



How Long Can Qualcomm Go Without Mentioning Apple or Intel?

by Aaron Pressman

@ampressman

APRIL 20, 2016, 7:48 PM EDT



Steven Mollenkopf, chief executive officer of Qualcomm Inc., speaks during an event at the 2016 Consumer Electronics Show (CES) in Las Vegas, Nevada, U.S., on Tuesday, Jan. 5, 2016.

Photograph by Bloomberg via Getty Images

At least an hour, as CEO won't talk specifics with analysts

It's been widely rumored, but never officially confirmed, that **Apple plans to use wireless modem chips from Intel** in upgraded iPhone models later this year. And that poses quite a quandary for executives at Qualcomm, whose iPhone modem chips will likely be displaced, as well as the cadre of Wall Street analysts who try to forecast the company's results.

For about the first 56 minutes of the company's hour long earnings conference call on Wednesday, CEO Steven Mollenkopf and his top staff along with a dozen or more analysts managed to talk around the Apple-Intel issue. No one mentioned Apple (**AAPL ▼ -1.39%**) or Intel (**INTC ▼ -2.75%**) by name. It was all about "large customers" that probably were going to "second source" some chips, industry jargon for adding a competing supplier.

Near the beginning of the call, Mollenkopf tried to reassure investors by saying the company had always anticipated in its financial forecasts that "large customers" would sometimes switch to rival chipmakers. Even with those defections, he said he believed the company could achieve its profit margin goals.

"We have strong confidence in our technology leadership," Mollenkopf said.

Investors don't know for sure how much of Qualcomm's revenue and profits are directly attributable to the iPhone. But analysts have recently estimated that if Intel won 30% to 40% of the iPhone chips, it would reduce Qualcomm's earnings per share next year by 6% to 9%.

Overall, Qualcomm (**QCOM** ▼ **-3.24%**) said on Wednesday that its fiscal second quarter earnings and outlook for the rest of the year were **somewhat weaker-than-expected**. Its shares dipped about 2% in after hours trading.

Under Mollenkopf, Qualcomm has gotten in the habit of issuing all manner of detailed forecasts about its own business, the global smartphone market and the price of tea in China (just kidding about the tea). But with the Apple-Intel deal looming, analysts had a hard time accepting the CEO's assurances and kept pressing. And Mollenkopf kept returning to his script.

Finally, with the call almost concluded, Edward Snyder, an analyst at Charter Equity Research, asked about the scripted answer and broke the silence by naming Intel.

“Are we to imply from that statement that the mere mention of it means that it will be material in either [the number of] units or [profit] margins,” Snyder asked in an effort to determine whether Qualcomm's business would truly suffer. “And along the same lines, since we are talking about Intel, it is true that every modem they've shipped so far has been fabbed at TSMC [made

by Taiwan Semiconductor], but does your calculus on competition or market share change if they move that modem into their own process?”

Mollenkopf dismissed the second half of the question about whether it mattered if Intel made the chips themselves, but still wasn't taking the bait even when the name of the competition came up.

“It's really a communication of a planning assumption and also confidence in us meeting our long term trajectory,” he said. “And I think it's important to make sure people understand that. We do feel very confident, though, in our position in the modem segment.”

Most analysts **assume Intel will grab only a small portion** of Apple's iPhone business. Mollenkopf may know more, but for now at least, he's only willing to give hints.