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QCOM.OQ - Q1 2025 Qualcomm Inc Earnings Call

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Mauricio Lopez-Hodoyan** *Qualcomm Inc - Vice President of Investor Relations*

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

**Akash Palkhiwala** *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

**Alexander Rogers** *Qualcomm Inc - President, QTL and Global Affairs*

## CONFERENCE CALL PARTICIPANTS

**Joshua Buchalter** *TD Cowen - Analyst*

**Samik Chatterjee** *JPMorgan - Analyst*

**Stacy Rasgon** *Bernstein Research - Analyst*

**Chris Caso** *Wolfe Research - Analyst*

**Ross Seymore** *Deutsche Bank - Analyst*

**Timothy Arcuri** *UBS - Analyst*

**Tal Liani** *BofA Global Research - Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Qualcomm first quarter fiscal 2025 earnings conference call. (Operator Instructions)

As a reminder, this conference is being recorded, February 5, 2025. Playback number for today's call is (877) 660-6853. International callers, please dial (201) 612-7415. Playback reservation number is 13750899.

I would now like to turn the call over to Mauricio Lopez-Hodoyan, Vice President of Investor Relations. Mr. Lopez-Hodoyan, please go ahead.

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### **Mauricio Lopez-Hodoyan** - *Qualcomm Inc - Vice President of Investor Relations*

Thank you, and good afternoon, everyone. Today's call will include prepared remarks by Cristiano Amon and Akash Palkhiwala. In addition, Alex Rodgers will join the question-and-answer session.

You can access our earnings release and a slide presentation that accompanied this call on our Investor Relations website. In addition, this call is being webcast on qualcomm.com, and a replay will be available on our website later today.

During the call today, we will use non-GAAP financial measures as defined in Regulation G, and you can find the related reconciliations to GAAP on our website. We will also make forward-looking statements, including projections and estimates of future events, business or industry trends, or business or financial results. Actual events or results could differ materially from those projected in our forward-looking statements.

Please refer to our SEC filings, including our most recent 10-K, which contain important factors that could cause actual results to differ materially from the forward-looking statements.

And now to comments from Qualcomm's President and Chief Executive Officer, Cristiano Amon.

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

Thank you, Mauricio, and good afternoon, everyone. Thanks for joining us today. In fiscal Q1, we delivered record revenues of \$11.7 billion in non-GAAP earnings per share of \$3.41.

Our chipset business achieved record revenues of \$10.1 billion, the first \$10 billion quarter for QCT, including record quarterly Handset and Automotive revenues. Licensing business revenues were \$1.5 billion.

We're off to a great start in fiscal '25. Our mobile roadmap is the strongest in our history, with exceptional traction for Snapdragon in premium tier handsets, and we are delivering growth across our diversification initiatives. This quarter, Automotive and IoT revenues grew 61% year over year and 36% year over year, respectively. We're committed to achieving \$22 billion on non-handset revenues by 2029 as outlined in our 2024 Investor Day.

Our advanced connectivity, computing and edge AI technologies and product portfolio, continue to be highly differentiated and increasingly relevant to a broad range of industries. We also remain very optimistic about the growing edge AI opportunity across our business, particularly as we see the next cycle of AI innovation and scale.

DeepSeek-R1 and other similar models recently demonstrated that AI models are developing faster, becoming smaller, more capable and efficient, and now able to run directly on device. In fact, DeepSeek-R1 the still models were running on Snapdragon power smartphones and PCs within just a few days of its release.

As we enter the era of AI inference, we expect that while training will continue in the cloud, inference will run increasingly on device, making AI more accessible, customizable, and efficient. This will encourage the development of more targeted, purpose-oriented models and applications, which we anticipate will drive increased adoption, and in turn, demand for Qualcomm platforms across a range of devices.

With the industry's most powerful and efficient AI processors for the edge, we're well positioned to drive this transition and benefit from this upcoming inflection point.

Let me now share some key highlights from the business. In Handsets, we're pleased that the recently launched Samsung Galaxy S25 series of smartphones will be powered by the Snapdragon 8 Elite for Galaxy globally. The Snapdragon 8 Elite for Galaxy delivers the latest AI experiences, showcasing one of the best integrations of Galaxy AI and Google Gemini. We are encouraged by the number of AI features, which has nearly doubled in the Galaxy S25 series. We expect this trend to continue as part of the transition to AI smartphones.

We're extremely proud of this launch and our longstanding strategic partnerships with Samsung and Google. As a reminder, the Snapdragon 8 Elite is our most powerful mobile platform today featuring the industry's fastest custom CPU, the most powerful NPU, incredible GPU performance, and the best camera.

In addition to Samsung, we're very pleased with the design traction and strong end-customer demand for recently launched Snapdragon 8 Elite Power flagship smartphones by Chinese OEMs.

Our design win momentum in PCs has also increased, with more than 80 designs in production or development on our category-leading Snapdragon X series platforms, and we're targeting more than 100 designs to be commercialized through 2026. Importantly, we recently announced our newest compute platform, the Snapdragon X, specifically designed to address PCs in the \$600 price range, further expanding our addressable opportunity.

Snapdragon X features best in class performance, multi-day battery life, powerful on-device AI, and Copilot+ experiences. We look forward to PCs powered by Snapdragon X from leading OEMs including Acer, ASUS, Dell, HP, and Lenovo in the coming months.

In partnership with Lenovo, we introduced the world's first mini desktop AI PCs powered by the Snapdragon X series. These devices redefined compact computing in a new form factor ideal for developers, consumers, and enterprises.

The number of NPU powered on device AI experiences running natively on Snapdragon has continued to grow with more than 50 AI applications now optimized for Windows 11, including apps for enterprise collaboration, productivity, creativity, and more.

Microsoft also announced it is bringing NPU optimized versions of DeepSeek-R1 directly to Copilot+ PCs, beginning with the Qualcomm Snapdragon X series. Additionally, The broader app ecosystem continues to expand with Snapdragon native apps now including 20 of the most popular VPNs, 50 of the most popular security and cloud storage apps, as well as new applications for creators.

While we're still in the early phase of the transition to Copilot+ PCs, we are pleased with consumer reception for Snapdragon X series, which has exceeded our expectations. According to Circana, in December, Snapdragon X Series had more than 10% share of the greater than \$800 Windows laptops in US retail.

In XR, we remain the preferred solutions provider for VR, MR, and AR across major OEMs and ecosystems, and our strategic long-term collaborations with Meta and other key partners are playing a key role in growing this area. The Snapdragon-based Ray-Ban Meta glasses continue to exceed expectations as they adopt more AI features. We remain optimistic that we are at the beginning of an inflection point for smart glasses to gain scale as they become wearable AI.

Additionally, at the recent XR Unlocked event, Google announced Android XR, and we are pleased that the first device available for purchase later this year will be built by Samsung and powered by the Snapdragon XR platform. We continue to expand our industrial IoT portfolio of products and solutions, and we are encouraged by the positive reception across multiple industry verticals, including energy and utilities, robotics, manufacturing, warehousing and logistics, retail, enterprise, and commercial.

At CES, we introduced our AI On-Prem Appliance and Inference Suite, which enables generative AI inference in computer vision workloads to run on dedicated on-premises hardware, allowing sensitive customer data, fine-tuned models, and inference loads to remain within the enterprise. The AI Inference Suite provides ready-to-use AI applications and agents, tools and libraries to easily operationalize AI and GenAI applications in a variety of deployments on premises or in the cloud. Our first wave partners for these new platforms include Honeywell, IBM and others.

We also announced the next evolution of Qualcomm Aware, our cloud-based asset visibility platform. As a horizontal enablement platform, Qualcomm Aware allows for a highly integrated way to add cloud-based observability and insights, geolocation, fine indoor positioning, firmware updates, and device management services to connected devices.

In Edge Networking, we're pleased with the momentum in Wi-Fi 7 with recent product launches from Cisco, Charter, Eero, Netgear, Nokia, and Ubiquiti. We're also seeing strong traction for our 5G fixed wireless access with next-generation design wins at operators in North America and India.

We continue to strengthen our position in automotive as the industry's leading technology partner for the software-defined vehicle, AI-powered, in-cabin systems, advanced driver assistance, and connected car experiences. At CES, we announced new collaborations with Alps Alpine, Amazon, Google, Leapmotor, Mahindra, and Hyundai Mobis, which will use Snapdragon Digital Chassis solutions to drive AI-powered, in-cabin, and advanced driver assistance systems.

We also expanded our partnerships with several Tier-1 suppliers to now utilize the Snapdragon Cockpit Elite platform, including with Panasonic Automotive Systems, Garmin, and Desay SV. These collaborations will bring advanced intelligence, including generative AI to all levels of software-defined vehicles, enabling automakers to build safe and extraordinary user experiences. We're very pleased with the strong industry reception to Snapdragon Cockpit Elite platform since its launch late last year.

Our new collaboration with Hyundai Mobis will combine the Snapdragon Ride Flex system-on-chip and the Snapdragon Ride automated driving stack with Hyundai Mobis cutting-edge software and sensors. This will deliver a comprehensive system solution that powers advanced infotainment and advanced driver system systems, bringing a one-of-a-kind user experience to future vehicles.

Another significant milestone was the launch of the Snapdragon Digital Chassis Workbench, a cloud-based workflow for developers building the software-defined vehicle. To complement the hardware and software of the Snapdragon Digital Chassis, Workbench provides a complete development and test environment to build and deploy automotive applications.

Finally, we remain very pleased with the execution of our QTL business in recent years, and we're well positioned to maintain fiscal '24 revenue scale going forward. Over the past year, we have extended key agreements with major OEMs, and we're poised to shortly execute new long-term license agreements with two additional large OEMs.

We also recently signed Transsion to a long-term 4G license to go along with the 5G license signed in the last fiscal year. Our progress reaffirms QTL as the industry's most extensive licensing program of cellular essential patents.

Before I turn the call over to Akash, I would like to provide an update on the Arm versus Qualcomm trial from December 2024. The jury's verdict vindicated Qualcomm's CPU innovations and affirmed the Qualcomm's contract with Arm provides a license for Qualcomm's products containing our proprietary Orion CPUs in industries such as smartphones, automotive, next-generation PCs, IoT, and data center.

In addition, Arm recently notified us that it was withdrawing its October 22, 2024 notice of breach and indicated that it has no current plan to terminate the Qualcomm architecture license agreement. We're excited to continue to develop performance-leading, world-class products that benefit consumers worldwide that include our incredible Orion custom CPUs.

I will now turn the call to Akash.

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**Akash Palkhiwala** - *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

Thank you, Cristiano, and good afternoon, everyone. I'll start with a summary of our record performance in the first fiscal quarter.

We are pleased to announce revenues of \$11.7 billion and non-GAAP EPS of \$3.41, both of which were above the high end of our guidance. QTL revenues of \$1.5 billion and EBT margin of 75% were in line with expectations. QCT delivered record revenues of \$10.1 billion, which was above the high end of our guidance on outperformance across Android handsets, IoT, and automotive.

QCT handset revenues were a record \$7.6 billion with 13% year-over-year growth, reflecting higher volume and content increase in Android premium tier, driven by industry-leading performance of our newly launched Snapdragon 8 Elite platform. Higher volume in Android premium tier in the quarter was driven by stronger end consumer demand for recently launched flagship smartphones and global share in Samsung Galaxy S25 devices.

QCT IoT revenues of \$1.5 billion increased 36% year over year driven by new product launches with our industry-leading processors and on-device AI capability across Consumer, Networking, and Industrial. We delivered our sixth consecutive quarter of record QCT automotive revenues of \$961 million, representing 61% year-over-year growth on continued content increase in new vehicle launches as automakers deploy our high-performance, low-power computing, and connectivity chips to bring next-generation experiences to consumers.

QCT EBT margins of 32% exceeded the high end of our guidance, reflecting the benefit of revenue upside and operating leverage. QCT EBT dollars of \$3.2 billion increased by 25% versus the year-ago period.

Lastly, we returned \$2.7 billion to stockholders, including \$1.8 billion in stock repurchases and \$942 million in dividends.

Now turning to guidance. For the second fiscal quarter, we are forecasting non-GAAP revenues of \$10.2 billion to \$11 billion and non-GAAP EPS of \$2.70 to \$2.90. In QTL, we estimate revenues of \$1.25 billion to \$1.45 billion and EBT margins of 69% to 73%, reflecting normal seasonality for handset units.

In QCT, we expect revenues of \$8.9 billion to \$9.5 billion and EBT margins of 29% to 31%, with strong year-over-year growth across Handsets, IoT, and Automotive. We expect QCT Handset revenues to grow by approximately 10% on a year-over-year basis, including the benefit of increased shipment for Samsung Galaxy S25 smartphones.

On a sequential basis, the decline in QCT Handset revenues is primarily driven by seasonality and shipments to Apple. We expect IoT and Automotive revenues to grow by approximately 15% and 50%, respectively, versus the year-ago period, driven by the strong product momentum I just outlined. Lastly, we estimate non-GAAP operating expenses to be approximately \$2.25 billion.

In closing, we are very pleased with our strong first-quarter results with new records across the following metrics: total company revenue, non-GAAP EPS, QCT revenues, QCT Handset revenues, and QCT Automotive revenues.

In QTL, we've finalized renewal negotiations for long-term licenses with two key Chinese OEMs and expect to execute those agreements shortly. We also recently signed Transsion to a long-term 4G license in addition to the 5G license signed in the last fiscal year. With these additional long-term agreements, we expect fiscal '25 QTL revenues to be consistent with fiscal '24.

Our recent product announcements at CES across PC, Automotive, Consumer, and Industrial IoT, along with the continued performance leadership in premium tier Android handsets underscore our position as the connected computing leader across edge devices. Lastly, as AI approaches an inflection point of scaling at the edge, our leadership in high-performance on-device inference solutions positions us to benefit as we lead this transition.

This concludes our prepared remarks. Back to you, Mauricio.

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**Mauricio Lopez-Hodoyan** - *Qualcomm Inc - Vice President of Investor Relations*

Thank you, Akash. Operator, we're now ready for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Joshua Buchalter, TD Cowen.

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**Joshua Buchalter** - *TD Cowen - Analyst*

I guess to start, I wanted to clarify the QTL guidance. So you're talking to sort of flat levels in fiscal '25 versus 2024. I know you signed the two agreements recently. Could you maybe speak to how we should think about your assumptions on overall unit shipments and the royalty per unit tracking through the year? Thank you.

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**Akash Palkhiwala** - *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

Hey, Joshua, it's Akash. I think our overall assumption on the market is that it is either flat or grows low single digits on a year-over-year basis. Now, of course, this doesn't take into account upside opportunities in terms of the China subsidy and the AI replacement rate. But the baseline assumption is what goes into the QTL forecast that we just gave.

**Operator**

Samik Chatterjee, JPMorgan.

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**Samik Chatterjee** - JPMorgan - Analyst

I have a couple of questions, but maybe if I can start off on the PC platform and particularly Snapdragon X. Maybe, Cristiano, if you can sort of talk about how you're sort of thinking about 2025 and 2026 playing out in terms of device launches on your Snapdragon platform for PCs. I'm particularly more interested in hearing how you're now thinking about the adoption curve between enterprises and consumers.

What are you hearing from the OEM partners in terms of how to think about the adoption curve rate of enterprise and consumer as we go through the next couple of years? And I have a quick follow-up. Thank you.

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

Very good, Samik. Thank you for your question. Look, we're very happy with the trajectory that we are on PCs. Maybe I'll start answering the question by providing some bookends, right?

We said at the Investor Day last year that we expect to get \$4 billion in Windows PC revenue by 2029. We actually said at that time \$4 billion out of a \$35 billion, if I'm not mistaken, SAM, which if you calculate, you assume a share about 12% of the market we're addressing.

I think we started very well with a number of designs. One metric that we have is the design traction continue. We have now over 80 design wins launched or in development across the X Series, and we're targeting commercialization of more than 100 devices as we go to 2025 to 2026. So design traction is good. It continues to increase, which is a good sign.

The second data point we actually provided on the script is we look at the United States retail. We started to expand retail in different markets. We're looking at United States, which one and one of the priority markets that we had. And the data show that the sale -- within the sale of US retail of Windows laptops above \$800, we had more than 10% share, which is actually consistent with the projection we made on how we're going to grow in the five years. And we like the metric this early in the process.

We're still starting. As I said, we'll continue to expand new markets. We like the results today, and the design traction has continued to increase. The first wave was consumer. Now it's being deployed towards commercial. That's why we have emphasized, it's showing a lot of the commercial applications now native on Snapdragon, from VPN, from security, et cetera.

And we're excited, especially because of that, we launched a new product to expand addressability to now \$600 price laptops, which we're not compromising AI. And as I mentioned in the call, actually, a few days after Microsoft announced DeepSeek-R1 running on Snapdragon X Series laptop first.

So actually, we're starting. We're happy with the traction, consistent with our long-term projections. We're just going to keep executing.

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**Samik Chatterjee** - JPMorgan - Analyst

Got it, got it. No, thank you for that. And maybe for my follow-up, I can sort of take the queue from what Akash mentioned for the last question, which is China market for smartphones and the subsidies that you're seeing.

Sort of what are you seeing on the ground in terms of response from the consumer to the subsidies? And what are you sort of thinking in terms of the impact to overall the Chinese smartphone OEM and their sort of growth sustainability?

And I don't know if, Akash, you gave the number in terms of what growth you saw with the Chinese OEMs -- Chinese Android OEMs this quarter. But how are you thinking about sort of the growth trajectory going forward with them, particularly in light of these subsidies? Thank you.

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**Akash Palkhiwala** - *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

Sure. So let me address it in parts. So as it relates to the subsidy, as you know, they just began in January. So we are not that far into the cycle. And so we'll have a better view of it next quarter.

In terms of historical reference point, in the past, we have seen that when subsidies have come in, it has improved the size of the market. So there is an opportunity that comes with it, but it's not something that is contemplated yet in our second-quarter guidance.

Now let me go back to first quarter because that's where I made the volume comment as well. If you look at the first quarter upside that we had in Handsets, very strong performance, record performance. And there were two drivers.

First is the content increase year over year that we have discussed in detail as more capability gets added to the chipset, it shows up in our price points. The second was the volume increase that we saw on a year-over-year basis as well. And when you really look at the volume increase and break it down into drivers, we had higher share, of course, at Samsung. They are using us globally in the GS25. So that helps purchases that went into the December quarter before the phone launch.

The second is we saw higher end-consumer demand in China for premium devices. And if you think about how that happens, it's a long-term trend that we have seen in China that the premium tier continues to grow, and it's a benefit that showed up in the quarter as well.

The second is our customers are gaining share in the China market. And so that is a benefit that translates through as well. So we feel very good about all those drivers. They're all kind of sustained long-term drivers in our business that positions us well as we could look at the second half of the fiscal year.

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**Operator**

Stacy Rasgon, Bernstein Research.

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**Stacy Rasgon** - *Bernstein Research - Analyst*

For the first one, I wanted to ask about the QTL guide flat year over year. So in the Q, it suggests that you're still negotiating with Huawei. And I'm assuming the QTL guide for Q2, which is a little lighter than the normal, has no Huawei in it because of that.

Does the annual guide for flat year over year assume you do not settle Huawei? And if you do renegotiate and get some money, would there be upside to that number based on your current assumptions?

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**Alexander Rogers** - *Qualcomm Inc - President, QTL and Global Affairs*

Yeah. This is Alex. So thanks for the question, Stacy. So basically, what we've managed to accomplish over the last year or so is essentially signing up everybody to extension. So we've had a really good run of execution with bringing on Transient for 4G, which is a significant development because they've popped up the ranks of OEMs in terms of unit volume -- very high up the ranks, actually.

So the 4G complements the 5G license that we have them signed up to, and they're transitioning to more 5G content in their overall product offering. And then we have these last two significant Chinese OEMs that we've signed up or that we finished negotiations with, and the execution is just pending return from the Lunar New Year holiday.



The Huawei discussions are still in play. So the numbers don't actually include the potential from a renewal with Huawei. And basically, everything else is taken care of.

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**Stacy Rasgon** - *Bernstein Research - Analyst*

Got it. So that flat guidance doesn't include any Huawei settlement, just to be clear?

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**Akash Palkhiwala** - *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

Correct. Neither the second-quarter guidance or the full-year comment.

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**Stacy Rasgon** - *Bernstein Research - Analyst*

That's great. And for my follow-up, I just want to note we've seen a fair amount of just, in general, personal electronics strength recently. And there's some thought that maybe some of it might be related to sort of pre-tariff pull forward. I don't know if you guys would be able to have any view on that, but do you have any comments on what you might see in whether or not the threat of tariffs might be driving some prebuilds or increased demand in the near term?

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

Yeah, absolutely not. I think it's funny, Stacy. We expect everybody to be asking this question.

We actually are seeing -- it's pretty simple, right? So number 1 is higher than expected, I think, share at Samsung with the launch of GS25 globally. The second thing is end-customer demand in China. And we have data on the sell-through. Basically, Snapdragon Elite have been quite successful. Demand on smartphones, launch of 8 Elite exceed our expectations. It's built on what Akash said. The trend of premium tier continues to expand. Smartphone is number 1 consumer electronic device purchase. I think there is a positive launch of AI features. Customers build great devices. They are gaining share in the premium tier, and that is record-driving demand.

And as Akash outlined, all of our smartphone products, products from our customers in China using 8 Elite, the price points that they launch those devices in the market, they're all eligible for the subsidy. So that's not contemplated in the Q2 guide, which it could be an interesting development. We saw they usually further expand the premium tier. But this is no inventory. This is no build-out ahead of tariffs. This is the end-customer demand.

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**Operator**

Chris Caso, Wolfe Research.

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**Chris Caso** - *Wolfe Research - Analyst*

I guess following on with those comments, Cristiano, how should we think about the June quarter now? Because typically, June quarter, there are no flagship launches and that has some effect on QCT. Given the share gain at Samsung, does that affect the seasonality for June at all? And how should we be thinking of that in general?

**Akash Palkhiwala** - *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

Yeah. I think, Chris, you're right in terms of understanding our seasonality. When you look at the last several years, the kind of the framework across quarters, it is driven by the timing of the flagship launches. And so as a result, we expect kind of first quarter to be the high point from an EPS perspective, and third quarter is the low point because you don't have as many flagship launches in it.

On your question, specifically on Samsung, Samsung is in kind of the impact of the higher share. It's included in the first quarter and the second-quarter guide as well. And so it will be included in the third and fourth quarter as well. So I don't think it fundamentally changes the seasonality across the quarters.

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**Chris Caso** - *Wolfe Research - Analyst*

Got it. As a follow-up, if you could address some of the higher price points that you're seeing on Snapdragons now. And certainly, there are more features in there because of AI. But to some extent, it's also about cost too because the wafer costs are higher.

What's the impact of that on Qualcomm, not just from a quarter basis but looking a little bit out? Should we expect ASP to be a tailwind for you? And then how are your OEM customers dealing with that? Is it a factor of we're just going to see a mix higher to higher-end phones? Or is that going to result in higher ASP?

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**Akash Palkhiwala** - *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

Chris, the primary driver here is that there is a consumer demand for more capable smartphones. And so as we go from generation to generation, we're adding a lot more capability on the processing side, on AI side, and connectivity, and that is showing up in the price points in our chip. So that's the primary driver.

Of course, as you are aware, TSMC price increases for 3- and 4-nanometer did kick in, in January. And so as we've said in the past, our objective there is to reflect the cost increases in ASPs over a period of time. So those are really the key drivers.

When you step back, I think one of the messages that Cristiano gave earlier is an important one, is that the overall market, it's not just about each tier kind of having a more capable chip but a mix shift across tiers and a larger market for premium devices.

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**Operator**

Ross Seymore, Deutsche Bank.

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**Ross Seymore** - *Deutsche Bank - Analyst*

I just want to ask a more cyclical question, probably most applicable to your IoT segment. That business has been very strong year over year, but you've had a couple of quarters with negative sequential comps. Is that just normal seasonality? Or is there a cyclical trend that some of your broad-based peers are seeing? Just kind of want to judge where we are in that cyclical trend.

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**Akash Palkhiwala** - *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

Yeah, Ross, there's definitely -- one of the big drivers on the quarterly profile is because of Consumer IoT, and that does have cyclical trend involved because you're building for the holiday season. And then when we get into the March quarter, of course, you're past that point.

When you look at the other two parts of our IoT business, which is Industrial and Edge Networking, we're consistently seeing strength across the quarters.

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**Ross Seymore** - *Deutsche Bank - Analyst*

Great to hear. I guess as a follow-up question then, switching gears to the gross margin, Akash. Congratulations again. It looks like you kept that in QCT pretty much flat sequentially despite your thought that it was going to go down in the December quarter.

Is that something that is just structurally going to be a little higher than that, I guess, kind of implied 48% to 49% range? And if so, what's changed?

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**Akash Palkhiwala** - *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

Yeah. The gross margin, both in our December quarter and our March quarter benefit from the fact that we have stronger premium tier volume. That improves the mix -- overall mix of our portfolio, and that shows up in gross margin. So that's the primary driver of the strength.

And so as you see the mix changes, it will flow through the margin numbers. But yeah, we are very happy just like you that the margin's been very strong.

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**Operator**

Timothy Arcuri, UBS.

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**Timothy Arcuri** - *UBS - Analyst*

Thanks a lot. I had two. Cristiano, is there any evolution in the way you're thinking about the modem situation at your large customer? I know there's been some back and forth on that recently. Is there any change there? Are you feeling like maybe you'll be there a little bit longer than you had expected? That's the first question.

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

Yeah, the answer is no. I think we're really operating with the assumptions. I think we've been very clear, I think, what those things are. We expect 20% share for the launch that happens in 2026. And the current agreement ends after that.

We're assuming no renewals, so which means nothing in 2027. For 2025 launchings, we expect share to be between 100% and 20%. So we don't know. But I think we've been very clear about how we're modeling that business, and I think that's the assumption going forward.

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**Timothy Arcuri** - *UBS - Analyst*

Akash, can you give us an idea of how big the PC business was within IoT? You said you were 10%, I think, of the \$800 -- or sorry, the above \$800 laptop market in the US. I'm guessing you did about \$100 million, a little bit more than \$100 million in December. Is that close? Thanks.

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**Akash Palkhiwala** - *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

Yeah, Tim, it's Akash. So from an overall revenue perspective, I think the way we've set it up is we give -- we've set targets long term for '29 for each of these areas, and we plan to give an annual update on each of those targets. So we're not breaking it down every quarter by area.

To me, what's the most important thing on the PC is the market that we were playing in, which is devices over \$800 and our focus on retail to begin with. We're very happy that we were able to get 10% share. I think just as Cristiano said earlier, if we equate that to our long-term target, which is 12% of the overall market, that's a great start towards the number we'd set up.

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**Operator**

Tal Liani, Bank of America.

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**Tal Liani - BofA Global Research - Analyst**

Hey, guys. I want to focus on a 20% growth of smartphones and QCT this quarter. And the question is how long will this continue? The market itself is not growing. Last quarter, there was growth in China that was very strong. This quarter, we had the initial Samsung.

So can you talk about longevity of the current trends? How long can it continue? Could you grow even if the market doesn't grow? And then just an update on China demand. Thanks.

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**Akash Palkhiwala - Qualcomm Inc - Chief Financial Officer and Chief Operating Officer**

Sure, Tal. So let me break it down. If you look at our year-over-year performance in QCT handsets, we were up 13%. And as I said earlier, the drivers of those is really a combination of higher volume and higher ASPs.

The ASPs as content increase, which we've talked about, we've seen consistently that continue to increase over the last several years. And as we look forward, we think that's very sustainable. Just we're adding a lot more capability to the device and the consumers are looking for that opportunity.

In terms of volume, one of the key metrics for us is the fact that the premium tier continues to grow. So if you look at the last three or four years, devices greater than \$400 have gone from being 21% of the market to now over 30% of the market. And so that is a trend that's incredibly positive for us because that's the market that we are very strong in.

And so we have a combination of the units within that part of the market is growing very quickly. And within that, our content is growing as well. And those are the two factors that drive the Handset growth of 13% on a year-over-year basis.

When you look at the March quarter, we're guiding Handset growth of 10% on a year-over-year basis, which is again a very strong number. So pretty happy with how we are set up in that business and both in the first half of the year, and it positions us well as we look forward.

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**Tal Liani - BofA Global Research - Analyst**

China update?

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**Akash Palkhiwala - Qualcomm Inc - Chief Financial Officer and Chief Operating Officer**

Can you repeat your question on that, Tal, please?

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**Tal Liani - BofA Global Research - Analyst**

I said just China. China was strong in the last few quarters. Can you give -- maybe I missed it, but what's the current trends in China?

**Akash Palkhiwala** - *Qualcomm Inc - Chief Financial Officer and Chief Operating Officer*

Yeah. I think China, definitely strong in the premium tier. We've seen that part of the market grow. We've also seen our customers gain share within that market.

And then last thing is we're going to have subsidies come in, and so that is a potential that that benefits that part of the market as well. So pretty, I think, positive tailwinds for us there.

**Operator**

Thank you. That concludes today's question-and-answer session. Mr. Amon, do you have anything further to add before adjourning the call?

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

Just would like to thank all the Qualcomm employees, our partners, and suppliers for all they have done during the quarter. As I said before, we're very pleased with this. This is our first \$10 billion quarter in QCT. I think we cannot be more confident on the strategy that we lay out. Everything was within Qualcomm control, and we're just going to keep executing on that. Thank you very much.

Ladies and gentlemen, this concludes today's conference. You may now disconnect at this time.

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