

# Texas Instruments

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## Texas Instruments misses on revenue, offers weak 4Q guidance; analysts weigh in on what it means for chip sector

Texas Instruments Inc (NASDAQ:TXN) shares sank after the company fell short on revenue in its third-quarter results while its fourth-quarter outlook missed guidance.

The tech company reported earnings of \$1.58 per share on revenue of \$4.26 billion compared with \$1.26 EPS on revenue of \$4.12 billion in the previous year's third quarter.

**READ:** Texas Instruments shares jump after dividend increase and US\$12bn stock buyback

The Texas-based company beat Wall Street estimates of \$1.53 EPS, but fell below revenue expectations of \$4.3 billion.

Shares were down in Tuesday after-hours trading and continued falling nearly 6% to \$94.30 in Wednesday pre-market trading.

Analog revenue grew 8 percent while its Embedded Processing segment declined 4 percent compared with the previous third quarter.

The semiconductor company is perhaps best known for its high-tech calculators, but also performed well in the industrial and automotive markets.

Texas Instruments' outlook for the fourth quarter came in below analyst estimates.

The company is expecting earnings per share between \$1.14 and \$1.34 on revenue of \$3.60 billion to \$3.90 billion versus analyst consensus of \$1.38 EPS on revenue of \$4 billion.

Texas Instruments recently raised its dividend by 24% to \$0.77 per share from \$0.62 per share, payable November 19 to shareholders of record on October 31.

Its board also authorized a stock buyback of \$12 billion worth of shares on top of previously announced \$7.4 billion repurchase program.

Two analysts weigh in

Baird analyst Tristan Gerra doesn't think the semiconductor space is heading into a major downturn just yet.

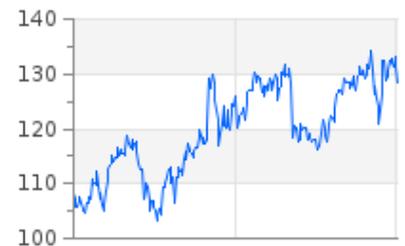
Gerra is maintaining a Neutral rating on Texas Instruments' shares with a price target of \$115, citing the continued strength of the company's semi fundamentals and its growth in the industrial and automotive markets.

"Traditional cycle measures such as lead times, distributor inventories and pricing show relative stability. Industrial has historically been the most lagging end-market for semis when entering a downturn," wrote Gerra.

**Price:** 128.48

**Market Cap:** \$119.75 billion

### 1 Year Share Price Graph



February 2019 August 2019 February 2020

### Share Information

**Code:** TXN

**Listing:** NYSE

<b>52 week</b>	<b>High</b>	<b>Low</b>
	135.69	101.77

**Sector:** Hardware & electrical equipment

**Website:** www.ti.com

### Company Synopsis:

*Texas Instruments Incorporated is engaged in the designing and making of semiconductors that it sells to electronics designers and manufacturers worldwide. In addition, it sells calculators and related products. The Company has design, manufacturing or sales operations in more than 30 countries.*

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The analyst forecast that these factors would lead to a near-term inventory correction followed by a stabilization in order trends.

Oppenheimer analyst Rick Schafer maintained an Outperform rating but lowered the price target to \$120 from \$130.

The analyst viewed Texas Instruments' fourth-quarter outlook slash as the first sign of an early-stage semiconductor cycle correction, highlighting the company's diversified industrial and auto business model and strong management team.

Despite the slowdown in the semis, Schafer said that Oppenheimer remains long-term buyers.

"TXN remains the swiss watch of capital allocation, committed to returning 100% of FCF [free cash flow] to shareholders," wrote Schafer.

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