

Qualcomm Shares Jump After Profit, Sales Forecasts Top Estimates

By Ian King and Olga Kharif - Nov 4, 2010

[Qualcomm Inc.](#), the biggest maker of mobile-phone chips, rose the most in more than three months on the Nasdaq after its profit and sales forecasts topped analysts' estimates amid the increasing popularity of smartphones.

Earnings in the [current quarter](#) will be at least 58 cents a share, and sales will be \$3.05 billion to \$3.35 billion, San Diego-based Qualcomm said yesterday. Analysts projected profit of 52 cents and sales of \$3 billion, the average of [estimates](#) compiled by Bloomberg.

Qualcomm, whose chips run the radio functions in phones, benefits as consumers buy more devices that can surf the Web. The shift to higher-end models helps its technology-licensing income, which is based on the average price of phones sold. While Qualcomm gets most of its [sales](#) from chips, the majority of its profit comes from licensing code division multiple access, or CDMA, technology to makers of phones, phone networks and service providers.

"The bar was certainly fairly high for this company, and they definitely delivered," [Michael Burton](#), an analyst at FBN Securities Inc. in New York, said in an interview. He rates the shares "[outperform](#)," and doesn't own any himself.

[Qualcomm](#) jumped \$2.65, or 5.8 percent, to \$48.34 at 4 p.m. New York time in Nasdaq Stock Market trading, the biggest gain since July 22. The stock has advanced 4.5 percent [this year](#).

[Net income](#) rose 7.7 percent to \$865 million, or 53 cents a share, in the three months ended Sept. 26, from \$803 million, or 48 cents, a year earlier. Sales increased 9.7 percent to \$2.95 billion. Analysts had predicted third-quarter profit of 46 cents a share on revenue of \$2.87 billion.

'Exceptional Quarter'

"Exceptional quarter -- well above expectations," [Edward Snyder](#), managing director at Charter Equity Research in San Francisco, said in an interview. He recommends buying Qualcomm shares and says he owns some. "Next quarter will also be very good. They've got a nice run ahead of them."

Qualcomm, which suspended sales of its Flo TV devices last month, said yesterday it's evaluating options for the business. That may include a sale, joint venture, operating it under a new wholesale service, or selling the spectrum licenses and discontinuing the network. The company said it would incur charges of \$125 million to \$175 million in fiscal 2011 to exit the business.

Qualcomm chips were found in 77 percent of 57 phones that run [Google Inc.](#)'s Android software, according to consulting firm PRTM. The phones came from 12 manufacturers, PRTM said.

Tablet computers with the Android operating system are also reaching the market, and Qualcomm makes Snapdragon processors that run these devices.

[Maynard Um](#), an analyst at UBS AG in New York, increased his 12-month share price target for Qualcomm last week to \$49 from \$45, citing opportunities with tablet computers.

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