

Qualcomm and Apple Mediate to Resolve the Dispute with Huawei

Chip maker QCOM. O and Apple (AAPL. O) have unexpectedly settled their long-standing legal dispute, which several analysts said paved the way for Qualcomm to settle similar disputes with China Huawei Technologies Ltd. before the launch of 5G mobile phones.

Qualcomm shares closed 23% higher on Tuesday and rose 10% in pre-market trading Wednesday after signing a six-year patent licensing agreement with Apple.

If Wednesday's gains hold, Qualcomm's market value will rise by more than \$20 billion since the announcement of the settlement.

The two companies have been at odds over patents and royalties for modems. Analysts estimate that under previous royalty payment agreements, Apple owed \$5 billion, or about \$2 a share.

Qualcomm and Huawei are fighting for the same problem.

Huawei stopped paying royalties in April 2017, and Qualcomm said in January that it had signed an interim agreement with the Chinese company and was negotiating a final solution.

Cowen and Company analysts said, "We now expect Qualcomm to reach a settlement with Huawei, which has not paid Qualcomm's royalties. We estimate that this will add another \$0.50-0.75 per share to Qualcomm's earnings."

Three brokerages raised their ratings on Qualcomm shares, and at least eight brokerages raised their target prices. According to data from Luft, 14 of the 25 securities firms rated the stock as "buy" or higher, while the rest rated it as "hold".

Several analysts said that the settlement with Apple and Huawei would not only bring more royalties, but also lower legal costs. It would also help Qualcomm focus more on introducing its 5G modem.