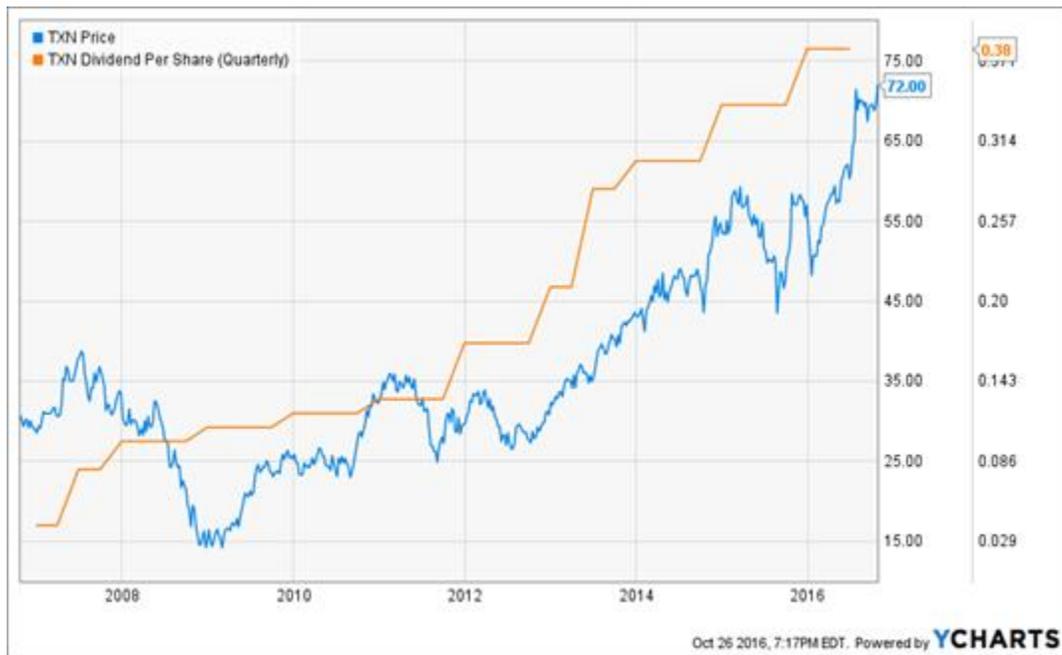


## The Outlook: Oct. 26, 2016

### ***Texas Instruments makes a statement: 32% dividend hike.***

We're at the flood tide of Quarterly Earnings Season . . . and it's been highly interesting so far. Lockheed Martin—which we've talked a lot about, lately—startled the market with the strength of its results, which occurred despite a relatively soft quarter of production for its F-35 superstar.

But Texas Instruments, this afternoon, made Lockheed look dull. TXN announced a solid quarter across the firm's product line. What really made us blink, though, was the company's dividend action: a hike of 32%. Here's the 10-year chart (which does not include the latest dividend.)



In 10 years, Texas Instruments' dividend has grown 1,050%. Its stock price? Only 140%. What CEO Rich Templeton and his people have done right is captured in the table below, which shows this quarter's gains in sales, for each main product group; and the related gain in earnings for that group.

Analog Group:	Sales up 6%. Operating Profit up 17%.
Embedded Group:	Sales up 10%. Operating Profit up 26%.
Other:	Sales up 7%. Operating Profit up 27%.

Of course that “trampoline effect” of steady-to-strong sales growth creating explosive profit growth is the celebrated “operating leverage,” which has always attracted Outlook Capital Management to well-run manufacturing companies. Texas Instruments could write the book, pretty much, on how to run a manufacturing company extremely well. As Outlook has noted in the past, it began with Mr. Templeton's foresight and nerve, almost 10 years ago, in acquiring chip-making factories from his competitors when they'd been flattened by the Calamity of 2007 – 2009. He acquired them at very cheap prices, which is the reward often available to the strong, when disaster strikes an industry and inflicts its worst beatings on the weaker companies in that industry.

That kind of decisive action, combined with the daily attention to detail and improvement which all factories require, can pay off to an unbelievable degree, for an unbelievably long time. We think that is exactly what Texas Instruments is still in the earlier stages of experiencing—as are we long-term, patient investors. TXN’s flagship products are the “environment sensing” chips which are the foundation of the “Internet of Things” in which it will come to seem that almost every physical object communicates with us via the internet. The “Internet of Things” is not hype, it’s reality; and one of the reasons Outlook has stuck to the belief that the “Tech Revolution” of the Nineties is very far from over. Texas Instruments echoed that opinion, today.

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