

Qualcomm Stock Overview

- **Ticker:** QCOM
- **Current Price:** \$137.12
- **52-Week Range:** \$58.00 - \$167.94
- **Market Cap:** \$155.77B
- **Beta:** 1.06
- **P/E:** 23.84x
- **Dividend Yield:** 1.9%
- **Upside:** 21.71%



Business Overview

Qualcomm is a world-leading manufacturer and supplier of computer chips that provide signals for mobile phones and wireless carriers. They are an industry leader in code-division multiple access (CDMA) technology used in wireless communications equipment and satellite ground stations. They operate in three segments: QCT (Qualcomm CDMA Technology), which develops and supplies integrated circuits and systems software based on 3G/4G/5G; QTL (Qualcomm Technology Licensing), which grants intellectual property licenses to customers, and QTI (Qualcomm Technology Investing), which makes strategic investments in early-stage technology companies.

Investment Thesis

Qualcomm has positioned itself in an ideal spot to reap the benefits of the ongoing digital era. Already a top name in next-generation-application semiconductor technology, Qualcomm is set to outperform the technology sector ETF XLK through continued investments in R&D activity with their 140,000+ patents. Qualcomm's involvement in the expanding 5G rollout over the next few years will continue to drive above-market growth, which is complemented nicely by the emergence of WiFi 6 technology. Furthermore, Qualcomm will benefit from the rapidly growing autonomous driving industry; earlier this month Qualcomm unveiled their new line of automotive chipsets, which include support for Amazon Alexa, 5G connectivity, WiFi 6, and self-driving assistance, while also announcing deals with 20 of the 25 global auto manufacturers. Finally, Qualcomm's favorable valuation makes for an attractive entry point to capitalize on these catalysts.





Catalysts

- Strong emphasis on R&D drives constant innovation. Qualcomm has 140,000+ granted/pending patents held worldwide and allocates 20% of revenue to R&D.
- 5G services market expected to expand at a CAGR of 43.9% through 2027. There is also growing demand for Wifi 6.
- Increased demand for autonomous driving. Qualcomm has partnerships with 20/25 of the top global auto manufacturers.

Risks

- Possibility for Apple to develop its own chips. However, long-term contracts with mitigate this risk in the short-term.
- Legal challenges exist due to Qualcomm's dominant status in the market. They need to protect their intellectual property portfolio.
- Revenue is relatively concentrated in integrated circuits/system software. Potential for revenue growth to be hindered if 5G rollout slows.

Relative Valuation

Qualcomm Comparable Company Analysis (\$ in Millions)

Company	Ticker	Market Cap	EBIT Margin	Net Margin	EV/EBITDA	EV/Sales	Current P/E	PEG Ratio	Forward P/E
Qualcomm	QCOM	\$158,427	28.9%	25.2%	17.73x	6.06x	23.84x	1.05x	18.22x
Average		\$74,058	18.5%	12.6%	19.39x	7.34x	48.56x	1.23x	17.98x
Median		\$41,127	19.2%	12.7%	19.61x	7.21x	41.08x	1.13x	17.72x
Broadcom	AVGO	\$194,463	18.2%	12.4%	20.29x	9.57x	75.61x	1.64x	17.73x
NXP Semiconductors	NXPI	\$51,924	5.3%	-1.7%	22.23x	6.99x	-	1.11x	19.58x
Skyworks Solutions	SWKS	\$30,330	30.2%	26.9%	18.93x	7.43x	29.00x	1.02x	17.72x
Qorvo	QRVO	\$19,513	20.2%	13.0%	16.11x	5.37x	41.08x	1.14x	16.90x

Intrinsic Valuation

Qualcomm Valuation	
Assumptions	
Tax Rate	21.0%
Average Annual Growth Rate During Projection	13.8%
Terminal Growth Rate	2.5%
Enterprise Value/Revenue Multiple	5.0
WACC	9.50%
Bull Case (20%)	212.34
Base Case (60%)	165.92
Bear Case (20%)	124.36
Blended Price Target	166.89
Current Price	137.12
Percentage Upside	21.71%

		Gross Margins Annual Improvement				
		0.00%	1.00%	2.00%	3.00%	4.00%
2021 Revenue Growth Rate	50%	\$139.36	\$157.60	\$175.85	\$194.09	\$212.34
	45%	\$135.61	\$153.25	\$170.88	\$188.52	\$206.16
	40%	\$131.86	\$148.89	\$165.92	\$182.94	\$199.97
	35%	\$128.11	\$144.53	\$160.95	\$177.37	\$193.79
	30%	\$124.36	\$140.17	\$155.98	\$171.80	\$187.61