

Qualcomm posts 2nd-qtr loss on legal settlement

April 27 2009, By ELLIOT SPAGAT , AP Business Writer

(AP) -- Qualcomm Inc. posted a fiscal second-quarter loss Monday on a hefty payment to rival chip maker Broadcom Corp. to end legal disputes that spanned several continents.

The settlement with [Broadcom](#), announced late Sunday, calls for Qualcomm to pay \$891 million over four years. Broadcom is a relative newcomer to the business of making chips for cell phones but proved to be a fierce legal adversary.

Qualcomm lost \$289 million, or 18 cents a share, during the three months ended March 29, compared to a profit of \$766 million, or 47 cents a share, a year ago. The latest quarter includes a charge of \$748 million, or 43 cents a share, to pay Broadcom.

Qualcomm's second-quarter revenue slid 5.8 percent to \$2.46 billion from \$2.61 billion, above an average estimate of \$2.35 billion among analysts polled by Thomson Reuters.

Its shares rose \$2.36, or 5.7 percent, to \$43.72 in morning trading. Broadcom shares gained 30 cents, 1.2 percent, to \$24.52.

The agreement with Broadcom comes nine months after Qualcomm made peace with [Nokia](#) Corp., the world's largest [cell phone](#) maker. Ending the Broadcom fight removes a distraction for Qualcomm's management and engineers and lifts uncertainty for Qualcomm customers, said Paul Jacobs, Qualcomm's chairman and chief executive.

"There were just a number of things that led us to decide that this was the right thing to do," Jacobs said on a conference call with investors. "We had been in discussions with them on and off over a fairly long period of time and finally we were able to get to a solution that worked."

Qualcomm predicted fiscal third-quarter revenue between \$2.4 billion and \$2.6 billion, above an average analyst estimate of \$2.35 billion but down from \$2.76 billion last year.

Qualcomm estimated third-quarter operating income between \$550 million and \$650 million, down from \$820 million last year. In January, Qualcomm stopped estimating per-share earnings, saying [financial markets](#) were too volatile to predict how its investments will fare.

[Qualcomm](#) makes chips for many of the world's cell phones but gets most of its profit from royalties on patented technologies for cell phones and other gadgets.

The company became entangled in a web of legal and trade disputes in 2005, around the time that Jacobs became chief executive, a job that was long held by his father, Irwin Jacobs. Many companies accused the San Diego-based company of charging excessive and unjustifiable royalty fees on chips.

After several setbacks in court, in 2007 Jacobs hired Donald Rosenberg as general counsel, luring him from Apple Inc.

"My goal was to get us back to being able to focus on our knitting," Rosenberg said in an interview. "Litigation is a huge distraction as well as an expense."

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