

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	\$6.055B	\$5.93B	+2.1%
Operating Income	\$2.874B	\$2.61B	+10.1%
Diluted EPS	\$2.62	\$2.42	+8.3%
SEGMENT REVENUE			
Analog revenue	\$4.911B	\$4.73B	+3.8%
Embedded Processing revenue	\$858M	\$843.1M	+1.8%
Other revenue	\$286M	\$308.5M	-7.3%

2 | GUIDANCE AND OUTLOOK

Texas Instruments guided Q4 revenue to \$5.80 billion to \$6.30 billion, a new forecast whose \$6.05 billion midpoint is essentially flat sequentially and 5.6% above the \$5.73 billion consensus; even the low end exceeds consensus. Q4 EPS guidance of \$2.45 to \$2.79 implies a \$2.62 midpoint, unchanged from Q3, on a roughly 13% tax rate and flat to slightly higher operating expenses. The 2026 capital-spending range of \$2 billion to \$3 billion was reaffirmed, inclined toward the upper end. No 2027 forecast was given.

3 | EARNINGS ANALYSIS

THE BEAT WAS PROFIT-LED. Revenue of \$6.055 billion rose 27.7% year over year and beat consensus by 2.1%, while operating profit rose 72.8% to \$2.874 billion, a 10.1% beat, and EPS rose 77.0% to \$2.62. Analog generated 81.1% of revenue and roughly 90% of the year-over-year increase; Embedded Processing grew 21.0%, while Other revenue fell 5.9% and missed consensus. EPS also cleared the top of TI's own July guidance range, which revenue did not.

CASH QUALITY REQUIRES NORMALIZATION. Free cash flow of \$2.956 billion beat consensus by 31.4%, and only about 27% of that beat came from lower capital spending. Trailing-12-month reported free cash flow of \$8.422 billion included \$1.573 billion of CHIPS Act benefits; excluding them leaves \$6.849 billion, still about 3.9 times the comparable prior-year figure. The EPS gain was not a tax windfall: identified tax items were a \$0.01 drag against the original outlook.

MARGINS RESET HIGHER; DURABILITY IS UNPROVEN. Gross margin reached 64.2%, up about 677 basis points year over year, and operating margin reached 47.5%, as roughly 90% of the sequential revenue increase converted into gross profit. Management's longer-term framework is 75% to 85% incremental conversion excluding depreciation, so the current rate should not be extrapolated. Q4 guidance implies gross margin near 64%, preserving the new level rather than extending it.

THE PRICE ASSUMES DURABILITY. The Q4 midpoint implies flat sequential revenue against a normal seasonal decline of about 6.7%, with industrial revenue up more than 40%, data center up about 95% and automotive up mid-teens on lean customer inventories. Capital spending is inclined to the \$3 billion top of its range, so free cash flow can fall as equipment deliveries accelerate. At \$293.30, the shares trade at 32.4 times the implied 2026 EPS midpoint: constructive fundamentals, insufficient valuation protection for an aggressive new position. The 2027 tax rate is expected at 13% to 14%, a modest headwind.

4 | KEY READ-THROUGHS

CONVENTIONAL BACKEND TEST EQUIPMENT HAS A MORE DIRECT DEMAND CATALYST THAN HEADLINE FAB SPENDING SUGGESTS
Cohu (COHU), Teradyne (TER) | Positive | Potentially moderate to high for Cohu, moderate for Teradyne
TI said backend equipment lead times are extending, OSAT partners are not supplying as much as wanted, and it is ramping its internal assembly-and-test site in Malaysia. In-house production changes the purchaser, not the requirement: handlers, contactors and test systems must be bought, and TI's deferred spending reflects delivery timing rather than weak demand.

TI'S INSOURCING STRATEGY CHALLENGES GLOBALFOUNDRIES' SILICON LABS GROWTH OPPORTUNITY
GlobalFoundries (GFS) | Negative | Potentially meaningful at the customer-program level, presently unquantifiable
TI plans to move the Silicon Labs portfolio 'that right now is running in foundries' into Lehi, as it already has for Embedded Processing. That gives Silicon Labs' GlobalFoundries 40nm program in Malta, New York, a competing internal destination. No cancellation or schedule was named, so the consequence is strategic, not a near-term shipment cut.

INDUSTRIAL ANALOG DEMAND SUPPORTS FURTHER EARNINGS RESILIENCE, BUT TI'S MARGIN EXPANSION IS NOT A PEER TEMPLATE
Analog Devices (ADI) | Positive | Moderate to high operating relevance
TI's industrial revenue grew more than 40% year over year, strongest in aerospace and defense, energy infrastructure, test and measurement and robotics, and regained its Q3 2022 peak. Analog Devices shares those applications, supporting shipments and content. TI's roughly 90% incremental gross margin is company-specific, not a transferable peer template.

ELECTRICAL DISTRIBUTION AND THERMAL MANAGEMENT RECEIVE A STRONGER FUNDAMENTAL SIGNAL THAN GENERAL INDUSTRIAL EQUIPMENT
Eaton (ETN), Schneider Electric (SU), Vertiv (VRT) | Positive | High for Vertiv, moderate to high for Eaton and Schneider Electric
TI identified energy infrastructure as a particularly strong industrial sector, connected part of that demand to data centers, and said 'the world is rebuilding its grid.' Higher rack power and density require more distribution, protection and cooling, which maps to Eaton, Schneider Electric and Vertiv, a tighter signal than for a generic industrial basket.