Texas Instruments cuts 1,700 jobs, winds down tablet chips

Sinead Carew and Noel Randewich, Reuters

(Reuters) - Texas Instruments is eliminating 1,700 jobs, as it winds down its mobile processor business [1] to focus on chips for more profitable markets like cars and home appliances [2].

Texas Instruments said in September it would halt costly investments in the increasingly competitive smartphone and tablet chip business [1], leading Wall Street to speculate that part of the company's processor unit, called OMAP, could be sold.

The layoffs are equivalent to nearly 5 percent of the Austin, Texas-based company's global workforce.

"A sale would have been better than a restructuring but a restructuring is certainly better than nothing," Sanford Bernstein analyst Stacy Rasgon said.

TI has been under pressure in mobile processors, where it has lost ground to rival Qualcomm Inc. Leading smartphone makers Apple Inc and Samsung Electronics [3] Co Ltd have been developing their own chips instead of buying them from suppliers like TI.

Instead of competing in phones and tablets, TI wants to sell its OMAP processors in markets that require less investment, like industrial clients like carmakers.

TI is expected to continue selling existing tablet and phone processors for products like Amazon.Com Inc's Kindle tablets for as long as demand remains, but stop developing new chips.

"This year, the Kindle runs on the OMAP 4 and next year's Kindle is slated, we believe, for OMAP 5. We believe that program is well along to completion and do not expect that the termination of OMAP will disrupt those plans," said Longbow Research analyst JoAnne Feeney.

Amazon had reportedly been in talks to buy the mobile part of OMAP.

TI said it expects to take charges of about $325 million related to the job cuts and other cost reduction measures, most of which will be accounted for in the current quarter. Its previously announced financial targets for the fourth quarter do not include these costs, TI said.

The company, which has 35,000 employees around the world, expects annualized savings of about $450 million by the end of 2013 from the action.

TI shares rose to $29 in after-hours trading after closing at $28.76, down 2 percent on Nasdaq [4].

(Reporting By Sinead Carew in New York and Noel Randewich in San Francisco; editing by Carol Bishopric)

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