

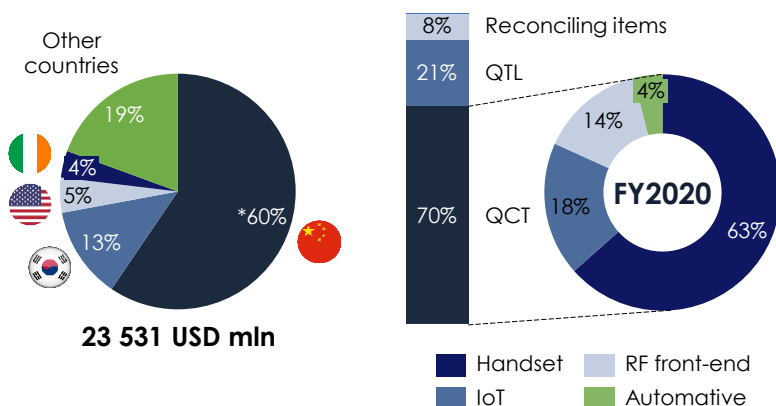
Big gap in supply is the chance to outperform the market

Simultaneous positive effects of cyclical upside after COVID-19 and excessive global demand on chips will allow Qualcomm to unlock its production potential and benefit from higher prices.

Investment rationale: We issue a BUY recommendation on Qualcomm due to its near-ideal market position in the smartphone chipset market that is on track for massive growth fueled by booming demand for 5G technology (63% expected annual CAGR until 2027). With favorable conditions for increasing profits and the attractive valuation after a recent share price rebound, we view Qualcomm's potential returns significantly outweigh its risks.

Risks: 1) deceleration in the smartphone market driven by the decreased consumer spending; 2) licensing and royalty fights; 3) competitive offering from MediaTek; 4) supply chain constraints; 5) exposure to possible sanctions between USA and China;

Revenue distribution



Key financials, USD mln

	2019A	2020A	LTM	2021F	2022F
Revenue	24 273	23 531	26 690	31 086	33 548
growth (%)	-	(3%)	13%	16%	8%
EBITDA	9 068	7 829	9 246	11 798	12 107
margin (%)	37%	33%	35%	38%	36%
Net income	4 088	3 861	5 413	8 379	9 187
margin (%)	17%	16%	20%	27%	27%
Net Debt/EBITDA	0,41x	0,64x	0,37x	0,28x	0,16x
CapEx to Sales	4%	6%	6%	5%	4%
FCF	6 399	4 407	6 291	8 000	9 284

\$159 bn

EV (LTM)

A2

Moody's credit rating

\$156 bn

Market Cap (LTM)

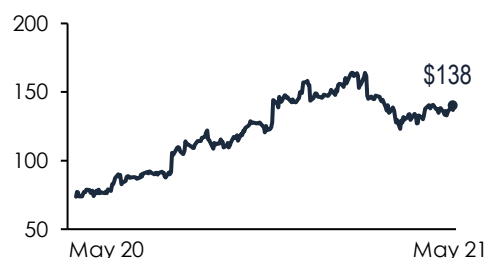
\$74-168

52-week share price range

Key ratios

	2020A	2021F	2022F
EV/Sales	5,7	5,1	4,7
EV/EBITDA	17,2	13,3	13,0
P/E	34,1	18,7	16,8
ROE	150%	113%	101%

Stock price, \$



Company Description

Qualcomm operates as a multinational semiconductor and telecommunications equipment company. It develops and delivers digital wireless communications products and services and owns the most extensive portfolio of wireless patents worldwide. For now, most smartphone manufacturers depend on Qualcomm's Snapdragon chipsets, which act as the "brain" of a smartphone, receiving and carrying out essential commands.

Major shareholders

