Texas Instruments warns of weak demand

Sinead Carew, Reuters

(Reuters [1]) - Texas Instruments Inc posted quarterly revenue that was ahead of Wall Street [2] expectations but the chip maker warned of uncertain demand and a widespread customer reluctance to order until the last minute due to macroeconomic worries.

TI, which makes chips for everything from industrial equipment [3] to cars, said on Tuesday that while orders appeared to be following a normal pace for this time of year, customers were still worried about increasing their inventory of chips.

Chief Financial Officer Kevin March told Reuters [1] that quarterly revenue was at the high end of TI's expected range because customers had made some orders late in the quarter.

But he said that weakness in European economies and in China [4] as well as uncertainty about government policies in the United States were making customers wary of ordering too many chips.

"You've got the lingering uncertainty in Europe. You've got the slowdown in China that seems to be reversing itself now and you've got the (U.S.) fiscal cliff taking up all the headlines," March told Reuters. "Combined, it's got everybody really conservative right now and not willing to go out on a limb."

On top of this, the company's previously announced wind down of its cellphone chip business will cut revenue much more than it otherwise would have fallen in the first quarter, March said.

Even though January order trends are looking better than December's, executives told analysts on a conference call that it was too soon to estimate when the market might recover.

Since customers are still ordering at the last minute, Bernstein analyst Stacy Rasgon said it would be hard for TI to predict [5] the timing for a turnaround.

"The signs look like they're slowly improving," he said.

TI said its fourth-quarter profit fell to $264 million or 23 cents per share compared with $298 million or 25 cents per share in the year-ago quarter. Revenue fell to $2.98 billion from $3.42 billion but was ahead of Wall Street [2] expectations for $2.95 billion according to Thomson Reuters [6] I/B/E/S.

For the first quarter the company warned that revenue could decline further as it forecast a range of $2.69 billion to $2.91 billion. This is expected to include a $135 million decline from the wireless business.

"If the weakness in revenue is more wireless than the core business that's a good thing," said Bernstein's Rasgon.

TI had said in November that it was eliminating 1,700 jobs as it is winding down its smartphone and tablet chip business due to stiff competition from rivals such as Qualcomm Inc (QCOM.O [7]).

Instead TI is focusing on analog chips and embedded chips that are used in a wide range of products.

TI forecast earnings [8] per share in a range of 24 cents to 32 cents for the current quarter. This include a charge of 6 cents related to restructuring and acquisition and a tax benefit of 6 cents related to a credit for research and development.

On December 10 the company had forecast fourth-quarter revenue of $2.89 billion to $3.01 billion and earnings per share of 5 cents to 9 cents, including 21 cents per share of charges from its previously announced restructuring of its wireless business.

TI shares fell slightly to $33.35 in late trade after closing at $33.46 in the regular Nasdaq [9] session.

(Reporting by Sinead Carew and Jennifer Saba; Editing by Phil Berlowitz)

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