

Qualcomm's profile rises as wireless invades consumer tech

January 11 2010, By Dan Gallagher

Paul Jacobs faced a unique challenge when he delivered his keynote address at the Consumer Electronics Show in Las Vegas on Friday, in that relatively few people have even heard of his company.

After all, most of the executives who land one of the coveted slots at the high-tech industry's largest annual gathering are from big-name companies well known throughout the world. [Microsoft](#) Corp., Sony Corp. and [Intel](#) Corp. are the more typical names here. [Qualcomm](#) Inc., by contrast, is best known for its name on San Diego's football stadium, despite the fact that it drew more than \$10 billion in revenue for its most recent fiscal year ended in September.

"We're the biggest company no one has ever heard of," joked Steve Mollenkopf, an executive vice president who runs the company's division that makes chipsets used to power a broad range of wireless devices.

For Jacobs, who took over the chief executive reins at Qualcomm in 2005, it was his first appearance on a CES keynote program. Qualcomm was an early pioneer in digital wireless communications, and was the developer of the CDMA standard that now forms the backbone of most current wireless services on the market. The company makes most of its money building chipsets for wireless devices or licensing that technology to other manufacturers.

Its profile is rising sharply as more consumer devices become connected.

Products such as e-readers, digital cameras and tablet devices all come with wireless connectivity built in, pushing demand for Qualcomm's technology and positioning the company to play a major role in the growing consumer market.

"We believe that all consumer-technology devices are going to be connected," Jacobs said in his keynote.

Qualcomm has made several headlines in recent days with its efforts to get its technology into a new class of wireless devices.

The company has developed Snapdragon, a processor designed to power devices that would fall somewhere between a smart phone like the BlackBerry and a [netbook](#) -- the popular, ultrasmall laptop devices designed for basic functions like Web surfing.

With Snapdragon, Qualcomm hopes to create a new category called smartbooks. The chipset has low power consumption, which lets a device remain connected to a network like a cell phone, but in a larger form factor with a keyboard to make data entry easier.

PC maker Lenovo debuted a Snapdragon-powered smartbook at CES, and Hewlett-Packard Co. demonstrated another that is not yet on the market.

The Snapdragon can also work in smaller devices. In fact, Qualcomm's biggest win may have been getting the chip into the Nexus One phone announced by Google Inc. one day before the conference.

"Qualcomm is the single best semiconductor company in position to enable global carrier and mobile consumer electronics strategies, in our view," Alex Guana of JMP Securities wrote to clients Tuesday, upgrading the stock to an outperform rating.

Qualcomm is strongly favored on Wall Street, where 30 of the 35 brokers who cover the stock rate the shares as a buy.

Analysts believe the growing demand for wireless phones -- particularly high-end smart phones -- will give Qualcomm a strong boost. Besides Snapdragon, the company is also getting support from carriers for its Brew mobile-operating system. Jacobs took the stage at an AT&T Inc. event Wednesday to tout the platform.

"Qualcomm has been the surprise winner of the announcement battle so far, with AT&T announcing it will use Qualcomm's Brew platform to spur app development for midrange messaging devices," Matt Hoffman of Cowen & Co. wrote in a note Thursday.

Mark Sue of RBC Capital Markets lifted his price target on Qualcomm from \$50 to \$55 on Tuesday. He cited improvements in the wireless market that will help the company's main chipset business, and also the outlook for new types of devices.

"Qualcomm may benefit as device manufacturers move toward single-chip solutions to decrease the overall cost of their respective devices," Sue wrote. "Beyond [smart phones](#), the rapid growth in mobile-tablet devices, which will be unveiled this week at CES, may also help Qualcomm's overall chipset segment."

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