

Rating
HoldNorth America
United StatesTMT
SemiconductorsCompany
Texas InstrumentsReuters
TXN.OQBloomberg
TXN USExchange
NMSTicker
TXNDate
24 October 2023

Forecast Change

Price at 24 Oct 2023 (USD)	146.92
Price target	150.00
52-week range	186.08 - 146.32

3Q23 Results: Still waiting on the FIFO

TXN delivered an ~in-line 3Q and a "seasonal" 4Q guide that remains relatively disappointing given that cyclical pressures have weighed on the co's results for nearly a year already (with no clear turnaround in sight). On the positive side, the Automotive market remains resilient (growing +MSD% q/q despite investor concerns) and Personal Electronics continues to grow off its 1Q base (rising +20% q/q in 3Q), but all other markets remain down on both a q/q and y/y basis (Industrial weakness broadening). Additionally, margin headwinds are expected to persist on a combination of capex flowing into the P&L, declining revenues, and falling utilization, creating concerns over where the floor is for company GMs (despite potential relief from lower depreciation and CHIPS act benefits in 2H24), with implied 4Q GM at DBE ~60% (down ~210bps q/q). While we have confidence in TXN's ability to manage through up/down cycles effectively, the combination of no signs of cyclical "green shoots" and commitment to elevated capex (with resulting GM pressure over the next couple of years) is likely to keep investors on the side lines. Consequently, with our ests falling by -7% in CY24, we trim our P/T to \$150 (~21x P/E near historical avg) and retain our Hold rating.

Valuation & Risks

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Key changes

TP	160.00 to 150.00	↓	-6.2%
EPS (USD)	7.27 to 7.10	↓	-2.3%
Revenue (USDm)	17,986.8 to 17,639.8	↓	-1.9%

Source: Deutsche Bank

Negatives outweigh positives

Negatives: 1) The co delivered 3Q revs ~in-line with guidance (~flat q/q) but for the first time since 3Q19 they did not deliver typical upside (historically beat by ~+LSD %) and 4Q rev guidance while seasonal (~10% q/q = 5yr avg guide) will likely be viewed as disappointing (vs. original DBE of -5% q/q & Street -1% q/q). **2)** TXN's 4Q EPS guide (\$1.46) implies significant GM pressure q/q as the cost of the co's capex begins to hit the income statement, revenue continues to decline, and utilization continues to fall. Specifically, we estimate TXN's 4Q GM at ~60%, down over ~2ppts q/q. **3)** While 3Q EPS of \$1.85 was ~in line with the company's original guidance, it included a 5 cent gain not originally anticipated in the company's guide (related to tax benefit). **Positives: 1)** Despite sustained weakness across the majority of its end markets, TXN's Automotive business remains resilient (at least in the near-term) at mid-single-digits % growth q/q and +20% y/y (y/y expected to stay strong through 4Q as well), and Personal Electronics grew q/q for its second consecutive quarter (seemingly having troughed in 1Q), rising ~+20% q/q. **2)** Management reset out-year guidance for depreciation, setting CY24 expectations to \$1.5-1.8b (vs. \$2b prior) and CY25 to \$2-2.5b (vs. \$2.5b prior) due to the timing of equipment/tooling qualifications, which should help temper some of the expected gross margin headwinds. **3)** The company believes inventory growth is

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Semiconductors
Texas Instruments

finally beginning to stabilize, with 3Q DIO's decreasing for the first time in CY23 (albeit with 205 days still at a historically high level) and with dollars of inventory expected to go down further as the co slows wafer starts and inventory digestion continues to normalize.

Results/Guidance

Figure 1: 3Q23 Results

Texas Instruments (TXN)					
(\$ in millions, except per share data)					
	Actual	DBe Old	3Q23E Consensus	Guidance	Commentary
Income Statement					
Revenues	\$4,532	\$4,647	\$4,553	\$4,550.0	
q/q Growth	+0%	+3%	+0%	+0%	
y/y Growth	-14%	-11%	-13%	-13%	
End Markets (DBe)					
Industrial	\$1,795	\$1,929			Weakness broadend across entire market
q/q Growth	-6%	+1%			
y/y Growth	-14%	-7%			
Personal Electronics	\$691	\$638			
q/q Growth	+20%	+11%			
y/y Growth	-27%	-33%			
Automotive	\$1,518	\$1,461			End market remained resilient
q/q Growth	+6%	+2%			
y/y Growth	+18%	+13%			
Comm Eqmt	\$168	\$202			Inventory level adjustment continues
q/q Growth	-17%	+0%			
y/y Growth	-54%	-45%			
Enterprise Systems	\$211	\$203			
q/q Growth	+7%	+3%			
y/y Growth	-25%	-28%			
Gross Margin	62.1%	61.9%	62.9%		
q/q Delta	-211bps	-233bps	-132bps		
Opex	\$923	\$953			
q/q Growth	-0	+2%			
Share Count	916,000	916,000			
Tax Rate	11%	13%			
EPS	\$1.85	\$1.85	\$1.85	\$1.80	

Source : Deutsche Bank Estimates, Company Data, Bloomberg Finance LP



Figure 2: 4Q23E Guidance

Texas Instruments (TXN)					
(\$ in millions, except per share data)					
	4Q23E				
	DBe New	DBe Old	Consensus	Guidance	Commentary
Income Statement					
Revenues	\$4,198	\$4,430	\$4,523	\$4,100	Mgmt expects to be similar to prior quarter
q/q Growth	-7%	-5%	-1%	-10%	
y/y Growth	-10%	-5%	-3%	-12%	
End Markets (DBe)					
Industrial	\$1,616	\$1,890			
q/q Growth	-10%	-2%			
y/y Growth	-15%	-1%			
Personal Electronics	\$622	\$594			
q/q Growth	-10%	-7%			
y/y Growth	-22%	-26%			
Automotive	\$1,518	\$1,432			
q/q Growth	+0%	-2%			
y/y Growth	+14%	+7%			
Comm Eqmt	\$151	\$182			
q/q Growth	-10%	-10%			
y/y Growth	-47%	-36%			
Enterprise Systems	\$180	\$173			
q/q Growth	-15%	-15%			
y/y Growth	-40%	-42%			
Gross Margin	60.0%	61.4%	62.6%		
q/q Delta	-213bps	-52bps	-32bps		
Opex	\$907	\$953			
q/q Growth	-2%	-0%			
Share Count	916,000	916,000			
	14%	13%			
EPS	\$1.52	\$1.70	\$1.78	\$1.46	

Source : Deutsche Bank Estimates, Company Data, Bloomberg Finance LP

Figure 3: Summary of estimate changes

	New 4Q23E	Old 4Q23E	New 2023E	Old 2023E	New 2024E	Old 2024E
Revenue	\$4,198	\$4,430	\$17,640	\$17,987	\$18,523	\$19,385
q/q	-7%	-5%	--	--	--	--
y/y	-10%	-5%	-12%	-10%	+5%	+8%
Gross Margin	60.0%	61.4%	63.0%	63.2%	60.2%	61.0%
GAAP EPS	\$1.52	\$1.70	\$7.10	\$7.27	\$7.00	\$7.50

Source : Deutsche Bank Estimates

Maintain Hold rating, lower P/T to \$150

We are maintaining our Hold rating but lower our P/T to \$150 (vs. \$160 prior) based on a consistent multiple of ~21x our CY24EPS (near the co's 5-year average P/E). Risks include macro, upside/downside to Auto, Industrial, Personal Electronic, Communications Equipment, and Enterprise Systems demand, supply constraints, market share loss, and better-/lower-than-expected profitability.



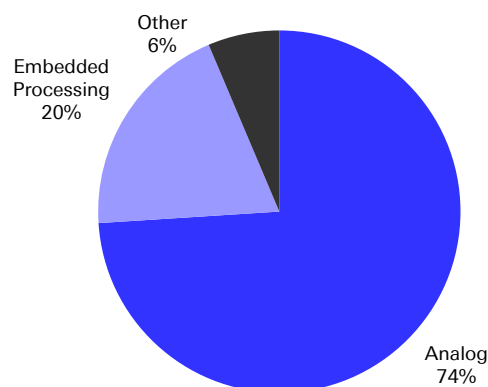
Details

Figure 4: Texas Instruments earnings result summary

	Consensus	3Q23E DBE	3Q23E Actual	Comments
Revenue	\$4,523	\$4,647	\$4,532	
q/q	-1%	+3%	+0%	
Gross Margin	62.6%	61.9%	62.1%	
Opex		\$953	\$923	
Tax Rate		13.0%	11.1%	
EPS	\$1.78	\$1.85	\$1.85	
Product Segments (Actual)				
Analog		\$3,278	\$3,353	
q/q		0%	+2%	
Embedded Processing		\$894	\$890	
q/q		0%	-0%	
Other		\$475	\$289	
q/q		+32%	-19%	
End Markets (DB Estimate)				
Industrial		\$1,929	\$1,795	
q/q		+1%	-6%	
Personal Electronics		\$638	\$691	
q/q		+11%	+20%	
Automotive		\$1,461	\$1,518	
q/q		+2%	+6%	
Communications Equipment		\$202	\$168	
q/q		0%	-17%	
Enterprise Systems		\$203	\$211	
q/q		+3%	+7%	
Education/Other		\$213	\$148	
q/q		0%	-31%	
Balance Sheet				
Cash and equivalents		\$9,239	\$8,948	
q/q		\$0	\$0	
Inventory		\$4,073	\$3,908	
q/q		+\$344	+\$179	
DIOs		207 days	205 days	
q/q		0 days	-2 days	
Cash Flow Statement				
CFO		\$2,110	\$1,937	
Capex		\$1,297	\$1,495	
FCF		\$813	\$442	

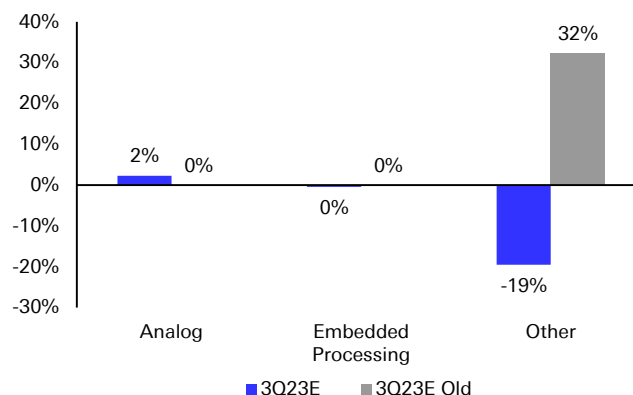
Source : Company data, Bloomberg Finance LP, Deutsche Bank estimates

Figure 5: Reported quarter product mix



Source : Company data, Deutsche Bank estimates

Figure 6: Reported quarter q/q change (Actual vs. DBE)



Source : Company data, Deutsche Bank estimates

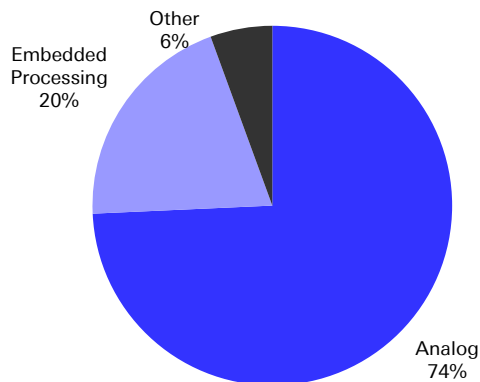


Estimates & Revisions

Texas Instruments provided the following guidance:

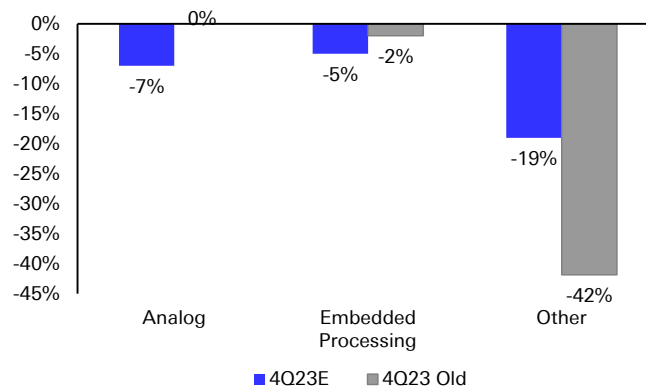
- **Revenue:** \$3.93-4.27b (\$4.10b midpoint, -13% to -6% q/q)
- **EPS:** \$1.35-1.57 (\$1.46 midpoint)

Figure 7: Fwd qtr est product segment mix



Source : Deutsche Bank estimates

Figure 8: Fwd qtr est segment growth (new vs. old)



Source : Deutsche Bank estimates

Given TXN's guidance, we adjust our estimates as illustrated below:

Figure 9: Texas Instruments estimates summary

	<u>New 4Q23E</u>	<u>Old 4Q23E</u>	<u>New 2023E</u>	<u>Old 2023E</u>	<u>New 2024E</u>	<u>Old 2024E</u>
Revenue	\$4,198	\$4,430	\$17,640	\$17,987	\$18,523	\$19,385
q/q	-7%	-5%	--	--	--	--
y/y	-10%	-5%	-12%	-10%	+5%	+8%
Gross Margin	60.0%	61.4%	63.0%	63.2%	60.2%	61.0%
GAAP EPS	\$1.52	\$1.70	\$7.10	\$7.27	\$7.00	\$7.50

Source : Deutsche Bank estimates

Figure 10: Texas Instruments Income Statement (\$ in m, except per share data)

Texas Instruments - Income Statement

(Amounts in millions, except per share data)

	Mar-22 1Q22	Jun-22 2Q22	Sep-22 3Q22	Dec-22 4Q22	Year 2022	Mar-23 1Q23	Jun-23 2Q23	Sep-23 3Q23E	Dec-23 4Q23E	Year 2023E	Mar-24 1Q24E	Jun-24 2Q24E	Sep-24 3Q24E	Dec-24 4Q24E	Year 2024E	Mar-25 1Q25E	Jun-25 2Q25E	Sep-25 3Q25E	Dec-25 4Q25E	Year 2025E
Revenues	\$4,905	\$5,212	\$5,241	\$4,670	\$20,028	\$4,379	\$4,531	\$4,532	\$4,198	\$17,640	\$4,206	\$4,520	\$4,871	\$4,927	\$18,523	\$4,928	\$5,225	\$5,391	\$5,203	\$20,747
Depreciation	200	227	249	249	925	265	285	303	328	1,181	353	383	433	483	1,652	533	558	583	603	2,277
Cost of Goods	1,263	1,360	1,375	1,334	5,332	1,251	1,336	1,414	1,352	5,353	1,353	1,432	1,463	1,466	5,713	1,430	1,507	1,520	1,459	5,916
Gross Profit	3,442	3,625	3,617	3,087	13,771	2,863	2,910	2,815	2,518	11,106	2,500	2,705	2,975	2,978	11,158	2,965	3,160	3,288	3,141	12,554
Research and Development	391	414	431	434	1,670	455	477	471	464	1,867	471	483	487	485	1,926	490	501	509	504	2,005
Selling, General and Admin.	422	422	431	429	1,704	474	461	452	444	1,831	449	460	464	462	1,834	462	477	481	480	1,900
Amortization Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	879	902	939	911	3,631	929	938	923	907	3,697	920	943	951	947	3,760	952	978	990	984	3,904
Operating Income	2,563	2,723	2,678	2,176	10,140	1,934	1,972	1,892	1,611	7,409	1,580	1,762	2,025	2,031	7,398	2,013	2,182	2,298	2,157	8,650
Interest Income	15	7	33	51	106	80	119	128	120	447	116	102	88	89	395	89	75	65	70	300
Interest Expense on ST Debt	0	0	0	3	3	3	3	2	3	10	3	3	(3)	2	4	2	2	(1)	1	3
Interest Expense on LT Debt	52	49	53	57	211	65	86	96	93	341	93	93	93	87	367	87	87	87	83	343
Total Interest Expense	52	49	53	60	214	68	89	98	96	351	96	96	91	88	371	88	88	86	83	346
Other Non-oper. Exp. / (Inc.)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pretax Income	2,526	2,681	2,658	2,167	10,032	1,946	2,002	1,922	1,635	7,505	1,600	1,768	2,022	2,031	7,421	2,014	2,169	2,277	2,144	8,603
Income Tax Expense / (Benefit)	325	390	363	205	1,283	238	280	213	229	960	208	230	263	264	965	262	282	296	279	1,118
Net Income for Diluted EPS	\$2.201	\$2.291	\$2.295	\$1.962	\$8.749	\$1.708	\$1.722	\$1.709	\$1.406	\$6.545	\$1.392	\$1.538	\$1.759	\$1.767	\$6.457	\$1.752	\$1.887	\$1.981	\$1.865	\$7.485
Basic EPS (GAAP less charges)	\$2.38	\$2.49	\$2.51	\$2.17	\$9.56	\$1.88	\$1.90	\$1.88	\$1.55	\$7.21	\$1.53	\$1.69	\$1.94	\$1.95	\$7.11	\$1.93	\$2.08	\$2.19	\$2.06	\$8.27
Diluted EPS (GAAP less charges)	\$2.36	\$2.46	\$2.49	\$2.14	\$9.45	\$1.86	\$1.88	\$1.87	\$1.53	\$7.14	\$1.52	\$1.68	\$1.92	\$1.93	\$7.05	\$1.92	\$2.06	\$2.17	\$2.05	\$8.19
Weighted Average Shares Out. (in '000s)	923,000	920,000	913,000	906,000	915,500	907,000	908,000	908,000	908,000	907,750	908,000	908,000	908,000	908,000	908,000	907,000	906,000	905,000	904,000	905,500
Diluted Shares (in '000s)	934,000	930,000	923,000	916,000	925,750	916,000	916,000	916,000	916,000	916,000	916,000	916,000	916,000	916,000	916,000	915,000	914,000	913,000	912,000	913,500
Common Dividends Per Share	\$1.15	\$1.15	\$1.15	\$1.24	\$4.69	\$1.24	\$1.24	\$1.24	\$1.30	\$5.02	\$1.30	\$1.30	\$1.30	\$1.35	\$5.25	\$1.35	\$1.35	\$1.35	\$1.40	\$5.45
Discontinued Operations	\$9	\$10	\$11	\$9	\$39	\$9	\$8	\$10	\$10	\$37	\$10	\$10	\$10	\$10	\$40	\$10	\$10	\$10	\$10	\$40
Tax Effect of Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reported Net Income	\$2,192	\$2,281	\$2,284	\$1,953	\$8,710	\$1,699	\$1,714	\$1,699	\$1,396	\$6,508	\$1,382	\$1,528	\$1,749	\$1,757	\$6,417	\$1,742	\$1,877	\$1,971	\$1,855	\$7,445
Reported Net Inc. for Dil. EPS	\$2,192	\$2,281	\$2,284	\$1,953	\$8,710	\$1,699	\$1,714	\$1,699	\$1,396	\$6,508	\$1,382	\$1,528	\$1,749	\$1,757	\$6,417	\$1,742	\$1,877	\$1,971	\$1,855	\$7,445
Reported Basic EPS (GAAP)	\$2.37	\$2.48	\$2.50	\$2.16	\$9.51	\$1.87	\$1.89	\$1.87	\$1.54	\$7.17	\$1.52	\$1.68	\$1.93	\$1.94	\$7.07	\$1.92	\$2.07	\$2.18	\$2.05	\$8.22
Reported Fully Diluted EPS (GAAP)	\$2.35	\$2.45	\$2.47	\$2.13	\$9.41	\$1.85	\$1.87	\$1.85	\$1.52	\$7.10	\$1.51	\$1.67	\$1.91	\$1.92	\$7.00	\$1.90	\$2.05	\$2.16	\$2.03	\$8.15
Revenue % Change - Sequential	1.5%	6.3%	0.6%	(10.9%)	NM	(6.2%)	3.5%	0.0%	(7.4%)	NM	0.2%	7.5%	7.8%	1.1%	NM	0.0%	6.0%	3.2%	(3.5%)	NM
R&D+SGA % Change - Sequential	2.5%	2.8%	3.1%	0.1%	NM	7.6%	1.0%	(1.6%)	(1.7%)	NM	1.3%	2.5%	0.8%	(0.4%)	NM	0.6%	2.7%	1.2%	(0.6%)	NM
EPS % Change - Sequential	(0.2%)	11.3%	15.1%	(8.0%)	NM	(0.2%)	11.3%	15.1%	(8.0%)	NM	(0.2%)	11.3%	15.1%	(8.0%)	NM	(0.2%)	11.3%	15.1%	(8.0%)	NM
Revenue % Changes, yr. over yr.	14.4%	13.8%	12.9%	(3.4%)	9.2%	(10.7%)	(13.1%)	(13.5%)	(10.1%)	(11.9%)	(4.0%)	(0.3%)	7.5%	17.4%	5.0%	17.2%	15.6%	10.7%	5.6%	12.0%
R&D+SGA % Changes, yr. over yr.	0.2%	2.5%	7.7%	8.8%	4.8%	14.3%	12.2%	7.1%	5.1%	9.6%	(1.0%)	0.5%	3.0%	4.3%	1.7%	3.5%	3.7%	4.2%	4.0%	3.8%
EPS % Change, yr. over yr.	25.8%	19.4%	19.5%	(6.3%)	13.8%	(21.0%)	(23.7%)	(25.0%)	(28.5%)	(24.5%)	(18.7%)	(10.8%)	3.0%	25.9%	(1.4%)	26.2%	23.1%	13.0%	6.0%	16.3%
Gross Margin	70.2%	69.6%	69.0%	66.1%	68.8%	65.4%	64.2%	62.1%	60.0%	63.0%	59.4%	59.8%	61.1%	60.4%	60.2%	60.2%	60.5%	61.0%	60.4%	60.5%
R&D/Sales	8.0	7.9	8.2	9.3	8.3	10.4	10.5	10.4	11.0	10.6	11.2	10.7	10.0	9.8	10.4	9.9	9.6	9.4	9.7	9.7
SG&A/Sales	8.6	8.1	8.2	9.2	8.5	10.8	10.2	10.0	10.6	10.4	10.7	10.2	9.5	9.4	9.9	9.4	9.1	8.9	9.2	9.2
Operating Expenses	17.9	17.3	17.9	19.5	18.1	21.2	20.7	20.4	21.6	21.0	21.9	20.9	19.5	19.2	20.3	19.3	18.7	18.4	18.9	18.8
Operating Margin	52.3	52.2	51.1	46.6	50.6	44.2	43.5	41.7	38.4	42.0	37.6	39.0	41.6	41.2	39.9	40.8	41.8	42.6	41.5	41.7
Non-Operating Expenses/Sales	1.4	1.1	1.6	2.4	1.6	3.4	4.6	5.0	5.1	4.5	5.0	4.4	3.7	3.6	4.1	3.6	3.1	2.8	2.9	3.1
Pretax Margin	51.5	51.4	50.7	46.4	50.1	44.4	44.2	42.4	38.9	42.5	38.0	39.1	41.5	41.2	40.1	40.9	41.5	42.2	41.2	41.5
Tax Rate	12.9	14.5	13.7	9.5	12.8	12.2	14.0	11.1	14.0	12.8	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Net Margin	44.7	43.8	43.6	41.8	43.5	38.8	37.8	37.5	33.2	36.9	32.8	33.8	35.9	35.7	34.6	35.4	35.9	36.6	35.7	35.9

Source : Company data, Deutsche Bank estimates



Figure 11: Texas Instruments Balance Sheet (\$ in m, except per share data)

Texas Instruments - Balance Sheet

(Amounts in millions, except per share data)

	Mar-22 1Q22	Jun-22 2Q22	Sep-22 3Q22	Dec-22 4Q22	Year 2022	Mar-23 1Q23	Jun-23 2Q23	Sep-23 3Q23E	Dec-23 4Q23E	Year 2023E	Mar-24 1Q24E	Jun-24 2Q24E	Sep-24 3Q24E	Dec-24 4Q24E	Year 2024E	Mar-25 1Q25E	Jun-25 2Q25E	Sep-25 3Q25E	Dec-25 4Q25E	Year 2025E
ASSETS:																				
Cash and Cash Equivalents	3,505	3,802	3,169	3,050	3,050	4,477	3,439	2,566	2,234	2,234	2,242	2,216	2,218	2,285	2,285	1,216	461	846	1,072	1,072
Short-Term Investments	6,320	4,585	5,921	6,017	6,017	5,068	6,113	6,382	6,382	6,382	5,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382
Accounts Receivable:	1,795	2,190	2,040	1,895	1,895	1,877	1,956	1,976	1,784	1,784	2,021	2,121	2,178	2,148	2,148	2,423	2,510	2,470	2,327	2,327
Inventories:	2,060	2,199	2,404	2,757	2,757	3,288	3,729	3,908	3,972	3,972	4,035	4,191	4,167	4,067	4,067	4,207	4,194	4,039	3,960	3,960
Prepaid Expenses	330	267	238	302	302	313	277	265	245	245	246	264	285	288	288	288	306	315	304	304
Total Current Assets	14,010	13,043	13,772	14,021	14,021	15,023	15,514	15,097	14,618	14,618	13,925	13,175	13,230	13,170	13,170	12,516	11,853	12,052	12,045	12,045
Property, Plant and Equipment, net	5,439	5,931	6,485	6,876	6,876	7,665	8,525	9,320	10,083	10,083	10,823	11,660	12,566	13,437	13,437	14,209	14,931	15,614	16,168	16,168
Investments	0	0	0	0	0	0	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	4,362	4,362	4,362	4,362	4,362	4,362
Intangible Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Long-Term Deferred Tax Assets	273	293	291	473	473	486	537	632	632	632	632	632	632	632	632	632	632	632	632	632
Other Long-Term Assets	1,192	1,094	1,147	1,475	1,475	1,684	2,001	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227
Total Assets	25,276	24,723	26,057	27,207	27,207	29,220	30,939	31,638	31,922	31,922	31,969	32,055	33,017	33,828	33,828	33,946	34,005	34,887	35,434	35,434
LIABILITIES AND STOCKHOLDERS' EQUITY:																				
Short-Term Borrowings and Current Portion	500	499	499	500	500	500	299	300	300	300	300	(300)	450	450	450	450	(300)	200	200	200
Trade Accounts Payable	641	712	780	851	851	952	923	713	698	698	708	754	787	809	809	815	857	873	856	856
Wages and Related Benefits	386	520	662	799	799	394	561	707	781	781	530	660	857	1,015	1,015	720	867	1,057	1,176	1,176
Income Taxes Payable	405	115	123	189	189	372	121	108	100	100	100	108	116	117	117	117	125	128	124	124
Other Current Liabilities	596	714	734	646	646	686	807	824	763	763	765	822	886	896	896	896	950	980	946	946
Total Current Liabilities	2,528	2,560	2,798	2,985	2,985	2,904	2,711	2,652	2,642	2,642	2,403	2,043	3,096	3,287	3,287	2,998	2,499	3,238	3,302	3,302
Long-Term Debt less current portion	7,242	6,745	7,438	8,235	8,235	9,626	10,920	10,922	10,922	10,922	10,922	10,922	10,172	10,172	10,172	10,172	10,172	9,672	9,672	9,672
Deferred Tax Liabilities	94	90	92	66	66	73	69	66	66	66	66	66	66	66	66	66	66	66	66	66
Other Long-Term Liabilities	1,395	1,236	1,222	1,344	1,344	1,374	1,299	1,367	1,367	1,367	1,367	1,367	1,367	1,367	1,367	1,367	1,367	1,367	1,367	1,367
Total Liabilities	11,259	10,631	11,550	12,630	12,630	13,977	14,999	15,007	14,997	14,997	14,758	14,398	14,701	14,892	14,892	14,603	14,104	14,343	14,407	14,407
Stockholders' Equity:	14,017	14,092	14,507	14,577	14,577	15,243	15,940	16,631	16,925	16,925	17,211	17,657	18,315	18,936	18,936	19,343	19,901	20,543	21,027	21,027
Common Stock / Additional Paid-In Capital	4,408	4,524	4,618	4,692	4,692	4,757	4,904	5,021	5,100	5,100	5,184	5,283	5,372	5,461	5,461	5,550	5,654	5,748	5,842	5,842
Retained Earnings / (Accumulated Deficit)	47,053	48,280	49,519	50,353	50,353	50,930	51,522	52,098	52,313	52,313	52,515	52,862	53,431	53,963	53,963	54,281	54,735	55,283	55,673	55,673
Other	(37,291)	(38,532)	(39,476)	(40,214)	(40,214)	(40,192)	(40,240)	(40,253)	(40,253)	(40,253)	(40,253)	(40,253)	(40,253)	(40,253)	(40,253)	(40,253)	(40,253)	(40,253)	(40,253)	(40,253)
Cumulative Translation Adjustment	(153)	(180)	(154)	(254)	(254)	(252)	(246)	(235)	(235)	(235)	(235)	(235)	(235)	(235)	(235)	(235)	(235)	(235)	(235)	(235)
Total Liabilities and Stockholders' Equity	25,276	24,723	26,057	27,207	27,207	29,220	30,939	31,638	31,922	31,922	31,969	32,055	33,017	33,828	33,828	33,946	34,005	34,887	35,434	35,434
Days Sales Outstanding (DSOs)	33	38	35	37		39	39	39	38		43	42	40	39		44	43	41	40	
Receivable Turns	10.9	9.5	10.3	9.9		9.3	9.3	9.2	9.4		8.3	8.5	8.9	9.2		8.1	8.3	8.7	8.9	
Days Inventory	127	125	133	157		195	207	205	213		213	208	198	188		193	183	173	173	
Inventory Turns	2.8	2.9	2.7	2.3		1.8	1.7	1.8	1.7		1.7	1.7	1.8	1.9		1.9	2.0	2.1	2.1	
Days Payable	39	40	43	48		57	51	37	37		37	37	37	37		37	37	37	37	
Book Value per Diluted Share	\$15.01	\$15.15	\$15.72	\$15.91	\$15.91	\$16.64	\$17.40	\$18.16	\$18.48	\$18.48	\$18.79	\$19.28	\$20.00	\$20.67	\$20.67	\$21.14	\$21.77	\$22.50	\$23.06	\$23.06
Net Cash per Diluted Share	\$2.23	\$1.23	\$1.25	\$0.36	\$0.36	(\$0.63)	(\$1.82)	(\$2.48)	(\$2.84)	(\$2.84)	(\$3.93)	(\$4.39)	(\$4.39)	(\$4.32)	(\$4.32)	(\$5.49)	(\$5.50)	(\$5.09)	(\$4.84)	(\$4.84)
L.T. Debt/Capital	34.1%	32.4%	33.9%	36.1%		38.7%	40.7%	39.6%	39.2%		38.8%	38.2%	35.7%	34.9%		34.5%	33.8%	32.0%	31.5%	
Total Debt/Capital	35.6%	34.0%	35.4%	37.5%		39.9%	41.3%	40.3%	39.9%		39.5%	37.6%	36.7%	35.9%		35.4%	33.2%	32.5%	31.9%	
Return on Assets	35.2%	36.7%	36.2%	29.5%	33.7%	24.2%	22.9%	21.8%	17.7%	22.1%	17.4%	19.2%	21.6%	21.2%	19.6%	20.7%	22.2%	23.0%	21.2%	21.6%
Return on Invested Capital	41.1%	42.5%	41.9%	34.3%	39.4%	28.1%	26.2%	24.9%	20.1%	25.4%	19.7%	21.7%	24.6%	24.2%	22.4%	23.6%	25.3%	26.3%	24.3%	24.8%
Return on Equity	64.4%	65.2%	64.2%	54.0%	62.7%	45.8%	44.2%	42.0%	33.5%	41.6%	32.6%	35.3%	39.1%	38.0%	36.0%	36.6%	38.5%	39.2%	35.9%	37.5%

Source : Company data, Deutsche Bank estimates



Figure 12: Texas Instruments Cash Flow Statement (\$ in m, except per share data)

Texas Instruments - Statement of Cash Flows

(Amounts in millions, except per share data)

	Mar-22 1Q22	Jun-22 2Q22	Sep-22 3Q22	Dec-22 4Q22	Year 2022	Mar-23 1Q23	Jun-23 2Q23	Sep-23 3Q23E	Dec-23 4Q23E	Year 2023E	Mar-24 1Q24E	Jun-24 2Q24E	Sep-24 3Q24E	Dec-24 4Q24E	Year 2024E	Mar-25 1Q25E	Jun-25 2Q25E	Sep-25 3Q25E	Dec-25 4Q25E	Year 2025E
Net Cash Provided By/(Used In) Operating Activities:																				
Net Income	2,201	2,291	2,295	1,962	8,749	1,708	1,722	1,709	1,396	6,535	1,382	1,528	1,749	1,757	6,417	1,742	1,877	1,971	1,855	7,445
Depreciation	200	227	249	249	925	265	285	303	328	1,181	353	383	433	483	1,652	533	558	583	603	2,277
Amortization of Intangible Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stock based compensation expense	74	85	68	62	289	104	111	79	79	373	84	99	89	89	361	89	104	94	94	381
Change in Deferred Taxes	(1)	(14)	(3)	(173)	(191)	(8)	(52)	(99)	0	(159)	0	0	0	0	0	0	0	0	0	0
Other Non-Cash Charges/ Operating activities	(14)	12	13	14	25	16	14	17	0	47	0	0	0	0	0	0	0	0	0	0
Funds from Operations	2,460	2,601	2,622	2,114	9,797	2,085	2,080	2,009	1,803	7,977	1,819	2,010	2,271	2,329	8,430	2,364	2,539	2,648	2,552	10,103
Change in Net Working Capital	(316)	(833)	144	(72)	(1,077)	(925)	(681)	(72)	137	(1,541)	(538)	(35)	250	318	(6)	(703)	158	425	297	177
Cash Flow From Operations	2,144	1,768	2,766	2,042	8,720	1,160	1,399	1,937	1,940	6,436	1,281	1,975	2,521	2,647	8,423	1,661	2,697	3,073	2,849	10,280
Net Cash Provided By/(Used In) Investing Activities:																				
Capital Expenditures	(443)	(597)	(790)	(967)	(2,797)	(982)	(1,446)	(1,495)	(1,091)	(5,014)	(1,093)	(1,220)	(1,339)	(1,354)	(5,006)	(1,305)	(1,279)	(1,266)	(1,157)	(5,008)
Free Cash Flow	1,701	1,171	1,976	1,075	5,923	178	(47)	442	849	1,422	188	755	1,182	1,293	3,418	356	1,418	1,807	1,692	5,272
(Purchase)/Sale of Short-Term Investments	(1,214)	1,739	(1,313)	(38)	(826)	1,013	(982)	(194)	0	(163)	1,000	1,000	0	0	2,000	0	0	0	0	0
Other Investing Activities	(11)	83	(10)	(22)	40	(3)	43	(5)	0	35	0	0	0	0	0	0	0	0	0	0
Cash Flow Provided by Investing Activities	(1,668)	1,225	(2,113)	(1,027)	(3,583)	28	(2,385)	(1,694)	(1,091)	(5,142)	(93)	(220)	(1,339)	(1,354)	(3,006)	(1,305)	(1,279)	(1,266)	(1,157)	(5,008)
Net Cash Provided By/(Used In) Financing Activities:																				
Issuance/(Repayment) of Short-Term Debt	0	(500)	0	799	299	0	(500)	0	0	(500)	0	(600)	750	0	150	0	(750)	500	0	(250)
Issuance/(Repayment) of Long-Term Debt	0	0	695	0	695	1,397	1,603	0	0	3,000	0	0	(750)	0	(750)	0	0	(500)	0	(500)
Common Dividends Paid	(1,063)	(1,060)	(1,051)	(1,123)	(4,297)	(1,125)	(1,125)	(1,126)	(1,180)	(4,556)	(1,180)	(1,180)	(1,180)	(1,226)	(4,767)	(1,224)	(1,223)	(1,222)	(1,266)	(4,935)
Issuance/(Repurchase) of Common Stock	(589)	(1,182)	(996)	(848)	(3,615)	(18)	(14)	22	0	(10)	0	0	0	0	0	(200)	(200)	(200)	(200)	(800)
Other Financing Activities	50	46	66	38	200	(15)	(16)	(12)	0	(43)	0	0	0	0	0	0	0	0	0	0
Cash Flow Provided by Financing Activities	(1,602)	(2,696)	(1,286)	(1,134)	(6,718)	239	(52)	(1,116)	(1,180)	(2,109)	(1,180)	(1,780)	(1,180)	(1,226)	(5,367)	(1,424)	(2,173)	(1,422)	(1,466)	(6,485)
Cash provided by (used in) discontinued operations																				
Change in Cash and Equivalents	(1,126)	297	(633)	(119)	(1,581)	1,427	(1,038)	(873)	(332)	(816)	7	(25)	2	67	51	(1,069)	(756)	385	226	(1,213)
Beginning Cash Balance	4,631	3,505	3,802	3,169	4,631	3,050	4,477	3,439	2,566	3,050	2,234	2,242	2,216	2,218	2,234	2,285	1,216	461	846	2,285
Ending Cash Balance	3,505	3,802	3,169	3,050	3,050	4,477	3,439	2,566	2,234	2,234	2,242	2,216	2,218	2,285	2,285	1,216	461	846	1,072	1,072
TTM Cash Flow From Operations	9,050	8,697	9,035	8,720	8,720	7,736	7,367	6,538	6,436	6,436	6,556	7,132	7,716	8,423	8,423	8,804	9,526	10,078	10,280	10,280
TTM Free Cash	6,453	5,889	5,923	5,923	5,923	4,400	3,182	1,648	1,422	1,422	1,431	2,234	2,974	3,418	3,418	3,586	4,248	4,873	5,272	5,272
Operating Cash Flow Per FD Share	\$2.30	\$1.90	\$3.00	\$2.23	\$9.42	\$1.27	\$1.53	\$2.11	\$2.12	\$7.03	\$1.40	\$2.16	\$2.75	\$2.89	\$9.20	\$1.82	\$2.95	\$3.37	\$3.12	\$11.25
Free Cash Flow Per FD Share	\$1.82	\$1.26	\$2.14	\$1.17	\$6.40	\$0.19	\$0.05	\$0.48	\$0.93	\$1.55	\$0.20	\$0.82	\$1.29	\$1.41	\$3.73	\$0.39	\$1.55	\$1.98	\$1.86	\$5.77

Source : Company data, Deutsche Bank estimates





Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Texas Instruments	TXN.OQ	146.32 (USD) 23 Oct 2023	2

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/EquityResearchDisclosures>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Disclosures/Disclaimer>. Investors are strongly encouraged to review this information before investing.

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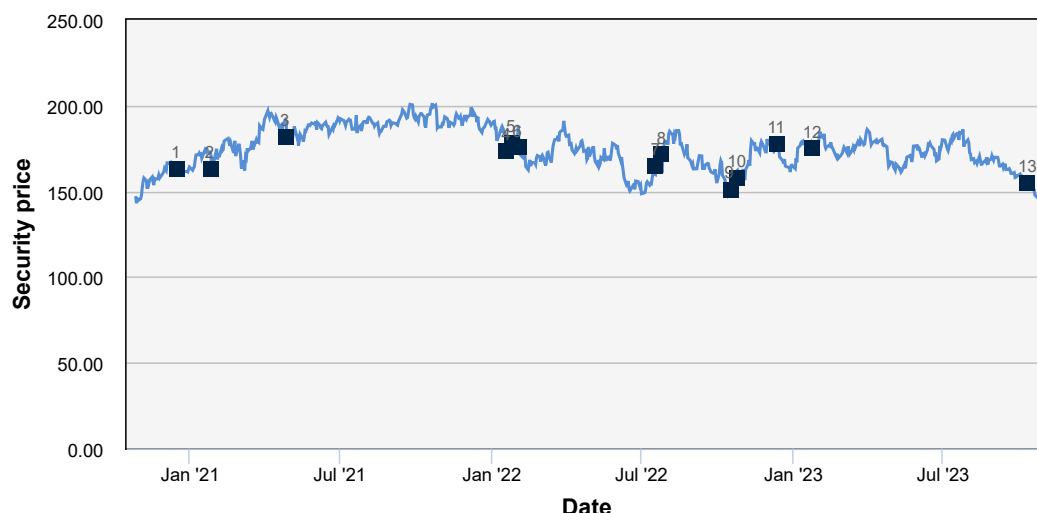
Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Ross Seymore.



Historical recommendations and target price: Texas Instruments (TXN.OQ)

(as of 10/24/2023)



Current Recommendations

Buy
 Hold
 Sell
 Not Rated
 Suspended Rating

** Analyst is no longer at Deutsche Bank

1. 12/17/2020	Hold, Target Price Change USD 150.00, Current Price USD 162.69 Ross Seymore	8. 07/27/2022	Hold, Target Price Change USD 165.00, Current Price USD 171.54 Ross Seymore
2. 01/27/2021	Hold, Target Price Change USD 170.00, Current Price USD 162.93 Ross Seymore	9. 10/17/2022	Hold, Target Price Change USD 160.00, Current Price USD 150.99 Ross Seymore
3. 04/28/2021	Hold, Target Price Change USD 185.00, Current Price USD 181.82 Ross Seymore	10. 10/26/2022	Hold, Target Price Change USD 155.00, Current Price USD 157.87 Ross Seymore
4. 01/20/2022	Hold, Target Price Change USD 170.00, Current Price USD 173.45 Ross Seymore	11. 12/13/2022	Hold, Target Price Change USD 158.00, Current Price USD 177.50 Ross Seymore
5. 01/26/2022	Hold, Target Price Change USD 180.00, Current Price USD 178.33 Ross Seymore	12. 01/25/2023	Hold, Target Price Change USD 165.00, Current Price USD 175.04 Ross Seymore
6. 02/03/2022	Hold, Target Price Change USD 175.00, Current Price USD 175.59 Ross Seymore	13. 10/12/2023	Hold, Target Price Change USD 160.00, Current Price USD 155.00 Ross Seymore
7. 07/19/2022	Hold, Target Price Change USD 160.00, Current Price USD 164.64 Ross Seymore		

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Buy: Based on a current 12-month view of TSR, we recommend that investors buy the stock.

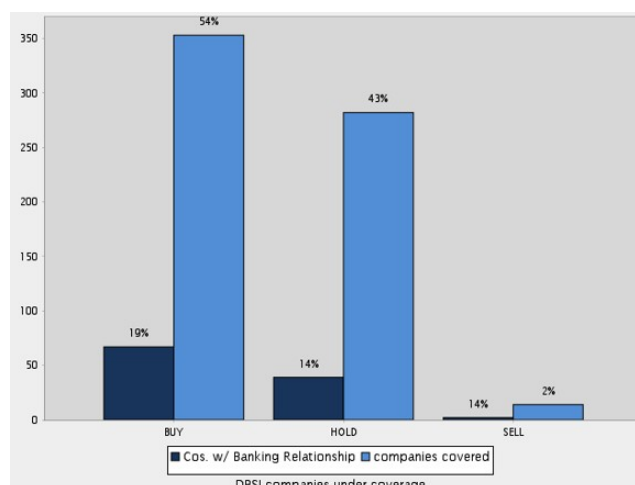
Sell: Based on a current 12-month view of TSR, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

TSR = Total Shareholder Return. Percentage change in share price from current price to projected target price plus projected dividend yield

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships





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