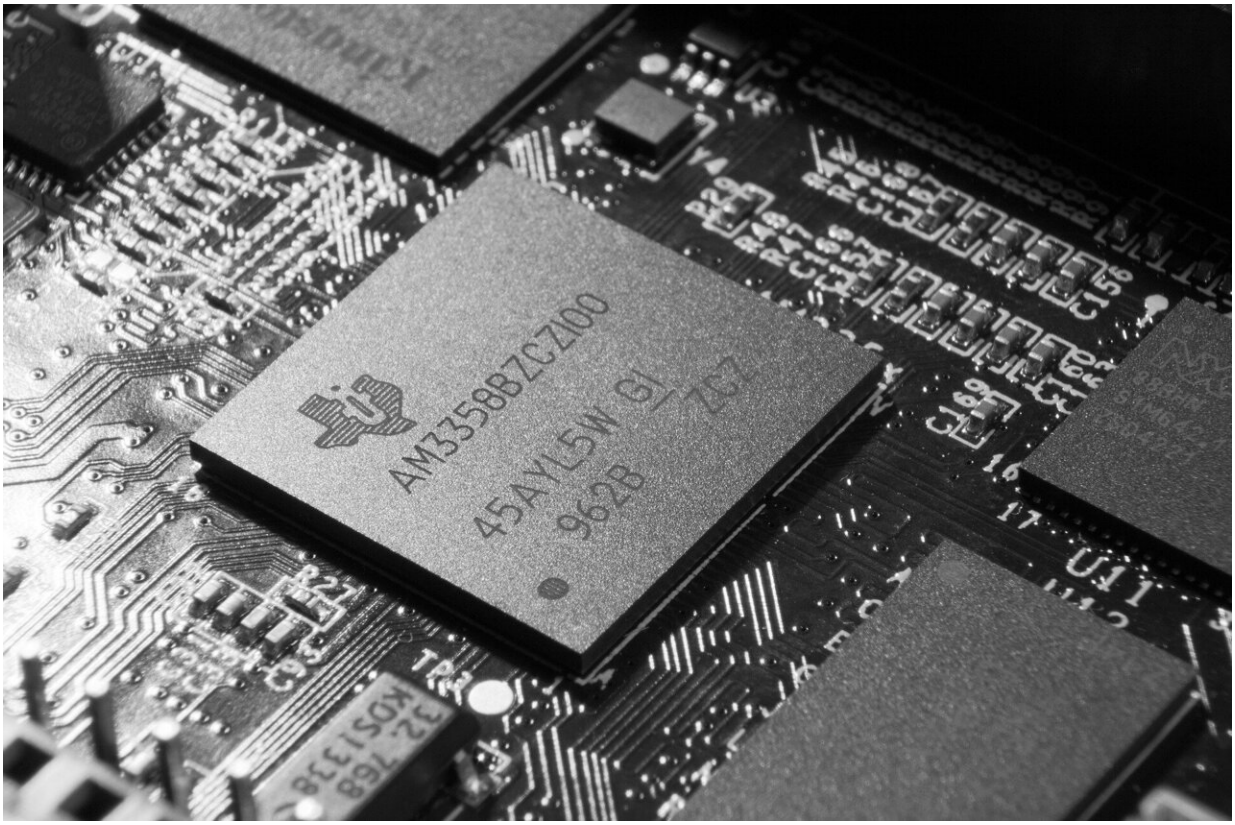
Texas Instruments braces for 10% revenue hit from China lockdowns

April 27 2022, by Dom Difurio, The Dallas Morning News



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Dallas-based Texas Instruments said COVID-related lockdown policies in China will cause the semiconductor chipmaker's revenue to take a 10% hit this spring.

"We're seeing cases where factories are just shut down and will not take deliveries," chief financial officer Rafael Lizardi said on a call with investors Wednesday.

Shanghai's 25 million residents have been kept inside their homes for weeks by government authorities trying to stem the spread of COVID-19 as part of its "zero-COVID strategy." China is now beginning to test and lock down parts of Beijing.

Lizardi said hundreds of manufacturing facilities are shut down, especially around the Shanghai region, while some others are operating at reduced capacity. TI is redirecting as much inventory as possible to customers outside of affected areas in China to mitigate revenue losses, it said.

Executives stressed to analysts that the downward revision is an imprecise estimate, and they didn't answer analysts' questions about whether the situation in the East could exacerbate the shortage of computer chips fueling inflation in the U.S.

During its first earnings call for 2022, TI pointed to its revised revenue guidance for the second quarter as evidence of the uncertainty in China. Its new guidance broadly estimates $4.2 billion to $4.8 billion in revenue.

TI brought in $4.9 billion in revenue for the three-month period ended March 31, up 14% from the same time a year ago. TI also increased prices for some of its products during the first quarter, which contributed to some of the revenue growth, executives said.

The company is bringing more production capacity online over the remainder of this year and is focused on "building the company stronger for the long term," head of investor relations Dave Pahl said. "Those are

the things we can control."

The chipmaker said earlier this year that it has seen faster growth in demand for chips in the automotive and industrial sectors compared with other markets, and it is strategically focusing its chip production on those areas.

It is working to get several new semiconductor chip-producing plants online over the next year as shortages persist. It plans to invest $3.5 billion in production every year through 2025, and then will invest 10% of annual revenue in expanding manufacturing until 2030.

TI will break ground on its potential $30 billion Sherman mega-plant later this year. If fully built out, the four-factory campus will be among the largest corporate investments in state history.

The chipmaker has more than 600 job openings at the moment, and more than a third are for positions in the North Texas area. The company employs nearly 30,000 people around the world.

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Citation: Texas Instruments braces for 10% revenue hit from China lockdowns (2022, April 27) retrieved 17 April 2024 from https://techxplore.com/news/2022-04-texas-instruments-braces-revenue-china.html

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