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OVERVIEW:

Company Summary

LSEG DATA & ANALYTICS

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CONFERENCE CALL PARTICIPANTS

Timothy Arcuri *UBS AG - Analyst*

PRESENTATION

Timothy Arcuri - *UBS AG - Analyst*

Okay. We're going to get started. Good afternoon. I'm Tim Arcuri. I'm the semiconductor and semi equipment analyst here at UBS. We're very pleased to have Qualcomm, we're very pleased to have Cristiano Amon from Qualcomm, who's the President and the CEO. So thank you, Cristiano.

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Thank you, Tim. Good talking to you.

QUESTIONS AND ANSWERS

Timothy Arcuri - *UBS AG - Analyst*

Great. So let's start talking about the business that everyone wants to know about, which is your data center business.

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

I'm surprised.

Timothy Arcuri - *UBS AG - Analyst*

Yes. So you're attacking the low-power inference market. You announced the AI200 and AI250. You still haven't told us very much about the specs and the roadmap. What can you say?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Okay. Look, maybe let me start from the very top and I'll walk to some of the details. I think we look at the market, we look at what's happening with AI. And I think I'm assuming is the hope of everybody in the room that eventually, you go from training to very large-scale inference and you start doing inference, you're putting AI to work, and you have a lot of customers.

And I think what's happening is we see this as a one of the entry points for us, as AI is going to go into inference, you're going to be able to build large inference-focused clusters, the data center is going to go to the next phase of this aggregation. You're going to have dedicated hardware doing inference. And we think that creates an opportunity, I think, for us to enter.

We expect there's going to be competition, everybody is playing to win. And at some point, I think tokens per dollar will matter, tokens per watt will matter. And we have an opportunity to come up with something that is very competitive for inference.

The second, I think, data point to drive the entry is how we see AI evolving. Eventually, it's been kind of the -- as you put this into work and you started to see the combination of mixture of experts and distillation, chain-of-thought reasoning. You see that the AI is really becoming mature to the point that it's not going to be farfetched that you're going to have small appliances that could be doing multiple hundreds of billions of parameters of model.

If anything, you look at NVIDIA DGX that's kind of what we do, and that trend will continue. And I think you're going to end up in a situation that architectures are going to be available for inference, and the data center is going to be competing, I think, for the efficient architecture.

With those two things in mind, we look into some of the assets that we can leverage in the company. And we have two assets, and that's what we'll be focused on. One is we're doing a CPU, which is the head node of an inference cluster. And the other one, which is the largest opportunity is leveraging on our NPU architecture, which we believe has very high computer density, a completely different approach to how we think about the compute and memory, I think, together, and thinking about developing a very efficient inference solution.

The good thing about Qualcomm, we don't have to get a lot. I think we only need to get a small portion of this very large TAM; it's very significant for the company. We also like the fact that a lot of the market is concentrated. You have a few customers that buy at scale.

The different thing is the market welcomes competition. Qualcomm is not a small semiconductor company. We can do things at scale. I think we have like a proven track record of executing in a number of different industries at scale. And I think the market has been very intrigued about what we're doing. We're doing something different.

We're thinking about the next disaggregation of the data center. And we're excited about it. We will unveil details of the roadmap, both the AI200, the AI250, and what we're going to be doing after the AI250. We announced it a little bit prematurely because we had a customer who had to announce it. I think the first customer that we have is 200 megawatts of data center with the Saudi national AI company.

We're very pleased with the progress they made with the license and everything that's moving to execution. We are in conversations, as you would imagine, with all the hyperscalers. And we're very pleased, I think, with the feedback we're getting so far.

Timothy Arcuri - *UBS AG - Analyst*

Great, thank you. Is it fair to characterize so that 200 seems more evolutionary from what you currently have and the 250 seems more bottom-up, purpose built, and that seems more ramping in [2025]? Is that fair?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

100% correct.

Timothy Arcuri - *UBS AG - Analyst*

And then I think you're trying to attack the decode portion of inference workloads. When I hear that, it sounds a lot like what NVIDIA is doing with CPX, Rubin CPX. Is there really a window of opportunity for you? Or is it tide just rising so fast that you think you can get some of that market as well?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Look, I think -- like I said, the interesting thing about the inference clusters is you ended this aggregation. I think what's happened with the decode, I think when some of the discussions we have has been fascinating to see how much more performance that you get on how much you manage cooling or even like a few percentage increase in performance, how it changes, I think the total TCO.

So I think there's definitely an opportunity for Qualcomm. It is driven by all those things. This is moving very fast. There is going to be competition. People need more compute that they can deploy. I think the demand is real. So any improvement, it makes a lot of sense.

And I think we have a good technology. I think just if you look at our track record, all of the new things that Qualcomm have done, even things that were new to scale, our IP is a leading IP. So why would you not bet the Qualcomm can do a competitive solution? I think that's kind of the feedback we're getting.

Timothy Arcuri - *UBS AG - Analyst*

Great. And relative to your financial model, this seems like it could be pretty significantly incremental, actually.

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Absolutely.

Timothy Arcuri - *UBS AG - Analyst*

Your $22 billion for fiscal '29, that's non-handset. I mean, this is a huge market. So you don't have to get a very big share of it to be pretty incremental to your financial models?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

I agree. It's 100% incremental, not modeled in our $22 billion of non-handset. Those are for the other markets we've been executing right now. And we did say in the last earnings call, I think we feel confident to -- we historically have been very conservative with some of those assumptions. We feel comfortable pulling in by one year where we originally set.

Timothy Arcuri - *UBS AG - Analyst*

And how does the Alphawave deal fit into the strategy here? Does it intersect the roadmap for 250, which ramps in 2028?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Yes. The Alphawave provides, I think, important connectivity IP that allow us to really scale the solution. And they also have a team that has been doing custom SoCs for the data center. So I think it's both provide the scale, connectivity IP as well as additional resources to execute on the opportunities.

Timothy Arcuri - *UBS AG - Analyst*

Let's just talk about the general -- the adjacencies in general. These have been growing very, very nicely. They're up to 30% of revenue. Obviously, more if we exclude Apple. Which of these efforts are you most excited about between auto, IoT? There's a lot of submarkets within IoT. But auto, IoT and PC, which of these are you most --

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Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Look, auto has been a great success story for the company. We continue to be bullish on it. I think when we look at the opportunities we have on the horizon, we see a lot of opportunities to even expand our design win pipeline, which is very robust. I think so far, you're seeing this pipeline converted into revenue. And I think we're tracking very well, but we see opportunities to expand the design win pipeline.

And that's happening because the same thing that we see on personal AI devices, which I'll talk to you in a second, we're going to see that happening in the digital cockpit of the car, a lot of GenAI and agentic experience coming to the digital cockpit of the car that's going to increase the value and the silicon opportunity there.

The other thing that we see is we're super pleased with the stack that we launched with BMW. This is an OEM-friendly stack 3.5 years in the making. We have a lot of inbound for OEMs really interested now that they're able to see the KPIs, the cars are in the road. And I think that could create expansion opportunity for ADAS stack.

And we like the ongoing transition to software-defined vehicles. I think the architecture of the car is going more towards central computing. So auto will continue to see growth of the design win pipeline, and we're very pleased. I think the Snapdragon Digital Chassis became like an industry platform.

The second one is the one that I mentioned briefly: personal AI devices. So I think the best way to describe this, and this is a topic that we spend a lot of time thinking about this, the evolution of mobile. Phones will continue to stay on this trajectory that they are right now. They're going to require more and more AI compute.

Phones are not going anywhere. Phones are like laptops. Laptops continue even after we all bought smartphones, but phones will do a lot more processing, but there's a new class of devices that are going to drive agentic experience are going to be personal AI devices.

Glasses is the one that is the most promising, but there are others. I think you see all of those companies that have models designing different types of devices. The good thing is we're designing all of them. And we think that's going to drive new agentic experiences that could be a significant opportunity.

And it can grow dramatically. We talk about $2 billion in our $22 billion projection for that we said in the last 2024 Investor Day. We said that $2 billion will be XR devices. We're well ahead of it when you think about what's happening with personal AI devices and glasses. I'm very bullish on that opportunity. And I think this is going to play out like this.

When the phone is at the center of our digital life right now, so all of the wearable devices, they have been around the phone. They extend the functionality of the phone, like a watch get the phone sensor data, give you back notifications. They actually -- the first project we did with Meta was to -- for you to do Instagram stories, extend the functionality of the camera. It doesn't matter. Now the agent is at the center.

And those devices, they get better every month. Every month, they are new use cases. I think we see customers for example, even completely new markets, we have a customer in India, they are doing glasses. They integrate it with the national payment system. You can look at the QR code and you can pay a bill. And I think that's going to be -- those new agentic experiences are going to develop this category can be very, very big, and it's going to change a lot of the relationship that we're going to see happening in the mobile industry.

The phone will continue to do phone things. The phone will do more processing for those devices. But then those devices are going to be developing around the model. Once you connect to a model, it doesn't matter how you connect to the model. The model will understand the human intentions, and to take action. And I think that's going to drive a combination of connectivity and processing of those new devices and it may change the dynamic of the industry.

And here, I'm going to make -- I'm going to provide an opinion. Humans already decided what they're going to wear. Humans will wear bracelets, watches, jewelry pendants, glasses and if the model understands what we see, what we hear, what we say, it's closer to our

senses. That's why glass is very natural. You turn your head, the camera is seeing what you're seeing, close to your mouth, close to your ears.

And this is going to be a combination of technology and fashion. Different countries, different regions, different brands. That is more conducive to a horizontal platform than to a vertical platform. So I think we're very optimistic about what Google is doing with Gemini, what Meta is doing and what OpenAI is doing. And this could be an interesting new category.

So that's the second one, and I'm excited about it.

And then the third one, I think we recently closed the acquisition of Arduino. We've been saying that we've been building a platform for industrial. I think that's the ability to bring high-performance compute and AI to industrial replacing microcontrollers. We're building a development platform, Arduino and Edge Impulse are big drivers for that and just build more confidence on our $22 billion revenue.

Timothy Arcuri - *UBS AG - Analyst*

And so in that example, the model's stored on the phone. In your world, the model's on your phone?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

No. See, I know that there's a lot of questions like this. And before -- allow me to be, I think, very precise. Before, we used to get a lot of questions about this. Is it cloud or is it edge? It's cloud or it's edge. Now we get a lot of questions, is the model running on the phone? Is the model running on the glasses, where the compute is.

Let me take a step back. The smartphone today is the most cloud-connected device in the world. If you put your phone in an airplane mode, you're not going to use it. You're going to be very frustrated. You're just going to put it back in your bag, in our pocket. But having said that, there's a lot of processing that happens on the phone. I think you need to be thinking about this a little bit different.

First of all, the answer about models, where does the model understands what we see, what we hear, and what we say are located. They are located in the device because latency is unforgiving. So anything that has to do with a user interface is located on the device. So we announced the first chip in a glass in a frame that does 1 billion parameter model. The next chip is going to do much more.

Every company, things like voice to text, the ability to quickly annotate an image and do things they're asking us, I need it to have that in the device. At the same time, those devices are going to have to need a lot of connectivity because a lot of those things are going to be happening in the cloud.

The other thing you're going to see is with mixture of experts with chain-of-thought reasoning. You have smaller models, there are certain things and then the bigger model doing some other things. And you can easily see how this play out, whether you're looking at a QR code, for example, you look at an image, you're looking at a person and how this thing is going to transaction.

So at the end of the day, I will go in and make a statement that the work product of foundational companies right now, they're being designed in the way that they have a cloud component and an edge component. I think if you look about your roadmap of Google Gemini, you see that. You saw that the open-weight OSS model from OpenAI, you see that.

So I think the models are being designed. It's the evolution of computing and I think what you're going to see is those are going to be a combination like a phone. There are going to be certain functions they're going to run on the glass, on the watch, on the phone. Certain functions are going to run on the cloud.

And the last data point. You're going to see from us a big change in the computing architecture for a smartphone. We're working on it for a couple of years -- we're going to announce, I think, as we head into 2026, maybe in regular announcements in the second half of the year.

But there's a new architecture. One thing that is happening, context is super important for agent experience. And even when you think about advertisement, right, if you remember, I'm going to quote when there was this incident, that on Meta, that they lost access to some information on the iPhone and they use a lot of AI to compensate for.

So when you think about context that happens around you, that becomes incredibly important for an agent, incredibly important for you to create a personal graph. So we're seeing a lot for demand models that they run on the phone, and they run in a very pervasive way at a very high performance or very low power just to get context. Just to basically get sensory data.

And then I think a lot of people want to do that on the phone because that's how it's going to scale and the phone in real time has real-time knowledge about what's happening. That's also true for the devices. So that's another change of computing that we're going to see unfold. Sorry for the long answer.

Timothy Arcuri - *UBS AG - Analyst*

No, it's great. So how much -- in all those cases, how much R&D dollars, like how much can you repurpose versus how much do you have to spend from an incremental perspective because all those markets seem to be peripherals of what you've already -- of your existing sunk costs?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Look, if you look at the company financial results, with the number of bets that we're doing in parallel, right? We are in the phone business and we are like clockwork. We execute on our Snapdragon premium every year plus other Snapdragons and the rest of the roadmap. And we have maintained the performance leadership.

And now on top of that, we added our own CPU. We don't license anymore. We design our own CPU. On top of that, we're in the PC market, we are into the broadband market. We are into the industrial market right now, automotive, including the stack, and you have now the data center and robotics. Those are the things we're all doing.

And if you look at the financial performance of the company, we have been increasing efficiency a lot, if you look at the number of bets that we're making. And that is because we leverage a lot of IP, and we create an ability to scale our IP from 5 watts to 500 watts. We're probably one of the few companies that have the engineering capability.

If you think about how broad our portfolio is to scale from 5 watts to 500 watts, I think that muscle we develop in the company as we set ourselves by necessity to diversify is really helping us and enabling us to do more things that have become efficient and accretive to the results of overall Qualcomm.

Timothy Arcuri - *UBS AG - Analyst*

Thanks for that. Let's now shift to the handset business. So you had a great quarter last quarter. You're doing very well in handsets as especially in Android. If you exclude Apple, your trailing 12-month handset revenue is up nearly 10% in a market that's basically flat. How are you doing this? And how long can you keep doing that?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Okay. This is an important thing that we have been seeing playing out for several years now, several years, quarter after quarter after quarter. Actually, most people don't realize, the phone market right now is still smaller than it was before COVID. Still smaller. We have not yet recovered in units, the size of the phone market that was before the pandemic.

But how are we continuing to grow into a relative flat market? We have seen this trend that has been very consistent in the phone industry, especially as you get fully penetrated that the premium and the high tier expand.

If you go to the United States market today, the United States market today, there's only two phones to buy. You have an iPhone or have a Galaxy phone. That's two premium phones or you go to Walmart and you're buying a prepaid phone. There's nothing in the middle, right?

And I think China is now becoming like that. You have an expansion of the premium and the high tier, you have a low-end market. The middle is contracting. I think if you remember back when I became Chief Executive Officer, I think I said in 2021, I said our strategy in phones is going to be very simple. We're going to go after share of wallet, we're going to concentrate on technology leadership in premium and high on Android, and we significantly increased the Op margin of the business because the premium tier is more resilient, I think, to the cost of technology.

Wants more compute, wants more performance and it's been in expansion. Even markets that are -- like India, which has been historically very price sensitive, we see an expansion of the premium tier that is happening across the board.

Timothy Arcuri - *UBS AG - Analyst*

I wanted to ask about India, since you mentioned it. Can we actually talk about it? It seems like China maybe 10 to 15 years ago. How much of that -- how much of a driver of your Android business can India be?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Look, we see continued healthy growth for that market across multiple categories. We're designing in all the Indian automotive companies. We were doing -- Snapdragon continues to gain share -- we're very happy about our Snapdragon brand position in India. It's probably as high as in China right now on consumer preference. We see a healthy expansion of the premium tier.

And here's what you need to think about it. I think I may give numbers that are not entirely precise, but they're directionally correct. The phone market today, it's about 1.2 billion phones get purchased every year. 200 million is iPhones, 1 billion is Android.

And a market like India, like your comparison is correct. It's a very large market. So as that android market starts to drive towards a high tier or a premium phone, that's the most important, I think, electronics purchase. That continues to drive quarter after quarter, year over year, a positive outcome of our handset business.

Timothy Arcuri - *UBS AG - Analyst*

Great. And then can we talk about -- there's kind of a strange dynamic where some of the major Android OEMs have their own internal efforts for modems. And yet these same customers seem to be more dependent on you than ever.

Samsung, we used to say 50% baseline share, now it's more like 75% baseline share. Xiaomi, you just signed a big deal with them, yet they too also have their own internal efforts. How do you look at that?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Look, first of all, Tim -- and by the way, I don't mind, we love doing this. But I've been answering this question for about 25 years. 30 at Qualcomm, 25 years. I remember, I was managing CDMA and people said, your customer just designed their own CDMA chip. And I think historically, there has been an ongoing thing in the industry.

I think the answer to that question is you need the scale. You need to have the ability to change to technology transitions very fast. Every year, we have a new Snapdragon 8 that's kind of designed to set the pace of performance. You have -- it's a very competitive market. Maturity of silicon design is very important. The mobile market is super unforgiving because what happened is you design on a brand-new process node, brand-new IP across your CPU or GPU, you have to bring up a whole new technology.

You have to ramp from zero to 100 million in two quarters. You have to make the selling season. Then you kind of tail off, you prepare to ramp the next one on an annual cadence.

Look, we're called Qualcomm. It stands for Quality Communications. Some of the things we had to develop as being part of this business, some of the other semiconductor company, when they find out about it, they think we're crazy.

Sometimes we go into mass production. Mass production on a design before we actually get our chip back. We haven't even got a chip back. We don't know if it has any bugs. We do a mass production because of the speed of mobile. So I think that has maintained our ability to stay in front to continue to have the designs that matter for our customers and have a leadership in IP.

And there's another thing that most people don't think about that, don't think about Qualcomm. We actually -- ourselves, we're very focused on our speed of our CPU or NPU or GPU or modem, but Snapdragon brand is very powerful.

And I point you to do one thing. We had a Snapdragon Summit, and we do it every year when we launch it, half a billion views, impressions on the media. We had a simultaneous event in China. Every single one of our customers decided to launch their phone at our event at the same time.

If you look some of their advertisements, you see a bigger Snapdragon than you see a picture of their phone. And we didn't know. I think through the process and knowledge, like we're 39 on Interbrand 100. So Snapdragon also has a big community effect that continues to drive our customers to put Snapdragon in their flagships.

Timothy Arcuri - *UBS AG - Analyst*

Great. Let's talk for a moment about Apple. You've been very clear about how that's going to come out of your business, baseline being that the fall launch this year -- or sorry, next fall will be 20%, and it's fully out in the fall of '27 launch.

However, if you look at how the internal modem is selling, not selling as well, maybe as they hoped, and there are -- there's some talk that they're kind of coming back to you again, hat in hand, maybe wanting to extend a little bit longer. Can you just talk to all that?

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Look, first and the most important thing in this conversation, I think we have been planning our business, assuming that this customer is going to go away in '27. I think that's our planning assumption. That's how we've been managing the company. That's how we're accelerating our diversification.

We had provided metrics, which we're very pleased with it, how the non-Apple business in the company is growing. It showed that our strategy is working, our engine is working, and we're going to keep doing that.

Having said that, I think -- look, we are a high, I think, quality provider of modems to them. I think it is a very reliable modem, and they can continue to use our modem as long as they want to use our modem. We just are planning our business on the assumptions that we told you, and that's what we're marching forward.

Timothy Arcuri - *UBS AG - Analyst*

Got it. And maybe I'll ask you the question that is still a debate. So how do you think about the lack of -- when they don't need a modem, how do you think about the precedent that they will continue to pay a royalty and just the precedent that they say, well, Huawei is not actually paying a royalty. Now by then, they might be, but today, they're not.

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Look, the licensing business, the oldest business of Qualcomm, I think, has been probably battled harder by at least four generations of wireless. And I think look, we have one of the largest IP portfolios in the world. I think we're the number one company across all American companies in patent applications in 2024. Let's see, '25 didn't close it yet. I think we have a very strong patent portfolio, not only in cellular. We have that on video and Wi-Fi.

I think our model has been proven to be FRAND, been tested in any government or every regulatory agency. We battle tested that with Apple. So look, we're confident in our position. I think like every other licensee, I think I point you to -- I know you mentioned about Huawei, but every other Chinese company has renewed their agreements. I remind everyone, I think, we're licensed with Samsung, including 6G. So we think that's a very stable business, and we expect to continue to be that way.

Timothy Arcuri - *UBS AG - Analyst*

Great. Well, thank you for the time. We're out of time. Thank you.

Cristiano Renno Amon - *Qualcomm Inc - President and Chief Executive Officer*

Thank you so much. Great talking to you. Thank you.
