



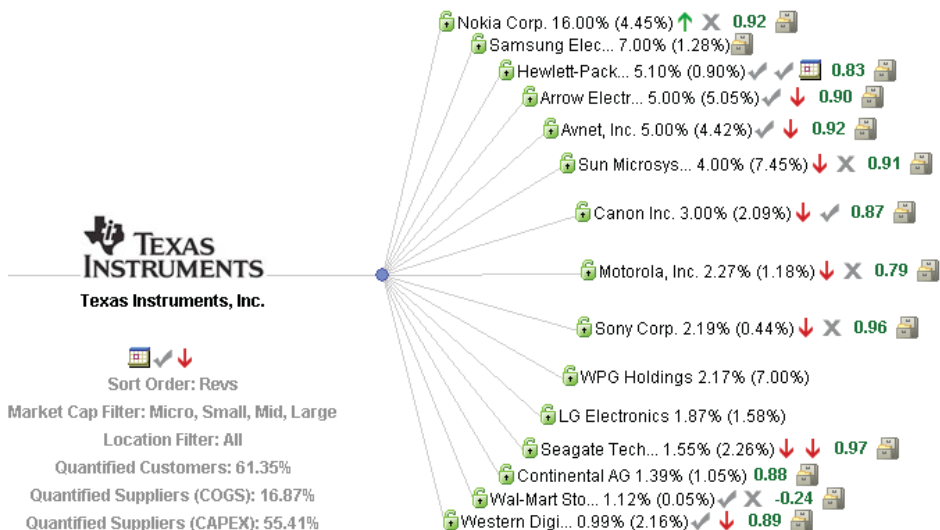
DATE / TIME
December 9, 2008
8:38 AM EDT

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COMPANIES INVOLVED
005930.KS, 066570.KS, 3702.TW, ADI, AMKR, ARW,
AVT, BRCM, CAJ, CTTAY, HPQ, ISIL, JAVA, MOT,
MXIM, NOK, NSM, RFMD, RIMM, SNE, SPSN, STM,
STX, SWKS, TSM, TXN, UMC, WDC, WMT

TXN : Simple Math = Major Downside

EVENT Sees Q4 Revs \$2.4B (-17.6% Below Street); Also Expects "Significant" Q/Q Decline In Q1
CAUSE "End Demand Rapidly Drying Up"; Wireless Worst, But Weakness Broad-Based
IMPACT Near-Term Implications: MFLX, Semis, Distis; Longer Term, Major-Tech Negative
ACTION Continue To Avoid MFLX, Semis, Distis



Source: Connexiti BizMaps. For more information, see www.connexiti.com.

SUPPLY CHAIN EVENT TRACKER

11.14.08	Customer	NOK sees lower Q4 and 2009 industry units
11.18.08	Customer	HPQ guides FQ1 revs -5.9% below Street expectations
11.25.08	Competitor	ADI guides FQ1 revs -12.0% below Street expectations
11.28.08	Competitor	STM guides Q4 revs -10.9% below Street expectations
12.1.08	Supplier	TSM guides Q4 revs -8.5% below Street expectations
12.1.08	Competitor	SWKS guides FQ1 revs -11.4% below Street expectations
12.3.08	Customer	RIMM guides FQ3 revs -6.6% below Street expectations
12.4.08	Customer	AVT guides FQ2 revs -2.5% below Street expectations
12.4.08	Customer	NOK guides Q4 and 2009 industry units lower than prior expectations
12.5.08	Competitor	RFMD guides FQ3 revs -20.2% below Street expectations
12.8.08	Competitor	BRCM guides Q4 revs -10.0% below Street expectations
12.8.08	Competitor	NSM guides FQ3 revs -24.2% below Street expectations
12.9.08	Supplier	UMC guides Q4 revs -18.6% below Street expectations

Source: Connexiti EventTracker. For more information, see www.connexiti.com.

EVENT: GUIDES Q4, Q1 MUCH LOWER.

Following ISIL's lead a few days ago, today TXN guided Q4 revs \$2.3-2.5B (midpoint \$2.4B -17.6% below Street \$2.914B). The implied decline of -29.1% Q/Q compares to a 7-yr avg of -1.8% ($\sigma=5.45$). Mgmt stated that Q1 would decline significantly, but "probably not as severe" as Q4. Using the historical avg of -4.4% and Q4's -29.1% as brackets and taking the midpoint of -16.6% yields \$2.002B for Q1 (-26.5% below Street \$2.722B).

CAUSE: MARKET SLOWDOWN. Mgmt stated on a conf call that "end demand is rapidly drying up." Wireless is leading the decline, but all major product areas are weaker than expected.

IMPACT/ACTION: NEAR TERM AND LONG TERM. We have seen many negative wireless and semi supply chain data points (see "Supply Chain Event Tracker," left), and both TXN and NSM yesterday added to the deluge. We continue to view this wireless weakness as having negative implications for MFLX (having already had negative views for both TXN and NSM). Additionally, we continue to see added risk at distis ARW and AVT. Longer term, TXN's guidance suggests 2009 downside far beyond anything the Street is currently modelling. Mgmt suggested that Q1 will be down

KEY NUMBERS : TXN

Q4E REVS	STREET	Δ
\$2.400 B*	\$2.914 B	-17.6%
Q1E REVS	STREET	Δ
\$2.002 B**	\$2.722 B	-26.5%

* Midpoint of guidance range \$2.3-2.5; ** Est -16.6% Q/Q

~16% Q/Q, yielding an absolute number of \$2.002B. If we assume normal seasonal growth for the remainder of the year—+5.7% Q/Q in Q2, +3.0% in Q3, -1.8% in Q4—TXN's 2009 revs would total just \$8.438B. This would represent a Y/Y decline of -34.8%, and is -27.5% below Street expectations. A Q/Q decline of -10% in Q1 with seasonal growth would yield annual revs of \$9.105B, for a decline of -29.6% Y/Y. Below-seasonal growth would yield even greater declines—and there is nothing to hint at above-seasonal growth any time soon. Due to a lack of visibility, companies generally have not provided 2009 guidance, and we have argued for some time that so-called "cheap" tech stocks would not look so cheap once the Street had a better handle on how 2009 might look. TSMC suggested in early Nov that 2009 industry revs could be down mid to high single digits Y/Y, but it now appears that could be much worse. For more information, see our BizMaps at www.connexiti.com.