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Morgan Stanley | RESEARCH

UPDATE

October 22, 2026 02:24 AM GMT

Texas Instruments | North America

Gross Margin Surprises to the Upside; Recovery Still Early

WHAT'S CHANGED

	From	To
Texas Instruments (TXN.O)		
Price Target	$255.00	**$278.00**

AlphaSignals Earnings Reaction

Strengthens our thesis
Impact to our thesis

Meaningful upside
Financial results versus consensus

Meaningful revision higher
Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Another above-seasonal beat and raise, with GM% upside driven primarily by higher revenue. While the recovery remains relatively early, expectations and positioning were already elevated, making the muted stock reaction less surprising.

Key Takeaways

- Above-seasonal beat and raise from broad strength across markets: auto, industrial, data center.
- GM% upside at SepQ 64.2% (+284bps q/q) was driven primarily by higher revenue, with some benefit from pricing and mix; 75-85% LT framework reiterated.
- CapEx CY26 guidance remains at $2-$3bn, biased toward the high end depending on equipment deliveries; we maintain MSe at $2.8bn.

TI reported another strong quarter, beating estimates and guiding above seasonality, though with expectations already elevated and long positioning crowded, the muted stock reaction wasn't surprising. Our Distributor Survey had pointed to a continuation of the broader cyclical recovery that began to take shape earlier this year as Industrial demand picked up. While the rebound has been gradual, we're seeing more evidence that it's holding up, driven primarily by underlying demand and higher semiconductor content rather than pricing or widespread restocking. There's also a secular tailwind from areas like Data Center, now at a >$3bn annualized revenue run-rate, and aerospace & defense. Our inventory tracker also shows lean customer inventories in markets like Automotive, consistent with shipments largely tracking end demand rather than restocking.

We're also seeing more signs of tightening supply, with lead times extending and customers increasingly focused on securing supply further out. The combination of a cyclical recovery and secular growth could create a more meaningful shortage environment, though we're not seeing the widespread urgency of 2021/2022 just yet, and TI is still hovering near 200 days of inventory (194 DOI). Pricing has also contributed only modestly in 2H26, but could become a bigger factor as annual

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Texas Instruments (TXN.O, TXN US)

Semiconductors | United States of America

Stock Rating	**Underweight**
Industry View	**Attractive**
Price target	**$278.00**
Shr price, close (Oct 21, 2026)	$284.65
Mkt cap, curr (mm)	$264,170
52-Week Range	$334.03-152.73

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS ($)**	5.45	9.08	10.69	12.25
Prior EPS ($)**	-	8.57	9.80	10.73
P/E	31.5	31.5	26.2	22.8
EPS ($)§	5.48	8.50	10.33	12.10
Div yld (%)	3.2	2.0	2.1	2.2

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	1.28	-	1.68a	2.31	2.49
Q2	1.41	-	2.14a	2.36	2.56
Q3	1.48	-	2.62a	2.66	2.90
Q4	1.27	2.31	2.64	2.48	2.74

e = Morgan Stanley Research estimates, a = Actual Company reported data

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negotiations for 2027 play out.

We remain UW given that the significant YTD appreciation prices in some of these positives, but increasingly acknowledge the potential benefits of TI's capacity strategy as industry supply tightens. TI's ability to add tools and ramp production could support share gains, but that also means more investment, and it's unclear how much of the upside ultimately flows through to FCF. CY26 CapEx remains biased toward the high end of $2-$3bn, and while mgmt punted CY27 guidance to the February capital mgmt update, our sense is that spending could remain at similar levels next year. We continue to prefer Analog Devices given its less capital-intensive model and higher ROIC, but recognize that TI's strategy could prove to have a window where they can drive upside in a stronger cycle.

What we learned from the call/callback/release:

1.) (+) Cyclical dynamics remain strong. Industrial joined the broader cyclical recovery in 1Q26, and since then we've seen the recovery broaden across end markets, with another solid quarter in 3Q. Industrial grew >40% y/y and ~10% q/q, reaching a new peak for the first time since 3Q22, driven by both cyclical recovery and higher semiconductor content. Automotive, which joined the recovery last quarter, grew mid-teens y/y and ~10% q/q, led by China and the US, particularly EVs/hybrids, with customer inventories still low. Data Center grew ~95% y/y and ~20% q/q, while PE was flat y/y and +HSD q/q, and Comms grew both y/y and q/q.

2.) (+) Gross margin upside surprise is demand driven. GM% expanded 284bps q/q to 64.2%, with ~90% incremental fall-through, vs. the 75-85% LT framework (ex-depreciation). Mgmt highlighted higher revenue as the primary driver, with some benefit from pricing, factory loadings and mix. While pricing is beginning to contribute after a flat 1H26, the impact remains modest, with broader negotiations for 2027 still underway. We view the margin upside as encouraging, though we expect incremental fall-through to normalize toward the LT framework.

3.) (=) Capacity investments are becoming more valuable, but the CapEx/FCF trade-off remains. With industry capacity tightening, TI's ability to support customer demand could become a more meaningful competitive advantage, particularly as customers focus on securing supply. But meeting stronger demand requires more equipment, with back-end tool lead times extending and front-end spending likely to increase over time. CY26 CapEx remains at $2-$3bn, biased toward the higher end depending on equipment deliveries, while mgmt punted CY27 guidance to the February capital mgmt update. We see potential for share gains, but remain cautious on how much translates into FCF given the investment required.

Result details:

- **SepQ (strong beat MSe & cons).** $6,055mn (up 10.8% q/q and 27.7% y/y) was above MSe and consensus at $5,962mn/$5,921mn. Analog sales were up 12.5% q/q and 31.7% y/y, while Embedded Processing was up 8.9% q/q and 21.0% y/y. Gross margin was 64.2%, above MSe and consensus at 62. %/61.6%. EPS of $2.62 was above MSe and consensus at $2.43/$2.42.

- **DecQ (strong beat MSe & cons).** Revenue guide of $6,050mn at the

midpoint was above MSe at $5,768mn and consensus at $5,748mn. EPS was guided to $2.62, above MSe and consensus at $2.31/$2.30.

- **Changes to our estimates:** We raise our FY26 revenue/gross margin/EPS estimates to $22.410bn/62.2%/$9.08, from $22.018bn/60.9%/$8.57 prior, and our FY27 estimates to $25.042bn/63.8%/$10.69, from $23.832bn/62.7%/$9.80 prior.
- **We leave our multiple unchanged at 26x**, a slight discount to ADI (27x), reflecting earlier mid-cycle positioning. Based on our new CY27 EPS of $10.69, our PT moves up from $255 to $278.

Risk Reward – Texas Instruments (TXN.O)

Underweight on limited upside given premium valuation & margin contraction

PRICE TARGET $278.00

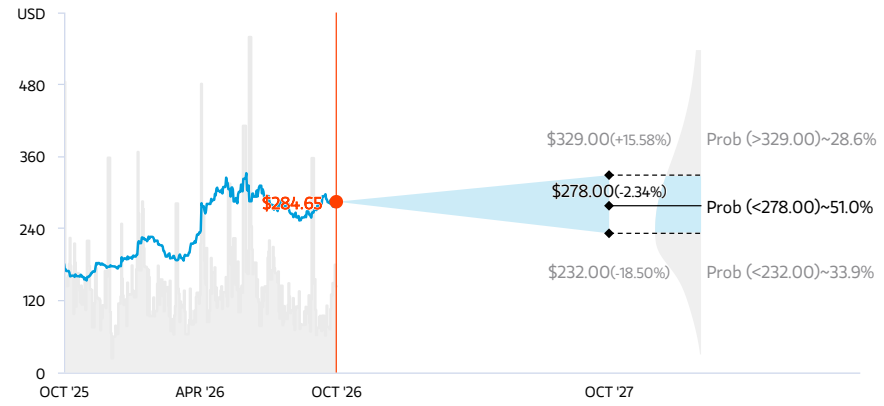
Represents 26x our CY27e EPS of $10.69, reflecting earlier mid-cycle positioning, a slight premium to its long-term average of 24x and ~in-line with large-cap analog peers.

Consensus Price Target Distribution $184.59 — $308.90 (MS PT) — $400.00

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 21 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

UNDERWEIGHT THESIS

- TI is looking to ramp capex over the next few years to help bring more manufacturing in-house, but this will act as a near-term headwind to earnings and FCF growth. The company has also seen pricing and market share pressure in personal electronics and enterprise, as customers move to multisource components, and face competition with local Chinese supply.
- The company trades at a premium valuation for its solid governance track record, and we admire the company's long-term direction, but we see this dynamic as limiting upside in the near-term as margin should come under pressure from the capex ramp.

Consensus Rating Distribution

53% Overweight
39% Equal-weight
8% Underweight
● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Pricing Power: *Negative*

View descriptions of Risk Rewards Themes here

BULL CASE $329.00

28x Bull Case 2027e EPS of $11.74

Rebound in macroeconomic environment drives analog and embedded snapback, and end markets grow more than expected in 2026 & 2027.

- Revenue growth 18.4% in 2027

-Gross margin expands to 65.3% in 2027

- EPS of $11.74 in 2027

BASE CASE $278.00

26x Base case 2027e EPS of $10.69

Assumes a moderate analog and embedded recovery through 2026 & 2027.

- 26.7% revenue growth in 2026 and 11.7% revenue growth in 2027

- TXN achieves 62.2% GMs in 2026 and 63.8% in 2027

- EPS of $9.08 in CY26 and $10.69 in CY27

BEAR CASE $232.00

24x Bear Case 2027e EPS of $9.68

Global macroeconomic weakness slows down the recovery in analog and embedded, and end markets remain weak.

- 5.0% revenue growth in 2027

- Gross margin of 62.3% in 2027

- EPS of $9.68 in 2027



Risk Reward – Texas Instruments (TXN.O)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
GAAP Revenue ($, mm)	17,682	22,410	25,042	26,812
MW Gross Margin (%)	57.0	62.2	63.8	65.6
GAAP EPS ($)	5.45	9.08	10.69	12.25
Inventory ($, mm)	4,804	4,508	4,317	4,080
DOI	227.6	191.3	171.3	159.4

CATALYST CALENDAR

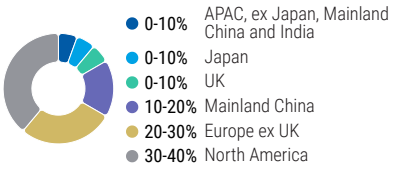
Date	Event
16 Apr 2027 - 20 Apr 2027	Texas Instruments Inc Annual Shareholders Meeting

Source: Refinitiv, Morgan Stanley

INVESTMENT DRIVERS

- Analog and embedded growth vs industry peers (ADI for analog, STM/Infineon/Renesas/NXP/MCHP for embedded).
- How increased capex will impact revenue growth and market share as well as depreciation burden on gross margin.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	5/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Increasing domestic capacity leads to outsized market share gains.
- Recovery in consumer markets (personal electronics and embedded).
- Continued content gains in Auto and Industrial end-markets.

RISKS TO DOWNSIDE

- Continued market share loss in the embedded business.
- Pricing and market share pressure from China local capacity.
- Market share loss to ADI in the analog business.

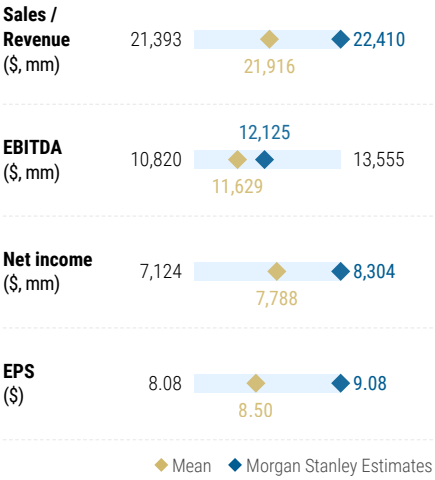
OWNERSHIP POSITIONING

Inst. Owners, % Active	48.6%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

Financial Summary

Exhibit 1: Income Statement Summary

TXN-US: Snapshot for the quarter ended June 2026

Income Statement									
Qtr Results:	Actual			Lst Qtr	QoQ	Lst Yr	YoY	Cons.	MSe
Revenue	$5,463.0			$4,825.0	*13.2%*	$4,448.0	*22.8%*	$5,258.0	$5,263.8
Gross Margin	*61.4%*			*58.0%*	335 bps	*57.9%*	347 bps	*59.4%*	*60.0%*
EPS	$2.14			$1.68	$0.46	$1.41	$0.73	$1.94	$1.94
Nxt Qtr Outlook:	Low	High	Midpoint						
Revenue	$5,650	$6,150	$5,900		*8.0%*	$4,742.0	*24.4%*	$5,625.8	$5,705.5
Gross Margin						*57.4%*		*60.1%*	*60.1%*
EPS	$2.23	$2.57	$2.40		$0.26	$1.48	$0.92	$2.18	$2.18

Source: Company data, Morgan Stanley Research estimates

Exhibit 2: Income Statement Variance

GAAP financials (excl 1x items), $ in Millions except per share	Reported FQ326	MS Est FQ326	Difference Act. vs. Est.	Per share Difference
Total Revenue	6,055.0	5,962.3	92.7	0.10
Cost of Sales	2,168.0	2,262.7	(94.7)	0.10
Gross Profit	3,887.0	3,699.6	187.4	0.20
Gross Margin	*64.2%*	*62.1%*	*2.1%*	
R&D	530.0	540.0	(10.0)	0.01
SG&A	476.0	490.0	(14.0)	0.02
Other Opex (inc)	7.0	17.0	(10.0)	0.01
Total Op Expenses	1,013.0	1,047.0	(34.0)	0.04
Operating Income	2,874.0	2,652.6	221.4	0.24
Operating Margin	*47.5%*	*44.5%*	*3.0%*	
Income tax provision	380.9	337.7	43.3	(0.05)
Net Income	2,425.0	2,245.1	179.9	0.20
EPS	**$2.62**	**$2.43**	$0.19	0.19
Diluted Shares Out.	921.0	918.6	918.6	

Source: Company data, Morgan Stanley Research estimates

Projected Financial Statements

Exhibit 3: TXN: Projected Income Statement

Texas Instruments Inc. GAAP Income Statement ($ in millions; fiscal year ends in December)	Mar-24 F1Q24A	Sep-24 F3Q24A	Dec-24 F4Q24A	Mar-25 F1Q25A	Jun-25 F2Q25A	Sep-25 F3Q25A	Dec-25 F4Q25A	Mar-26 F1Q26A	Jun-26 F2Q26A	Sep-26 F3Q26A	Dec-26 F4Q26E	Mar-27 F1Q27E	Jun-27 F2Q27E	Sep-27 F3Q27E	Dec-27 F4Q27E	2023FY	2024FY	2025FYE	2026FYE	2027FYE
Revenues	$ 3,661	$ 4,151	$ 4,007	$ 4,069	$ 4,448	$ 4,742	$ 4,423	$ 4,825	$ 5,463	$ 6,055	$ 6,067	$ 5,975	$ 6,175	$ 6,550	$ 6,343	$ 17,519	$ 15,641	$ 17,682	$ 22,410	$ 25,042
Revenues - MW	3,661	4,151	4,007	4,069	4,448	4,742	4,423	4,825	5,463	6,055	6,067	5,975	6,175	6,550	6,343	17,519	15,641	17,682	22,410	25,041
Q/Q Change	*-10.2%*	*8.6%*	*-3.5%*	*1.5%*	*9.3%*	*6.6%*	*-6.7%*	*9.1%*	*13.2%*	*10.8%*	*0.2%*	*-1.5%*	*3.4%*	*6.1%*	*-3.2%*					
Y/Y Change	*-16.4%*	*-8.4%*	*-1.7%*	*11.1%*	*16.4%*	*14.2%*	*10.4%*	*18.6%*	*22.8%*	*27.7%*	*37.2%*	*23.8%*	*13.0%*	*8.2%*	*4.5%*	*-12.5%*	*-10.7%*	*13.0%*	*26.7%*	*11.7%*
COGS	1,566.0	1,677.0	1,693.0	1,756.0	1,873.0	2,019.0	1,951.0	2,026.0	2,111.0	2,168.0	2,176.9	2,233.8	2,270.1	2,304.8	2,264.7	6,500.0	6,547.0	7,599.0	8,481.9	9,073.4
One-time Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COGS - MW	1,566.0	1,677.0	1,693.0	1,756.0	1,873.0	2,019.0	1,951.0	2,026.0	2,111.0	2,168.0	2,176.9	2,233.8	2,270.1	2,304.8	2,264.7	6,500.0	6,547.0	7,599.0	8,481.9	9,073.4
Gross Profit	**2,095.0**	**2,474.0**	**2,314.0**	**2,313.0**	**2,575.0**	**2,723.0**	**2,472.0**	**2,799.0**	**3,352.0**	**3,887.0**	**3,890.1**	**3,740.7**	**3,904.6**	**4,244.8**	**4,078.1**	**11,019.0**	**9,094.0**	**10,083.0**	**13,928.1**	**15,968.2**
Gross Margin	*57.2%*	*59.6%*	*57.7%*	*56.8%*	*57.9%*	*57.4%*	*55.9%*	*58.0%*	*61.4%*	*64.2%*	*64.1%*	*62.6%*	*63.2%*	*64.8%*	*64.3%*	*62.9%*	*58.1%*	*57.0%*	*62.2%*	*63.8%*
Gross Profit - MW	**2,095.0**	**2,474.0**	**2,314.0**	**2,313.0**	**2,575.0**	**2,723.0**	**2,472.0**	**2,799.0**	**3,352.0**	**3,887.0**	**3,890.1**	**3,740.7**	**3,904.6**	**4,244.8**	**4,078.1**	**11,019.0**	**9,094.0**	**10,083.0**	**13,927.8**	**15,968.0**
Gross Margin - MW	*57.2%*	*59.6%*	*57.7%*	*56.8%*	*57.9%*	*57.4%*	*55.9%*	*58.0%*	*61.4%*	*64.2%*	*64.1%*	*62.6%*	*63.2%*	*64.8%*	*64.3%*	*62.9%*	*58.1%*	*57.0%*	*62.2%*	*63.8%*
R&D	478.0	492.0	491.0	517.0	527.0	518.0	521.0	510.0	535.0	530.0	538.0	550.0	555.0	555.0	560.0	1,863.0	1,959.0	2,083.0	2,113.0	2,220.0
% of Revs.	*13.1%*	*11.9%*	*12.3%*	*12.7%*	*11.8%*	*10.9%*	*11.8%*	*10.6%*	*9.8%*	*8.8%*	*8.9%*	*9.2%*	*9.0%*	*8.5%*	*8.8%*	*10.6%*	*12.5%*	*11.8%*	*9.4%*	*8.9%*
One-time Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&D - MW	478.0	492.0	491.0	517.0	527.0	518.0	521.0	510.0	535.0	530.0	538.0	550.0	555.0	555.0	560.0	1,863.0	1,959.0	2,083.0	2,113.0	2,220.0
% of Revs.	*13.1%*	*11.9%*	*12.3%*	*12.7%*	*11.8%*	*10.9%*	*11.8%*	*10.6%*	*9.8%*	*8.8%*	*8.9%*	*9.2%*	*9.0%*	*8.5%*	*8.8%*	*10.6%*	*12.5%*	*11.8%*	*9.4%*	*8.9%*
SG&A	455.0	428.0	446.0	472.0	485.0	457.0	446.0	464.0	490.0	476.0	483.0	490.0	490.0	490.0	490.0	1,825.0	1,794.0	1,860.0	1,913.0	1,960.0
% of Revs.	*12.4%*	*10.3%*	*11.1%*	*11.6%*	*10.9%*	*9.6%*	*10.1%*	*9.6%*	*9.0%*	*7.9%*	*8.0%*	*8.2%*	*7.9%*	*7.5%*	*7.7%*	*10.4%*	*11.5%*	*10.5%*	*8.5%*	*7.8%*
One-time Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SG&A - MW	455.0	428.0	446.0	472.0	485.0	457.0	446.0	464.0	490.0	476.0	483.0	490.0	490.0	490.0	490.0	1,825.0	1,794.0	1,860.0	1,913.0	1,960.0
% of Revs.	*12.4%*	*10.3%*	*11.1%*	*11.6%*	*10.9%*	*9.6%*	*10.1%*	*9.6%*	*9.0%*	*7.9%*	*8.0%*	*8.2%*	*7.9%*	*7.5%*	*7.7%*	*10.4%*	*11.5%*	*10.5%*	*8.5%*	*7.8%*
Other OpEx	(124.0)	-	-	-	-	85.0	32.0	17.0	17.0	7.0	7.0	7.0	100.0	100.0	100.0	-	(124.0)	117.0	48.0	307.0
Operating Expenses	**809.0**	**920.0**	**937.0**	**989.0**	**1,012.0**	**1,060.0**	**999.0**	**991.0**	**1,042.0**	**1,013.0**	**1,028.0**	**1,047.0**	**1,145.0**	**1,145.0**	**1,150.0**	**3,688.0**	**3,629.0**	**4,060.0**	**4,074.0**	**4,487.0**
% of Revs.	*22.1%*	*22.2%*	*23.4%*	*24.3%*	*22.8%*	*22.4%*	*22.6%*	*20.5%*	*19.1%*	*16.7%*	*16.9%*	*17.5%*	*18.5%*	*17.5%*	*18.1%*	*21.1%*	*23.2%*	*23.0%*	*18.2%*	*17.9%*
Operating Expenses - MW	933.0	920.0	937.0	989.0	1,012.0	975.0	967.0	974.0	1,025.0	1,006.0	1,021.0	1,040.0	1,045.0	1,045.0	1,050.0	3,688.0	3,753.0	3,943.0	4,026.0	4,180.0
% of Revs.	*25.5%*	*22.2%*	*23.4%*	*24.3%*	*22.8%*	*20.6%*	*21.9%*	*20.2%*	*18.8%*	*16.6%*	*16.8%*	*17.4%*	*16.9%*	*16.0%*	*16.6%*	*21.1%*	*24.0%*	*22.3%*	*18.0%*	*16.7%*
Operating Income	**1,286.0**	**1,554.0**	**1,377.0**	**1,324.0**	**1,563.0**	**1,663.0**	**1,473.0**	**1,808.0**	**2,310.0**	**2,874.0**	**2,862.1**	**2,693.7**	**2,759.6**	**3,099.8**	**2,928.1**	**7,331.0**	**5,465.0**	**6,023.0**	**9,854.1**	**11,481.2**
Operating Margin	*35.1%*	*37.4%*	*34.4%*	*32.5%*	*35.1%*	*35.1%*	*33.3%*	*37.5%*	*42.3%*	*47.5%*	*47.2%*	*45.1%*	*44.7%*	*47.3%*	*46.2%*	*41.8%*	*34.9%*	*34.1%*	*44.0%*	*45.8%*
Operating Income - MW	**1,162.0**	**1,554.0**	**1,377.0**	**1,324.0**	**1,563.0**	**1,748.0**	**1,505.0**	**1,825.0**	**2,327.0**	**2,881.0**	**2,869.1**	**2,700.7**	**2,859.6**	**3,199.8**	**3,028.1**	**7,331.0**	**5,341.0**	**6,140.0**	**9,901.8**	**11,788.0**
Operating Margin MW%	*31.7%*	*37.4%*	*34.4%*	*32.5%*	*35.1%*	*36.9%*	*34.0%*	*37.8%*	*42.6%*	*47.6%*	*47.3%*	*45.2%*	*46.3%*	*48.9%*	*47.7%*	*41.8%*	*34.1%*	*34.7%*	*44.2%*	*47.1%*
Total Interest Income (net) and Other Income	7.0	-	(18.0)	(48.0)	(85.0)	(79.0)	(101.0)	(94.0)	(72.0)	(69.0)	(59.0)	(34.0)	(34.0)	(29.0)	(29.0)	87.0	(12.0)	(313.0)	(294.0)	(126.0)
PBT	**1,293.0**	**1,554.0**	**1,359.0**	**1,276.0**	**1,478.0**	**1,584.0**	**1,372.0**	**1,714.0**	**2,238.0**	**2,805.0**	**2,803.1**	**2,659.7**	**2,725.6**	**3,070.8**	**2,899.1**	**7,418.0**	**5,453.0**	**5,710.0**	**9,560.1**	**11,355.2**
PBT Margin %	*35.3%*	*37.4%*	*33.9%*	*31.4%*	*33.2%*	*33.4%*	*31.0%*	*35.5%*	*41.0%*	*46.3%*	*46.2%*	*44.5%*	*44.1%*	*46.9%*	*45.7%*	*42.3%*	*34.9%*	*32.3%*	*42.7%*	*45.3%*
PBT - MW	**1,169.0**	**1,554.0**	**1,359.0**	**1,276.0**	**1,478.0**	**1,669.0**	**1,404.0**	**1,731.0**	**2,255.0**	**2,812.0**	**2,810.1**	**2,666.7**	**2,825.6**	**3,170.8**	**2,999.1**	**7,418.0**	**5,329.0**	**5,827.0**	**9,607.8**	**11,662.0**
PBT Margin MW%	*31.9%*	*37.4%*	*33.9%*	*31.4%*	*33.2%*	*35.2%*	*31.7%*	*35.9%*	*41.3%*	*46.4%*	*46.3%*	*44.6%*	*45.8%*	*48.4%*	*47.3%*	*42.3%*	*34.1%*	*33.0%*	*42.9%*	*46.6%*
Income Tax Expense (Benefit)	188.0	192.0	154.0	97.0	183.0	220.0	209.0	169.0	258.0	380.0	364.4	359.1	368.0	414.6	391.4	908.0	654.0	709.0	1,171.4	1,533.0
Effective tax rate %	*14.5%*	*12.4%*	*11.3%*	*7.6%*	*12.4%*	*13.9%*	*15.2%*	*9.9%*	*11.5%*	*13.5%*	*13.0%*	*13.5%*	*13.5%*	*13.5%*	*13.5%*	*12.2%*	*12.0%*	*12.4%*	*12.3%*	*13.5%*
Net Income, Cont. Ops.	**1,105.0**	**1,362.0**	**1,205.0**	**1,179.0**	**1,295.0**	**1,364.0**	**1,163.0**	**1,545.0**	**1,980.0**	**2,425.0**	**2,438.7**	**2,300.6**	**2,357.6**	**2,656.3**	**2,507.7**	**6,510.0**	**4,799.0**	**5,001.0**	**8,388.7**	**9,822.2**
Extraordinary, net of tax	(106.0)	-	-	-	-	73.2	27.1	15.3	15.0	6.1	6.1	6.1	86.5	86.5	86.5	-	(106.0)	100.3	42.3	265.4
Net Income, Cont. Ops. - MW	**999.0**	**1,362.0**	**1,205.0**	**1,179.0**	**1,295.0**	**1,437.2**	**1,190.1**	**1,560.3**	**1,995.0**	**2,431.1**	**2,444.8**	**2,306.7**	**2,444.1**	**2,742.8**	**2,594.2**	**6,510.0**	**4,693.0**	**5,101.3**	**8,430.9**	**10,087.6**
Net Income Margin MW%	*27.3%*	*32.8%*	*30.1%*	*29.0%*	*29.1%*	*30.3%*	*26.9%*	*32.3%*	*36.5%*	*40.1%*	*40.3%*	*38.6%*	*39.6%*	*41.9%*	*40.9%*	*37.2%*	*30.0%*	*28.9%*	*37.6%*	*40.3%*
Income (Loss) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income - GAAP	**1,105.0**	**1,362.0**	**1,205.0**	**1,179.0**	**1,295.0**	**1,364.0**	**1,163.0**	**1,545.0**	**1,980.0**	**2,425.0**	**2,438.7**	**2,300.6**	**2,357.6**	**2,656.3**	**2,507.7**	**6,510.0**	**4,799.0**	**5,001.0**	**8,388.7**	**9,822.2**
Net Income Margin GAAP %	*30.2%*	*32.8%*	*30.1%*	*29.0%*	*29.1%*	*28.8%*	*26.3%*	*32.0%*	*36.2%*	*40.0%*	*40.2%*	*38.5%*	*38.2%*	*40.6%*	*39.5%*	*37.2%*	*30.7%*	*28.3%*	*37.4%*	*39.2%*
Less income allocated to RSUs - GAAP	(5.0)	(7.0)	(7.0)	(6.0)	(7.0)	(8.0)	(7.0)	(9.0)	(11.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(34.0)	(25.0)	(28.0)	(48.0)	(56.0)
Less income allocated to RSUs - non GAAP	(15.0)	(20.4)	(18.1)	(17.7)	(19.4)	(21.6)	(17.9)	(23.4)	(29.9)	(36.5)	(36.7)	(34.6)	(36.7)	(41.1)	(38.9)	(97.7)	(70.4)	(76.5)	(126.5)	(151.3)
Net Income (Less income allocated to RSUs) - GAAP	1,100.0	1,355.0	1,198.0	1,173.0	1,288.0	1,356.0	1,156.0	1,536.0	1,969.0	2,411.0	2,424.7	2,286.6	2,343.6	2,642.3	2,493.7	6,476.0	4,774.0	4,973.0	8,340.7	9,766.2
EPS - GAAP	**$ 1.20**	**$ 1.47**	**$ 1.30**	**$ 1.28**	**$ 1.41**	**$ 1.48**	**$ 1.27**	**$ 1.68**	**$ 2.14**	**$ 2.62**	**$ 2.64**	**$ 2.49**	**$ 2.56**	**$ 2.90**	**$ 2.74**	**$ 7.07**	**$ 5.20**	**$ 5.45**	**$ 9.08**	**$ 10.69**

Source: Company data, Morgan Stanley Research estimates

Exhibit 4: TXN: Projected Balance Sheet

Texas Instruments Inc. Balance Sheet ($ in millions; fiscal year ends in December)	Mar-24 F1Q24A	Sep-24 F3Q24A	Dec-24 F4Q24A	Mar-25 F1Q25A	Jun-25 F2Q25A	Sep-25 F3Q25A	Dec-25 F4Q25A	Mar-26 F1Q26A	Jun-26 F2Q26A	Sep-26 F3Q26A	Dec-26 F4Q26E	Mar-27 F1Q27E	Jun-27 F2Q27E	Sep-27 F3Q27E	Dec-27 F4Q27E	2023FY	2024FY	2025FYE	2026FYE	2027FYE
Assets																				
Cash and cash equivalents	$ 2,483.0	$ 2,589.0	$ 3,200.0	$ 2,763.0	$ 3,044.0	$ 3,311.0	$ 3,225.0	$ 3,549.0	$ 3,660.0	$ 4,211.0	$ 5,098.8	$ 4,469.7	$ 4,903.6	$ 5,538.4	$ 5,977.9	$ 2,964.0	$ 3,200.0	$ 3,225.0	$ 5,098.8	$ 5,977.9
Short term marketable securities	7,910.0	6,163.0	4,380.0	2,242.0	2,315.0	1,875.0	1,656.0	1,554.0	3,341.0	3,931.0	3,931.0	3,931.0	3,931.0	3,931.0	3,931.0	5,611.0	4,380.0	1,656.0	3,931.0	3,931.0
Accounts receivable	1,671.0	1,862.0	1,719.0	1,860.0	1,934.0	2,062.0	1,963.0	2,245.0	2,520.0	2,620.0	2,526.5	2,488.0	2,571.4	2,727.5	2,641.4	1,787.0	1,719.0	1,963.0	2,526.5	2,641.4
Inventories	4,083.0	4,296.0	4,527.0	4,687.0	4,812.0	4,829.0	4,804.0	4,695.0	4,605.0	4,672.0	4,507.6	4,625.5	4,576.2	4,519.8	4,317.1	3,999.0	4,527.0	4,804.0	4,507.6	4,317.1
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current asset	1,301.0	962.0	1,200.0	1,534.0	2,379.0	1,799.0	2,102.0	1,753.0	1,631.0	1,446.0	1,446.0	1,446.0	1,446.0	1,446.0	1,446.0	761.0	1,200.0	2,102.0	1,446.0	1,446.0
Total Current Assets	**17,448.0**	**15,872.0**	**15,026.0**	**13,086.0**	**14,484.0**	**13,876.0**	**13,750.0**	**13,796.0**	**15,757.0**	**16,880.0**	**17,509.9**	**16,960.2**	**17,428.2**	**18,162.7**	**18,313.4**	**15,122.0**	**15,026.0**	**13,750.0**	**17,509.9**	**18,313.4**
Property and equipment, net	10,442.0	11,802.0	11,347.0	11,811.0	12,321.0	12,348.0	12,320.0	12,145.0	11,911.0	11,833.0	12,027.3	12,005.8	11,999.5	12,021.8	11,954.4	9,999.0	11,347.0	12,320.0	12,027.3	11,954.4
Long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	4,362.0	4,362.0	4,362.0	4,362.0	4,362.0	4,362.0	4,330.0	4,330.0	4,330.0	4,330.0	4,330.0	4,330.0	4,330.0	4,330.0	4,330.0	4,362.0	4,362.0	4,330.0	4,330.0	4,330.0
Acquisition-related intangibles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	821.0	941.0	936.0	1,030.0	1,096.0	1,089.0	967.0	973.0	1,017.0	1,054.0	1,054.0	1,054.0	1,054.0	1,054.0	1,054.0	757.0	936.0	967.0	1,054.0	1,054.0
Capitalized software licenses	231.0	229.0	257.0	263.0	248.0	237.0	238.0	323.0	314.0	301.0	301.0	301.0	301.0	301.0	301.0	223.0	257.0	238.0	301.0	301.0
Other assets	1,581.0	2,115.0	3,581.0	3,205.0	2,422.0	3,092.0	2,980.0	2,826.0	2,553.0	2,441.0	2,576.7	2,710.2	2,832.4	2,961.1	3,017.8	1,885.0	3,581.0	2,980.0	2,576.7	3,017.8
Total Assets	**34,885.0**	**35,321.0**	**35,509.0**	**33,757.0**	**34,933.0**	**35,004.0**	**34,585.0**	**34,393.0**	**35,882.0**	**36,839.0**	**37,798.9**	**37,361.2**	**37,945.1**	**38,830.6**	**38,970.5**	**32,348.0**	**35,509.0**	**34,585.0**	**37,798.9**	**38,970.5**
Liabilities & Shareholders' Equity																				
Accounts payables	551.0	794.0	820.0	866.0	881.0	779.0	756.0	638.0	680.0	837.0	954.2	979.2	995.1	1,010.3	992.7	802.0	820.0	756.0	954.2	992.7
Accrued compensation	399.0	721.0	839.0	418.0	595.0	724.0	829.0	389.0	536.0	675.0	755.0	515.0	595.0	675.0	755.0	836.0	839.0	829.0	755.0	755.0
Income taxes payable	378.0	108.0	159.0	284.0	53.0	79.0	67.0	138.0	70.0	60.0	60.0	60.0	60.0	60.0	60.0	172.0	159.0	67.0	60.0	60.0
Accrued expenses and other liabilities	876.0	1,014.0	1,075.0	921.0	963.0	1,036.0	1,007.0	782.0	809.0	795.0	795.0	795.0	795.0	795.0	795.0	911.0	1,075.0	1,007.0	795.0	795.0
Total Current Liabilities	**2,204.0**	**2,637.0**	**2,893.0**	**2,489.0**	**2,492.0**	**2,618.0**	**2,659.0**	**1,947.0**	**2,095.0**	**2,367.0**	**2,564.2**	**2,349.2**	**2,445.1**	**2,540.3**	**2,602.7**	**2,721.0**	**2,893.0**	**2,659.0**	**2,564.2**	**2,602.7**
Long-term debt (includes ST portion)	14,189.0	13,893.0	13,596.0	12,848.0	14,043.0	14,046.0	14,048.0	14,050.0	14,052.0	13,555.0	13,555.0	12,905.0	12,905.0	12,905.0	12,405.0	11,223.0	13,596.0	14,048.0	13,555.0	12,405.0
Deferred income taxes	55.0	54.0	53.0	56.0	63.0	60.0	66.0	63.0	55.0	62.0	62.0	62.0	62.0	62.0	62.0	63.0	53.0	66.0	62.0	62.0
Other liabilities	1,454.0	1,469.0	2,064.0	1,958.0	1,932.0	1,653.0	1,539.0	1,555.0	1,673.0	1,670.0	1,670.0	1,670.0	1,670.0	1,670.0	1,670.0	1,444.0	2,064.0	1,539.0	1,670.0	1,670.0
Shareholders' Equity	**16,983.0**	**17,268.0**	**16,903.0**	**16,406.0**	**16,403.0**	**16,627.0**	**16,273.0**	**16,778.0**	**18,007.0**	**19,185.0**	**19,947.7**	**20,375.0**	**20,863.0**	**21,653.3**	**22,230.8**	16,897.0	16,903.0	16,273.0	19,947.7	22,230.8
Total Liabilities & Equity	**34,885.0**	**35,321.0**	**35,509.0**	**33,757.0**	**34,933.0**	**35,004.0**	**34,585.0**	**34,393.0**	**35,882.0**	**36,839.0**	**37,798.9**	**37,361.2**	**37,945.1**	**38,830.6**	**38,970.5**	**32,348.0**	**35,509.0**	**34,585.0**	**37,798.9**	**38,970.5**

Source: Company data, Morgan Stanley Research estimates

Exhibit 5: TXN: Projected Cash Flow Statement

Texas Instruments Statement of Cash Flows ($ in millions; fiscal year ends in December)	Mar-24 F1Q24A	Jun-24 F2Q24A	Sep-24 F3Q24A	Dec-24 F4Q24A	Mar-25 F1Q25A	Jun-25 F2Q25A	Sep-25 F3Q25A	Dec-25 F4Q25A	Mar-26 F1Q26A	Jun-26 F2Q26A	Sep-26 F3Q26A	Dec-26 F4Q26E	Mar-27 F1Q27E	Jun-27 F2Q27E	Sep-27 F3Q27E	Dec-27 F4Q27E	2023FY	2024FY	2025FYE	2026FYE	2027FYE
Cash flows provided by (used for) operating activities:																					
Net income	$ 1,105.0	$ 1,127.0	$ 1,362.0	$ 1,205.0	$ 1,179.0	$ 1,295.0	$ 1,364.0	$ 1,163.0	$ 1,545.0	$ 1,980.0	$ 2,425.0	$ 2,438.7	$ 2,300.6	$ 2,357.6	$ 2,656.3	$ 2,507.7	$ 6,510.0	$ 4,799.0	$ 5,001.0	$ 8,388.7	$ 9,822.2
Adjustments to reconcile net income to net cash																					
Depreciation	346.0	363.0	383.0	416.0	424.0	460.0	497.0	537.0	541.0	547.0	555.0	580.0	605.0	625.0	635.0	645.0	1,175.0	1,508.0	1,918.0	2,223.0	2,510.0
Stock-based compensation	106.0	116.0	87.0	78.0	116.0	129.0	93.0	81.0	109.0	127.0	95.0	95.0	93.9	93.9	93.9	93.9	362.0	387.0	419.0	426.0	375.6
Amortization of acquired-related intangibles	-	-	-	72.0	-	-	-	81.0	21.0	21.0	21.0	-	-	-	-	-	63.0	72.0	81.0	63.0	-
Loss (gain) on sale of assets	(129.0)	3.0	-	(1.0)	-	-	-	2.0	(5.0)	(8.0)	-	-	-	-	-	-	-	(127.0)	2.0	(13.0)	-
Deferred income taxes	(71.0)	(85.0)	(33.0)	(21.0)	(87.0)	(50.0)	3.0	115.0	(4.0)	(62.0)	(26.0)	-	-	-	-	-	(299.0)	(210.0)	(19.0)	(92.0)	-
Other operating activities	16.0	18.0	19.0	(53.0)	20.0	21.0	20.0	(61.0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in current assets and liabilities:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Accounts receivable	116.0	(40.0)	(151.0)	143.0	(141.0)	(74.0)	(128.0)	99.0	(282.0)	(275.0)	(100.0)	93.5	38.5	(83.4)	(156.1)	86.2	108.0	68.0	(244.0)	(563.5)	(114.9)
Inventories	(84.0)	(23.0)	(190.0)	(231.0)	(160.0)	(125.0)	(17.0)	25.0	109.0	90.0	(67.0)	164.4	(117.9)	49.2	56.4	202.7	(1,242.0)	(528.0)	(277.0)	296.4	190.5
Prepaid expenses and other current assets	(24.0)	(22.0)	(23.0)	76.0	(7.0)	(9.0)	18.0	8.0	(9.0)	2.0	16.0	(135.7)	(133.5)	(122.2)	(128.6)	(56.7)	46.0	7.0	10.0	(126.7)	(441.1)
Accounts payable and accrued expenses	(77.0)	102.0	13.0	87.0	(121.0)	92.0	86.0	20.0	(125.0)	101.0	75.0	117.2	25.0	15.9	15.2	(17.6)	(33.0)	125.0	77.0	168.2	38.5
Accrued compensation	(444.0)	168.0	149.0	115.0	(427.0)	172.0	121.0	106.0	(447.0)	142.0	135.0	80.0	(240.0)	80.0	80.0	80.0	29.0	(12.0)	(28.0)	(90.0)	-
Income taxes payable	212.0	120.0	155.0	110.0	132.0	(71.0)	107.0	23.0	130.0	(14.0)	319.0	-	-	-	-	-	(7.0)	597.0	191.0	435.0	-
Other liabilities	(55.0)	(276.0)	(39.0)	2.0	(79.0)	20.0	26.0	55.0	(63.0)	52.0	(29.0)	-	-	-	-	-	(292.0)	(368.0)	22.0	(40.0)	-
Net cash provided by operating activities	**1,017.0**	**1,571.0**	**1,732.0**	**1,998.0**	**849.0**	**1,860.0**	**2,190.0**	**2,254.0**	**1,520.0**	**2,703.0**	**3,419.0**	**3,433.1**	**2,571.6**	**3,016.1**	**3,252.0**	**3,541.2**	**6,420.0**	**6,318.0**	**7,153.0**	**11,075.1**	**12,380.9**
Cash flows from investing activities:																					
Purchase of property and equipment, net	(1,248.0)	(1,064.0)	(1,316.0)	(1,192.0)	(1,123.0)	(1,305.0)	(1,197.0)	(925.0)	(676.0)	(514.0)	(463.0)	(774.3)	(583.4)	(618.7)	(657.3)	(577.5)	(5,071.0)	(4,820.0)	(4,550.0)	(2,427.3)	(2,437.1)
Purchase of short-term investments	(4,864.0)	(2,098.0)	(1,845.0)	(909.0)	(647.0)	(1,192.0)	(805.0)	(880.0)	(935.0)	(2,407.0)	(1,969.0)	-	-	-	-	-	(12,705.0)	(9,716.0)	(3,524.0)	(5,311.0)	-
Sales and redemptions of short-term investments	2,631.0	3,130.0	2,700.0	2,726.0	2,807.0	1,131.0	1,260.0	1,110.0	1,043.0	636.0	1,399.0	-	-	-	-	-	13,387.0	11,187.0	6,308.0	3,078.0	-
Purchase of long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and redemptions of long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other investing activities	152.0	32.0	(26.0)	(11.0)	216.0	31.0	61.0	19.0	521.0	583.0	46.0	-	-	-	-	-	27.0	147.0	327.0	1,150.0	-
Net cash used for investing activities	**(3,329.0)**	**-**	**(487.0)**	**614.0**	**1,253.0**	**(1,335.0)**	**(681.0)**	**(676.0)**	**(47.0)**	**(1,702.0)**	**(987.0)**	**(774.3)**	**(583.4)**	**(618.7)**	**(657.3)**	**(577.5)**	**(4,362.0)**	**(3,202.0)**	**(1,439.0)**	**(3,510.3)**	**(2,437.1)**
Cash flows from financing activities:																					
Proceeds (payments) of outstanding debt	2,980.0	(300.0)	-	(300.0)	(750.0)	1,199.0	-	-	-	-	-	-	(650.0)	-	-	(500.0)	2,500.0	2,380.0	449.0	-	(1,150.0)
Dividends paid	(1,183.0)	(1,185.0)	(1,187.0)	(1,240.0)	(1,238.0)	(1,235.0)	(1,236.0)	(1,290.0)	(1,291.0)	(1,295.0)	(1,298.0)	(1,371.0)	(1,367.2)	(1,363.5)	(1,359.9)	(1,424.1)	(4,557.0)	(4,795.0)	(4,999.0)	(5,255.0)	(5,514.7)
Issue of Common Stock/Tax benefit/Purchase of options	65.0	248.0	117.0	87.0	118.0	115.0	125.0	42.0	309.0	445.0	16.0	-	-	-	-	-	263.0	517.0	400.0	770.0	-
Common stock repurchase	(3.0)	(71.0)	(318.0)	(537.0)	(653.0)	(302.0)	(119.0)	(403.0)	(158.0)	(27.0)	(48.0)	(400.0)	(600.0)	(600.0)	(600.0)	(600.0)	(293.0)	(929.0)	(1,477.0)	(633.0)	(2,400.0)
Other	(28.0)	(6.0)	(8.0)	(11.0)	(16.0)	(21.0)	(12.0)	(13.0)	(9.0)	(13.0)	(951.0)	-	-	-	-	-	(57.0)	(63.0)	(62.0)	(57.0)	-
Net cash used for financing activities	**1,831.0**	**(1,314.0)**	**(1,396.0)**	**(2,001.0)**	**(2,539.0)**	**(244.0)**	**(1,242.0)**	**(1,664.0)**	**(1,149.0)**	**(890.0)**	**(1,681.0)**	**(1,771.0)**	**(2,617.2)**	**(1,963.5)**	**(1,959.9)**	**(2,524.1)**	**(2,144.0)**	**(2,690.0)**	**(5,689.0)**	**(5,691.0)**	**(9,064.7)**
Effect of exchange rate changes on cash and cash eq	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents, beginning of period	**2,964.0**	**2,483.0**	**2,740.0**	**2,589.0**	**3,200.0**	**2,763.0**	**3,044.0**	**3,311.0**	**3,225.0**	**3,549.0**	**3,660.0**	**4,211.0**	**5,098.8**	**4,469.7**	**4,903.6**	**5,538.4**	**3,050.0**	**2,964.0**	**3,200.0**	**3,225.0**	**5,098.8**
Change in cash flow due to restatement																					
Net increase (decrease) in cash and cash equivalents	**(481.0)**	**257.0**	**(151.0)**	**611.0**	**(437.0)**	**281.0**	**267.0**	**(86.0)**	**324.0**	**111.0**	**551.0**	**887.8**	**(629.1)**	**433.9**	**634.8**	**439.5**	**(86.0)**	**236.0**	**25.0**	**1,873.8**	**879.1**
Cash and cash equivalents, end of period	**2,483.0**	**2,740.0**	**2,589.0**	**3,200.0**	**2,763.0**	**3,044.0**	**3,311.0**	**3,225.0**	**3,549.0**	**3,660.0**	**4,211.0**	**5,098.8**	**4,469.7**	**4,903.6**	**5,538.4**	**5,977.9**	**2,964.0**	**3,200.0**	**3,225.0**	**5,098.8**	**5,977.9**

Source: Company data, Morgan Stanley Research estimates

Valuation Methodology and Risks

Analog Devices Inc. (ADI.O)

We value ADI at 27x CY27e MW EPS of $16.95, a premium to analog peers given higher GM% and OPM%.

Risks to Upside

- Further margin improvement
- Semi content growth in EVs & share gain
- Industrial recovery stronger than anticipated

Risks to Downside

- Market share loss in Automotive and Industrial
- Increasing competition in auto semi
- Weakness in consumer exposed end-markets

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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Global Stock Ratings Distribution

(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

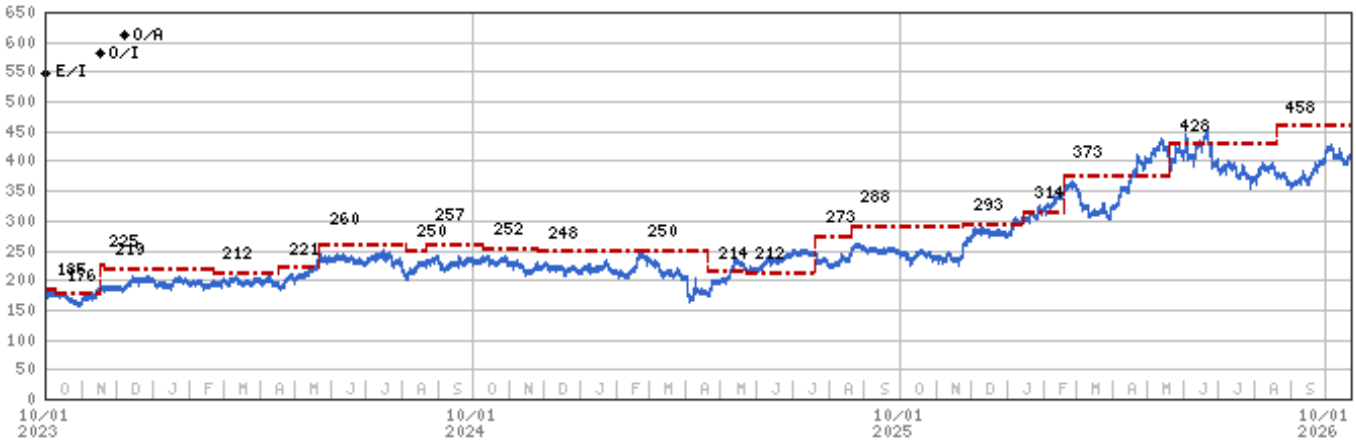
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)

Analog Devices Inc. (ADI.O) - As of 10/22/26 GMT in USD
Industry : Semiconductors



Stock Rating History: 10/1/21 : E/I; 11/16/23 : O/I; 12/7/23 : O/A

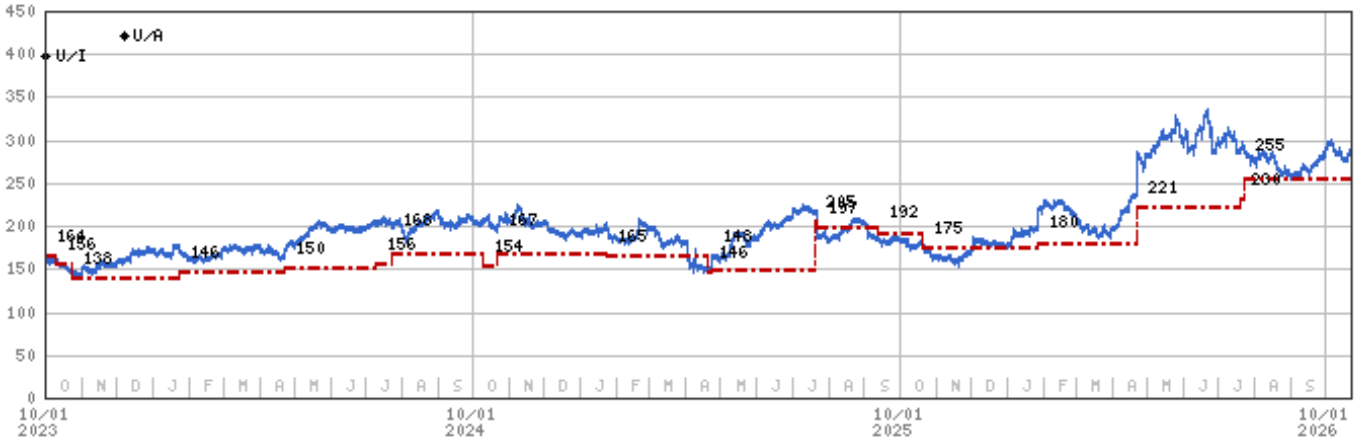
Price Target History: 9/13/21 : 179; 11/23/21 : 194; 2/16/22 : 196; 5/15/22 : 178; 5/18/22 : 186; 6/9/22 : 173; 11/22/22 : 177; 2/15/23 : 210; 5/24/23 : 195; 8/23/23 : 185; 10/10/23 : 176; 11/16/23 : 225; 11/21/23 : 219; 2/21/24 : 212; 4/17/24 : 221; 5/22/24 : 260; 8/5/24 : 250; 8/21/24 : 257; 10/10/24 : 252; 11/26/24 : 248; 2/19/25 : 250; 4/20/25 : 214; 5/22/25 : 212; 7/21/25 : 273; 8/20/25 : 288; 11/25/25 : 293; 1/16/26 : 314; 2/18/26 : 373; 5/20/26 : 428; 8/19/26 : 458

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Texas Instruments (TXN.O) - As of 10/22/26 GMT in USD
Industry : Semiconductors



Stock Rating History: 10/1/21 : U/I; 12/7/23 : U/A

Price Target History: 7/22/21 : 193; 10/26/21 : 195; 1/25/22 : 198; 4/25/22 : 181; 4/26/22 : 170; 6/9/22 : 155; 7/26/22 : 160; 10/25/22 : 152; 1/24/23 : 166; 4/25/23 : 159; 7/25/23 : 164; 10/10/23 : 156; 10/24/23 : 138; 1/23/24 : 146; 4/23/24 : 150; 7/10/24 : 156; 7/23/24 : 168; 10/10/24 : 154; 10/22/24 : 167; 1/23/25 : 165; 4/20/25 : 146; 4/23/25 : 148; 7/21/25 : 205; 7/22/25 : 197; 9/12/25 : 192; 10/21/25 : 175; 1/27/26 : 180; 4/22/26 : 221; 7/20/26 : 230; 7/23/26 : 255

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

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INDUSTRY COVERAGE: Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/21/2026)
Ella Tulchinsky		
Infleqtion, Inc. (INFQ.N)	E (10/15/2026)	$9.28
Xanadu Quantum Technologies Limited (XNDU.O)	E (10/15/2026)	$2.84
Joseph Moore		
Advanced Micro Devices (AMD.O)	E (06/09/2024)	$552.72
Aeva Technologies Inc (AEVA.O)	E (07/19/2021)	$10.60
Allegro Microsystems Inc (ALGM.O)	O (02/13/2026)	$34.51
Ambarella Inc (AMBA.O)	O (03/29/2016)	$66.00
Amkor Technology Inc (AMKR.O)	E (11/08/2023)	$43.73
Analog Devices Inc. (ADI.O)	O (11/16/2023)	$405.96
Astera Labs Inc (ALAB.O)	O (05/11/2025)	$290.06
Broadcom Inc. (AVGO.O)	O (06/09/2024)	$337.80
Cerebras Systems (CBRS.O)	O (06/08/2026)	$117.98
GlobalFoundries Inc (GFS.O)	E (10/28/2024)	$47.70
Intel Corporation (INTC.O)	E (02/22/2023)	$92.96
IonQ Inc (IONQ.N)	E (04/25/2023)	$32.28
Marvell Technology Group Ltd (MRVL.O)	E (09/14/2015)	$244.76
Microchip Technology Inc. (MCHP.O)	E (07/10/2024)	$77.15
Micron Technology Inc. (MU.O)	O (10/06/2025)	$913.67
Navitas Semiconductor Corp (NVTS.O)	U (04/06/2025)	$9.16
NVIDIA Corp. (NVDA.O)	O (03/16/2023)	$221.97
NXP Semiconductor NV (NXPI.O)	O (02/11/2025)	$242.36
ON Semiconductor Corp. (ON.O)	++	$76.94
Qualcomm Inc. (QCOM.O)	E (06/24/2026)	$177.96
Quantinuum (QNT.O)	O (10/15/2026)	$38.65
SanDisk Corporation. (SNDK.O)	O (03/03/2025)	$1,378.22
Semtech Corp. (SMTC.O)	E (04/06/2025)	$141.63
Silicon Laboratories Inc. (SLAB.O)	E (01/19/2021)	$221.71
SiTime Corporation (SITM.O)	O (09/16/2026)	$509.20
Skyworks Solutions Inc (SWKS.O)	E (11/28/2018)	$82.22
Texas Instruments (TXN.O)	U (04/13/2020)	$284.65
Wolfspeed, INC (WOLF.N)	NR (04/06/2025)	$24.64
Lee Simpson		
Arm Holdings plc (ARM.O)	E (04/07/2026)	$226.59
Cadence Design Systems Inc (CDNS.O)	O (02/14/2024)	$326.07
PDF Solutions Inc (PDFS.O)	O (09/08/2026)	$44.01
Synopsys Inc. (SNPS.O)	O (09/08/2026)	$451.19

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* Historical prices are not split adjusted.

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