

Texas Instruments Misses 4Q on Weak Industrial and Automotive

TXN	24 est.	Texas Instruments	CY24rev:	1%
Qtr:	4Q	Grade:	F	Growth (qtr-qtr)
Rev:	4,077	Rev:	- - -	Rev: -10.0%
GM:	59.6%	EPS:	-	Fcst: -15-8%
EPS:	\$1.49	Fcst:	- - -	Div: \$1.30

Texas Instruments (TXN \$174.34 -0.49 close 1/23/24)

4Q Earnings: TXN announced 4Q earnings—and 1Q guidance—well below expectations yesterday after the close due to weakness from industrial and automotive markets. Revenue was just below the mid-point of guidance while EPS adjusted for an un-forecasted benefit of 3-cents met the mid-point. Operating profit was 37.6% vs. 41.7% 3Q.

4Q Results: Analog products (including power and signal chain devices) accounted for 76.5% of revenue and declined by -7% sequentially at an operating profit of 41.0% down from 44.9%, while Embedded (microcontrollers) was at 18.5% and declined by -16% at an operating profit of 25.9% down from 29.0%, and Other (DLP, calculators, ASICs) was at 5% down by -29% with an operating profit of 28.3% down from 45.0%. On a sequential basis: industrial markets fell in the mid-teens percentage of sales; automotive was down in the mid-single digits; personal electronics was flat; communications equipment was down in the low-single digits; and enterprise systems grew in the low-single digits. Operating cash flow was \$1.9B, capital expenditures were \$1.1B, and \$65M of stock was repurchased. \$1.2B was paid in dividends that grew to \$1.30/share for the 20th consecutive year of increases.

2023 Results: Annual revenue of \$17.5B decreased by -12.5% for an EPS of \$7.07 and operating profit of 41.8%. Analog accounted for 74% of sales, down by -15% at 44.6% operating profit; Embedded at 19% up +3% at 29.9% operating profit; and Other at 6% down -21% at 45.2%. Sales by end-market is only reported annually: industrial was 40% down by -12.5%, automotive 34% up +19%, personal electronics 15% down -34%, communications equipment 5% down -38%, enterprise systems 4% down -42%, and other 2% down -13%. While industrial and automotive were weak 4Q, they remain areas of strategic focus: the two combined were 74% of sales for 2023, up by 9-percentage points. For the year, operating cash flow was \$6.4B, capital expenditures were \$5.1B, and \$4.9B was returned to shareholders in dividends and share repurchases. Free cash flow was \$1.3B, or 8% of revenue.

Guidance: 1Q revenue is expected at \$3.45B-\$3.75B with EPS of \$0.96-\$1.16 at a tax rate for the year of 13%.

Shares Worth Their Full Valuation: TXN wrote the book on Shareholder Friendliness for the semiconductor industry with its objective to maximize long-term free cash flow per share to drive shareholder value by building analog and embedded products in 300mm wafer fabs for industrial and automotive markets. Unfortunately, much of a well-justified premium is already priced into the shares at the current price level, in my opinion—especially amid current business weakness. The shares are trading at almost 13-times tangible book value, 9-times expected 2024 sales (that may be coming down), and almost 27-times 2024 earnings (ditto).

LEGEND		Grade	
+++	exceeded the high-end of the range	A	all +++
++	above consensus, within the high-end of the range	B	all +
+	slightly above consensus	C	all o/+
o	met consensus	D	mixed -/o/+
-	slightly below consensus	E	all o/-
--	missed consensus, within the low-end of the range	F	all -
---	missed the low-end of the range		

—Dan K. Scovel, Semiconductor Analyst

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