

Qualcomm profit up; slowdown seen

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WASHINGTON (CBS.MW) -- Qualcomm said late Wednesday that its quarterly net profit jumped nearly 50 percent, as wireless phone companies moved to upgrade their networks and offer handsets that take advantage of new services they can offer.

Yet shares of Qualcomm dropped in after-hours trading \$3, or 7 percent, to \$38.18 amid disappointment with the company's 2005 forecast. In regular-session trading before the report, the stock fell \$1.55 to \$41.07.

Analyst Ed Snyder of Charter Equity Research said the market for chips and phones based on Qualcomm's wireless technology appears to be softening after a "red hot" 2004. Qualcomm makes most of its money by licensing the wireless transmission standard CDMA, or code division multiple access, and it sells most of the chips used to power CDMA-based phones.

The technology is used by big wireless carriers in Asia as well as the United States, including Verizon and Sprint. Those companies are trying to lure customers with phones that can send instant messages, take pictures or play games.

Yet the San Diego-based company's forecast suggests that big carriers might curb some of their spending in 2005, Snyder said.

Rising profit

Qualcomm reported income of \$513 million, or 30 cents a share in its fiscal first quarter, up from \$352 million, or 21 cents, a year earlier.

Revenue climbed 15 percent to \$1.4 billion from \$1.21 billion.

Excluding one-time items and results from its QSI investment arm, the company earned \$474 million, or 28 cents a share. On that basis, analysts expected the company to make 27 cents a share, according to a Thomson First Call survey.

Looking to the second quarter, Qualcomm forecast profit from operations of 25 to 27 cents a share on sales of \$1.35 billion to \$1.45 billion.

Wall Street was projecting 30 cents a share and revenue of \$1.5 billion, though analysts caution that a major change in how Qualcomm accounts for its results could skew short-term comparisons.

The company also estimated that it will ship 35 million to 37 million MSM phone chips in the second quarter. Yet Snyder said investors were expecting shipments closer to 40 million.

Accounting change

Last quarter, Qualcomm said it would account for royalties when they are actually reported because of growing difficulties in estimating payments. Prior quarterly results have been adjusted to take that change into account.

Under the old method, Qualcomm estimated royalty payments for each quarter and made the necessary up-or-down adjustments in the following quarter.

The change does not affect the company's underlying business, Qualcomm said. The main effect is to push some current revenue into later periods.

Qualcomm, meanwhile, also raised its 2005 earnings forecast, though its revenue target was unchanged. The company said it expects to earn \$1.16 to \$1.20 a share, excluding QSI, on sales of \$5.8 billion to \$6.3 billion.

Wall Street had been forecasting \$1.18 a share and revenue of \$6.05 billion. ■

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