TI cuts outlook on wireless weakness, shares fall

2008-03-10

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NEW YORK, March 10 (Reuters) - Chip maker Texas Instruments <TXN.N> on Monday lowered its quarterly earnings and revenue target, citing weakening mobile phone chip demand, especially from one customer, and sending its shares down 4 percent.

While TI said it was too soon to say if the "pretty significant downward revisions" in chip demand for third-generation (3G) phones with high-speed Web links were a result of a weakening economy, analysts were less convinced.

"Economic uncertainty impacts the upgrade market and hits 3G phone sales before low-end products," said Charter Equity Research analyst John Dryden.

He said the customer, which TI did not name, was likely Nokia Oyj <NOK1V.HE>, TI's biggest mobile chip client, and added that TI's revenue shortfall implied a pullback on chip orders for as many as 6 million phones.

Shares of No. 1 cell phone maker Nokia, which sold more than 133 million phones in the fourth quarter, fell 3.5 percent to $31.75 in after hours trading.

TI's investor relations manager Ron Slaymaker said that demand was as expected for chips used in low-end phones sold in emerging markets such as China, and for analog chips used in a broad array of consumer and industrial products.

While Slaymaker did not explain the reason for the weak wireless demand in a conference call with analysts, he said it was not the result of market share losses at its customers.

"We have other customers also that haven't fully lived up to initial expectations that we had, but it is mostly a particular customer," he said.

Slaymaker said that high-end phones can use as many as four times more chips than cheaper phones.

TI cut its first-quarter earnings per share forecast to 41 cents to 45 cents from its target of 43 cents to 49 cents issued Jan. 22.

It said it now expects revenue of $3.21 billion to $3.35 billion compared with its earlier target range of $3.27 billion to $3.55 billion.

Analysts on average had expected earnings of 46 cents per share on revenue of $3.4 billion, according to Reuters Estimates.

The company kept its revenue target for its calculator business but cut its forecast for semiconductor revenue to a range of $3.14 billion to $3.26 billion for the quarter, down from its previous estimate of $3.20 billion to $3.46 billion.

Shares fell 4 percent to $28.50 in late trade after closing at $29.65 on the new York Stock Exchange.