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TXN - Q3 2017 Texas Instruments Inc Earnings Call

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OVERVIEW:

Co. reported 3Q17 net income of $1.29b or $1.26 per share. Expects 4Q17 revenue to be $3.57-3.87b and EPS to be $1.01-1.15.

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PRESENTATION

Operator

Good day, everyone, and welcome to the Texas Instruments Third Quarter 2017 Earnings Release Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Dave Pahl. Please go ahead, sir.

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

Good afternoon, and thank you for joining our Third Quarter '17 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.

I'll start with a quick summary of our financial results. Revenue for the third quarter increased 12% from a year ago. Demand for our products continued to be strong in the industrial and automotive markets. In our core businesses, Analog revenue grew 16% and Embedded Processing revenue grew 17% compared with the same quarter a year ago. Operating margin increased in both businesses. Earnings per share was $1.26.

With that backdrop, I'll now provide details on our performance, which we believe continues to be representative of the ongoing strength of our business model. In the third quarter, our cash flow from operations was $1.7 billion. We believe that free cash flow growth, especially on a per-share basis, is most important to maximizing shareholder value in the long term. Free cash flow for the trailing 12-month period was $4.2 billion, and free cash flow margin was 29.0% of revenue.

We continue to benefit from our improved product portfolio that is long-lived and diverse and the efficiency of our manufacturing strategy, the latter of which includes our growing 300-millimeter Analog output. We believe that free cash flow will be valued only if it's productively invested in the business or returned to owners. For the trailing 12-month period, we returned $4.3 billion of cash to owners through a combination of dividends and stock repurchases. In September, we announced we would increase our dividend by 24% and also increased our share repurchase authorizations by $6 billion, which together reflect our commitment to return all our free cash flow to our owners.

I'll now provide some details by segment. From a year ago, Analog revenue increased 16% due to growth in Power and Signal Chain. High Volume was about even. Embedded Processing revenue increased by 17% from a year ago due to growth in both product lines, Processors and Connected Microcontrollers. In our Other segment, revenue declined $70 million from a year ago primarily due to custom ASIC and the move of royalties to OI&E, which began in the first quarter of 2017.

Now we'll provide some insight into this quarter's revenue performance by end markets versus a year ago. Industrial demand remains strong with broad-based growth as most sectors grew double digits. Automotive demand remained strong with most sectors growing double digits. Personal electronics was about even with results varying by customer. Communications equipment grew while results varied by customer. And finally, enterprise systems grew primarily due to servers.

We continue to focus our strategy on the industrial and automotive markets where we've been allocating our capital and driving initiatives to strengthen our position. This is based on a belief that industrial and automotive will be the fastest-growing semiconductor markets due to their increasing semiconductor content and that they provide diversity and longevity of products, which translates to a high terminal value of the portfolio.

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

Rafael R. Lizardi - *Texas Instruments Incorporated - CFO & Senior VP*

Thanks, Dave, and good afternoon, everyone.

Gross profit in the quarter was $2.66 billion or 64.5% of revenue. From a year ago, gross profit increased primarily due to higher revenue. Gross profit margin increased 240 basis points.

Operating expenses in the quarter were $787 million and, on a trailing 12-month basis, were 22% of revenue, within our range of expectations. Over the last 12 months, we have invested $1.5 billion in R&D, an important element of our capital allocation.

Acquisition charges were $80 million, all of which was the ongoing amortization of intangibles, which is a noncash expense.

Operating profit was $1.79 billion or 43.4% of revenue. Operating profit was up 27% from the year-ago quarter. Operating margin for Analog was 47%, up from 41.2% a year ago; and for Embedded Processing, was 34.9%, up from 28.2% a year ago. Our focused investment on the best, sustainable growth opportunities with differentiated positions enable both businesses to continue to contribute nicely to free cash flow growth.

Net income in the third quarter was $1.29 billion or $1.26 per share. This included a $38 million discrete tax benefit that was $18 million higher than our original guidance for the quarter, adding about $0.02 to our earnings per share.

Let me now comment on our capital management results, starting with our cash generation. Cash flow from operations was $1.72 billion in the quarter, up 18% from a year ago. Capital expenditures were $186 million in the quarter. On a trailing 12-month basis, cash flow from operations was $4.82 billion. Trailing 12-month capital expenditures were $574 million or about 4% of revenue, consistent with our long-term expectation.

Free cash flow for the past 12 months was $4.25 billion or 29% of revenue. Our cash flow reflects the strength of our business model. As we have said, we believe free cash flow growth, especially on a per share basis, is most important to maximizing shareholder value in the long term and will be valued only if it is productively invested in the business or returned to owners.

As Dave mentioned already, in September, we announced we would increase our dividend by 24% and also increase our share repurchase authorizations by $6 billion. Our quarterly dividend went from $0.50 per share to $0.62 per share or $2.48 annualized. This is our 14th consecutive year of dividend increases. And over the past 5 years, we have increased the dividend by a compounded average rate of 24%. Our total outstanding repurchase authorization was about $10 billion at the end of third quarter.

For the third quarter, we paid $495 million in dividends and repurchased $650 million of our stock for a total return of $1.15 billion in the third quarter. Over the last 12 months, we paid $1.99 billion in dividends or about 47% of free cash flow, evidence of their sustainability. Outstanding share count was reduced by 1.5% over the past 12 months and has been reduced by 43% since the end of 2004 when we initiated a program designed to reduce our share count. Total cash returned to owners in the past 12 months was $4.32 billion. This combined returns of dividends and repurchases and our recent announcement to increase the dividend and share repurchase authorizations demonstrate our confidence in our business model and our commitment to return excess cash to our owners.

Our balance sheet remains strong with $3.44 billion of cash and short-term investments at the end of the third quarter, 76% of which was owned by the company's U.S. entities. This is consistent with our long-term objective to have onshore cash readily available for multiple uses. Inventory days were 118, up 1 day from a year ago and within our expected range.

Our total debt is unchanged at $3.6 billion with a weighted average coupon rate of 1.93%.

Turning to our outlook. For the fourth quarter, we expect revenue in the range of $3.57 billion to $3.87 billion and earnings per share in the range of $1.01 to $1.15, which includes an estimated $20 million discrete tax benefit.

Our expected annual operating tax rate for 2017 continues to be about 31%. For fourth-quarter 2017, we expect our effective tax rate to be about 29%, which includes about $20 million of discrete tax items, up from our previous guidance of $10 million. This is the rate you should use for your model for fourth quarter. For 2018, we're providing you with our quarterly tax rate expectations for both the operating and effective tax rates. You can find this detail on our Investor Relations website, under the Financial Summary Data section.

Now to wrap up. We remain focused on growing free cash flow per share over the long term and investing to strengthen our competitive advantages. We believe our third-quarter results continue to demonstrate our progress.

With that, let me turn back to Dave.

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

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And first, we'll go to Vivek Arya with Bank of America Merrill Lynch.

Adam Gonzalez - *BofA Merrill Lynch, Research Division - Research Analyst*

This is Adam Gonzalez on for Vivek. So my first question is, last year, you guided Q4 pretty conservatively and ended up reporting growth that was about twice as fast. How would you contrast the demand environment this year versus last year? The reason why I bring this up is because your Q4 outlook of down 10% seems to be below seasonal. And I'm wondering if that outlook really holds true, what are the areas of weakness that you're seeing that's driving this?

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

Yes. So I think that if you look at our guidance, I'd say that we're not indicating that anything is atypical that's occurring. I'd just remind you that whenever we've had something that's been unusual, whether that's been by market or by sector or sometimes even by customer, we've been pretty clear on that and we'd share it. And we've got nothing to share. So I'll just point out that if you look at the range of our guidance, that's going to vary and can comprehend several different scenarios. And at the midpoint, on a year-on-year basis, we'll grow about 9%, which we consider to be pretty robust. So do you have a follow-on?

Adam Gonzalez - *BofA Merrill Lynch, Research Division - Research Analyst*

Yes, I guess looking at your free cash flow per share growth, the last couple of quarters, it's kind of trended below the longer-term 8% to 10% that you traditionally see. I'm wondering why that is and what are the catalysts to get that back up to where it has been.

Rafael R. Lizardi - *Texas Instruments Incorporated - CFO & Senior VP*

Yes, Adam. Thanks for giving me an opportunity to talk about that. The -- on free cash flow, it grew 4% on a trailing 12-month basis. And that is compared to a higher number for the revenue on the same basis. And the difference is higher working capital, particularly accounts receivables and tax payments. If you look at the accounts receivable from 3Q '15 to 3Q '16, that actually drained, whereas from 3Q '16 to 3Q '17, it built. So that is a use -- source of cash in one case and a use of cash in another case but -- and in the case of the tax payments, we had a higher -- disproportionately higher tax payments in the most recent comparison versus the previous trailing 12-month comparison.

Operator

Next, we'll hear from Harlan Sur with JPMorgan.

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

Solid job on the quarterly execution, the free cash flow generation and the capital return. Clearly, the demand trends are pretty strong in the markets that you serve. Maybe you could just talk about the demand trends from a geographical perspective. I think last quarter, you saw year-over-year growth in most geographies. I'm just wondering if the strength continues to be broad-based.

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

Yes, Harlan. I would say that certainly, the demand was broad-based. If you look across our product lines, we've got 65 to 70 different product lines, and the demand was very strong across those as well as strong across the regions. So we had revenue up in 3 of the 4 regions year-on-year in Europe, Asia and the U.S. And it was about even in Japan. So -- and again, I'll just always remind that when we give regional color, that's where we ship the product. That's what we can measure. Where that product actually ends up from a regional standpoint, we really don't have visibility into. Do you have a follow-on?

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

Yes. On the OpEx front, great operating leverage. You drove 12% sequential growth in sales, but your OpEx declined by 3%. So you guys are driving some serious leverage here. The OpEx as a percent of sales is actually just below your target range. And so I guess the question is, what drove the sequential decline in the OpEx? And how should we think about the OpEx profile just over the next few quarters?

Rafael R. Lizardi - *Texas Instruments Incorporated - CFO & Senior VP*

Yes, I'll take that. For OpEx, we think of that in terms of -- from a model standpoint, we think of it as a percent of revenue on a trailing 12-month basis. And for the last couple of years, we've actually been running at about 23%. And in the current trailing 12 months, we're about 22% of revenue. So we have said that in a stable environment, which we are, we can run in the bottom half of our expectations of 20% to 25%. So we've been running at about 22%. So that's well within that.

Now of course, OpEx -- to us, OpEx are investments. And obviously, that goes for R&D. But even inside of G&A, we think of a large portion there as investments. So in R&D, of course, we're focusing on industrial and automotive because those are the best markets where the semiconductor growth is happening. But on the G&A front, we have many investments there on ti.com and the demand creation just to continue building on our reach of channels, reach of markets, competitive advantage that we have talked about.

Before we go to the next caller, I'd like to just make a comment on the previous question on our working capital. I want to stress that while our accounts receivables increased in that last comparison, the delta -- days sales outstanding actually decreased by 1 day. So it's at 34. So that just goes to show you the -- how healthy the accounts receivable balance is. I wanted just to clarify that.

Operator

From Deutsche Bank, Ross Seymore.

Kanghui Ong - *Deutsche Bank AG, Research Division - Research Associate*

This is Jeriel on behalf of Ross. Just asking about the general end markets here. Could you provide some end market detail in terms of how they trended quarter-on-quarter in addition to year-on-year?

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

Sure, Jeriel. If you look at industrial, it increased with most sectors growing. And again, we've got 14 sectors there, so fairly broad-based. Automotive increased with most sectors growing. Personal electronics increased, as one would expect as we move into the holiday build with most sectors growing there. Comms equipment was even. And enterprise systems grew due to both servers and projectors. Do you have a follow-on?

Kanghui Ong - *Deutsche Bank AG, Research Division - Research Associate*

Yes. Just a question on your report here. So your September quarter revenues exceeded the high end of your prior guidance and it's the first time in about a year that's happened. However, gross margins expanded just 20 basis points. I think we were expecting more. So given the magnitude of revenue beat, why didn't higher revenues result in more than 20 basis points of gross margin fall-through?

Rafael R. Lizardi - *Texas Instruments Incorporated - CFO & Senior VP*

Yes. What I would tell you is that generally, what we suggest and what we recommend to analysts and investors to think about, our fall-through is in the 70% to 75% range, but that is over the long haul, over a relatively long amount of time. In any one quarter, that fall-through can be a little different. Now, for example, in the comparison versus a year ago, which arguably -- I would argue it's more relevant and to have more time obviously in between, that was close to an 85% fall-through, right. The increase in gross margin was 240 basis points, just as an example, as a comparison to the sequential basis.

Operator

We'll go to John Pitzer with Credit Suisse.

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

I guess my first question, I'm just kind of curious, when you look at year-over-year growth now for the core business, Analog and Embedded, you've had very healthy sort of double-digit year-over-year growth. I'm wondering if you could kind of comment to what extent you think that's share gains, to what extent you think that is just easy compares, to what extent you think that might be a little bit of overheating relative to customer order activity. And you did a fantastic job on your own balance sheet kind of managing inventories. I'm wondering if you could give us some color around customer inventory levels.

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

Yes. So John, I think that if you look at general market conditions, they're similar to 90 days ago and certainly continue to remain strong. However, I think it's still yet to be seen how long that will extend, over how long of a period of time. So we've got no indications of inventories growing or double ordering. And like I pointed out last quarter, history suggests we never really see that -- those types of things ahead of time. But I think, again, it's important to qualify what we can see. So we've got really good visibility into our distributors' inventory and that remains at about 4 weeks. It's even both sequentially and year-on-year. Our visibility in customer inventories will vary depending if we're on consignment or not. So for our consignment OEMs, we hold that inventory on our balance sheet. And we don't see any unusual signals or other things, like expedites, that would suggest that there's issues inside of that. And our visibility, of course, in inventory beyond that and down our customers' channels, we just can't see that, of course. So we just remain focused as we have for a long time, focusing on both our internal manufacturing and internal inventory strategies. And we're focused on trying to keep lead times steady, which they have, delivery metrics really high, because that's what gives customers confidence that they can get the product when they need it. So do you have a follow-on, John?

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

Yes, I do for Rafael. As I think Harlan mentioned, you guys did a fantastic job on operating leverage in the quarter. When you look at absolute operating profits though, there's still a pretty meaningful gap between the Embedded business and the Analog business. And I think you've commented in the past that theoretically, there's no reason why that gap can't close over time. I'm kind of curious, when I look sequentially, the operating leverage in the Embedded business was particularly high. I think the fall-through was almost 86% Q-on-Q. I'm just kind of curious, have you reached a scale point in that business where we would expect follow-through to be higher from here on out and that gap to close more quickly? Any comments around that would be helpful.

Rafael R. Lizardi - *Texas Instruments Incorporated - CFO & Senior VP*

Sure. Well, to your point, the profitability of that business has, in fact, improved significantly. On a year-on-year basis, profit from operations is up 673 basis points. But at the end of the day, the main objective here is to grow free cash flow. We think that is -- we believe that is what really drives value for the owners of the company. So -- and then return of that free cash flow to the owners. So we're not particularly focused on any one of those percentages because there are many ways to drive that free cash flow, and one of them is expanding the margins. But then the other one is just growing to top line at the same margin, right. So that's the key message that we're -- the core objective that we're trying to achieve.

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

Okay, thank you, John, and we'll go to the next caller, please.

Operator

That will come from Stacy Rasgon with Bernstein.

James Williams

This is James Williams and Shirley Hu on for Stacy. Sorry if we missed it, but we were just wondering what book-to-bill was for the quarter.

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

Book-to-bill was...

Rafael R. Lizardi - *Texas Instruments Incorporated - CFO & Senior VP*

Was 1.0.

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

1.0, yes.

James Williams

1.0.

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

So -- and again, we always -- we give that number. I would say that always be cautious with it because we've got 60% of our revenue that's on consignment that we don't carry any backlog or don't get any orders in advance. So that's part of the reason why we don't focus on it. Do you have a follow-on?

James Williams

Yes. We -- I guess we were just hoping for some more color on the OpEx and why it was a bit light and just how you see that trajectory going forward.

Rafael R. Lizardi - *Texas Instruments Incorporated - CFO & Senior VP*

Well, it came in about as expected. So I wouldn't characterize that as a bit light. And as I mentioned earlier on an earlier question, on a trailing 12-month basis, which is how we think is appropriate to look at, is it came in at 22%. I think in the last couple of years, it's been at 23%. So it's trended a little down in -- over the last few years, but it's well within our -- the bottom half of our expectations of 20% to 25%, which is our expectation when things are stable, which they are now.

Operator

C.J. Muse with Evercore.

Christopher James Muse - *Evercore ISI, Research Division - Senior MD, Senior Equity Research Analyst and Fundamental Research Analyst*

I guess first question, forward-look outlook on gross margins, can you talk about what you're expecting mix-wise and whether that fits in with an incremental gross margin around 70% or are there are kind of puts and takes around that?

Rafael R. Lizardi - *Texas Instruments Incorporated - CFO & Senior VP*

On gross margins, what we have said before and we'll continue to say, really hasn't changed our guidance on that, is that our general expectation's to -- our revenue to fall through at about 70% to 75%. And that's over the long haul, right, not in any one quarter. So you should think about it that way. And as we continue to grow the top line, driven by our investments in Analog and Embedded from a product standpoint and industrial and automotive from an end-market standpoint, we expect to continue gaining share and that additional revenue to fall through at about those rates.

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

Do you have a follow-on, C.J.?

Christopher James Muse - *Evercore ISI, Research Division - Senior MD, Senior Equity Research Analyst and Fundamental Research Analyst*

Yes, please. Could you provide an update on where you are on the 300-millimeter? Interested in terms of utilization rates as well as some of the work you're doing on the back end and other fronts to drive even higher incremental margins.

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

Yes, you bet. I think C.J. asked that question, there are probably callers on the line and listening that aren't familiar. But we've got 4 competitive advantages, the first of which is our manufacturing and technology, and I think the 300-millimeter is a good example of that strength. The other 3, just quickly, are the breadth of the product portfolio; the -- our channel advantages, which includes the size of our sales force in TI.com; and then just the diversity and longevity of our -- across markets and sectors and customers and products, which I think leads for investors high confidence and a high terminal value of that product portfolio.

But why 300-millimeter matters is that we've got a structural cost advantage. So with that larger wafer size, we get 40% lower cost on the chip when we manufacture that, and most chips in the industry are built on 200 millimeters. So when we started this year, we've had about 25% of our 300-millimeter capacity footprint utilized. Essentially, most of the Analog growth this year and as we have seen for several years is supported by 300-millimeter. We'll actually give an update to that in our February capital management call on what the precise numbers are. But that revenue continues to grow on 300-millimeter and we continue to see the benefit. So thank you for that question, C.J.

Operator

William Stein with SunTrust.

William Shalom Stein - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

You've had, for several quarters, strength in automotive and industrial, and that continues in the quarter you just reported. In the outlook, I'm wondering if there's any change in terms of the relative strength of your expected results by end market.

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

Yes. Well, as you know, we don't provide color below the top line, but certainly, if there was anything significant there, we'd call out. And I can tell you there isn't anything significant. And I think if you look at that strength inside of industrial and automotive, I think as we look at third quarter, as it has for some time, that strength has been very broad-based. So we've got 14 sectors inside of industrial. Most of those have been growing double digits for some time. We continue to direct our investments across those 14. So it's a very intentional investment and return. Same thing in automotive. So we've got diversity across 5 different sectors. All 5 of those are contributing to growth, and that diversity is across the product lines. It's across geographies. So we feel really good about that strength. Do you have a follow-on?

William Shalom Stein - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Dave, I do, one more. We're aware that there's been a change in compensation to distributors. It's been pretty well publicized, I think, relative to paying them for demand -- so-called demand creation. I'm wondering if there are still benefits to be made by TI, if there was anything squeezed out in the quarter just reported or anything that's still on to come either in December or beyond from that change in sort of how you work with distribution.

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

Yes. So, Will, again, we don't -- we no longer do pay for demand creation, as you indicated. Distributors, of course, will continue to play a role in order fulfillment for our customers. So those relationships have been evolving, especially as the reach of our channel advantages continues to strengthen. So as I mentioned earlier even in this call that, that is a unique advantage and includes both TI.com and the size and scale of our sales and apps team. So those changes were -- began implementation 3 years ago for any accounts where we had direct TI resources. That represented about 80% of the TAM. And then later last year, we implemented changes with the remaining 20%. So I'd say a good portion of that is worked through and we won't be -- it's not significant enough that it's going to make any of these earnings conference calls. So we just continue to invest in our demand creation activities, and we feel really good about the results that, that is producing.

So with that, I think we've got time for one more call. Operator?

Operator

And that will come from Romit Shah with Nomura Instinet.

Romit Jitendra Shah - *Nomura Securities Co. Ltd., Research Division - Executive Director*

I just want to ask about the revenue growth. If you look at sort of growth over the last 12 months, I mean, semiconductor demand, it just seems like there's a resurgence here. We certainly see that looking at the performance at your Analog and Embedded businesses. And that is more than just -- it's coming from more than just consumer confidence and how they're managing inventories. And I'm just curious. If you look at the performance of Analog and Embedded over the last 12 months, has it changed your outlook for the long-term growth of the company?

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

Yes -- I don't think so, Romit. I think that we're fortunate that we've got investments in capacity and we've got a product portfolio that is very, very diverse. It's rich in automotive and industrial, which are the best growing parts of the market. And I don't think that, that changes our outlook over the long term. And the best signal that we get from customers are orders. So we're able to respond to those if things continue to strengthen and strengthen from here. And if they go the other way, we've got a playbook ready to go if that were to happen. So do you have a follow-on?

Romit Jitendra Shah - *Nomura Securities Co. Ltd., Research Division - Executive Director*

Yes, I mean, you talked about automotive, and one of the things that we see is that the shift to electric vehicles have a lot of momentum. And that with electric powertrains, we could see demand for power semiconductors accelerate. And I was just curious how you guys think about the opportunity in electric vehicles. Is that a subsegment that TI is uniquely positioned for?

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

Yes. I think that our investments in automotive are really directed across 5 different sectors. So powertrain is one of them, which is primarily EV. So -- but if you look at the other spaces, like Infotainment & Cluster, Passive Safety, ADAS or Advanced Driver Assist Systems, and Body Electronics & Lighting, we're very intentionally directing our investments across those areas. So certainly, as EVs become a higher mix of units that are sold on an annual basis, we'll benefit from that. But we're not dependent on it. And I think if I bring you back to our 4 competitive advantages, just that diversity and longevity, we'll benefit from ADAS systems being deployed as the industry marches forward to autonomous driving or the mix of EVs. Those are things we'll benefit from, but our business model isn't dependent on them. So we're really excited with the diversity of the design wins that we have there, and we think we've got a lot of runway there as well as inside of industrial.

So with that, we'll wrap up tonight's call, and thank you all for joining us. A replay of this call is available on our website. Good evening.

Operator

Ladies and gentlemen, that does conclude today's presentation, and we do thank everyone for your participation. And you may now disconnect.
