

UPDATE 3-Broadcom questions if Santa will come this holiday

- * Q3 revenue \$1.25 bln vs Wall St view \$1.16 bln
- * Sees Q4 revenue flat with Q3
- * CEO cautious about holiday season
- * Broadcom shares were down almost 8 pct in late trade (New throughout with added executive comment, guidance, share price update)

By [Sinead Carew](#)

CHICAGO, Oct 22 (Reuters) - U.S. chip maker Broadcom Corp ([BRCM.O](#)) warned that the economy may not be out of the woods yet and expressed concerns about the holiday season, after reporting lower profits and revenue in the third quarter.

"There's a little concern about whether Santa's coming this year or not," Chief Executive Scott McGregor said on a conference call with analysts on Thursday.

"Until we see the Thanksgiving holiday coming through we'll remain somewhat cautious," he added.

Shares of Broadcom, which makes chips for everything from cellphones to TV set-top boxes, fell almost 8 percent after its fourth-quarter targets failed to live up to investor expectations, even though results topped average forecasts.

Third-quarter revenue fell 3.4 percent from a year ago to \$1.25 billion but beat the average Wall Street estimate of \$1.16 billion according to Thomson Reuters I/B/ES.

Broadcom said fourth-quarter revenue would be flat with the third quarter.

The guidance surprised investors as Broadcom said third-quarter demand was better than expected across its product range. Analysts on the call questioned McGregor about whether he was seeing inventory overloads or customer over-ordering that could lead to cancellations.

But he said he was not concerned about inventory and did not see signs of distribution channel bottlenecks or double-ordering that could lead to cancellations.

He said the company was cautious after last year's sharp decline in demand in the fourth quarter, when the recession brought chip orders to a standstill.

"Our concern is that the economy is still not out of the woods yet," McGregor said.

Charter Equity Research analyst Ed Snyder said Broadcom probably was just being cautious even though it thwarted investor expectations going into what tends to be a strong quarter for consumer electronics and chips.

This was anticlimatic for some after chip makers Intel Corp ([INTC.O](#)) and Texas Instruments ([TXN.N](#)) posted strong results.

"They guided to flat for what should be an up quarter. They're just being conservative," said Snyder who noted that investors would also have liked a bigger margin improvement.

Broadcom said fourth-quarter profit margin would rise in a range of 0.2 percentage points to 0.5 percentage points from the third quarter.

Broadcom said net income fell to \$84.6 million, or 16 cents per share, from \$164.9 million, or 31 cents per share, in the same quarter a year ago.

Jefferies analyst Adam Benjamin said investors went into the quarter with higher expectations for results and guidance than the consensus numbers.

"Expectations were for a beat and then a guide of up mid- to high-single digits quarter on quarter," he said. "They are being cautious and watching to see how the sell-through goes."

The company, relatively new to the market for wireless baseband chips, the main chip in cellphones, said this business would be a major driver for growth in 2010.

McGregor cited volume shipments at Samsung Electronics ([005930.KS](#)) and said the company was ramping up with products at cellphone market leader Nokia ([NOK1V.HE](#)).

Broadcom shares fell to \$28.38 in late trade after closing at \$30.73 on Nasdaq.
(Reporting by Sinead Carew; Editing by David Gregorio)