

## Texas Instruments and 3 others cut chip sales targets

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By Sinead Carew and Jennifer Martinez

NEW YORK/SAN FRANCISCO, Dec 8 (Reuters) - Chip maker Texas Instruments Inc <TXN.N> and smaller rival National Semiconductor Corp <NSM.N> have slashed current-quarter revenue forecasts to far below Wall Street expectations, as demand for cell phone and analog chips came to a virtual standstill.

Chip makers Broadcom Corp <BRCM.O> and Altera Corp <ALTR.O> also warned on Monday of weaker-than-expected demand.

TI shares fell 5 percent while National Semiconductor stock was down 7 percent after both forecast dramatic, 30 percent sequential declines in sales for what is normally the strongest quarter due to holiday sales of consumer products.

Both plan production cuts and temporary factory shutdowns.

Dallas, Texas-based TI cut its revenue forecast for the current quarter well below analyst forecasts, even though expectations had already been low after cell phone maker Nokia <NOK1V.HE>, TI's top customer, issued two warnings in three weeks about phone demand.

"Conditions likely get worse before they get better," TI's head of investor relations Ron Slaymaker told analysts on a conference call, adding that first-quarter sales, which typically fall 4 percent from the fourth quarter, would drop significantly but not as much as the current-quarter fall.

Slaymaker cited a broadly based drop in demand led by wireless. National Semiconductor, which derives 35 percent of its revenue from cell phone chips, also cited wireless.

"Consumers have essentially stopped buying," Chief Executive Brian Halla said in an interview with Reuters. "In the first time in the long time, you think before you buy the new gadget or choose to upgrade your phone."

TI, a maker of mobile-phone chips and analog chips, said fourth-quarter revenue would fall as much as 35 percent from a year ago and about 30 percent from the third quarter.

TI said revenue would fall to between \$2.3 billion and \$2.5 billion compared with its earlier target of \$2.83 billion to \$3.07 billion, announced on Oct. 20. The average of analyst forecasts was \$2.89 billion, according to Reuters Estimates.

Charter Equity Research analyst John Dryden said TI's shortfall was much more drastic than investors had feared.

"It's getting progressively worse. It's phones and analog, and both continue to get worse on a monthly basis," he said. "The magnitude of TI's cut is surprising."

TI also cut its fourth-quarter earnings-per-share estimate to a range of 10 cents to 16 cents from its earlier target of 30 cents to 36 cents, issued on Oct. 20.

Slaymaker told analysts TI would use only about 45 percent of its manufacturing capacity this quarter, its lowest level since 2001 and down from 60 percent in the third quarter. It will

temporarily idle some factories in December and has essentially stopped hiring, the executive said.

#### NAT SEMI, ALTERA, BROADCOM OUTLOOK WEAK

Analysts had feared a weak mid-quarter update from TI after rival chip makers STMicroelectronics NV <STM.PA> and Infineon Technologies AG <IFXGn.DE> also lowered targets.

"The speed of this correction is really impressive ... You woke up one morning and discovered that everybody just flat out stopped ordering," said American Technology Research analyst Doug Freedman, adding that it was tough for investors to make bets when the companies themselves have little visibility.

National Semiconductor also gave a weak sales forecast for its current, fiscal third quarter: a 30 percent decline from the second quarter.

Even as it reported better-than-expected fiscal second-quarter results, it would "significantly lower" manufacturing in the current quarter due to falling phone demand. It plans extended holiday-season vacations and Friday shutdowns for its factories. [ID:nN08525608]

National Semi's forecast implies \$295 million in revenue for the current quarter, far below analyst expectations for \$374 million, according to Reuters Estimates.

Separately, programmable chip maker Altera slashed its fourth-quarter outlook on weaker-than-expected sales across all market segments. [ID:nN08518819]

Broadcom, which makes chips for cell phones and other consumer electronics devices, said customers pushed out or canceled a significant number of orders. [WEN1543]

TI shares fell 5.2 percent to \$14.05 after closing up 1.79 percent at \$14.82 on the New York Stock Exchange. National Semiconductor shares fell 7.2 percent to \$9.55 after closing up 0.29 percent at \$10.29. (Reporting by Sinead Carew in New York and Jennifer Martinez in San Francisco; Editing by Richard Chang, Andre Grenon, Gary Hill)