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Nokia outlook seen as boost to chip makers

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NEW YORK (Reuters) - Nokia's disappointing results dragged its shares down 14 percent, but things may not be so bad for its suppliers including Texas Instruments Inc, according to analysts who were cheered by the phone maker's comments on the industry overall.

The No. 1 phone maker's profit and market share comments on Thursday were downbeat, but its better-than-expected second-quarter unit sales and current-quarter expectation for flat or slightly higher industry sales from the second quarter is positive news for its chip suppliers.

"This report is modestly positive for the supply chain," said Charter Equity Research analyst Ed Snyder, citing chip makers including Nokia's biggest chip supplier TI and other chip makers RF Micro Devices Inc and Skyworks, which are all due to report next week.

Nokia's estimate for 268 million in second-quarter industry phone unit sales was slightly ahead of the average expectation for 261.7 million phones from a Reuters poll of 32 analysts.

"My sense is that volumes are starting to recover, so from an end-demand standpoint, things seem to be OK," said Avian Securities analyst Matt Thornton.

However, analysts warned that investors should not expect any substantial positive surprises in current-quarter estimates as it is still hard to predict demand in the weak economy.

"It's going to be slightly better than expected," said Charter's Snyder, but "everybody's going to be cautious."

Deutsche Bank analyst Brian Modoff said he expects third-quarter phone sales volume up 3 percent from the second quarter. "You're not going to see much growth," he said.

Analysts expect Texas Instruments, which reports quarterly earnings on Monday afternoon, to forecast a revenue increase of about 4.5 percent in the third quarter from expected second-quarter revenue of \$2.4 billion, Reuters Estimates said.

Because TI's bigger rival, Qualcomm Inc, is already expected to post a sequential improvement in sales for its fiscal third quarter ended in June due to inventory corrections, analysts do not expect it to be any more bullish on the current quarter failing a big hike in consumer demand.

"Qualcomm's recent surge in sales was largely to preserve inventory, which is now replenished," said Snyder.

Qualcomm is expected to report third-quarter revenue of \$2.73 billion, down 1 percent from a year ago, and revenue is expected to fall again to \$2.71 billion in the fourth quarter ending in September, according to Reuters Estimates.

Collins Stewart analyst Ashok Kumar said Nokia showed signs of stabilization but he was cautious about the rest of 2009.

"The coast is not clear by any stretch. It will be late in the (third) quarter before we get reasonable visibility into holiday sales," said Kumar.

U.S. service providers have seen strength in wireless helping to offset their waning landline businesses in recent quarters. Analysts expect this trend to continue.

As in previous quarters, investors expect AT&T Inc's second-quarter revenue to be helped by its exclusive U.S. rights to sell Apple Inc's iPhone and the recent launch of a new iPhone and a price cut of an older model.

A bigger unknown for investors will be whether the company is seeing any signs of an improvement in enterprise spending, when AT&T reports earnings on July 23. It will also be a big question for Verizon Communications Inc, which reports on July 27.

"That's what people are going to focus on," said Piper Jaffray analyst Chris Larsen. But he warned against expecting any overly bullish carrier comments on corporate spending.

"I'm not real hopeful. The economy is still weak and unemployment seems to be going higher," said Larsen. "With that as a backdrop it would be surprising if enterprise spending levels were improving."

(Reporting by [Sinead Carew](#); Editing by [Richard Chang](#))

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