

TI Sells Sensors & Controls Business

The company says it will retain its radio frequency identification group, claiming the sale will help focus its efforts in the semiconductor arena, including RFID.

By Mary Catherine O'Connor

Jan. 9, 2006—Texas Instruments (TI) reports that it is selling its Sensors & Controls unit to affiliates of Bain Capital, a global private equity investment firm, for \$3 billion in cash. The sale does not include the Texas Instruments Radio Frequency Identification (TI-RFid) Systems group, which manufactures RFID tags, smart labels and RFID interrogators (readers) used for automated identification and data collection in asset tracking, payment systems, personal identification, automobile anti-theft and supply chain applications.

"Sensor & Controls has improved its profitability, year over year, at a relatively slower growth rate [than TI's semiconductor business]," says Julie England, general manager of TI-RFid. "The Sensors & Controls business is at what I would call an inflection point in its growth, where it needs a large infusion of investment to beef up its growth rate. It will benefit from this infusion [from Bain]."

TI claims the sale will enable it to focus on its core semiconductor business, including analog and digital signal processing chips. "We [TI-RFid] are excited about this change," says England. "We think it'll benefit our customers because it strengthens our semiconductor technology position and our manufacturing position." England says applications that combine RFID with sensors have been part of TI-RFid's vision for the future of RFID, but that the group did not have any specific RFID-sensor-integrated products on Sensors & Controls' drawing board prior to this sale.

Steve Zide, a managing director at Bain Capital, said in a prepared statement that Sensors & Controls' long history, strong customer relationships and geographically diversified sales (more than half are generated outside the United States) attracted Bain to the sale.

TI-RFid Systems will now become part of TI's Semiconductor Group and its application-specific products (ASP) business, which England says is a strong fit because TI-RFid has a customer base similar to ASP's and also makes products that use the same or similar chip products.

With TI's recent acquisition of Chipcon (see TI buys Chipcon for \$200 million), the company is making an entrance into the wireless sensor network market. Chipcon manufactures intelligent RF devices compliant with the Zigbee communication protocol, used in monitoring and control applications, rather than the applications in which TI-RFid's products are used today. England says TI expects to see a growth in applications combining RFID and wireless sensor network technologies during the next five years. "It's starting in the active [battery-powered tag] RFID arena today, where tags sense temperature, atmospheric pressure and ambient gas. So over time, we see the two technologies being used together to address customer problems."

England also notes that TI-RFid is already involved in a pilot of an application using sensors from a different provider to measure temperature in the cold food retail supply chain. "We participate in RFID sensor

applications without depending on the sensor business today from TI," she says.

Headquartered in Attleboro, Mass., TI Sensors & Controls also operates offices in the Americas, Europe and Asia. The company supplies engineered sensors and controls to the appliance, climate control, industrial, automotive, lighting and aircraft markets. Sensors & Controls' president, Thomas Wroe, and his management team will remain with the company under Bain. The majority of its 5,400 employees are also expected to remain in their current positions. The unit earned \$1.13 billion in 2004. In total, TI generated \$12.6 billion last year.

TI's board of directors has approved the sale, which is expected to close in the first half of 2006. Completion of the sale is contingent upon customary regulatory approvals. JPMorgan Chase advised Bain Capital on the transaction, while Morgan Stanley, Bank of America and Goldman Sachs will provide financing.

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