

Qualcomm stock tumbles on cautious forecast

January 27 2010, By PETER SVENSSON , AP Technology Writer



In this photo made Jan. 9, 2010, the Qualcomm logo is seen at an exhibit at the Consumer Electronics Show in Las Vegas. Qualcomm releases quarterly financial results at the close of the market Wednesday, Jan. 27, 2010. (AP Photo/Paul Sakuma)

(AP) -- Qualcomm Inc., whose chips and other technologies are used in vast numbers of cell phones, sounded a cautious note on the economy on Wednesday, saying a "subdued" recovery forced it to slightly dial back expectations for 2010.

The company's stock fell 10 percent in extended trading.

A lagging recovery in Europe and Japan and greater demand for cheap phones prompted [Qualcomm](#) to reduce its sales estimate for the year, said CEO Paul Jacobs.

The company had expected sales of \$10.5 billion to \$11.3 billion for the

[fiscal year](#), which ends in September. It's now expecting \$10.4 billion to \$11 billion. It kept its full-year [earnings](#) estimate at \$1.56 per share to \$1.76 per share.

However, Qualcomm gave a forecast for the current quarter that came in under the expectations of Wall Street analysts. It expects earnings of 49 cents to 53 cents excluding items, and revenue between \$2.4 billion and \$2.6 billion. Analysts were expecting earnings of 57 cents per share, excluding items, on revenue of \$2.75 billion.

For the just-ended fiscal first quarter, Qualcomm posted net income that more than doubled. But it said much of the increase came from investments as financial markets stabilized.

It posted [net income](#) of \$841 million, or 50 cents per share, in the quarter that ended Dec. 27. That was up from \$341 million, or 20 cents per share, in the same period the year before.

Revenue rose 6 percent from the same period a year earlier to \$2.67 billion.

The company said that earnings excluding one-time items were 62 cents per share. Analysts, on average, were expecting a profit of 56 cents per share on sales of \$2.7 billion, according to Thomson Reuters.

Qualcomm derives much of its revenue from [royalties](#) phone manufacturers pay for the right to use its patents. The royalties are roughly 3.4 percent of the wholesale price of the phone, so Qualcomm gets less money if cheaper phones are sold. That hurt results in the last quarter.

Average selling prices for CDMA phones, used on the networks of Verizon Wireless and Sprint Nextel Corp. among others, were \$184,

rather than the \$198 Qualcomm had been expecting. It expects that trend to continue this year, with prices averaging \$181 rather than the \$189 it had previously forecast.

Shares of Qualcomm, which is based in San Diego, fell \$4.81, or 10.2 percent, at \$42.39 in extended trading after the release of the results.

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Citation: Qualcomm stock tumbles on cautious forecast (2010, January 27) retrieved 26 April 2024 from <https://phys.org/news/2010-01-qualcomm-stock-cautious.html>

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