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Qualcomm raises outlook as mobile chip sales jump

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By [Noel Randewich](#)

SAN FRANCISCO (Reuters) - Qualcomm Inc (QCOM.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) raised its forecasts for second-quarter and 2011 revenue as sales of its chips for wireless devices accelerate in China and India, and its shares rose 6 percent.

The company, whose chips are used by mobile device makers including Apple (AAPL.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and HTC (2498.TW: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), raised its forecast for fiscal 2011 revenue by \$1.2 billion, far surpassing Wall Street's estimate.

The San Diego-based company has said it expected to boost revenue and earnings per share by at least 10 percent a year over the next five years on the back of accelerating demand for chips in smartphones and tablet computers.

"Not only was their quarter much better than expected but guidance for next quarter is even better," said Charter Equity Research analyst Ed Snyder. "All the suffering of a year ago has paid off in much bigger design wins, and now those are all coming to fruition."

Qualcomm vies with the likes of Texas Instruments TXN.N and Nvidia (NVDA.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) in supplying chips for smartphones, tablets and other wireless devices, sales of which have boomed as consumers rapidly adopt mobile gadgets, sometimes in place of desktop.

Executives told analysts on a conference call that the company's dual-core chip designs will begin to ramp up later in the fiscal first half of 2011 across "multiple manufacturers" and that mobile devices will increasingly use the latest LTE high-speed wireless technology.

"In the second half of the (fiscal) year, and even the quarter we're in, you're seeing increased demand coming out of India and China," Executive Vice President Steve Mollenkopf told Reuters.

The jump in Qualcomm's fiscal 2011 forecast is based on expecting \$650 million more from its chipset business and \$550 million from its licensing, including the recent resolution of a licensing dispute.

TOOTH AND NAIL

The increasing popularity of smartphones using high-performance processors has helped boost average selling prices for Qualcomm's products, although analysts warn that could slow as competition increases.

"Even though Qualcomm is an incumbent player, with this whole transition from (cell)phones to smartphones and new product categories, they're still being very competitive," said Roth Capital Partners analyst Arnab Chanda.

Verizon Wireless is set to start selling a new version of Apple's popular iPhone 4 in early February that is expected to include a key chip made by Qualcomm.

Qualcomm faces fierce competition from smaller rival Nvidia in getting its processors into upcoming tablets running Google's (GOOG.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) Android operating system.

Demonstrating its determination to become a major player in smartphones and tablet computers, Qualcomm this month said it would buy Atheros Communications Inc ATHR.O, a major producer of chips used in WiFi, bluetooth and ethernet networking, for roughly \$3.2 billion in cash.

Qualcomm expects revenue for the current, fiscal second quarter to rise to between \$3.45 billion and \$3.75 billion, above the \$3.1 billion expected by analysts. It projected earnings per share of between 77 cents and 81 cents, also outpacing the Street's target of 68 cents.

Qualcomm revenue rose to \$3.35 billion in the December quarter, up 25 percent from the year-ago quarter. That was above analysts' average estimate of \$3.2 billion, according to Thomson Reuters I/B/E/S.

It said fiscal 2011 revenue would be between \$13.6 billion to \$14.2 billion, surpassing Wall Street's estimate of \$12.8 billion.

It posted net income of \$1.17 billion for the first quarter ended December 26, up 39 percent from a year earlier. Excluding items, Qualcomm earned 82 cents per share, up 32 percent year over last year.



Shares of the company rose to \$55 after closing up 0.66 percent at \$51.86 on the Nasdaq.

(Editing by [Edwin Chan](#), Steve Orlofsky and Phil Berlowitz)

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