



Texas Instruments (TXN)

Updated January 28th, 2025 by Jonathan Weber

Key Metrics

Current Price:	\$181	5 Year CAGR Estimate:	1.2%	Market Cap:	\$165B
Fair Value Price:	\$110	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	01/31/25
% Fair Value:	165%	5 Year Valuation Multiple Estimate:	-9.5%	Dividend Payment Date:	02/11/25
Dividend Yield:	3.0%	5 Year Price Target	\$162	Years Of Dividend Growth:	21
Dividend Risk Score:	D	Retirement Suitability Score:	D	Rating:	Sell

Overview & Current Events

Texas Instruments is a semiconductor company that operates two business units: Analog and Embedded Processing. Its products include semiconductors that measure sound, temperature and other physical data and convert them to digital signals, as well as semiconductors that are designed to handle specific tasks and applications. Texas Instruments was founded in 1930, is headquartered in Dallas, TX.

Texas Instruments reported its fourth quarter earnings results on January 23. During the quarter, Texas Instruments generated revenues of \$4.01 billion, which represents a decline of 2% versus the previous year’s quarter. This was better than what the analyst community had forecasted, as estimates were beaten by \$140 million. Texas Instruments managed to keep its gross profit margin at a very solid level of 58%, but due to operating leverage working against the company, its operating profit margin declined to 34% from 38% one year earlier.

Texas Instruments generated earnings-per-share of \$1.30 during the fourth quarter, which was better than the consensus estimate, coming in \$0.10 ahead of the analyst community’s forecast. Texas Instruments generated solid cash flows over the last year, although less than during the previous period. Shareholder returns totaled \$5.7 billion over the last twelve months, which is less than the average over the last couple of years. Spending on buybacks was lowered during recent quarters as profits declined. Texas Instruments guides for revenues of \$3.9 billion and for earnings-per-share of around \$1.05 for the first quarter of 2025. 2022 was a year during which the company hit new record profits, but the company was significantly less profitable in 2023 and 2024 due to a slowdown in some of its end markets, which caused revenue declines and lower margins. Some improvement is expected for the current fiscal year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.82	\$3.48	\$4.35	\$5.42	\$5.24	\$6.23	\$8.26	\$9.41	\$7.07	\$5.13	\$5.50	\$8.08
DPS	\$1.40	\$1.64	\$2.12	\$2.63	\$3.21	\$3.72	\$4.21	\$4.96	\$5.02	\$5.26	\$5.44	\$6.62
Shares¹	1010	990	980	970	948	932	924	916	908	912	910	850

Texas Instruments’ results can be relatively cyclical, which is not a surprise, as demand for semiconductors usually depends on the strength of the economy. Over the last decade Texas Instruments grew its earnings-per-share by ~7% annually, which includes the earnings decline in 2024. Despite a big hit to its earnings Texas Instruments remained profitable during 2008 to 2010, and its dividend kept growing.

After peaking in 2022, Texas Instruments saw its revenues and profits pull back recently. It is, however, likely that Texas Instruments’ revenues will grow in the future, as the company should be able to benefit from rising demand for processors, as favorable trends such as industry 4.0 and automation pose long-term tailwinds for the chip company. Texas Instruments’ policy of returning all free cash flows to the company’s shareholders in the form of dividends and share repurchases affects its earnings-per-share growth, as a declining share count increases each remaining share’s portion of all profits. Texas Instruments has bought back around 50% of all shares since 2004. While stock buyback spending is uneven, it should remain a tailwind in the long run.

¹ In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.1	18.1	19.4	17.5	24.4	26.3	22.8	17.5	23.9	36.6	32.9	20.0
Avg. Yld.	2.6%	2.6%	2.5%	3.2%	2.8%	2.3%	2.2%	3.0%	3.1%	2.8%	3.0%	4.1%

Texas Instruments has been a high-quality growth stock during the last decade, which explains why the company’s shares were never especially cheap. Texas Instruments was valued at a price to earnings multiple of around 20 throughout many of those years. Today, shares are trading at 33x this year’s earnings, which is why we think that multiple normalization will pose a huge headwind to Texas Instrument’s total returns over the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	49.6%	47.1%	48.7%	48.5%	61.3%	59.7%	51.0%	52.7%	73.6%	103%	98.9%	81.9%

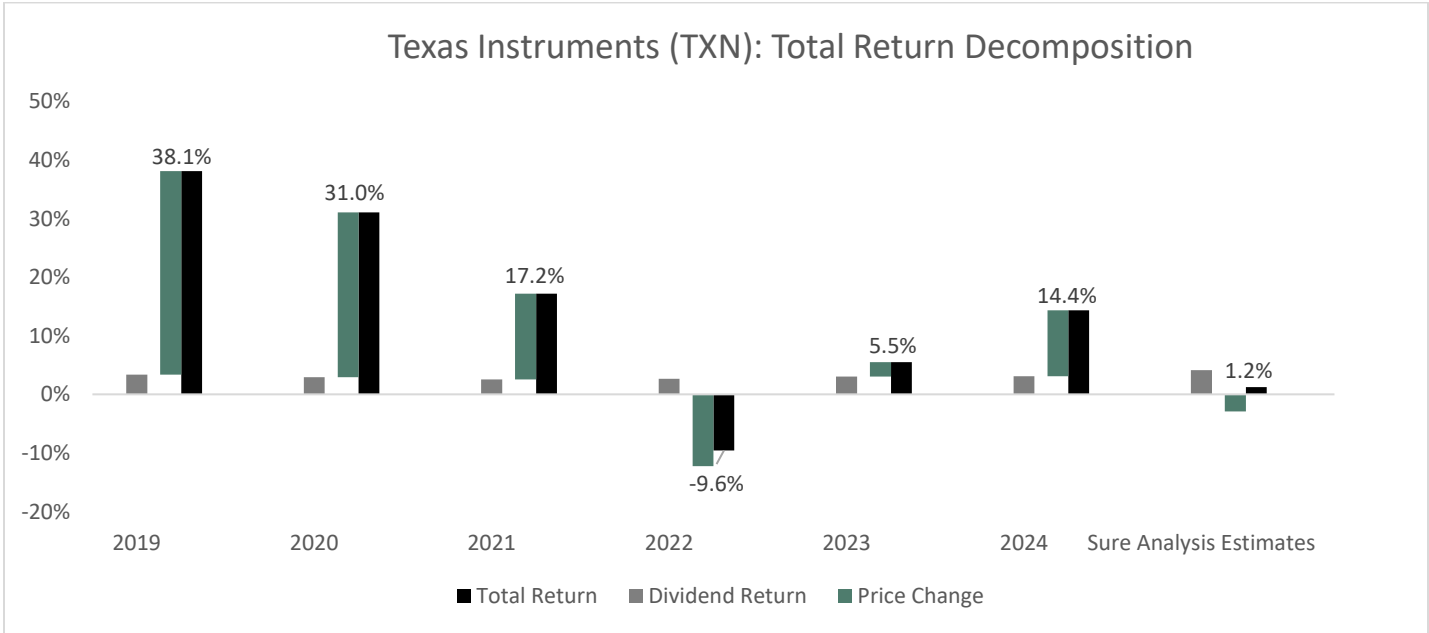
Texas Instruments’ dividend payout ratio has risen over the last decade, especially in 2023 and in 2024. While Texas Instruments has a long dividend growth track record, the elevated payout ratio poses some risk for the company’s dividend at the current level.

The semiconductor industry is large, competitive, and specialized. Texas Instruments has, over the decades, become a top player in the segments it addresses. Thanks to more than 100,000 products and 40,000 patents, as well as huge R&D efforts, we believe it is unlikely that Texas Instruments will lose market share in the foreseeable future. The company is dependent on the global economy. During the Great Recession its earnings declined considerably, but during the pandemic Texas Instruments has fared better, as profits actually grew in 2020 and 2021.

Final Thoughts & Recommendation

Texas Instruments has been a strong growth investment in the past, both when it comes to earnings-per-share growth and when it comes to dividend increases. While earnings declined in both 2023 and 2024, the company should get back to growth this year. Shares trade way above fair value today. We rate shares a sell at current prices as we forecast unattractive total returns over the coming years.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	13,000	13,370	14,961	15,784	14,383	14,461	18,344	20,028	17,519	15,641
Gross Profit	7,575	8,257	9,614	10,277	9,164	9,269	12,376	13,771	11,019	9,094
Gross Margin	58.3%	61.8%	64.3%	65.1%	63.7%	64.1%	67.5%	68.8%	62.9%	58.1%
SG&A Exp.	1,728	1,742	1,694	1,684	1,645	1,623	1,666	1,704	1,825	1,794
D&A Exp.	1,133	955	904	954	1,050	992	954	979	1,238	1,580
Operating Profit	4,580	5,159	6,412	7,034	5,975	6,116	9,156	10,397	7,331	5,341
Op. Margin	35.2%	38.6%	42.9%	44.6%	41.5%	42.3%	49.9%	51.9%	41.8%	34.1%
Net Profit	2,986	3,595	3,682	5,580	5,017	5,595	7,769	8,749	6,510	4,799
Net Margin	23.0%	26.9%	24.6%	35.4%	34.9%	38.7%	42.4%	43.7%	37.2%	30.7%
Free Cash Flow	3,846	4,083	4,668	6,058	5,802	5,490	6,294	5,923	1,349	1,498
Income Tax	1,230	1,335	2,398	1,106	711	422	1,150	1,283	908	654

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	16,230	16,431	17,642	17,137	18,018	19,351	24,676	27,207	32,348	35,509
Cash & Equivalents	1,000	1,154	1,656	2,438	2,437	3,107	4,631	3,050	2,964	3,200
Acc. Receivable	1,165	1,267	1,278	1,207	1,074	1,414	1,701	1,895	1,787	1,719
Inventories	1,691	1,790	1,957	2,217	2,001	1,955	1,910	2,757	3,999	4,527
Goodwill & Int.	5,991	5,678	5,418	5,079	4,771	4,484	4,447	4,514	4,585	4,619
Total Liabilities	6,284	5,958	7,305	8,143	9,111	10,164	11,343	12,630	15,451	18,606
Accounts Payable	386	396	466	478	388	415	571	851	802	820
Long-Term Debt	4,120	3,609	4,077	5,068	5,803	6,798	7,741	8,735	11,223	13,596
Total Equity	9,946	10,473	10,337	8,994	8,907	9,187	13,333	14,577	16,897	16,903
LTD/E Ratio	0.41	0.34	0.39	0.56	0.65	0.74	0.58	0.60	0.66	0.80

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	17.8%	22.0%	21.6%	32.1%	28.5%	29.9%	35.3%	33.7%	21.9%	14.1%
Return on Equity	29.4%	35.2%	35.4%	57.7%	56.1%	61.8%	69.0%	62.7%	41.4%	28.4%
ROIC	20.5%	25.5%	25.8%	39.2%	34.9%	36.5%	41.9%	39.4%	25.3%	16.4%
Shares Out.	1010	990	980	970	948	932	924	916	908	912
Revenue/Share	12.46	13.10	14.78	15.94	15.11	15.50	19.60	21.63	19.13	17.02
FCF/Share	3.69	4.00	4.61	6.12	6.09	5.88	6.72	6.40	1.47	1.63

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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