Texas Instruments' results ease Japan worries

By Benjamin Pimentel
Published: Apr 19, 2011 4:10 p.m. ET

SAN FRANCISCO (MarketWatch) — Shares of Texas Instruments Inc. drifted lower Tuesday, a day after the company appeared to have eased investors' worries about long-term effects on its business resulting from Japan's recent earthquake and tsunami.

Analysts also pointed to signs of a potential rebound for the Dallas-based chip maker TXN, +0.25% later in the year.

On the heels of its first-quarter earnings report issued late Monday, shares of TI slipped 0.7% to close at $34.54. Still, the stock has risen more than 3% over the past month, putting its year-to-date gain at more than 6%.

TI had disclosed shortly after the March 11 calamity struck Japan that its two factories there sustained damaged and that it expected to take a hit both in terms of higher expenses and lower revenue.

But management said Monday that it saw strong demand early in the quarter and that it was on its way to recovering from the disruption.

TI also noted in an "unexpected weakness" related to demand from a customer in its wireless-chip business, which analysts generally speculate to be Nokia Corp. NOK, -0.48% Read more on earnings prospects for the Finnish handset maker Nokia.

"TI turned in a relatively strong quarter from an underlying-demand standpoint, although expenses were impacted by the problems in Japan and weakness at Nokia," Williams Financial Group analyst Cody Acree said in a note. "The company slightly exceeded consensus revenue expectations while earnings missed the consensus, primarily driven by Japanese-related expenses."

MARKETS |
• The Tell: Market news and analysis
• | Canada section
• Columns: Stocks | Oil | Gold | Bonds | Dollar

TOOLS AND DATA |
• My Portfolio: Know where your funds are?
• Real-time currency exchange rates
• After-hours stock screener

TI reported a first-quarter profit of $666 million, or 55 cents a share, compared with $658 million, or 52 cents, during the year-earlier period.

The company said the Japan disaster affected earnings by about 2 cents a share. Quarterly revenue rose to $3.39 billion from nearly $3.21 billion.

Analysts had expected earnings of 58 cents a share on revenue $3.4 billion, according to the consensus of estimates in a survey by FactSet Research.

“Despite Japan-related headwinds, we’re encouraged by strong order trends,” Oppenheimer & Co. analyst Rick Schafer said in a note. “Supply-chain disruption remains a concern, but TI’s Japanese operations are on track for full-loadings in July.”

Still, the Japan crisis will continue to hurt the bottom line: TI said it expects a negative earnings impact of 10 cents a share from the quake in the second quarter.

“Prior to the earthquake, we were planning for low-double-digit second-quarter revenue growth,” Kevin March, TI’s chief financial officer, said during a call with analysts.

“Because of the earthquake, we reduced this near-term outlook to about half our normal seasonal growth, mostly due to a combination of lower output in our Japan factories, lower local Japan demand, as well as potential supply-chain disruptions,” he added.

For the current quarter, the company said it expects revenue in the range of $3.41 billion to $3.69 billion, with earnings pegged at 52 cents a share to 60 cents a share. Analysts had been looking for TI to generate earnings of 63 cents a share on revenue of $3.53 billion, according to data from FactSet Research. However, some analysts see TI rebounding later in the year, especially if its planned acquisition of National Semiconductor NSM, +1.41% stays on track.

Charter Equity Research analyst Edward Snyder said Japan and Nokia will likely continue to impact TI’s results this year.

“But the addition of cheap capacity last year combined with a rapid expansion of product lines and sales force via the National Semiconductor acquisition and rebounding demand in it’s core segments, should play out as upside starting in the second half of 2011,” Snyder wrote.
