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EDITED TRANSCRIPT

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PRESENTATION

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

Right. Good morning and good afternoon to everyone. I'm Ross Seymore, the U.S. semiconductor analyst here at Deutsche Bank. Welcome to the 8th Annual Deutsche Bank AutoTech Conference. We're very pleased to have our next discussion here with Qualcomm and specifically, Nakul Duggal, who is the Senior Vice President and GM of the automotive and the cloud computing effort there, well obviously we'll be talking about the automotive side today. So Nakul, thank you very much for joining us.

QUESTIONS AND ANSWERS

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

I wanted to just start off with a little bit of near-term dynamics and market dynamics and then get into the meat of the discussion on what Qualcomm is doing in the automotive market.

So in the near-term dynamics, you guys have had a great year. And you -- I think last fiscal year, your automotive business grew the better part of 35% plus, which was very impressive. That finished the year with a really strong fiscal fourth quarter, which is your September quarter. That grew more than most of us expected. I think you guys thought it'd be up low double digits and ended up growing about twice that.

Was the goodness there, anything meaningful? Or is it just kind of a timing dynamic when a specific product launches at one of your customers? Or was there anything to draw from that upside? Or was it just that timing?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Thanks, first of all, Ross, for having me and good to be with you again. Look, I think the strategy that we've had is to deploy our digital chassis across the variety of different automakers. And as you can imagine, with the amount of transformation that is going on globally in this segment, especially with electrification, the timing of program launches is kind of all over the place because automakers are coming out of the semiconductor crisis, there have been delays in terms of new car architectures.

But we've had a lot of different designs that have essentially been in development for a number of years, and a lot of that is now kind of starting to come through. So what you are seeing is really things that we have been looking forward to for the last couple of years, and I think you saw it kind of starting to fall in place. So really happy to see the results reflect the efforts that we've been putting in.

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

Great. And I guess from a somewhat still nearer-term point of view and the cyclicality of things, we've heard from other auto semi suppliers that there's been some pushouts on inventory, some of the cyclical dynamics you talked about, but generally, a little bit of weakening EV adoption maybe being a little bit slower.

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I know you guys don't really care about the EV side in and of itself. You're not a drivetrain centric company. You're much more the ADAS side with connectivity and digital cockpit, of course, as well. Are you seeing any structural or cyclical changes in the pace of adoption like some of your peers are, inventory burn, slowing aggregate demand? Or are you guys -- the share gains and the new adoption of technology, et cetera, strong enough that, that dynamic really doesn't impact Qualcomm?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Yes. I think it's mostly the latter. I think clearly, the macro is going to affect all of us. But 1 advantage that we do have is we are really not affected by combustion engine or EV powertrains. We are also, I think, benefiting from a large amount of digital transformation that's going on across all of these vehicle architectures regardless of what type of powertrain there is. And automakers have been betting on what platforms to pick for their transformation.

I think we've done quite well in that area. So I think a lot of that is what is getting reflected in the numbers that you are seeing. Of course, we are watching what the macro looks like in terms of car sales, et cetera. But we also feel good about the fact that we are designing across a variety of different automakers at really all tiers. We are also not necessarily present in 1 tier or not the other. It's really a platform that goes across multiple tiers of and automakers lineup.

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

And coming out of the cyclical dynamic, like you said, there were some shortages and that created a bunch of different volatility in inducing metrics. Have you seen a more structural change in the relationship between the chip vendors, Qualcomm and either the OEMs or the Tier 1s versus what it was prior? And I fully realize you guys didn't have as big of an automotive effort so, before might be less relevant to Qualcomm, but have you seen any big change in the interaction and the partnership versus a transactional relationship prior with your customers?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Yes, it is actually completely different. I mean I -- prior to the pandemic, we were already engaged in a variety of direct conversations with automakers of various types. But through the pandemic and certainly post-pandemic, we have direct relationships with most of the major automakers. They range from everything to do in the pricing, all the way to supply assurance and everything in between. And there is a (inaudible) sense, obviously, of the sensitivity that supply chain plays in every automaker's mind, but I think it's got into almost kind of the next step.

How do you get information about details across the supply chain. What are the parts, what's the near-shoring strategy. What is the time frame within which you will produce it? How long will you go up? So it varies by OEM. But certainly, it's a very different type of supply relationship than where it used to be a couple of years ago.

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

Would it be fair to describe that as a visibility enhancing relationship versus what it was prior. So the procurement will be earlier, the willingness to have inventory and probably more importantly the timing with which the design and the interaction you have with them through the design process has all pulled forward?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Yes. I think net-net, certainly much more visibility. Obviously, We've always had a good amount of visibility into all of our programs. But as you start to get into more direct relationship, especially when you are developing together, especially when you become part of the core development team within the automaker. There is a very good understanding of the complexity of the program, the dependencies, the overall macro issues that are going on. So yes, I feel like we definitely have graduated compared to a couple of years ago.

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

Good to hear. Last cyclical question I have is there was a little bit of a fear during the pandemic and the shortages of product that the car makers themselves were skewing to the high end of their mix if they were limited to supply, they might as well make the vehicle that carries the highest price point and that makes total sense, the fear cyclically is that with normalize to a more balanced mix with the low end finally catching up to the extent you have more of the exposure at the high end in many of your products, have you seen that mix shift? And if not, is that a concern you possess?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Actually, we don't really think of our products as catering to the high end. For example, if you think about our connectivity products, they really go across the entire fleet, they always have. And then especially on the cockpit, one of the reasons we've been winning is we have a very clear strategy. I think what automakers have done over the last couple of years is to introduce the premium tier SKUs earlier because that's where they could maximize their advantage in a supply-constrained environment. But all of our products are actually across the portfolio.

The other piece that actually helps quite a bit is because there is so much of focus on software and in-sourcing of software and driving a lot of performance out of the SKU, automakers have started to consolidate how many different tiers of semiconductors they want and that has helped us quite a bit as well. So we tend to see automakers pick higher-end semiconductor peers and then would like to reuse that same platform as much as possible across as many tiers as possible.

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

Yes. I was going to go into that a little bit later. But since you mentioned that scalability, we hosted a meeting earlier today with an ADAS expert, and he highlighted that, that scalability is incredibly important the OEMs and even the Tier 1s. So talk a little bit about how Qualcomm is somewhat uniquely positioned to be able to offer solutions across low, mid and high tiers versus some of your competitors who given their, I think, ADAS centric and somewhat solely ADAS efforts might be relegated to just the high end?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Yes, yes. I'll have to get a bit technical but let me try and kind of explain this at the highest levels. So you know one thing that we certainly benefit from given that we are, in our DNA as smartphone company, caring of products comes very naturally to us. We understand the sensitivity around cost around BOM. And very importantly, what we have done is we've built our technology IP portfolio to be highly scalable. So we can address the most entry care and basic systems, and we can go all the way to very premium systems while maintaining a lot of compatibility within the core ingredients of the platform which then allows us to maintain a common software baseline. That is very interesting especially to automakers that sell across the large variety of tiers because it saves them immensely as far as their investments go in terms of the portfolio.

It also is a very big advantage to our Tier 1 partners who want the same exact advantage, build 1 platform and then you have the ability to scale that across many different types of vehicle and across many different OEMs. The other piece that I think is also pretty evident is the need for performance headroom.

What we are seeing that is helping us quite a bit is, for example, in ADAS, while we provide solutions that offer our stack with our silicon we keep the silicon open for automakers to bring in their own stacks, other partner stacks, third-party stacks and that openness by definition, requires the platform to be highly scalable because you need to be able to envision what kind of performance headroom you will need, what cost point are you trying to address.

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So the lessons that we learned a few years ago when we were heavily focused on the cockpit where we created a 3-tier architecture, we have applied those same lesson as you move to the next generation, and it has made a huge difference, and automakers really like the ability for that level of flex to be available.

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

So I want to pivot into the 3 core areas that you focus on here a bit, but just keeping with the scalability side of things, when you have the digital cockpit, you have -- well, connectivity first, digital cockpit, second and then ADAS third. Is the penetration on the first and the second beneficial for the third? Or are you finding that the customers, whether they be OEMs or Tier 1s are kind of segmenting across those, whether it be from a competitor point of view, a procurement point of view? Is there kind of a synchronized benefit that you can leverage from 1 to the next?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Yes. It's a complex question because I think the first and the second, first of all, we have a lot of experience in that space. We've been at it for a long time. And we are seen as a very mature, very well-established player in that space. I think on the third one, there are a few different factors. I think the first factor is the OEM going through a make versus buy decision. Are they just looking to buy something off the shelf? Or are they looking to actually do their own development?

I think the second piece is, which region are you selling into? Do you need to have region-specific focus. The third is what tier of ADAS performance are you looking to deploy? Anything that requires significant amount of innovation, significant amount of feature planning, advanced features, et cetera, requires a platform that lends itself to be highly scalable, performant adaptable. And that obviously limits the number of players that can participate.

One thing that is becoming very important and I think will continue to remain very important is the investments that semiconductor suppliers was making safety and we pivoted to making sure that all of the platform that we're building about 3 years ago were fully safe platform across the Board. They had the ability to be safe from a fabric perspective, the overall architecture, the software that we provide, the overall tool chain, those are factors that matter a lot to automakers as they start to make long-term bets.

But I feel like one of the things that helps us the most is making the consistent and focused investments in the semiconductor portfolio, the software that goes along with at scale makes us very interesting to the purchasing teams, the technology teams because they know that we are actually going to be there for the long run. And that certainly helps us given our track record in cockpit and telematics.

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

Got it. Thanks for those details. So if we pivot to kind of your auto targets and then we'll dive into the levers to get you there. This last fiscal year, you were about $1.9 billion in automotive revenue, that's up 35%, 36% year-over-year. You talked about a year ago of having an over $30 billion pipeline and I thinks at your Auto Day -- Auto Analyst Day you talked about the $4 billion revenue target, I believe, in fiscal '26.

How are you running on those 2 metrics? I would assume -- I don't expect you to update numbers today, so I'm not really asking that. But I would assume the $30 billion is probably rising. And are you still comfortable with the $4 billion target for fiscal '26?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Yes, I think you are accurate on both fronts. I think we are comfortable with the $4 billion and the pipeline continues to do well and expand.

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

So to the extent we break that down into the 3 big buckets that you have, connectivity, digital cockpit and then ADAS. Talk about the timing of those. If you were just roughly to talk about the mix and your kind of $2 billion-ish run rate that you're operating today, how much roughly or just a hierarchy is the connectivity side versus digital cockpit? And when does ADAS really kick in?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Yes. I don't think we have broken it down like that. So I won't give you any specifics. But ADAS starts to kick in, in the '25 time frame, which is when some of our large-sized programs start to go into production. And I think cockpit has been growing steadily over the years. I think continues to remain very important. And I think the telematics business, is highly correlated with the connected car attach rate. And of course, the factor that matters there is the transition from 4G to 5G.

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

And is there any significant differences and again, thank you for that color. I wasn't asking for specifics, but if in your $4 billion target, assume you hit it, ADAS, by definition, will be a significantly larger portion than it is today. How does that change things from either kind of a predictability point of view, a lumpiness of business point of view, I would assume that the content per vehicle goes up significantly when you layer in the ADAS side of things. So just as investors are trying to forecast this out, are these things that will just take stair steps up that we have to be prepared for? Or is it going to be smooth enough with all 3 of the buckets that it will be more of a linear progression to the upside?

Mauricio Lopez-Hodoyan - *QUALCOMM Incorporated - VP of Investor Relations*

Hi, I'm Mauricio, I think near term, Ross, you can just assume that this -- the current $4 billion trajectory, just a straight line probably the best way to fit it. I mean there'll be some noise within the quarters, but I mean the simplest way to model it would just be to do a straight line.

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

Got it. Thanks, Mauricio. So on the technology side of things, I think everybody understands the connectivity benefits that Qualcomm brings, so I don't want to diminish those, but I don't think that, that's a hotly debated topic. But starting with the digital cockpit side of it. Just talk about, Nakul, where you're truly differentiated there, and how sustainable is it? And I ask the sustainability question because other companies have taken a leadership role in that and then chosen to walk aways from it for whatever reason, focusing more on ADAS, margin pressures, what have you? So what's allowing you to win in digital cockpit? And do you think that's a sustainable advantage over the future years?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Yes. I think the digital cockpit business, we are very we are very bullish on for a couple of reasons. There are actually several reasons. I think, first of all, there are not many companies who have the type of exposure that Qualcomm does where we are very heavily invested in the smartphone space where the world changes on a 12, 15-months cadence, brand-new consumer technology has to be dealt with. You have to be in advanced process nodes. You have to deal with a variety of different software ecosystems, a global footprint. So it's a very fast-moving market and the digital cockpit is starting to care about all of the same types of things.

The second piece that is very important to keep in mind is automakers want the cockpit to be something that they can represent as their brand as their differentiation. So there is a lot of focus on making sure that any software investments that the automaker is making, they certainly own the cockpit real estate.

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And then thirdly, the level of integration of technology that is going on in the cockpit, all of the features that you're seeing between cameras, audio, larger displays, AI, various regulatory support that you have to be able to provide. That, by definition, require a significantly higher level of complexity on the SOCs that you have to build, not to talk about the safety and the quality requirement. So it is actually a multiskilled support. Just 1 skill doesn't necessarily get you to be successful and you need to have a long-term plan to be able to go support these types of products, I think that's the 1 things that we've learned and I think it is actually paying off very good dividends.

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

So have you seen any change in the competitive landscape on that digital cockpit side of thing either microcontroller companies moving up into apps processers, CPU companies coming somewhat down into apps processors? Anything meaningfully changed over the last year or so in that? Or is it kind of the same general dynamics that you and I discussed about a year ago?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

I think both the trends that you are suggesting we are seeing, but they have not been very impactful because just having a product is not good enough. You need to have a tremendous amount of support, scale software, staying power. And so we are seeing attempts from both of those contingents, but nothing that I lose sleep over too much. We, of course, have our traditional smartphone SOC competitors who obviously look at the opportunity in the same way that we do, and they're also trying to make inroads. But like I said, I think there are many different capabilities that are needed to develop the staying power. So I think we've developed a pretty good portfolio and reputation.

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

So for the last 10 to 15 minutes, I want to focus on the sexiest part, the ADAS side, even though, like you said, that kick in, in 1.5, 2 years from now, but the ground work is obviously going into place now and design wins et cetera. Talk about what you view to be the key differentiation for Qualcomm versus the peers? Is it the hardware side, the arrive of software side, the combination of the 2? Just what makes Qualcomm different?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Yes. So I think, first and foremost, I think ADAS is going to be part and parcel of every single vehicle. So the attach rate for the technology is going to be very high because between regulatory mandates and differentiation, I think this is actually going to be core technology. I think the second piece that is going to be very relevant is the silicon and the software need to be optimized together because the software will have to keep evolving over the life of the platform. And that means the silicon has to be designed keeping in mind where the road map will go, what the thermal implications might be, what the cost implications might be, what the headroom is that you need to have in place, what kind of openness you need in the platform. And those are things that we understand and we designed for.

The third piece, I think, is that automakers are going to be making choices between, do they want to own the stack by themselves or do they want to simply look to a third-party to be able to go provide this capability to them and not really have any way to differentiate by themselves. I feel like for the entry tier solutions, it's probably the latter. It may become a bicomponent, which is a commodity component. And for the more advanced systems, it is the former, automakers will want to differentiate. And we have a very good hedge because we are building a stack that allows us to be able to go support anything that becomes a mandate.

We also have an open platform that allows automakers to be able to develop on our platform. And then all of the other learnings that we have in terms of how to work with the auto industry, what are all of the things that matter? What is the skill set, the capability, the overall software cost? All of that forces automakers to think about who am I betting on in the long run in terms of my core semiconductor partner. I think those are extremely valuable assets, and I think that strategy is certainly playing out very well, and I think we are seeing the benefits from them.

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

Is the definition of a long-term relationship when they're choosing those partners. One generation of vehicle of the fleet of vehicles and so it could change every, whatever 3 to 5 years or is it something that is even more finally interwoven than that, that could last even longer. We just -- in general, the way I somewhat tongue in cheek say it seems like everybody has huge pipelines and design wins, but it seems like the OEMs are dating and unwilling to get married to anyone. Is that changing?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

I think it depends upon the level of software insourcing that OEMs have done. So areas where OEMs have brought in a lot of software capability in-house, they don't want as much of friction and as much of change on their hardware platforms. In areas where automakers are still open and thinking about choices, I think a decision might be different. One thing to keep in mind, Ross, on ADAS is that there is certainly a difference between systems that go into China versus that go into global systems. And so automakers do make choices around do I want to do -- use a local stack in China because it will just be easier to meet compliance, data gathering, keeping up with the local regulations should be differentiated there or should we focus on that differentiation outside of China. That does, in some sense, change the decision-making in terms of what type of development he would do. Those types of things are less relevant in a cockpit or a connectivity type vertical as opposed to say ADAS.

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

So if we think about the ADAS side, there's many different levels of it, L2, L2+ et cetera. We, again, referring back to an earlier presentation that I hosted today, the gentleman talked about in the ADAS market. He described it as hands-free versus eyes-free and eyes-free would be L3+. What's your view on the move to kind of the hands-free and eyes-free version, like the L3 side. Is it going to be an evolutionary change? Are you more dependent upon a revolution in that? Or are you betting on more of kind of the evolutionary adoption?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

I think the answer will depend highly on consumer adoption. And I think it varies depending upon the part of the world you're in, what type of vehicle segment you're talking about. I am of the opinion that the hands-free obviously, is upon us and is going to keep improving in quality. Eyes-fee is going to require a region by region, understanding because there are more infrastructure dependencies, more dependencies on how do you ensure the safety standards are met in a consistent way. Every automaker has a very different view in terms of the level of safety risk they want to go take.

The approach that we have taken is the silicon that we are building doesn't really differentiate between these tiers because it can support all of those tiers. So the silicon is built in a very standard platform manner. We can support everything from eyes-free to hands-free. The stack efforts that we are involved in certainly have a lot of focus on the hands-free because we believe that is where the sweet spot of the market is and is going to move for a period of time. And then on the eyes-free, we work with a variety of different OEM partners to see how we can develop those capabilities together.

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

So to the extent the silicon understandably has to have headroom necessary to go between the hands and the eyes-free versions of the world. It seems like it would be expensive relative to the hands-free version, if it's appropriate for the eyes-free version. How do you get paid for that? Does that necessitate a different business model where you do some revenue sharing down the road for the software-defined vehicle side? Kind of who eats the cost if you want to put the hardware headroom on a car that might not use it today, but could in the future?

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Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Yes. One change that we made in our road map a couple of years ago was to build silicon to be fully safe and silicon that can be used interchangeably for cockpit or for ADAS. So the way that I would answer your question is the tearing of the silicon allows us to be able to manage that capability. We have entry-tier solutions that are designed to be much more hands-free.

We have mid-tier solutions that can obviously do hands-free, but some of the eyes-free. And in the premium solutions, there are obviously more eyes-free center in terms of their capabilities. But because the silicon has more than 1 capability. It's not just ADAS silicon. It can also be used for cockpit capabilities. We get a tremendous amount of leverage and reuse in the platform investments that we make and the overall business case for that investment.

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

That's a perfect segue into a competitive question because I do agree that, that is -- that leverage across the cockpit side of things into the ADAS side is definitely a unique attribute that Qualcomm offers. Have you seen a significant change in the competitive landscape on the ADAS side of things? It tends to be really only 3 players. Have you seen any more players trying to enter it as a first part of the question? And then as a second part of the question, have you noticed any changes in how your competitors of those other 2 are attacking this market?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

I wouldn't say I've seen too many changes. I think what we have seen is certainly that automakers are starting to think about what do they want to do in China versus outside of China. And I think a lot of this is driven by local market dynamics, what are customers saying, what do they want to buy, what do they want to pay for. And that obviously shapes the curve in terms of where you spend time, where you go focus. I think the other piece that we see is not every one of our competitors is able to scale the way that we can. So the ability to go all the way from entry to premium is something that I feel we have some unique differentiation in. And finally, the fact that the platform is open, you can do cockpit, you can do infotainment, you can do ADAS. That reusability is something that certainly creates a moat around the things that we are able to offer.

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

You've mentioned a couple of times the difference of the China market. Is that just because there's different regulations, safety protocols, et cetera? Or is it that China is actually adopting things significantly faster. Everybody fixates on the EV side of things, but many of those vehicles also carry a significantly greater semiconductor content, whether it be in any of your 3 areas as connectivity, digital cockpit and ADAS. So when you highlight the difference in China, what are you really alluding to?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

It's a much faster moving market. I think 1 thing that China has been able to do is the barrier to entry in terms of being able to build a vehicle that is on an EV platform is seemingly much lower in China than it is in other parts of the world for reasons, I think we all understand. And that basically allows the problem to become a digital problem statement. And I think the China ecosystem is able to move much faster, experiment a whole lot more, get into very specific areas of differentiation, whether it is cockpit, whether it is ADAS, it's a much faster moving market than other parts of the world.

I think the other thing that matters a lot is when you have infrastructure that is very consistent, the market that is a domestic market, the ability for consumers to be able to look at these features, provide feedback. I think that is this very unique phenomenon that is going on in China at this point in time.

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

And we only have a couple of minutes left. So just sticking with the geographic theme. I think on your last call, you talked about some U.S. OEMs starting to ramp the Cadillac Escalade IQ. You talked about BMW and the Mercedes design win as well. How are you generally exposed if we think about the next few years, are you more dependent upon one region versus another or are you pretty agnostic between who grows fastest at first?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

We are quite agnostic. I mean, Ross, you are aware of our presence in China on the smartphone side. I think on the automotive side, it's very similar. In fact, we are -- we consider pretty much every major Chinese OEM as a customer and partner, and there are many of them. There are dozens of OEMs in China. The scale that we have in China as a business. I think we've been able to apply that quite well to the automotive industry. And I feel like we do have a pretty unique position in terms of bringing the technology over to any type of customer, global or in China or global customers that are needing to be present in China. And I think we are, I think, highly hedged there.

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

So the last question in the last 1 minute we have. You're on track for the $4 billion number, between now and the $4 billion, and you're probably thinking beyond that, I would guess. What do you believe is the biggest hurdle to hitting or exceeding those numbers and just continuing the positive momentum for Qualcomm in the automotive market?

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

I think it's execution. The good thing about automotive is that the road mapping is done years ahead in time, customers are bidding on your road map and your ability to then deliver to that road map so I think execution is one. I think, obviously, the market and the overall macro is certainly something that is going to play in.

But I feel like what is becoming very clear to the automotive industry is that selecting platform and selecting partners that allow them to be able to move fast and in a very reliable way is extremely important. There is not much room for experimentation because there is a lot of competition going on now. And I think we are really I think very well positioned there in terms of being a great partner to the automotive industry.

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

Nakul, thank you so much for your time. We could talk for many hours more but I know you have other things to do and our time is up. So I really appreciate you participating in the conference again this year and best of luck for continued success in the automotive efforts.

Nakul Duggal - *QUALCOMM Incorporated - Senior VP and General Manager of Automotive & Cloud Computing of Qualcomm Technologies, Inc.*

Thank you for having me, Ross. Appreciate it.

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

Thank you everyone.

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