

# Texas Instruments Group

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## Sustainable Growth Hypothesis:

It designs and manufactures analog semiconductors, providing customised chips to over 100,000 customers for use in products from wind turbines to traffic lights. Its leading business practices allow it to attract and retain talent, and build long-term partnerships with customers and suppliers.

### 1. Growth: How likely is the company to deliver 10% p.a. profit growth over the next decade?

- Texas is the world leader in analog semiconductors, a market that is growing mid-single digits due to an increasing number of connected devices and chip content per device.

### 2. Resilience: How much control does the company have over its own success?

- Operating in a capital-heavy, cyclical industry, Texas has turned that into a key advantage. Its culture values building advantages over time through steady organic investment, vertical integration, and targeting downturns to gain share. Few other companies have the balance sheet, patience, diversified product range and customer base and cash flow to do what they do.

### 3. Valuation: What is our insight?

- Our edge comes from our long-term view and ability to ride out cycles, both in demand and capex.

### 4. Products: To what extent will the core products & services create value for society over the next decade?

- Its products condition and regulate 'real world' functions such as temperatures, speed, sound and electrical current. These products are present in hundreds of thousands of every-day items.

### 5. Practices: Does the company show leadership in its business practices?

- It undoubtedly understands the importance of wider stakeholder interests in ensuring long-term success, and shows clear leadership notably in its human capital management. This is a genuine source of competitive advantage.

### 6. Ambition: What is the company's purpose, and how ambitious are they?

- It is ambitious with regards to its business practices, and retains its position as a widely respected company, employer of choice, and good corporate citizen.

### 7. Trust: Should we trust the company with our clients' capital?

- One of its principles is 'acting like owners'. This has been borne out by excellent stewardship of capital. It has over 80% independence and satisfactory levels of diversity.

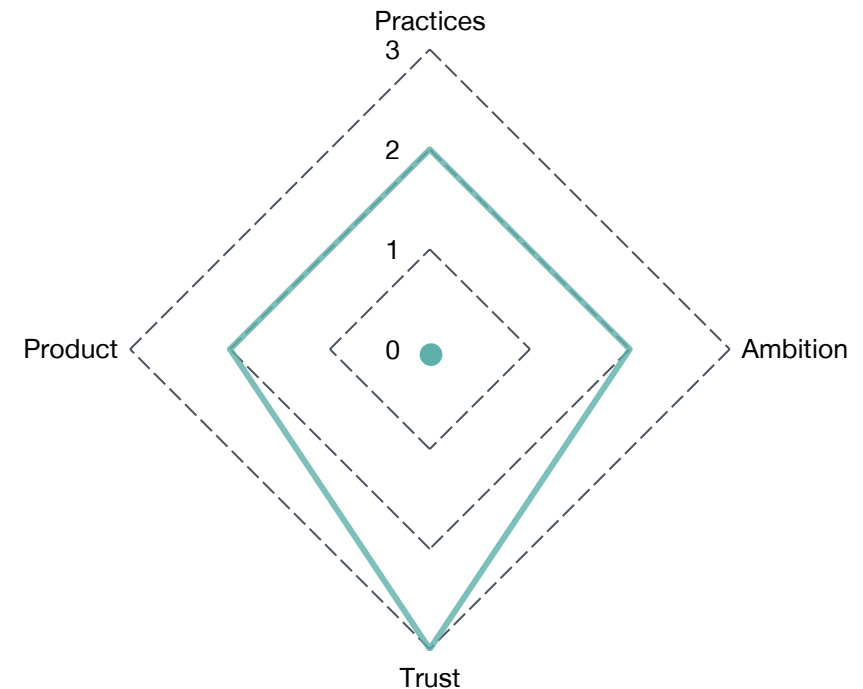
### 8. Engagement: No company is perfect, what should be our engagement priority?

- We are keen to understand more about succession planning as there could be a key man risk in a few years' time with the Chairman. Furthermore, Texas are a material emitter operating in part of the world where climate change has become heavily politicised. We'd like to see improvements in Texas' Net Zero commitment.

### 9. Milestones: What developments should we pay most attention to? Where could we be wrong?

- The biggest structural concern is faster emergence of Chinese competition which we will watch closely.

## Compass Scores



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