

Texas Instruments Inc. (TXN)

Rating	OUTPERFORM*
Price (06 Mar 12, US\$)	32.12
Target price (US\$)	40.00 [†]
52-week price range	35.90 - 24.82
Market cap. (US\$ m)	36,776.48

*Stock ratings are relative to the relevant country benchmark.
†Target price is for 12 months.

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PRE RESULTS COMMENT

C1Q MidQ Preview - Expect Narrowing Around MidPt

- Bottom line.** TXN 1Q mid-Q update is Thursday after the close with a CC at 5pm (Ph. 913-981-5572, Pwd. 8599141). We expect TXN to maintain the midpt of rev/EPS while tightening the guidance range. Though C1Q guide seemed conservative with potential for upside surprise, we expect comms and handset end demand weakness to bring revs more in-line. Mgmt will likely reiterate C1Q as bottom with clear signs of industrials stabilization and auto strength. We reiterate that TXN is one of few large cap semis with significant margin upside over the next 4-6 quarters (430 bps expansion to GM target from CY12 (670 bps from C4Q11), and target likely moving higher, versus group average of 250 bps). Margin expansion and market share gains underly our view of \$4.00 plus in earnings power and a 12 month TP of \$40.
- Expect C1Q Tightened Around the Midpoint.** We expect TXN to tighten the range but maintain the midpoint of rev/EPS guidance. Original C1Q guidance had been rev \$3.02-\$3.28bn (-4% to -12% q/q) and EPS (non-GAAP w/options) of \$0.26 to \$0.34 - we expect a new range of roughly \$3.08-\$3.21bn (-6% to -10%) and \$0.28 to \$0.32. Typical seasonal pattern is -2.2% q/q for core TXN and -2.7% for NSM. We believe original guidance left room for an upside surprise, but that possibility has likely diminished on weaker than expected comms (note ADI guide in Feb - consistent with our view of comms as a 2H12/1H13 story) and OMAP risk (note CY citing weak handsets in yesterday's neg pre). Street is expecting -7.6% q/q, slightly above midpt of guide at -8%.

Share price performance



On 03/06/12 the S&P 500 INDEX closed at 1343.36

Quarterly EPS	Q1	Q2	Q3	Q4
2010A	0.54	0.63	0.71	0.66
2011A	0.55	0.57	0.61	0.48
2012E	0.31	0.43	0.50	0.57

Financial and valuation metrics

Year	12/10A	12/11A	12/12E	12/13E	
EPS - (Excl. ESO) (US\$)	2.53	2.22	1.82	2.43	
EPS (CS adj.) (US\$)	2.53	2.22	1.82	2.43	
Prev. EPS (CS adj.) (US\$)	—	—	—	—	
P/E (CS adj., x)	12.7	14.5	17.7	13.2	
P/E rel. (CS adj., %)	—	103.7	137.5	115.9	
Revenue (US\$ m)	13,966.0	13,736.0	13,780.0	15,090.0	
EBITDA (US\$ m)	5,267.0	4,433.0	3,986.2	4,924.0	
Net debt (US\$ m)	-3,072	2,657	2,094	-10	
OCFPS (US\$)	3.15	2.78	2.08	3.05	
P/OCF (x)	10.3	10.5	15.4	10.5	
Number of shares (m)	1,144.97			Price/sales(x)	2.69
BV/share (Next Qtr., US\$)	9.3			P/BVPS (x)	3.4
Net debt (Next Qtr., US\$ m)	2,993.7			Dividend (Next Qtr., US\$)	0.17
Dividend yield (%)	0.52				

Source: Company data, Credit Suisse estimates.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S. ANALYSTS. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

- **Last Quarter of Margin Contraction.** We expect that C1Q will represent TXN's final quarter of margin contraction if the 47.6% GMs and 16.7% OpMs we model play out. This puts TXN at 690 bps GM contraction peak to trough versus analog peers at just 390 bps on avg, and we see the next peak going higher. Over the past several quarters, TXN has laid the foundation for strong margin expansion into the empty/cheap analog capacity waiting to be filled. The company has approximately \$3.5 to \$4.0 bb in 300 mm capacity acquired in the 2009 downturn, and an additional \$750m to \$1 bb in under-utilized capacity from the NSM acquisition closed in C3Q11. TXN has a dominant but still minority position in analog with 17-18% market share, which we believe will trend towards 25% over time. We continue to favor the story as underappreciated cyclical leverage not yet baked in (note TXN up 10% YTD versus NXP up 47%).
- **Valuation.** Shares currently trade at 17.7x 2012 EPS of \$1.82 vs. the analog group at 18.3x. Our PT of \$40 represents 22.0x CY12 EPS, a 7% premium to the target multiple of the group, easily warranted given our expectations for share gains/margin expansion. Relative to FCF yield, TXN trades at 4.8%, slightly below the group avg of 6.1%.

Summary of Expectations

Exhibit 1: TXN Snapshot

US\$ in millions, unless otherwise stated

TXN	Dec-11	Mar-12E				Jun-12E		C12E		C13E	
	Reported	New CS	CS	Cons	Guidance	CS	Cons	CS	Cons	CS	Cons
Revenue	\$3,420	\$3,150	\$3,150	\$3,161	\$3,020 - \$3,280m	\$3,395	\$3,386	\$13,780	\$13,735	\$15,090	\$13,880
% Q/Q chng	-1.3%	-7.9%	-7.9%	-7.6%	-4% to -12%	7.8%	7.1%				
% Y/Y chng	-3.0%	-7.1%	-7.1%	-6.8%		-1.8%	-2.1%	0.3%	-1.7%	9.5%	1.1%
Normal Seasonal	1.1%	-4.2%	-4.2%			5.8%					
Gross Margin	48.3%	47.6%	47.6%			50.2%		50.7%		53.2%	
R&D Expense	\$475	\$485	\$485			\$485		\$2,000		\$2,100	
SG&A Expense	\$443	\$490	\$490			\$495		\$1,965		\$1,920	
Operating Margin	21.4%	16.7%	16.7%			21.3%		22.0%		26.6%	
Net Margin	16.2%	11.5%	11.5%			14.7%		15.2%		18.6%	
Net Income (w\ options)	\$554	\$362	\$362			\$500		\$2,098		\$2,801	
Operating EPS (w\ options)	\$0.48	\$0.31	\$0.31	\$0.31	\$0.26 to \$0.34	\$0.43	\$0.42	\$1.82	\$2.05	\$2.43	\$1.86
GAAP Reported EPS	\$0.26	\$0.21	\$0.21		\$0.16 to \$0.24	\$0.38		\$1.54		\$2.23	

Source: IBES, Company data, Credit Suisse estimates

Exhibit 2: Analog / Diversified Companies Valuation Table

US\$ in millions, unless otherwise stated

Market data as of 03/06/2012																			
Company	Rating	Target Price	Current Price	Market Cap.	Enterprise Value	EV/Revenues		EV/EBITDA		P/E		Ex Cash	Ex Cash	Cash	Price / Book	FCF Yield		Div Yield	Short Interest
						CY'12	CY'13	CY'12	CY'13	CY'12	CY'13	CY'12	CY'13	% Mkt Cap		CY'12	CY'13		
Analog																			
Texas Instruments	OP	\$40.00	\$32.12	\$36,601	\$39,784	2.9	2.6	10.0	8.1	17.7	13.2	NM	NM	NM	3.3	4.8%	7.9%	2.1%	1.5%
Analog Devices	N	\$42.00	\$38.08	\$11,341	\$8,544	3.0	2.8	8.2	7.1	16.2	13.8	12.2	10.4	24.7%	3.0	7.2%	7.1%	2.6%	1.7%
Maxim Integr. Tech.	OP	\$30.00	\$27.24	\$7,948	\$7,511	3.1	2.8	9.2	7.7	18.8	14.7	17.8	13.9	5.5%	3.2	4.7%	7.5%	3.2%	1.2%
Linear Technology	OP	\$37.00	\$32.38	\$7,390	\$7,148	5.1	4.5	9.9	8.7	15.8	13.8	15.3	13.3	3.3%	12.2	7.1%	8.1%	3.0%	4.2%
Intersil	N	\$11.00	\$10.55	\$1,334	\$1,124	1.6	1.4	9.4	6.5	22.9	12.8	19.3	10.8	15.8%	1.3	6.9%	10.0%	4.5%	2.4%
Average				\$12,923	\$12,822	3.1	2.8	9.3	7.6	18.3	13.7	16.2	12.1	12.3%	4.6	6.1%	8.1%	3.1%	2.2%
Median				\$7,948.0	\$7,511.1	3.0	2.8	9.4	7.7	17.7	13.8	16.5	12.1	10.6%	3.2	6.9%	7.9%	3.0%	1.7%
Diversified																			
Microchip	OP	\$42.00	\$35.33	\$6,785	\$5,368	3.7	3.4	9.1	8.3	17.7	15.7	14.0	12.4	20.9%	3.5	7.0%	8.7%	3.9%	10.4%
NXP	OP	\$29.00	\$22.55	\$5,569	\$8,525	2.1	1.9	7.8	6.4	13.7	8.2	NM	NM	NM	4.1	9.1%	14.1%	0.0%	1.5%
STMicroelectronics	--	-	\$6.84	\$6,053	\$5,291	0.6	0.5	5.9	3.4	23.9	9.9	20.9	8.6	12.6%	0.8	NM	11.4%	5.8%	0.0%
Infineon	--	-	\$9.25	\$9,988	\$7,305	1.4	NM	5.8	NM	12.1	NM	8.9	NM	26.9%	2.2	4.9%	NA	0.0%	0.0%
Cypress Semi.	N	\$20.00	\$16.01	\$2,468	\$2,339	2.7	2.4	11.6	8.7	17.7	12.3	16.8	11.6	5.2%	6.1	6.6%	9.2%	2.2%	4.4%
Fairchild Semi.	UP	\$13.00	\$13.12	\$1,659	\$1,535	1.1	1.0	5.8	4.7	18.8	11.9	17.4	11.0	7.4%	1.3	7.1%	10.9%	0.0%	2.1%
ON Semi.	N	\$10.00	\$8.47	\$3,806	\$4,111	1.3	1.1	6.5	4.9	13.1	8.1	NM	NM	NM	2.6	5.8%	15.2%	0.0%	3.2%
Average				\$5,190	\$4,925	1.8	1.7	7.5	6.1	16.7	11.0	15.6	10.9	14.6%	2.9	6.8%	11.6%	1.7%	3.1%
Median				\$5,569.0	\$5,291.4	1.4	1.5	6.5	5.6	17.7	10.9	16.8	11.3	12.6%	2.6	6.8%	11.2%	0.0%	2.1%

Source: IBES, Company data, Credit Suisse estimates

Investment Thesis

We rate shares of TXN Outperform on continued revenue outperformance relative to peers coupled with potential GM upside on mix and pricing. On revenue growth, we believe TXN is well positioned to execute continued analog share gains; our recent channel checks have revealed that TXN is using its 300mm capacity cost advantage to more aggressively grow its addressable market to target lower GM / higher volume segments of the market without being dilutive to overall GM of 55%. Recall that TXN has successfully gained share through the downturn with C4Q11 analog revenues 10% (ex-NSM) above C3Q08 levels while analog peers are roughly flat on average.

Furthermore, we see upside to current gross margins of 48.3% (C4Q11) and targeted 55%, driven by better revenue mix as baseband decreases as a percentage of revs and the NSM acquisition, which closed in 3Q11. 300mm analog capacity could also improve gross margin (we estimate 300mm analog carries GMs roughly 10-15 percentage points above current analog GM).

Exhibit 3: TXN Income Statement

in millions, unless otherwise stated

(3-months ending)	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12E	Jun-12E	Sep-12E	Dec-12E	2010A	2011A	2012E	2013E
	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QE	2QE	3QE	4QE				
TOTAL SALES	\$3,205	\$3,496	\$3,740	\$3,525	\$3,392	\$3,458	\$3,466	\$3,420	\$3,150	\$3,395	\$3,550	\$3,685	\$13,966	\$13,736	\$13,780	\$15,090
(Sequential % Change)	6.7%	9.1%	7.0%	-5.7%	-3.8%	1.9%	0.2%	-1.3%	-7.9%	7.8%	4.6%	3.8%				
(Year-over-Year % Change)	53.6%	42.3%	29.9%	17.3%	5.8%	-1.1%	-7.3%	-3.0%	-7.1%	-1.8%	2.4%	7.7%	33.9%	-1.6%	0.3%	9.5%
Cost of Goods Sold	\$1,516	\$1,602	\$1,701	\$1,656	\$1,664	\$1,705	\$1,715	\$1,769	\$1,650	\$1,691	\$1,718	\$1,730	6,475	6,853	6,789	7,060
GROSS PROFIT	\$1,689	\$1,894	\$2,039	\$1,869	\$1,728	\$1,753	\$1,751	\$1,651	\$1,500	\$1,704	\$1,832	\$1,955	\$7,491	\$6,883	\$6,991	\$8,030
(% of Sales)	52.7%	54.2%	54.5%	53.0%	50.9%	50.7%	50.5%	48.3%	47.6%	50.2%	51.6%	53.0%	53.6%	50.1%	50.7%	53.2%
Research & Development	\$370	\$392	\$417	\$393	\$422	\$424	\$395	\$475	\$485	\$485	\$505	\$525	\$1,572	\$1,716	\$2,000	\$2,100
(% of Sales)	11.5%	11.2%	11.1%	11.1%	12.4%	12.3%	11.4%	13.9%	15.4%	14.3%	14.2%	14.2%	11.3%	12.5%	14.5%	13.9%
Sales, General & Administrative	\$359	\$378	\$391	\$389	\$396	\$411	\$388	\$443	\$490	\$495	\$490	\$490	\$1,517	\$1,638	\$1,965	\$1,920
(% of Sales)	11.2%	10.8%	10.5%	11.0%	11.7%	11.9%	11.2%	13.0%	15.6%	14.6%	13.8%	13.3%	10.9%	11.9%	14.3%	12.7%
Total Operating Expenses	\$729	\$770	\$808	\$782	\$818	\$835	\$783	\$918	\$975	\$980	\$995	\$1,015	\$3,089	\$3,354	\$3,965	\$4,020
OPERATING INCOME	\$960	\$1,124	\$1,231	\$1,087	\$910	\$918	\$968	\$733	\$525	\$724	\$837	\$940	\$4,402	\$3,529	\$3,026	\$4,010
(% of Sales)	30.0%	32.2%	32.9%	30.8%	26.8%	26.5%	27.9%	21.4%	16.7%	21.3%	23.6%	25.5%	31.5%	25.7%	22.0%	26.6%
Interest/other income (expense)	\$6	\$4	\$8	\$18	\$10	\$4	(\$34)	(\$16)	(\$16)	(\$16)	(\$16)	(\$16)	\$36	(\$36)	(\$64)	(\$64)
(% of Sales)	0.2%	0.1%	0.2%	0.5%	0.3%	0.1%	-1.0%	-0.5%	-0.5%	-0.5%	-0.5%	-0.4%	0.3%	-0.3%	-0.5%	-0.4%
PRETAX INCOME	\$966	\$1,128	\$1,239	\$1,105	\$920	\$922	\$934	\$717	\$509	\$708	\$821	\$924	\$4,438	\$3,493	\$2,962	\$3,946
(% of Sales)	30.1%	32.3%	33.1%	31.3%	27.1%	26.7%	26.9%	21.0%	16.2%	20.9%	23.1%	25.1%	31.8%	25.4%	21.5%	26.1%
Income Taxes	\$299	\$342	\$376	\$306	\$252	\$237	\$213	\$158	\$143	\$198	\$230	\$259	\$1,323	\$860	\$829	\$1,105
(Tax Rate)	31.0%	30.3%	30.3%	27.7%	27.4%	25.7%	22.8%	22.0%	28.0%	28.0%	28.0%	28.0%	29.8%	24.6%	28.0%	28.0%
NI (Cont. Ops., ex-options)	\$702	\$810	\$885	\$820	\$693	\$715	\$782	\$606	\$434	\$572	\$653	\$727	\$3,209	\$2,796	\$2,386	\$3,089
After-tax stock option expense	\$35	\$35	\$35	\$35	\$35	\$40	\$71	\$51	\$72	\$72	\$72	\$72	\$140	\$198	\$288	\$288
NI (Cont. Ops., w/ options)	\$667	\$775	\$850	\$785	\$658	\$675	\$711	\$554	\$362	\$500	\$581	\$655	\$3,069	\$2,598	\$2,098	\$2,801
													22.0%	18.9%	15.2%	18.6%
NET INCOME (GAAP)	\$665	\$769	\$859	\$942	\$666	\$672	\$601	\$298	\$245	\$438	\$526	\$606	\$3,181	\$2,202	\$1,781	\$2,571
(% of Sales)	20.7%	22.0%	23.0%	26.7%	19.6%	19.4%	17.3%	8.7%	7.8%	12.9%	14.8%	16.5%	22.8%	16.0%	12.9%	17.0%
Diluted avg. shares outstanding	1,246	1,221	1,196	1,189	1,194	1,180	1,157	1,155	1,155	1,155	1,155	1,155	1,213	1,172	1,155	1,155
EPS (Cont. ops., ex-options)	\$0.56	\$0.66	\$0.74	\$0.69	\$0.58	\$0.61	\$0.68	\$0.52	\$0.38	\$0.50	\$0.57	\$0.63	\$2.65	\$2.39	\$2.07	\$2.67
EPS (Cont ops., w/ options)	\$0.54	\$0.63	\$0.71	\$0.66	\$0.55	\$0.57	\$0.61	\$0.48	\$0.31	\$0.43	\$0.50	\$0.57	\$2.53	\$2.22	\$1.82	\$2.43
EPS (GAAP)	\$0.53	\$0.63	\$0.72	\$0.79	\$0.56	\$0.57	\$0.52	\$0.26	\$0.21	\$0.38	\$0.46	\$0.53	\$2.62	\$1.88	\$1.54	\$2.23

Source: Company data, Credit Suisse estimates

Exhibit 4: TXN Balance Sheet

in millions, unless otherwise stated

(3-months ending)	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12E	Jun-12E	Sep-12E	Dec-12E	2010A	2011A	2012E
	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QE	2QE	3QE	4QE			
ASSETS															
Cash and Short Term Investments	\$2,791	\$2,305	\$2,510	\$3,072	\$2,857	\$6,400	\$2,618	\$2,935	\$1,082	(\$57)	\$202	\$600	\$3,072	\$2,935	\$600
Net receivables	\$1,526	\$1,715	\$1,754	\$1,518	\$1,568	\$1,672	\$1,784	\$1,545	\$1,800	\$1,811	\$1,945	\$1,965	\$1,518	\$1,545	\$1,965
Inventories	\$1,276	\$1,349	\$1,424	\$1,520	\$1,678	\$1,762	\$1,965	\$1,788	\$1,837	\$1,832	\$1,813	\$1,826	\$1,520	\$1,788	\$1,826
Other current assets	\$730	\$761	\$780	\$950	\$941	\$1,026	\$1,349	\$1,560	\$1,437	\$1,549	\$1,619	\$1,681	\$950	\$1,560	\$1,681
Total current assets	\$6,323	\$6,130	\$6,468	\$7,060	\$7,044	\$10,860	\$7,716	\$7,828	\$6,157	\$5,135	\$5,579	\$6,072	\$7,060	\$7,828	\$6,072
Net PPE	\$3,162	\$3,240	\$3,456	\$3,680	\$3,657	\$3,714	\$4,572	\$4,428	\$4,343	\$4,265	\$4,188	\$4,112	\$3,680	\$4,428	\$4,112
Equity Investments	\$641	\$557	\$523	\$453	\$449	\$334	\$350	\$265	\$265	\$265	\$265	\$265	\$453	\$265	\$265
Goodwill, other acq.-related intangibles	\$1,037	\$1,023	\$1,012	\$1,000	\$993	\$987	\$7,475	\$7,899	\$7,899	\$7,899	\$7,899	\$7,899	\$1,000	\$7,899	\$7,899
Other assets	\$1,207	\$1,214	\$1,190	\$1,208	\$1,167	\$1,203	\$794	\$57	\$57	\$57	\$57	\$57	\$1,208	\$57	\$57
Total Assets	\$12,370	\$12,164	\$12,649	\$13,401	\$13,310	\$17,098	\$20,907	\$20,477	\$18,720	\$17,621	\$17,988	\$18,405	\$13,401	\$20,477	\$18,405
LIABILITIES & SHAREHOLDERS' EQUITY															
Current portion LTD, ST debt	\$-	\$-	\$-	\$-	\$-	\$-	\$1,586	\$1,381	\$1,381	\$-	\$-	\$-	\$-	\$1,381	\$-
Accounts payable	\$556	\$542	\$623	\$621	\$605	\$623	\$627	\$625	\$695	\$676	\$655	\$602	\$621	\$625	\$602
Accrued liabilities, other current liabilities	\$1,163	\$996	\$1,215	\$1,360	\$1,188	\$1,130	\$1,455	\$1,493	\$1,375	\$1,482	\$1,550	\$1,609	\$1,360	\$1,493	\$1,609
Total current liabilities	\$1,719	\$1,538	\$1,838	\$1,981	\$1,793	\$1,753	\$3,668	\$3,499	\$3,451	\$2,158	\$2,204	\$2,211	\$1,981	\$3,499	\$2,211
Long-term debt	\$-	\$-	\$-	\$-	\$-	\$3,498	\$4,215	\$4,211	\$4,211	\$4,211	\$4,211	\$4,211	\$-	\$4,211	\$4,211
Other long-term liabilities	\$846	\$871	\$849	\$983	\$943	\$944	\$1,998	\$1,815	\$1,815	\$1,815	\$1,815	\$1,815	\$983	\$1,815	\$1,815
Total Liabilities	\$2,565	\$2,409	\$2,687	\$2,964	\$2,736	\$6,195	\$9,881	\$9,525	\$9,477	\$8,184	\$8,230	\$8,237	\$2,964	\$9,525	\$8,237
Total Shareholders' Equity	\$9,805	\$9,755	\$9,962	\$10,437	\$10,574	\$10,903	\$11,026	\$10,952	\$9,244	\$9,436	\$9,758	\$10,169	\$10,437	\$10,952	\$10,169
Total Liabilities & S.E.	\$12,370	\$12,164	\$12,649	\$13,401	\$13,310	\$17,098	\$20,907	\$20,477	\$18,720	\$17,621	\$17,988	\$18,405	\$13,401	\$20,477	\$18,405
RATIO ANALYSIS:	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QE	2QE	3QE	4QE	2010A	2011A	2012E
LIQUIDITY MEASURES															
Accounts Receivable Turnover	8.4x	8.2x	8.5x	9.3x	8.7x	8.3x	7.8x	7.5x	7.0x	7.5x	7.3x	7.5x	9.3x	7.5x	7.5x
Inventory Turnover	4.8x	4.8x	4.8x	4.4x	4.0x	3.9x	3.5x	3.5x	3.6x	3.7x	3.8x	3.8x	4.4x	3.5x	3.8x
Accounts Payable Turnover	10.9x	11.8x	10.9x	10.7x	11.0x	10.9x	10.9x	11.5x	9.5x	10.0x	10.5x	11.5x	10.7x	11.5x	11.5x
DSO	43	45	43	39	42	44	47	49	52	49	50	49	39	49	49
DIO	77	77	76	84	92	94	105	105	102	99	96	96	84	105	96
DPO	33	31	33	34	33	33	33	32	38	37	35	32	34	32	32
Cash Conversion Cycle	87	91	86	89	101	105	118	121	115	111	112	113	89	121	113
Current Ratio	3.7	4.0	3.5	3.6	3.9	6.2	2.1	2.2	1.8	2.4	2.5	2.7	3.6	2.2	2.7
Quick Ratio	2.9	3.1	2.7	2.8	3.0	5.2	1.6	1.7	1.3	1.5	1.7	1.9	2.8	1.7	1.9
PROFITABILITY MEASURES															
Return on Assets	21.6%	25.5%	26.9%	23.4%	19.8%	15.8%	13.6%	10.8%	7.7%	11.3%	12.9%	14.2%	23.4%	10.8%	14.2%
Return on Capital	27.2%	31.8%	34.1%	30.1%	24.9%	18.7%	18.7%	14.6%	10.8%	14.7%	16.6%	18.2%	30.1%	14.6%	18.2%
Return on Capital (using EBIT)	39.2%	46.1%	49.4%	41.7%	34.4%	25.5%	25.4%	19.3%	15.6%	21.2%	24.0%	26.1%	41.7%	19.3%	26.1%
Return on Equity	27.2%	31.8%	34.1%	30.1%	24.9%	24.8%	25.8%	20.2%	15.7%	21.2%	23.8%	25.8%	30.1%	20.2%	25.8%
ASSET UTILIZATION MEASURES															
Asset Turns	1.0x	1.1x	1.2x	1.1x	1.0x	0.8x	0.7x	0.7x	0.7x	0.8x	0.8x	0.8x	1.1x	0.7x	0.8x
Inventory Turns	4.8x	4.8x	4.8x	4.4x	4.0x	3.9x	3.5x	4.0x	3.6x	3.7x	3.8x	3.8x	4.4x	4.0x	3.8x
Working Capital Turns	11.8x	9.2x	11.2x	13.3x	9.3x	8.2x	8.3x	11.3x	8.0x	9.1x	9.1x	9.3x	13.3x	11.3x	9.3x
Fixed Asset Turns	4.1x	4.3x	4.3x	3.8x	3.7x	3.7x	3.0x	3.1x	2.9x	3.2x	3.4x	3.6x	3.8x	3.1x	3.6x
SOLVENCY MEASURES															
Debt/Equity	0.0%	0.0%	0.0%	0.0%	0.0%	32.1%	52.6%	51.1%	60.5%	44.6%	43.2%	41.4%	0.0%	51.1%	41.4%
Total Cap	\$9,805	\$9,755	\$9,962	\$10,437	\$10,574	\$14,401	\$16,827	\$16,544	\$14,836	\$13,647	\$13,969	\$14,380	\$10,437	\$16,544	\$14,380
Book Value Per Share	\$7.87	\$7.99	\$8.33	\$8.78	\$8.86	\$9.24	\$9.53	\$9.48	\$8.00	\$8.17	\$8.45	\$8.80	\$8.78	\$9.48	\$8.80
Book Value Per Share, ex goodwill	\$7.04	\$7.15	\$7.48	\$7.94	\$8.02	\$8.40	\$3.07	\$2.64	\$1.16	\$1.33	\$1.61	\$1.96	\$7.94	\$2.64	\$1.96
Net cash	\$2,791	\$2,305	\$2,510	\$3,072	\$2,857	\$2,902	(\$3,183)	(\$2,657)	(\$4,510)	(\$4,268)	(\$4,009)	(\$3,611)	\$3,072	(\$2,657)	(\$3,611)
Net Cash/Share	\$2.24	\$1.89	\$2.10	\$2.58	\$2.39	\$2.46	(\$2.75)	(\$2.30)	(\$3.90)	(\$3.69)	(\$3.47)	(\$3.13)	\$2.58	(\$2.30)	(\$3.13)
Working Capital	\$1,083	\$1,526	\$1,340	\$1,057	\$1,453	\$1,681	\$1,667	\$1,215	\$1,568	\$1,485	\$1,554	\$1,581	\$1,057	\$1,215	\$1,581
Working Cap/Share	\$0.87	\$1.25	\$1.12	\$0.89	\$1.22	\$1.42	\$1.44	\$1.05	\$1.36	\$1.29	\$1.35	\$1.37	\$0.89	\$1.05	\$1.37
Capital Expenditures	\$219	\$283	\$396	\$301	\$194	\$276	\$214	\$152	\$157	\$162	\$162	\$162	\$1,199	\$816	\$645

Source: Company data, Credit Suisse estimates

Exhibit 5: TXN Cash Flow Statement

in millions, unless otherwise stated

(3-months ending)	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12E	Jun-12E	Sep-12E	Dec-12E	2010A	2011A	2012E
	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QE	2QE	3QE	4QE			
OPERATING ACTIVITIES															
Net Income	\$658	\$769	\$859	\$942	\$666	\$672	\$601	\$298	\$245	\$438	\$526	\$606	\$3,228	\$2,237	\$1,816
Depreciation	\$211	\$215	\$213	\$226	\$224	\$220	\$213	\$247	\$243	\$240	\$239	\$238	\$865	\$903	\$960
Stock based compensation	\$47	\$49	\$48	\$47	\$57	\$54	\$92	\$66	\$100	\$100	\$100	\$100	\$191	\$269	\$400
Amortization	\$13	\$13	\$11	\$10	\$7	\$6	\$12	\$86	\$-	\$-	\$-	\$-	\$47	\$111	\$-
Deferred Taxes & Investment Tax Credit	(\$11)	(\$7)	(\$27)	(\$175)	\$31	(\$46)	\$6	(\$110)	(\$110)	(\$110)	(\$110)	(\$110)	(\$220)	(\$119)	(\$440)
Income from Discontinued Operations	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Other Operating Activities	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Gross Cash Flow - Operating	\$918	\$1,039	\$1,104	\$1,050	\$985	\$906	\$924	\$587	\$478	\$669	\$755	\$835	\$4,111	\$3,401	\$2,737
Other	\$-	\$-	\$-	\$-	\$-	\$-	(\$5)	\$-	\$-	\$-	\$-	\$-	\$-	(\$5)	\$-
Loss(Gain) - Sale Prop. Plant & Equip	\$-	\$-	\$-	(\$144)	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	(\$144)	\$-	\$-
Net Chg in Operating Assets & Liabs	(\$208)	(\$477)	\$214	\$324	(\$469)	(\$275)	\$221	\$383	(\$37)	(\$71)	(\$142)	(\$81)	(\$147)	(\$140)	(\$331)
Accounts Receivable	(\$251)	(\$188)	(\$29)	\$237	(\$44)	(\$102)	\$22	\$236	(\$255)	(\$11)	(\$135)	(\$20)	(\$231)	\$112	(\$420)
Inventories	(\$74)	(\$73)	(\$66)	(\$91)	(\$158)	(\$84)	\$22	\$203	(\$49)	\$5	\$19	(\$13)	(\$304)	(\$17)	(\$38)
Prepays and other current assets	(\$10)	\$14	(\$15)	\$67	(\$9)	(\$3)	\$1	(\$18)	\$123	(\$112)	(\$71)	(\$62)	\$56	(\$29)	(\$121)
Accounts Payable & accrued exp.	(\$66)	\$38	\$264	(\$40)	(\$83)	\$58	\$95	(\$68)	\$70	(\$18)	(\$22)	(\$53)	\$196	\$2	(\$23)
Accrued Income Tax	\$203	(\$338)	\$23	\$193	(\$144)	(\$160)	\$73	\$69	\$69	\$69	\$69	\$69	\$81	(\$162)	\$276
Other	(\$10)	\$70	\$37	(\$42)	(\$31)	\$16	\$8	(\$39)	\$5	(\$5)	(\$3)	(\$3)	\$55	(\$46)	(\$5)
Net Cash Flow - Operating	\$710	\$562	\$1,318	\$1,230	\$516	\$631	\$1,140	\$970	\$440	\$598	\$613	\$754	\$3,820	\$3,256	\$2,405
INVESTING ACTIVITIES															
Capital Expenditures	(\$219)	(\$283)	(\$396)	(\$301)	(\$194)	(\$276)	(\$193)	(\$152)	(\$157)	(\$162)	(\$162)	(\$162)	(\$1,199)	(\$816)	(\$645)
Acquisitions & Investments	\$-	\$-	(\$59)	\$-	(\$872)	(\$816)	(\$5,390)	\$-	\$-	\$-	\$-	\$-	(\$59)	(\$7,078)	\$-
Acquisitions	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Investments	\$-	\$-	\$-	\$-	(\$872)	(\$816)	\$-	\$-	\$-	\$-	\$-	\$-	\$-	(\$1,688)	\$-
Sale of Property & Investments	\$168	\$487	\$-	(\$247)	\$1,111	\$551	\$873	(\$809)	\$-	(\$247)	\$-	\$-	\$408	\$1,726	\$-
Sale of Property, Plant & Equipment	\$-	\$-	\$-	(\$140)	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	(\$140)	\$-	\$-
Sale of Investments	\$-	\$-	\$-	(\$107)	\$1,111	\$551	\$10	\$381	\$-	\$-	\$-	\$-	(\$107)	\$2,053	\$-
Change in Short-Term Investments	\$-	\$-	\$-	\$-	\$-	\$-	\$863	(\$1,190)	\$-	\$-	\$-	\$-	\$-	(\$327)	\$-
Other Investing Activities	\$-	\$-	(\$207)	\$-	\$18	(\$2)	\$14	(\$35)	\$-	\$-	\$-	\$-	(\$207)	(\$5)	\$-
Net Cash Flow - Investing	(\$51)	\$204	(\$662)	(\$548)	\$63	(\$544)	(\$4,696)	(\$996)	(\$157)	(\$162)	(\$162)	(\$162)	(\$1,057)	(\$6,173)	(\$645)
FINANCING ACTIVITIES															
Cash Dividends	(\$149)	(\$147)	(\$143)	(\$153)	(\$153)	(\$150)	(\$148)	(\$193)	(\$193)	(\$193)	(\$193)	(\$193)	(\$592)	(\$644)	(\$772)
Change in Current Debt	\$-	\$-	\$-	\$-	\$-	\$-	\$1,200	\$-	\$-	(\$1,381)	\$-	\$-	\$-	\$1,200	(\$1,381)
Change in Long-Term Debt	\$-	\$-	\$-	\$-	\$-	\$3,485	\$-	(\$200)	\$-	\$-	\$-	\$-	\$-	\$3,285	\$-
Change in Capital Stock	(\$475)	(\$700)	(\$559)	(\$313)	(\$421)	(\$272)	(\$417)	(\$173)	\$-	\$-	\$-	\$-	(\$2,047)	(\$1,283)	\$-
Other Financing Activity	\$2	\$1	\$10	\$19	\$8	\$1	\$3	\$3	\$-	\$-	\$-	\$-	\$13	\$31	\$-
Net Cash Flow - Financing	(\$624)	(\$845)	(\$701)	(\$456)	(\$555)	\$3,071	\$636	(\$563)	(\$193)	(\$1,574)	(\$193)	(\$193)	(\$2,626)	\$2,589	(\$2,153)
Increase (Dec) in Cash	\$35	(\$79)	(\$45)	\$226	\$24	\$3,158	(\$2,920)	(\$589)	\$90	(\$1,139)	\$258	\$398	\$137	(\$328)	(\$0)
Beginning Cash Balance	1,183	\$1,218	\$1,139	\$1,094	\$1,320	\$1,344	\$4,502	\$1,582	\$992	\$1,082	(\$57)	\$202	\$1,183	\$1,320	\$992
Ending Cash Balance	\$1,218	\$1,139	\$1,094	\$1,320	\$1,344	\$4,502	\$1,582	\$992	\$1,082	(\$57)	\$202	\$600	\$1,320	\$992	\$600

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 06 Mar 12)
 Texas Instruments Inc. (TXN, \$32.12, OUTPERFORM, TP \$40.00)

Disclosure Appendix

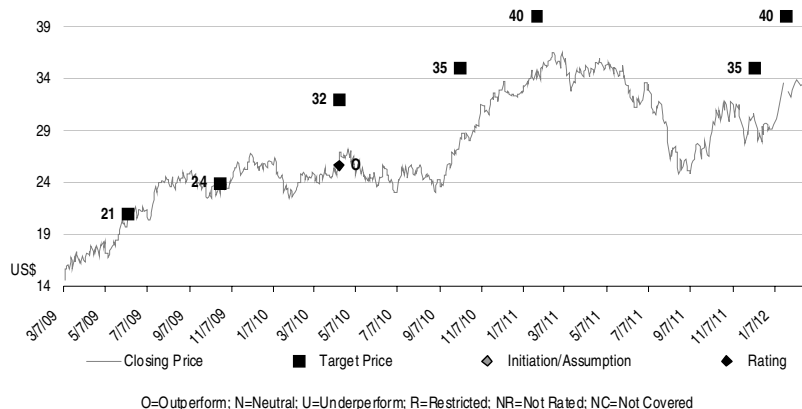
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See the Companies Mentioned section for full company names.

3-Year Price, Target Price and Rating Change History Chart for TXN

TXN Date	Closing Price (US\$)	Target Price (US\$)	Initiation/ Rating Assumption
6/9/09	21.02	21	
10/20/09	23.66	24	
4/12/10	25.69	32	O
10/6/10	28.31	35	
1/25/11	33.98	40	
12/8/11	29.92	35	
1/24/12	32.8	40	



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Underperform (U): The stock's total return is expected to underperform the relevant benchmark* by 10-15% or more over the next 12 months.

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Restricted	2%	

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Price Target: (12 months) for (TXN)

Method: We arrived at the target price of \$40 for TXN using Historical Peak/Trough Multiples (price to earnings, price to sales, price to book), Relative Comparable Multiples, Valuations Relative to Stage of Cycle, and Cash Flow Analysis. The primary basis for our \$40 price target is based on a 22x CY12 EPS, a 20% premium to the current group multiple, warranted given share gains/potential GM/OpM upside and expectations for multiple expansion across the group.

Risks: The primary risk factors to TXN in achieving the \$40 price target are weak end market demand, share loss in the handset or analog businesses, less than normal seasonality, and overall company execution. TXN has a broad based business which is affected by many macro economic conditions, any one of which could impact the stock price.

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