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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Qualcomm third quarter fiscal 2025 earnings conference call. (Operator Instructions)
As a reminder, this conference is being recorded July 30, 2025.

Now let's turn the call over to Mauricio Lopez-Hodoyan, Vice President of Investor Relations. Mr. Lopez-Hodoyan, please go ahead.

Mauricio Lopez-Hodoyan - Qualcomm Inc - Vice President, Investor Relations

Thank you, and good afternoon, everyone. Today's call will include prepared remarks by Cristiano Amon and Akash Palkhiwala. In addition, Alex Rogers will join the question-and-answer session. You can access our earnings release and a slide presentation that accompany this call on our Investor Relations website.

In addition, this call is being webcast on [qualcomm.com](https://www.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.

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Thank you, Mauricio, and good afternoon, everyone. Thanks for joining us today. In fiscal Q3, we delivered revenues of \$10.4 billion and non-GAAP earnings per share of \$2.77, which was near the high end of our guidance range. Our chipset business delivered revenues of \$9 billion, reflecting strength in Automotive and IoT and ongoing growth in Handsets. Automotive and IoT revenues increased 21% and 24% year over year, respectively.

Our licensing business revenues were \$1.3 billion. Our momentum in Automotive and IoT is the result of strong execution of our growth and diversification strategy. We remain on track to meet our fiscal 2029 target for combined Automotive and IoT revenues of \$22 billion. We're forecasting fiscal '25 to be the second consecutive year of greater than 15% year over year growth in total QCT non-Apple revenues.

I will now share some key highlights from the business. In Handsets, we extended our Xiaomi collaboration with a multi-year agreement. Snapdragon 8-series platforms will power multiple generations of Xiaomi's flagship devices for China and global markets with volume increasing each year of the agreement. The Snapdragon 8 Elite continues to set the pace of innovation in mobile processors and is leading the transition to AI smartphones with 124 designs shipped or announced to date.

AI usage in smartphones is increasing. For example, Samsung noted that 70% of Galaxy S25 users are utilizing Galaxy AI and usage of Google Gemini AI has nearly tripled among S25 users compared to the S24. Looking ahead, we expect the range of on-device and Agentic AI use cases will continue to expand and reshape the mobile industry. We are optimistic about the Android ecosystem's leadership in AI.

As we reach the one-year mark of our entry into AI PCs, we are encouraged by the steady progress we're seeing with our Snapdragon X Series platforms. Multiple new devices launched during the quarter from leading OEMs, such as Acer, Dell, HP, Lenovo, Microsoft and Samsung, and we remain on track for more than 100 designs to be commercialized through 2026.

Snapdragon is transforming personal computing experiences and the design traction we're seeing from major customers reflects confidence in our technology roadmap, product portfolio and long-term commitment to PCs.

In the second calendar quarter of 2025, according to third-party sources, Snapdragon-based PCs continue to make up approximately 9% of Windows laptops sold above the \$600 price tier in retail US and the top five European countries. While we are at the beginning of our journey into PCs, we remain excited about the long-term opportunity and continue to work toward our target of achieving \$4 billion in revenue by fiscal '29.

In XR, Snapdragon continues to be the platform of choice for smart glasses and mixed reality devices. We now have 19 designs from our global partners. Demand for Meta's AI smart glasses continues to exceed expectations, and they recently expanded the portfolio with the launch of the new Meta Oakley smart glasses and introduction of new Ray-Ban styles. Xiaomi's new AI Glasses launched in the quarter, were also well received. All three are powered by the Snapdragon AR1 Gen 1 platform.

At the Augmented World Expo USA we conducted the world's first demonstration of a 1 billion parameter model running locally on smart glasses powered by our next-generation Snapdragon AR platform. We also introduced a smart ring controller reference design as a new input device for discrete and intuitive interactions.

Our Snapdragon Digital Chassis solutions continue to see strong traction across the automotive ecosystem with 12 new designs during the quarter and a total of 50 vehicle launches this fiscal year. We're incredibly excited about BMW's upcoming Neue Klasse vehicles, which will launch globally with our new ISO safety-certified ADAS stack later this year. This will include our Snapdragon Ride platforms and our jointly developed Driving Stack, which meets safety standards in the US and Europe. More details about the deployment, certifications and capabilities will be shared at the IAA Mobility Show in September.

Our Snapdragon Ride platforms and Driving Stack are also gaining momentum more broadly with 20 OEMs programs for various highway and urban Navigate on Autopilot solutions. The majority of these programs will launch in the next 18 months across all global regions.

In Industrial IoT, we continue to expand our ecosystem of partners, and we're pleased with the traction of our Dragonwing platforms. At COMPUTEX, we announced new collaborations with DigiWin and Aetina to utilize our AI On-Prem Appliance Solution and AI Inference Suites for enterprise automation.

We also expanded our work with IBM on their Maximo AI assistant powered by watsonX.ai. Our broad range of OEMs and partners now includes companies such as Asus-IoT, Dell, EverFocus, iBase, Lenovo, Deloitte, e&, HUMAIN, Palantir and many others.

We're also gaining traction with our industrial-grade Dragonwing IQ series with up to 100 TOPS of AI inference performance as well as the Dragonwing Intelligent Video Suite, a platform designed to extract intelligence from any video frame and create intelligent reasoning workflows for enterprises across many verticals.

We've also seen continued strength in edge networking driven by strong demand for Wi-Fi 7 gateway platforms across retail and carrier customers, and for 5G enable fixed wireless access platforms for our carrier customers.

Now I would like to provide an update on our expansion into the data center. This represents a new growth opportunity for Qualcomm and is a logical extension of our diversification strategy as we continue to demonstrate leadership in CPU performance and NPU efficiency.

As inference gain scale, cloud service providers are building dedicated inferencing clusters focused not only on performance, but also efficiency, specifically tokens per dollar and tokens per watt. These factors, combined with the shift from merchant X86 CPUs to custom ARM-compatible CPU and for both cloud computing and AI head node create an entry point for Qualcomm.

We're currently building NPU-based AI inference accelerator cards as well as custom SoCs for general purpose and AI head node compute solutions utilizing our Oryon CPU. We also reached an agreement to acquire Alphawave IP Group plc, a global leader in high-speed wired connectivity and compute technologies for data centers, AI, data networking and data storage.

The acquisition is expected to close during the first calendar quarter of 2026, subject to customary closing conditions. Alphawave's leading IP and data center design capabilities are key assets that will complement our Oryon CPU and Hexagon NPU processors and help accelerate our road map.

While we are in the early stages of this expansion, we are engaged with multiple potential customers and are currently in advanced discussions with a leading hyper-scaler. If successful, we expect revenues to begin in the fiscal '28 timeframe.

Additionally, we signed an MOU with HUMAIN to develop AI data centers in Saudi Arabia and deliver highly efficient and scalable cloud-to-edge hybrid AI inferencing solutions for local and international customers. We also announced that our Oryon CPUs can be integrated with NVIDIA GPUs for high-performance NVIDIA AI factories using the NVIDIA NVLink Fusion architecture. We will provide further updates as we make progress.

Over the past 12 months, we have continued to see AI and generative AI advance at an accelerated rate and we're both excited and confident in the opportunities this is creating for Qualcomm across all our businesses. As GenAI changes the human-computer interface and Agentic AI experiences continue to evolve, the mobile industry is being redefined and a new generation of personal AI devices are emerging.

Smart glasses and wearables, such as smartwatches, earbuds and other form factors are being transformed into personal AI devices as they connect the user directly to the AI agent and model. These devices are quickly transitioning from simply extending smartphone experiences to now provide a new and unique personalized AI in agentic use cases. These devices will evolve independently of the smartphone ecosystem and become a significant opportunity.

Given our technology leadership in mobile, XR and wearables and the breadth of IP and product portfolio, we expect to be the industry preferred solution provider in this new category. Specifically, personal AI devices will require Snapdragons always-on cloud connectivity -- 5G and micro power Wi-Fi -- power-efficient processing, on-device AI best-in-class imaging, audio, video sensors and context capabilities.

Meta AI smart glasses are currently the best example of personal AI. We're very optimistic about the trends we see in this area with major AI players, application developers and device makers investing in this space. Physical AI is another technology that is reshaping industries and creating new opportunities, particularly in robotics. Robotics requires high-performance computing, including powerful on-device AI, extended battery life, reliable connectivity, a higher level of silicon integration and advanced computer vision and sensor fusion to interpret and understand real-world information in real time and make decisions locally. These requirements are perfectly aligned with our strengths, and our technology and product portfolio. Our right to play in this new segment is similar to our expansion into automotive.

Furthermore, our experience in industrial and safety-grade silicon, perception and sensing technologies, and ADAS and autonomy provide a very competitive foundation to develop highly differentiated solutions for autonomous robots next-generation industrial automation and humanoid robotics. We're incredibly excited about this opportunity for which third-party estimates indicate a potential TAM of \$1 trillion in the next decade.

I would now like to turn the call over to Akash.

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

Thank you, Cristiano. Good afternoon, everyone. Let me begin with our third fiscal quarter results. We delivered revenues of \$10.4 billion and non-GAAP EPS of \$2.77, which was near the high end of our guidance range. QTL revenues of \$1.3 billion and EBT margin of 71% were above the midpoint of our guidance.

QCT delivered revenues of \$9 billion and EBT of \$2.7 billion with year over year growth of 11% and 22%, respectively. QCT EBT margin of 30% was at the high end of our guidance range.

QCT Handset revenues increased 7% year over year to \$6.3 billion, reflecting strong demand for premium tier handsets, enabled by our Snapdragon 8 Elite platform. QCT IoT revenues grew 24% year over year to \$1.7 billion. The outperformance, relative to expectations, was driven by increased demand for our Snapdragon AR1 chipset, the clear industry leader in emerging AI smart glasses category.

We delivered another record quarter in QCT Automotive with revenues of \$984 million, an increase of 21% year over year, driven by content growth in new vehicle launches with our Snapdragon Digital Chassis platform.

Lastly, we returned \$3.8 billion to stockholders, including \$2.8 billion in stock repurchases and \$967 million in dividends, aligned with our commitment to return 100% of our free cash flow in the fiscal year.

Before turning to guidance, a quick reminder that our fourth quarter in fiscal '25 includes 13 weeks relative to a 14-week quarter in the year ago period. For the fourth quarter, we are forecasting revenues of \$10.3 billion to \$11.1 billion and non-GAAP EPS of \$2.75 to \$2.95.

In QTL, we estimate revenues of \$1.25 billion to \$1.45 billion and EBT margins of 69% to 73%. In QCT, we expect revenues of \$9 billion to \$9.6 billion and EBT margins of 27% to 29%. We anticipate QCT Handset revenues to grow approximately 5% sequentially, consistent with typical historical trends, despite lower Apple revenues. We estimate QCT IoT revenues to be flat sequentially and QCT Automotive revenues to reach \$1 billion in the fourth fiscal quarter. Lastly, we estimate non-GAAP operating expenses to be approximately \$2.35 billion in the quarter.

In closing, we are very pleased with our performance in fiscal '25 and as we continue to execute on the financial metrics we outlined at our Investor Day last year. Based on the midpoint of our guidance, we are positioned to deliver revenue and non-GAAP EPS growth of 12% and 16%, respectively, relative to fiscal '24. We are forecasting fiscal '25 to be the second consecutive year of greater than 15% year over year growth in total QCT non-Apple revenues.

We anticipate QCT IoT and Automotive revenues to grow by approximately 20% and 35%, respectively, reinforcing our confidence in achieving our fiscal '29 target of \$22 billion in combined Automotive and IoT revenues. We are pleased to see our customer relationships strengthening during the time of global trade volatility, including the upcoming global ADAS launch with BMW and the recently signed strategic agreement with Xiaomi.

We remain focused on maximizing shareholder returns by executing across a broad range of growth and diversification opportunities while maintaining operating discipline. Lastly, I'd like to invite you to tune into our upcoming Snapdragon Summit event, taking place on September 23 to 25, to learn more about our technology leadership and new product launches.

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

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

Thank you, Akash. Operator, we are now ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Joshua Buchalter, TD Cowen.

Joshua Buchalter - *TD Cowen - Analyst*

Hey guys, thanks for taking my question. I wanted to start with the Handset market. I think you just spoke to 5% growth in the September quarter despite the lower share that you've communicated at Apple. Can you speak to the drivers there? I mean I think Xiaomi was up meaningfully in the quarter, which is typical in the June quarter. But I think investors are worried about some level of pull-ins. Are you seeing any evidence of that specifically related to China? Thank you.

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

Hi Josh, it's Akash. We're not seeing any evidence of pull-in. I think the upside that we guided in the September quarter in Handset revenue stream, is really driven by our new product launch. As I mentioned in my prepared remarks, we're going to announce our new chip at the end of September. And we're already working with several OEMs for launch of new devices based on a tremendous interest in it. And what you're seeing is really people getting ready for launch of new devices.

Joshua Buchalter - *TD Cowen - Analyst*

Got it. Thank you. And as a follow-up, I wanted to ask about the data center business and the hyper-scaler engagement you mentioned specifically. Any details you can give us on the scope of that engagement? Is that for an ARM-based CPU? Is it an accelerator and you mentioned fiscal 2028 as potential if that converts. Is that the right time frame to think about contribution from your data center business more broadly at other customers as well? Thank you and congrats on the results.

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

Thank you, Joshua. This is Cristiano. We can't really disclose more other than what we said in the script. We are in advanced discussions. We have been executing on a product. As we said before, we always felt that we had IP that was very relevant to the data center. I think the Alphawave provides complementary IP and allows us to build custom SoC products. And we're pleased with the way we're developing this, I am sure we'll be able to share more as we probably conclude some of those discussions.

Operator

Samik Chatterjee, JP Morgan.

Samik Chatterjee - JPMorgan Chase & Co - Analyst

Hi, thanks for taking my questions. Cristiano, maybe I can follow up on the data center roadmap here or the sort of thought process and strategy around it. Less so maybe timing, but in terms of how do you envision sort of Alphawave integrating into the sort of the portfolio stack capability that you have currently?

And in relation to just thinking about sort of how you're going about selecting customers that you want to approach for this, what's typically sort of in terms of thinking about customization relative to standardization of the chipsets, how you're sort of thinking about deal sizes that would make sense for you in the longer run for this business? Any thoughts around that? And I have a follow-up.

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Very good. Thank you for your question. I know there's a lot of topics in that question. I'll try to probably give an overview. As we said before and we said in the script, we have been focused on building two products. One is ability to leverage our CPU asset. And that happens in two situations. One, of course, is the general purpose CPU. We've been very focused on hyper-scalers. They have first-party workloads for ARM-compatible CPU.

The other one is the head unit for inferencing clusters. As AI starts to get scale, and we're really looking at how we're starting to see inference taking over training. There is a new dynamic in the marketplace, which is about ability to be efficient with tokens per dollar as well as energy. That creates an opportunity for us for that.

We have been building accelerator cards, and we will be building a rack as well. And those are the two areas that we're building product roadmap. We're very focused on customers, they have the ability to put first-party workloads or inferencing cluster.

The Alphawave IP is important. It provides us the ability to scale out and provide connectivity, we believe is leading connectivity in the industry. And that should inform you the type of customers that we've been focused on. We think there's a very large TAM, as you know.

There is an opportunity for Qualcomm to play if you have leading IP -- of course, as this is a new market for us, and we have been planning for it, we're going to be very careful about making disclosures, we're going to wait until they become factual, and we're excited about the engagement we have today. We are in advanced negotiations with one significant customer. And hopefully, that creates a halo effect that could validate our platform and create other opportunities down the road. Thank you.

Samik Chatterjee - JPMorgan Chase & Co - Analyst

Thank you for that. And for my follow-up, in the Handset business for the or fiscal 3Q here, you had 7% revenue growth year over year, which I think did sort of miss modestly you're guiding to last quarter for about 10% growth. So maybe if you can shed any color in terms of if you did see any parts of the month that were weaker than you expected in the quarter?

And then maybe similarly, when you -- when I think about your guidance for fiscal fourth quarter here, it looks like you're getting to about a high single-digit growth even as Apple -- even with the impact of Apple. So maybe you can parse it out in terms of what the strength is because that seems like a pretty robust number for fiscal or even with the loss of apple revenues?

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

Yeah. Samik, it's Akash. On the third quarter, we had a slightly weaker mix than we had expected. As you know, that this is a quarter that is seasonally weaker for us as there are no flagship launches. And that mix is really -- the weaker mix is more than offset by the strength you're seeing in the September quarter.

Whereas I mentioned earlier to Josh's question, we're launching the new chip. We have flagship launches coming in at the end of the quarter, and we are seeing the demand increase because of that reason.

Operator

Stacy Rasgon, Bernstein Research.

Stacy Rasgon - Bernstein Research - Analyst

Hi guys, thanks for taking my question. Given the guidance into September, with the dynamics around Apple and everything else. I mean, what would you consider normal seasonal in the December quarter? And how should we think about drivers as you currently see them against that normal -- against that seasonal trend? How should we expect things -- if there's anything else funky going on in December that we should know about that would influence results versus what might be more typical.

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

Yeah. Stacy, it's Akash. Assuming you're asking about the December quarter, not -- we expect normal revenue seasonality for all businesses. Of course, adjusted for the lower share in Apple phone launches that we've previously discussed, but nothing else to highlight in all other businesses.

Stacy Rasgon - Bernstein Research - Analyst

I mean what would you consider normal seasonal then?

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

Well, we're not specifically guiding the quarter at this point, but I think you've seen a trend in the last several years, and you would expect the same quarterly trend just adjusted for the lower Apple volume for the share we've provided.

Operator

Joe Moore, Morgan Stanley. Mr. Moore, your line is live for question. Perhaps you're on mute. Thank you.

Chris Caso, Wolfe Research.

Chris Caso - Wolfe Research LLC - Analyst

Yes, thank you. If I could just expand upon some of the commentary with regard to the December quarter. My understanding is last year, the Chinese OEMs started pulling forward the launch a little bit of some of the flagship devices.

Also, as we were last year, there was an extra week in the quarter. So -- and I guess maybe just some more granularity on the puts and takes on December, taking that into account. How much of a lift is that in the December quarter? And then does that turn into more of a headwind as you go into the March quarter?

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

Yeah. I think, Chris, the business remains very strong. So whether you look at the Android business Automotive, IoT, all the trends continue with the growth rates that we have previously outlined for the business. So there's nothing significant or unique that I want to point out there. I think we've talked about the Apple share dynamic. So that is a factor. But outside of that, I think you should think of this as a very strong quarter for us. seasonally the strongest quarter for us is December, and that will still be true regardless of the lower Apple share.

Chris Caso - Wolfe Research LLC - Analyst

Got it. Okay. If I could follow on with the data center business and I understand that you can't talk so much about some of the progress and design wins that you hope to have on that until they become factual. What about from a spending side? And moving into a new line of business, what's going to be the impact on spending and then as Alphawave closes, what will be the effect of that on sort of revenue expenses and EPS.

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

Yeah. So from a spend perspective, Chris, the way we've managed OpEx over the last several years, you've seen us very small growth in OpEx over the last four years. And the way we've managed it is really kind of absorbing the salary increases and reallocating existing spend towards diversification and growth.

And really, the hiring as we go forward is really going to be focused on new skills that are required to execute on our plan. And so to the extent that there are new skills required to execute on the data center diversification assets, we will invest in that. But outside of that, we plan to be pretty careful managing OpEx going forward.

Operator

Ross Seymour, Deutsche Bank.

Ross Seymour - Deutsche Bank - Analyst

Hi guys, thanks. So I may ask a couple of questions. Just want to get into the OEM side. Akash, you've been very clear about what's happening on the Apple side of things. But recently, you've seen Samsung launch a couple of models with its own processor.

I just wondered, how do you compare and contrast that against the X85 that you guys are rightly excited about going forward. Do you think you will maintain the 100% share on the Galaxy S generation? Or is that decision not quite made yet? Any color on that would be helpful.

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Hey Ross, thanks for the question. We have been talking about the framework of our relationship with Samsung. And we have been executing multi-year, multi-generation agreement with Samsung. And we have defined the new baseline of our share in the order of 75%, anything above that is upside. So that's our planning assumption.

And when we outperform, I think we end up -- you started to see what you saw in Galaxy 25. Competing against the Samsung own platform is nothing new for Qualcomm. We've been doing that for decades. But I think historically, we have seen a relationship with Samsung continue to move up to higher level of share. And that's the baseline assumption. 75% is the baseline. That's the contractual share, everything above that is upside.

Ross Seymour - *Deutsche Bank - Analyst*

Thank you for that color. I guess as a follow-up and it probably would align to that also within Handsets. You've talked about at least the premium tier, flagship tier, of having roughly double-digit ASP or content increases going forward with all the capabilities that you're offering. Does that still hold true? Does it accelerate, decelerate with the X85? Just any update on that would be great.

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

Yeah. So if you think about our Android business in fiscal '25, it grew over fiscal '24 by approximately 10%. So that is higher than the target we set at Investor Day. And it's a reflection of the strength of our roadmap, our competitive positioning and the fact that this is a market where the volume is moving up to higher tiers where Qualcomm has a very strong position.

The other thing I just want to highlight is we did give a metric, both in mine and Cristiano's prepared remarks is over the last two years, kind of our non-Apple revenue stream in QCT has grown annually at more than 15%. So that should give you a key benchmark as you think about how the company is positioned to grow going forward as well. And this aligns with the fiscal '29 targets we set at Investor Day.

Operator

Tal Liani, Bank of America.

Tal Liani - *Bank of America - Analyst*

About China Handsets. The proportion of China is going up. And if Samsung -- you said you're working with an assumption of 75% for Samsung. So Samsung is going to go down from 100% for the Galaxy S25. China would further go up in percentage of QCT revenues.

How do you see the China growth trends when it comes to the domestic market and international markets? What's the outlook from your perspective? And what's the risk of competition within the Chinese market? Thanks. I have just a follow-up question on margins, but I'll keep it separate.

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

Tal, our position in China continues to be very strong. I think the evidence of that is the announced --agreement that we announced with Xiaomi during the quarter. This is a multiyear agreement for premium phones, with increasing volumes every year, and they're going to use our chip for launches within China and globally as well.

In addition, they will also be the first OEM to launch with our next Snapdragon 8 Elite chip, which comes out over the next couple of months. And the relationship really has expanded over the last couple of years. We've gone from phones to Automotive, they introduced smart glasses with our chips, wearables, tablets, so it's a very broad relationship, and it's just an example of relationships we have with other Chinese OEMs as well. So you should consider this as a very well-positioned sustained business for us.

Within Samsung, as you can see in fiscal -- in 2026, they launched most of their devices with our chip, but they did launch flip with their own, and so we're slightly below 100% share. And as we go to next year, I think our agreement, as Cristiano outline carries over, and we're in a very good position to maintain our scale there as well.

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

So let me just maybe add a different perspective. Tal, I'm going to agree with Akash, but I'll provide probably a comment of questions that we usually we don't get. Look, we have been doing business in China for 30 years.

We actually started down to the 3G. And I think what we learned by doing business in China, we actually learn how to move at China speed. And I think if you look at the position in Qualcomm in China, they only improve over the years. And as Akash outlined, not only we've been well positioned in the phone business, we're well positioned with some of the fastest-growing OEMs in the Auto business. and that is expanding now into industrial, into robotics and other areas.

So another way to look into this is Qualcomm has become a very competitive company and learned how to compete in China and have been serving well. I think the market will expect that to continue to be the case.

Tal Liani - *Bank of America - Analyst*

Got it. Maybe just a question on margins, a quick one. I see that when I look at the gross margin, operating margin, I see that there is kind of you managed to maintain a very healthy operating margin despite the fluctuations in Apple revenues. So I just want to ask you a question I'm getting from investors quite often. What are the implications of the decline in Apple? What are the implications on margins? Are they positive or negative? Thanks.

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

Yeah. I think we're very happy with the margin profile of the business. I mean we will be at close to 30% margin this year, which is the target we have set for the long term. As you look forward, the growth opportunity that we have in Auto/IoT far exceeds the scale of the Apple revenue. So I think we have the ability to continue to grow revenue and manage the margin profile as a result of it. And so no change to our long-term target margin versus what we've said in the past.

Operator

Ben Reitzes, Melius Research.

Ben Reitzes - *Melius Research LLC - Equity Analyst*

Hey guys, thanks a lot. I appreciate it. I wanted to ask about the data center. You're buying Alphawave for \$2.4 billion, you have big ambitions there it sounds like for FY28. What is -- what are your thoughts on doing -- having more of a tuck-in acquisition strategy there or even going bigger to get big fast and get a hold of customers if you have such great IP. I was just wondering if you kind of give your -- a little bit more of the strategy. Is it more Alphawave's coming? Or would you ever consider a bigger acquisition? Thanks.

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

Thanks, Ben, for the question. Look, at this point, we're very focused on actually driving Alphawave to closure and building our product roadmap. I think we feel that it provides the IP that is complementary to what we have and allow us to build a competitive position. This is a new initiative for Qualcomm, as I outlined. And like we have done for the rest of our business as opportunity becomes available, we're always going to be looking how to complement the roadmap. Right now, we're really focused on driving Alphawave to closure.

Ben Reitzes - *Melius Research LLC - Equity Analyst*

All right. Thanks. And can I just ask a quick follow-up on your comments around Gemini and Galaxy AI use and in the Android area? And can you just draw that out a little more? Obviously, there's a perception that the Apple products are a little behind in AI. And what that means for you over the long term, whether you're really optimistic about that, maybe even past the -- your fiscal first quarter? And just any more color there? Thanks.

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

Yeah. Consistent to what we have been saying, we're starting to see AI use cases on phones to gain traction. And there's also another interesting data point. I think if you look at the overall share of AI models, you see Gemini AI actually increasing dramatically over other models.

We have seen, I think, the advantage of the Android ecosystem in terms of majority of AI as more and more use cases become agentic where you start to see AI as part of the applications. I expect that it creates excitement about the Android ecosystem, expands its SAM and it drives upgrade cycles. Those are all positive things from the mobile business.

So I will think that what AI is doing is making connectivity more relevant, again, especially because of voice utilization is driving more computing, more capable devices and actually changing the use cases. And the rate of utilization, it's very encouraging. What I said in the call about 3x between Galaxy S24 and Galaxy S25. And I think I expect that to continue to accelerate.

Operator

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

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

Thank you all for attending the call. I would like to thank our employees, our partners and we appreciate following Qualcomm, we'll continue to execute on our strategy. We feel that the company is on the right trajectory, especially as we look for growth and diversification beyond Handsets and AI continues to be a great opportunity for us. Thank you very much.

Operator

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

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