

Texas Instruments Inc.

Industrial recovery drives 1H upside, tariff impact still in flux

Reiterate Rating: NEUTRAL | PO: 176.00 USD | Price: 152.15 USD

Reiterate Neutral on modest est. revisions, prem. multiple

Beat/raise driven by broad-based industrial (inventory replenishment led) recovery and some pick-up in autos ex-China. No tariff impact seen yet though TXN working hard to optimize manufacturing footprint to minimize disruptions/avoid tariff overhead. Overall we raise CY25E/lower CY26E by +3%/-1% to \$5.56/\$6.35 on stronger sales offset by below the line items (tax rate, fin. Income). Reiterate Neutral and \$176 PO, now on slightly higher 28x CY26E P/E vs 27x prior on improving industrial mix, and still within 16x-38x historical range. We are encouraged to see 1H strength but remain concerned about: 1) the macro environment and potential for tariff related uncertainties, 2) cost inflation from more manufacturing shift to higher-cost 200mm wafers outside US, to avoid China tariffs, and 3) China substitution risks.

Likes: 1H sales upside, foreign capacity flexibility

In 1Q25, TXN industrial revenue increased fo the first time since June Q 2023 (up upper single digits QoQ), with recovery very broad based, both across sectors and regions. We note industrial products are margin accretive, though geopolitical risks could cap margin expansion through the rest of the year. Amidst geopolitical uncertainty, TXN's 1H sales remain intact provide upside following 4%/5% beat/raise for 1Q/2QE, with TXN mgmt. fairly confident they will be able to limit exposure to tariffs through moving manufacturing to dual-qualified fabs in Japan, Germany, and China, which remain competitive despite being not as cost-efficient as TXN's 300mm US-based fabs.

Risks: industrial turn-around not tied to macro trends yet

We appreciate TXN's argument about inventory replenishment but flag it's not yet confirmed with improving industrial demand (few if any global PMI above 50). We also see potential risk for potential customer hoarding (acknowledged by TXN during earnings call) leading to estimate revisions later on. Second, we flag TXN's rising depreciation burden that could pressure CY26 GM (we forecast CY26E GM 56.3%, ~300bps below consensus). Third, we note the large gap between TXN's China wafer production (only 6-7% of total) versus China demand (20% of sales to China customers, 40-50% of sales overall) that could expose TXN to any changes in China tariffs.

Estimates (Dec) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	7.07	5.20	5.56	6.35	7.24
EPS Change (YoY)	-24.9%	-26.4%	6.9%	14.2%	14.0%
Consensus EPS (Bloomberg)			5.29	6.72	8.22
Consensus EPS (Visible Alpha)			5.28	6.88	8.24
DPS	5.02	5.26	5.51	5.78	6.07
Valuation (Dec)					
P/E	21.5x	29.3x	27.4x	24.0x	21.0x
Dividend Yield	3.3%	3.5%	3.6%	3.8%	4.0%
EV / EBITDA*	15.8x	19.2x	14.9x	12.2x	9.7x
Free Cash Flow Yield*	1.0%	1.1%	1.6%	4.3%	5.2%
* For full definitions of <i>IQ</i> method ^{≤M} measures, see page 10.					

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Refer to important disclosures on page 11 to 13. Analyst Certification on page 9. Price Objective Basis/Risk on page 9.

23 April 2025

Equity

Key Changes		
(US\$)	Previous	Current
2025E Rev (m)	16,905.6	17,575.9
2026E Rev (m)	18,927.7	19,248.0
2027E Rev (m)	20,578.3	20,593.8
2025E EPS	5.38	5.56
2026E EPS	6.43	6.35
2027E EPS	7.44	7.24

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Stock Data

152.15 USD
176.00 USD
15-Apr-2025
B-2-7
139.95 USD - 220.39 USD
138,444 USD / 909.9
99.8%
1401.66 USD
TXN / NAS
TXN US / TXN.OQ
29.0%
61.5%

TXN: Texas Instruments PE: Personal Electronoics Pf: pro-forma ITC: Investment Tax Credit Prem.: premium

iQprofile[™] Texas Instruments Inc.

(US\$ Millions)	2023A	2024A	2025E	2026E	2027
Return on Capital Employed	25.1%	16.9%	17.0%	18.8%	21.09
Return on Equity	41.2%	28.2%	29.0%	31.2%	34.89
Operating Margin	41.8%	34.9%	33.9%	35.1%	37.19
Free Cash Flow	1,349	1,498	2,269	5,962	7,18
i Q method [™] – Quality of Earnings*					
(US\$ Millions)	2023A	2024A	2025E	2026E	2027
Cash Realization Ratio	1.0x	1.3x	1.4x	1.6x	1.6
Asset Replacement Ratio	4.3x	3.2x	2.5x	1.5x	1.3
Tax Rate	12.2%	12.0%	9.6%	9.8%	10.20
Net Debt-to-Equity Ratio	48.9%	61.5%	55.9%	52.1%	52.19
Interest Cover	20.8x	10.8x	11.0x	12.3x	13.8
Income Statement Data (Dec)					
(US\$ Millions)	2023A	2024A	2025E	2026E	2027
Sales	17,519	15,641	17,576	19,248	20,59
% Change	-12.5%	-10.7%	12.4%	9.5%	7.0
Gross Profit	11,019	9,094	10,001	10,838	11,91
% Change	-20.0%	-17.5%	10.0%	8.4%	9.9
EBITDA	8,569	7,045	9,088	11,135	14,02
% Change	-22.9%	-17.8%	29.0%	22.5%	25.9
Net Interest & Other Income	87	(12)	(312)	(352)	(35
Net Income (Adjusted)	6,476	4,774	5,073	5,755	6,52
% Change	-25.6%	-26.3%	6.3%	13.4%	13.4
Free Cash Flow Data (Dec)					
(US\$ Millions)	2023A	2024A	2025E	2026E	2027
Net Income from Cont Operations (GAAP)	6,510	4,799	5,097	5,779	6,54
Depreciation & Amortization	1,175	1,508	1,849	2,300	2,30
Change in Working Capital	(686)	718	(324)	878	75
Deferred Taxation Charge	NA	NA	NA	NA	, - N
Other Adjustments, Net	(579)	(707)	293	505	58
Capital Expenditure	(5,071)	(4,820)	(4,646)	(3,500)	(3,00
Free Cash Flow	1,349	1,498	2,269	5,962	7,18
% Change	-77.2%	11.0%	51.4%	162.8%	20.5
Share / Issue Repurchase	(30)	(412)	(1,735)	(800)	(80
Cost of Dividends Paid	(4,557)	(4,795)	(5,004)	(5,214)	(5,44
Change in Debt	2,500	2,380	850	0	(=,
Balance Sheet Data (Dec)					
(US\$ Millions)	2023A	2024A	2025E	2026E	202
Cash & Equivalents	2,964	3,200	2,740	3,088	3,08
Trade Receivables	1,787	1,719	2,037	2,102	2,10
Other Current Assets	10,371	10,107	8,958	9,094	9,09
Property, Plant & Equipment	9,999	11,347	13,204	13,704	13,70
Other Non-Current Assets	7,227	9,136	8,565	8,265	8,26
Total Assets	32,348	35,509	35,503	36,253	36,25
Short-Term Debt	599	750	0	0	,
Other Current Liabilities	2,721	2,893	2,560	2,640	2,64
Long-Term Debt	10,624	12,846	12,848	12,848	12,84
Other Non-Current Liabilities	1,507	2,117	2,014	2,014	2,01
Total Liabilities	15,451	18,606	17,422	17,502	17,50
	•	16,903	18,081	18,751	18,75
Total Equity	16,897	10,503	10,001	10,731	10.7 3

Company Sector

Semiconductors

Company Description

Texas Instruments is a broad-based supplier of semiconductor components, ranging from digital signal processors, to high-performance analog components, to digital light-processing technology and calculators. 70% of TXN sales are exposed to the well diversified, business-to-business Industrial, Automotive, Communications Infrastructure, and Enterprise markets.

Investment Rationale

We rate TXN Neutral. We believe that TXN is among the highest-quality semiconductor companies in the analog sector, with a strong track record of consistent share gains. However, near-term capex commitments could slow free cash flow growth, limiting FCF upside.

Stock Data

Average Daily Volume 9,212,347

Quarterly Earnings Estimates

	2024	2025
Q1	1.20A	1.28A
Q2	1.22A	1.34E
Q3	1.47A	1.52E
Q4	1.30A	1.41E

Summary of model changes

Exhibit 1: Summary of TXN estimate changes

We raise FY25/26E sales by +4%/+2% and raise/lower FY25/26E EPS by +3%/-1%

	S	ales (\$mn)			GAAP EP	S
	Old	NEW	delta	Old	NEW	delta
1Q25E	\$3,900	\$4,069	\$169	\$1.06	\$1.28	\$0.22
2Q25E	\$4,167	\$4,350	\$183	\$1.30	\$1.34	\$0.04
3Q25E	\$4,459	\$4,636	\$177	\$1.55	\$1.52	(\$0.02)
4Q25E	\$4,380	\$4,521	\$141	\$1.47	\$1.41	(\$0.06)
FY25E	\$16,906	\$17,576	\$670	\$5.38	\$5.56	\$0.18
YoY	8.1%	12.4%	4%	3.5%	7.0%	3.3%
1Q26E	\$4,437	\$4,472	\$35	\$1.36	\$1.34	(\$0.02)
2Q26E	\$4,709	\$4,835	\$126	\$1.62	\$1.63	\$0.02
3Q26E	\$5,018	\$5,092	\$74	\$1.84	\$1.79	(\$0.05)
4Q26E	\$4,764	\$4,849	\$85	\$1.62	\$1.58	(\$0.04)
FY26E	\$18,928	\$19,248	\$320	\$6.43	\$6.35	(\$0.08)
YoY	12.0%	9.5%	2%	19.6%	14.2%	-1.3%
1Q27E	\$4,790	\$4,798	\$8	\$1.57	\$1.59	\$0.02
2Q27E	\$5,140	\$5,147	\$7	\$1.88	\$1.81	(\$0.07)
3Q27E	\$5,459	\$5,464	\$5	\$2.11	\$2.04	(\$0.08)
4Q27E	\$5,190	\$5,185	(\$5)	\$1.88	\$1.80	(\$0.08)
FY27E	\$20,578	\$20,594	\$16	\$7.44	\$7.24	(\$0.21)
YoY	8.7%	7.0%	0%	15.7%	14.0%	-3%

Source: BofA Global Research estimates, company report

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Q1 reported vs. expectations

Exhibit 2: Summary of Q1 results

Both sales and EPS came in ahead of consensus in Q1

	Mar-24	Dec-24			Mar-25				
			Guidance	Consensus	BofA	Reported	Delta	QoQ	YoY
Sales (\$mn)	\$3,661	\$4,007	\$3,900 (\$3,740-\$4,060)	\$3,902	\$3,900	\$4,069	4.3%	1.5%	11.1%
QoQ%/YoY%	-10.2%	-3.5%		-2.6%	-2.7%	1.5%			
Analog	2,836	3,174		3,107	3,114	3,210	3.3%	1.1%	13.2%
Embedded	652	613		597	579	647	8.4%	5.5%	-0.8%
Other	173	220		209	207	212	1.4%	-3.6%	22.5%
Gross Margin %	57.2%	57.7%		55.2%	55.5%	56.8%	163	-90	-38
Gross Profit	2,095	2,314			2,164	2,313		0.0%	10.4%
R&D	478	491			506	517		5.3%	8.2%
SG&A	455	446			468	472		5.8%	3.7%
Opex Total	933	937			974	989		5.5%	6.0%
Operating Income	1,286	1,377		1,204	1,190	1,324		-3.8%	3.0%
Op Margin %	31.7%	34.4%		30.9%	30.5%	32.5%	169	-183	80
Financial Income	7	(18)			(60)	(48)			
Pretax Income	1,293	1,359			1,130	1,276		-6.1%	-1.3%
Tax expense	188	154			148	97		-37.0%	-48.4%
Tax rate	13.6%	12.5%			12.0%	13.0%		0.5%	-0.6%
Net Income	1,100	1,198			975	1,173		-2.1%	6.6%
Diluted EPS (GAAP)	\$1.20	\$1.30	\$1.05 (\$0.94-\$1.16)	\$1.06	\$1.06	\$1.28	21.4%	-1.8%	6.8%
Diluted Shares	917	919			918	916		-0.3%	-0.1%
Free Cash Flow	-231	806		614	136	-14	-102.3%	-101.7%	-93.9%
FCF/sh	-\$0.25	\$0.88			\$0.15	-\$0.02		-101.7%	-93.9%
Inventory \$	4,083	4,527			4,756	4,687		3.5%	14.8%
Inventory days	238	244			250	244		-0.2%	2.4%
Capex	1,248	1,192		1,295	1,250	1,123	-13.3%	-5.8%	-10.0%

Source: BofA Global Research estimates, company report, Bloomberg



Q2 guidance vs. expectations

Table 1: Q2 estimates and guidance summary

Q2 sales and EPS both guided above consensus estimates

	Mar-25			Jun-25E	
	Reported	BofA	Cons	Guidance	New BofA
Sales (\$mn)	\$4,069	\$4,167	\$4,151	\$4,350 (\$4,170 - \$4,530)	\$4,350
QoQ%/YoY%	1.5%	6.9%	6.4%		6.9%
Analog	3,210	3,269	3,284		3,371
Embedded	647	608	630		683
Other	212	290	249		297
Gross Margin %	56.8%	56.7%	56.5%		57.1%
Gross Profit	2,313	2,362			2,482
R&D	517	516			548
SG&A	472	478			496
Opex Total	989	994			1,044
Operating Income	1,324	1,368	\$1,377		1,438
Op Margin %	32.5%	32.8%	33.2%		33.1%
Financial Income	(48)	(62)			(88)
Pretax Income	1,276	1,306			1,350
Tax expense	97	107			119
Tax rate	13.0%	12.0%		12.5% (12% - 13%)	12.5%
Net Income	1,173	1,193		,	1,226
Diluted EPS (GAAP)	\$1.28	\$1.30	\$1.24	\$1.34 (\$1.21 - \$1.47)	\$1.34
Diluted Shares	916	917		•	914

Source: BofA Global Research estimates, company report, Bloomberg

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Balance sheet, cash flow snapshot

Table 2: Summary of cash balance, inventory, and cash flow trends

Net cash per share of -\$8.56 was down QoQ, inventory days stayed flat

	1Q24	2Q24	3Q24	4Q24	1Q25E		
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	QoQ%	YoY%
Total Cash	\$10,393	\$9,688	\$8,752	\$7,580	\$5,005	-34.0%	-51.8%
ST Debt	\$1,349	\$1,049	\$1,049	\$750	\$0		
LT Debt	\$12,840	\$12,842	\$12,844	\$12,846	\$12,848		
Total Debt	\$14,189	\$13,891	\$13,893	\$13,596	\$12,848		
Net Cash	(\$3,796)	(\$4,203)	(\$5,141)	(\$6,016)	(\$7,843)		
Net Cash/Share	(\$4.14)	(\$4.57)	(\$5.59)	(\$6.55)	(\$8.56)		
DSO	41.5	40.7	40.8	39.0	41.6		
DPO	32.0	48.5	43.1	44.1	44.9		
Inventory \$	\$4,083	\$4,106	\$4,296	\$4,527	\$4,687	3.5%	14.8%
Inventory Turns	1.5	1.6	1.6	1.5	1.5		
Inventory Days	237.9	232.6	233.8	244.0	243.6	(0.4)	5.6
Cash Conversion days	247.4	224.8	231.5	239.0	240.3		
Cash Flow from Ops	\$1,017	\$1,571	\$1,732	\$1,998	\$849	-57.5%	-16.5%
Capex	(\$1,248)	(\$1,064)	(\$1,316)	(\$1,192)	(\$1,123)		
Free cash flow	(\$231)	\$507	\$416	\$806	(\$14)	-101.7%	-93.9%
Dividends	1,183	\$1,185	\$1,187	\$1,240	1,238	-0.2%	4.6%
Repurchases	3	\$71	\$318	\$537	653	21.6%	21666.7%
Dividends as % of FCF (ttm)	491%	313%	323%	320%	283%		
Repurchases as % of FCF (ttm)	21%	12%	31%	62%	92%		
Shareholder returns as a % of FCF (ttm)	511%	325%	354%	382%	375%		

Source: BofA Global Research estimates, company report



Exhibit 3: TXN – Income Statement (\$mn) TXN could grow 12% in FY25E

	1Q24	2Q24	3Q24	4Q24	1Q25E	2Q25E	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	FY25E	FY26E
FY (Dec)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25E	Sep-25E	Dec-25E	Mar-26E	Jun-26E	Sep-26E	Dec-26E	Dec-25	Dec-26
Revenues	\$3,661	\$3,822	\$4,151	\$4,007	\$4,069	\$4,350	\$4,636	\$4,521	\$4,472	\$4,835	\$5,092	\$4,849	\$17,576	\$19,248
QoQ %	-10.2%	4.4%	8.6%	-3.5%	1.5%	6.9%	6.6%	-2.5%	-1.1%	8.1%	5.3%	-4.8%		
YoY %	-16.4%	-15.6%	-8.4%	-1.7%	11.1%	13.8%	11.7%	12.8%	9.9%	11.2%	9.8%	7.3%	12.4%	9.5%
Cost of Goods Sold	1,566	1,611	1,677	1,693	1,756	1,868	1,980	1,970	2,035	2,107	2,159	2,110	7,574	8,410
Gross Profit	2,095	2,211	2,474	2,314	2,313	2,482	2,656	2,551	2,438	2,728	2,934	2,739	10,001	10,838
R&D Expenses	478	498	492	491	517	548	532	521	531	521	542	542	2,118	2,135
SG&A Expenses	455	465	428	446	472	496	481	486	495	475	485	485	1,934	1,941
Total Opex	809	963	920	937	989	1,044	1,012	1,006	1,027	996	1,027	1,027	4,051	4,076
Operating Income	1,286	1,248	1,554	1,377	1,324	1,438	1,644	1,544	1,411	1,732	1,907	1,712	5,950	6,762
Interest/Other Income	7	(1)	0	(18)	(48)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(312)	(352)
Pre-tax Income	1,293	1,247	1,554	1,359	1,276	1,350	1,556	1,456	1,323	1,644	1,819	1,624	5,638	6,410
Tax expense	188	120	192	154	97	119	159	166	96	155	192	187	541	631
Income allocated to RSU	(5)	(6)	(7)	(7)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(24)	(24)
Net Income	1,100	1,121	1,355	1,198	1,173	1,226	1,390	1,284	1,221	1,482	1,621	1,431	5,073	5,755
EPS (GAAP)	\$1.20	\$1.22	\$1.47	\$1.30	\$1.28	\$1.34	\$1.52	\$1.41	\$1.34	\$1.63	\$1.79	\$1.58	\$5.56	\$6.35
EPS (pro-forma, with options)	\$1.20	\$1.22	\$1.47	\$1.30	\$1.28	\$1.34	\$1.52	\$1.41	\$1.34	\$1.63	\$1.79	\$1.58	\$5.56	\$6.35
Diluted Share Count	917	919	920	919	916	914	912	909	908	907	906	905	913	906
Margins (GAAP)														
Gross Margin %	57.2%	57.8%	59.6%	57.7%	56.8%	57.1%	57.3%	56.4%	54.5%	56.4%	57.6%	56.5%	56.9%	56.3%
R&D Expense %	13.1%	13.0%	11.9%	12.3%	12.7%	12.6%	11.5%	11.5%	11.9%	10.8%	10.6%	11.2%	12.0%	11.1%
SG&A Expense %	12.4%	12.2%	10.3%	11.1%	11.6%	11.4%	10.4%	10.7%	11.1%	9.8%	9.5%	10.0%	11.0%	10.1%
Total Opex %	22.1%	25.2%	22.2%	23.4%	24.3%	24.0%	21.8%	22.3%	23.0%	20.6%	20.2%	21.2%	23.1%	21.2%
Operating Margin %	35.1%	32.7%	37.4%	34.4%	32.5%	33.1%	35.5%	34.2%	31.6%	35.8%	37.5%	35.3%	33.9%	35.1%
Pretax Income %	35.3%	32.6%	37.4%	33.9%	31.4%	31.0%	33.6%	32.2%	29.6%	34.0%	35.7%	33.5%	32.1%	33.3%
Tax rate %	14.5%	9.6%	12.4%	11.3%	7.6%	8.8%	10.3%	11.4%	7.3%	9.5%	10.6%	11.5%	9.6%	9.8%
Net income %	30.0%	29.3%	32.6%	29.9%	28.8%	28.2%	30.0%	28.4%	27.3%	30.7%	31.8%	29.5%	28.9%	29.9%
Source: RofA Global Research estimates con	mnany ronort													

Source: BofA Global Research estimates, company report

Exhibit 4: TXN – Segment Model (\$mn) We expect all segments to increase QoQ in Q2E

T1 (D.)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	FY25E	FY26E
FY (Dec)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25E	Sep-25E	Dec-25E	Mar-26E	Jun-26E	Sep-26E	Dec-26E	Dec-25	Dec-26
Analog	2,836	2,928	3,223	3,174	3,210	3,371	3,573	3,537	3,502	3,747	3,934	3,816	13,690	14,999
Embedded Processing	652	615	653	613	647	683	737	722	722	766	819	778	2,789	3,086
Other	173	279	275	220	212	297	326	261	248	323	339	254	1,096	1,163
DLP/Calc/ASIC	173	279	275	220	212	297	326	261	248	323	339	254	1,096	1,163
Legacy Wireless	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	3,661	3,822	4,151	4,007	4,069	4,350	4,636	4,521	4,472	4,835	5,092	4,849	17,576	19,248
QoQ%														
Analog	-9.1%	3.2%	10.1%	-1.5%	1.1%	5.0%	6.0%	-1.0%	-1.0%	7.0%	5.0%	-3.0%	12.6%	9.6%
Embedded Processing	-13.3%	-5.7%	6.2%	-6.1%	5.5%	5.5%	8.0%	-2.0%	0.0%	6.0%	7.0%	-5.0%	10.1%	10.6%
Other	-15.6%	61.3%	-1.4%	-20.0%	-3.6%	40.0%	10.0%	-20.0%	-5.0%	30.0%	5.0%	-25.0%	15.8%	6.1%
DLP/Calc/ASIC	-15.6%	61.3%	-1.4%	-20.0%	-3.6%	40.0%	10.0%	-20.0%	-5.0%	30.0%	5.0%	-25.0%	15.8%	6.1%
Legacy Wireless	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	-10.2%	4.4%	8.6%	-3.5%	1.5%	6.9%	6.6%	-2.5%	-1.1%	8.1%	5.3%	-4.8%	12.4%	9.5%
YoY%														
Analog	-13.8%	-10.7%	-3.9%	1.7%	13.2%	15.1%	10.9%	11.4%	9.1%	11.2%	10.1%	7.9%	12.6%	9.6%
Embedded Processing	-21.6%	-31.2%	-26.6%	-18.5%	-0.8%	11.0%	12.9%	17.9%	11.7%	12.2%	11.2%	7.7%	10.1%	10.6%
Other	-32.9%	-22.3%	-4.8%	7.3%	22.5%	6.4%	18.7%	18.7%	17.0%	8.7%	3.7%	-2.7%	15.8%	6.1%
DLP/Calc/ASIC	-32.9%	-22.3%	-4.8%	7.3%	22.5%	6.4%	18.7%	18.7%	17.0%	8.7%	3.7%	-2.7%	15.8%	6.1%
Legacy Wireless	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	-16.4%	-15.6%	-8.4%	-1.7%	11.1%	13.8%	11.7%	12.8%	9.9%	11.2%	9.8%	7.3%	12.4%	9.5%
% of Sales														
Analog	77.5%	76.6%	77.6%	79.2%	78.9%	77.5%	77.1%	78.2%	78.3%	77.5%	77.3%	78.7%	77.9%	77.9%
Embedded Processing	17.8%	16.1%	15.7%	15.3%	15.9%	15.7%	15.9%	16.0%	16.2%	15.8%	16.1%	16.1%	15.9%	16.0%
Other	4.7%	7.3%	6.6%	5.5%	5.2%	6.8%	7.0%	5.8%	5.5%	6.7%	6.7%	5.2%	6.2%	6.0%
DLP/Calc/ASIC	4.7%	7.3%	6.6%	5.5%	5.2%	6.8%	7.0%	5.8%	5.5%	6.7%	6.7%	5.2%	6.2%	6.0%
Legacy Wireless	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: BofA Global Research estimates, company report



Exhibit 5: TXN – Balance Sheet (\$mn)
Capex will be elevated due to capacity investments

FY (Dec)	1Q24 Mar-24	2Q24 lun-24	3Q24 Sep-24	4Q24 Dec-24	1Q25E Mar-25	2Q25E Jun-25E	3Q25E Sep-25E	4Q25E Dec-25E	1Q26E Mar-26E	2Q26E Jun-26E	3Q26E Sep-26E	4Q26E Dec-26E	FY25E Dec-25	FY26E Dec-26
Assets	IVIAI -24	Juli-24	3ep-24	Dec-24	IVIAI -23	Juli-23L	Jep-2JL	DEC-23L	IVIAI -ZUL	Juli-20L	Jep-20L	DEC-ZUL	Dec-23	DEC-20
Cash & Equivalents	2.483	2.740	2.589	3.200	2.763	3.731	2.672	2.740	2.220	2,196	2,055	3,088	2.740	3.088
Inventories	4.083	4.106	4.296	4,527	4.687	5.118	5,209	5,182	5.240	5.311	5.441	5,318	5,182	5,318
Deferred income taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepaid exp. & other curr. assets	1,301	1,284	962	1,200	1,534	1,534	1,534	1,534	1,534	1,534	1,534	1,534	1,534	1,534
Total current assets	17,448	16,789	15,872	15,026	13,086	14,573	13,740	13,734	13,205	13,399	13,491	14,284	13,734	14,284
PP&E (net)	10,442	11,174	11,802	11,347	11,811	12,259	12,744	13,204	13,429	13,654	13,679	13,704	13,204	13,704
Long-term investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Goodwill	4,362	4,362	4,362	4,362	4,362	4,362	4,362	4,362	4,362	4,362	4,362	4,362	4,362	4,362
Acquisition-related intangibles	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred income taxes	821	905	941	936	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030
Total assets	34,885	35,048	35,321	35,509	33,757	35,917	35,809	35,503	35,399	36,018	36,285	36,253	35,503	36,253
Liabilities & stockholders' Equity														
Accounts payable	551	858	794	820	866	899	930	937	963	1,029	1,040	1,017	937	1,017
Accrued exp. & other liabilities	876	569	721	839	418	418	418	418	418	418	418	418	418	418
Income taxes payable	378	178	108	159	284	284	284	284	284	284	284	284	284	284
Total current liabilities	3,553	3,637	3,686	3,643	2,489	2,522	2,553	2,560	2,586	2,652	2,663	2,640	2,560	2,640
Long-term debt	12,840	12,842	12,844	12,846	12,848	12,848	12,848	12,848	12,848	12,848	12,848	12,848	12,848	12,848
Underfunded retirement plans	111	113	117	110	115	115	115	115	115	115	115	115	115	115
Deferred income taxes	55	55	54	53	56	56	56	56	56	56	56	56	56	56
Def. credits & other liabilities	1,343	1,187	1,352	1,954	1,843	1,843	1,843	1,843	1,843	1,843	1,843	1,843	1,843	1,843
Total liabilities	17,902	17,834	18,053	18,606	17,351	17,384	17,415	17,422	17,448	17,514	17,525	17,502	17,422	17,502
Total stockholders equity	16,983	17,214	17,268	16,903	16,406	18,533	18,395	18,081	17,951	18,505	18,760	18,751	18,081	18,751
Liabilities & stockholders' Equity	34,885	35,048	35,321	35,509	33,757	35,917	35,809	35,503	35,399	36,018	36,285	36,253	35,503	36,253
Key Metrics														
Cash and equivalents	\$10,393	\$9,688	\$8,752	\$7,580	\$5,005	\$5,973	\$4,914	\$4,982	\$4,462	\$4,438	\$4,297	\$5,330	\$4,982	\$5,330
Short term debt	\$1,349	\$1,049	\$1,049	\$750	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long term debt	\$12,840	\$12,842	\$12,844	\$12,846	\$12,848	\$12,848	\$12,848	\$12,848	\$12,848	\$12,848	\$12,848	\$12,848	\$12,848	\$12,848
Net Cash per share	(\$4.14)	(\$4.57)	(\$5.59)	(\$6.55)	(\$8.56)	(\$7.52)	(\$8.70)	(\$8.65)	(\$9.23)	(\$9.27)	(\$9.44)	(\$8.31)	(\$8.62)	(\$8.29)
Days Sales Outstanding (DSO)	42	41	41	39.0	42	40	40	40.5	40	39	39	39.0	,	•
Days Payables Outstanding (DPO)	32	48	43	44.1	45	43	42	42.8	43	44	43	43.4		
Inventory Turns	2	2	2	1.5	1	1	2	1.5	2	2	2	1.6		
Inventory Days (DIO)	238	233	234	244.0	244	250	240	240.0	235	230	230	230.0		
Cash conversion days (DIO+DSO-DPO)	247	225	231	239.0	240	247	238	237.7	232	225	226	225.6		

Source: BofA Global Research estimates, company report

	1Q24	2Q24	3Q24	4Q24	1Q25E	2Q25E	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	FY25E	FY26E
FY (Dec)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25E	Sep-25E	Dec-25E	Mar-26E	Jun-26E	Sep-26E	Dec-26E	Dec-25	Dec-26
Cash Flow From Operations														
Net income	1,105	1,127	1,362	1,205	1,179	1,232	1,396	1,290	1,227	1,488	1,627	1,437	5,097	5,779
Depreciation	346	363	383	416	424	450	475	500	575	575	575	575	1,849	2,300
Stock-based compensation	106	116	87	78	116	133	100	90	133	153	115	103	439	505
Changes in														
Accounts receivable	116	(40)	(151)	143	(141)	(89)	(135)	47	67	(147)	(103)	117	(318)	(66)
Inventories	(84)	(23)	(190)	(231)	(160)	(431)	(91)	27	(58)	(71)	(130)	123	(655)	(136)
Prepaid exp. & other cur. assets	(24)	(22)	(23)	76	(7)	0	0	0	0	0	0	0	(7)	0
Accounts payable and accr. exp.	(77)	102	13	87	(121)	33	31	7	26	65	12	(23)	(50)	81
Income taxes payable	212	120	155	110	132	0	0	1,000	0	0	0	1,000	1,132	1,000
Other	(516)	(285)	(15)	(29)	(70)	0	0	0	0	0	0	0	(70)	0
Cash flow from operations	1,017	1,571	1,732	1,998	849	1,328	1,776	2,962	1,971	2,064	2,096	3,332	6,915	9,462
Cash Flow From Investing														
Capex Spending	(1,248)	(1,064)	(1,316)	(1,192)	(1,123)	(1,123)	(1,200)	(1,200)	(1,000)	(1,000)	(750)	(750)	(4,646)	(3,500)
Purchases of short-term investments	(4,864)	(2,098)	(1,845)	(909)	(647)	0	0	0	0	0	0	0	(647)	0
Sales and maturities of ST investments	2,631	3,130	2,700	2,726	2,807	0	0	0	0	0	0	0	2,807	0
Cash flow from investing	(3,329)	0	(487)	614	1,253	(1,123)	(1,200)	(1,200)	(1,000)	(1,000)	(750)	(750)	(2,270)	(3,500)
Cash Flow From Financing														
Dividends paid	(1,183)	(1,185)	(1,187)	(1,240)	(1,238)	(1,238)	(1,235)	(1,293)	(1,290)	(1,288)	(1,287)	(1,349)	(5,004)	(5,214)
Sales & other stock transactions	65	248	117	87	118	0	0	0	0	0	0	0	118	0
Stock repurchases	(3)	(71)	(318)	(537)	(653)	(400)	(400)	(400)	(200)	(200)	(200)	(200)	(1,853)	(800)
Cash flow from financing	1,831	(1,314)	(1,396)	(2,001)	(2,539)	762	(1,635)	(1,693)	(1,490)	(1,088)	(1,487)	(1,549)	(5,105)	(5,614)
Change in cash & equivalents	(481)	257	(151)	611	(437)	968	(1,059)	68	(519)	(25)	(141)	1,033	(460)	348
Beginning cash & equivalents	2,964	2,483	2,740	2,589	3,200	2,763	3,731	2,672	2,740	2,220	2,196	2,055	3,200	2,740
Ending cash & equivalents	2,483	2,740	2,589	3,200	2,763	3,731	2,672	2,740	2,220	2,196	2,055	3,088	2,740	3,088
Free Cash Flow (FCF)	(231)	507	416	806	(14)	205	576	1,762	971	1,064	1,346	2,582	2,269	5,962
Trailing 4Q FCF	940	1,494	1,468	1,498	1,715	1,413	1,573	2,529	3,513	4,371	5,141	5,962		
Trailing 4Q FCF % of sales	5.6%	9.3%	9.3%	9.6%	10.7%	8.5%	9.2%	14.4%	19.5%	23.7%	27.2%	31.0%	12.9%	31.0%
Dividends as % of FCF (ttm)	491.0%	312.9%	322.6%	320.1%	282.8%	346.9%	314.7%	197.9%	143.9%	116.8%	100.3%	87.5%	220.6%	87.5%
Repurchases as % of FCF (ttm)	20.5%	12.4%	31.1%	62.0%	92.1%	135.0%	126.5%	73.3%	39.9%	27.5%	19.4%	13.4%	81.7%	13.4%
Total returns as % of FCF (ttm)	511.5%	325.3%	353.7%	382.1%	374.9%	481.9%	441.2%	271.2%	183.8%	144.3%	119.8%	100.9%	302.3%	100.9%

Source: BofA Global Research estimates, company report



Price objective basis & risk

Texas Instruments Inc. (TXN)

Our \$176 PO is based on 28x CY26E P/E, toward the middle of its historical 16x-36x range, which we believe is warranted based on TXN's best-in-class FCF generation and returns, and based on incremental cash flow from US CHIPS Act grants, offset by near-term concerns around cost inflation and tariffs.

Risks to our price objective: 1) Macro/cyclical risks given high exposure to automotive, industrial, and telco capex markets, also makes TXN susceptible to any potential global trade tensions/tariffs, 2) Increasing capex intensity and higher depreciation burden could be a headwind to gross margins, 3) Increased R&D spending pressure to maintain an edge versus the competition, 4) Inventory cycles and potential double ordering by customers that can often create mismatches between real supply and demand, 5) exposure to several mature markets such as PC and other consumer.

Analyst Certification

I, Vivek Arya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Vivek Arya
	Coherent Corp	COHR	COHR US	Vivek Arya
	Credo Technology	CRDO	CRDO US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	Marvell Technology, Inc.	MRVL	MRVL US	Vivek Arya
	MKS Instruments	MKSI	MKSI US	Vivek Arya
	Nova	NVMI	NVMI US	Vivek Arya
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
NEUTRAL				
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Ambarella	AMBA	AMBA US	Vivek Arya
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
UNDERPERFORM				
	Lattice Semiconductor	LSCC	LSCC US	Duksan Jang
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Qorvo Inc.	QRVO	QRVO US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
				-



US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment ratingCompanyBofA TickerBloomberg symbolAnalystWolfspeed IncWOLFWOLF USVivek Arya

Penethod[™] Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 — Tax Rate) + Goodwill Amortization	Total Assets — Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin Earnings Growth	Operating Profit Expected 5 Year CAGR From Latest Actual	Sales N/A
Free Cash Flow	Cash Flow From Operations — Total Capex	N/A
Quality of Earnings	Numerator	Denominator
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt — Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	Numerator	Denominator
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt +	Sales
	Other LT Liabilities	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

Manethod 3^{ss} is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

Matarbase is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

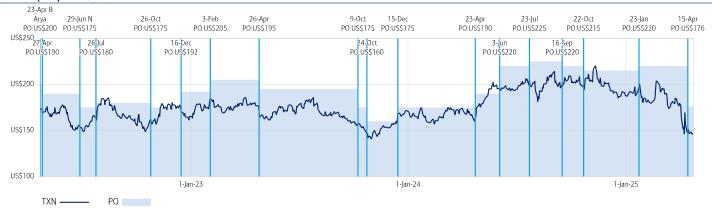
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Disclosures

Important Disclosures

Texas Instr. (TXN) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Mar 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	207	53.08%	Buy	102	49.28%
Hold	92	23.59%	Hold	49	53.26%
Sell	91	23.33%	Sell	24	26.37%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	1867	54.40%	Buy	1108	59.35%
Hold	774	22.55%	Hold	466	60.21%
Sell	791	23.05%	Sell	368	46.52%

R1 Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating Total return expectation (within 12-month period of date of initial rating) Ratings dispersion guidelines for coverage cluster^{R2}

Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. Coverage Cluster is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the Price Charts website, or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Texas Instr.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Texas Instrument.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Texas Instrument.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates. Texas Instrument.

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