

TI 2Q Exceeds, but Tariff Gymnastics Temper Recovery Confidence

TXN	28 est.	Texas Instruments	CY25rev:	10%
Qtr:	2Q	Grade:	B	Growth (qtr-qtr)
Rev:	4,448	Rev:	+++	Rev: 9.3%
GM:	57.9%	EPS:	++	Fcst: +0+8%
EPS:	\$1.41	Fcst:	++	Div: \$1.36

Texas Instruments (TXN \$186.25 -28.67 close 7/23/25)

2Q Earnings: TXN announced 2Q results at the high-end of expectations late yesterday. Analysts chastised management for less bullishness of the current cyclical recovery compared to 1Q, while management fears that some of 2Q strength may have been tariff-related pull-ins from China. EPS included an un-forecasted benefit of 2-cents.

2Q Results: Analog products (including power and signal chain devices) accounted for 78% of revenue and grew by +7.5% sequentially at an operating margin of 38.4% up from 37.6%, while Embedded (microcontrollers) was at 15% and grew by +4.9% at a margin of 12.5% up from 6.2% and Other (DLP, calculators, ASICs) was at 7% up by +50% on seasonal strength with a margin of 48.3% up from 36.8%. On a sequential basis: industrial markets grew in the mid-teens percentage of sales across all sectors; automotive decreased in the low-single-digits across all geographies; personal electronics (PCs, cell phones) grew in the upper-single-digits; and both enterprise systems and communications equipment were up by about +10% as the cyclical recovery persists in four out of the five markets. Geopolitically Dependable Capacity is a strength for TI which customers are actively addressing amid tariff gymnastics. China was up +19% sequentially, especially in industrial but excluding automotive, as management fears some of this may have been tariff-related pull-ins. Embedded products predominantly serve industrial and automotive markets.

Operating cash flow was \$1.86B, capital expenditures were \$1.3B, \$1.24B was paid in dividends and \$302 of stock was repurchased. Gross margin of 57.9% was up by +110 basis points sequentially, inventory was up by +\$125M to \$4.8B or down by nine days to 231, and operating margin was up by 260bps to 35.1%. TI issued \$1.2B of debt that now totals \$14.15B with a weighted average coupon of 4.0% while cash and equivalents total \$5.4B.

3Q Guidance: 3Q revenue is expected at \$4.45B-\$4.80B with EPS of \$1.36-1.60 at a tax rate of 12-13%. Gross margin will remain flat (despite increasing depreciation) as will op ex, while interest and other will drop by \$20M on the lower cash balance. Utilization will be unchanged, and inventory will grow less. 2025 cap ex of \$5B will range from \$2-5B next year depending on expected business, while depreciation this year of \$1.8-2B will rise to the lower end of \$2.3-2.7B in 2026 due to expanding capacity for Embedded/MCU products previously contracted out.

Premium Justified: TXN wrote the book on Shareholder Friendliness for the semiconductor industry with its objective to maximize long-term free cash flow per share to drive shareholder value by building analog and embedded products in 300mm wafer fabs for industrial and automotive markets. Unfortunately, much of a well-justified premium is already priced into the shares at the current price level, in my opinion. Low double-digit revenue growth is expected this year. The shares are currently trading at 14.1-times tangible book value, 9.8-times sales and 33.8-times earnings based on 2025 expectations.

—Dan K. Scovel
Semiconductor Analyst

Tokeneke Research LLC
Rowayton, CT 06853
dscovel@tokenekeresearch.com
www.tokenekeresearch.com
203-554-4621

LEGEND		Grade	
+++	exceeded the high-end of the range	A	all +++
++	above consensus, within the high-end of the range	B	all +
+	slightly above consensus	C	all o/+
o	met consensus	D	mixed -/o/+
-	slightly below consensus	E	all o/-
--	missed consensus, within the low-end of the range	F	all -
---	missed the low-end of the range		

TXN Financials

\$ in millions
FYE Dec

	2023							2024					2025	
	2021	2022	1Q	2Q	3Q	4Q	2023	1Q	2Q	3Q	4Q	2024	1Q	2Q
Revenue														
Analog	14,050	15,359	3,289	3,278	3,353	3,120	13,040	2,836	2,928	3,223	3,174	12,161	3,210	3,452
Embedded	3,049	3,261	832	894	890	752	3,368	652	615	653	613	2,533	647	679
Other	1,245	1,408	258	359	289	205	1,111	173	279	275	220	947	212	317
Total	18,344	20,028	4,379	4,531	4,532	4,077	17,519	3,661	3,822	4,151	4,007	15,641	4,069	4,448
Gross Profit	12,376	13,771	2,863	2,910	2,815	2,431	11,019	2,095	2,211	2,474	2,314	9,094	2,313	2,575
Gross Margin	67.5%	68.8%	65.4%	64.2%	62.1%	59.6%	62.9%	57.2%	57.8%	59.6%	57.7%	58.1%	56.8%	57.9%
Operating Profit	8,960	10,140	1,934	1,972	1,892	1,533	7,331	1,286	1,248	1,554	1,377	5,465	1,324	1,563
Operating Margin	48.8%	50.6%	44.2%	43.5%	41.7%	37.6%	41.8%	35.1%	32.7%	37.4%	34.4%	34.9%	32.5%	35.1%
EPS	\$8.26	\$9.41	\$1.85	\$1.87	\$1.85	\$1.49	\$7.07	\$1.20	\$1.22	\$1.47	\$1.30	\$5.20	\$1.28	\$1.41
Dividend per Share	\$4.21	\$4.69	\$1.24	\$1.24	\$1.24	\$1.30	\$5.02	\$1.30	\$1.30	\$1.30	\$1.36	\$5.26	\$1.36	\$1.36
Share Repurchase \$		3,615	103	79	46	65	293	3	71	318	537	929	653	302
Revenue Percent														
Analog	76.6%	76.7%	75.1%	72.3%	74.0%	76.5%	74.4%	77.5%	76.6%	77.6%	79.2%	77.8%	78.9%	77.6%
Embedded	16.6%	16.3%	19.0%	19.7%	19.6%	18.4%	19.2%	17.8%	16.1%	15.7%	15.3%	16.2%	15.9%	15.3%
Other	6.8%	7.0%	5.9%	7.9%	6.4%	5.0%	6.3%	4.7%	7.3%	6.6%	5.5%	6.1%	5.2%	7.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Revenue Growth														
Analog		9.3%	-7.6%	-0.3%	2.3%	-6.9%	-15.1%	-9.1%	3.2%	10.1%	-1.5%	-6.7%	1.1%	7.5%
Embedded		7.0%	-0.6%	7.5%	-0.4%	-15.5%	3.3%	-13.3%	-5.7%	6.2%	-6.1%	-24.8%	5.5%	4.9%
Other		13.1%	-6.2%	39.1%	-19.5%	-29.1%	-21.1%	-15.6%	61.3%	-1.4%	-20.0%	-14.8%	-3.6%	49.5%
Total		9.2%	-6.2%	3.5%	0.0%	-10.0%	-12.5%	-10.2%	4.4%	8.6%	-3.5%	-10.7%	1.5%	9.3%
Operating Profit														
Analog	7,393	8,359	1,574	1,463	1,504	1,280	5,821	1,008	1,047	1,316	1,237	4,608	1,206	1,325
Embedded	1,174	1,253	237	318	258	195	1,008	105	80	109	58	352	40	85
Other	393	528	123	191	130	58	502	173	121	129	82	505	78	153
Total	8,960	10,140	1,934	1,972	1,892	1,533	7,331	1,286	1,248	1,554	1,377	5,465	1,324	1,563
Operating Margin														
Analog	52.6%	54.4%	47.9%	44.6%	44.9%	41.0%	44.6%	35.5%	35.8%	40.8%	39.0%	37.9%	37.6%	38.4%
Embedded	38.5%	38.4%	28.5%	35.6%	29.0%	25.9%	29.9%	16.1%	13.0%	16.7%	9.5%	13.9%	6.2%	12.5%
Other	31.6%	37.5%	47.7%	53.2%	45.0%	28.3%	45.2%	100.0%	43.4%	46.9%	37.3%	53.3%	36.8%	48.3%
Total	48.8%	50.6%	44.2%	43.5%	41.7%	37.6%	41.8%	35.1%	32.7%	37.4%	34.4%	34.9%	32.5%	35.1%
Market Percent														
Industrial	41%	40%					40%					34%		
Automotive	21%	25%					34%					35%		
Personal Electronics	24%	20%					15%					20%		
Comm Eqt	6%	7%					5%					4%		
Enterprise Sys	6%	6%					4%					5%		
Other (calculators)	2%	2%					2%					2%		
	100.0%	100.0%					100.0%					100.0%		
Market Growth														
Industrial		6.5%					-12.5%					-24.1%		
Automotive		30.0%					19.0%					-8.1%		
Personal Electronics		-9.0%					-34.4%					19.0%		
Comm Eqt		27.4%					-37.5%					-28.6%		
Enterprise Sys		9.2%					-41.7%					11.6%		
Other (calculators)		9.2%					-12.5%					-10.7%		
		9.2%					-12.5%					-10.7%		
Regional Percent														
US		33%					33%					38%		
China		24%					19%					19%		
Rest of Asia		10%					10%					11%		
EMEA		24%					26%					22%		
Japan		8%					10%					8%		
ROW		1%					2%					2%		
		100.0%					100.0%					100.0%		

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