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UPDATE 4-Qualcomm revenue beats Street, shares rise

Wed, Nov 7 2012

- * Sees strong 2013 despite increased competition, weak economy
- * Q4 helped by improving supply of 28-nanometer chips
- * Q4 shr \$0.89 vs Street view \$0.82, rev \$4.87 bln vs Street view \$4.66 bln
- * Sees Q1 rev above Street view
- * Shares rise 8 pct in late trade

By [Sinead Carew](#)

NEW YORK, Nov 7 (Reuters) - Qualcomm Inc posted quarterly earnings and revenue that blew past Wall Street expectations and sent its shares up 8 percent as demand increased for chips used in devices such as the Apple Inc iPhone and it overcame a supply shortage.

The leading supplier of chips for cell phones also gave a bullish forecast for the current quarter and the year ahead, in stark contrast to bleak outlooks from other chip companies such as Texas Instruments and Intel Corp.

San Diego-based Qualcomm was helped by pent-up demand for its most advanced wireless chips after their sales were stunted earlier this year by a shortage of 28 nanometer manufacturing capacity.

Fourth-quarter sales were also boosted by the launch of the latest iPhone at the end of the quarter and the popularity of smartphones from Samsung Electronics Co.

"Clearly Apple is playing a part here, as is Samsung," said Charter Equity Research analyst Ed Snyder.

However, Qualcomm, which is well ahead of rivals such as Broadcom Corp and Intel in developing chips for high-speed wireless devices, may start to see more pressure once its rivals bring out new products next year, Snyder said.

Even though he expects Qualcomm to have better products than newer offerings from its rivals, it will still see price pressure as phone makers want more than one supplier, said Snyder, who is also worried about worsening global economic conditions.

"I think this is the peak. The air will slowly come out of the balloon in the next couple of quarters," he said. "The macro trends they've been able to buck they won't be able to buck forever."

Qualcomm forecast first quarter revenue of \$5.6 billion to \$6.1 billion compared with Wall Street expectations for \$5.6 billion according to Thomson Reuters I/B/E/S.

It forecast full-year 2013 revenue growth in a range of 20 percent to 26 percent compared with revenue growth of 28 percent in 2012.

Chief Financial Officer William Keitel said that the company has factored a weakening world economy and an increase in competition into its estimates for 2013.

"Despite a somewhat lackluster world economy and despite very intense competition, we're pretty optimistic on our financial outlook for 2013," Keitel told Reuters.

Qualcomm told analysts on a conference call that it was able to boost its 28 nanometer chip supply significantly in the fourth quarter and that it is on track for supply to match demand for these chips by the end of December.

This was a key driver in boosting Qualcomm's revenue 18 percent to \$4.87 billion from \$4.12 billion in the year-ago quarter and well above Wall Street expectations for \$4.66 billion according to Thomson Reuters I/B/E/S.

Excluding unusual items, its earnings per share was 89 cents a share compared with Wall Street expectations for 82 cents according to Thomson Reuters I/B/E/S.

"We have to take our hat off to Qualcomm management here on their execution," JPMorgan analyst Rod Hall said in a research note referring to the company's ability to overcome its supply shortage.

Qualcomm's net profit for its fiscal fourth-quarter ended Sept. 30 rose to \$1.27 billion, or 73 cents per share, from \$1.06 billion, or 62 cents per share, in the year-ago quarter.

It estimated that first quarter earnings per share would increase to a range of 90 cents to 98 cents.

Shares of Qualcomm rose almost 8 percent to \$62.74 in late trade after closing down almost 4 percent at \$58.12 on Nasdaq.

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