

# Qualcomm posts strong quarter despite lingering supply chain hiccups as 5G Android phones drive results

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Mobile technology giant Qualcomm posted strong financial results on Wednesday, driven by 5G Android smartphones, particularly in China, and continued expansion of its wireless technologies into automotive and other non-smartphone markets.

The San Diego company posted good numbers despite lingering supply chain shortages that kept its results from being even better. Still, Chief Executive Cristiano Amon said bottlenecks are easing—in part because of the company's efforts to bring onboard additional suppliers.

"We still have more demand than supply, even though we are very happy with the [growth rates](#), how good the quarter was, and how we're managing the seasonality between handsets and the (adjacent) businesses," said Amon in a conference call with Wall Street analysts. "And as we said, supply is going to get better as we get to the second half of 2022."

For the quarter ended in December, Qualcomm's revenue reached \$10.7 billion, up 30 percent over the same quarter last year. Adjusted earnings rose 47 percent to \$3.69 billion, or \$3.23 per share.

Wall Street analysts predicted sales of \$10.46 billion and adjusted earnings of \$3 per share for the quarter.

Looking ahead, Qualcomm delivered a rosier forecast it previously implied—predicting sales and profits above Wall Street analysts' expectations for the current quarter ending March 31.

The company expects sales of \$10.2 billion to \$11 billion and adjusted earnings between \$2.80 and \$3 per share.

Analysts had been forecasting sales of \$9.6 billion and adjusted earnings of \$2.48 per share.

Even so, the bullish outlook didn't help the company's stock price, which dipped 3 percent to \$182.25 in extended trading on Wednesday.

Stacy Rasgon, an analyst with Bernstein Research, said in a note prior to

the earnings announcement that "there seems to be a lot to like (about Qualcomm) with new, credible three-year growth targets, the Apple overhang turned into a source of potential upside and an increasingly relevant and visible diversification story."

Qualcomm investors have long been spooked by Apple's efforts to design its own cellular modem processors, which would allow it to ditch Qualcomm as a supplier.

At its Analyst Day in November, Qualcomm acknowledged that it was likely to have only 20 percent of Apple's modem business by the launch of the iPhone in 2023. Anything above that would be an unexpected upside.

Still, the company forecast strong growth despite the forecast decline in sales to Apple. It believes demand for 5G Android smartphones, ARM-based connected laptops, the Internet of Things gadgets and automotive will more than make up for any loss of Apple's business.

While Qualcomm has touted its diversification into adjacent markets such as connected cars and the Internet of Things of late, this quarter was mostly about Android smartphones.

Snapdragon chipset sales grew 60 percent. A good portion of the gains came from Chinese smartphone brands, which launched new high-end products ahead of the Chinese New Year.

The Android growth helped push the profit margin for Qualcomm's semiconductor business to 35 percent in the quarter—a level that it hasn't reached for several years.

5G smartphone growth is expected to continue—though perhaps not at the pace seen this quarter. Qualcomm predicts 5G handset sales to rise to

750 million globally this calendar year, up from 535 million in 2021.

The company's Internet of Things arm posted relatively good growth in the quarter, rising 41 percent year over year to \$1.5 billion. Automotive and radio frequency front-end revenue growth was not as robust, rising 21 percent and 7 percent respectively.

Still, Qualcomm has a large order backlog in automotive of more than \$13 billion, which stems in part because cars have longer design cycles than electronic gadgets. General Motors, BMW and Renault are cornerstone customers, though the company works with several car makers.

"Automotive is really an incredible opportunity for Qualcomm," said Amon. "I think we have something unique that separates us from everybody else. It's not about having a component. It's about creating a digital chassis with capabilities in all domains—from connecting the car to cloud telematics, the entire immersive digital cockpit experience and of course, advanced driver assistance systems and autonomy, plus a service platform."

Qualcomm released financial results after markets closed. Its shares gained 6.25 percent to close at \$188.20 before slipping in extended trading.

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