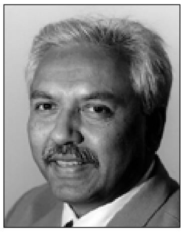
Don't hang up on Qualcomm

By Sunil Vidyarthi



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As an investor, what we want to do is buy low and sell high. One could settle for buying high and selling higher (taught by a TV guru these days). What we desperately want to avoid is buying high and selling low — the camp in which most of us often find ourselves.

You can scour the public literature all you want; from popular newsletters to corporate-finance books, there is no reliable way of avoiding this condition, permanently. I do have an antidote though. Never buy anything at a high. Your chances of selling at a low are dramatically reduced. This, too, is not a 100 per cent solution, as you could end up having to sell at a still-lower price.

So, where do we find these gems? You could find them in unloved sectors like Paper and Forest products or Chemicals (two groups that never participated in the resources rally). Trouble is, if the current correction in commodities turns into mayhem, like a recession, then all material stocks, including these two, will suffer, and you will be selling lower.

I like technology, as do many investors these days, who try to find places to hide from oils and metals. And once you go past Google, Apple and RIM, you are left with some great names from the past like **Qualcomm Inc**. (QCOM-NASDAQ, $39.22, 858-587-1121, *www.qualcomm.com*).

The company was on a tear until a correction in May 2006 as more consumers around the world bought phones based on its patented wireless-transmission standard known as CDMA, or code division multiple access. Qualcomm derives licensing revenue on each phone sale and it also sells most of the computer chips that power handsets based on CDMA technology. CDMA and its variants are used by a number of large carriers in Asia and the U.S., including Verizon Wireless.

Sales of Qualcomm's chips have been soaring as wireless operators upgrade their networks for high-speed Internet access and market new phones to customers. At the same time, demand for mobile devices has been rising in developing countries such as China and India. Technological advances in wireless networks may result in data replacing voice-calling as the predominant form of mobile traffic. The transition is creating new revenue opportunities for phone companies as well as vendors such as Qualcomm that supply them.

Unlike the high flyers in technology, Qualcomm as a stock has suffered of late. While revenue for the year ended September 2006 was still 30 per cent higher than the year before, income has been lagging, up by only 10 per cent.

No one in technology has grown consistently and Qualcomm is no exception. If you look at its history over the last decade, you will find a hit followed by a miss. Given that it does meet our criterion of being closer to its low than a high, I am looking at next year instead of the problems today. Many analysts put earnings growth closer to 20 per cent . That may restore some of Qualcomm's glory and make up for the lost performance this year.

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