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Broadcom Rises: Street Cheers Turn in LTE Outlook

By Tiernan Ray

Shares of chip maker **Broadcom** ([BRCM](#)) closed up 91 cents, or 3.3%, at \$28.79, after the company held its **analyst day** event today, which kicked off this morning with [an update on the company's Q4 outlook](#) that included a projection for revenue slight above what the Street has been modeling.

The company also said that **Samsung Electronics** ([005930KS](#)) is officially a customer for Broadcom's baseband chips for broadband wireless **LTE** connections. Broadcom has been seeking to chip away at the lead in baseband chips long held by rival **Qualcomm** ([QCOM](#)). Qualcomm shares managed to eek out a gain of just a penny today.

The stock got one upgrade today, that I can see, from **Charter Equity Research's Ed Snyder**, who raised his rating to Buy from Market Perform even before the event started. Snyder views gains by the company in LTE as potential upside for the company next year, a theme that [was mentioned yesterday as well](#), by **R.W. Baird's Tristan Gerra**.

Later in the day, the stock got a thumbs up from Jefferies & Co.'s Mark Lipacis, who reiterated a Buy rating and raised his price target to \$36 from \$32, writing that indeed, LTE-based smartphones will "translate to positive sentiment" in 2014, and help the stock's P/E multiple expand. He offered a summary of remarks from **Bob Rango**, the company's head of its mobile and wireless business, regarding the product outlook:

Mr Rango made the case that Broadcom connectivity solutions have 2x better throughput and 35% lower power consumption than competitive solutions, and that would enable Broadcom to maintain its market share leadership position in connectivity (Bluetooth + WiFi) chips in handsets. BRCM also announced that its M320 dual-core LTE SoC would ship into a Samsung phone in early 2014. Broadcom's strategy is to provide a comprehensive best-in-class solution set including the LTE modem, application processor, imaging, video and graphics to its OEM customers. In the emerging market, Broadcom now has a turn-key, cost effective LTE handset solution that emerging market OEMs could put into the market with minimal development cost and time.

Cowen & Co.'s Timothy Arcuri also today sounds a positive note on LTE:

Timelines accelerated across the board by ~1Q w/initial revenue now expected in Q1:14, while it officially announced Samsung as the first 4G LTE volume customer. Mgmt indicated "10's

of Millions” of units at implied platform ASP in the \$18-20 range, i.e. very consistent w/our \$400MM model and above many on Street thinking more like \$150-200MM. Note this would imply ~5% global LTE share for '14.

Arcuri thinks that the company is already partnering with **Intel** ([INTC](#)) to use the latter's foundry capabilities to fab Broadcom's next chips:

Touching on similar themes to last year's meeting, BRCM will focus on design and less on shrinking to the next node with a majority of products staying at 28nm for next few years. Relative to the use of INTC on the foundry side, it left this open as a very real possibility and, in fact, our work indicates these two are already working together for I&N (not yet M&W).

And **Oppenheimer & Co.'s Rick Schafer** also reiterates an Outperform rating, and a \$37 price target, writing that the company trumpeted the virtues of its high level of integration:

BRCM repeatedly stressed the importance of platform leadership across each segment. BRCM will differentiate LTE with full (SoC) benefit of connectivity leadership.

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