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CORRECTED - UPDATE 2-Qualcomm shares up as inventory slide reassures

Wed, Nov 17 2010

(Corrects to change name of display unit to Mirasol, not Mirador in paragraphs 14,15)

* Presentation material indicates low inventory

* Investors relieved about inventory comment-analysts

* Sees double-digit EPS, Rev growth over next 5 years

* Sees strong smartphone growth in coming years

* Qualcomm shares up 3.5 pct (Rewrites to highlight inventory, adds analysts, byline; updates shares)

By Sinead Carew

NEW YORK, Nov 17 (Reuters) - An indication from Qualcomm Inc (QCOM.O: Quote, Profile, Research, Stock Buzz) that chip inventory levels are lower than usual reassured investors who were worried about the prospects for overstocking of chips in the wireless market.

The company's shares were up 3.5 percent as investors interpreted a diagram, in materials distributed at the chip supplier's analyst day, to mean the company is no longer worried about inventory levels.

Qualcomm had said during its quarterly earnings conference call on Nov. 3 that chip inventory appeared to be rising higher than usual for this time of the year. [ID:nN03126519]

But a diagram expected to be presented by Chief Financial Officer William Keitel later in the day showed an estimate for lower than usual inventory.

"People are generally relieved," RBC analyst Mark Sue said ahead of Keitel's presentation. "That means they can sell more in the future."

Another analyst, Ed Snyder of Charter Equity Research, said: "Any indication inventory is going to be lower is a good thing."

Qualcomm also said it expects to boost its revenue and earnings per share by at least 10 percent a year over the next five years due to increasing demand for its chips in smartphones and other gadgets like tablet computers.

"We're absolutely targeting double-digit revenue and EPS growth over the next five years," Chief Executive Paul Jacobs told the audience at the company's investor meeting on Wednesday.

Shares of Qualcomm were up 3.5 percent at $48 in afternoon trading on Nasdaq after Jacobs spoke.

BMO Capital Markets analyst Tim Long said in a research note that Qualcomm's guidance was "very achievable."

Earlier this month Qualcomm reported quarterly earnings per share of 68 cents per share, excluding items such as its investment arm, on revenue that rose 10 percent to $2.95 billion.

Jacobs cited estimates that smartphones, which require more expensive wireless chips, would rise from 15 percent of the phone market in 2009 to 45 percent in 2014, when he expects 900 million smartphones to be shipped.

Between 2011 and 2014 Jacobs expects 2.5 billion smartphones to be shipped.

Jacobs also said that in the first half of 2011, the company expects to see commercial launches of e-readers that use Qualcomm's Mirasol display technology, a new business for the San Diego, California-based company.

Jacobs said the Mirasol technology would be key to reducing battery drain in smartphones, which have increasingly high power requirements as consumers use them for services such as Web surfing, as well as talking.

"Display is increasingly a dominant factor in the amount of power that's being used by your device," Jacobs said. "The batteries are not keeping up with the demand." (Reporting by Sinead Carew; editing by Derek Caney and Tim Dobbyn)

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