REFINITIV STREETEVENTS

EDITED TRANSCRIPT

QCOM.OQ - Qualcomm Inc at Deutsche Bank Technology Conference (Virtual)

EVENT DATE/TIME: SEPTEMBER 10, 2021 / 4:45PM GMT

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

Akash Palkhiwala *QUALCOMM Incorporated - CFO*

CONFERENCE CALL PARTICIPANTS

Ross Clark Seymore *Deutsche Bank AG, Research Division - MD*

PRESENTATION

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

Good morning, everybody. I guess, good afternoon for those of you on the East Coast. I'm Ross Seymore from Deutsche Bank. We're really happy to have Qualcomm as next on the virtual stage, and the CFO, Akash Palkhiwala. Akash, thank you very much. Great to see you virtually.

QUESTIONS AND ANSWERS

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

So I want to start with a couple of high-level systematic questions that I've been asking all companies across the semi space first and then go into some deeper dive Qualcomm-specific questions. So with that, first, I want to get an update on your thoughts on the supply side of the equation. Qualcomm has managed that relatively well. But you've talked about some incremental supply and, maybe incremental is too soft of a word, some meaningful increases in supply coming in the back part of this calendar year. Talk about where you've been on the supply side and what sort of supply loosening you believe is going to happen at the end of this year?

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Awesome. Well, Ross, thanks for -- first of all, thanks for having me on. We're excited to be here to participate in this discussion and really be able to tell the story about some of the positive things that we're seeing on our side.

From a supply perspective, as you know well, it's been a tough year broadly for the industry. And unlike previous supply constraints where you would have a couple of nodes that are constrained, especially the leading nodes, what we're seeing this time, which is different, I think, than at least my experience in the past, is that we're seeing constraint across all nodes, leading and lagging nodes and which makes it for a tough environment for all of us. And you're seeing the impact of it across several of the chip players but also customers as well.

When you look at what's happening with us, we are largely seeing the same dynamics. We've been seeing the same dynamics as the industry overall with the demand being stronger than supply in every single one of our chip businesses. So it's not just handsets. But when you look at IoT and auto, we have similar constraints.

And within the supply that we've had, we've tried our best to navigate and strike the right balance between making the most profitable parts for the supply we have, but then also being as good a partner as we can to our customers in each of our areas. As we've said previously, by the time we get to the end of the year, we expect meaningful improvements in the supply side.

And there are a couple of key drivers for this. One is we've been investing in second sources across various nodes. Of course, leading nodes we're doing that, but we're also doing that across lagging nodes. And with our scale, being able to invest into the second source opportunities allows us to take advantage of pockets of capacity available across various foundries.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

And so we just announced about a month ago, one of our new 700 tier chips, which was the result of our supply sourcing initiatives, and we're seeing various OEMs launch with that. And some of the benefit -- financial benefit of that is contemplated in the guide we gave for the September quarter.

The second factor is we've been working with our suppliers, and this was before a lot of the supply constraint hit, to expand capacity in the December quarter especially in the leading nodes. And so there was a previously planned expansion that we expect will still hit end of this calendar year. And we expect that to be a positive indicator for us as well.

So it's really a combination of those 2 things. A tough environment, but we're pretty happy with the way we've been able to manage our business in the face of the challenges.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

I know there's a bunch of moving parts on this as far as demand and supply. But when would you think some sort of normalization would occur? The leading-edge stuff that you had preplanned for exiting this year, does that get you back to a comfortable place in the leading edge, maybe in the first half of next year? And then is there a different timeframe for the lagging edge parts for some of your newer businesses outside of the modem?

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Yes. So I think, of course, getting to an equilibrium here is a story of demand and supply both, not just supply. And one of the challenges or opportunities that we are seeing is the change in the OEM landscape. With our customers gaining share, Oppo, Vivo, Xiaomi, Honor, they're all gaining share in the market. And so that does create a positive momentum for us going into next fiscal and calendar year on very, very strong demand especially at the premium high tier. And as we've said in the past, this improving supply is going to be critical in able to -- in being able to meet those demand criteria.

Generally, I think widely in the industry, it's believed that you're going to see some constraints through most of calendar 2022, especially in the first half. But we're pretty comfortable with where we are at. We've obviously put in a bunch of investment and effort into improving our supply situation, and we're happy with what the cards we have in front of us going into the next fiscal calendar year.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

Got it. So let's move beyond the macro and get to a little more Qualcomm-specific questions. So QCT, obviously, your chip business, 80% of the company's revenue. But underneath the covers there, there have been a ton of changes as the company is diversified, largely organically, but also through some acquisitions, TDK, things like that.

So I really wanted to talk about that diversification effort, the 40% of QCT that's not in modems anymore or x handsets, as you guys call that segment. So like I said, the vast majority has been done organically. Talk about how long that investment has been taking place. Are we just seeing the beginning of those, the rewards and the fruits from those investments? Where are we in this trajectory of diversification within Qualcomm's strategic focus?

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Yes. So this, Ross, obviously, has been a great story for us especially this fiscal year. As we said at our earnings -- during our earnings release, we expect approximately $10 billion of revenue from non-handsets, within QCT. And this is a combination of auto, IoT and RF front end. And within the quarter that we reported, the June quarter, approximately 40% of the revenue was outside handsets. And the growth rate of that revenue was 1.6x growth in handsets, which by itself is growing very strong. So just a lot of really positive metrics that we're excited about.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Before I talk about each of those areas, I think maybe just a quick reminder of how we've created some of these businesses. If you go back and look at the acquisitions that we've done, the Atheros acquisition, where they were the #2, #3 player in Wi-Fi and now they're the #1 player as a part of Qualcomm.

CSR, a very similar situation, we're the leader in Bluetooth now. You look at RF360, similar, they were #4, #5 in the RF front end area. We're, I think, the largest in handsets in RF front end at this point. And as you look forward, we have kind of 2 critical acquisitions. We've talked about NUVIA that we closed, and it's a way for us to get CPU technology, that we're very excited about what it means in terms of road map and it's going to be a very significant change in driving performance leadership. And then as you're well aware from -- we have made an offer to Veoneer to buy that company, and we're focused on the arrival software for ADAS software stack. And so that's another area of opportunity.

So we've shown in our history and our track record how we've been able to buy strong assets with great technology and convert them into market leaders. And so that's going to be a key factor for us as we execute on some of these new areas.

But really when you step back and you think about what is happening broadly in the industry, we've obviously -- all of us have had phones that are connected to the cloud. Now we're seeing this change in the industry where everything else is getting connected to the cloud. So if you think about cars, they're all getting connected to the cloud.

You have wearables, hearables devices, XR devices. PCs, of course, they've been connected to the cloud for a while, but now being connected all the time has become even more important than it is. With these video calls and others, the use cases are changing as well. And then finally, on IoT, tremendous push, whether you look at retail, transportation, health care, utilities, everything is trying to get connected to the cloud.

That puts us in a fortunate position. This change of connected intelligent edge for the cloud puts us in a fortunate position that we're able to take the technology that we've created for mobile and apply to all these areas. And a lot of these devices, if you look at it from a chip perspective, what are they on the inside, they look very similar to a mobile phone because they have to do connectivity, they have to do processing at low power, they have to do AI at the EDGE, and these are all technologies that we have in-house. So that, to me, Ross, is the foundation of our diversification strategy.

And when you think about the timeframe that's remaining in that transition overall in the industry, we have a very, very long runway in my mind. And we are -- a lot of these areas we're at the front end of connecting everything to the cloud. And as that happens, of course, there's an advantage to the cloud economy on the cloud side. But also the device side, we could be the company of choice for silicon for the devices that connect to the cloud.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

So the biggest subsegment of the non-handset portion. And again, for people, handsets equals modems in the way you guys split up your revenue segments. Which, by the way, I should have told you, thank you so much for splitting your revenues by end markets. I think people appreciating the diversification was literally impossible for you to convince me or anybody else of that until you split the revenue. So that was a nice step in the right direction.

But the biggest segment in there is IoT, as you guys call it. I think it's about 19%, 20% of your QCT revenues and it's growing the better part to 65% to 70% this fiscal year, which ends in a couple of weeks. Talk a little bit about what's growing in there that's driving that growth. And how much of that is just -- everybody is looking really good cyclically right now, so it's great to say you have an IoT business. But how much of that is a cyclical tailwind that has risk of rolling over at some point versus share gains, new market penetration, Qualcomm-specific dynamics?

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Yes. So Ross, that's a great question. When you look at our IoT business, maybe let me break down what's in IoT and maybe use that as a way to answer your question on the longer-term opportunity for us. The first bucket is consumer devices. And so within consumer devices, the existing

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

revenue is largely driven by tablets, wearables, hearables. And that's a pretty large market that we think is steady growth rate. It's not something that we expect to have very radical growth rates going forward, but pretty significant growth remaining in those areas.

The 2 key areas for us where the SAM expands extremely significantly for us first is XR. We see XR -- and then great announcement, as you might have seen yesterday from Facebook and Ray-Ban about having a new wearable device sunglasses that uses our chip Snapdragon in it.

We're at the front end of what is going to happen within XR. You're going to see all kinds of form factors from simple sunglass like form factor to more larger involved XR devices that can be used for gaming. And that's a tremendous area for us to participate in. It's a very unforgiving device from a technology perspective. You need connectivity, you need very low power processing, you need to have very low latency in your connectivity. And these are all things that Qualcomm's extremely good at. So that's a key growth area for us within consumer.

The next is PCs. We're seeing a very significant transformation happening in the PC industry. It's gone back from a productivity device to a communication device again. And it's demanding a lot of the technologies that's in mobile. And then you're also seeing, as a result of Apple moving over to the M1 chip and Microsoft supporting the ARM ecosystem, you're seeing a change that we think is a secular trend for the next several years that puts us at the middle of participating in the PC opportunity.

So very, very large SAMs opening for us, and we think of the consumer area as something that has legs for us for a long period of time. So that's the first one.

The second kind of area within IoT for us is EDGE networking. And it's a combination of 2 things. You have 5G broadband devices and you have Wi-Fi access point in homes.

What is happening within 5G broadband devices is we expect a lot of operators globally to think of 5G as a way to offer Internet services in the home, either where there is no coverage in developed markets, but especially in emerging markets where really deploying fiber is not an option in a lot of cases.

And so that's going to be a tremendous area for us, very strong position because of our 5G heritage and our 5G technology leadership, very strong position for us to keep our leadership in that area and grow revenue for a very significant period of time. And so that's definitely -- if you look at our recent ABI report that talked about the size of that market, very, very strong growth, and we are positioned to really benefit from it. So that's the first one.

The second is Wi-Fi access points within the EDGE networking segment for us. And it's an area where you've seen tremendous growth for homes. Clearly, people trying to improve Wi-Fi networks within the home as you're working from home. But what's interesting for us within that is we've -- people have gone from having 1 access points to 5 or 6 access points within the home in this mesh network. And if you look at who has the largest -- by far, the larger share in this mesh deployment that people are using for their homes, it's Qualcomm. And so we expect that to continue.

And more importantly, as we go to Wi-Fi 6, we have an upgrade cycle coming up in enterprises as people come back into their offices because you're seeing a lot of enterprises now going to hoteling concept rather than having dedicated offices. And when you do that, you're going to need the wireless network to be very, very strong because wireless becomes a primary network within offices rather than wireline when you go to the hoteling concept. So that's the EDGE networking part of the IoT business.

And then finally, the industrial part of the IoT business, which is, to me, a 10-plus year growth curve for us because you're seeing industries like retail -- and I'll list the industries, but maybe go into detail in a couple of them. Retail, manufacturing, transportation, health care, all these areas are looking to connect their assets to the cloud and we become the chipset supplier of choice there.

To give you an example of retail, we're seeing this trend towards several different things in retail, building a wireless network within stores, connecting, say, price labels to the cloud so that you can change prices on the fly based on how much inventory you have for a given product and how much traffic you're getting in the store for that product. The second is the checkout centers are becoming wirelessly connected and applying AI to it at the edge as well. Then, of course, we're trying to do wireless checkouts as well within the store.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

So there's a lot of transformation happening within retail, and it's just a great example for us where we can bring our wireless expertise, network deployment expertise and systems expertise to help them with the transformation. Very similar in manufacturing environments where factories -- a lot of things that were not connected. With 5G low-latency, high security networks, you can connect those devices now to the cloud. And these industries are looking for a partner like Qualcomm, who has one technology expertise, but also scale to help solve their problems. So maybe -- I know I gave you a very long answer to a pretty simple question, but hopefully, that gives you a flavor of what's in IoT and why we are tremendously excited about what's in front of us, not just the performance in the fiscal year.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

So maybe the last question and then we'll move on to a different segment. So 3 buckets within IoT, consumer, EDGE and industrial. Roughly speaking, what's that mix look like today? And what do you think it looks like, say, 3 or 5 years down the road?

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Yes. So I -- we haven't talked about this breakdown of revenues between those buckets. That's definitely something that we are planning to give more insight into at Analyst Day, which is on November 16. So just maybe a request to everyone in the audience, if you could tune in and follow our information there, that would be great. So we'll give more insight into it.

I will say that when you look at the next 2 to 4 years, 2 to 5 years, all 3 buckets have tremendous growth opportunity, I think. But the last bucket is the one that we're really most excited about in the 5- to 10-year timeframe, the industrial transformation of IoT that we think is just very, very long tail for us in terms of growth and so pretty excited about it.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

So why don't we flip over from a market that is intentionally diversified like IoT to something that's naturally a little more concentrated at least as far as the customer base goes and hit on automotive. Much smaller part of your business, but growing 50% year-over-year. You guys, like you said, have made an offer to buy Veoneer, so you're clearly committed to that. Talk about where you are in automotive today? And what is the aspirational goal for where Qualcomm plays 5 and 10 years down the road in this market?

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Yes. So that's a tremendously exciting area for us, automotive. I like it for various reasons and I'll go through each one of them. One of the reasons why I like it is, it's -- in some ways, the environment and the number of customers you talked about, very similar to what we are familiar with in the handset industry. You have very large customers who want more technology, and that's a great place for us to be. That's something that we're very good at doing. And so we're really looking forward to having a close partnership with each of the auto OEMs on this.

When I look at the auto industry, we think of it as being transformed in a major way. And you're going from -- obviously, you're going over to electric cars. But in addition to that, we're seeing a transformation in how the car is getting connected to the cloud. We're seeing the cockpit experience changing within the car and software playing a more important role. And then finally, ADAS features coming in as well.

And so you have this sweet spot within that industry where several things are changing and fundamentally, it requires our OEM partners to have a different set of skills and then a different set of suppliers that they're working closely with. And we feel like we are at the center of the transformation that's happening, and we can be that partner to the OEMs.

The way we think about the transformation is we talked about this concept of digital chassis in the car. And what it is for us is a set of solutions that each car is going to have from a chip and software perspective. The first one is having a 4G/5G modem to connect to the cloud. And clearly, the products that we have in handsets are completely transferable. That's an area that we are very strong. We've already been the primary supplier

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

into cars in the past. And as that goes forward, we'll continue to play that role. By the way, we'll bring our RF front end into it. We'll bring Wi-Fi and Bluetooth into it. We'll bring Cellular V2X into it as well. So you should not think of that as just a 5G modem sale, but it's really a platform sale within telematics.

The second is digital cockpit. And you're seeing this tremendous transformation of what the cockpit looks like. We've gone from a black-and-white display to control the experience within the car, to really this tremendous tablet-like experience within the car. And it's not just the front screen, but it's also the rearview mirror. You're going to see side view mirrors becoming smart, rear seat entertainment. And as all of those things change, the chips that we make for phones, a lot of the technology, most of the technology is completely transferable to this experience within the car. And so that allows us to bring the technologies we already have into the automotive experience. And of course, adding specific technology to it that requires -- the cars are requiring by themselves.

The third piece is ADAS. And when you think about ADAS, there's 2 silicon opportunities. There is the drive policy and then there is the vision opportunity. And we obviously have a tremendous silicon position. And with Veoneer with their Arriver software, we would have the stack, software stack as well that would allow us to work very, very closely with the OEM partners to develop integrated solutions for ADAS. So that's the third part of it.

And then the fourth is looking at car to cloud and enabling all these things in the car to connect to the cloud. And so telematics obviously becomes the vehicle through which we connect to the cloud but we can extend that connectivity to digital cockpit and ADAS as well because it really becomes foundational to the experience within the car.

As we've said in the past, our total design win pipeline in auto at this point is approximately $10 billion. And most of it is driven by the first 2 categories I talked about, which is telematics and digital cockpit. But as we look forward, we're very excited about what we can do in the other 2 areas as well. And this is, again, going to be a 10-year growth curve for us.

We've set out at last Analyst Day, which was 2 years ago, we set out a revenue target for ourselves. And as I said in earnings last time that we expect to be significantly better than that.

So we're going into it next year and the next few years with the position of strength from a product, a customer relationship perspective. And you will see this as a highly predictable area of revenue growth for us as we look forward.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

So those are the primary diversification engines. I know that RF front end is technically diversification, but it also obviously goes into handsets almost exclusively. So why don't we transition the revenue discussion over to the handset/RF side of things.

On the RF side, thus far, you have the vast majority of your 5G modem wins bringing the RF front end along with it. And the RF front end is already, I believe, on pace to hitting the target that you had laid out at your last analyst meeting. Talk a little bit about what further penetration potential is there because it seems like you've done really well at the high end. And as 5G penetrates further down the pricing stack, does your RF go along with it? Or do we get into some margin issues where you don't really bring RF along for the ride down at the lower end?

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Yes. I think on RF, it's a tremendous story for us, one we are very proud of because we did an acquisition. We try to invest in it for several years. We did an acquisition of a #4, #5 player in the industry, and we transformed them to be #1.

If you look at RF front end and what's going on in the phone, as you go from 4G to 5G, independent of our position, that amount of content increases very significantly. So you've seen the entire industry benefit from the increase in content from going to 5G. Within that, when we sell the modem for 5G, because of the way we develop RF front end, which is from an end-to-end feature set perspective, you can buy just our modem, you can

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

buy only our RF front end, but if you buy both from us, the performance is much better in most cases, and that's going to be a key story for us going forward -- is our modem is not developed independently anymore. We've developed end-to-end modem to RF front end, and that's what's going to drive our performance leadership going forward.

But also to your point, we've only penetrated, and I think we've given a forecast of 450 million to 550 million 5G devices. The total handsets sold are somewhere in the 1.4 billion range. So there's a long way to go. And as 5G goes down through the remaining part of the handset market, the RF front end opportunity will expand and the technologies that we have and the products we have will extend to those tiers as well. So we continue to expect to see growth in those areas.

But it's not just a handset story for us, right? When you think about RF front end in telematics, we just talked through telematics, that's an area that is going to require RF front end as well. So we'll attach our own RF front end. We've not done that so far. Our forward design wins do include our RF front end.

You also look at all the industrial applications where 5G is going to be used. We will extend our RF front end to those devices. I talked about 5G mobile broadband devices in homes, we'll extend RF front end to those devices.

And then finally, in Wi-Fi, we're a very large Wi-Fi chip player. But today, at this point, we have a very small position in RF front end. So that's another place where we will do end-to-end development and we will extend our front-end position in Wi-Fi as well.

So as you can see, there's lots of places that we can grow our overall position. And you should really think of this is an area where we're going to innovate much faster than others because we're going to take the systems approach to innovating, which is modem through RF front end versus component approach to innovating, which is just RF front end by itself. And so we're pretty excited about where we're at and what's in front of us in this area.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

Great. Well, we have about 5 minutes left. I could ask you questions for another hour easily. But there's 2 topics I want to hit on in the last 5 minutes. And both of them warrant more time, but we're limited.

So the first one is, in your traditional handset business, the big question people keep asking me, and I'm sure you, is what happens if one of your customer in-sources its own modem? You've had that happen in the past with another customer that does the lower end themselves and they leave the higher end with you. How do you guys mitigate that risk? And how do you even frame those moving parts? There's the licensing side, which I think would be independent and not touched either way. So if we stuck within the chip side, how do you think of the modem/handset versus the RF side and mitigating risk to both or either of those?

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Sure. So I'm glad you clarified the licensing versus the chip difference. Clearly, a big portion of it -- the relationship with Apple is on the licensing side, and we expect that to be independent of the chip relationship going forward.

On the chip side, here's the simple thing, right? The modem continues to get complicated, more and more complicated. The number of devices that even Apple makes that requires the modem keeps diverging. So you have variables that will eventually come in, you have watches, you have all kinds of devices, PC or Macbooks, tablets and of course, phones. All of these devices are going to need 5G modems in our minds in the long term. And so when you think about the amount of vectors on which innovation is going to happen within 5G, we're very comfortable that we will continue to be, we are and we'll continue to be, by far, the leader in this area. This is a leadership position we've sustained through the last 15, 20 years in the industry, and we're very confident that we have the best team in the world, the best products in the world.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

And the way we think about it is as long as we have that, there will be a place for us in all of our customer portfolios for their products. And that's the most important thing is to focus on technology, keep the leadership position, keep driving the technology forward and not let it stagnate. But then also innovate from an end-to-end basis, modem and RF front end, so that we have this unique position going forward, and that's what we are focused on.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

So the last question then would be quickly on the margin side. You guys have done a great job on margins, your EBT margins in QCT, just to throw up as many acronyms as I can, are basically 10 points higher than they used to average. Now you're up into the mid-20s. Is that sustainable? I know you'll update targets at your Analyst Meeting, but is that sustainable? And have the drivers been the diversification effort? Or is it in some way, a temporary benefit from 5G's initial ramp?

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Yes. I think it is sustainable is the direct answer. I do think what is happening to our business is way different than the 4G conversation. We're seeing one tremendous diversification and that brings 2 things to us. First is revenue scale. And since we reuse our R&D from mobile and all these areas, revenue scale has tremendous benefits to margins. So that's the first one, and we talked about $10 billion of revenue in these new areas already. So that's a key driver.

The second driver is as we expand in these areas, we have -- it's accretive to our margins, not just gross margins but also EBT margins. And so that's a benefit that we expect to continue to see where these -- all these areas have higher margin profiles for us because we are leveraging technology.

The third is scale within mobile. We have obviously expanded our scale significantly within mobile. We are also at the front end of this change in the OEM mix where Oppo, Vivo, Xiaomi, Honor are picking up a lot of the share that used to be Huawei volume. And as that happens, we get additional scale within mobile, which is also very accretive to our margin profile. So we feel pretty confident that the right set of technologies, leveraging that technology in new areas, diversification outside handsets and then also customer diversification and growth within handsets, all these are what's in front of us. And that gives us comfort that we'll hold the margin position we have.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

Great. Well, Akash, we are exactly at our time limit. So thank you very much for attending the conference, for your detailed answers. And we look forward to getting some incremental color on some of those questions I asked at your analyst meeting on November 16 in New York. There's your friendly plug for that event.

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Great. Thank you, Ross. I appreciate it. Thanks for having me, and looking forward to seeing all of you on November 16.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

Thanks, Akash. Have a good day.

Akash Palkhiwala - *QUALCOMM Incorporated - CFO*

Thank you. Have a good one.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2021, Refinitiv. All Rights Reserved.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

