

Qualcomm's challenge is to sustain its wireless success

By Catherine Ivey
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SAN DIEGO — Eight years ago, when Qualcomm Inc. introduced its signature technology for cell phones, few outsiders thought it would go anywhere.

Today, Qualcomm's technology fuels 13 percent of the world's wireless subscribers, and the company is feverishly working to expand into new markets including India and China.

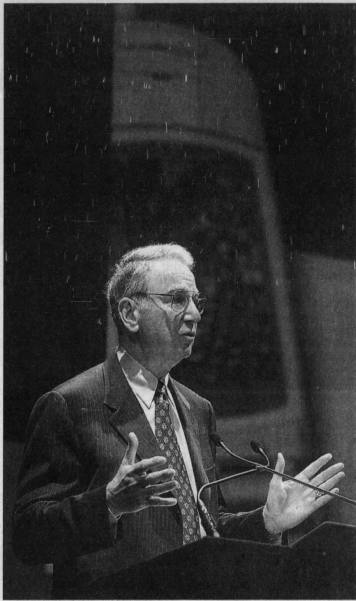
With ambitious forecasts for growth abroad, record revenues and its first-ever quarterly dividend for shareholders, Qualcomm ranks as one of the few consistent success stories in the embattled telecommunications industry.

Its stock has risen steadily in the past six months — for the first time since the 2000 tech market bust. The company further buoyed its shares by announcing plans to buy back \$1 billion in stock.

But can the good times last? Even Qualcomm's most optimistic cheerleaders aren't taking anything for granted.

"Qualcomm is a beacon of light in a sea of wireless misery," said Brian Modoff, an analyst for Deutsche Bank Securities. "They've got growth. They're not competing with other vendors. They're generating very good returns. I think that what we don't have a good answer on is how sustainable this is."

Commercialized in 1995, Qualcomm's code division multiple access technology, or CDMA, is one of only a few standards used worldwide to convert speech into digital information for transmission over a wireless network. CDMA assigns a unique code to the bits of



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Qualcomm Inc., led by CEO Irwin Jacobs, ranks as one of the few consistent success stories in the embattled telecommunications industry. The company serves 13 percent of the world's wireless subscribers and is working to expand into new markets.

information to distinguish each call, a process that allows more callers to share the airwaves.

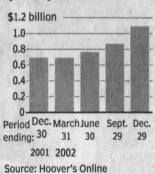
"When they first started with CDMA, only people in San Diego

believed it would work out," said analyst Roger Ender of the Yankee Group, a telecommunications research firm. "They have proven the world wrong."

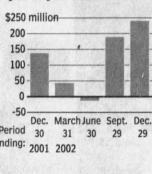
Qualcomm powers ahead

Far from its humble beginnings in 1985, Qualcomm Inc. has grown into a telecommunications powerhouse. The success of its widely accepted wireless standard, code division multiple access or CDMA, helped the company weather the tech bust and expand into markets around the world.

Quarterly revenue



Quarterly net income



Source: Hoover's Online

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Market share

CDMA is now the most popular cell phone standard in North America, where it is used by Verizon Wireless, with 32.5 million subscribers, and the No. 4 U.S. carrier, Sprint PCS, which has about 17 million. The technology also dominates the cell-phone-rich market of South Korea. Last year, the number of CDMA subscribers grew by 31 percent.

Having sold off its phone manufacturing business, Qualcomm now enjoys the fruits of its near-monopoly on CDMA. By owning 90 percent of CDMA patents, Qualcomm benefits every time a CDMA-based chip is sold or a mobile operator uses its standard.

"That probably puts the company in "the best position of any tech market of South Korea," said Craig Mallitz, an analyst with Legg Mason.

But even with 13 percent of the world's 1.1 billion cell phone subscribers, according to the

CDMA Development Group, the standard has been somewhat stymied by rival GSM, or global system for mobile communications. Largely helped by a European Union mandate making GSM the continent's standard, GSM comprises nearly 70 percent of the world's wireless users.

These days Qualcomm is putting up a fight for Europe, however. The continent's next generation of phones will use a Qualcomm-designed technology that will send royalties back to San Diego, albeit at a lower rate than what the company draws for CDMA. Qualcomm also hopes that by next year it will fire off a new chip that lets users on a GSM network roam onto a CDMA network.

In India, Qualcomm has invested \$200 million with Reliance Industries Ltd. to develop a CDMA-based network covering 95 percent of the population. Reliance hopes to sign up 7 million subscribers by the end of this year, an ambitious goal

considering India has a total of only 10 million cellular users.

In China, the "Horizon" CDMA network run by China Unicom signed up 7 million users last year and is expected to add another 13 million by the end of 2003.

Maturing company

Still, some analysts say Qualcomm simply can't keep churning out extraordinary revenue gains such as the 57 percent year-over-year increase the company posted in its most recent quarter.

"I think their decision to introduce a dividend is very telling," Entner, the analyst, said. "Basically it means that Qualcomm is maturing. It's a success story. But it is no longer growing as fast as it once did. It's a function of large numbers. You cannot double in size forever."

But the company still has the ability to surprise investors. It said last week it expects to ship 1 million more cell phone chips in the first quarter than previously expected.

Entner still isn't sure how long Qualcomm's good fortune will last.

"If the stars align correctly, the wind blows from behind and the sun is in the right place, then yes," Entner said. "But from our perspective, the growth figures are a little bit lousy."

Qualcomm's co-founder, chairman and chief executive, Irwin Jacobs, acknowledges that growth will take time, especially as the company works to generate new markets and to secure upgrades in its established bases.

"There's obviously a long way to go," the 70-year-old CEO said in a recent interview. "It gives us time to grow our technology."

Nonprofit group helps laid off software workers improve their skills

TechEngage updates techies on the latest Microsoft, SAS and Cisco products

By Jonathan B. Cox
THE NEWS & OBSERVER

As James White snacked on fresh fruit and gourmet treats at Microsoft Corp.'s sprawling campus near Seattle last August, a friend was getting his pink slip back in North Carolina.

White learned in an e-mail message that his acquaintance was laid off from a startup where

he wrote computer software code. The friend had talent, but White knew he could find work faster if he were versed in the latest technology.

"I thought, wouldn't it be nice if I could teach him all the stuff I'm learning," said White, 37, a software developer at SAS Institute in Cary, N.C., who was at Microsoft for training. Arming him with such knowledge "would provide... an incredible job opportunity."

White decided to start a nonprofit agency, TechEngage, to help displaced software workers improve their skills.

It's a twist on the networking groups that have popped up at

churches and on e-mail list services, mostly designed to help unemployed people get job leads.

The organization intends to hold a series of conferences to teach techies the latest Microsoft, SAS and Cisco Systems Inc. products. It also hopes to arrange job fairs at the session. Participants must pay a \$85 registration fee, used to cover costs to set up TechEngage and run its Web site.

"Ideally what we're trying to do, and I think what differentiates us, is to give people an opportunity to jump-start their career by starting them off on a new track," said White, who is running TechEngage in his free

time.

The way White and the other nine people behind the organization see it, hundreds of people let go from companies such as IBM Corp. and Nortel Networks Corp. should be interested in the program. Many are skilled in old or proprietary software and need to improve coding skills to compete.

"In today's ever-changing world, if you don't have the most

recent tools and skills in your back pocket, your employability and marketability as a resource becomes pretty limited," said J. Warren Fuson, 56, executive director of TechEngage, who was laid off from Nortel in October.

White teamed up with Connie Marthinus, a training coordinator at SAS, the world's biggest privately held software company, to get the conference going. They persuaded SAS, Microsoft

and training companies such as Global Knowledge to donate instructors and materials.

They got classroom space at North Carolina State University, said Ellen Jane Baker, director of the school's MBA Career Resource Center, who will help with the conference.

"This is one of the few really good things to come out of the bleak job scene," Baker said. "It's one of the few bright spots."

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