UPDATE 3-Qualcomm guidance disappoints, shares down 9.8 pct

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* Q1 rev $2.67 bln vs Wall St view $2.698 bln

* Sees Q2 revenue down

* Cuts FY rev view but keeps EPS target

* Qualcomm shares fall 9.8 pct

By Sinead Carew

NEW YORK, Jan 27 (Reuters) - Qualcomm Inc's (QCOM.O) target for current-quarter earnings and revenue and full year revenue missed Wall Street expectations, and its shares fell 9.8 percent on concern about lower phone prices and fears of a slower-than-expected mobile chip market recovery.

Qualcomm, the biggest maker of cellphone chips, also cut its full-year revenue target, citing competitive pricing and a slow recovery in developed markets, causing some investors to worry that its full year profit target might also fall.

The company said the average price of phones was falling as carriers in both emerging markets and in well-established cellphone markets sold mostly cheaper phones.

"We think there's a shift worldwide to lower end products. We're participating well in that market but it's a bit less revenue per unit that we then get," Qualcomm Chief Financial Officer William Keitel told Reuters.

In the earnings statement Qualcomm Chief Executive Paul Jacobs also cited subdued economic recovery in developed regions, including Europe and Japan.

As a result, Qualcomm said current-quarter revenue would fall to a range of $2.4 billion to $2.6 billion, compared with analysts' average estimate of $2.75 billion, according to Thomson Reuters I/B/E/S.

"The March guidance is disappointing," Broadpoint Amtech analyst Mark McKechnie said. "It's probably more of an end-market thing. I don't think they're losing market share."

Charter Equity Research analyst Ed Snyder said that stiff competition among smartphone makers including Apple Inc (AAPL.O), Nokia (NOK1V.HE) and Motorola Inc

(MOT.N), would push phone prices down further and put even more pressure on chip makers like Qualcomm, which also receives technology royalties for a percentage of the price of each smartphone sold.

Qualcomm kept its earnings target for the full year but said it was cutting its fiscal 2010 revenue target to a range of $10.4 billion to $11 billion from its previous target of $10.5 billion to $11.3 billion.

COST CUTTING

Snyder said some investors are worried that the earnings guidance for the year will also fall.

But Keitel said his company would cut expenses to keep its earnings target intact by "hiring a few less people" than it had been planning to and cutting back in other areas. He did not give an estimate for how much expenses would be cut.

Keitel also said that he expects demand for higher-end phones to improve as the year goes on as operators in countries such as China and India offer more advanced devices.

For the current quarter ending in March, Qualcomm's earnings per share target of 49 cents to 53 cents, excluding items, fell short of analysts' average forecast of 57 cents.

However, Qualcomm's profit for the first fiscal quarter ended Dec. 27 beat expectations and rose sharply from the same quarter a year ago, when the entire industry was suffering from a dramatic collapse in demand due to the recession.

Qualcomm said its first-quarter net profit rose to $841 million, or 50 cents per share, from $341 million, or 20 cents per share, a year ago.

Excluding certain items, Qualcomm earned 62 cents a share, well ahead of the average analyst expectation for 56 cents, according to Thomson Reuters I/B/E/S.

Revenue rose to $2.67 billion from $2.52 billion in the year-ago quarter. Analysts' estimates averaged $2.698 billion, according to Thomson Reuters I/B/E/S.

Qualcomm, often seen as the best place to invest in advanced wireless technology, saw its shares sink 9.8 percent to $42.53 in late trading, after closing at $47.20 on Nasdaq. The stock had risen more than 12 percent since early November.

(Reporting by Sinead Carew; Editing by Richard Chang, Phil Berlowitz)