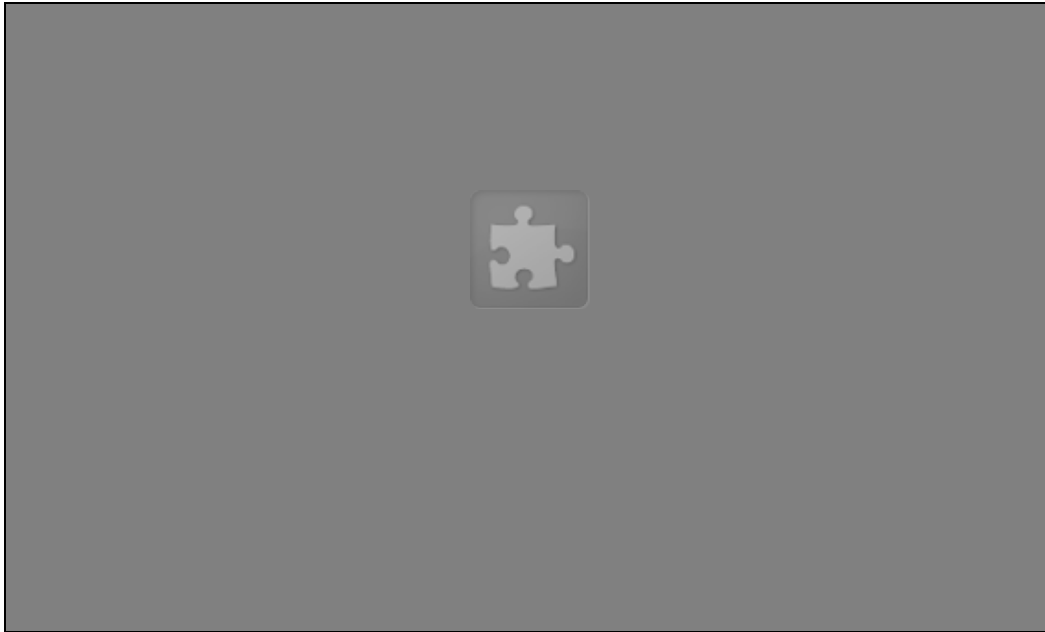


Qualcomm Teed Up for Verizon iPhone

Scott Moritz

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Corrected. Qualcomm will collect a full 3G royalty on 4G phones that have 3G capability. The original version of this story mistakenly said the rate would be a mix of 4G and 3G rates.

NEW YORK ([TheStreet](#)) -- **Qualcomm** ([QCOM](#)) bulls have gotten pretty jazzed while awaiting the wireless shop's earnings and outlook that hit after the bell Wednesday.

The excitement around Qualcomm is a simple three-part story: The surging sales of smartphones in the fourth quarter, the big supply win for **Apple's** ([AAPL](#)) CDMA (**Verizon** ([VZ](#))) iPhone and the huge opportunity to supply 4G chips to the iPhone 5.

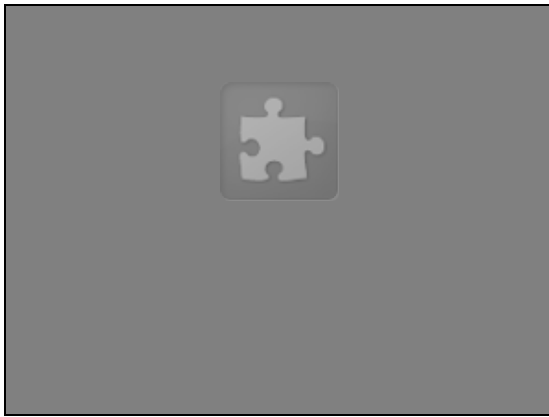
While the rosy scenario helped lift Qualcomm shares to a two-year high a week ago, concerns about Qualcomm's outlook have since tempered the enthusiasm a bit this week.

The risks to Qualcomm's success also come in threes. Qualcomm's Snapdragon processor for mobile devices faces rising competition from **Samsung's** Hummingbird and **Nvidia** ([NVDA](#)) Tegra chips. Long-time partner **Motorola** ([MMI](#)) opted to [use its own 4G chip in its Xoom tablet](#). And royalty rates from Qualcomm's patent licensing business are decreasing.

For the December quarter, analysts expect Qualcomm to post adjusted earnings of 72 cents a share, up a dime from year-ago levels, according to Yahoo! Finance. And sales are expected to be \$3.2 billion, a sweet 20% year-over-year increase.

Calling for a classic beat and raise performance tonight, Charter Equity Research analyst Ed Snyder said Qualcomm's is in a very strong position. "The lack of a strong competitor in 3G baseband has handed Qualcomm a large and growing share of the smartphone business," Snyder wrote in a research note Friday.

But on the chip side of Qualcomm's business, some analysts remain cautious. Qualcomm enjoys a dominance of the 3G wireless chip market, but the tables turn significantly in 4G. Qualcomm's royalty rate in LTE or 4G is 3.25%, well down from 5% in 3G. But as long as 4G phones are sold with 3G capability, Qualcomm will continue to collect the higher rate.



The upshot: the smartphone boom could one day turn into a bust for Qualcomm -- but not anytime soon.

--Written by Scott Moritz in New York.

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