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Qualcomm revenue outlook misses estimates; profit slips

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By [Sinead Carew](#)

NEW YORK (Reuters) - Wireless chip and technology supplier Qualcomm Inc (QCOM.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) on Wednesday issued a revenue target for the current quarter that was below Wall Street expectations.

Qualcomm also said it expects South Korean regulators to hit it with a "substantial" fine due to charges of anti-competitive business practices there.

Qualcomm's shares fell to \$46.10 in after-hours trading from \$48.45 at the close on Nasdaq.

The company, which posted a small drop in fiscal third-quarter profit, forecast fourth-quarter revenue of \$2.55 billion to \$2.75 billion, implying a midpoint of \$2.65 billion, which is well below analysts' average estimate for \$2.72 billion, according to Reuters Estimates.

While Qualcomm had warned in early June that chip shipments could fall this quarter, many investors had hoped that its sales would end up being better than expected. Charter Equity Research analyst Ed Snyder said this is unlikely to happen.

"A good portion of the chips they shipped last quarter went to restocking depleted inventory. That won't happen again this quarter because the shelves are stocked now and consumer demand hasn't increased," he said.

Other analysts said Qualcomm was facing weaker demand in China this quarter compared with the quarter that just ended.

"In the June quarter you had a very strong build ... from CDMA promotions in China. Now we're coming down off that and the outlook for the China market is a little murky." Pacific Crest analyst James Faucette said.

The company said that it often sees seasonal weakness in the current quarter but that the underlying fundamentals of its business were strong despite global economic uncertainty that

had been causing phone makers to reduce chip orders.

"We believe that the significant CDMA inventory contraction observed in the first and second quarters has ended," Qualcomm Chief Operating Officer Bill Keitel told analysts on a conference call.

Qualcomm, which already has a long history of legal battles, said it expects the Korea Fair Trade Commission to shortly make a final decision on its case after days of hearings related to the KFTC's previously announced anti-competitive charges.

Areas at issue include the integration of certain functions in its chips as well as rebates and discounts it gives clients. The regulator could order changes to these practices as well as a fine, the company said.

While it expects the fine to have a material impact on its results of operations Qualcomm said it could not yet estimate the amount or "a reasonable range of potential loss."

The KFTC could take months to issue a formal order, according to Qualcomm, which said it would look for a stay and "pursue all avenues of appeal" to an adverse decision.

Because of its experience in legal fights, including recently resolved battles with companies such as Nokia (NOK1V.HE: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Broadcom (BRCM.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), Charter's Snyder said investors would likely focus more on its financial results.

Qualcomm on Wednesday posted a profit of \$737 million for its fiscal third quarter, ended June 28, down from \$748 million in the year-ago period. Excluding unusual items, its profit per share was 54 cents, compared with analysts' average estimate of 51 cents, according to Reuters Estimates.

Revenue fell slightly to \$2.75 billion from \$2.76 billion a year ago but was just ahead of analysts' average estimate of \$2.74 billion according to Reuters Estimates.

Qualcomm, which competes with Texas Instruments Inc TXN.N and others in the market for cellphone chips, raised its full-year revenue guidance.

It said that it now expects fiscal year 2009 revenue of \$10.25 billion to \$10.45 billion, up from its previous expectation of \$9.85 billion to \$10.25 billion.

But The midpoint of the new forecast, \$10.35 billion, fell short of the \$10.43 billion expected by analysts, according to Reuters Estimates.

Qualcomm stock had risen about 9 percent in the last week on expectations for a strong quarterly report.

(Reporting by Sinead Carew; Editing by [Richard Chang](#) and Carol Bishopric)

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