

Apple cuts off payments, Qualcomm slashes expectations

April 28 2017



In this Sept. 16, 2016 file photo, Lisa Gao compares a new jet black iPhone 7, right, with her iPhone 6 at the Apple Store in Chicago. Qualcomm says Apple's refusal to pay royalties related to technology used in smartphones will take a big bite out of its profit and revenue. Apple Inc. has sued Qualcomm, saying the chipmaker is abusing its control over essential technology and charging excessive licensing fees. Qualcomm says Apple has indicated that it won't pay fees until the dispute is resolved. Representatives for the Cupertino, California-based iPhone did not immediately respond to a request for comment Friday, April 28, 2017. (AP Photo/Kiichiro Sato)

Qualcomm slashed its profit expectations Friday by as much as a third after saying that Apple is refusing to pay royalties on technology used in the iPhone.

Its shares hit a low for 2017.

Apple Inc. sued Qualcomm earlier this year, saying that the San Diego chipmaker has abused its control over essential technology and charged excessive licensing fees. Qualcomm said Friday that Apple now says it won't pay any fees until the dispute is resolved. Apple confirmed Friday that it has suspended payments until the court can determine what is owed.

"We've been trying to reach a licensing agreement with Qualcomm for more than five years but they have refused to negotiate fair terms," Apple said. "As we've said before, Qualcomm's demands are unreasonable and they have been charging higher rates based on our innovation, not their own."

Qualcomm said it will continue to vigorously defend itself in order to "receive fair value for our technological contributions to the industry."

But the effect on Qualcomm, whose shares have already slid 15 percent since the lawsuit was filed by Apple in January, was immediate.

Qualcomm now expects earnings per share between 75 and 85 cents for the April to June quarter. Its previous forecast was for earnings per share between 90 cents and \$1.15.

Revenue is now expected to be between \$4.8 billion and \$5.6 billion, down from its previous forecast between \$5.3 billion and \$6.1 billion.

Shares of Qualcomm Inc. tumbled almost 4 percent at the opening bell to \$51.22.

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Citation: Apple cuts off payments, Qualcomm slashes expectations (2017, April 28) retrieved 13 August 2024 from <https://phys.org/news/2017-04-apple-payments-qualcomm-slashes.html>

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