

Qualcomm stock takes hit as analysts cite weak outlook

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SAN FRANCISCO (MarketWatch) -- Shares of Qualcomm Inc. traded down sharply Thursday a day after the company said it swung to a profit, but also issued an outlook that analysts found disappointing.

Qualcomm [QCOM, +0.55%](#) shares fell 7.7% to \$39.33 Thursday, as analysts also cited growing competitive pressures on the San Diego, Calif.-based maker of chips for mobile devices.

"Qualcomm reported in-line results and guidance, a relative disappointment since competitors continue to report upside results," FBR Capital analyst Craig Berger said in a note. "Indeed, this is another quarter of little overall growth in revenues and profits dating back to mid-2007."

Berger added that the company is "clearly being negatively impacted ... chipset share losses to Mediatek and Broadcom [BRCM, -0.41%](#) chipset pricing pressure due to intense competition, device pricing pressure as smartphones get cheaper (impacts royalty business), still falling royalty rates, and excessive operating expense spending."

Brigantine Advisors analyst Allan Mishan also noted that, "for the fourth quarter in a row, Qualcomm provided quarterly guidance that points to a sequential revenue decline."

On the other hand, Charter Equity analyst Edward Snyder offered a more upbeat view, saying in a note, "We believe that skepticism about Qualcomm's prospects is kicking in at exactly the wrong time."

Among the reasons he cited was the "market wide shift towards 3G which we think will lead to a sharply improving outlook once the company reaches the trough for declining chip [average selling prices] and margins in the upcoming period."

Late Wednesday, Qualcomm reported a fiscal second-quarter profit of \$774 million, or 46 cents a share, compared with a loss of \$289 million, or 18 cents a share, in the year-earlier period.

Revenue rose to \$2.7 billion from \$2.45 billion.

Adjusted earnings were 59 cents a share, after taking out one-time events. Analysts had expected Qualcomm to earn 57 cents a share, on revenue of \$2.6 billion, according to a consensus survey by Thomson Reuters.

Chief Executive Paul Jacobs attributed the company's results to "healthy 3G device shipments and greater than expected demand for our chipsets."

However, Jacobs also noted the company continues "to operate in a competitive chipset pricing environment."

In its current quarter, Qualcomm said it expects revenue in the range of \$2.5 billion to \$2.7 billion, and adjusted earnings of 51 cents to 55 cents a share. However, analysts had projected the company will earn 55 cents a share, on revenue of \$2.7 billion, according to a Thomson Reuters survey.



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