



Qualcomm Inc (QCOM)

Updated November 8th, 2024 by Nate Parsh

Key Metrics

Current Price:	\$173	5 Year CAGR Estimate:	10.4%	Market Cap:	\$193 B
Fair Value Price:	\$178	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	12/05/24
% Fair Value:	97%	5 Year Valuation Multiple Estimate:	0.6%	Dividend Payment Date:	12/19/24
Dividend Yield:	2.0%	5 Year Price Target	\$262	Years Of Dividend Growth:	22
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

“Quality Communications” was started in the living room of Dr. Irwin Jacobs in 1985. The company’s first product and service was a satellite used by long-haul trucking companies that could locate and message drivers. Qualcomm, as it is known today, develops and sells integrated circuits for use in voice and data communications. The chip maker receives royalty payments for its patents used in devices that are on 3G, 4G, and 5G networks. Qualcomm has a current market capitalization of \$193 billion and has annual sales of ~\$39 billion.

On April 12th, 2024, Qualcomm increased its quarterly dividend 6.3% to \$0.85, marking the company’s 22nd consecutive year of dividend growth.

On November 6th, 2024, Qualcomm reported results for the fourth quarter and fiscal year 2024 for the period ending September 29th, 2024. For the quarter, revenue increased 18.1% to \$10.24 billion, which was \$310 million ahead of estimates. Adjusted earnings-per-share of \$2.69 compared very favorably to \$2.02 in the previous year and was \$0.12 more than expected. For the year, revenue grew 9% to just under \$39 billion while adjusted earnings-per-share of \$10.22 compared to \$8.43 in the prior year.

For the quarter, revenues for Qualcomm CDMA Technologies, or QCT, grew 18% to \$8.7 billion. Handset sales increased 12% to \$6.1 billion while automotive sales improved 68% to \$899 million. Internet of Things returned to growth, with revenue growing 22% to \$1.68 billion. Qualcomm Technology Licensing, or QTL, was up 21% to \$1.52 billion. Qualcomm repurchased eight million shares during the quarter and 25 million for the year. The company also announced a new \$15 billion repurchase authorization. Added to the remaining authorization, Qualcomm can repurchase up to \$16 billion, or 8.3% of its current market capitalization.

Qualcomm is projected to earn \$11.15 in fiscal year 2025, which would represent growth of 9.1% from the prior year. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$4.66	\$4.44	\$4.28	\$3.69	\$3.59	\$4.19	\$8.54	\$12.53	\$8.43	\$10.22	\$11.15	\$16.38
DPS	\$1.80	\$2.02	\$2.20	\$2.43	\$2.48	\$2.60	\$2.72	\$2.86	\$3.10	\$3.30	\$3.40	\$5.00
Shares¹	1524	1476	1474	1470	1470	1130	1114	1113	1125	1129	1113	1075

Qualcomm’s earnings-per-share declined almost 16% during the 2007 to 2009 recession. The company has grown earnings-per-share at a rate of 9.1% per year over the last decade, but that growth rate accelerates to nearly 22% for the last five years. Agreements with major handset providers, a lower share count, leadership in 5G, and AI should allow the company to grow in the coming years. We have raised our earnings-per-share growth rate to 8% from 7% through fiscal year 2030 as this is more in-line with the long-term average growth rate. Applying the expected growth rate to our guidance for fiscal 2025, Qualcomm could earn \$16.38 by fiscal year 2030.

¹ In millions of shares

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.5	12.1	13.7	16.6	18.6	21.0	15.1	9.7	12.8	16.6	15.5	16.0
Avg. Yld.	2.7%	3.8%	3.8%	3.9%	3.8%	2.9%	2.1%	2.4%	2.9%	1.9%	2.0%	1.9%

Shares of Qualcomm have increased \$9, or 5.5%, since our August 2nd, 2024 report. Based off the earnings forecast for fiscal 2024, the stock trades with a price-to-earnings ratio of 15.5. Qualcomm's stock had an average price-to-earnings ratio of 15.1 for the last decade, but we feel that 16 times earnings is an appropriate valuation target given recent results and tailwinds from 5G. If the stock were to revert to our P/E target by fiscal 2030, multiple expansion could add 0.6% to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

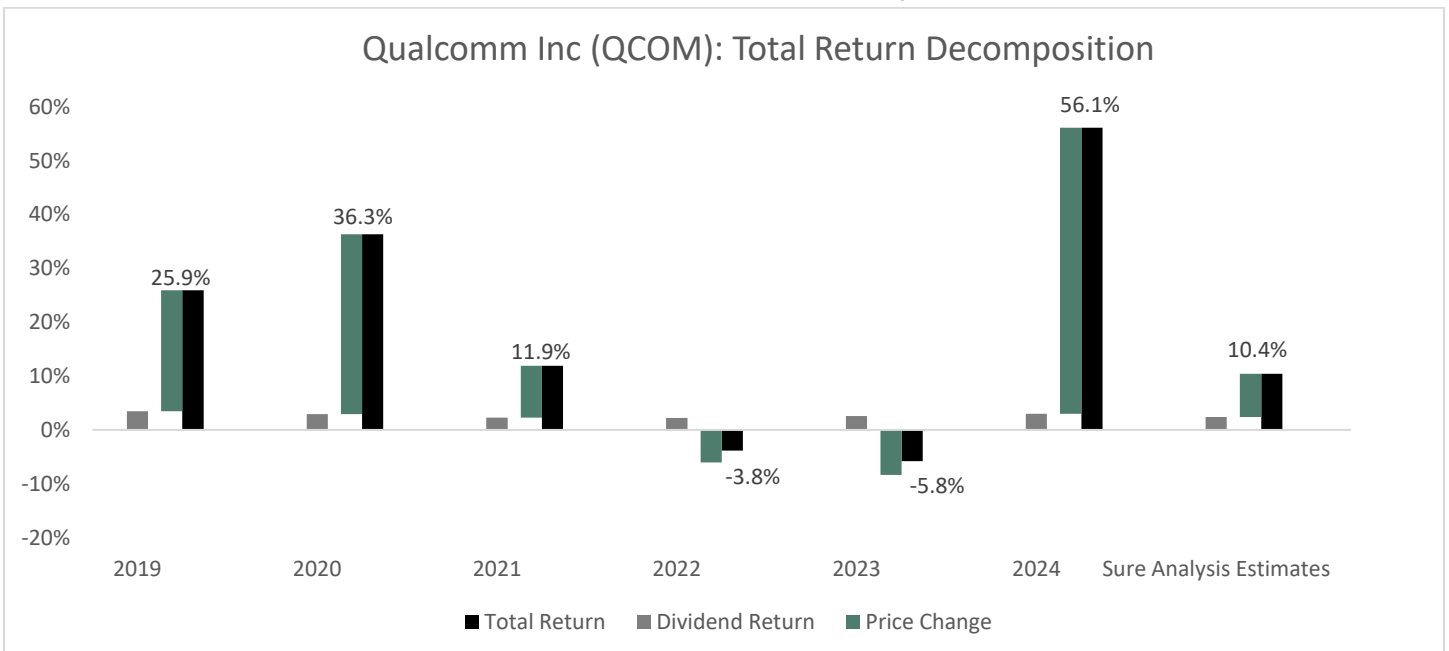
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	39%	46%	51%	67%	69%	62%	32%	23%	37%	32%	30%	30%

Qualcomm earnings declined during the last recession and would likely do so in the event of the next one. While handheld devices have become a necessity amongst consumers, the company would likely see a decline in earnings-per-share due to their high costs. The components that Qualcomm produces are considered to be the best available, so phone makers will likely continue using the company's products in future iterations of their devices. This is especially true as 5G launches and handset cycle upgrades continue to occur.

Final Thoughts & Recommendation

After fourth quarter results, Qualcomm is projected to return 10.4% annually through fiscal 2030, up from 8.5% previously. Our expected return stems from an 8% earnings growth rate, a starting yield of 2.0%, and a small tailwind from multiple expansion. Qualcomm has now produced three consecutive quarters of handset growth, a positive considering this product category's importance to the company. We have raised our five-year price target \$37 to \$262 due to earnings estimates for the fiscal year and we now view shares of Qualcomm as a buy due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	25,281	23,554	22,258	22,611	24,273	23,531	33,566	44,200	35,820	38,962
Gross Profit	14,903	13,805	12,466	12,367	15,674	14,276	19,304	25,565	19,951	21,902
Gross Margin	58.9%	58.6%	56.0%	54.7%	64.6%	60.7%	57.5%	57.8%	55.7%	56.2%
SG&A Exp.	2,344	2,385	2,658	2,986	2,195	2,074	2,339	2,570	2,483	2,759
D&A Exp.	1,214	1,428	1,461	1,561	1,401	1,393	1,582	1,762	1,809	1,706
Operating Profit	5,776	6,495	2,581	621	7,667	6,255	9,789	15,860	7,788	10,071
Op. Margin	22.8%	27.6%	11.6%	2.7%	31.6%	26.6%	29.2%	35.9%	21.7%	25.8%
Net Profit	5,271	5,705	2,445	(4,964)	4,386	5,198	9,043	12,936	7,232	10,142
Net Margin	20.8%	24.2%	11.0%	-22.0%	18.1%	22.1%	26.9%	29.3%	20.2%	26.0%
Free Cash Flow	4,512	7,093	4,311	3,124	6,399	4,407	8,648	6,834	9,849	11,161
Income Tax	1,219	1,131	543	5,356	3,095	521	1,231	2,012	104	226

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	50,796	52,359	65,486	32,718	32,957	35,594	41,240	49,014	51,040	55,154
Cash & Equivalents	7,560	5,946	35,029	11,777	11,839	6,707	7,116	2,773	8,450	7,849
Acc. Receivable	1,941	2,194	3,576	2,667	1,046	2,687	2,214	4,175	1,923	2,347
Inventories	1,492	1,556	2,035	1,693	1,400	2,598	3,228	6,341	6,422	6,423
Goodwill & Int.	9,221	9,179	10,360	9,453	8,454	7,976	8,704	12,390	12,050	12,043
Total Liabilities	19,382	20,591	34,740	31,911	28,048	29,517	31,290	31,001	29,459	28,880
Accounts Payable	1,300	1,858	1,971	1,825	1,368	2,248	2,750	3,796	1,912	2,584
Long-Term Debt	10,969	11,757	21,893	16,370	15,933	15,726	15,745	15,482	15,398	14,634
Total Equity	31,421	31,778	30,746	807	4,909	6,077	9,950	18,013	21,581	26,274
LTD/E Ratio	0.35	0.37	0.71	20.29	3.25	2.59	1.58	0.86	0.71	0.56

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	10.6%	11.1%	4.1%	-10.1%	13.4%	15.2%	23.5%	28.7%	14.5%	19.1%
Return on Equity	14.9%	18.1%	7.8%	-31.5%	153.5%	94.6%	112.8%	92.5%	36.5%	42.4%
ROIC	12.9%	13.3%	5.1%	-14.2%	23.1%	24.4%	38.1%	43.7%	20.5%	26.0%
Shares Out.	1524	1476	1474	1470	1470	1130	1114	1113	1125	1129
Revenue/Share	15.42	15.72	14.94	15.46	19.90	20.48	29.21	38.87	31.81	34.48
FCF/Share	2.75	4.74	2.89	2.14	5.25	3.84	7.53	6.01	8.75	9.88

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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