

### US Equities TMT

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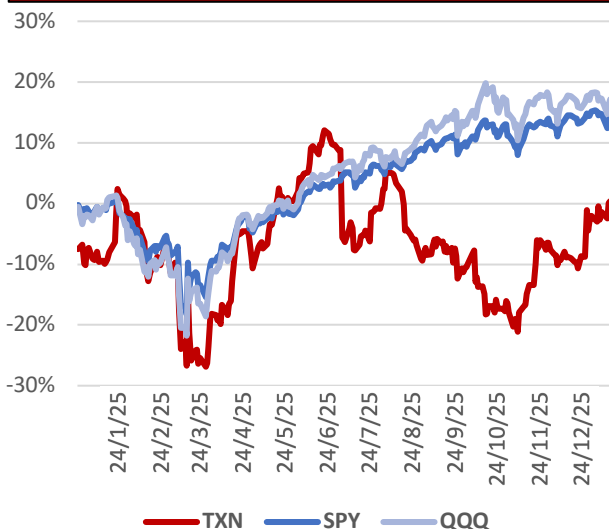
#### Basic Information

Last Closing Price	\$193.31
Target Price	\$228.89
+/- potential	+18%
Ticker	TXN-US
GICS Sector	Information Technology
GICS Sub-Industry	Semiconductors

#### 1 Year returns - \$TXN-US



#### 1 Year returns: \$TXN-US, S&P500, Nasdaq



Market Cap	\$175 645 (mm)
Basic Shares O/S	909 (mm)
52-Wk High	\$221.69
52-Wk Low	\$139.95
Source:	Factset

In Bn\$	FY24	FY23	FY22	FY21
Gross profit	9.09	11.02	13.77	12.38
EBITDA	7.045	8.57	11.12	9.91
EBIT	5.47	7.33	10.14	8.96
Net Income	4.80	6.51	8.75	7.77

Source: Factset

#### Key Executives

Haviv Ilan	President & CEO
Rafael Lizardi	Senior VP & CFO
Rich Templeton	Chairman of the Board
Gregory Delagi	Senior VP & CMO

Source: Factset

#### Investment Thesis

The market's valuation of Texas Instruments is distorted by a GAAP-based "gross CapEx" view that treats its ~\$5.0B annual capital expenditure as fully shareholder-funded, while ignoring substantial, non-dilutive government support under the CHIPS Act. In reality, direct grants and refundable Section 48D tax credits cover an estimated 40–50% of project costs, lowering TI's effective capital intensity from ~33% of revenue to the low-20% range and allowing the company to acquire generational 300mm manufacturing capacity at a significant discount to replacement cost. When this net capital reality is reflected in an unlevered DCF, incorporating the unwind of the front-loaded CapEx cycle and the resulting depreciation tailwind, steady-state free cash flows are materially higher without relying on aggressive assumptions, implying an intrinsic value of approximately \$229 per share versus a current price of ~\$193, or ~18% upside.

#### Valuation

We derive our target price of \$228.28 using a Gordon growth Discounted Cash Flow (DCF) based on conviction. Base Case valuation is derived from 50% DCF Valuation (\$192.29) and 50% Public Comparables, arriving at a valuation of \$192.29 deemed as neutral.

#### Key Risks

**Downside risks:** Geopolitical Risk given China exposure, and revenue segments aren't aligned with hyperscaler CapEx; CHIPS Act subsidies cancelled.

**Upside risks:** Substantive margin expansion, end of CapEx cycle, EV & FSD developments.

## Investment Thesis

The prevailing market valuation of Texas Instruments relies on standard GAAP metrics, which treat the company's \$5.0B annual capital expenditure as a gross cash outflow, without adjusting for offsetting government funding. This "Gross Capex" view creates a distorted picture of capital inefficiency, leading analysts to penalize the company for cash burn while ignoring a large, non-dilutive capital contribution by the U.S. government. The market effectively assumes that TI shareholders are funding 100% of the expansion risk, when in reality the U.S. Treasury has stepped in as a silent limited partner, covering an estimated 40-50% of total project costs through a combination of direct grants and refundable tax credits. When investors strip away the GAAP accounting conventions that obscure these inflows, the economic reality is that TI is acquiring a generational manufacturing asset that is a dependable, low-cost 300mm capacity, at a massive discount to replacement cost.

The first layer of this asset is the direct funding package finalized on December 20, 2024. The U.S. Department of Commerce awarded TI up to \$1.6B in grants to support the construction of its Sherman, Texas, and Lehi, Utah fabs. Unlike debt, this capital carries no interest payments and has no maturity date. Unlike equity, it requires zero share dilution. It is, for all intents and purposes, free equity injected directly into the project's capital structure. For an investor, the internal rate of return (IRR) on these factories should be calculated on the net investment TI makes, not the headline cost. By using the gross cost, the market is structurally underestimating the future return on invested capital (ROIC) of these assets.

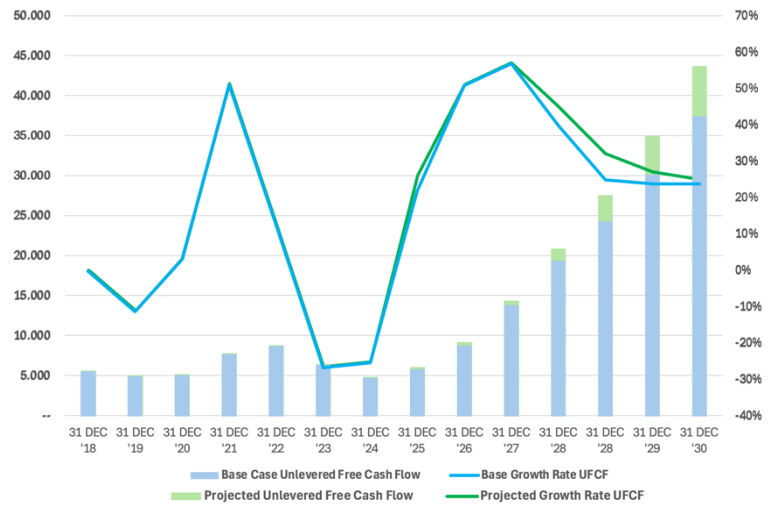
While the grant funding is substantial, the real valuation deviation lies in the Section 48D Investment Tax Credit (ITC). This is not a standard tax deduction that reduced taxable income, and it is a dollar-for-dollar credit equal to 25% of the qualified investment. Crucially, the direct pay provision allows this credit to be treated as a payment of federal income tax. If the credit exceeds the company's tax liability, the IRS refunds the difference as cash.

This mechanism transforms the ITC from a passive accounting entry into an active liquidity engine. We saw the proof of this monetization in the 2024 fiscal year, where TI realized a \$588 million cash benefit from the ITC, which directly reduced income taxes payable and supported operating cash flow. Management estimates the lifetime value of this credit to be between \$6B-\$8B. This is nearly \$8B of future cash inflows that algorithmic models, which fail to the specific mechanics of Section 48D, often miss or mis clarify.

The investment opportunity arises from the spread between Gross Capital Intensity and Net Capital Intensity. The market is pricing TXN stock as if it is spending 33% of revenue on Capex. However, once the grant reimbursements and ITC cash refunds are netted out, the shareholder's effective capital intensity drops to the low-20% range. Investors are paying for a capital-heavy company but owning a capital-efficient one.

Furthermore, the presence of the U.S. government as a primary financier creates an implicit sovereign backstop like a put option. The strategic safety net from the indispensability of these domestic fabs for national security lowers the operational tail risk. By failing to adjust the discount rate for this sovereign backstop, the consensus view is overly bearish, leaving a wide margin of safety for investors who recognizes that the cash burn is actually a subsidized purchase of a monopoly-like future asset.

TXN - CHIPS Act Thesis-Based Projected UFCF (in \$mm)

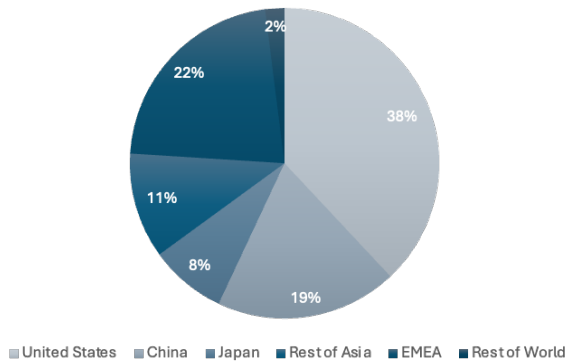


Incorporating the economic effects of subsidized capital into our DCF materially changes the valuation outcome. Adjusting for the unwind of the current front-loaded CapEx cycle, the depreciation tailwind, and the effective reduction in shareholder-funded reinvestment from grants and refundable ITCs, our thesis case models a sharp inflection in unlevered free cash flow as capacity built at a discounted replacement cost is monetized. Using an unlevered DCF with an unchanged WACC of 5.7% and a conservative 3.5% terminal growth rate, this normalization lifts steady-state cash flows rather than relying on multiple expansion, implying an intrinsic value of approximately \$229 per share versus a current price of ~\$193, or ~18% upside. Crucially, this upside is driven by correcting the market's treatment of gross versus net capital intensity, not by aggressive growth assumptions or discount-rate adjustments, suggesting Texas Instruments is being valued as a capital-heavy manufacturer while economically operating as a capital-efficient one.

## Company Overview

Founded in 1930 and headquartered in Dallas, Texas. The company designs and manufactures analogue and embedded processing semiconductors that are used as core components in electronic systems across a wide range of industries, including industrial automation, automotive electronics, and personal electronics. Rather than producing end consumer devices, Texas Instruments operates as a business-to-business supplier, selling its products to original equipment manufacturers that integrate TI semiconductors into finished electronic equipment. The company serves over 100,000 customers globally, with a diversified customer base and limited revenue concentration. Sales are conducted primarily through direct channels, including the company's website and global sales organization, complemented by a small number of distributors for order fulfilment. Texas Instruments operates globally and supplies components that form essential inputs in the electronics value chain, supporting electronic systems deployed across multiple end markets.

## Revenue Exposure by Region (FY 2024)



## Business Segments:

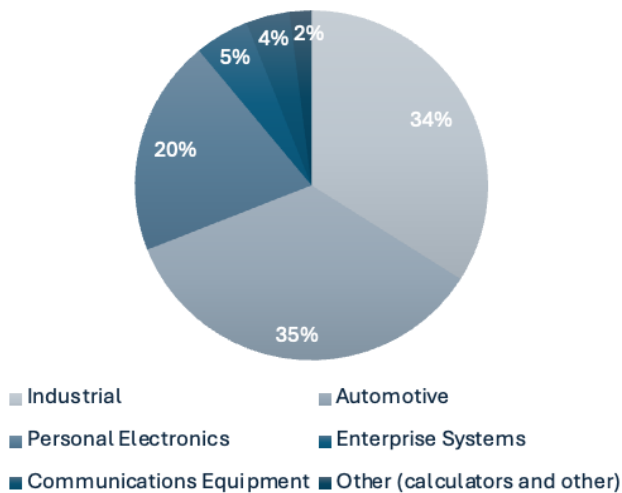
**Analog:** The Analog segment represents the core of Texas Instruments' operations and accounts for the majority of group revenue; 78% or in \$12.16 billion. This segment produces semiconductors that interface electronic systems with the physical world by conditioning, amplifying, converting, and measuring real-world signals such as sound, temperature, pressure, and images. Analog products are also central to power management, performing functions such as voltage regulation,

energy conversion, distribution, isolation, storage, and measurement in electronic equipment. These products are used across a broad range of applications, with primary exposure to industrial and automotive markets, as well as personal electronics. Analog semiconductors are embedded in systems ranging from factory automation equipment and power infrastructure to vehicle electronics and consumer devices.

**Embedded Processing:** The Embedded Processing segment supplies semiconductors that perform task-specific control and processing functions within electronic systems representing 16% of revenues or \$2.53 billion. The product portfolio includes microcontrollers, processors, wireless connectivity products, and radar devices. Microcontrollers integrate a processor core, memory, peripherals, and often analogue functionality into a single system designed to control specific functions in electronic equipment. Processors are optimized for dedicated computing tasks in embedded applications such as motor control and system management. Embedded Processing products are used primarily in industrial and automotive applications. Customers typically develop proprietary software to operate these devices, which is often reused across successive product generations.

**Other:** The Other segment includes business activities that do not meet the quantitative thresholds for separate operating segment reporting as it represents \$947 million in revenue. It comprises digital light processing (DLP) technology, primarily used in high-definition image projection systems, calculators, and application-specific integrated circuits (ASICs) designed for custom applications. *This segment also includes certain corporate-level items that are not allocated to the core operating segments for performance evaluation purposes, such as acquisition-related costs, restructuring charges, litigation expenses, and other non-operational activities*

## Revenue Exposure by Segment (FY 2024)



### Key Recent Developments:

#### Production and Manufacturing:

Texas Instruments continues to position manufacturing and process technology as a core competitive advantage, with a strategic focus on expanding internal 300 mm wafer production. The company owns and operates wafer fabrication as well as assembly and test facilities across North America, Asia, Japan, and Europe, maintaining a largely integrated manufacturing model. TI has emphasized the transition toward 300 mm wafers, where an unpackaged chip produced on a 300 mm wafer costs approximately 40% less than one produced on a 200 mm wafer, providing a structural cost advantage. The company is nearing the completion of a six-year period of elevated capital expenditures, aimed at building scalable, low-cost, and dependable internal capacity. This investment cycle is expected to support modular capacity expansion, increased internal sourcing, and improved free cash flow generation across different demand environments. TI's Lehi, Utah manufacturing facility is currently in the early ramp phase, with associated costs disproportionately impacting the Embedded Processing segment during the expansion period. As part of its capacity optimization strategy, TI is also in the process of exiting legacy manufacturing. In 2020, the company announced plans to close its remaining 150 mm wafer fabs, located in Sherman and Dallas, Texas, with production being transferred to more advanced and cost-effective 300 mm facilities.

While TI selectively uses external foundries and subcontractors, management expects internal manufacturing to continue supplying the majority of production needs over time.

**Geopolitical Developments:** Ongoing geopolitical tensions between the United States and China continue to shape the operating environment for global semiconductor suppliers, including Texas Instruments, which derives approximately 18% of its revenue from China. The U.S. CHIPS and Science Act provide federal incentives, including grants and investment tax credits, to expand domestic semiconductor manufacturing capacity and reduce reliance on offshore supply chains, a framework referenced by TI in its filings as supporting geopolitically dependable capacity. In parallel, the U.S. government has implemented and expanded export controls on advanced semiconductor technologies and manufacturing equipment destined for China, introducing licensing requirements and restrictions aimed at national security objectives. While these measures primarily target advanced computing technologies, they contribute to increased regulatory oversight and uncertainty for U.S. semiconductor exports to China. In response, Chinese authorities have initiated trade and regulatory scrutiny of imported U.S. semiconductors, including investigations into analog chips, signalling potential barriers to market access for U.S. suppliers. Collectively, these developments establish a more complex and policy-driven trade environment for U.S. semiconductor companies with material China exposure.

### Industry and Competitive Landscape

#### Industrial Semiconductor Industry Outlook:

The industrial semiconductor market, which encompasses semiconductors used in factory automation, robotics, power management, and industrial control systems, is experiencing steady expansion driven by rising demand for automation, electrification, and smart manufacturing technologies. According to industry research, the global industrial semiconductor market is projected to be worth around USD 98.6 billion in 2025 and is expected to grow at a compound annual growth rate (CAGR) of approximately 6.85% 2030, reaching about USD 137.3 billion by that year ([Mordor Intelligence](#)) through, with Asia Pacific

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representing the largest regional share of revenue. Expansion in industrial Internet of Things (IIoT) applications, increased semiconductor content per automated production line, and investments in predictive maintenance and real-time optimization are key structural drivers of industrial semiconductor demand ([Mordor Intelligence](#)). These trends are supported by broader growth in semiconductor spending, with global semiconductor revenues expected to grow above global GDP and surpass USD 1 trillion by 2030 as digital technologies penetrate more end markets ([PWC](#)).

### Automotive Industry Outlook:

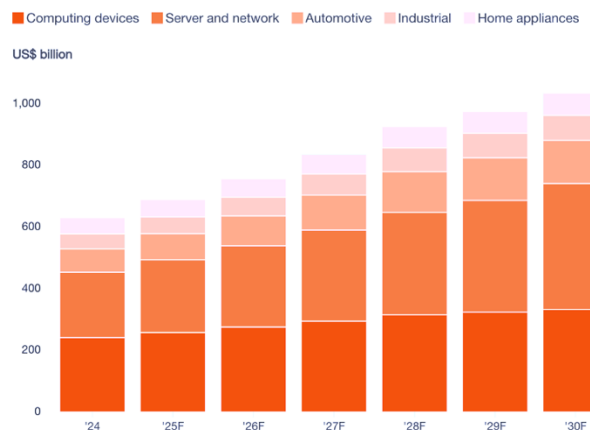
The automotive semiconductor market is projected to grow significantly over the coming decade, driven by rising vehicle electrification, advanced driver-assistance systems (ADAS), and increasing semiconductor content per vehicle. According to industry forecasts, the global automotive semiconductor market is expected to expand from approximately USD 77.42 billion in 2025 to around USD 133.05 billion by 2030, representing an 11.4 % compound annual growth rate (CAGR) over this period, supported by demand for power devices, sensors, and control chips in electric and connected vehicles ([MarketsandMarkets](#)). Regulatory pressure for emissions reduction and safety standards, as well as the adoption of zonal electrical/electronic architectures, are contributing to increased semiconductor integration in modern vehicles ([MarketsandMarkets](#)). Growth is also reflected in broader automotive electronics demand, with forecasts indicating continued expansion in infotainment, telematics, and safety systems through 2033 ([imarc](#)).

### Personal Electronics Industry Outlook:

The personal electronics semiconductor market, which includes chips used in consumer devices such as smartphones, laptops, tablets, wearables, and home electronics, is currently valued at approximately USD 99.9 billion in 2025 and is forecast to grow to about USD 140.8 billion by 2030 at a 7.1 % compound annual growth rate (CAGR), supported by enduring connectivity features and incremental integration of AI and 5G functionalities in end devices ([Mordor Intelligence](#)). However, this segment remains sensitive to broader consumer spending trends and

price competition, with periods of inventory correction and slower replacement cycles emerging as notable headwinds. While rising demand for advanced features can drive higher semiconductor content per device, short product lifecycles and aggressive pricing pressure pose challenges to sustained revenue growth and margin expansion in this end market.

Global semiconductor demand by end-market



Source: PWC Global Semiconductor Industry Outlook 2026

### Growth Drivers:

Texas Instruments' most credible growth drivers are industrial electrification, automotive electronic content, and energy infrastructure, where analog and embedded semiconductors are structurally required and design lifecycles are long. Data centers provide incremental upside but remain structurally limited, while manufacturing advantages act as a margin enabler rather than a primary growth engine.

### Porter's Five Forces Analysis

**Bargaining Power of Suppliers: Moderate.** Supplier power in the semiconductor industry is moderate, reflecting a concentrated base of critical equipment and materials providers alongside partial mitigation through scale and vertical integration. While large manufacturers reduce dependence on external foundries by producing in-house, they remain reliant on a small number of highly specialized equipment suppliers with pricing power, particularly during periods of industry-wide capacity expansion. Supplier leverage tends to fluctuate with the cycle, strengthening during investment upswings and

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easing during downturns, introducing cost volatility rather than persistent pressure

### **Bargaining Power of Consumers: Moderate.**

Buyer power varies materially by end market. In industrial and automotive applications, customers face high switching costs due to long qualification cycles, regulatory requirements, and system-level integration, limiting their ability to exert pricing pressure. By contrast, personal electronics customers typically operate with shorter design cycles, greater multi-sourcing, and higher price sensitivity, increasing buyer leverage. As a result, aggregate buyer power across the market is moderate, but this masks meaningful pressure in consumer-oriented segments

### **Threat of New Entrants: Low to Moderate.**

The threat of new entrants in the semiconductor market remains structurally constrained by high capital intensity, technological complexity, and long customer qualification cycles, particularly in industrial and automotive applications. Building competitive manufacturing capacity requires multi-billion-dollar investments and deep process expertise accumulated over decades. However, this barrier is partially weakened by increasing government intervention, including subsidies and state-backed capacity expansion, particularly in China and the U.S. As a result, while purely economic entry remains difficult, policy-driven entrants reduce the certainty that barriers alone will fully protect incumbents over the long term.

### **Threat of Substitutes: Low.**

The threat of substitutes in semiconductor markets is low, as core functions such as power management, sensing, and control cannot be eliminated from electronic systems. While architectural changes, such as higher levels of integration or system-on-chip designs, can reduce component counts, they do not remove the underlying need for analog and embedded functionality. Software optimization may complement hardware, but it does not replace physical semiconductor requirements, particularly in safety-critical and power-intensive applications.

### **Rivalry Among Existing Competitors:**

**Moderate to High.** Competitive rivalry in the semiconductor industry is moderate to high, driven by a fragmented competitive landscape, cyclical demand patterns, and periodic pricing pressure during downturns. Differentiation through product breadth, reliability, and long product lifecycles tempers rivalry in industrial and automotive markets, but competition is more intense in personal electronics, where commoditization and shorter lifecycles prevail. Industry cyclicality amplifies rivalry during periods of excess capacity, constraining margin expansion even for established player

## Management

### Key Leadership figures

#### CEO: Haviv Ilan

Ilan leads the company's strategic direction and operations, strengthening TI's position as a leading global semiconductor company. Throughout his 20+ year TI career, he has led with a passion for technology and innovation. He has a proven track record of delivering results and an intense focus on strengthening TI's product portfolio, expanding TI's market reach and strengthening the company's internal manufacturing capabilities, including growing its 300mm footprint. These strategic efforts help make TI a trusted and dependable supplier to more than 100,000 customers around the world.

Prior to becoming CEO, Ilan served as executive vice president and chief operating officer, overseeing TI's business and sales organizations, technology and manufacturing operations, and IT solutions. Earlier, he led the company's Analog Signal Chain business and managed several businesses in the company's Embedded Processing and Wireless divisions. Ilan began his TI journey in 1999 when TI acquired Butterfly, a wireless startup company.

Ilan currently serves on the Semiconductor Industry Association board of directors and is a member of the Business Roundtable. In addition, he is a member of the United Way of Metropolitan Dallas Centennial CEO Advisory Council.

#### CFO: Rafael Lizardi

Lizardi, joined TI in 2001 and was named vice president in 2010 followed by corporate controller in 2012. He holds a bachelor's degree in electrical engineering from The U.S. Military Academy at West Point and a master's in business administration from Stanford University. Prior to joining TI, Lizardi was a captain in the U.S. Army Corps of Engineers. Additionally, Lizardi holds the designation of Certified Management Accountant.

Rafael brings discipline, integrity and skill to the role. His years in finance and controller positions for our manufacturing group and our Analog product lines have enabled him to develop in-depth knowledge of our semiconductor operations. As controller for the entire company over the last four years, he has done an excellent job managing financial planning, accounting and business

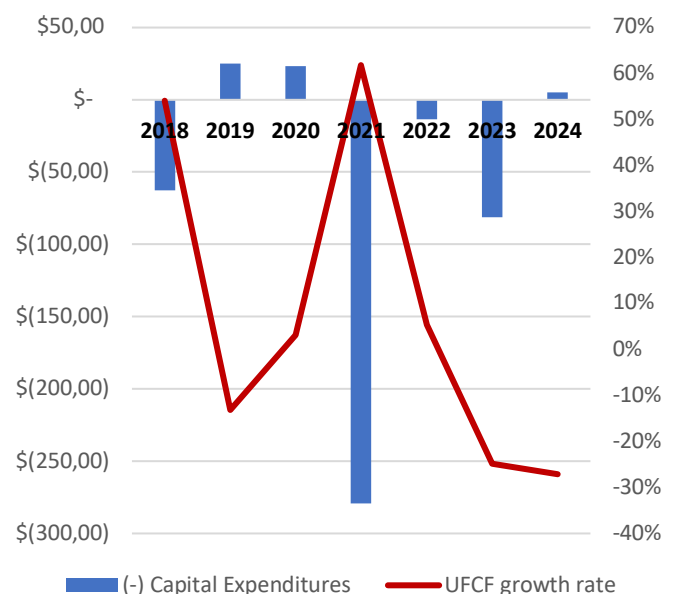
planning at the highest level. Rafael and Kevin have worked together closely for a decade, and they share a commitment to ethical and transparent operations," said Rich Templeton, TI's chairman, president and chief executive officer.

### Leadership

Texas Instruments' management has demonstrated consistent execution against a clearly articulated long-term strategy, even amid a cyclical downturn in the semiconductor market. In 2024, despite softer end-market demand, the company continued to invest aggressively in its core operations rather than prioritizing near-term margin protection. This approach reflects management's confidence in the durability of its strategy and its ability to execute across cycles.

A key illustration of this execution is the ongoing expansion of Texas Instruments' internal manufacturing footprint. Management has been explicit that elevated capital expenditures weigh on near-term profitability but positions these investments as critical to achieving structurally lower unit costs, improved supply resilience, and enhanced long-term free cash flow generation. Importantly, this strategy is supported by tangible progress: the company indicates it is well advanced in a multi-year capacity build-out and provides quantified milestones toward its long-term manufacturing objectives.

### Texas Instruments - CapEx Spending & UFCF Impact



## Capital Allocation

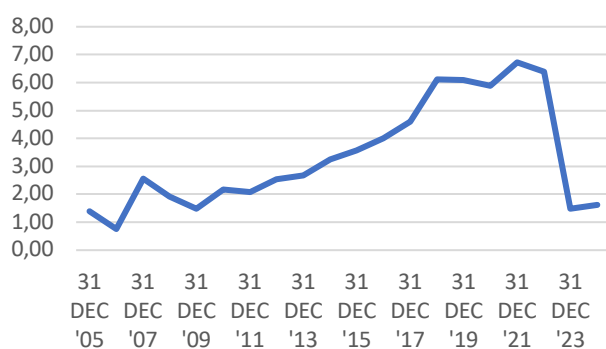
Texas Instruments' capital allocation framework has remained consistent over time. Both recent and older annual reports describe a clear priority order: reinvestment in the business to strengthen competitive advantages, maintenance and growth of the dividend, and the return of excess cash to shareholders through share repurchases. This hierarchy has not materially changed, even as market conditions have fluctuated.

Reinvestment is primarily directed toward areas that management believes generate durable returns, such as manufacturing capability, product development, and operational efficiency. At the same time, the company has historically shown restraint in mergers and acquisitions. Annual reports confirm that Texas Instruments has avoided large, transformational acquisitions, instead emphasizing organic growth and selective, financially disciplined deals. This pattern reduces integration risk and supports capital discipline.

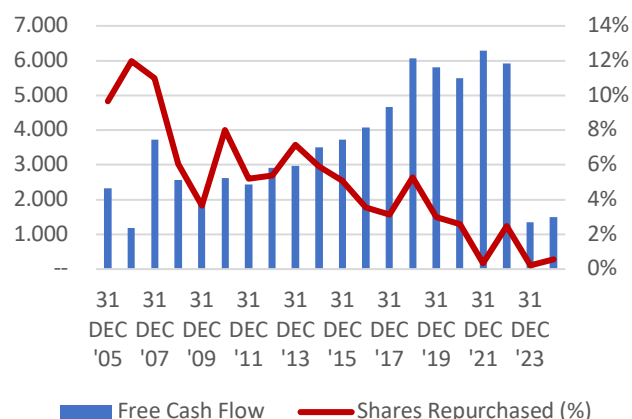
Buybacks and dividends are treated as ongoing components of Texas Instruments' capital allocation strategy rather than occasional actions. The company actively repurchases its own shares, alongside paying and growing dividends, and has continued to return capital to shareholders across different market cycles. This consistent use of share buybacks and dividends reinforces the credibility of management's stated commitment to disciplined, long-term capital allocation.

Management explicitly states that the most important measure of success for shareholders is the long-term growth of free cash flow per share, its so called "North Star".

## Texas Instruments - Free Cash Flow per Share



## Texas Instruments - FCF/Share Analysis



## Alignment

Management incentives at Texas Instruments are structured to emphasize profitability, capital efficiency, and long-term cash generation. Executive performance metrics are centered on operating profit and long-term shareholder returns. Operating profit is the primary driver of ROIC, while free cash flow captures the company's ability to generate cash after funding capital expenditures. In addition, Texas Instruments operates a broad-based profit-sharing program directly linked to operating profit, reinforcing cost discipline and capital efficiency across the organization. Long-term equity-based compensation further aligns management with ROIC and free cash flow outcomes, as value realization is contingent on sustained profitability translating into long-term share price appreciation.

Senior management maintains direct equity ownership in the company, ensuring participation in share price performance alongside shareholders and reinforcing a long-term value orientation rather than short-term earnings management. Potential dilution from equity-based compensation is actively managed through regular share repurchases. While stock-based awards increase the share count, Texas Instruments has consistently used buybacks to offset dilution and return excess capital to shareholders, supporting per-share value creation.

## **Governance & Communication**

Texas Instruments has a long track record of conservative and credible external communication. Management guidance is typically framed with an explicit acknowledgment of industry cyclicality and avoids aggressive short-term targets. This cautious tone has remained consistent across cycles.

Historically, the company has generally met or exceeded the expectations it sets, particularly with respect to profitability and free cash flow generation. During periods of industry weakness, management has proactively prepared investors for near-term pressure while continuing to emphasize long-term free cash flow per share. Subsequent results demonstrate continued positive free cash flow generation and capital returns, reinforcing the credibility of prior guidance.

## **Strategic Trade-offs and Risk Exposure**

Texas Instruments is not directly exposed to the fastest-growing segments of the semiconductor market, including AI accelerators, high-performance computing, and data-center GPUs. Management has deliberately concentrated the portfolio on analog and embedded products, primarily serving industrial and automotive end markets. While this positioning supports stability and resilience across cycles, it also limits participation in AI-driven revenue growth, which currently represents a significant driver of industry expansion.

If AI-related demand remains the dominant source of semiconductor growth for an extended period, Texas Instruments may face relative underperformance versus peers with direct exposure to AI infrastructure and compute-intensive workloads.

## **Verdict**

We see the management quality as strong, independent and aligned with the long-term growth goals of Texas Instruments, prioritizing the firm over and the health of it over shareholder returns. Thus, we believe that the impact on valuation is neutral.

## Valuation

### Discounted Cash Flow Valuation Methodology

Our intrinsic valuation of Texas Instruments is derived from a Discounted Cash Flow (DCF) model based on Unlevered Free Cash Flow (UFCF). We view UFCF as the most appropriate valuation metric given TXN’s current position within a front-loaded and elevated capital expenditure cycle. Reported Free Cash Flow is temporarily distorted by strategic fab investments that are designed to expand long-term manufacturing capacity and reinforce TXN’s structural cost, scale, and supply chain advantages, rather than signal deterioration in underlying operating performance. As such, UFCF more accurately captures the company’s normalized operating cash-generating capacity without penalizing value-accretive reinvestment.

Consistent with standard valuation theory, our DCF framework values the operating business independently of capital structure decisions. Free Cash Flow to equity embeds financing effects, including debt service and capital allocation timing, which can materially amplify cyclicality during periods of elevated investment. Using UFCF allows us to apply the Weighted Average Cost of Capital (WACC) in a conceptually consistent manner and derive enterprise value on a capital-structure-neutral basis.

Under our base-case assumptions of a 5.68% WACC and a 3.5% perpetual growth rate, our model implies an intrinsic equity value of \$192.94 per share. As of 22<sup>nd</sup> January 2026, TXN is trading at \$193.31, indicating that the shares are priced broadly in line with our intrinsic valuation.

### Forecast Horizon and Key Operating Assumptions

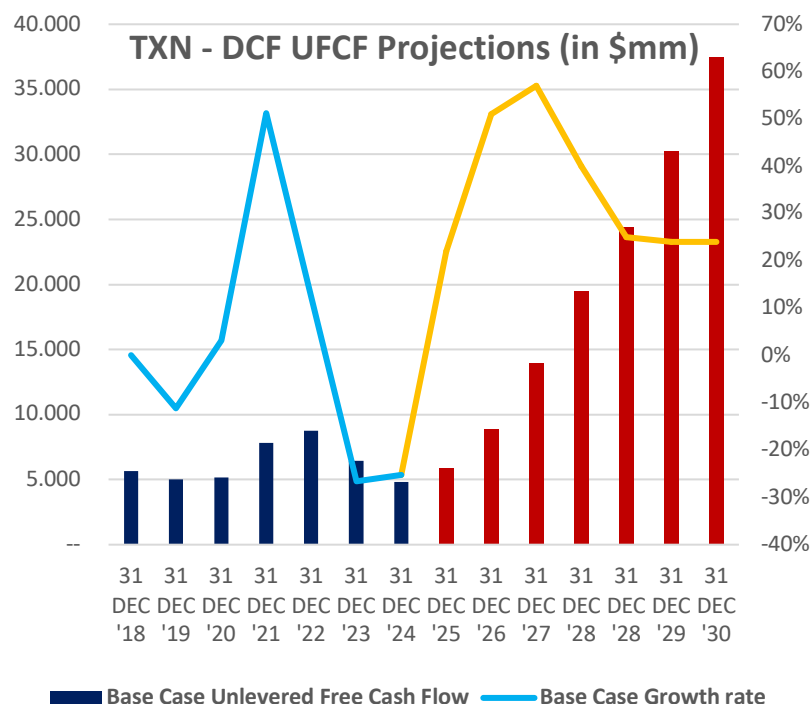
We model an explicit forecast period from FY2025 through FY2030, designed to capture both the normalization of capital intensity and the earnings recovery as recently deployed manufacturing capacity ramps toward utilization. Revenue growth assumptions reflect TXN’s exposure to structurally resilient end markets, particularly industrial and automotive, alongside incremental semiconductor content growth driven by electrification, automation, and AI-enabled infrastructure.

Cash flow growth over the forecast period is primarily driven by a combination of declining peak capex intensity, rising depreciation add-backs as new fabs come online, and operating leverage as volumes recover. As a result, UFCF growth follows a pronounced recovery profile, accelerating sharply in the early years of the forecast as capex headwinds fade, peaking in the mid-cycle, and then moderating toward sustainable levels. By FY2030, UFCF growth converges toward the low-to-mid-20% range, consistent with historical post-investment recovery dynamics observed in prior semiconductor cycles.

### Cost of Capital Assumptions

Our valuation applies a WACC of approximately 5.7%, reflecting Texas Instruments’ low-risk business profile, disciplined capital allocation, and highly resilient cash flow characteristics. This incorporates a cost of equity of approximately 11.9%, derived from a risk-free rate of roughly 4.2%, a market risk premium of 7.8%, and a levered beta close to 1.0, consistent with TXN’s defensive positioning within the semiconductor sector.

We assume a pre-tax cost of debt of 4.0%, in line with TXN’s investment-grade credit profile and long-dated debt structure and apply a statutory tax rate of 21%. Capital structure weights reflect TXN’s conservative use of leverage and strong balance sheet flexibility.



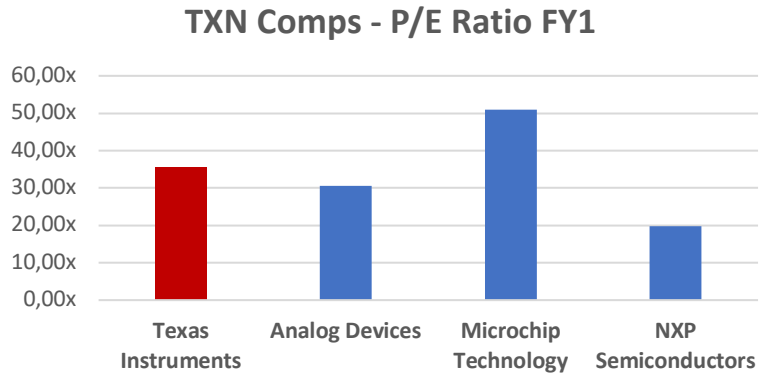
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Terminal value is calculated using a 3.5% perpetual growth rate, which we view as explicitly conservative. This assumption is broadly aligned with long-run nominal GDP growth and reflects our expectation that TXN evolves into a stable, cash-generative industrial analog semiconductor leader rather than a structurally high-growth technology company. While near-term growth is elevated and cyclical in nature, our terminal assumptions intentionally normalize growth toward sustainable, economy-linked levels.

price per share of \$196.26, neutral to the current price of \$TXN.

## Sensitivity Analysis and Market Implied Expectations

Our sensitivity analysis indicates that at the current share price, the market is effectively discounting a perpetual growth rate of approximately 3.5% at a 5.7% WACC, broadly in line with our base-case assumptions. This suggests that current valuation levels already embed expectations of a successful capex cycle execution and a robust medium-term recovery in cash generation.



## Public Comparables Methodology

On EBITDA-based valuation, Texas Instruments screens as a quality name trading at a controlled premium, rather than an outlier. TXN trades at ~23.6x EV/EBITDA on actuals and ~20.2x on NTM, placing it above NXP Semiconductors (~17.3x actual, ~13.3x NTM) and below Microchip Technology (~52.7x actual, ~23.7x NTM), while broadly in line with Analog Devices (~31.3x actual, ~19.7x NTM).

The dispersion between actual and NTM multiples is important. TXN's ~340 bp compression from actual to NTM EV/EBITDA reflects the market's expectation of earnings normalization as depreciation pressure eases and fab utilization improves. This compares favourably to ADI, where compression is marginal, and contrasts with MCHP, where elevated actual multiples reflect structurally weak current EBITDA rather than near-term recovery.

Relative to NXPI, TXN clearly commands a premium. NXPI's lower ~13x NTM EV/EBITDA reflects higher cyclicality, lower gross margin durability, and less control over manufacturing. TXN's premium is justified by its integrated manufacturing model, higher through-cycle margins, and stronger balance sheet, rather than near-term growth.

At the same time, TXN does not trade at the extreme end of the peer set. The fact that TXN's NTM multiple sits below MCHP and only modestly above ADI suggests the market is not overcapitalizing peak-cycle earnings or fully pricing in long-term capacity optionality. Instead, valuation implies a normalization case, not a blue-sky scenario.

Overall, the EV/EBITDA comps support the view that TXN is fairly valued to slightly premium on a relative basis. The stock is not cheap, but the multiple reflects business quality and balance sheet strength rather than

Sensitivity Table - UFCF

		Growth Rate				
		2,50%	3,00%	3,50%	4,00%	4,50%
WACC	4,68%	191,08	249,31	357,14	624,67	2.420,36
	5,18%	155,36	192,01	250,54	358,87	627,67
	5,68%	130,90	156,12	196,26	251,75	360,59
	6,18%	113,09	131,54	156,88	193,88	252,96
	6,68%	99,55	113,64	132,18	157,64	194,81

Importantly, Texas Instruments should be viewed not as a speculative growth semiconductor, but as a mature, industrial-analog leader characterized by exceptionally long product lifecycles, deep customer entrenchment, high switching costs, and durable free cash flow generation across cycles. We believe our valuation framework appropriately balances near-term cyclicity with TXN's long-term structural strengths, resulting in a fair and internally consistent assessment of intrinsic value.

According to our model, Texas Instruments is currently priced at 3,5% perpetual growth, assuming the 5,68% WACC. This pricing demonstrates an anticipation in high UFCF growth thanks to the end of a heavy CapEx cycle. However, any change in WACC or growth rate would substantively increase or decrease the price per share (*see sensitivity table*) We find a implied

speculative growth. Upside from here is driven less by multiple expansion and more by EBITDA growth catching up to the invested capital base, allowing the current premium to compound rather than re-rate.

## Comps operating snapshot

Across the peer set, Texas Instruments screens as the highest-quality operating profile, with scale translating cleanly into profit and cash despite an elevated investment cycle. TXN posts the largest revenue base at \$15.6bn, converting this into \$5.3bn EBIT, \$6.9bn EBITDA, and \$5.0bn net income, implying the strongest top-line to bottom-line flow in the group.

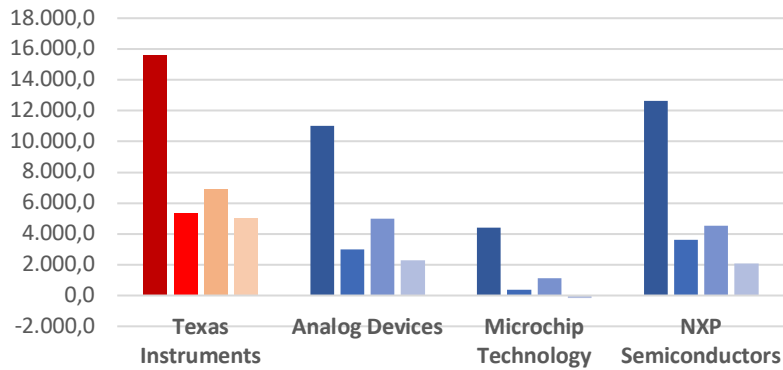
Profitability is structurally premium, with ~57.5% gross margin and ~34.8% EBIT margin, and this strength holds through the stack, evidenced by a ~29.1% net margin that points to limited leakage below the operating line. In parallel, TXN's balance sheet is notably defensive, with a cash ratio of ~1.66x, quick ratio of ~2.90x, and current ratio of ~4.45x, providing flexibility to sustain its strategy through the cycle.

The principal optical drag is capital intensity: TXN is running the most aggressive capex program in the group at ~\$4.8bn (NTM ~\$2.9bn), which depresses near-term free cash flow conversion and adds depreciation headwinds. However, these metrics suggest TXN is reinvesting from a position of strength, using scale, margin durability, and liquidity to support a manufacturing-led strategy that should improve cost and supply control as utilization normalizes.

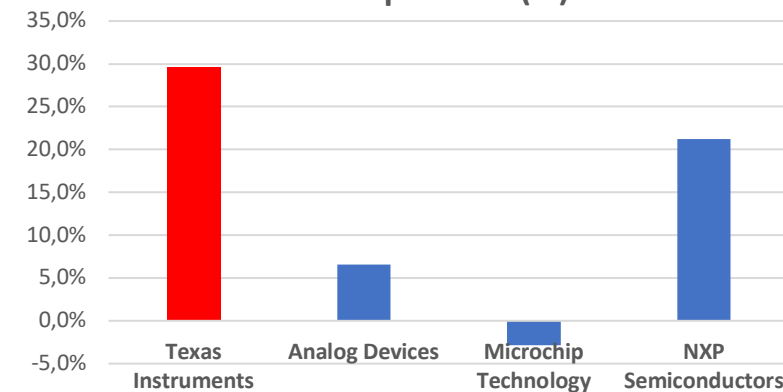
An important insight from these comps is that TXN can appear fully priced on surface-level quality and spending metrics, which risks obscuring where the underlying operating leverage actually sits. With ~57.5% gross margin and ~34.8% EBIT margin, TXN is already demonstrating pricing power and cost discipline through a softer part of the cycle, while its balance sheet remains structurally defensive (cash ratio ~1.66x, quick ~2.90x, current ~4.45x). What can be misjudged is the timing and magnitude of earnings normalization as capacity utilization improves. A large share of today's earnings pressure reflects depreciation and fixed-cost absorption tied to the ~\$4.8bn capex program rather than weakening unit economics.

If the market implicitly treats this investment as permanently dilutive, it may underappreciate how quickly incremental revenue can flow through once volumes recover, given that the cost base is already in place. The result is a setup where reported profitability understates the underlying earnings power of the business during the investment phase.

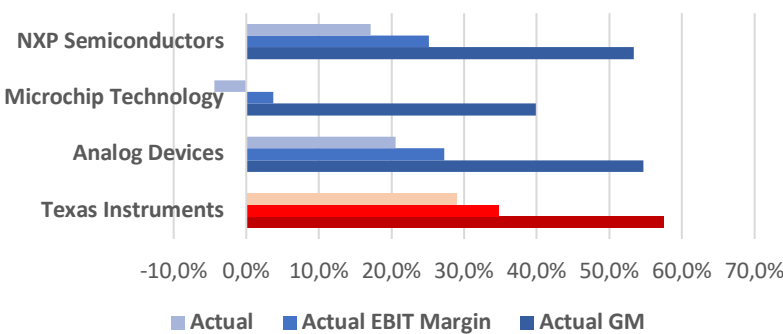
### TXN - Top Line to Bottom Line Comps



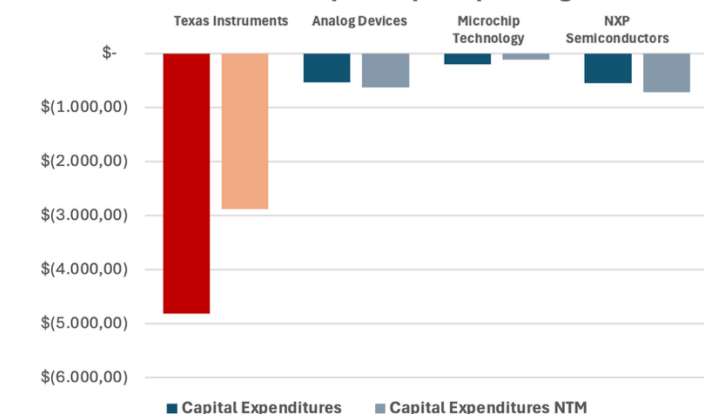
### TXN Comps - ROE (%)



### TXN Comps - Margins



### TXN Comps - CapEx Spending



## Financial Analysis

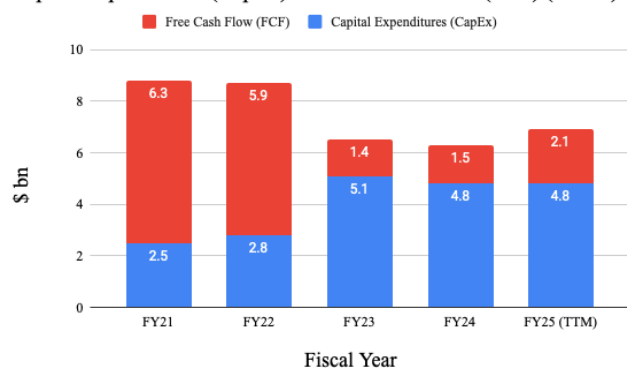
### Profitability

Fiscal Year	Gross Margin (%)	Operating Margin (%)
FY21	67.50%	48.40%
FY22	68.80%	51.00%
FY23	62.90%	41.90%
FY24	57.50%	35.00%
FY25 (TTM)	57.50%	34.80%

We view 57% as the structural floor. As revenue recovers in FY26 (+10% est.), fixed costs absorption will improve. We model Gross Margins expanding +150bps and Free Cash Flow (\$2.1B).

### B. Cash Flow & The CHIPS Act Offset

Capital Expenditures (CapEx) and Free Cash Flow (FCF) (in \$bn)



### Capex intensity

Capex remains elevated at \$4.8B (TTM), of 28% of revenue, significantly above the historical 5-6% range.

### The CHIPS Act Hidden Subsidy

Reported FCF ignores the material government subsidies supporting this buildout. TI has been awarded \$1.6 billion in direct funding under the CHIPS and Science Act and expects to accrue \$6-8 billion in Investment Tax Credits (ITC) through 2030. While the accounting metrics show FCF compression, the net economic cost of the expansion is 25-30% lower than the headline Capex suggests. This subsidy materially improves the effective Return on Invested Capital (ROIC) of the Sherman and Lehi fabs.

### Balance Sheet

Solvency Metric	Value	Peer Median	Assessment
Total Cash	\$6.2B	\$4.5B	Defensive
Total Debt	\$14.0B	\$12.1B	Manageable
Net Debt / EBITDA	1.66x	1.80x	Prudent Leverage
Current Ratio	4.45x	2.10x	Superior Liquidity
Valuation Metric	TXN Level	Upside Case (Target)	Implied Premium
P/E (NTM)	28.5x	31.0x	0.087
EV / EBITDA	23.5x	25.0x	0.063
Target Price	\$193.31	\$212.89	0.101

**Net Debt Position:** As of Q3 2025, Total Debt is \$14.0B against Cash of \$5.2B, resulting in Net Debt of \$8.8B.

**Leverage:** Net Debt / EBITDA stands at 1.1x, well within investment-grade covenants. This liquidity buffer ensures the dividend (currently yielding about 2.7%) remains safe even if the FCF recover is delayed.

### Final Recommendation

Texas Instruments is mispriced because the market still frames its \$5.0B annual CapEx through a GAAP “gross CapEx” lens, penalizing near term cash burn while underappreciating that CHIPS Act grants and refundable Section 48D tax credits materially reduce the true shareholder funded cost of the capacity build, lowering effective capital intensity and improving long run ROIC as the 300mm ramp monetizes. On valuation, our base case supports a neutral view around the current price (\$193), while our conviction DCF, incorporating the net capital economics and the post cycle free cash flow inflection, yields a \$228.89 target price (+18% upside). Risk reward is asymmetric: downside stems from prolonged industrial weakness, China exposure and any rollback or delay of subsidies, while upside is driven by faster utilization and margin expansion as the CapEx cycle ends, translating fixed cost absorption and depreciation tailwinds into stronger unlevered free cash flow.

## Appendix All Financial Statements

Texas Instruments Incorporated																					
TXN 882508104 2885409 NASDAQ Common stock																					
Cash Flow Statement																					
	31 DEC '24	31 DEC '23	31 DEC '22	31 DEC '21	31 DEC '20	31 DEC '19	31 DEC '18	31 DEC '17	31 DEC '16	31 DEC '15	31 DEC '14	31 DEC '13	31 DEC '12	31 DEC '11	31 DEC '10	31 DEC '09	31 DEC '08	31 DEC '07	31 DEC '06	31 DEC '05	
	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	
<b>Cash flows from operating activities</b>	-1.59	-26.38	-0.41	42.63	-7.67	-7.51	34.05	16.23	4.94	12.98	15.01	-0.88	4.85	-14.76	44.53	-20.63	-24.44	79.44	-31.93	21.36	
Net income	-26.28	-25.59	12.61	38.86	11.52	-10.09	51.55	2.42	20.40	5.85	30.48	22.91	-21.33	-30.73	119.59	-23.44	-27.74	-38.79	86.79	24.88	
Adjustments to net income	25.29	21.14	-5.95	6.23	-18.87	22.91	-14.31	30.36	-24.55	-8.85	-15.66	-1.33	15.63	85.08	-36.66	15.32	-17.98	99.06	-1,027.81	11.13	
Income from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	28.34	27.03	22.52	3.00	3.53	20.00	9.46	-10.91	-21.02	-9.88	-3.30	-8.15	5.86	4.51	-1.37	-14.19	0.00	-2.85	-21.84	-7.11	
Amortization of acquisition-related intangibles	-	-	-	-28.25	-31.25	-9.43	0.00	0.00	0.00	-0.62	-4.46	-1.75	208.11	131.25	0.00	29.73	-22.92	-0.00	-18.64	7.27	-20.29
Amortization of capitalized software	14.29	16.67	-5.26	-6.56	12.96	17.39	-2.13	51.61	-35.42	-18.64	-28.05	-19.61	9.68	-	-	-	-	-	-	-	
Stock-based compensation	6.91	25.26	25.65	2.68	3.23	-6.47	-4.13	-3.97	-11.89	3.25	-3.48	9.13	-2.23	41.58	2.15	-12.68	-23.93	-15.66	89.71	872.22	
Gains/losses on sales of assets	-	-	94.74	-1,325.00	82.61	-666.67	-	-	52.94	-16.44	-1,116.67	-	-	96.53	-	-	-	-	-	-	
Deferred income taxes	29.77	-56.54	-1,373.33	-	-269.14	-	-193.75	-	-267.27	9.84	-222.00	-61.54	136.36	-	-228.77	-	-635.29	-	-3.09	-377.14	
Gain on transfer of Japan substitutional pension	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Increase/decrease from changes in																					
Accounts receivable	-37.04	-	32.40	15.59	-355.64	87.32	-	93.52	-240.26	-	-408.25	-94.86	177.68	-	36.54	-142.08	2,062.50	-	8.66	40.65	
Inventories	57.49	-46.64	-1,982.22	-2.17	-78.70	-	-68.86	-68.69	-206.45	-	-303.85	420.00	-	94.41	-271.75	311.63	290.91	-	-978.26	91.05	
Prepaid expenses and other current assets	-	666.67	-89.47	-	-129.81	-60.39	780.26	-	-186.17	44.62	-	-183.95	-	-2,437.50	-106.96	-	-1,061.54	-	-185.59	-28.39	
Accounts payable and accrued expenses	-	-131.13	221.21	-47.62	-	-1,228.57	-113.73	-29.17	-	26.80	31.69	-386.87	4,850.00	-96.49	1,040.00	-	-	-	-	-	
Accrued compensation	-141.38	31.82	214.29	-88.89	-	-114.29	-133.33	-108.33	414.29	-92.13	394.44	-	-	-6.49	-131.30	-	73.05	-	-	-	
Income taxes payable	-	-107.45	-	88.95	6.22	-222.15	-66.24	40.54	2,927.27	-	-203.85	-	-	-169.41	-347.37	-121.84	128.95	-87.50	-	-1,880.00	
Accrued profit sharing and retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17.86	-	-161.87	
Other	-26.03	-0.69	-3,000.00	-	-1,616.67	91.55	-1,520.00	-	-1,137.50	36.29	52.49	-87.77	-273.75	-	-	-	-	38.60	79.30	-756.25	
Changes in funded status of retirement plans	-26.67	-60.53	83.87	-	-131.03	-19.44	71.43	-	-217.39	60.34	-307.14	-	-2,728.57	-126.92	-	-	-	-	-	-	
Other excluding changes in funded status of retirement plans	-18.99	16.58	-676.92	44.68	-168.57	67.29	-568.75	38.46	-273.33	-	86.18	-141.27	52.27	-344.44	-	-	-	-	-	-	
<b>Cash flows from / used in investing activities</b>	26.59	-21.74	12.50	-344.14	51.98	-2,361.54	93.08	-73.38	-115.23	19.89	-12,466.67	96.71	83.17	-483.92	3.56	7.28	-649.77	-93.04	-	-46.28	
Capital expenditures	4.95	-81.30	-	-279.35	23.38	25.11	-	-62.73	-30.89	3.63	-43.12	6.55	16.77	39.34	31.94	-59.23	-	-11.22	46.07	1.24	
Proceeds from CHIPS Act incentives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from asset sales	6,400.00	0.00	-96.00	1,775.00	-86.67	233.33	-77.50	-	-100.00	-22.54	576.19	-	-100.00	-88.19	-	-	-	-	-97.97	7,042.86	
Purchases of short-term investments	23.53	12.28	-43.06	-74.97	-	36.95	-23.94	-	-30.03	-38.00	10.94	20.48	-36.44	23.30	-45.54	-10.43	-30.18	65.32	26.18	-59.25	
Proceeds from short-term investments	-16.43	-1.98	61.09	52.89	140.15	-65.68	63.81	20.80	17.22	-2.49	-30.20	93.31	-38.17	38.65	26.31	56.15	-76.26	-28.95	55.03	42.56	
Purchases of long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Business acquisitions, net of cash acquired, net	-300.00	-35.14	-	-72.22	-212.50	-	-91.67	-100.00	-142.86	100.00	-84.78	-23.33	-	-2,550.25	-28.39	-715.79	78.16	-	-	-	
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Business acquisitions, net of cash acquired	-300.00	-35.14	-	-72.22	-212.50	-	-91.67	-100.00	-142.86	100.00	-84.78	-23.33	-	-2,550.25	-28.39	-715.79	78.16	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Cash flows from / used in financing activities</b>	-34.33	69.09	-114.15	31.01	3.87	25.26	-69.50	1.99	11.27	-8.90	-24.38	-42.48	-175.36	-	-86.11	41.93	45.72	19.61	-57.32	-207.83	
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Issuance costs for long-term debt	-0.67	100.80	-0.07	-0.20	0.47	-0.60	36.49	120.24	0.20	0.00	-49.49	-33.91	-88.24	-	-	-	-	-	-	-	
Repayment of debt	-20.00	0.00	9.09	-10.00	33.33	-50.00	20.00	37.50	0.00	0.00	33.33	-9.09	-587.50	-	-	-	-	-	92.66	-5,227.27	
Dividends paid	-5.22	-6.05	-10.58	-13.43	-13.90	-17.73	-21.44	-27.83	-13.99	-9.15	-12.60	-43.47	-27.17	-8.78	-4.41	-5.59	-26.35	-	-113.57	-15.03	
Stock repurchases	-217.06	91.89	-585.96	79.36	13.75	41.96	-99.53	-18.89	22.22	3.18	1.29	-59.33	8.77	19.60	-157.23	55.04	56.57	7.85	-27.73	-451.26	
Proceeds from common stock transactions	96.58	9.18	-38.07	-19.79	-12.80	44.50	-22.77	2.33	19.19	-35.71	151.24	-24.30	69.53	273.39	-48.10	-72.40	82.06	-	-8.33	140.10	
Excess tax benefit from share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	7.02	-39.02	10.87	-27.76	14.29	10.64	-51.61	-933.33	0.00	0.00	57.14	30.00	16.67	-	-	-	-	-	-	-	
<b>Net cash used in / provided by discontinued operations</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-108.33	
Operating activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-86.73	
Investing activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-21.74	
Effect of exchange rate changes on cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-60.00	
<b>Net change in cash and cash equivalents</b>	94.56	-203.74	127.46	-	-100.13	55.78	225.97	-	53.50	-302.84	-50.24	-	-338.69	0.74	-	-294.48	-	-	97.86	-270.47	
Cash and cash equivalents at beginning of period	-2.82	-34.14	49.05	27.49	-0.04	47.22	43.50	15.40	-16.60	-26.31	14.90	42.74	11.59	13.00	-	-31.23	12.26	-2.55	-54.41	46.88	
Cash and cash equivalents at end of period	7.96	-2.82	-34.14	49.05	27.49	-0.04	47.22	43.50	15.40	-16.60	-26.31	14.90	42.74	11.59	13.00	-	-31.23	12.26	-2.55	-54.41	
<b>Supplemental cash flow information</b>																					
Investment tax credit (ITC) used to reduce income taxes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from CHIPS Act incentives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total cash benefit related to the U.S. CHIPS and Science Act	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Texas Instruments Incorporated																				
TXN 882508104 2885409 NASDAQ Common stock																				
Balance Sheet Statement																				
	31 DEC '24	31 DEC '23	31 DEC '22	31 DEC '21	31 DEC '20	31 DEC '19	31 DEC '18	31 DEC '17	31 DEC '16	31 DEC '15	31 DEC '14	31 DEC '13	31 DEC '12	31 DEC '11	31 DEC '10	31 DEC '09	31 DEC '08	31 DEC '07	31 DEC '06	31 DEC '05
	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP	RECAP
<b>Total assets</b>	35509	32348	27207	24676	19351	18018	17137	17942	16431	16230	17372	18938	20021	20497	13401	12119	11923	12667	13930	15063
<b>Total current assets</b>	15026	15122	14021	13655	10239	9761	8997	8724	7457	7074	7421	8019	8230	7628	7600	6114	5790	6918	7654	8412
Cash and cash equivalents	3200	2964	3050	4631	3107	2437	2438	1656	1154	1000	1190	1627	1416	992						

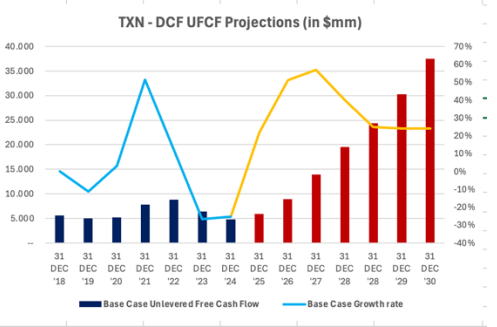


## Models 1: DCF

Unlevered Free Cash Flow & Free Cash Flow (all in \$mm)														Terminal Value	
Fiscal Year	31 DEC '18	31 DEC '19	31 DEC '20	31 DEC '21	31 DEC '22	31 DEC '23	31 DEC '24	31 DEC '25	31 DEC '26	31 DEC '27	31 DEC '28	31 DEC '29	31 DEC '30	31 DEC '30	
<b>Base Case Unlevered Free Cash Flow</b>	5,634	5,003	5,159	7,803	8,781	6,445	4,815	5,875	8,871	13,927	19,498	24,373	30,222	37,476	\$ 1,783,271,71
Present Value of Unlevered Free Cash Flow	7,846	6,593	6,433	9,208	9,806	6,810	5,033	5,875	8,395	12,472	16,523	19,544	22,933	26,910	1,211,741
Base Case Growth rate	0%	-11%	3%	51%	13%	-27%	-25%	22%	51%	57%	40%	25%	24%	24%	
Projected Growth Rate UFCF	Average: 1%							22%	51%	57%	40%	25%	24%	24%	
<b>Free Cash Flow</b>	6,058	5,802	5,490	6,294	5,923	1,349	1,498	1,813	2,302	3,062	4,133	5,332	6,505	7,806	\$ 371,437,00
Present Value of Free Cash Flow	8,437	7,646	6,846	7,428	6,614	1,426	1,566	1,813	2,302	3,062	4,133	5,332	6,505	7,806	252,393
Growth rate	0%	-4%	-5%	15%	-6%	-77%	11%	21%	27%	33%	35%	29%	22%	20%	
Projected Growth Rate FCF	Average: 4%							21%	27%	33%	35%	29%	22%	20%	
Projection Year	15%							0	1	2	3	4	5	6	

TEXAS INSTRUMENTS INCORPORATED (XNAS:TXN)	
Implied Share Price Calculation - using UFCF	
Sum of PV of FCF	164,381
Growth Rate	3,50%
FCF Av. Growth Rate	4%
WACC	5,6751%
Analyst/Consensus WACC	6%
Terminal Value	1,783,272
PV of Terminal Value	1,211,741
Enterprise Value	175,645,900,747
(+) Cash	15,026
(-) Debt	3,643
(-) Minority Interest	16,903
Market Cap	175,645,912,130
Diluted Shares Outstanding (mm)	908,623,000
<b>Implied Share Price</b>	<b>196,26</b>
Current Share Price	\$ 193,31
Upside/Downside	2%

Sensitivity Table - UFCF					
WACC	Growth Rate				
	2,50%	3,00%	3,50%	4,00%	4,50%
4,68%	191,08	249,31	357,14	624,67	2,420,36
5,18%	155,36	192,01	250,54	358,87	627,67
5,68%	130,90	156,12	196,26	251,75	360,59
6,18%	113,09	131,54	156,88	193,88	252,96
6,68%	99,55	113,64	132,18	157,64	194,81



Texas Instruments is currently priced at 3,5% perpetual growth, assuming the 5,68% WACC. This pricing demonstrates an anticipation in high UFCF growth thanks to the end of a heavy CapEx cycle. However any change in WACC or Growth rate would substantially increase or decrease the price per share.

Unlevered Free Cash Flow (mm)																											
Fiscal Year	31 DEC '05	31 DEC '06	31 DEC '07	31 DEC '08	31 DEC '09	31 DEC '10	31 DEC '11	31 DEC '12	31 DEC '13	31 DEC '14	31 DEC '15	31 DEC '16	31 DEC '17	31 DEC '18	31 DEC '19	31 DEC '20	31 DEC '21	31 DEC '22	31 DEC '23	31 DEC '24	31 DEC '25	31 DEC '26	31 DEC '27	31 DEC '28	31 DEC '29	31 DEC '30	31 DEC '30
Revenue	12335	14255	13835	12501	10427	13966	13735	12825	12205	13045	13000	13370	14961	15784	14383	14461	18344	20028	17519	15641							
COR	-6319	-6996	-6466	-6256	-5428	-6474	-6963	-6457	-5841	-5618	-5425	-5113	-5347	-5507	-5219	-5192	-5968	-6257	-6500	-6547							
Gross Profit	6,016	7,259	7,369	6,245	4,999	7,492	6,772	6,368	6,364	7,427	7,575	8,257	9,614	10,277	9,164	9,269	12,376	13,771	11,019	9,094							
Operating Expenses	-1986	-2195	-2140	-1940	-1476	-1570	-1715	-1877	-1522	-1358	-1267	-1356	-1508	-1559	-1544	-1530	-1554	-1670	-1863	-1959							
Selling, General, Administrative	-1471	-1697	-1680	-1614	-1320	-1519	-1638	-1804	-1858	-1843	-1728	-1742	-1694	-1684	-1645	-1623	-1666	-1704	-1825	-1794							
Total Operating Expenses																											
EBITDA																											
Operating Profit (EBIT)	2559	3367	3497	2437	1991	4514	2992	1973	2832	3947	4322	4855	6083	6713	5723	5894	8960	10140	7331	5465							
Operating Taxes	-582	-987	-1051	-561	-547	-1323	-719	-176	-592	-1053	-1230	-1335	-2398	-1106	-711	-422	-1150	-1283	-908	-654							
NOPAT (Net Operating Profit After Taxes)	1,977	2,380	2,446	1,876	1,444	3,191	2,273	1,797	2,240	2,894	3,092	3,520	3,685	5,607	5,012	5,472	7,810	8,857	6,423	4,811							
Depreciation	(7)	(22)	(3)	-	(14)	(1)	5	6	(8)	(3)	(10)	(21)	(11)	9	20	4	3	23	27	28							
Amortization of acquisition-related intangibles	(20)	7	(19)	(23)	30	-	131	208	(2)	(4)	(1)	-	(0)	-	(9)	(31)	(28)	-	-	-							
Amortization of capitalized software	(2)	-	-	-	-	-	-	10	(20)	(8)	(19)	(35)	52	(2)	17	13	(7)	(5)	17	14							
(+) Capital Expenditures	(2)	1	46	(11)	1	(59)	32	39	17	7	(43)	4	(31)	(63)	25	23	(279)	(14)	(81)	5							
(-) Change in NWC	-3	-45	57	-13	61	-91	-7	23	10	50	-47	35	32	-88	2	303	-266	68	-86	5							
NWC	1,24	46,07	(11,22)	1,31	(59,23)	31,94	39,34	16,77	6,55	(43,12)	3,63	(30,89)	(62,73)	25,11	23,38	(279,35)	(13,61)	(81,30)	4,95	0,00							
Current Assets	9,412	7,854	6,918	5,790	6,114	7,060	7,828	8,230	8,019	7,421	7,074	7,457	8,734	8,097	8,761	10,239	13,685	14,021	15,122	15,026							
Current Liabilities	2,377	2,078	2,025	1,532	1,587	1,981	3,499	3,430	2,747	2,658	2,555	2,264	2,258	2,474	2,123	2,569	2,985	2,901	3,320	3,643							
<b>Unlevered Free Cash Flow</b>	<b>1,978</b>	<b>2,424</b>	<b>2,343</b>	<b>1,877</b>	<b>1,382</b>	<b>3,223</b>	<b>2,248</b>	<b>1,745</b>	<b>2,233</b>	<b>2,866</b>	<b>3,114</b>	<b>3,517</b>	<b>3,674</b>	<b>5,634</b>	<b>5,003</b>	<b>5,159</b>	<b>7,803</b>	<b>8,781</b>	<b>6,445</b>	<b>4,815</b>							
UFCF growth rate		23%	-3%	-20%	-38%	133%	-30%	-22%	28%	9%	13%	4%	53%	-11%	3%	51%	13%	-27%	-25%								
Average UFCF growth rate	10%																										
<b>Free Cash Flow</b>	<b>2,320</b>	<b>1,181</b>	<b>3,720</b>	<b>2,567</b>	<b>1,890</b>	<b>2,621</b>	<b>2,440</b>	<b>2,919</b>	<b>2,972</b>	<b>3,507</b>	<b>3,717</b>	<b>4,083</b>	<b>4,668</b>	<b>6,058</b>	<b>5,802</b>	<b>5,490</b>	<b>6,294</b>	<b>5,923</b>	<b>1,349</b>	<b>1,498</b>							
FCF growth rate		-49%	215%	-31%	-26%	39%	-7%	20%	2%	18%	6%	10%	14%	30%	-4%	-5%	15%	5%	-9%	-77%							
Average FCF growth rate	9%																										
Revenue CAGR	1%																										
EBIT CAGR	4%																										
UFCF CAGR	5%																										

Assumptions																											
Fiscal Year	31 DEC '05	31 DEC '06	31 DEC '07	31 DEC '08	31 DEC '09	31 DEC '10	31 DEC '11	31 DEC '12	31 DEC '13	31 DEC '14	31 DEC '15	31 DEC '16	31 DEC '17	31 DEC '18	31 DEC '19	31 DEC '20	31 DEC '21	31 DEC '22	31 DEC '23	31 DEC '24	31 DEC '25	31 DEC '26	31 DEC '27	31 DEC '28	31 DEC '29	31 DEC '30	ADJ/OV1
Revenue Growth	0%	-3%	-11%	-20%	25%	-2%	-7%	-5%	6%	0%	3%	11%	5%	-10%	1%	21%	8%	-14%	-12%								
COGS % of Revenue	51,2%	49,1%	46,7%	50,0%	52,1%	46,4%	50,7%	50,3%	47,9%	43,1%	41,7%	38,2%	35,7%	34,9%	36,3%	35,9%	32,5%	31,2%	37,1%	41,9%							
SG&A % of Revenue	11,9%	11,9%	12,1%	12,9%	12,7%	10,9%	11,9%	14,1%	15,2%	14,1%	13,3%	13,0%	11,3%	10,7%	11,4%	11,2%	9,1%	8,5%	10,4%	11,5%							
Tax % of EBIT	22,7%	29,3%	30,1%	23,0%	27,5%	29,3%	24,0%	8,9%	20,9%	26,7%	28,5%	27,5%	39,4%	16,5%	12,4%	7,2%	12,8%	12,7%	12,4%	12,0%							
EBIT Margin	21%	24%	25%	19%	19%	32%	22%	15%	23%	30%	33%	36%	41%	43%	40%	41%	49%	51%	42%	35%							

Share Analysis																											
Fiscal Year	31 DEC '05	31 DEC '06	31 DEC '07	31 DEC '08	31 DEC '09	31 DEC '10	31 DEC '11	31 DEC '12	31 DEC '13	31 DEC '14	31 DEC '15	31 DEC '16	31 DEC '17	31 DEC '18	31 DEC '19	31 DEC '20	31 DEC '21	31 DEC '22	31 DEC '23	31 DEC '24	31 DEC '25	31 DEC '26	31 DEC '27	31 DEC '28	31 DEC '29	31 DEC '30	ADJ/OV1
Share Buyback																											
Shares Repurchased	-154,1	-173,6	-147,6	-77,2	-45,5	-93,5	-59,5	-59,8	-77,6	-61,7	-61,4	-35,5	-30,7	-50,0	-27,9	-23,9	-3,2	-22,5	-2,0	-6,0							
Shares Repurchased (%)	10%	12%	11%	6%	4%	8%	5%	5%	7%	6%	5%	4%	3%	5%	3%	3%	0%	2%	0%	1%							
Net Shares Issued	61,9	57,5	33,9	-33,2	-24,1	40,3	22,0	31,9	43,2	28,2	15,1	9,2	25,7	28,0	-10,6	4,9	6,4	12,3	-8,0	8,0							
Change in Diluted Shares	-92,2	-116,1	-113,7	-110,4	-69,6	-53,3	-37,5	-27,9	-34,4	-33,5	-36,3	-26,3	-6,0	-22,0	-38,5	-19,0	3,3	-10,3	-10,0	3,0							
Reported Shares																											
Shs Outstanding	1,596,6	1,450,0	1,343,2	1,277,9	1,240,1	1,167,4	1,139,5	1,108,2	1,082,8	1,046,6	1,011,3	996,0	983,2	945,2	932,0	919,4	924,0	906,0	909,0	911,0							
Basic Shares (weighted)	1,638,9	1,528,3	1,423,5	1,322,1	1,261,3	1,198,8	1,154,5	1,109,8	1,064,7	1,031,1	1,002,5	991,3	970,5	936,0	920,8	915,0	925,0	915,0	907,8	911,8							
Common Stock Equiv	37,2	31,8	22,8	13,8	5,0	14,3	21,0	11,8	15,3	15,1	12,4	14,8	21,0	19,8	15,8	12,0	13,0	10,3	8,0	7,0							
Diluted Shares (weighted)	1,676,1	1,560,0	1,446,3	1,335,9	1,266,3	1,213,0	1,175,5	1,147,6	1,113,3	1,079,8	1,043,5	1,017,3	1,012,3	990,3	951,8	932,8											

## 2: Public Comparables

Cash Flow						
Company	Fiscal	Free	Net	Net	Net	Net
Name	Period	Cash	Operating	Investing	Financing	Financing
Texas Instruments	09/30/2025	\$ 2,080.00	\$ 6,897.00	\$ -149.0	\$ -6,028.0	\$ -149.0
Analog Devices	10/2025	\$ 4,278.65	\$ 4,612.20	\$ -1,321.5	\$ -2,982.6	\$ -1,321.5
Microchip Technology	09/30/2025	\$ 754.40	\$ 841.10	\$ -197.0	\$ -693.4	\$ -197.0
NXP Semiconductors	09/28/2025	\$ 1,918.94	\$ 2,345.35	\$ -1,761.8	\$ 147.4	\$ -1,761.8

Income Statement						
Company	Fiscal	Sales	EBIT	EBITDA	Net	Net
Name	Period				Income	Income
Texas Instruments	09/30/2025	16,641.0	5,341.0	6,921.0	5,015.0	5,015.0
Analog Devices	10/2025	4,401.6	375.5	1,125.6	-155.1	-155.1
Microchip Technology	09/30/2025	12,614.0	3,597.0	4,522.0	2,061.0	2,061.0

Capital Expenditures						
Company	Fiscal	Capital	Capital	Capital	Capital	Capital
Name	Period	Expenditures	Expenditures	Expenditures	Expenditures	Expenditures
Texas Instruments	09/30/2025	0.9	54.8	702.8	(4,817.00)	(2,882.16)
Analog Devices	10/2025	-27.0	-23.7	220.8	(533.55)	(630.22)
Microchip Technology	09/30/2025	-42.7	-43.4	42.7	(203.70)	(118.65)
NXP Semiconductors	09/28/2025	-40.5	-54.5	-2.9	(548.08)	(719.22)

Liquidity										
Company	Fiscal	Long	Short	Other	Total	Cash +	Enterprise	Cash	Quick	Current
Name	Period	Term	Term	Debt	Debt	Debt	Value	Capex	Ratio	Ratio
Texas Instruments	09/30/2025	194,334.6	14,046.0	500.0	-104.0	14,046.0	6,186.0	190,589.6	1.06	2.90
Analog Devices	10/2025	150,907.1	8,145.1	446.6	-72.0	8,591.7	6,205.7	154,626.0	1.13	1.68
Microchip Technology	09/30/2025	44,222.1	5,375.9	-	-30.1	5,375.9	1,368.8	23,386.0	0.23	1.20
NXP Semiconductors	09/28/2025	60,102.1	12,220.0	1,284.0	-70.0	12,235.0	8,439.0	73,994.0	1.10	1.69

Valuation Ratios						
Company	Fiscal	Net	Asset	Equity	ROE (%)	ROA (%)
Name	Period	Margin (%)	Turnover	Multiplier		
Texas Instruments	09/30/2025	29.1%	0.45x	2.11x	29.6%	14.3%
Analog Devices	10/2025	20.6%	0.23x	1.42x	6.6%	4.7%
Microchip Technology	09/30/2025	-4.4%	0.28x	2.16x	-2.9%	-1.2%
NXP Semiconductors	09/28/2025	17.1%	0.48x	2.62x	21.2%	8.2%

Enterprise Value						
Company	Fiscal	EV/	EV/EBITDA	EV/	EV/EBIT	Enterprise Value
Name	Period	EBITDA Actual	NTM	Actual	NTM (x)	(\$mm)
Texas Instruments	09/30/2025	23.58x	20.15x	30.94x	27.40x	\$ 199,932.41
Analog Devices	10/2025	52.66x	23.65x	296.16x	28.13x	\$ 45,963.42
Microchip Technology	09/30/2025	17.28x	13.26x	22.25x	14.90x	\$ 67,383.69
NXP Semiconductors	09/28/2025	31.19x	19.65x	102.34x	24.12x	\$ 113,305.59

Market Data (\$)				Financial (\$)				
Company	Ticker	Fiscal	Price	Mkt Cap (M)	EV (M)	Sales (M)	EBIT (M)	EBITDA (M)
Texas Instruments	TXN-US	09/30/2025	194.41	184,334.6	193,192.6	17,266.0	6,012.0	7,889.0
Analog Devices	ADI-US	10/2025	304.97	150,907.1	155,947.1	44,284.0	12,394.0	13,996.0
Microchip Technology	MCHP-US	09/30/2025	76.20	44,222.1	49,397.7	2,661.0	692.0	740.3
NXP Semiconductors	NXPI-US	09/28/2025	233.72	60,102.1	69,125.1	4,086.9	524.2	987.2

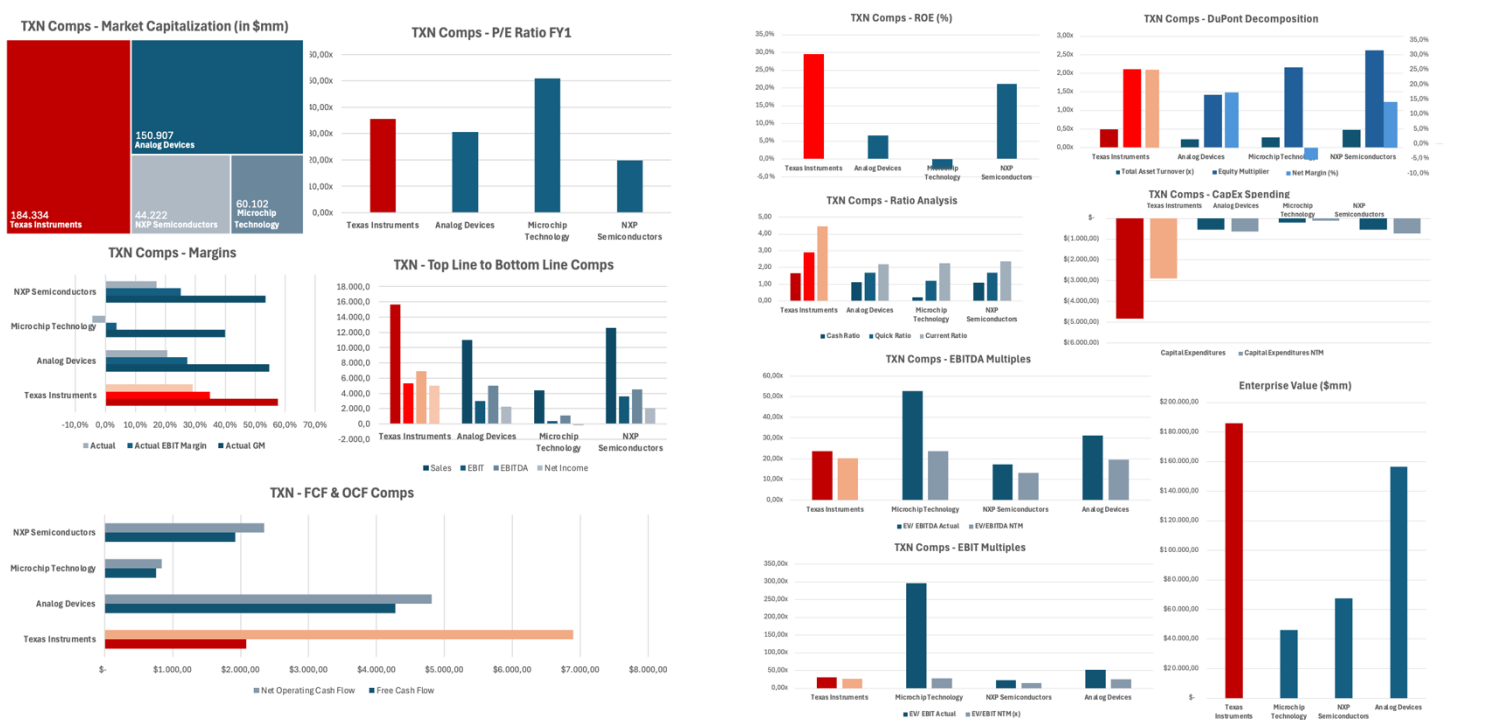
P/E (x)							EV/ (x)	
Company	Fiscal	FY1	Actual	FY1	FY2	EV/Sales	EBIT	
Name	Period	Date						
Texas Instruments	09/30/2025	12/2025	35.47x	35.49x	31.96x	11.19x	32.13x	
Analog Devices	10/2025	10/2026	66.81x	30.59x	26.67x	14.15x	51.89x	
Microchip Technology	09/30/2025	03/2026	50.94x	29.78x	11.73x	318.28x		
NXP Semiconductors	09/28/2025	12/2025	28.70x	19.84x	16.95x	5.74x	22.82x	

Margins											
Company	Fiscal	Gross Margin (%)		EBITDA Margin (%)		EBIT Margin (%)		Pretax Margin (%)		Net Margin (%)	
		Actual	NTM	Actual	NTM	Actual	NTM	Actual	NTM	Actual	NTM
Texas Instruments	09/30/2025	57.5%	56.9%	45.7%	48.0%	34.8%	35.6%	33.0%	33.8%	29.1%	29.3%
Analog Devices	10/2025	54.7%	69.6%	45.4%	60.0%	27.3%	45.3%	24.6%	43.7%	20.6%	38.0%
Microchip Technology	09/30/2025	39.9%	61.5%	20.7%	38.0%	3.7%	32.5%	-4.7%	28.5%	-4.4%	25.2%
NXP Semiconductors	09/28/2025	53.4%	58.0%	32.4%	38.9%	25.1%	34.8%	21.7%	32.3%	17.1%	25.9%

Price Change (%)								
Company	Ticker	1 Day	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
Texas Instruments	TXN-US	2.54%	10.28%	7.50%	-9.40%	-0.42%	12.38%	11.03%
Analog Devices	ADI-US	4.14%	17.39%	12.86%	3.18%	30.23%	3.53%	0.05%
Microchip Technology	MCHP-US	1.31%	3.29%	5.12%	2.39%	8.77%	38.71%	34.62%
NXP Semiconductors	NXPI-US	4.49%	27.30%	23.79%	48.31%	68.36%	170.23%	166.61%



## Sources

[FY2024 10K](#)

[FY2023 10K](#)

[FY2022 10K](#)

[FY2025 10Q\(Q1\)](#)

[FY2025 10Q\(Q2\)](#)

[FY2025 10Q\(Q3\)](#)

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