

## Qualcomm's Unique Patents and Attributes Appeal to CUSP Managers

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Qualcomm (QCOM) is a market leader in the manufacturing and design of innovative semiconductor chips for wireless communication products. Qualcomm has developed a sustained competitive advantage within the industry through its vast offering of technologies as well as its wide array of intellectual patents. We believe Qualcomm is positioned well to meet the needs of consumers as the global supply chain continues to recover from the Covid-19 pandemic and 5G technologies become more widely used around the globe. The CUSP managers believe that Qualcomm will outpace competitors in the race to power the future due to its extensive contracts with consumers, a vast array of intellectual property and key acquisitions that are positioning the firm to be a leader in other industries.

First, all 10 manufacturers of 5G enabled Android smartphones currently use Qualcomm's new Snapdragon 8 Series chip design. Accordingly, the company has a deep presence in China, which is the largest market for 5G users. China accounts for 67.1% of the firm's total revenue and has sided in favor of Qualcomm in numerous recent antitrust lawsuits. China represents a huge market for 5G users, and we believe Qualcomm has room to grow to meet China's needs.

Second, Qualcomm has continued to be a leader in developing new wireless communication technologies, and the company holds all essential patents relating to 3G, 4G and 5G technologies. This allows the company to collect royalty payments equal to roughly 5% of the price on the sale of all smartphones, even ones that don't use Qualcomm chips. The long-term protection of these patents provides Qualcomm with a dependable source of revenue years into the future.

Third, Qualcomm recently completed the purchase of two companies: Veoneer and Nuvia. Veoneer is a leader in developing software and hardware for driving assistance and automated driving. Qualcomm plans to enter more broadly into the automotive industry and provide more than just semiconductor chips to automotive makers. Nuvia, a leader in the chip design process, was founded by a team of ex-Apple engineers who helped develop the Apple M1 chip. Qualcomm hopes to integrate Nuvia's expertise into its own manufacturing process to combat the in-house Apple chips.

Qualcomm has a history of returning cash to shareholders. Qualcomm has increased its dividend by roughly 49% over the past seven years and recently announced a plan to buy back \$10 million in stock over the next few years. When combined with recent acquisitions, it is evident the firm is utilizing its growing free cash flow effectively. Finally, the class believes Qualcomm is attractively priced, providing a reasonable entry point for a position in the firm's stock. Its

recent price-to-earnings ratio of 19.2 is well below its competitor's average, and its Enterprise Value to EBITDA ratio of 13.4 is also relatively attractive.

Based on all of this, the CUSP managers believe Qualcomm to be a favorable addition to the CUSP fund and expands the diversification of the information technology sector. The firm's stock was added to the CUSP in April 2022.