TEXAS INSTRUMENTS INC
Form 424B2
October 27, 2017
Table of Contents

Filed pursuant to Rule 424(b)(2)

Registration No. 333-209678

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Max Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
2.900% Notes due 2027	$500,000,000	98.843%	$494,215,000	$61,529.77
Total	$500,000,000		$494,215,000	$61,529.77

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.

Table of Contents

PROSPECTUS SUPPLEMENT

(To Prospectus Dated February 24, 2016)

$500,000,000 2.900% Notes due 2027

Texas Instruments Incorporated is offering $500,000,000 aggregate principal amount of its 2.900% Notes due 2027 (the Notes), which will bear interest at the rate per year as set forth above. Interest on the Notes will be payable semi-annually in arrears on May 3 and November 3 of each year, beginning on May 3, 2018.

The Notes will mature on November 3, 2027.

We may redeem some or all of the Notes at any time at the redemption prices indicated under the caption Description of the Notes Optional Redemption.

The Notes will be our unsecured senior obligations and will rank equally with all of our other existing and future unsecured and unsubordinated indebtedness from time to time outstanding.

Investing in the Notes involves risks. See Risk Factors beginning on page S-9.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total

Public offering price	98.843%	$ 494,215,000
Underwriting discount	0.450%	$ 2,250,000
Proceeds to us (before expenses)	98.393%	$ 491,965,000

Interest on the Notes will accrue from November 3, 2017 to the date of delivery.

The underwriters expect to deliver the Notes to purchasers, only in book-entry form through the facilities of The Depository Trust Company, on or about November 3, 2017, which is the sixth business day following the date of this prospectus supplement. See Underwriting.

Joint Book-Running Managers

Barclays **BofA Merrill Lynch** **J.P. Morgan**

Citigroup **Mizuho Securities** **Morgan Stanley** **MUFG**

Co-Managers

US Bancorp

The Williams Capital Group, L.P.

BNP PARIBAS

HSBC

October 26, 2017

Table of Contents

We are responsible for the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus and any free-writing prospectus we prepare or authorize. We have not, and the underwriters have not, authorized anyone to provide you with different information, and we take no responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained or incorporated by reference into this prospectus supplement or the accompanying prospectus is accurate as of any date other than its date.

TABLE OF CONTENTS

Table of Contents

NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and documents that are incorporated by reference into this prospectus supplement include forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as we or our management believes, expects, anticipates, foresees, forecasts, estim other words or phrases of similar import. Similarly, statements herein that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

We urge you to carefully consider the following important factors that could cause actual results to differ materially from the expectations of our company or our management:

- Market demand for semiconductors, particularly in our end markets;
- Our ability to compete in products and prices in an intensely competitive industry;
- Customer demand that differs from forecasts and the financial impact of inadequate or excess company inventory that results from demand that differs from projections;
- Our ability to develop, manufacture and market innovative products in a rapidly changing technological environment;
- Economic, social and political conditions in the countries in which we, our customers or our suppliers operate, including security risks, global trade policies, political and social instability, health conditions, possible disruptions in transportation, communications and information technology networks and fluctuations in foreign currency exchange rates;
- Natural events such as severe weather, geological events or health epidemics in the locations in which we, our customers or our suppliers operate;
- Breaches or disruptions of our information technology systems or those of our customers or suppliers;
- Timely implementation of new manufacturing technologies and installation of manufacturing equipment, or the ability to obtain needed third-party foundry and assembly/test subcontract services;

Availability and cost of raw materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;

Compliance with or changes in the complex laws, rules and regulations to which we are or may become subject, or actions of enforcement authorities, that restrict our ability to manufacture or ship our products or operate our business, or subject us to fines, penalties, or other legal liability;

Product liability or warranty claims, claims based on epidemic or delivery failure, or other claims relating to our products, manufacturing, services, design or communications, or recalls by our customers for a product containing one of our parts;

Changes in the tax rate applicable to us as the result of changes in tax law, the jurisdictions in which profits are determined to be earned and taxed, adverse resolution of tax audits, increases in tariff rates and the ability to realize deferred tax assets;

A loss suffered by one of our customers or distributors with respect to our consigned inventory;

Financial difficulties of our distributors or their promotion of competing product lines to our detriment, or the loss of a significant number of distributors;

Losses or curtailments of purchases from key customers or the timing and amount of distributor and other customer inventory adjustments;

Table of Contents

Our ability to maintain or improve profit margins, including our ability to utilize our manufacturing facilities at sufficient levels to cover our fixed operating costs, in an intensely competitive and cyclical industry;

Our ability to maintain and enforce a strong intellectual property portfolio and maintain freedom of operation; or our exposure to infringement claims;

Instability in the global credit and financial markets that affects our ability to fund our daily operations, invest in our business, make strategic acquisitions or make principal and interest payments on our debt;

Increases in health care and pension benefit costs;

Our ability to recruit and retain skilled engineering, management and technical personnel;

Our ability to successfully integrate and realize opportunities for growth from acquisitions, or our ability to realize our expectations regarding the amount and timing of restructuring charges and associated cost savings; and

Impairments of our non-financial assets.

For a more detailed discussion of these factors, see our periodic filings with the Securities and Exchange Commission (the SEC). The forward-looking statements contained in this prospectus supplement are made as of the date hereof, and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering. This prospectus supplement also incorporates by reference the information described under Where You Can Find More Information. The second part is the accompanying prospectus dated February 24, 2016. The accompanying prospectus contains a description of our debt securities and gives more general information, some of which may not apply to this offering.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Unless we have indicated otherwise, references in this prospectus supplement to TI, we, us and our or similar terms are to Texas Instruments Incorporated and its consolidated subsidiaries; references in this prospectus supplement to Texas Instruments Incorporated excludes its consolidated subsidiaries.

S-iv

Table of Contents

SUMMARY

The following summary highlights information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. It may not contain all of the information that you should consider before investing in the Notes. You should carefully read this entire prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference herein that are described under Where You Can Find More Information.

Texas Instruments Incorporated

We design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We began operations in 1930. We are incorporated in Delaware, headquartered in Dallas, Texas, and have design, manufacturing or sales operations in more than 30 countries.

Recent Developments

On October 24, 2017, we announced our results of operations as of and for the three months ended September 30, 2017. A summary of these results is as follows:

Summary of 3Q17 Results

(Millions of dollars, except per-share amounts)	3Q17	3Q16(1)	Change
Revenue	$ 4,116	$ 3,675	12%
Operating profit	$ 1,788	$ 1,408(2)	27%
Net income	$ 1,285	$ 1,018	26%
Diluted earnings per common share	$ 1.26	$ 0.98	29%
Cash flows from operating activities	$ 1,722	$ 1,465	18%

(1) Certain amounts in the prior period have been adjusted to reflect the fourth quarter 2016 early adoption of ASU 2016-09 related to stock-based compensation.

(2) This amount has been adjusted to reflect our first quarter 2017 early adoption of ASU 2017-07 related to the reclassification of certain pension and other retiree benefit costs to Other income (expense), net.

3Q17 Additional Financial Information

Our Analog and Embedded Processing segments contributed 88 percent of revenue in the third quarter.

Cash and short-term investments were $3.4 billion at the end of the quarter.

Cash flows from operating activities in the third quarter were $1.7 billion. For the trailing twelve months, cash flows from operating activities were $4.8 billion, as compared with $4.7 billion, in the year-ago trailing twelve-month period.

Free cash flow in the third quarter was $1.5 billion. For the trailing twelve months, free cash flow was $4.2 billion, or 29 percent of revenue, as compared with $4.1 billion, or 31 percent of revenue, in the year-ago trailing twelve-month period.

We returned $1.1 billion in the third quarter to shareholders through dividends and stock repurchases. For the trailing twelve months, the return to shareholders totaled $4.3 billion.

Table of Contents

Free cash flow is Cash flow from operations minus Capital expenditures. Free cash flow and the ratios based on it are non-GAAP financial measures. For a reconciliation of these measures to the most directly comparable measures under generally accepted accounting principles in the United States (GAAP), see Non-GAAP Financial Information below.

3Q17 Segment Results

(Millions of dollars)	**3Q17**	**3Q16**	**Change**
Analog:			
Revenue	$ 2,698	$ 2,323	16%
Operating profit	$ 1,268	$ 957(1)	32%
Embedded Processing:			
Revenue	$ 931	$ 795	17%
Operating profit	$ 325	$ 224(1)	45%
Other:			
Revenue	$ 487	$ 557	(13)%
Operating profit *	$ 195	$ 227(1)	(14)%

* Includes Acquisition charges and Restructuring charges/other

(1) These amounts have been adjusted to reflect our first quarter 2017 early adoption of ASU 2017-07 related to the reclassification of certain pension and other retiree benefit costs to Other income (expense), net.

Our principal executive offices are located at 12500 TI Boulevard, Dallas, Texas 75243, and our telephone number is (214) 479-3773. We maintain a website at www.ti.com where general information about us is available. We are not incorporating the contents of the website into this prospectus supplement or the accompanying prospectus.

For a description of our business, financial condition, results of operations and other important information regarding us, see our filings with the SEC incorporated by reference into this prospectus supplement. For instructions on how to find copies of these and our other filings incorporated by reference into this prospectus supplement, see Where You Can Find More Information.

Table of Contents

The Offering

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus supplement and the Description of Debt Securities section of the accompanying prospectus contain a more detailed description of the terms and conditions of the Notes.

Issuer	Texas Instruments Incorporated.
Securities Offered	$500,000,000 aggregate principal amount of 2.900% Notes due 2027.
Maturity Date	November 3, 2027.
Original Issue Date	November 3, 2017.
Interest Rate	Fixed rate of 2.900%.
Interest Payment Dates	Each May 3 and November 3, beginning on May 3, 2018, and on the maturity date.
Ranking	The Notes will be the senior unsecured obligations of Texas Instruments Incorporated and will rank equally with all of its existing and future senior indebtedness from time to time outstanding. All existing and future liabilities of subsidiaries of Texas Instruments Incorporated will be effectively senior to the Notes.
	As of June 30, 2017, Texas Instruments Incorporated had approximately $3.6 billion of outstanding indebtedness. As of June 30, 2017, Texas Instruments had approximately $5.7 billion of total liabilities on a consolidated basis. Of this amount, subsidiaries of Texas Instruments Incorporated had approximately $1.1 billion of liabilities (including trade payables and excluding intercompany debt) to which the Notes will be effectively subordinated.
Form and Denomination	The Notes will be issued in the form of one or more fully registered global securities, without coupons, in denominations of $2,000 in principal amount and integral multiples of $1,000 in excess thereof. These global notes will be deposited with the trustee as custodian for,

	and registered in the name of, a nominee of The Depository Trust Company, or DTC. Except in the limited circumstances described under Description of the Notes Book-Entry; Delivery and Form; Global Note, Notes in certificated form will not be issued or exchanged for interests in global securities.
Governing Law	The internal laws of the State of New York.
Use of Proceeds	We expect to use the net proceeds of this offering for general corporate purposes. See Use of Proceeds. In connection with the issuance of the Notes, we may enter into interest rate swap agreements with financial institutions, which may include one or more of the underwriters or their affiliates.

Table of Contents

Further Issuances	Texas Instruments Incorporated may create and issue further notes ranking equally and ratably with the Notes offered by this prospectus supplement in all respects, so that such further notes will be consolidated and form a single series with the Notes offered by this prospectus supplement.
Sinking Fund	None.
Optional Redemption	Texas Instruments Incorporated may redeem some or all of the Notes at any time at the redemption prices indicated under the heading Description of the Notes Optional Redemption.
Trading	The Notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the Notes on any securities exchange. The underwriters have advised us that they intend to make a market in the Notes, but they are not obligated to do so and may discontinue market-making at any time without notice. See Underwriting in this prospectus supplement for more information about possible market-making by the underwriters.
Trustee	U.S. Bank National Association.
Risk Factors	You should carefully consider all of the information in this prospectus supplement and the accompanying prospectus and the documents incorporated herein by reference. In particular, you should evaluate the information set forth under Notice Regarding Forward-Looking Statements and Risk Factors before deciding whether to invest in the Notes.

Table of Contents

Summary Historical Financial Information

The following tables set forth our summary historical financial information. The summary historical financial information for the years ended December 31, 2016, 2015 and 2014 and as of December 31, 2016 and 2015 has been derived from our audited consolidated financial statements included or incorporated by reference into this prospectus supplement and the accompanying prospectus. The summary historical financial information for the six months ended June 30, 2017 and 2016 and as of June 30, 2017 has been derived from our unaudited consolidated financial statements included or incorporated by reference into this prospectus supplement and the accompanying prospectus. Our unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements; however, they may not be indicative of our results for the full year.

Various factors will have an effect on our financial condition and results of operations. You should read the summary historical financial information in conjunction with the information under Risk Factors, Capitalization and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes, all included elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus.

	Year Ended December 31,		
(Millions of dollars, except share and per-share amounts)	**2016**	**2015**	**2014**
Revenue	$ 13,370	$ 13,000	$ 13,045
Cost of revenue	5,130	5,440	5,618
Gross profit	8,240	7,560	7,427
Research and development	1,370	1,280	1,358
Selling, general and administrative	1,767	1,748	1,843
Acquisition charges	319	329	330
Restructuring charges/other	(15)	(71)	(51)
Operating profit	4,799	4,274	3,947
Other income (expense), net	211	32	21
Interest and debt expense	80	90	94
Income before income taxes	4,930	4,216	3,874
Provision for income taxes	1,335	1,230	1,053
Net income	$ 3,595	$ 2,986	$ 2,821
Earnings per common share:			
Basic	$ 3.54	$ 2.86	$ 2.61
Diluted	$ 3.48	$ 2.82	$ 2.57
Average shares outstanding (millions):			
Basic	1,003	1,030	1,065
Diluted	1,021	1,043	1,080

As of the beginning of the quarter ended March 31, 2017, we reflected the early adoption of ASU 2017-07 related to the classification of certain pension and other retiree benefits. ASU 2017-07 is required to be retrospectively applied to historical financial periods, and we expect to reflect the adoption in our annual report on Form 10-K for the period ended December 31, 2017. In connection with this adoption, we will reclassify certain expenses currently impacting Operating profit to Other income (expense), net in the amounts of

Table of Contents

$56 million, $48 million and $56 million for the 2016, 2015 and 2014 periods reflected above, respectively. The table below represents these line items on an as adjusted basis:

	Year Ended December 31, (As Adjusted)		
(Millions of dollars)	**2016 (unaudited)**	**2015 (unaudited)**	**2014 (unaudited)**
Operating profit	$ 4,855	$ 4,322	$ 4,003
Other income (expense), net	$ 155	$ (16)	$ (35)

The reclassification will not impact Revenue, Net income, Earnings per common share or Cash flows from operating activities.

	Six Months Ended June 30,	
(Millions of dollars, except share and per-share amounts)	**2017 (unaudited)**	**2016 (unaudited)**
Revenue	$ 7,095	$ 6,281
Cost of revenue	2,577	2,445
Gross profit	4,518	3,836
Research and development	747	663
Selling, general and administrative	873	895
Acquisition charges	159	159
Restructuring charges/other	7	4
Operating profit	2,732	2,115
Other income (expense), net	47	(20)
Interest and debt expense	38	43
Income before income taxes	2,741	2,052
Provision for income taxes	688	522
Net income	$ 2,053	$ 1,530