

TXN 4Q Preview

Texas Instruments (TXN, \$55.06 +0.09, Hold, Target Price \$43, 2015: \$3.07 on \$14.2B, 2016: \$3.43 on \$15.4B)

4Q Preview: TXN is scheduled to announce 4Q earnings after the close today and I expect the company to pretty much meet consensus expectations in terms of both 4Q results and 1Q guidance that will likely result in fine-tuning to existing expectations.

The 4Q is a seasonally soft period for the company that typically includes pronounced weakness from calculators on the order of -\$100M. Management revenue guidance called for a sequential decline of -11% to -3%. While I am encouraged that consensus expectations appear appropriately constrained, I fear the lackluster business environment is unlikely to offer much in terms of upside for 4Q results or 1Q guidance—if any at all.

In the meantime I remain ambivalent about the shares at current price levels where it trades above the average fundamental valuation metrics of its peers—and my expectations are on the bullish-side of consensus for 2015. My recommendation on TXN remains Hold/Not Compelling.

| <i>EPS (29+ estimates)</i> | 4Q14 | 1Q15 | 2014 | 2015 |
|----------------------------|-------------|-------------|-------------|-------------|
| Tokeneke | \$0.69 | \$0.66 | \$2.53 | \$3.07 |
| Consensus | \$0.69 | \$0.63 | \$2.52 | \$2.88 |
| Highest Estimate | \$0.72 | \$0.71 | \$2.55 | \$3.26 |
| Lowest Estimate | \$0.67 | \$0.55 | \$2.49 | \$2.53 |

| <i>Revenue</i> | 4Q14 | 1Q15 | 2014 | 2015 |
|------------------|-------------|-------------|-------------|-------------|
| Tokeneke | \$3,265 | \$3,256 | \$13,041 | \$14,176 |
| Consensus | \$3,260 | \$3,190 | \$13,040 | \$13,600 |
| Highest Estimate | \$3,330 | \$3,300 | \$13,110 | \$14,280 |
| Lowest Estimate | \$3,160 | \$3,020 | \$12,890 | \$13,230 |

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