

BLYTH FUND

Date: 10-30-00
Proposal: Add Qualcomm to the watch list
Ticker: QCOM
Current Price: 74 7/8 (close on 10/27/00)
Analyst: Charles Najda
Profile: QUALCOMM, Incorporated is a leader in developing and delivering innovative digital wireless communications products and services based on the Company's CDMA digital technology. The Company's business areas include integrated CDMA chipsets and system software; technology licensing; Eudora email software for Windows and Macintosh computing platforms; satellite-based systems including portions of the Globalstar system and wireless fleet management systems, OmniTRACS and OmniExpress. QUALCOMM owns patents, which are essential to all of the CDMA wireless telecommunications standards that have been adopted or proposed for adoption by standards-setting bodies worldwide. QUALCOMM has licensed its essential CDMA patent portfolio to more than 80 telecommunications equipment manufacturers worldwide. *(Source: Yahoo Finance)*

The Numbers:

Shares Outstanding:	745.1 M	Market Capitalization	55.8 B
Price/Book	9.66	52 Week Range	55.50 - 200.00
P/E ttm	88.3	Current Ratio	1.04
Earnings (mrq)	\$0.19	PEG Ratio (S&P 500)	1.76
Profit Margin (ttm)	18.40%	Debt/Equity	0
Operating Margin (ttm)	21.30%	36-month EPS Growth	63.80%
Total Cash (mrq)	\$1.56B	ROA	13.34%
ROE	17.38%	EBITDA	\$856.7M

Recent News:

- Release of Eudora Internet Suite(TM) (EIS(TM)) 2.0 for the Palm Computing(TM) platform, October 25.
- Expanded licensing agreements with AirPrime Inc. and Fujitsu to encompass all CDMA derivative technologies including WCDMA and CDMA2000.
- China Unicom Group confirmed on October 19th it plans to build a mobile phone network using the San Diego-based company's narrow-band CDMA technology. This was a surprise because in June the firm publicly abandoned plans for narrow-band or current generation CDMA, sending Qualcomm stock into a dive.
- Recently took a stake in SkyBridge a global satellite telecommunications network led by French telecom Alcatel.
- Releases earnings November 2nd, consensus is for \$0.24.

Reasons for Adding:

- Qualcomm is a unique tech company in that a major part of its earnings comes from licensing CDMA technology to other firms.
- A recent court ruling upheld QCOM's patent rights to future G3 technologies. These include CDMA2000, which is entirely based on its own technology and WCDMA, the successor to GSM, which is based on patented QCOM technology. Thus as the entire world transitions to G3 mobile networks QCOM will earn a royalty whether or not their own G3 standard is used.
- CDMA is the dominant standard in the North and South America, as well as in South Korea.
- No debt and a supply of cash allows QCOM to make strategic acquisitions fairly easily.
- QCOM has appeared to form a short-term base in the mid 60's and concerns about the Chinese use of CDMA, which sent the stock down from its peak, appear to be gone especially with the recent China Unicom announcement.

Concerns:

- Concerns over the level of penetration CDMA technology will achieve in China. Less than 5% are with mobile phones, so the outcome of which standard will be dominant is unclear.
- Nokia has been trying for a couple years to supply Verizon with CDMA components. As yet they have been unsuccessful in replicating QCOM's technology.
- QCOM's future is tied very closely to the future deployment of G3 technology. If the rollout experiences difficulties in the United States, earnings growth would be sharply lower.

The Chart:

