

Sector View

Semiconductors

Texas Instruments reports strong results amid supportive auto and industrial environment

	1 M	3 M	6 M	31/12/15
Semiconductors	21.5%	24.5%	23.1%	18.0%
DJ Stoxx 600	5.9%	-1.7%	1.4%	-6.8%

*Stoxx Sector Indices

Companies covered

ARM HOLDINGS	Tender to the offer	1410p
ASML	SELL	EUR81
DIALOG	BUY	EUR37
INFINEON	BUY	EUR16
MELEXIS	SELL	EUR48
SOITEC	NEUTRAL	EUR0.5
STMICROELECTRONICS	NEUTRAL	EUR6.5
u-blox	BUY	CHF265

Yesterday, Texas Instruments reported strong results in a supportive auto and industrial environment. Q2 2016 results beat expectations and Q3 guidance is also above consensus. In addition, we see the group's comments as a positive read-across for other European companies we coverage, especially Infineon (Buy – Top Pick, FV EUR16).

ANALYSIS

- Yesterday, Texas Instruments reported Q2 2016 revenue up 1% yoy to USD3.27bn, yielding EPS of USD0.76. This was above the street's expectations for sales of USD3.2bn and EPS of USD0.72. During the conference call, TI's CEO Rich Templeton said the company saw further strong demand for its products in the automotive market, and higher demand in the industrial and communications equipment markets. This robust environment led the group to forecast revenue of USD3.34bn to USD3.6bn in Q3 2016, yielding EPS of USD0.81 to USD0.91 compared with the consensus of USD3.385bn and USD0.81 respectively.
- Note that Texas Instruments operates in the same market as Infineon (Buy – Top picks, FV EUR16) and STMicroelectronics (Neutral, FV EUR6.5), but also Melexis (Sell, FV EUR48) and u-blox (Buy, FV CHF265) although it is far larger than the latter two groups. Regardless of their respective valuation metrics, prompting us to have a Sell recommendation on Melexis for example, these groups have a strong exposure to automotive and/or industrial sector. We expect to see a positive reaction from these stocks today on the back of TI's encouraging comments. In addition, note that TI's comments are perfectly in line with our market perception (see our [latest sector report out earlier this month](#)). Indeed, we continue to see the automotive and industrial sectors as the ones with the strongest momentum and recommend focusing on these two segments for a bottom-up approach.

NEXT CATALYSTS

- 27th July: STMicroelectronics - Q2 2016 results

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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