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UPDATE 4-Qualcomm cuts outlook for current qtr, sees strong Dec

Wed, Jul 18 2012

- * Q3 EPS \$0.85 vs Street view \$0.86
- * Company cuts semi volume target for Q4, eyes strong Dec quarter
- * Says Q4 outlook hurt by inventory correction before big phone launches
- * Shares rise about 6 pct in late trade

By [Sinead Carew](#)

NEW YORK, July 18 (Reuters) - Qualcomm Inc cut its revenue and earnings forecast for the current quarter on weaker-than-expected demand for semiconductors, but investors took heart as it said that sales would improve for a strong last quarter of 2012.

Qualcomm shares rose 6 percent in late trade after the leading provider of chips for cellphones said it expects a "strong December quarter" as it will have overcome a shortfall in its advanced chip supply by year end.

The San Diego-based company is expected to supply chips for the next Apple Inc iPhone model, which analysts widely expect to go on sale in time for the holiday shopping season.

Qualcomm said it expects big smartphone launches to boost chip sales in the holidays despite a weaker economic outlook. It said that lower-than-expected sales in the current quarter would be mostly due to customers' cutting inventory to prepare for new holiday product launches.

"We think there's a number of flagship devices that phone manufacturers will be launching. Like last year the consumer uptake was quite strong so we're expecting a similar situation this coming December" Chief Financial Officer William Keitel told Reuters, but declined to name the phone makers.

"They're saying everything they can to point to Apple without saying Apple," said Charter Equity Research analyst Ed Snyder. "People are looking past the current quarter into the holiday season and they like what they see."

28 NANOMETER RAMP UP

Qualcomm also said it had made big progress in expanding its chip manufacturing capacity. The company warned in April that it would lose out on a lot of revenue as it was unable to meet demand for advanced chips due to a 28 nanometer manufacturing capacity shortfall at contract manufacturer TSMC.

Keitel said that Qualcomm is now ramping up production of 28 nanometer chips with four different manufacturing companies. Analysts said this was good enough news that it distracted investors from the weakness in the current quarter.

Investors also appeared to overlook Chief Executive Paul Jacob's admission on a conference call that it had to inform U.S. regulators that it gave gifts or other benefits to people associated with state-owned companies or agencies in China.

The finding was part of an investigation that Qualcomm says arose from a "whistleblower's" allegations made in December 2009 to the company's audit committee and regulators.

Qualcomm said it believes the total monetary value of the benefits in question to be less than \$250,000. Jacobs said he was unable to predict the outcome of the investigation.

OUTLOOK CUT, AN INVENTORY ISSUE

Qualcomm cut its revenue target for its fiscal full year 2012, which ends in September to a range of \$18.7 billion to \$19.1 billion from \$18.7 billion to \$19.7 billion.

It cut its non-GAAP earnings per share target to a range of \$3.61 to \$3.67 from its prior target of \$3.61 to \$3.76.

Another analyst, James Faucette of Pacific Crest Securities, said investors were brushing off the worse-than-expected fiscal fourth-quarter outlook and focusing on the fact "that the ramp in 28 nanometer chips is happening."

Qualcomm posted a profit of \$1.207 billion, or 69 cents per share for its second quarter ended June 24, compared with a profit of \$1.035 billion or 61 cents per share in the year-ago quarter.

Excluding certain items, Qualcomm earnings per share would have been 85 cents compared with Wall Street expectations of 86 cents, according to Thomson Reuters I/B/E/S.

Revenue rose to \$4.63 billion from \$3.62 billion, compared with analyst expectations of \$4.677 billion.

Qualcomm shares rose to \$59.28 in late trade after closing at \$56.05 in regular Nasdaq trade. The stock had fallen 16 percent from its \$66.99 close on April 18 just before it warned of the 28 nanometer shortage.

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