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Texas Instruments Incorporated (TXN) Q3 2019 Results - Earnings Call Transcript

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Q3: 10-22-19 Earnings Summary

Press Release SEC *10-Q*

EPS of $1.475 beats by $0.04 | Revenue of $3.77B (-11.50% Y/Y) misses by $-48.48M

Earning Call Audio

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Texas Instruments Incorporated (NASDAQ:TXN) Q3 2019 Results Earnings Conference Call October 22, 2019 4:30 PM ET

Company Participants

Dave Pahl - Vice President, Head of Investor Relations

Rafael Lizardi - Senior Vice President, Chief Financial Officer, Chief Accounting Officer, Finance & Operations

Conference Call Participants

Vivek Arya - Bank of America

Stacy Rasgon - Bernstein Research

John Pitzer - Credit Suisse

Ross Seymore - Deutsche Bank

Joe Moore - Morgan Stanley

Timothy Arcuri - UBS

CJ Muse - Evercore

Tore Svanberg - Stifel

Operator

Good day and welcome to the Texas Instruments' 3Q 2019 earnings release conference call. Today's conference is being recorded.

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

Dave Pahl

Good afternoon and thank you for joining our third 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 will be covering the following topics: First, a high-level summary of the financial results for the third quarter. Second, given the additional weakness we have seen, I will provide some comments about what we are seeing with added insight by segment and end market. Rafael will then review profitability, capital management results and then the outlook, after which will open the call for Q&A

Starting with a high-level summary of our third quarter financial results. Revenue decreased 11% from a year ago and came in below the midpoint of our guidance as we saw most end markets continued to weaken further. In our core businesses, analog revenue declined 8% and embedded processing revenue declined 19% compared with the same quarter a year ago. Both business' year-on-year year growth decelerated. Earnings per share were $1.49, including a $0.09 benefit for items not in our original guidance due to discrete tax benefits.

With that backdrop, I will now provide details on our performance. In the third quarter, our cash flow from operations was $2 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-months period was $6 billion, up 2% from a year ago. Free cash flow margin for the same period was 41% of revenue.

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 be valued only if it's productively invested in the business or if it's returned to owners. For the trailing 12-months period, we returned $7.4 billion of cash to owners through a combination of dividends and stock repurchases, demonstrating our confidence in the business model and our commitment to return all of our free cash flow to owners.

Moving on, I will now provide some details on the third quarter by segment and end market. For the year ago quarter, analog revenue declined 8% due to declines in power, signal chain and high volume. Embedded processing revenue declined 19% from the year ago quarter due to declines in both product lines, processors and connected microcontrollers. All markets declined across embedded, but the declines were most pronounced in the automotive and communications equipment markets. Other declined by 19% from the year ago quarter due to DLP and custom ASICs.

Next, I will provide some comments on what we are seeing in the market and insight into this quarter's performance by end market versus a year ago. As we said, when you look at 30 years of history, semiconductor cycles can vary widely but typically experienced four to five quarters of year-on-year declines before returning to positive growth. We have also said that the current trade tensions could impact the depth and duration of the cycle. We have provided these comments as contexts not as a prediction about the current cycle.

With the end of this current quarter, we have now experienced our fourth consecutive quarter of negative year-on-year growth. There is an increasing number of reports of macroeconomic weakness with trade tensions as the primary contributor. Consistent with this, the weakness we have seen in the third quarter was broad-based across all markets and most sectors.

Industrial, automotive and personal electronics, all declined upper single digits from the year ago as almost all 28 sectors within these markets declined. In communications equipment, revenue declined about 35% from the year ago and 20% sequentially. We saw weakness across all major customers, regions and technologies. And lastly, enterprise systems declined from the year ago quarter.

We have learned over the years that staying focused on building the company stronger, especially in the face of a weak market provides great long term rewards. We continue to invest in and leverage our competitive advantages. The breadth of our product portfolio and channels to market including our direct sales and applications team as well as TI.com provides us the broadest reach to your customer base, a unique advantage.

We have been evolving our distribution network over the years and continue to do so today as we build stronger direct relationships with our customers. We remain focused on analog and embedded, the best products. We remain focused on industrial and automotive, the best market. They will be the fastest growing semiconductor markets as 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 the outlook.

Rafael Lizardi

Thanks Dave and good afternoon everyone. Gross profit in the quarter was $2.45 billion or 65% 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 $778 million, about even from a year ago and about as expected. On a trailing 12-month basis, operating expenses were 22% of revenue.

Over the last 12 months, we have invested $1.56 billion in R&D, an important element of our capital allocation. We are pleased with our disciplined process of allocating capital to R&D which we believe will allow us to continue to grow our topline over the long term.

Acquisition charges and non-cash expense were $79 million. Acquisition charges will decline to about $50 million in the fourth quarter and will remain at that level through the third quarter of 2021.

Operating profit was $1.59 billion or 42% of revenue. Operating profit was down 18% from the year ago quarter. Operating margin for analog was 46%, down from 50% a year ago and for embedded processing was 32%, down from 35% a year ago. Despite current weakness, our focused investments on the best sustainable growth opportunities with differentiated positions will enable both businesses to contribute nicely to free cash flow growth over time.

Other income and expense was a $34 million benefit, up $11 million from a year ago. Net income in the third quarter was $1.43 billion or $1.49 per share, which included a $0.09 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 $1.99 billion in the quarter. Capital expenditures were $149 million in the quarter. Free cash flow on a trailing 12-months basis was $6.03 billion.

In September, we announced we would increase our quarterly dividend by 17%, marking our 16th year of dividend increases. In the quarter, we paid $721 million in dividends and repurchased $456 million of our stock for a total return to owners of $1.18 billion. In total, we have returned $7.38 billion in the past 12 months, consistent with our strategy to return all free cash flow. Over the same period, our dividends represented 48% of free cash flow, underscoring their sustainability.

Our balance sheet remains strong with $5.07 billion of cash and short term investments at the end of the third quarter. In the quarter, we repaid $750 million of debt and issued $750 million of debt with a coupon of 2.25% due in 10 years. This results in total debt of $5.8 billion with a weighted average coupon of 2.99%.

Inventory days were 139, up eight days from a year ago and down four days 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. Work in both of these areas is mostly complete. Given the weaker environment, we have reduced wafer starts to align with demand.

Turning to our outlook for the fourth quarter. We expect TI revenue in the range of $3.07 to $3.33 billion and earnings per share to be in the range of $0.91 to $1.09, which includes an estimated $5 million discrete tax benefit. We continue to expect our annual operating tax rate to be about 16% for 2019, As a reminder, acquisition charges will decline to about $50 million in the fourth quarter and remain at that level through the third quarter of 2021.

In closing, as Dave mentioned, we will stay focused in the areas that add value in 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 we believe will enable us to continue to improve and deliver free cash flow per share growth over the long term.

With that, let me turn it back to Dave.

Dave Pahl

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

Question-and-Answer Session

Operator

[Operator Instructions]. We will take our first question from Vivek Arya of Bank of America. Please go ahead.

Vivek Arya

Thanks for taking my question. The first one is on the Q4 outlook. How do we get confidence that this isn't company specific or share loss, because when we looked at some of the SIA data for July and August, it was more positive. So is it anything that is company specific in Q4, because the guidance is substantially below? We understand the macro environment is not that great. But is there anything one-off company specific that is impacting your guidance? Is there any share loss issue? Any other color that you could provide would be very helpful.

Dave Pahl

Yes. Vivek, I will take that. I would say, state the obvious, obviously the SIA numbers are more backward-looking versus the looking into fourth quarter. And I think when you judge share and we have talked about this in past, but you really need to judge it over multiple quarters. You look at the diversity of our revenue. We talk about one of our competitive advantages being diversity and longevity. Our biggest the product last year, as an example, was about 0.8% of our total revenue. So just that diversity, I think, has served us well and will continue to serve us well.

Do you have a follow-on?

Vivek Arya

Yes. Thanks Dave. Somewhat more longer term, there is a lot of discussion of parallel technology in semis ecosystem developing in China as it tries to get more self-sufficient. How well is TI placed from a competitive perspective? Do you think there are substitutes for your kind of analog and embedded products from Chinese vendors over some intermediate timeframe? And what would TI need to do different as a company to react to this new ecosystem?

Dave Pahl

Yes. I will start off. I think if you look at the analog and the embedded market, they have got many natural competitive moats that sit around the marketplace overall. I think that we have certainly heard discussions of Chinese customers wanting to ensure that they have alternatives. But it's very different than being designed out. So our customers overall are very pragmatic. They are looking for components with the highest performance, the lowest cost and the most dependable delivery. So I think we will continue to focus on those things. And they have served us well in the past and we believe it will continue to serve us well in the future.

Thank you Vivek. We will go to the next caller, please.

Operator

[Operator Instructions]. Our next question comes from Stacy Rasgon of Bernstein Research. Please go ahead.

Stacy Rasgon

Hi guys. Thanks for taking my question. I guess I wanted to follow-up on a little bit around Q4. We have been in this environment for a while. I think you had your first guide for cut actually on this call a year ago. But even on that call, you had guided Q4 2018 down about 12% sequentially which was obviously below. We are a later. We have had a number of rounds of cuts. So the base is even lower and now you are guiding Q4 2019 down by 50% sequentially. So it's even worse on a sequential basis than we saw in the year ago quarter when we started. I guess it's and again it's not like things have been weak all along. I guess if you can give us some kind of an indication, maybe what could get immediately worse? Is this your Huawei pull-forward working off? Is this something going on because your distribution strategy is different from your competitors? I guess anything you can give us around the tactical near term environment driving the Q4 guide would be helpful, just given what we have seen over the last year or so in those trends?

Rafael Lizardi

Yes. Stacy, thanks for the question. Let me take a shot at that. And then Dave will follow-up with other comments. But our sense is that customers are just far more cautious than they were certainly a year ago, but even 90 days ago. And many of them, when talk about the caution, they mentioned the trade tensions that we know have been happening and have been accumulating over the last three or four quarters. And the consistency of that breadth of weakness supports that this is a macro situation that is driving the further weakness that we are seeing.

Dave Pahl

You have got a follow-on?

Stacy Rasgon

I do. So you have talk about evolving your distribution strategy and relationships. Do you think it's possible that any of those activities as you disintermediate more of them maybe having like a near term negative impact on your revenue outlook because you can rely on them less to do things like demand generation and the like? Is there, I guess, any change you have made recently you think could be having any sort of impact on the near term horizon?

Dave Pahl

Yes. Simply in a word, I would just say, no, Stacy. I think establishing a more direct relationship with our customer just yields more rewards than it does the risk. And it gives us greater access to those customers. And you have seen us evolve that over the last several years and we have made investments in order to provide very high levels of service for our customers, especially as we move to a more direct business model. And these investments include the things that you have heard us talk about, the new capabilities and in some cases improved capabilities to our website, e-commerce enhancements for demand creation, inventory consignment programs that we have talked about on the last the last few calls and other things like order fulfillment services. So these improved capabilities combined with our sales and applications organization which by the way is the largest in the semiconductor industry just help us provide great product and great support to our customers. And that's really what we have been focused on.

Thank you. And we will go to the next caller, please.

Operator

Our next question comes from John Pitzer of Credit Suisse. Please go ahead.

John Pitzer

Yes. Thank guys. Thanks for letting me ask questions. Dave, I just want to go back to the embedded. When I look at how your analog business trending, it's about in line with our expectations and quite frankly, what your peer group is doing. But when I look at embedded, it seems to be demonstrably worse. In fact, if Q4 is down sequentially equally across all segments, you will be down peak to trough this cycle in embedded, more so than you were in the 2009 financial crisis when financial markets weren't working properly and companies couldn't actually get funding for inventory. So I just want to kind of go back and kind of understand why you think the embedded business is doing so poorly relative to overall kind of industry trends? Is that really where the comms weakness comes in? If you can help me understand that a little bit better, it would be helpful.

Dave Pahl

Yes. And John, to put it in context, we talked about at the company level, so including analog and embedded that all the markets were week, that when we saw the sectors that make up those markets that most of them were weak. But that weakness was just more pronounced directionally the same but just more pronounced in embedded. And you know, we did see and if you look now just inside of embedded, we saw a more pronounced weakness in automotive and in communications. So again, I think that those types of things need to be measured over longer periods of time. And so I wouldn't judge that business on any one quarter results overall.

You have a follow-on, John?

John Pitzer

Yes. Just as a follow-up, just going back to the comms part of the business. So I am just kind of curious, not that the macro is all that strong, but to what extent can you quantify, if at all, the impact from bans? Is this way Huawei having ordered a lot more inventory throughout the year than you thought? Is this a certain company or region? Just on the comms side, any color you can give on the weakness would be helpful.

Dave Pahl

Yes. I think we can't rule out, obviously, you know customers having built inventory in preparations for builds or concerns with the trade tensions. But the weakness that we saw wasn't limited to any region. That was very broad-based. When we look at the largest customers inside of comms equipment, that was across the largest customers. And again, we talked about that it was across the technologies. So it's really broad-based, the weakness. So not just one customer or not just one technology or not just one region. So hopefully that color helps.

Thank you, John. We will go to the next caller, please.

Operator

Our next question comes from Ross Seymore of Deutsche Bank. Please go ahead.

Ross Seymore

Dave, you gave the year-over-year comments and then the sequentials for the comm equipment. But I think we are all trying to solve the main problem of kind of why is your guidance so weak in the fourth quarter? To the extent it provides any clues, could you give us what the quarter-over-quarter sequentials were by the end markets outside of the comm, which you already gave?

Dave Pahl

Sure. Industrial and automotive declined low single digits, Ross. Personal electronics grew midteens and that was based on really just seasonal growth that we would expect to see. We already commented on comms equipment declining about 20%. And then enterprise systems grew in the quarter.

You have a follow-on?

Ross Seymore

Yes. I guess one on the cash return side of things. I know one quarter doesn't necessarily make a trend, but you guys have been ridiculously consistent in a positive way with your buyback over time. I know you raised the dividend this last quarter. But I think the share repurchase was the lowest since I believe the second quarter of 2012, if my model is right. And the aggregate of the two, the dividend and the buyback, were meaningfully less than the free cash flow in the quarter. I know it's not just one quarter, but is there anything at that explains why the buyback was significantly lower than it's been in any time in recent history?

Rafael Lizardi

Yes. I would tell you and that is I will take you back to our capital management strategy and our objectives to return all free cash flow to the owners of the company. And as you pointed out, we do that through buybacks and dividends. And on a trailing 12-month basis which is a better way to look at all these things, to give you just a better trend of what's going on, we have returned $7.4 billion of cash and our free cash flow has been $6 billion during that time. So we have returned 122% of free cash during that time. So a pretty healthy amount. And in the last quarter, we returned or we bought back $456 million. As long as the stock price is below our assessment of intrinsic, we will be buying back shares and we did buy a healthy amount in third quarter.

Rafael Lizardi

Yes. And I will just add to that, that as Rafael said, it's quite best to look at the free cash flow metrics on a trailing 12-month basis, as there is seasonality. Third and fourth quarter tend to be stronger than first and second on that. So that usually provides a better insight.

Thank you Ross. And we will go to the next caller, please.

Operator

Our next question comes from Joe Moore of Morgan Stanley. Please go ahead.

Joe Moore

Yes. I wonder if you could give us more color, I mean you have talked about your customers being more cautious. But to what degree do you think that's demand being softer that's different inventory behavior? And I guess on the flipside, I mean it doesn't seem like you are seeing a lot of inventory accumulation around the tariff activities. But just could you just generally comment on the state of your customers' inventories as you move to the last quarter? Thanks.

Dave Pahl

Yes. Joe, I will make a comment and if Rafael wants to add something to it, certainly jump in, Rafael. But you know, when we look at inventory in the channel, it was actually down a little bit sequentially, still at about four-and-a-half weeks. So really not changing much overall. We still have about two-thirds of our revenue supported by consignment overall. So we know that inventory remains at zero because of those consignment programs. So they continue to be in a healthy state. The rest of that, we can't see into our customers' inventories and down channel. So our visibility really ends at that point.

Rafael?

Rafael Lizardi

Yes. The only thing I would add, I can sense that you collectively are unsatisfied with our answers and I understand that. We have close to 100,000 different customers and we sell about 100,000 different products. It's difficult to pinpoint any one thing. But the sense we get talking to those customers, getting input from them, from our salespeople and all the touch points that we have is that the weakness is broad-based, is due to macro events and specifically the trade tensions.

And if you think about when there is tensions in trade and obstacles to trade, what do businesses do? They become more cautious and they pull back. And we are at the very end of our long supply chain and when the ones at the very front pullback, it becomes a traffic jam. So our sense is that is what's happening in the marketplace. But we will see what other companies will report over time and we will get a clear picture over the next several weeks and really quarters, because this thing we have been in it for now four quarters and it's going to be longer than that.

Dave Pahl

You have a follow-on, Joe?

Joe Moore

Yes. And thanks for the color. I do appreciate you guys clarifying what's going on. In terms of the wafer start reduction in the fourth quarter, can you just talk about, I guess normally you have talked about a 70% incremental gross margin in both directions, anything kind of different as you think about Q4 because of the fact of that wafer start comment that you made?

Rafael Lizardi

Yes. Actually, no, not any different to the larger degree. We have talked about 70% to 75% fall through. And that's a guide. It could be a little less, a little more. So that's probably how you want to think about it on a year-on-year basis for fourth quarter. We did lower wafer starts in third quarter inside of the quarter and we are lowering those further into fourth quarter. And that's a capital allocation decision. When we do that we save cash, right. And we have, to a larger degree, built the buffer strategy that we have talked about. So we will save cash as we do that and that makes sense for the owners of the company. There is cash that's freed up for other purposes. That will hit the GPM line, but it will do so about as expected. So as I say, you have seen a fall through that we have talked about in the big scheme of things.

Dave Pahl

Okay. Thank you Joe. We will go to the next caller, please.

Operator

Our next question comes from Timothy Arcuri of UBS. Please go ahead.

Timothy Arcuri

Hi. Thanks. Q4 OpEx is usually down low to mid singles. I am just trying to see if that's the right number for December that's in the guidance?

Dave Pahl

OpEx, well, first remember, the objective of OpEx is to fuel our long term growth and these are long term investments that pay off over many, many years, in many cases decades. So that's how we think about. In this environment, we are cautious and we want to be prudent. But we are not cutting back on those long term investments.

On a trailing 12-month basis, OpEx has been running pretty steady at about $3.2 billion for at least a year or so, if you look at trailing 12-month at the end of every quarter for the last three or four quarters. And it is overall is down about 1% versus a year ago. But of course, revenue has been dropping more than that. So then, as a percent of revenue, it's gone up a little bit. So now it's at 20%. And that's well within our expectation, our guide of 20% to 25% for that metric.

You have a follow up?

Timothy Arcuri

Sure. I guess with respect to the loadings commentary, does it make you rethink the timing on the new 300 millimeter fab, if you can give us an update there? Thanks.

Rafael Lizardi

Yes. Sure. So first, let me remind you, of course when it comes to CapEx, particularly for that fab, it's all about driving long term revenue growth and extending our manufacturing advantage, including 300 millimeter. And that is one of our key competitive advantages. We are now in the process of building a parking structure that will be complete in the first half of next year. Once we build that, that will enable us to build the building for the next 300 millimeter factory. Our plan continues to be to build that building within the next few years.

And as a reminder, that will cost $600 million to $700 million over a couple of years as we build that building. And $600 million to $700 million, it is a sizable amount. But the big expense comes from the equipment that would follow. And in fact an even bigger one will be the opportunity cost of not having that available, if there s, or when there is growth on the other side of these things. So we think about all of those things and based on that we have laid our plans at the moment.

Dave Pahl

Okay. Thank you Tim. We can go to our next caller, please.

Operator

Our next question comes from CJ Muse of Evercore. Please go ahead.

CJ Muse

Yes. Good afternoon. Thanks for taking the question. I guess I wanted to revisit comments around China and the potential for pull-ins. If I look back at your June quarter, that business was up about 6% year-on-year where everything else was down 1%. And so I guess as you look back and you think forward, do you have a sense that was in fact pull-ins in the prior quarters and that's perhaps exacerbating what you are seeing into the December quarter?

Dave Pahl

Yes. I think that, so first I spent eight years of my career in sales and I like the job. I never once took a double order or saw a customer do a pull-in, right. But so certainly wouldn't rule that out as a possibility. But I think more of what you are seeing there is just seasonality as customers prepare more of the PE products, our products are shipped into China than any other region. So that has an effect that's in there as well. So again, I won't rule it out. But you have got some seasonality that's going on with that.

You have a follow-on?

CJ Muse

I do. You talked broad based weakness. But I was hoping perhaps you could narrow in on auto and give a little more color on what you are seeing there, either geographically or by sub-segment?

Dave Pahl

Yes. So we have got five sectors that are inside of that. All the sectors saw weakness. I made the comment that if you look at the sectors across industrial and even personal electronics, that most of those sectors were down. So automotive was no different from that front. And I would say that from a regional standpoint, we saw weakness across all of the regions. So nothing really significant there to spike out.

Okay. Thank you CJ. And with that, we have got time for one last caller. Operator?

Operator

Our last question comes from Tore Svanberg of Stifel. Please go ahead.

Tore Svanberg

Yes. Thank you. Could you maybe talk a little bit about the linearity of the orders? So obviously there's been some weakening. And I am just wondering if you already started to see that this summer? Or was it sort of something more that came later in the quarter?

Dave Pahl

Yes. So I would say that it was weak throughout the quarter. It wasn't last couple of week or last 30-day phenomenon. I would also point out we have got two-thirds of our revenue on consignment. So in those arrangements, we get the order and ship them instantaneously at the same time. So revenues and orders really reflect each other for the most part.

Do you have follow-on, Tore?

Tore Svanberg

Yes. I had a follow-on for Rafael. So you have done a tremendous job on gross margin. Revenues down 12% year-over-year but gross margin only down 90 basis points. And now your inventory days were down as well sequentially. I know you talked a little bit about the factory loadings in Q4. But should we think about some sort of a inventory days target that you want to run the business at next few quarters?

Rafael Lizardi

So good question. Let me first step back and remind you how we think about inventory, okay. Inventory, the objective there is to maintain high levels of customer service, minimize obsolescence and improve our asset utilization. We have a guide of 115 to 145, but those are not concrete barriers, right. It's just a guide there. We are going to do the right thing for the business.

So for example, in this situation, in the current environment, even though we have decreased those wafer starts, it is likely that we go above the top of that range or it's at least possible that we do just because of where the revenue midpoint is. Now we are not going to go drive the wafer starts in a draconian way to just to stay within those guidelines.

That would not make sense in one quarter. But over one, two, three quarters then the idea is to, that guidelines just provide an area where we should aim at and we can achieve our objectives, the inventory objectives I talked about, while deploying and allocating capital in the best way that benefits the interest of the long term owners of the company.

Dave Pahl

So with that, let me just finish with a few comments on some key items for you to remember. We will remain focused on analog and embedded, the best products and industrial and automotive, the best markets. Next, 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. Lastly, we continue to believe growing free cash flow per share over the long term. It's why we will maximize value for the owners of the company.

Rafael Lizardi

Thank you all for joining us. A replay of this call is also available on our website. Good evening.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.