

QUALCOMM (QCOMM)

Valuation Research Analysis

Recommendation: SELL

Pablo Samanez | June 10, 2024



Qualcomm Incorporated is a leading multinational corporation specializing in the design and manufacturing of semiconductors and telecommunications equipment, primarily known for its Snapdragon series of System on Chips (SoCs) used in mobile devices. As a pioneer in 5G technology, Qualcomm develops advanced modems and antennas, playing a critical role in the deployment and enhancement of 5G networks. The company also holds a significant portfolio of patents, licensing its cutting-edge technologies to other manufacturers. Beyond mobile communications, Qualcomm's innovations extend to automotive solutions, IoT devices, AI and machine learning integration, networking solutions, and healthcare wearables, enhancing connectivity and performance across various industries. This diverse range of products and services underscores Qualcomm's pivotal role in advancing global technology infrastructure. This company is about 1% of our holding. We bought it in 2015 at 100 shares at a cost basis of around \$424, and currently trading at around \$48.64 a share. We currently have a return of 330%.

Recent News is Qualcomm announced a breakthrough wi-fi technology and introduces new AI-ready IoT and industrial platforms. These advancements are aimed at improving connectivity and performance in IoT devices, potentially opening new revenue avenues and enhancing Qualcomm's technological leadership.

Qualcomm's AI implementation is poised to significantly impact its valuation over the next five years through a variety of strategic initiatives and innovations across multiple sectors. The company integrates AI capabilities into its Snapdragon processors, enhancing functionalities such as camera performance, voice recognition, and battery efficiency by leveraging on-device AI processing, which reduces latency and power consumption compared to cloud-based solutions. In the automotive sector, Qualcomm's Snapdragon Ride platform supports advanced driver-assistance systems and autonomous driving, aiming to enhance vehicle safety and user experiences. This, along with their digital cockpit integrations, positions Qualcomm for substantial growth, with automotive revenues projected to reach approximately \$3.5 billion in five years and \$8 billion in ten years.

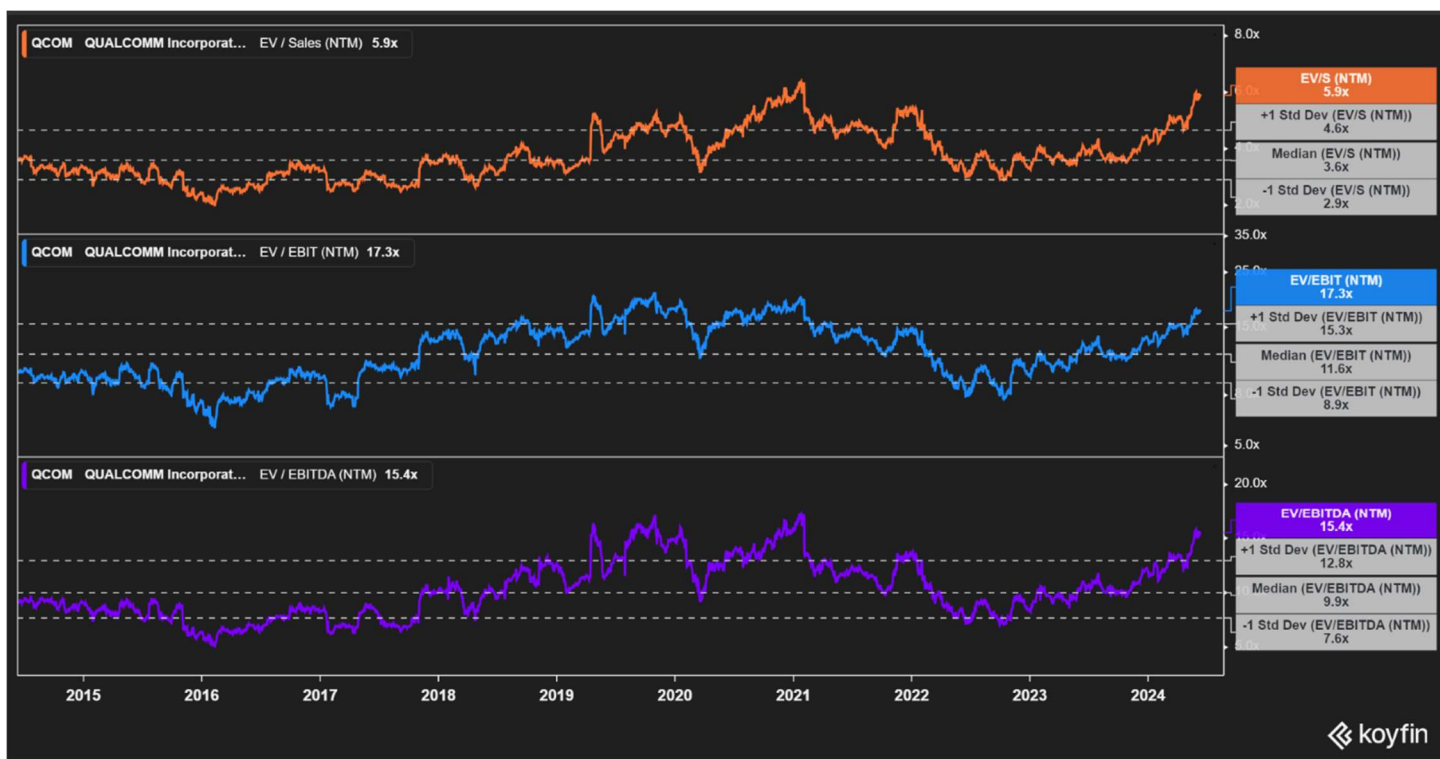
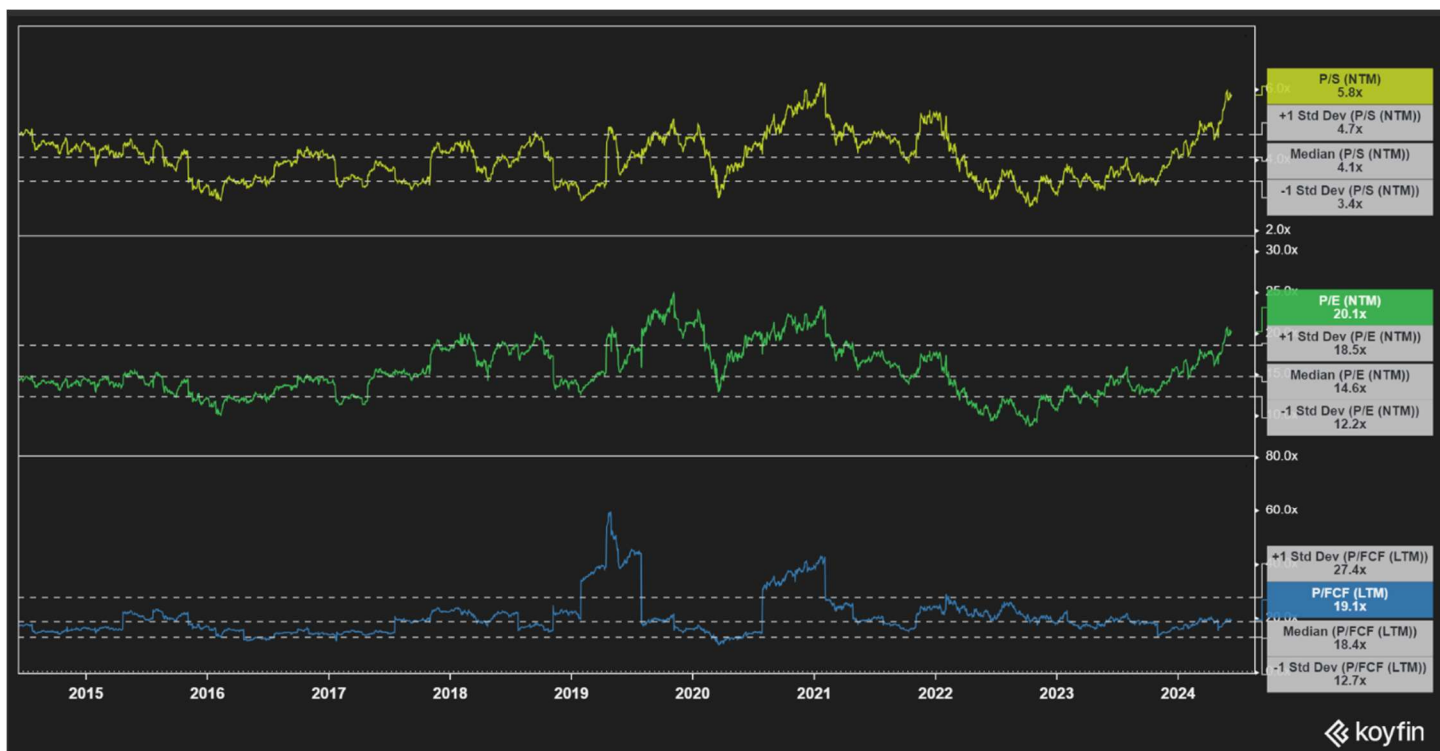
In the IoT realm, Qualcomm's AI-ready platforms enable real-time data analysis and decision-making, supporting applications from smart cities to industrial automation. Their focus on edge AI enhances data security and reduces latency, which is critical for applications requiring real-time processing. The company's Snapdragon X Elite platform is set to revolutionize PC performance with AI-driven enhancements, integrating Qualcomm's custom Oryon CPU for high performance and energy efficiency, positioning Qualcomm as a significant player in the computing market.

Financially, these AI-driven innovations are expected to contribute significantly to Qualcomm's revenue growth. For instance, IoT revenues are projected to reach up to \$9 billion by fiscal 2024, and QCT revenues to grow at a mid-teens compound annual growth rate.

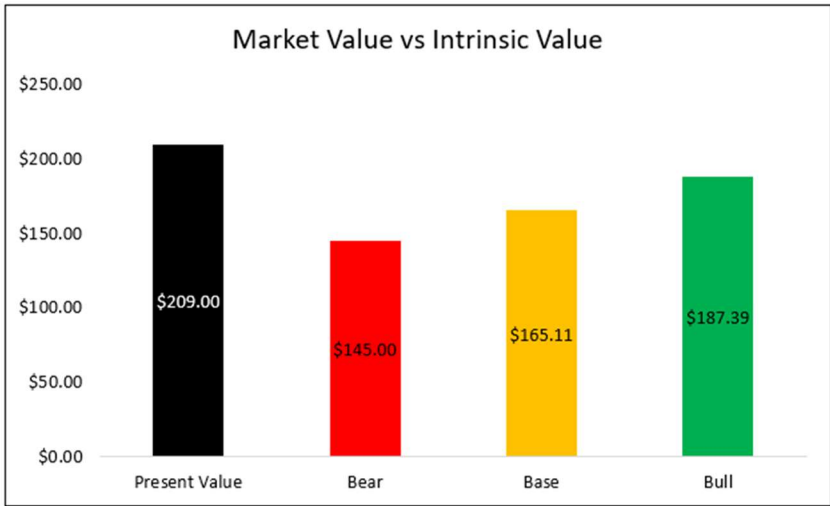
Additionally, Qualcomm's automotive sector is expected to grow from \$975 million in 2022 to approximately \$3.5 billion by 2026, reflecting an annual growth rate of over 30% (QUALCOMM Incorporated) (Qualcomm Tech). The company's overall revenue is forecasted to grow from \$39.12 billion in 2024 to approximately \$49.2 billion by 2028, indicating a steady annual growth rate of around 6%.

Earnings per share (EPS) are expected to see significant growth as well, from \$10.15 in 2024 to \$18.55 in 2028, driven by robust revenue growth and strategic cost management. Applying Qualcomm's forward P/E ratio of 15 to the projected 2028 EPS suggests a stock price of approximately \$278.22 by 2028. Qualcomm's commitment to continuous R&D investment ensures ongoing innovation, while strategic acquisitions and partnerships further enhance its AI capabilities and market reach. These factors collectively position Qualcomm for robust growth and increased market valuation, solidifying its leadership in AI and connected technologies across diverse industries.

	2014-09	2015-09	2016-09	2017-09	2018-09	2019-09	2020-09	2021-09	2022-09	2023-09	TTM
IOFS											
Revenue	\$ 26,487	\$ 25,281	\$ 23,554	\$ 22,258	\$ 22,611	\$ 24,273	\$ 23,531	\$ 33,566	\$ 44,200	\$ 35,820	\$ 36,406
Gross profit	\$ 15,801	\$ 14,903	\$ 13,805	\$ 12,466	\$ 12,367	\$ 15,674	\$ 14,276	\$ 19,304	\$ 25,565	\$ 19,951	\$ 20,316
Operating Income	\$ 7,550	\$ 5,776	\$ 6,495	\$ 2,581	\$ 621	\$ 7,667	\$ 6,255	\$ 9,789	\$ 15,860	\$ 7,788	\$ 8,212
Net Income	\$ 7,967	\$ 5,271	\$ 5,705	\$ 2,445	\$ (4,964)	\$ 4,386	\$ 5,198	\$ 9,043	\$ 12,936	\$ 7,232	\$ 8,386
Free Cash Flow	\$ 7,702	\$ 4,512	\$ 7,093	\$ 4,311	\$ 3,124	\$ 6,399	\$ 4,407	\$ 8,648	\$ 6,834	\$ 9,849	\$ 12,253
EBIT	\$ 8,783	\$ 6,591	\$ 7,130	\$ 3,481	\$ 1,160	\$ 8,108	\$ 6,321	\$ 10,833	\$ 15,488	\$ 8,137	\$ 9,332
EBITDA	\$ 9,933	\$ 7,805	\$ 8,558	\$ 4,942	\$ 2,721	\$ 9,509	\$ 7,714	\$ 12,415	\$ 17,250	\$ 9,946	\$ 11,121
Dividend Yield %	2.06	3.35	2.95	4.25	3.3	3.25	2.16	2.06	2.53	2.79	1.56
Gross Margin	59.7%	58.9%	58.6%	56.0%	54.7%	64.6%	60.7%	57.5%	57.8%	55.7%	55.8%
Operating Margin	28.5%	22.8%	27.6%	11.6%	2.7%	31.6%	26.6%	29.2%	35.9%	21.7%	22.6%
Net Margin	30.1%	20.8%	24.2%	11.0%	-22.0%	18.1%	22.1%	26.9%	29.3%	20.2%	23.0%
FCF Margin	29.1%	17.8%	30.1%	19.4%	13.8%	26.4%	18.7%	25.8%	15.5%	27.5%	33.7%
D&A/ Gross Profit	7.3%	8.1%	10.3%	11.7%	12.6%	8.9%	9.8%	8.2%	6.9%	9.1%	8.8%
R&D/ Gross Profit	0.34662363	34.7%	32.6%	34.7%	35.6%	34.2%	37.8%	45.4%	51.9%	55.8%	42.8%
SG&A/ Gross Profit	14.5%	15.7%	17.3%	21.3%	24.1%	14.0%	14.5%	12.1%	10.1%	12.4%	12.7%
SBC/ Revenue	4.0%	4.1%	4.0%	4.1%	3.9%	4.3%	5.2%	5.0%	4.6%	6.9%	6.9%
Capex/ Net Income	14.9%	18.9%	9.4%	28.2%	-15.8%	20.2%	27.1%	20.9%	17.5%	20.0%	0.118888624
Dividend Payout ratio	301.9%	178.9%	53.0%	134.1%	-70.2%	69.1%	56.2%	33.8%	25.2%	48.3%	43.0%
Shares Outstanding	1714.0	1639.0	1498.0	1490.0	1463.0	1220.0	1149.0	1149.0	1137.0	1126.0	1130.0
Returns %											
ROE	21.2	14.9	18.1	7.8	-31.5	153.5	94.6	112.8	92.5	36.5	38.3
ROTE	25.8	19.4	25.5	11.4	-84.6	Negative Tan	Negative Tan	Negative Tan	376.6	95.4	86.1
ROIC	22.4	15.2	16.3	6.8	-31.0	20.9	27.6	36.8	43.5	21.6	22.2
ROCE	21.2	15.1	15.9	7.0	3.1	35.8	24.8	38.5	46.6	20.7	22.3
ROA	16.9	10.6	11.1	4.1	-10.1	13.4	15.2	23.5	28.7	14.5	16.5
ROC	#DIV/0!	3242152.9	3352757.0	3324112.6	181167.7	740532.6	657734.1	1199466.0	1995895.6	2249549.9	2538357.7
Leverage & Liquidity											
LT Debt	0	9969	10008	19398	15365	13437	15226	13701	13537	14484	14543
ST Debt	0	1000	1749	2495	1005	2496	500	2044	1945	914	914
PF Stock	0	0	0	0	0	0	0	0	0	0	0
Leases*7	0	0	0	0	0	0	0	0	0	0	0
Pension SF	#CALCULATION?										#CALCULATION?
Cash	\$ 7,907	\$ 7,560	\$ 5,946	\$ 35,029	\$ 11,777	\$ 11,839	\$ 6,707	\$ 7,116	\$ 2,773	\$ 8,450	\$ 9,219
Obligation Ratio ⁽¹⁾	(1.0)x	0.6x	1.0x	(5.4)x	(0.9)x	0.9x	1.7x	1.0x	1.0x	1.0x	0.7x
Cash/ Revenue	29.9%	29.9%	25.2%	157.4%	52.1%	48.8%	28.5%	21.2%	6.3%	23.6%	25.3%



Ticker:		QCOM										
Price:		\$209.00										
5 Year Discounted Cash Flow												
								Total Return				Annual
								P/E	Price	PV	5 YR Return	Return
Bear	EPS	Current	2024	2025	2026	2027	2028	10.0x	\$162.89	\$96.67	(22.1)%	(4.9)%
		\$8.46	\$9.64	\$10.99	\$12.53	\$14.29	\$16.29	15.0x	\$244.34	\$145.00	16.9%	3.2%
		14%	14%	14%	14%	14%	20.0x	\$325.78	\$193.33	55.9%	9.3%	
Base	EPS	Current	2024	2025	2026	2027	2028	10.0x	\$185.48	\$110.07	(11.3)%	(2.4)%
		\$8.46	\$9.90	\$11.58	\$13.55	\$15.85	\$18.55	15.0x	\$278.22	\$165.11	33.1%	5.9%
		17%	17%	17%	17%	17%	20.0x	\$370.96	\$220.15	77.5%	12.2%	
Bull	EPS	Current	2024	2025	2026	2027	2028	10.0x	\$210.51	\$124.93	0.7%	0.1%
		\$8.46	\$10.15	\$12.18	\$14.62	\$17.54	\$21.05	15.0x	\$315.77	\$187.39	51.1%	8.6%
		20%	20%	20%	20%	20%	20.0x	\$421.02	\$249.86	101.4%	15.0%	
											Discount rate:	
											11%	



Total RoR Sensitivity				
		Est. EPS growth rate		
		14%	17%	20%
P / E	10.0x	(4.9)%	(2.4)%	0.1%
	15.0x	3.2%	5.9%	8.6%
	20.0x	9.3%	12.2%	15.0%