Activist investor Elliott Management targets Texas Instruments: 'Investors are concerned'

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Activist investor Elliott Management has taken a $2.5 billion stake in Dallas-based semiconductor giant Texas Instruments, blaming the company for lagging stock market returns and overspending.

In the letter to TI's board, Elliott said the company is spending too much on massive capital projects and that " commitment to capital discipline will restore investors' confidence."

Elliott's investment is worth about 1.3% of the company's market value.

"TI's shareholder returns have lagged peers consistently over a multi-year period, despite TI's reputation as one of the best-managed semiconductor companies with strong growth prospects and competitive advantages," Elliott wrote. "Our diagnosis is simple: Investors are concerned that TI appears to have deviated from its longstanding commitment to drive growth of free cash flow per share."

TI, known to many consumers for its handheld calculators, is one of the world's most prominent semiconductor manufacturers, a vital ingredient in many electronic devices. The company's growth has coincided with an effort to centralize production on American soil, highlighted by the company's November 2021 announcement of a $30 billion complex in Sherman with four semiconductor fabrication plants that will add 3,000 manufacturing jobs in the North Texas area.

The company also maintains a fabrication plant in Dallas, as well as two in Richardson and two in Lehi, Utah.

Elliott, which holds more than $65.5 billion in various companies, voiced concerns in its letter to the TI board about the scale and frequency of such outlays. It believes that Texas Instruments is investing in an industrial capacity that exceeds the expected demand for its products.

Elliott is known for high-profile activist investor campaigns involving companies such as Dallas-based AT&T, Twitter, Barnes & Noble and Comcast.

"While there are multiple contributing factors to TI's underperformance," the letter reads, "we believe the most significant has been the dramatic increase in capital investment announced in 2022, which has led to a fundamental deviation from TI's long-held commitment to driving growth in free cash flow per share."

The focus on long-term developments comes at the expense of share value, the letter says, and it is vital that TI refocuses itself toward a more "dynamic" strategy "in a manner consistent with its historical practices."

A representative from Texas Instruments did not respond to a request for comment.

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