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Broadcom outlook for profit margin disappoints

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NEW YORK (Reuters) - Chip maker Broadcom Corp (BRCM.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) said its gross profit margin for the current quarter would drop from the first quarter because of acquisition-related costs, and its shares fell as much as 1.9 percent in after-hours trade.

Broadcom's on Tuesday reported first-quarter earnings and revenue than were higher than Wall Street expected, but investors worried about rising costs at the company, which closed its \$3.7 billion acquisition of NetLogic Microsystems during the quarter.

The company, a maker of chips for products ranging from cellphones to network equipment, is also suffering from weak phone sales at chip customer Nokia Oyj (NOK1V.HE: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and stiff competition from rival Qualcomm Inc (QCOM.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)).

"They did well in the quarter, but their guidance is a tad weak," said Charter Equity Research analyst Ed Snyder. "With improving overall revenue you'd expect margins to move up a bit."

Broadcom reported a GAAP gross margin of 48.1 percent for the first quarter but did not say how far it expects the number to fall this quarter. On a non-GAAP basis, it said gross margin would stay around the first-quarter level of 52 percent.

The company forecast revenue of \$1.9 billion to \$2 billion, implying a midpoint below the \$1.969 billion expected by Wall Street, according to Thomson Reuters I/B/E/S.

Executives told analysts on a conference call that revenue from network equipment clients would rise this quarter but that wireless sales would be roughly unchanged from the first quarter.

Broadcom's first-quarter revenue rose slightly to \$1.827 billion from \$1.816 billion. That compared with Wall Street's estimate of \$1.799 billion.

Its profit fell to \$88 million, or 15 cents per share, from \$228 million, or 40 cents per share, in the year-ago quarter.

Excluding unusual items, it earned 65 cents per share, well above the 55 cents estimated on average by analysts.

Broadcom shares fell as far as \$36 in late trade after closing at \$36.70 on the Nasdaq.

(Reporting by [Sinead Carew](#); Editing by [Gary Hill](#) and Steve Orlofsky)

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