

Qualcomm results shine amid smartphone optimism

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In this April 18, 2011 photo, the exterior of Qualcomm offices are shown in Santa Clara, Calif., Monday, April 18, 2011. Qualcomm Inc., reports quarterly financial earnings Wednesday, April 20, after the market close.(AP Photo/Paul Sakuma)

(AP) -- The rise of smartphones is leading to a profound shift in the semiconductor industry, as companies that focus on mobile chips have found themselves in computing's new sweet spot.

Qualcomm Inc., whose chips are inside Apple Inc.'s iPhone and more than half of all new smartphones based on Google Inc.'s rival Android operating system, showed Wednesday how lucrative that position can be.

The company reported after the market closed that its net income jumped 29 percent and revenue rose 46 percent in the latest quarter,

easily surpassing Wall Street's targets. Stronger sales of its communications chips were key, as were higher licensing fees for Qualcomm's wireless technology.

Qualcomm said it resolved the second of two previously disclosed disputes with licensees, and that the latest quarter included \$401 million in revenue related to previous quarters as a result of those settlements.

The company raised its guidance for the current quarter, and its shares rose \$2.73, or 5 percent, to \$58 in extended trading, after the results were reported.

Qualcomm's net income was \$999 million, or 59 cents per share, versus \$774 million, or 46 cents per share, a year ago.

Excluding items, the company would have earned 86 cents per share, better than the 80 cents per share that analysts polled by FactSet were expecting.

Revenue rose 46 percent to \$3.88 billion, ahead of the \$3.62 billion analysts expected.

For the current quarter, the company expects net income of 68 cents per share to 72 cents per share, excluding items. Analysts had predicted 69 cents per share. Qualcomm sees revenue of \$3.35 billion to \$3.65 billion, ahead of the \$3.40 billion that analysts had been forecasting.

The numbers indicate how small, Internet-connected gadgets are reshaping the computer market.

Some analysts have expressed concerns about the ability of entrenched companies in the PC industry such as Intel Corp. and Microsoft Corp. to adapt to a market that's tilting toward leaner and lower-power devices.

But the sheer scale of the PC industry means there's still plenty of money to be made there.

Intel, the world's biggest maker of PC processors, is benefiting from strong sales to corporations, which are in the midst of a yearlong upgrade cycle. Intel reported quarterly numbers this week that also topped Wall Street's projections, helping lift other technology stocks Wednesday.

Qualcomm, which is based in San Diego, is in league with other companies such as Texas Instruments Inc. and Nvidia Corp. whose mobile chips are in demand for the new classes of mobile devices such as smartphones and tablets.

Texas Instruments reported this week that revenue from its wireless connectivity products increased, despite extensive damage to two its factories in Japan from the deadly March 11 earthquake and tsunami. Nvidia, best known for its graphics chips for PCs, is now gaining momentum with its Tegra brand of chips for phones and tablets.

Qualcomm's Snapdragon mobile processor is being used in a new tablet by Hewlett-Packard Co.. Qualcomm says some 20 tablets that use the chip are in development. The chip is also being used in smartphones that use Microsoft's Windows Phone 7 software.

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