



TAMID Equity Research Report 2023-01-29: TXN

Introduction:

In this report, we will be analyzing the key financial, economic, and business factors that are likely to impact the stock price of Texas Instruments (TI), a company that specializes in the production of analog semiconductors for the automotive and factory industries.

Growing demand for analog semiconductors: TI's products, although generally older and have been in production for a while, there has been a growing demand for analog semiconductors to power two huge transformations: the digitization of factories and the electrification of the automotive market. This increasing demand is likely to drive the company's future revenue growth and positively impact its stock price.

Levered Free Cash Flow (FCF) growth: According to the estimates provided, TI's levered FCF is expected to grow at a steady rate, reaching \$12.2 billion by 2032. The present value of this 10-year cash flow, discounted at 9.5%, is \$57 billion, providing a solid foundation for the company's future growth.

Diversified customer base: TI has a reliable and diverse customer base for simpler products that belong in automobiles and factories. This diversification reduces the company's reliance on a single customer or industry, providing stability and reducing the impact of any single customer's decision.

Debt not viewed as a risk: TI's debt is not viewed as a risk, which will help the company to easily access capital for future growth opportunities.

Dividend coverage: TI's dividends are covered by earnings and cash flows, providing a steady stream of income for shareholders.

Weakness:

Earnings growth underperformance: TI's earnings growth over the past year has underperformed the semiconductor industry, which may be a cause for concern for some investors.

Low dividend yield: TI's dividend yield is low compared to the top 25% of dividend payers in the semiconductor market, which may discourage some income-focused investors.

Expensive valuation: TI's P/E ratio and estimated fair value indicate that the stock may be overvalued, which could limit its potential for future price appreciation.

Limited near-term opportunities: TI's financial characteristics indicate limited near-term opportunities for shareholders, which could limit the company's potential for short-term gains.

Earnings forecast decline: TI's annual earnings are forecast to decline for the next 3 years, which could negatively impact the company's stock price in the short term.

In conclusion, TI's growing demand for analog semiconductors and steady levered FCF growth, diversified customer base and debt not viewed as a risk, and dividends covered by earnings and cash flows are positive factors that are likely to impact the company's stock price in the future. However, the company's underperformance in earnings growth, low dividend yield, expensive valuation, limited near-term opportunities, and forecast decline in earnings may pose a challenge for the stock price in the short term. Overall, it would be important to consider these factors while evaluating the company's potential for future growth and investment opportunities.