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Q4 2021 Texas Instruments Inc Earnings Call

EVENT DATE/TIME: JANUARY 25, 2022 / 9:15PM GMT

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PRESENTATION

Operator

Good day, and welcome to the Texas Instruments Fourth Quarter '21 Earnings Release Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Mr. Dave Pahl. Please go ahead, sir.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Good afternoon, and thank you for joining our fourth quarter and 2021 earnings conference call. Rafael Lizardi, TI's chief financial officer, is with me today.

For any of you who missed the release, you can find it on our website at ti.com/ir. This call is being broadcast live over the web and can be accessed through our website. A replay will be available through the web.

This call will include forward-looking statements that involve risks and uncertainties that could cause TI's results to differ materially from management's current expectations. We encourage you to review the notice regarding forward-looking statements contained in the earnings release published today as well as TI's most recent SEC filings for a more complete description.

First, let me provide some information that's important for your calendars. We plan to hold a call for our capital management update on February 3 at 10 a.m. Central time. Similar to what we've done in the past, Rafael and I will summarize our progress and provide some insight into our business and our approach to capital allocation.

For today's call, let me summarize what Rafael and I will be reviewing. I'll start with fourth quarter revenue results, including some details of what we're seeing with respect to our customers and markets. I'll then provide the annual summary of revenue breakout by end markets. And lastly, Rafael will cover the financial results, some insights into one-time items and our guidance for first quarter 2022.

Starting with fourth quarter results and the market environment: The company's revenue grew 19% year over year, driven by strong demand in the industrial and automotive markets. Analog revenue grew 20% year over year, and Embedded Processing grew 6%. Our Other segment grew 35% from the year-ago quarter.

Let me now comment on the current environment to provide some context of what we're seeing with our customers and markets. Overall, the quarter came in stronger than we expected. The strength was across most product families, end markets and geographies.

The market environment is similar to what we reported 90 days ago. Lead times for the majority of our products remain stable, but hot spots continue to exist. However, customers continue to be selective in their expedite requests, increasingly focusing on products that complete a matched set rather than expediting products across the board. This behavior is not specific to any product family, end market or geography.

Discussions with customers confirm a high level of interest in our commitment to expanding our internal manufacturing capacity roadmap, including 300-millimeter wafer fabs RFAB2 and LFAB, our recently announced plans for a multi-fab site in Sherman, Texas,

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and the associated assembly test expansions. These investments to strengthen our manufacturing and technology competitive advantage will provide lower cost and greater control of our supply chain. And while there is a growing recognition that the near-term supply/demand imbalance will end at some point, the secular growth of semiconductor content per system will continue to increase, and this requires a robust manufacturing capacity roadmap for 2025 and beyond.

Moving on, I'll now provide some insight into our fourth quarter revenue by end market from the year-ago quarter.

First, the industrial market was up about 40%, driven by broad-based strength across all sectors.

The automotive market was up high-single digits with strength in most sectors.

Personal electronics was down upper-single digits, off a strong compare from a year ago.

Next, communications equipment was up about 25%.

Finally, enterprise systems was up about 50% off a weak compare from a year ago, driven primarily by data center and enterprise computing.

And lastly, as we do at the end of each calendar year, I'll describe our revenue by end market for 2021. We break our end markets into six categories that are grouped by their life cycles and market characteristics. The six end markets are industrial; automotive; personal electronics, which includes products such as mobile phones, PCs, tablets and TVs; communications equipment; enterprise systems; and other, which is primarily calculators.

As a percentage of revenue for the year, industrial was 41%; automotive 21%; personal electronics 24%; communications equipment 6%; enterprise systems 6%; and other was 2%.

In 2021, industrial and automotive combined made up 62% of TI's revenue, up about five percentage points from 2020 and up from 42% from 2013. We see good opportunities in all of our markets, but we place additional strategic emphasis on industrial and automotive. Our industrial and automotive customers are increasingly turning to analog and embedded technology to make their end products smarter, safer, more connected and more efficient. These trends have resulted and will continue to result in growing chip content per application, which will drive faster growth compared to the other markets.

Rafael will now review profitability, capital management and our outlook. Rafael?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Thanks, Dave, and good afternoon, everyone.

Gross profit in the quarter was $3.4 billion, or 69% of revenue. From a year ago, gross profit increased, primarily due to higher revenue. Gross profit margin increased 440 basis points.

Operating expenses in the quarter were $793 million, up 1% from a year ago and about as expected. On a trailing 12-month basis, operating expenses were 18% of revenue.

For the year, we have invested $1.6 billion in R&D, an important element of our capital allocation. We are pleased with our disciplined process of allocating capital to R&D, which we believe will allow us to continue to grow our top line over the long term.

Restructuring charges were $54 million in the quarter. This expense is driven by the Lehi wafer fab purchase we closed in October.

Operating profit was $2.5 billion, or 52% of revenue. Operating profit was up 38% from the year-ago quarter.

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Net income in the fourth quarter was $2.1 billion, or $2.27 per share, which included a 4-cent cost that was not in our prior outlook, primarily due to the purchase I discussed earlier.

Let me now comment on our capital management results, starting with our cash generation.

Cash flow from operations was $2.4 billion in the quarter. Capital expenditures were $1.3 billion in the quarter, which included about $900 million for the LFAB purchase. Free cash flow on a trailing 12-month basis was $6.3 billion, up 15% from a year ago.

In the quarter, we paid $1.1 billion in dividends. We have increased our dividend per share by 13%, marking our 18th year of dividend increases. For the year, our dividend represented 62% of free cash flow, underscoring its sustainability.

Our balance sheet remains strong with $9.7 billion of cash and short-term investments at the end of the fourth quarter. Total debt outstanding was $7.8 billion with a weighted average coupon of 2.6%.

Inventory days were 116, up four days sequentially, and remain below desired levels.

Now let's look at some of these results for the year.

In 2021, cash flow from operations was $8.8 billion. Capital expenditures were $2.5 billion, or 13% of revenue. Free cash flow for 2021 was $6.3 billion, or 34% of revenue. Our cash flow reflects the strength of our business model. As we have said, we believe that growth of free cash flow per share is the primary driver of long-term value.

Turning to our outlook for the first quarter, we expect TI revenue in the range of $4.5 billion to $4.9 billion and earnings per share in the range of $2.01 to $2.29.

We expect our 2022 annual operating tax rate to continue to be about 14% and our effective tax rate about a percentage point lower than that. This is based on current tax law and would be about the same as we saw in 2021.

Next, let me help you model our expectation for expenses for the LFAB purchase. As we have said, we expect to have about $75 million of cost per quarter until we start production, which is still expected in early 2023. These costs continue to be mostly reflected in the Restructuring line on the P&L, so it will be visible each quarter to you, and therefore part of our operating profit results. Once the facility begins production, these costs will move and be primarily reflected in cost of revenue.

As I close, let me explain why we're so excited about these capacity investments, as they strengthen our manufacturing and technology competitive advantage.

First, we have significant 300-millimeter capacity coming online with RFAB2 and LFAB in 2022 and 2023. Second, with the announcement of the Sherman complex, we have a 300-millimeter roadmap to support growth from 2025 to 2035. Third, customers are excited that our capacity investments are in 45-nanometer to 130-nanometer process technologies that are optimized for analog and embedded and will support their growth in the decades ahead.

It is clear that owning and controlling our manufacturing and technology will give us both lower cost and greater control of our supply chain. It is with this confidence we look forward to sharing with you more details of our plans in our capital management call next week.

With that, let me turn it back to Dave.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Thanks, Rafael. Operator, you can now open the lines up for questions. (Operator Instructions) Operator?

QUESTIONS AND ANSWERS

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Operator

(Operator Instructions) We will take our first question from John Pitzer with Credit Suisse.

John William Pitzer ***Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head***

Congratulations on the solid results. Dave and Rafael, last quarter was the first quarter you talked about customers being a little bit more selective about their ordering patterns. And that was somewhat reflected in upside in September, which was a little bit muted. You characterized Q4 as being the same, but the upside was a little bit stronger. I'm wondering if you could help me just square that circle as to what drove the magnitude of upside in the December quarter above that of September.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes, John, I'll take that. Yes, the upside that we saw in the fourth quarter was very, very broad-based. So as we described it, it was across our product families, across our end markets and geography. So it really wasn't one thing that was driving it, and it was very broad-based. So that was the difference that we saw between last quarter and this quarter. Do you have a follow-up?

John William Pitzer ***Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head***

Yes. Just as a follow-up, notwithstanding the impressive growth you put up in your Analog business in calendar year '21, if I comp that against the SIA, it's going to end up having been an unusual year for you guys because you would have undergrown the industry by a fairly wide margin, at least versus history. And I'm wondering if you can help me understand, is that a function of peers being a bit more aggressive on pricing menu? Is it something that we shouldn't take to the trend? Or how do you explain the difference there?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. I think whenever we look at the SIA data, regardless of which direction that it's trending, you'll know that I'll always be consistent -- that I say never look at one quarter, sometimes even one year, on specifics. That really needs to be something that is looked at over time, especially we go through a period of the last four, six quarters through COVID and the choppiness that's been going on, I'd just be real careful to get too precise on measuring things in this type of time period. So I think with our competitive advantages, with the investments that we're making, we're very confident that we're making progress in the markets that we're making those investments. And we really believe that we've made progress over this time period. Thank you, John.

Operator

We'll hear next from Vivek Arya with Bank of America Securities.

Vivek Arya ***BofA Securities, Research Division - MD in Equity Research & Research Analyst***

I'm curious, how would you characterize the demand environment? Would you call it early, mid or late cycle? Or if I ask the question differently, do you think any of your end market is overheated right now in any way?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. Vivek, I would say that the demand environment is similar to what we saw 90 days ago. So we had seen strength in orders, and our backlog continued to be strong, those types of things. The upside that we saw, of course, this quarter was very broad-based. And so that was the difference here in the fourth quarter. I'd say that we did see the matched set behavior last quarter. And again, we did see it again this quarter. And that's where customers are really looking to complete that instead of expediting across the board. And you could describe that behavior as being symptomatic of growing customer inventory that's out of mix. But as we've talked about previously, we don't have direct visibility into customer inventory, so that's not something that we could measure over time. Do you have a follow-on, Vivek?

Vivek Arya ***BofA Securities, Research Division - MD in Equity Research & Research Analyst***

Yes. So the other question is now on the supply side. There is investor concern that the semiconductor industry is overinvesting at a time when demand might be peaking. And I know you guys have made it clear that you invest for the longer term. But how are you thinking about your current acceleration on the investment side? When does that translate into actual useful capacity? And what are you doing to make sure that you don't over invest, right, at least in the next couple of quarters?

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Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. Vivek, I'll go ahead and take that. As you alluded to at the beginning of the question, we think of the long term when we make this decision. So this is not about 2021, '22 or even '23. This is over the long term. And the secular trends in our industry, we're confident of where those are pointing, and specifically, in our products, analog and embedded, and the end markets that -- where we put a strategic priority, industrial automotive.

So on the manufacturing investments that you alluded to, we're very excited about those. As I mentioned during the prepared remarks, they're going to strengthen our competitive advantage on manufacturing and technology. First, we're going to have significant 300-millimeter capacity coming online with RFAB2 and Lehi. That's going to happen actually this year and then going to next year with Lehi.

Second, with the announcement of the Sherman complex, we're going to have a roadmap that's going to support us out to 2035. And then finally, customers are very excited about our investments specifically in 45- to 130-nanometer process technologies that are optimized for Analog and Embedded and will support the customers' growth for decades ahead.

Operator

We'll hear next from Toshiya Hari with Goldman Sachs.

Toshiya Hari ***Goldman Sachs Group, Inc., Research Division - MD***

Your days of inventory came in at 116. And as you pointed out, you're still below where you'd like to be. But to the extent you have visibility into customer inventory, how would you characterize where they are today? And where do you see them going, going forward?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Well, so I'll start, and I'll comment on our own inventories, and Dave, if you want to add to that. But yes, you pointed out is our inventory days are 116. That is higher by about four days from last quarter, but still well below where we want to be. And our goal is to be significantly higher than that. Our guidance on that is 130 to 190 days. Just know that that's a very tactical metric because it's just based on one quarter. The bottom line is that we want to have more inventory. And in that measure, I would not be uncomfortable at the very high end or even above the high end of that measure at some point, 190 days of inventory.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. And I think just I'll follow up with -- as I commented before, we just don't have direct visibility into customer inventory, so it's not something that we can measure directly. You have a follow-on, Toshi?

Toshiya Hari ***Goldman Sachs Group, Inc., Research Division - MD***

Yes, I do. I wanted to ask about OpEx, a fairly mundane item, but you've done an incredible job in leveraging OpEx over the past couple of years, during which revenue has gone up significantly, particularly considering kind of the inflationary environment and the competition for talent. What's driving the flattish OpEx, and how should we think about potential upside to OpEx going forward, given the current backdrop?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. So I'll take that. First, yes, we've been running OpEx at about $3.2 billion per year, a little lower, a little higher than that. But for the last five years, eventually, they've rounded -- that number has rounded to that.

OpEx, most of OpEx, is an investment. That's how we think about it. Obviously, R&D continues to strengthen our -- the broadest portfolio in the industry that we have, both analog and embedded. But even inside of SG&A, there are several key pieces there that are key investments. TI.com is one that comes to mind, and we'll talk more about TI.com specifically at the capital management call next week.

So OpEx fuels our future growth. We don't really think about it from a percent of revenue standpoint. But to help you with that, we have

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guided that over the long term should trend between 20% and 25%. Of course, we're -- right now, we're at about 18% or so. So that 3.2, I wouldn't expect it to change significantly in the short term. But over time, over many years, it should -- 20% to 25% is probably the right way to look at it.

Operator

We'll hear next from Ross Seymore with Deutsche Bank.

Ross Clark Seymore ***Deutsche Bank AG, Research Division - MD***

Congrats on the strong result and guide. I wanted to ask about the gross margin side of things. I know one quarter doesn't make a trend, but the incremental gross margin was way bigger in the fourth quarter than expected, and it seems like the first quarter has also guided for the gross margin to perhaps rise again sequentially. So whether it's a short term or kind of a longer-term description or answer, what are the big drivers of the upside that you're seeing in the near term? And how much of that do we expect to continue going into 2022 and beyond?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. So a couple of angles on that question on gross margin. First, as you know, you've followed us for a long time, we do not manage to gross margin. We manage to the growth of free cash flow per share. We think that's the key driver of value for the long-term owners of the company. And you can do that with higher gross margins. You can do that with lower gross margins. So that's our focus. But specifically on gross margins, our guidance has been and continues to be, think about it on a fall-through basis, over the long term, 70%, 75%. We have been doing pretty well on that front. The key driver, of course, is revenue growth. But then beyond that 300-millimeter capacity, that continues to be a great tailwind as we have more and more of our capacity on 300-millimeter, we had -- has a structural cost advantage and we'll be continuing to add to that with RFAB2, Lehi and the Sherman complex.

The last comment I'll make is -- and we'll give you more details on that next week on capital management, but CapEx has been going up and will continue to go up over a number of years with those investments that I mentioned. Those are long-term investments. Those are going to set us up great for the next 15-plus years. So I'm very happy about this. I'm pleased with that. We're confident about those. But that does flow through the P&L as higher depreciation. So I expect CapEx to go up, and depreciation will follow. And that will have an impact on gross margins. But frankly, at the end of the day, that's accounting. The investment is happening now. It will happen over the next few years with that additional CapEx, and that will just put us in a great position to grow the top line and have really great fall-throughs over a long time to come.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Do you have a follow-on, Ross?

Ross Clark Seymore ***Deutsche Bank AG, Research Division - MD***

Yes. I just wanted to pivot back to the revenue side. And whether it's industrial or automotive, your two focus markets, they look like they both grew kind of 30%, 35% year over year in 2021 as a whole. That's significantly faster than the secular growth rate that you guys have delivered, but not terribly different than the peer group for the year. So I just wondered how do you guys explain that level of growth? You don't seem to see any inventory anywhere. The end markets don't seem to be growing that fast. But whether it's for TI specifically or the group as a whole, I wonder -- the sector as a whole -- I wonder how you would explain that growth and the sustainability of it.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. So I think that it's clear, as we look at those markets over time, we believe that there's going to be content growth. So let me just talk about the long-term prospects of both of those markets. So it's very easily seen in the automotive market that there's content growth. We can see the cars today just have more semi content in them per vehicle than what we drove five years ago, 10 years ago. And it's very clear that that's going to continue.

That same phenomenon -- it's just a lot harder to see -- is going on in the industrial market, and that's what we love about it. It's not one thing. We've got 13 sectors that make up that market. We have hundreds of end equipments that we're working on and tens of thousands of customers that we're working for. And our product portfolio is just positioned perfectly for that. So it's really a strategic focus that's on

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it.

Now is there going to be noise around growth rates in any one given year? And John pointed out with SIA data, the stuff bouncing around, that's going to happen, but we're going to put in place growth and capacity to support that growth for the long term, and it's because we've got the confidence that those markets are going to grow and those secular trends are going to continue. So thank you, Ross.

Operator

And now we'll move on to our next question from Tore Svanberg with Stifel.

Tore Egil Svanberg ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD***

Congratulations on the solid execution here. First question is on customer behavior, perhaps on the ordering front. So I think there's a lot of investors that are worried that inflation is kind of stalling the economies globally. Are you not seeing any change at all in your customers' behavior from higher prices? Because obviously, there is inflation in the semiconductor industry, too. So have you not seen any change in order behavior at all sequentially?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Well, yes, Tore, I'll start, and Rafael, if you want to add anything. I'd say that the environment that, as we mentioned before, is very similar to 90 days ago. The customer behavior that we talked about with the matched set continued. So really not -- in a 90-day period, has there been a change? Nothing that we could measure on that front. So Rafael, anything to add?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

No.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

No. Yes. So you have a follow-on?

Tore Egil Svanberg ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD***

Yes. When we think about your capacity expansion, you talked a lot about the front end. But Rafael, you mentioned you're also doing some assembly and test expansions. Could you elaborate a little bit on that, especially how it would impact the CapEx numbers going forward?

Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. No, thanks for that question. We -- as you alluded to, a lot of the conversations on CapEx do tend to be on the fab side. That's because that's where a disproportionate amount of the money goes to, which is very capital intensive. And it's also because the lead times to build those are much longer, the type of structure that you have to build, et cetera. But we're also spending a lot of time internally on the back end and what we need to do on that front. We're going to give you more details on that next week. But essentially, we do have plans going on at various countries where we already have operations to continue to expand capacity to match that front-end capacity and always be ahead of demand.

Operator

We'll take our next question from Harlan Sur with JPMorgan.

Harlan Sur ***JPMorgan Chase & Co, Research Division - Senior Analyst***

Congrats on the solid results and execution. As you guys mentioned, relative to your view 90 days ago, it looks like things didn't change all that much from a fundamental perspective, right, selective hot spots, lead time stable, broad-based demand. So how much of the upside was actually driven by an increase in supply availability, both from your internal manufacturing and outsource partners? Because it looks like you guys were capacity constrained starting from about the middle of last year. So just wondering if you're able to bring on some additional supply in Q4, which drove some of the upside.

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Rafael R. Lizardi ***Texas Instruments Incorporated - CFO and Senior VP of Finance & Operations***

Yes. So I'll start, and Dave, if you want to chime in. But I would tell you, first, as Dave mentioned during the call, prepared remarks and during a couple of questions, the strength was broad-based across geographies and end markets, et cetera.

On your specific comment on capacity, as we have said probably for the last four quarters or so, maybe longer, we have been and will continue to bring capacity incrementally. Incrementally, meaning relatively small steps. But nevertheless, those make a difference, especially on a cumulative basis, right? So we have been doing that for some time, and that's obviously helping. I mean you could see not only our revenue has improved during this cycle, but we went from draining inventory, to now the last two quarters, we've actually increased inventory, albeit at a relatively low level, but still much better than draining inventory. So that gives you an appreciation for what that incremental -- those incremental additions to capacity have done. We expect to continue to increase incrementally, again, relatively small steps for another two quarters, and then RFAB2 comes online sometime in the third quarter of this year, 2022, and that will give us more legroom on those tailwinds. And then about six months later, Q1 '23, we'll have Lehi -- LFAB -- come online once it's qualified, and that will give us also more legroom on that front.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Do you have a follow-on, Harlan?

Harlan Sur ***JPMorgan Chase & Co, Research Division - Senior Analyst***

Yes. So when the team announced the purchase of the Lehi 300-millimeter fab, you noted that Lehi would start off with 65- and 45-nanometer analog and embedded processing products, which is somewhat of a strategic change, right, because you guys have always been focused on 300-millimeter analog products. So is TI bringing embedded in-house because you have some sort of competitive differentiators on the manufacturing side for your next-generation embedded portfolio? Or is it just a focus on lower cost versus outsourcing and moving the manufacturing mix towards more in-sourced over time?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes, I'll start, and Rafael, if you want to add, please do. If you look, we do manufacture embedded today in DMOS6. So part of our manufacturing footprint today includes embedded. And so with the Lehi factory, we will be able to build additional product there. And I would say, over time, foundry will continue to be a portion of our footprint. But as our revenue grows as a percentage of revenue, could that move some? It could. But we will continue to build products both internally and externally. And I'll just say that as we invest in 300-millimeter, both for analog and embedded, that brings the same cost advantages to us. It allows better control of our supply chain. And certainly, in periods like this, it shows why that that's an important advantage for us. So okay. Thank you, Harlan. And I think we've got time for one more caller.

Operator

We'll take our next question from Ambrish Srivastava with BMO.

Ambrish Srivastava ***BMO Capital Markets Equity Research - MD of Semiconductor Research & Senior Research Analyst***

Dave and Rafael, I had a question on end markets. And specifically in auto, there is a lot of concern, it has been for more than a couple of quarters, about semi components going into the industry and the auto units, the big gap. And if I look at your automotive, the year-over-year change, at least a rapid -- I think it was up 2x a couple of quarters ago. That seems to be decelerating. So can you just help us kind of -- seems to be some parts of forward, but the concern is that the supply chain collectively is holding up on a lot of inventory. So just with -- I'd love to get your perspective. And Dave, I think last quarter, you had given us a pre-pandemic level, and you had kind of contrasted what you shipped last quarter versus that number.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. So Ambrish, maybe I'll start, and Rafael, if you want to add to it. And first, I'll just make a comment that our team has done a good job supporting customers really across all of our end markets. When we look at that pre-pandemic level of fourth quarter of '19 and just picking that to fourth quarter '21, revenue overall is up 40%. And we grew shipments in all of our end markets. So I think that that's important to point out. So we believe inside of that, we've made strategic progress in industrial and in automotive that will pay dividends for us for years ahead. But our teams really have done a great job supporting customers across that board.

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And some of those year-on-year transitions, Ambrish, as you know, some of those really big numbers -- I think one quarter, we had close to 100%, maybe even above that -- that was more of a function of how low shipments have gotten the quarter before. So that's where I talk about when things get really noisy, you really have to begin to look at it over these longer periods of time. But I think that that's a really good number to look at for our overall shipments. So do you have a follow-up to that, Ambrish?

Ambrish Srivastava ***BMO Capital Markets Equity Research - MD of Semiconductor Research & Senior Research Analyst***

I had a separate follow-up, Dave. I've never seen a -- such a broad mention of a TI chip being short as PMIC. And it started with PCs. Now we hear from pretty much every end market. Everybody is pointing the TI. The question I get from investors, and I have it myself as well, so I don't want to just say from investors, just how did TI -- you guys are -- at least I hold you at the pedestal in terms of ops, planning, supply chain management. How did you guys get to that point where one part -- and I know it's a small piece of your overall business. But more importantly, how do you convince us that this does not translate into potential share losses when people start to design you out potentially because this time, several quarters, you couldn't supply the part?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. Fair question, Ambrish. And I'd point to maybe a couple of things. First, I'd point that we've got the broadest portfolio in the industry. When we engage with customers, it's not unusual for us to have a dozen, two dozen, sometimes three, four dozen different components shipped or on any particular design in any particular system. So it only takes one of those products to -- for our teams to have to work closely with that customer on. And as I talked about before, our teams have really done a great job supporting customers across the board, across those products. And that's what we'll continue to focus on.

I think as we look to this year, we've got capacity coming online later this year with RFAB2 and those investments that Rafael talked about. We're putting in capacity. Every quarter this year, we've put in capacity, every quarter last year, incrementally. So you see that showing up in our results. And then we've got -- follow that up with the Lehi fab in early 2023. So I think we're in a really good position to continue to support our customers overall. So we'll continue to work really hard at that and deliver the results that follow with that.

So with that, I'd like to remind everyone of our upcoming capital management call. And it is on February 3 at 10 a.m. Central Time. And a replay of this call will be available shortly on our website. Good evening.

Operator

Thank you. That does conclude today's conference. We do thank you all for your participation, and you may now disconnect.

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