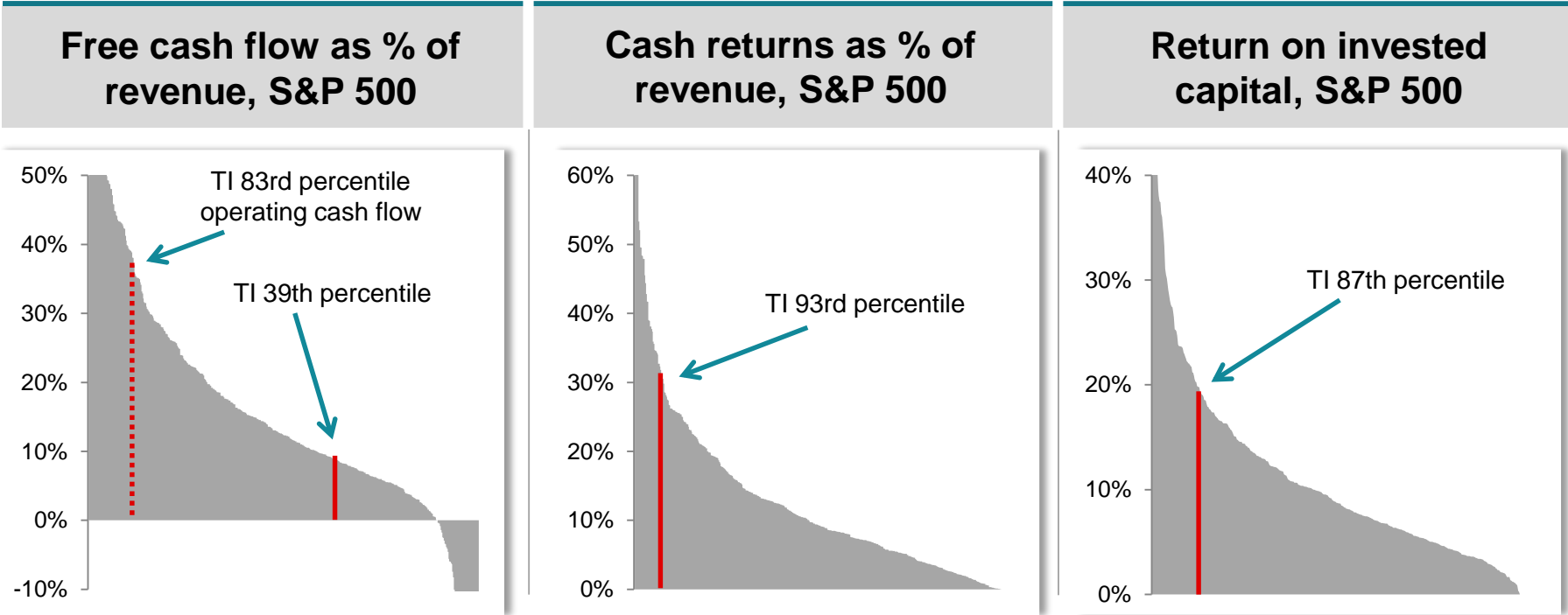
TXN cash returned per share



2023 return of \$5.34 per share:

- -38% versus 2022
- Returned 114% free cash flow in last ten years
- 13% compound annual growth 2004-2023

How TXN ranks on cash generation and returns



Source: S&P Capital IQ, Public filings as of 01/26/2024

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.
-
- 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 sustainable investors are aligned with our long-term ambitions and have been part of our formula for success for decades.
-
- 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.
-
- 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.
-

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