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QUALCOMM, Inc. (QCOM)

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CORPORATE PARTICIPANTS

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

OTHER PARTICIPANTS

Timothy Arcuri

Analyst, UBS Securities LLC

MANAGEMENT DISCUSSION SECTION

Timothy Arcuri

Analyst, UBS Securities LLC

Okay. Hi, we're going to get started. I'm Tim Arcuri. I'm the semiconductor analyst here at UBS. We're very pleased to have Qualcomm and we have Cristiano Amon, who is the President and CEO of Qualcomm fresh off the plane. So glad that you could make it.

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

Very happy to be here. Sorry for the delay. I think we got some traffic, but I made it.

QUESTION AND ANSWER SECTION

Timothy Arcuri

Analyst, UBS Securities LLC

Q

All good. Great. Thank you. So, Cristiano, the first thing I wanted to talk about was just what you presented at the Analyst Day. And you focused on the adjacency opportunities. You presented \$22 billion in the next five years, growing fast enough to basically offset headwinds in your handset business. Which of those adjacencies excites you the most?

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

A

Right. By the way, we're actually very happy. I think we have been very clear, we wanted to get the company at least to the 50% diversified, so. And I think we've put a number of different bets into place. That's kind of we highlighted on that Investor Day.

What I'm very excited about is what also continue to be a very [audio gap] (00:01:10) we have an opportunity to accelerate. I think every company we're going to – always try to do on better than the plan that we have. I think we see Gen AI as a very good accelerant of that opportunity, especially with content. I am optimistic about the PC. Looking at the landscape right now from the competitive environment that we have a built, I think we're well positioned. I think one of the things I said in the earnings call when I said that design traction is very good, we started with 20 platforms in May. We have 58 designs now by – in November. Line of sight to about 100 designs as we get to the early 2026. So I'm excited about that.

One thing that we think it's very novel is what we're doing with industrial, which is the same exact thing we did to automotive, which is let's not thinking about building a connected microcontroller for auto; let's build a different platform. That's exactly what we want to do with industrial, with Gen AI at the edge. I'm excited about that. Even though that's new, we're still going to have to prove, as with the annual milestones as we execute. But I think the opportunity of AI at the edge in industrial, when you go from cloud back to on-prem, is probably underestimated. I think that's a great opportunity.

Timothy Arcuri

Analyst, UBS Securities LLC

Q

Great. Thank you. So I wanted to talk about autos. I think you showed a \$100 billion TAM for 2029, and you've already said you have a \$45 billion pipeline. That was five months ago. I'm sure it's even higher than that now. And really what I wanted to ask you was it seems like currently it's mostly connectivity and you're beginning to get some cockpit now and then ADAS is still kind of on the come, I would say. And so I guess the question is, how do you see that all layering into the model, and really bigger picture, why are you winning in autos?

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

A

Okay. So there's a number of questions. Let me start with the first one. The three components of our auto revenue. I think we started with connectivity. Now, as the revenue starts to grow and we have you've seen five, I think, consecutive quarters of record revenue, and we've been growing faster than the market. We have – the automotive growth rate has nothing to do with how the market is performing. It's about gaining share as new cars are coming. Most of the revenue growth you're seeing right now is digital cockpit, it's computing. And ADAS is

going to start to materialize it in the coming years. We kind of broke down the \$45 billion pipeline that we disclosed. It's about almost one-third, one-third, one-third. \$15 billion of that, it's about ADAS. And I think we started to see the platform, especially on the computing side, becoming more visible on the revenue side as we march towards our greater than \$4 billion in 2026.

Now the second question, why are we winning? I'm trying to give you a simple answer, but we developed something very unique. Our approach was simple. We realized that the car going forward, regardless if it's EV or an internal combustion engine, digital becomes an incredible, important component of the car. The car is becoming a computing space. It's actually important to understand this, because unless you understand the car is a computing space, drives you to the wrong platform.

And we realized could we enable that platform for the OEM so they all could have what Tesla started, in becoming the car into a digital product. That's what we did. So we didn't chose to develop individual components. We created a platform, and we did this across multiple tiers. So if you look, we have in the platform we call the Snapdragon Digital Chassis, we connect the car to the cloud. We have now a computing platform for the car that has more than just doing the dashboard, the infotainment. It has the ability for you to run a lot of things via software in the platform. And then we have an ADAS and we have the ability to actually run all those things all the way to the same silicon, if you want to bring that platform down to the entry-tier, which we call Flex. So that's the reason we're winning. Our solution is just not hardware; it's hardware and software.

And let me leave you with a thought, for you to understand how we think about the car as a computing space. Some of the conversations we are having, very exciting conversations. You saw, for example, pieces of that puzzle where you have an integrated salesforce into the platform. We have car companies now looking for commercial. Think about like a van. In a van, you have not a big digital cockpit. Now they're saying there's a huge value in have a digital cockpit in a commercial van, because when I sell to a customer, I can download the entire environment of that customer to the platform. I have the CRM, I have the ERP. And I think that's the change that we're starting to see with cars. That's what we built: a computing platform for the car.

Timothy Arcuri

Analyst, UBS Securities LLC

Q

Great. I wanted to ask about PC, which you are very excited about. You had said \$4 billion in revenue by 2029. That's in a silicon TAM of \$35 billion, which on the surface you say, well, that's not – the share is not that high. But really, you're only serving the notebook market, and when you – it depends on what price you choose. But you get to a number that seems to assume something in the range of 20% share, which is pretty high, actually. So my question is, what gives you confidence and what excites you so much about the PC opportunity?

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

A

Okay. So I'm going to try to give that in layers. I think the first one is one thing that is unique about our strategy to grow and diversify the company, and I don't want to sound in any way pretentious, but if you look, every new industry we enter, we enter with the leading platform. I think that we've seen that in automotive, we're seeing that in spatial computing, we're doing that in PC. So Snapdragon X Elite right now is the fastest processor in the SoC for the laptop, and that is what actually is giving us a lot of opportunity to get designs. That's – so the first answer to your question is we actually have a very competitive SoC, from a performance, from a battery life, from an AI.

The second one is PC is changing. And I think Microsoft was one of the first ones to see how this is going to change into an AI computing device. That's for the AI PC. Like everything, people keep asking me, what's the killer app? What's the killer app? The killer app is really AI. Microsoft themselves have a roadmap for CoPilot+

features. But think about every other application and user of the PC, that's an open platform, how those things are going to be running in the AI engine. So that change in the marketplace allow a change to the AI PC that creates opportunity for us to enter.

The question – the answer number three, the constraints of the TAM are defined by the existing players, right. So you say, this is a desktop, this is a laptop that is based on the existing architecture of the solution as well when do you attach, you don't attach a graphics card? Our solution is very different. A solution is like an SoC. You should think about similar to what you probably see on the Mac ecosystem. So we could be serving, we could be serving a desktop or a mini just with an SoC. And especially when you think about creators, for example, I think our roadmap is going to scale even to higher performance GPU for that SAM to expand. So that's why I think the \$4 billion is very reasonable.

And the last comment, I do like the what's happening in the competitive landscape right now, creates an opportunity. If you are a PC maker right now, why wouldn't you hedge your bets and bet on the platform?

Timothy Arcuri

Analyst, UBS Securities LLC

Q

Definitely. Great. So I wanted to talk also maybe a little bit about smartphone, if we can. Sounds like obviously you're the share gainer in PC, you're the incumbent in smartphone. And it sounds like your AI opportunity in smartphone really is more – you think it's more of a content, more of an ASP opportunity than necessarily a unit opportunity. Is that right?

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

A

We made the prudent decision not to assume an AI upgrade cycle on phones. So I think what you're seeing is what historically we have done. Historically, we have done about on the market, on the – we shift our focus. Our focus is now share of wallet. We're kind of focused on premium and high tier. And if you look, Snapdragon, the premium smartphone, we have seen about a 10% CAGR in ASP increases with content, mostly computing. We're way past the 5G content increase, mostly on computing and AI as those are more powerful platforms. And we have done historically, the past three years, about 8% per year growth on Android on a market that kind of was kind of relatively flat.

What would happen in the smartphone market? And I think everybody asks this question. Would there be an AI upgrade cycle? I think so. But I cannot predict it. So we are assuming that we're going to continue to grow into the Android as you put more AI content, you're going to put more processor content. We've made a projection that we expect the Android TAM to grow at a 5% CAGR. Like I say, historically, we've done 8% for the past two years. But if you do have any AI super cycle or an AI upgrade cycle, then units are going to grow. It's going to be the equivalent of like of a feature phone, smartphone or 4G to 5G. We don't have on the plan. If you ask me a question, I can tell you, it's definitely going to happen, but I cannot predict the timing. It may take a couple of years. It may take more.

Timothy Arcuri

Analyst, UBS Securities LLC

Q

Got it. You have really outperformed the handset market during the past couple of years. You've done great due to your leverage in premium tier. And the question really is, how much more can you push pricing, number one? And number two, it seems to me like you push pricing up in part because your roadmap has moved to N3. And so the question is how tied is your pricing and the content to your roadmap?

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

A

Okay. So I think you have a number of different dynamics, right? So in general, premium tier – in premium tier mobile, always going to be focused on high-speed process technology advancement. Just because it's a small surface area, you need as many processing capability and you still have to do all day battery life. So they will continue to be the industry that is driving leading node technology forward. And at the end of Moore's law those things get more expensive, so.

But the reality is we have seen a need for more content and more processing capabilities. You just compare generation after generation, and we have seen more of that process increase than just a pure process node change. Like the obvious question you ask is, is there like a roof? How much people are going to continue to pay? I remember when we had discussions a few years ago and people will swear to me, nobody will be able to pay more than \$600 for a premium smartphone. Now it's kind of in \$1,200 range. Now, will that continue to go up? We don't know.

But there's two dynamics that are important to understand. Premium tier is expanding. One of the things we saw in China, actually Huawei expanded the premium tier. So in a number of total units, more people are buying a premium smartphone. So that's one good vector. The other – I think the other vector is we're decided, and we showed that in the last Snapdragon Summit, we decided to actually expand the premium tier at different price points as well, knowing that we're going have to address the top of the line. And then there is probably the equivalent of the premium as well as we hedge ourselves for that dynamic.

Timothy Arcuri

Analyst, UBS Securities LLC

Q

And as you kind of think about the adoption of AI in the premium tier, I mean Apple can push it because they have a closed ecosystem. But in Android, there's still a lot of debate right now as to what the agent is going to be of choice. Is it Copilot, Gemini, OpenAI's agent? But it seems to me like there has to be some redesign in the Android ecosystem to really have gen tech AI take off. Are you more excited about AI in the Apple ecosystem or the Android ecosystem?

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

A

Okay. I know we don't have a lot of time, and we started late, so I wish I had like at least an hour to talk to you about this. But I'm going to try to give a concise answer. I think the construct of an application is going to change. The construct of an application is going to fundamentally change. And I think it's a mistake to think, oh, this is going to be one agent on one winner take it all. Those platforms are going to change. When you think – you're going to have the coexistence of the old and the new at the same time. But the reality is, most likely, you're going to have maybe an agent for productivity, maybe an agent that you're going to do for productivity in your enterprise, maybe going to have an agent for social, maybe going to have an agent for search. In those things, I think it's yet to be decided.

I think what we started to do – you'll see more companies right now, more companies beyond the traditional OS providers talking about what they are you going to do in mobile and their mobile ambitions for the ecosystems. So it's going to be chaotic for a little bit, and this was going to settle. But I think the experience is different.

One thing I can tell you for certainty, every generation of wireless and every big change of wireless user interface, the players changed dramatically. So if history tell us, I think there's opportunity for change. It's going to get a little

confusing with all of those different agents and ecosystem, but eventually something's going to merge. We just can't predict it right now. I just don't believe it's going to be one agent rules everything, and I don't believe the control points of the platforms today are static, and I think that's going to change.

Timothy Arcuri

Analyst, UBS Securities LLC

Q

So do you think that some of your success in premium tier, or rather some of the premium tier, the mix up to premium tier, do you think that the premium tier phones are already being preloaded for these – for gen tech AI? Or is the content and the mix still out there in front of us?

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

A

I think still out there. Let me just give you a silly example, but like, for example, because – and that's why I wish I had more time because now you can use Gen AI for many things. One of those things you can use it for is a front end of an application interface. Theoretically, you could have, like you see right now, Meta AI on WhatsApp, for example, and it doesn't matter. Some is cloud-based, some is device-based. It's going to be transparent to you. But theoretically, once you start an app, you could see an agent in the app.

And once you start interacting with the agent, you are free. You can do anything. You can buy, you can search. So, also you could, you could today, you could have your app get a small model bundled with your app, push to the Play Store. When you start the app, the model comes up. And that's what I'm trying – I think that's way ahead of us. It is – I think it's too early to say this intelligence from this company is going to be how you interface with the ecosystems. By going to one app and getting to a front-end model, that model is free to do anything. And I think that is the change that's ahead of us. I wish I could predict, but I know when that happens, we're going to have an AI upgrade cycle.

Timothy Arcuri

Analyst, UBS Securities LLC

Q

And you think – so, bottom line, you think your content should continue to rise 10% per year CAGR in premium tier? It all adds up to that kind of a number?

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

A

Yes, I think the way to – the – we have – we had done 10% CAGR on content today. We had on revenues on Android, we've done historically, the last three years, about 8%. We're just making a projection that the market is going to grow by 5%, Android. But here's what I'm going to tell you what we're doing. We know there's going to need for lot of NPU processing. So we're just busy adding as many NPU processing as we can add for those platforms to make it a reality. We're supporting any ecosystem. I think you saw, when we had the Snapdragon Summit, you saw a lot of the CEOs of the ecosystems talking about what they do in mobile, and let's see what happens.

Timothy Arcuri

Analyst, UBS Securities LLC

Great. Well, I think we're just about out of time. Sorry, we could keep on talking forever, but thank you. Thank you for the time, Cristiano. I don't want eat into [indiscernible] (00:18:52)...

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

Thank you for the opportunity.

Timothy Arcuri

Analyst, UBS Securities LLC

... session too much, so.

Cristiano R. Amon

President & Chief Executive Officer, QUALCOMM, Inc.

Thank you so much.

Timothy Arcuri

Analyst, UBS Securities LLC

Thank you. Thanks again.

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