Q2 2019 Earnings Call

Company Participants

- Dave Pahl, Vice President, Investor Relations
- Rafael R. Lizardi, Senior Vice President, Chief Financial Officer and Chief Accounting Officer, Finance and Operations

Other Participants

- Ambrish Srivastava, Analyst
- Chris Danley, Analyst
- Harlan Sur, Analyst
- Mark Lipacis, Analyst
- Ross Seymore, Analyst
- Stacy Rasgon, Analyst
- Toshiya Hari, Analyst
- Vivek Arya, Analyst

Presentation

Operator

Good day and welcome to the Texas Instruments' 2Q '19 Earnings Release Conference Call. Today's conference is being recorded.

At this time, I'd like to turn the conference over to Mr. Dave Pahl. Please go ahead, sir.

Dave Pahl {BIO 18870833 <GO>}

Good afternoon and thank you for joining our second quarter 2019 earnings conference call. Rafael Lizardi, TI's Chief Financial Officer is with me today. For any of you, who missed the release, you can find it on our website at ti.com/ir. This call is being broadcast live over the Web and can be accessed through our website. A replay will be available through the web.

This call will include forward-looking statements that involve risks and uncertainties that could cause TI's results to differ materially from management's current expectations. We encourage you to review the notice regarding forward-looking statements contained in the earnings release published today, as well as TI's most recent SEC filings for a more complete description.

For today's call, let me start by summarizing what Rafael and I will be reviewing. I'll be covering the following topics. First, a high level summary of the financial results for the second quarter, and second, some details by segment and end-market. Rafael will then review profitability, capital management results and then the outlook. After that, we'll open the call for Q&A .

Starting with high level summary of our second quarter financial results. The quarter progressed about as we expected with revenue decreasing 9% from a year ago, due to broad-based weakness. In our core businesses, analog revenue declined 6% and embedded processing revenue declined 16% compared with the same quarter a year ago. Both businesses year-on-year growth decelerated. Earnings per share were $1.36, including a $0.07 benefit for items not in our original guidance. The benefit includes $0.04 due to the previously announced sale of our Greenock, Scotland fab, with the balance primarily due to discrete tax benefits.

With that backdrop, I'll now provide details on our performance, which we believe continues to be representative of the ongoing strength of our business model. In the second quarter, our cash flow from operations was $1.8 billion. As we note each quarter, we believe that free cash flow growth, especially on a per share basis, is most important to maximizing shareholder value in the long-term. We remain committed to returning all of our free cash flow to owners.

Free cash flow for the trailing 12-month period was $5.9 billion, up 3% from a year ago. Free cash flow margin for the same period was 38.9% of revenue, up from 36.6% a year ago. We continue to benefit from the quality of our product portfolio that is long-lived and diverse and the efficiency of our manufacturing strategy; the latter of which includes our growing 300-millimeter analog output. We believe that free cash flow will only be valued if it's productively invested in the business or returned to owners. For the trailing 12-month period, we've returned $8 billion of cash to our owners through a combination of dividends and stock repurchases, demonstrating our confidence in our business model and our commitment to return all of our free cash flow to owners.

Moving on, I'll now provide some details on the second quarter by segment and end market. For the year-ago quarter, analog revenue declined 6% due to declines in high-volume power and signal chain. Embedded processing revenue declined by 16% from the year-ago quarter due to declines in both product lines processors and connected microcontrollers.

Next, I'll provide some insight into this quarter's performance by end market versus a year ago. Industrial and automotive together declined upper-single digits due to broad-based weakness. Personal electronics declined low-double digits, also due to broad-based weakness. In communications equipment, revenue declined sequentially, but was about even from a year ago versus a very weak compare. And lastly, enterprise systems declined.

In summary, we continue to focus our strategy on the industrial and automotive markets where we've been allocating our capital and driving initiatives to strengthen our position.

This is based on a belief that industrial and automotive will be the fastest growing semiconductor markets. They have increasing semiconductor content and also provide diversity and longevity. All of this translates to a high terminal value of our portfolio.

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

Rafael R. Lizardi {BIO 20006334 <GO>}

Thanks, Dave; and good afternoon, everyone. Gross profit in the quarter was $2.36 billion or 64.3% of revenue. From a year ago, gross profit decreased due to lower revenue. Gross profit margin decreased 90 basis points. Operating expenses in the quarter were $810 million, down about 2% from a year ago and about as expected. On a trailing 12-month basis, operating expenses were 21.1% of revenue, within our expectations. Over the last 12 months, we have invested $1.57 billion in R&D, an important element of our capital allocation. We are pleased with our disciplined processes of allocating capital to R&D, which we believe will allow us to continue to grow our top line over the long-term.

Acquisition charges and non-cash expense were $80 million. Acquisition charges will be about $80 million per quarter through the third quarter of this year and decline about $50 million per quarter for two remaining years. Restructuring charges/other was a credit of $36 million due to the sale of our Greenock, Scotland facility.

Operating profit was $1.51 billion or 41.1% of revenue. Operating profit was down 12% from a year ago quarter. Operating margin for analog was 43.7%, down from 47% a year ago; and for embedded processing, was 33.5% down from 35.4% a year ago. Our focused investments on the best sustainable growth opportunities with differentiated positions will enable both businesses to continue to contribute nicely to free cash flow growth over time.

Other income and expense was $52 million benefit, up $28 million, primarily due to investment gains and tax-related items. Net income in the second quarter was $1.31 billion or $1.36 per share, which included a $0.07 benefit for items that were not in our prior outlook as we have discussed.

Let me now comment on our capital management results, starting with our cash generation. Cash flow from operations was $1.8 billion in the quarter. Capital expenditures were $284 million in the quarter. Free cash flow on a trailing 12-month basis was $5.93 billion. In the second quarter, we paid $722 million in dividends and repurchased $863 million of our stock for a total return to owners of $1.59 billion. In total, we have returned $8.01 billion in the past 12 months, consistent with our strategy to return all of our free cash flow. Over the same period, our dividends represented 47% of free cash flow, underscoring their sustainability.

Our balance sheet remains strong with $4.22 billion of cash and short-term investments at the end of the second quarter. Total debt is $5.8 billion with a weighted average coupon of 2.91%. Inventory days were 143, up 8 days from a year ago and down 1 day sequentially. We are pleased with the progress we have made replenishing inventory of low volume devices and implementing the next phase of our consignment programs with our distributors. Work in both of these areas will continue in the third quarter. We believe there is strategic value in owning and controlling our inventory and we'll manage it with our long-term objectives in mind.

Turning to our outlook for the third quarter. We expect TI revenue in the range of $3.65 billion to $3.95 billion, and earnings per share to be in the range of $1.31 to $1.53, which includes an estimated $10 million discrete tax benefit. We continue to expect our annual operating tax rate to be about 16% for 2019.

In closing, we have just completed our third quarter of year-on-year declines for TI. As we stated last quarter, if you look at the last 30 years of history in our industry, cycles are always different, but typically you could see four to five quarters of year-on-year declines before year-on-year growth resumes. Again, we're not trying to forecast the cycle, but simply offer some historical perspective.

Given our experience, we will stay focused on making TI stronger for the long term. We continue to invest in our competitive advantages, which are technology and manufacturing, portfolio breadth, market reach and diverse and long lived products. We will continue to strengthen these advantages through disciplined capital allocation and by focusing on the best products, analog and embedded processing and the best markets, industrial and automotive, which I believe will enable us to continue to improve and deliver free cash flow per share growth for a long time to come.

With that let me turn it back to Dave.

Dave Pahl {BIO 18870833 <GO>}

Thanks, Rafael. Operator, you can now open up the lines for questions. In order to provide as many of you as possible an opportunity to ask your questions, please limit yourself to a single question. After our response, we'll provide you an opportunity for an additional follow-up. Operator?

Questions And Answers

Operator

Thank you. (Operator Instructions) We'll take our first question from Vivek Arya with Bank of America. Please go ahead.

Q - Vivek Arya {BIO 6781604 <GO>}

Thanks for taking my question. For my first one, when you reported three months ago, I think, things were looking somewhat more downbeat. And I was curious, Rafael or Dave, how would you characterize the current environment; is it similar, is it better, is it worse? I'm just trying to put your Q3 outlook, which is for 3% to 4% sequential growth. It's below seasonal trend, but it's still up sequentially. So I'm just trying to get a better sense of how you are seeing the broader environment versus three months ago.

A - Dave Pahl {BIO 18870833 <GO>}

Yeah. I'll start and if Rafael wants to add anything, he's welcome too. I think, as we stated, the quarter came in about as we expected and that was really across the board, really all the end markets performed about as we had expected. We've just completed our third quarter of year-on-year declines for TI. And I think that if you look at history, things are always different when you look at cyclicality, but I think things are performing as we would expect.

A - Rafael R. Lizardi {BIO 20006334 <GO>}

Yeah. The only thing I would add is, we are ready for any scenario. The economy strengthens, we're ready. If it run sideways or if it weakens, we're ready. And that's both a strategic comment, how we position the company, focus on auto and industrial and catalog products inside of that, but also operationally with our inventory strategy and other things that we're doing to continue to strengthen the company.

A - Dave Pahl {BIO 18870833 <GO>}

You have a follow-on to that?

Q - Vivek Arya {BIO 6781604 <GO>}

Yeah. Thanks, Dave. So for my follow-on, I'm curious, the sales to China, how's the environment there? I assume that, you know, you don't have a lot of direct specific exposure to Huawei, but what's the demand environment? I guess, in China and outside of China that, are conditions better outside of China and then within China, how is the demand environment outside of Huawei?

A - Dave Pahl {BIO 18870833 <GO>}

Yeah. So I think we've said before that Huawei is about 3% to 4% of our revenue overall. It's a mix of comms equipment and some handset in there, and some other products. And if you look at comms equipment overall, it's 11% of our revenue. We had seen some nice growth in our 5G products as we've talked about before. And if you look from a regional standpoint, I'd say, there is nothing unusual going on. We've talked about that in the past when there was.

And certainly, if you look at where we ship product that's not always indicative of actual in demand or/and look through to those economies. Meaning we may ship into one region and that may get packaged up and shipped to another region before it's actually consumed. So overall ,by the regions that came in as we expected and nothing unusual. We didn't see anything unusual this quarter. So, thank you, Vivek and we'll go to the next caller please.

Operator

Thank you. We hear now from Toshiya Hari with Goldman Sachs.

Q - Toshiya Hari {BIO 6770302 <GO>}

Yeah. Great. Thanks very much for taking the question. Guys, based on the comments that you just made it appears as though your view on the cycle hasn't really changed over the past couple of months. That said, I think you guys decided to delay the new fab. So just curious, what kind of thought process went into the decision to push the fab?

A - Dave Pahl {BIO 18870833 <GO>}

Yeah. So just to clarify, we said back in our February Capital Management call and really have been saying since then that we plan to begin building that next factory in the next few years and that hasn't changed. There was a filing and it was a proposed amendment to a local tax abatement schedule that has caused some confusion on that topic. But just to say again, as we said back in February, those plans hadn't changed. Do you have a follow-on?

Q - Toshiya Hari {BIO 6770302 <GO>}

I do. Thanks, Dave. And then just going back to the US, China situation. I realize your business tends to be very sticky, but does -- has the backdrop impacted your ability to conduct business in China at all, or have you sensed any shifts to market share in your business? Thank you.

A - Rafael R. Lizardi {BIO 20006334 <GO>}

No, Not. This is Rafael. No, not at all.

A - Dave Pahl {BIO 18870833 <GO>}

Yeah. And I'd just say that our markets because they are diverse and you see market share doesn't move around quickly. They're just good quality markets and one of our competitive advantage is being diversity and longevity I think helps us in markets like this and situation like that in particular. So. Okay. Thank you, Toshiya. We will go to the next caller please.

Operator

Thank you. We will take our next question from Ambrish Srivastava with BMO.

Q - Ambrish Srivastava {BIO 4109276 <GO>}

Hi. Thank you very much. I had a question on gross margin flow-through, fall-through and especially as it relates to utilization and inventory. So free cash flow of 12-month trailing, which you always point us to correctly, which was kind of in the same ballpark that you had last quarter, but then inventory was down and the fall-through to margins is much higher incrementally. And I know it's not the same every quarter, but I was just curious ,if there is something going on there. What are the puts and takes that caused the incremental fall-through to be higher?

A - Rafael R. Lizardi {BIO 20006334 <GO>}

Yeah, I'll take that. From the way you want to think about it is, our fall-through, as we have said before, is about 70% to 75%. And you want to look at that on a year-on-year basis. And even then, this is sometimes a little less or little more. But that's the right way to look at it, and this quarter is actually right between that 70% and 75%.

The other thing I would mention is, over the longer time period, over the last many years and we expect this to continue. You're seeing the benefit of 300-millimeter manufacturing, that is part of our competitive advantage manufacturing technology. And as we have talked about before is just a structural cost advantage, because of the geometry of the wafer and the relatively small incremental cost that goes into producing 300 millimeter wafer versus 200 millimeter wafer. So we expect that benefit to continue to accrue to gross margins and ultimately free cash flow margin, which is the one that drives value for the owners of the company.

A - Dave Pahl {BIO 18870833 <GO>}

Do you have follow-on Ambrish?

Q - Ambrish Srivastava {BIO 4109276 <GO>}

Yes, I did. And this is more a blocking and tackling and I know you guys have correctly refrained from calling a cycle, because everybody's track record, including my own is absolutely wrong on that front, but bookings, cancellations and lead times, where are we on these metrics? Thank you.

A - Dave Pahl {BIO 18870833 <GO>}

Yeah. I think if you look at those metrics overall, I'd say that inventory in the channel and more broadly, I think you're looking at kind of a cyclical metrics that you looked at. Inventory and channel was down about a day, still about 4.5 weeks, and has been steady at that for a couple of quarters now. Order rates, when we look at those -- look to normal as they came through. Cancellations were down a little bit from last quarter, but really didn't change much. And then our lead times overall have remained stable, certainly they were stable as things got more heated in the industry, but of course, there is always areas that we would still be tight on today. But in general, the lead times have remained very stable. So thank you, Ambrish and we'll go to the next caller please.

Operator

Thank you. We will take our next question from Stacy Rasgon with Bernstein Research.

Q - Stacy Rasgon {BIO 16423886 <GO>}

Hi, guys. Thanks for taking my questions. First, just on Huawei you answered on sort of generally, but specifically what we have embedded in your guidance regarding Huawei? Are you still contemplating selling product to them or are you not? What's in the guidance regarding that customer?

A - Rafael R. Lizardi {BIO 20006334 <GO>}

Yeah. So I'd say Stacy just over this past quarter, we obviously had halted shipments when the order was given. Since then we've resumed shipments of the products that we've determined we could ship that are in compliance with the US regulations. So overall in this quarter, things came in as we expected, as I stated before, that would be inclusive of communications equipment where Huawei would set. So in our guidance, we obviously have that in for the quarter. And if there was something unusual that we are keeping out, our practice has been to call that out and there is nothing unusual that we're planning on.

Do you have a follow-on?

Q - Stacy Rasgon {BIO 16423886 <GO>}

Yes, I do. Thank you. Does the stockpiling and consignment to auto strategy that you've been doing. It's been going on for a while . How much do you think that is increased utilization over the last few quarters as you've been rolling that out? And how much longer do you anticipate driving that strategy before it reaches completion?

A - Rafael R. Lizardi {BIO 20006334 <GO>}

Let me start and then Dave, you want to -- if you want to come and but we've had an inventory strategy for many years. We just continue to tweak it over time, make it better, stronger. And as the cycle started in third quarter (inaudible) we deploy some specific tools during that time to then take advantage of that situation and use, while we caught our wafer stars, we devoted an increasing share of that to the low volume inventory strategy. We have built a lot of that but it's not complete, but incrementally, you have going to be less going forward and what it was in the last few quarters, because we get to obviously diminishing returns at some point on that.

A - Dave Pahl {BIO 18870833 <GO>}

Yeah. And I'll point out that obviously you saw our inventory dollars are down sequentially. They are actually down year-on-year. Inventory days were down sequentially even with those planned builds of those low volume parts and we feel really good about being able to do that in our operations. The second part of your question there was, what is the impact of consignment have on utilization. It really has no impact at all. Basically it -- optically and by definition, just puts more inventory on our books. But even if the inventory didn't change in the channel and just would put pressure and optically put pressure on our inventory and that's going on as well.

A - Rafael R. Lizardi {BIO 20006334 <GO>}

Yeah, I want to -- I want to make one more comment on this topic, remember what inventories about right. What is the objective inventory, its not about maximizing utilization or gross margins or anything like that. It's about maintaining high levels of customer service. So what we have done is deployed our cash to inventory. And as Dave said, inventory actually decreased. So -- but we think that decrease, we built some inventory of low volume parts. That now puts us in a great position, as we move into the third quarter and beyond. To have that inventory of low volume that is generally difficult to build. We have it ready. So then, we'll be able to serve our customers on the other side of this very well.

A - Dave Pahl {BIO 18870833 <GO>}

Okay. Thanks, Stacy. We will go to the next caller please.

Operator

Thank you. We will hear it now from Ross Seymore with Deutsche Bank.

Q - Ross Seymore {BIO 20902787 <GO>}

Hi, guys. Thanks for letting me ask the question. Want to stick on that consignment topic with just a slightly different spin. I think, you've said in the last few calls that it's upwards of two-thirds of your revenues go through consignment that's increased substantially over the last 3 years, 5 years, 10 years. Why do you think your year-over-year revenue performance is so similar to your broader peer group, if you're controlling that inventory. I would think, all else being equal, you wouldn't have to deal with the distribution channel burning inventory and weighing on your revenues during a period like this?

A - Rafael R. Lizardi {BIO 20006334 <GO>}

I'll give you one comment and Dave, you want to chime in. What I would tell you, maybe take into account, in the last, that's four quarters or so five quarters, we have gone into the next phase of consignment. And we have added, let's say, $30 million to $40 million of revenue to that program per quarter during that time for a total of close to $200 million. We probably still have one more quarter to go, where that's going to happen and maybe through the end of the year, but it is getting to diminishing point, but that is revenue that from the P&L it has sort of disappeared, right, but obviously the demand hasn't changed, the end demand really hasn't changed. It's just that now it goes into our inventory and the revenues delayed, but it just puts us in a much better position to then own that inventory, distribute it better where it's needed, work with our manufacturing facilities better to determine what's needed to be built to replenish that inventory. So it's just a better way to operate.

A - Dave Pahl {BIO 18870833 <GO>}

Yeah. And I'll just add that, when you think of one of our competitive advantage, which is the reach of our market channels. This is just one component of what we're doing to have a closer more direct relationship with our customers. And we think that ultimately servicing them better and our product will benefit them and therefore benefit us.

A - Rafael R. Lizardi {BIO 20006334 <GO>}

Yeah. Follow on Ross?

Q - Ross Seymore {BIO 20902787 <GO>}

Yeah. One, it's a little bit more housekeeping, Dave from an end market point of view, you went through and Dave gave the year-over-years. So could you give the quarter-over-quarters beyond the comm side and was there any reason you put industrial and automotive together, saying they were down upper-single digits year-over-year, usually you split those out?

A - Dave Pahl {BIO 18870833 <GO>}

No. Yeah. Sure. So, the first is the performed the similarly industrial was a little weaker, auto was a little last week, but in the same zip code. And that was the same for the sequential, together they grew low-single digits and that same profile was the same. Now the personal electronics grew high-single digits with broad based seasonal growth. Comms equipment, as I mentioned earlier had declined and then enterprise systems actually grew sequentially.

Okay. Thank you, Ross. And we'll go to the next caller please.

Operator

Thank you. We'll hear now from Harlan Sur with JPMorgan.

Q - Harlan Sur {BIO 6539622 <GO>}

Good afternoon. Thanks for taking my question. Looking at the most recent SIA data, April-May sales were down about 10% year-over-year for the global analog segment while you guys were only down 6%. You clearly outperformed analog segment last year as well. So outside of the end market mix i.e. better comm equipment sector, can you guys just help us understand any product areas where you are either capturing market share or seeing strong dollar content growth?

A - Dave Pahl {BIO 18870833 <GO>}

Well, yeah, so first Harlen, I'd -- always be careful to read too much into any of those numbers in the short term, I think when you look at share gains, they just really need to be measured even over several year period and I think that's -- even in that case, I think we come out very well. And I think especially, we continue to do well in industrial and automotive. As I mentioned earlier, that is, we believe that those will be the most important markets to semiconductors and industrial in particular, and we've got a lot of programs and a lot of thoughts going into how to get better and get stronger to be able to service those markets. You have a follow-on?

Q - Harlan Sur {BIO 6539622 <GO>}

Yeah. Thanks for the insights there. I know, we have to be careful on how we interpret this number, but can you guys just tell us what the book-to-bill ratio was for the June quarter?

A - Dave Pahl {BIO 18870833 <GO>}

Yeah. So you set me up perfect there because I always have the preamble that I'll give it. I've debated honestly whether I should continue to give it, but I will, just because we do, but there is a lot of noise that's in it. So it was 0.94% and it was 1.06% a year ago and 0.99% last quarter. So, and I'll just remind everyone that we have the majority of the revenue on consignment. So we don't get orders in advance for that. We've got backlog and the consignment the orders in the backlog are all consistent with the guidance that we gave. So thank you Harlan. And I believe we will go to the next caller please.

Operator

Thank you. We will hear now from Chris Danley with Citigroup.

Q - Chris Danley {BIO 20435308 <GO>}

Hey. Thanks, guys. Can you just talk about the linearity of orders during the quarter. And I guess more specifically, have you seen any change in customer or channel behavior since the Huawei reinstatement and the -- I guess the threat of $300 billion in additional tariffs was taken away a few weeks ago?

A - Dave Pahl {BIO 18870833 <GO>}

Yeah, Chris, really no changes on that front. I think, when we look at the linearity, it came in fairly normal, minus the stock shipment to Huawei. But once we determined that we could continue to resume most of those products. It really got back to normal pretty quickly.

Do you have a follow-on?

Q - Chris Danley {BIO 20435308 <GO>}

Yeah. Given we're in this, I guess, mildly depressed or sluggish or placid or whatever you want to call it kind of environment, have you guys changed your thoughts on kind of long-term CapEx?

A - Rafael R. Lizardi {BIO 20006334 <GO>}

The short answer is no. We are, as we said in our capital management strategy, our guide on CapEx is 6% and we'll continue to be 6% -- and that's without buildings. So of course, as we've talked about, we announced the new factory -- the new 300-millimeter factory that we'll build in Richardson, Texas in the next few years. Outside of that, we will be running about 6%.

A - Dave Pahl {BIO 18870833 <GO>}

Okay. Thank you, Chris. And operator, I think we've got time for one more call.

Operator

Thank you. We'll take our next question from Mark Lipacis with Jefferies.

Q - Mark Lipacis {BIO 2380059 <GO>}

Hi. Thanks for taking my question. Can you hear me okay?

A - Dave Pahl {BIO 18870833 <GO>}

We can, Mark.

Q - Mark Lipacis {BIO 2380059 <GO>}

Okay. Your inventories declined in dollars and days, what do you think happens to your inventories on your balance sheet in the September quarter. And Dave on the inventory commentary, I believe you said you characterized channel inventories kind of in the stable range would you call them stable in a normal and healthy level or would you characterize them somewhat differently?

A - Rafael R. Lizardi {BIO 20006334 <GO>}

Let me start and Dave, if you want to jump in. But let me first step back to the objective for inventory to remind everybody. And as I said earlier in the call is to maintain high levels of customer service. We also want to minimize obsolescence of that inventory and improve our asset utilization. But the main thing is to maintain high levels of customer service. And our target is 115 to 145. So last quarter -- two quarters ago, we went above that target of 152. But then, last quarter we're 144 in first quarter and then, second quarter we just finished at 143, so both of those inside of our target.

A - Dave Pahl {BIO 18870833 <GO>}

Yeah. And I'll just add again that even inside of those numbers,we've made really good progress of executing to building those low volume parts and we believe that's important, so we can continue to service customers, well. And the second part of your question Mark was, yeah, it was down a little bit sequentially on a days basis in distribution still at about 4.5 weeks. That is a healthy level. And I would say that number will structurally kind of work its way down as we're implementing more of this revenue on consignment and that's a great thing for our distributors, It's a great thing for our customers and it does require that we will be carrying some more inventory on our balance sheet, but we think that's a good investment in working capital. Do you have a follow-on, Mark?

Q - Mark Lipacis {BIO 2380059 <GO>}

Yes, please. Thank you. The follow-up is, have you been noticing since the US and China trade debate. Have you been noticing any shift in the supply chain from a standpoint of where things are being manufactured not your own Texas Instruments supply chain, but where you're shipping to -- are you shipping more outside of China or is everything fairly stable? Thank you.

A - Rafael R. Lizardi {BIO 20006334 <GO>}

Yeah, I'll take that. It's too early to tell. We read some of the same media reports and anecdotal comments that people make on that front, but it's too early to tell. So we'll watch how things evolve in that front over the next few years.

Q - Mark Lipacis {BIO 2380059 <GO>}

So, I'm going to finish with a few comments on key items for everybody to remember. We will remain focused on analog and embedded, the best products; and industrial and automotive, the best markets. We will continue to be disciplined in executing our capital management strategy, and remain committed to returning free cash flow to the owners of the company. And finally, we continue to believe growing free cash flow per share dollars over the long-term is what will maximize value for the owners of the Company.

A - Dave Pahl {BIO 18870833 <GO>}

Thank you for listening. A replay will be available on the Web. And have a good night.

Operator

Thank you. That does conclude today's conference. Thank you all for your participation. You may now disconnect.