REFINITIV STREETEVENTS

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OVERVIEW:

Company Summary

REFINITIV

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PRESENTATION

Stacy Rasgon - *Bernstein Research - Analyst*

Good afternoon, everyone. Thank you. I'm Stacy Rasgon. I cover the US semiconductor and semi cap space at Bernstein, and it's my honor to introduce our guest today, Cristiano Amon, the President and CEO of Qualcomm. If you have questions, you should have access to your, the pigeonhole form. You can put them in there and we will have time to ask those at the end.

Now Qualcomm, look, I always say Qualcomm, both as a company and a stock, it's been through an awful lot, I think over the last 5 or 10 years. But I'd say now it's my own view sitting where we are today, I think it looks to be coming into its own. I think both in their core handset franchises, as well as developing a much more diversified portfolio with very strong execution on things like automotive and IoT and even data center today, and I think it should be a primary beneficiary of AI, especially as adoption increasingly migrates to the edge. They seem to be the way to play that, and I think to tell us all about all of that, it gives me great pleasure to welcome Cristiano. So thank you so much.

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

Thank you for having me here.

QUESTIONS AND ANSWERS

Stacy Rasgon - *Bernstein Research - Analyst*

Thank you. Before I get into some of the nearer term stuff, which, I want to actually dive more first into some of the more recent data center announcements that we heard over the last week or two. There was the Saudi Arabia announcement, there was the -- I guess the Nvidia open sourcing NVLink which I guess kind of goes hand in hand with that. Maybe you could talk a little bit about that. We'll get your handsets and everything else. I'm sure you're super eager --

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

Maybe we don't.

Stacy Rasgon - *Bernstein Research - Analyst*

Maybe we don’t. But this, right, at least in the very near term, this has been, I think, top of mind at least you know in terms of some of the newer opportunities that are in front of you. Can you tell us a little bit about what's going on in the data center there and then I want to talk about some of the other edge AI opportunities, but data center in particular. This is an area -- I know you guys bought Nuvia which was -- it was a data center CPU, a company and it looked like you were sort of doing that for a while and then maybe it backed off and then now it looks like we're going back into that again. So, anything you can tell us about some of these new opportunities I'd love to hear about it.

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

No, thank you, thank you for the question. Maybe I'll start at the very top. It's a very natural, I think evolution of the new Qualcomm. I think we have been really focused, as you know, leveraging our technology to create new growth markets, new diversified, I think, revenue and earnings, and we're kind of going into everywhere we can go within the edge. And the natural, I think, evolution for us in the data center and I'll say we've been sort of looking of what will be the right entry point and we've been talking about that before we started. Looking at this market somewhat opportunistic, understood where we could make a difference, and I think now with that clarity you started to see different data points here and there of what we're building. But let me, with that frame, kind of tell you where do we think we can add value and make a difference?

First of all, we believe we have one of the best CPU teams in the world. And I think we had both the ability to execute to different CPU design points in record time, we executed our new custom CPU for the PC, very competitive, disruptive in phones. We did that in automotive and we have the ability to do that at a very compelling, I think, performance and power for the data center.

The data center's changing. First, you have a lot of AI data centers, and all of those GPUs need a CPU to go along with it. It creates an opportunity also to have a much more mature software ecosystem form instruction set, I think, thanks to AWS and Graviton that did a lot of the heavy lifting of the software ecosystem, that opportunity exists. So the first one is, if you look at companies they're saying, even companies are not traditionally chip companies, saying I'm going to go build a CPU chiplet for the data center. Then you look at Qualcomm and you say if you believe that companies like Arm can do it, you believe Qualcomm can do it because we're a real chip company. We do 40 billion components a year, we have a lot of scale at the leading node, we have a leading node every year, we have been executing in so many markets, and we have a great CPU team. So that's one entry point.

The other entry points is there's a lot of production of AI, right, and you have all of those foundational companies continue to chase more and more, but for many applications, I think you started to see the AI is getting good enough to scale, and we go from creation to production at scale. When you go to production at scale, then you need it to be very competitive. You just look at the conversation, just step out and look at the conversation when people are saying, I'm going to go from here to the Middle East because there's going to be this many cents per token, because you chase where energy is going to be cheaper. So, performance for what? Performance per dollar matters. There's plenty of room for inference. We have been doing a lot of the edge on-prem and it's a natural extension. So that's kind of our angle. We believe there is plenty of SAM, continue to grow. We have differentiated IP that we can put it to work in both on the CPU side as well as high scale inference that you're doing, at scale, and you started to see some of those signs. The first one you saw HUMAIN, I think we're going to be part of the data center. You saw Nvidia on around COMPUTEX announced two partners. They announced the two partners, I expected to see more. I saw two, us and Fujitsu, for building CPUs in NVLink and we have a couple other things we're working on. I think hopefully people will see all the pieces in the puzzle, but it's a natural expansion other opportunity for Qualcomm.

Stacy Rasgon - *Bernstein Research - Analyst*

So what is this though? Is it these are CPUs that are like, the head node in GPU servers or are these? CPUs for like standalone general purpose data centers, is this like a merchant opportunity where you know you'll sell them to anybody or like what are the dynamics of how you're thinking about this market that you're.

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

All of the above, but here's the simple way to describe it. Think about in terms of building blocks. We have an asset that you need, and I think the industry has matured a lot, right? You just look at the number of custom ASICs they've been building. You have a lot of people looking into how to build a custom ASIC. You do a general purpose ASIC. You have major companies providing their solutions. You have different boards that get built. Think about a building block. You're going to need a CPU. We can provide a CPU chiplet all the way to a full SOC in any combination, we can provide it to anybody. We're going to be building interfaces, and that's part of the NVLink announcement that you saw with Nvidia.

The way you should think about it is this CPU asset is very competitive even if you start at a very simple building block which is a CPU chiplet that can go into other things. And soon, hopefully at the end of the year, we'll be able to provide a very detailed product road map of what we're doing, how big the opportunity is, how that's going to be financially impactful for Qualcomm in the long term. We're not there yet --

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Stacy Rasgon - *Bernstein Research - Analyst*

Okay, so you don't want me to ask that now. You want me to wait till the end of the year?

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

Well that's the answer I'm going to provide. The reality is we've been putting those things together, I think, to tell the whole story. I think the acceleration of the announcements in the Middle East, based on the present visit, kind of run the clock on us and -- Computex run the clock on us, but you've started to see that we're building something interesting and we'll show what the roadmap is pretty soon.

Stacy Rasgon - *Bernstein Research - Analyst*

So that's how we should think about it, at least right now that you're building something interesting. The opportunity in theory is very large. And we'll see where it goes.

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

Here's how I should think about it. Remember our investor day we said $22 billion by 2029, non-handset. It includes zero, zero.

Stacy Rasgon - *Bernstein Research - Analyst*

That was my next question actually.

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

That's an optionality on the Qualcomm investment. I think we have two proven assets, the CPU. It goes back to the simplicity of the argument. If you believe that a company like Arm is going to build a CPU chip for the data center, if you believe they can do it, then I think you'll believe -- and they can enter this space -- then you definitely believe Qualcomm can do it. Based on our assets, based on our CPU, based on our scale. The second thing is AI is getting scaled. There's something about COMPUTEX that -- are you going to ask about COMPUTEX later? I'll shut up and wait.

Stacy Rasgon - *Bernstein Research - Analyst*

But go ahead.

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

There's something about COMPUTEX that actually, I won't say I was entirely surprised, but I was a bit surprised. There's something very interesting, actually it was announced at Dell Tech World and was displayed at COMPUTEX, which is -- there's all of those laptops with Qualcomm Snapdragon X, and the conversation is, look, Qualcomm is providing the SOC for the laptop, instead of Intel and AMD you have Qualcomm. But this one, it was one that was very interesting and it should give you a different frame to think about it. They show a laptop with the best, I think, that you can get

from Intel. I think the CPU was actually Intel, it was an Arrow Lake. But they connected to the CPU, a Qualcomm AI 100, which is in a laptop form factor. That's a laptop with Qualcomm AI 100 doing 100 billion parameter models in this PC.

So that should tell you that as inference gets scale, and it's going to be running everywhere, the data center has to compete with the edge. And I think that's, we have a room to play there and get scale. In essence, those are the two assets, and I think that's an optionality on Qualcomm, not included in any of our forecasts and not included in our $22 billion by 2029. Okay.

Stacy Rasgon - *Bernstein Research - Analyst*

We'll get to the longer-term targets in a minute. I want to hit you over the head with handsets now. I'm sorry, but I'm going to. Let's do it. So, look, and I'm going to fold in, just briefly, some of the near-term stuff. I mean, clearly there's been a lot of noise around tariffs and people are worried about like pull forward and then eventually demand destruction. I guess just very briefly, what are you seeing, like what's the state of the universe right now in handsets and what you guys are seeing like I guess in the near term. We've had the subsidies in China and people worry that that's pulling forward and just like how do we think about this like over the near term? Okay.

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

So maybe I'll list some simple facts. We have not seen any pull forward, and we even said that in the last earnings call. No pull forward.

Stacy Rasgon - *Bernstein Research - Analyst*

How would you know?

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

Because we look, we know every phone, remember every phone is licensed and pays royalty. We get activation data. We know what's happening. We know the inventory levels. We have not seen pull forward. Will this situation change? I don't know, but we have not seen it.

Second data point, no direct impact. If you saw what happened when there was an active embargo, right, between the US and China with 134%, 125%, consumer electronics coming into the US was exempt, chips going into China was exempt, so no direct impact. The real question that, I don't think anybody knows the answer, is there an indirect impact, which is consumer confidence when people buy new phones, going to buy new cars, going to buy new PCs. I don't know. We have not seen that yet in the numbers, but it, like we are in the same boat as everybody else trying to get a hold of the situation. We have not seen it yet. We'll monitor and focus on the things that we can do.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. No, that makes that makes sense. I wish I knew. Like I just don't.

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

If you know just let me know.

Stacy Rasgon - *Bernstein Research - Analyst*

I mean, the other indirect issues you talked about, macro and consumer confidence, and I mean, look, all of a sudden if iPhones are going to cost $5000 I mean, I guess iPhones --

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

Well, if the Galaxy doesn't, then I'll be --

Stacy Rasgon - *Bernstein Research - Analyst*

We'll get to Apple in a minute. I want to ask about Xiaomi because that's the other big piece of handset news that's been causing a lot of angst. And, they just have, I can't remember what it was 01, 03 or whatever they call their chip, and so they're clearly -- your three biggest customers are Apple, Samsung, and Xiaomi, and they all have various degrees of trying to internalize silicon. And I think Xiaomi's tried this before and others have tried this before, but they're trying to make a bigger push and they're delivering it.

At the same time, you guys also just signed what you call a multi-year agreement, and it said flagships. I don't know if that meant all flagships, but flagships will contain Qualcomm chips and I guess the volume commitments are going to go up every year and you're going to work with them outside of smartphones. How do we think about that because that's probably the second biggest question I'm getting like right now.

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

Yeah, no, look, I'm going to unpack this. And I love talking to you because I think you're very thoughtful about the company. You actually understand what's going on. So I will use this opportunity to give you probably a more detailed answer. I'll start with a very short one. And by the way, I'm not worried about it, and I've been getting questions. Qualcomm is turning 40 years this year. I've been in the company about 30. We've been getting questions about customers that get big enough trying to do their own chip for about 30 years now, which is, it's okay. I think that's how the industry evolved, it keeps moving. But here's the more detailed answer to the question. It's important to understand what's happening with the phone market and the dynamics of Xiaomi and the dynamics of the China market. First of all, if you analyze the China domestic market, Xiaomi is gaining share. And look, I don't need to say it, but you can check on the two things that are happening. Who is losing share at the premium tier? And by the way, in China, when our premium tier customers, including Xiaomi, gain share, is a multiplying effect on Qualcomm. It's a 6x to 7x when instead of supplying a modem, I supply the whole Snapdragon 8 Elite. So one dynamic is the premium android is gaining share, dynamic number one.

Dynamic number two, the premium tier expanded. The China market is becoming like the West market, premium and low. The middle is contracting. And I think the subsidy helped just accelerate affordability of premium, expanded the premium tier. Number three, dynamics happening in China. There is a market in China for a domestic chip that is the Huawei phone, and because of the Huawei inability to go beyond 7-nanometer, actually they call it 5, but it's a 7-nanometer process, they have -- they are hitting a little bit of a plateau. Xiaomi is an upswing, so they see an opportunity to serve the market that exists in China, doesn't exist outside China, exists in China for a China domestic chip.

So now how do you put everything together? How do you put everything together and how that is consistent with the fact that we signed an agreement with Xiaomi. In that agreement it says that our volume with Xiaomi is expected to increase on an annual basis --

Stacy Rasgon - *Bernstein Research - Analyst*

That's from current levels?

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

Yes, expected to increase. How do you put it together? You're going to see that for the Xiaomi flagship, the main flagship, their main customer base is going to continue to be Snapdragon. Xiaomi is becoming more relevant outside China, continues to be Snapdragon. There is going to be competition with Huawei for the segment in China that cares about a domestic chip, that's going to be Xiaomi with their chip. So what does that actually mean for the Qualcomm-Xiaomi relationship? The only thing that means it's Xiaomi for China domestic, it's going to start to look a little bit more Samsung. It doesn't impact the Qualcomm volume, but it does impact the other suppliers that they have. You should think about what

happens in Samsung. Samsung, look at the premium tier Samsung. Premium tier Samsung is Qualcomm and then it's their own chip. It varies, one year they're there, the other year they're not there. And then everything else for the low, it's a combination of Qualcomm and Mediatek and other suppliers. Xiaomi, it's going to look like that.

And so I said it doesn't change anything. It explains the dynamic of the China market. It speaks about Xiaomi as actually putting some competition with Huawei. He continued to expand our position. Strength of Snapdragon in China with Xiaomi for the Mi series for the flagship and outside China. So overall I think it's like, we're actually happy about the Xiaomi relationship right now.

Stacy Rasgon - *Bernstein Research - Analyst*

Okay. What does multi-year, by the way, mean in the context of that agreement?

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

Multi-year means it's more than one and it's sometimes more than two.

Stacy Rasgon - *Bernstein Research - Analyst*

Okay, alright. To stick on the China situation, so I clearly talked about Huawei and you're no longer shipping any chips to Huawei at this point.

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

I don't have the ability to.

Stacy Rasgon - *Bernstein Research - Analyst*

Yes. I was surprised how big the 4G was until I guess a year or so ago when it was $1billion a year or so, but that's out. I guess they're still not paying royalties either right now. You're still in the midst of the renegotiation.

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

Yes. So --

Stacy Rasgon - *Bernstein Research - Analyst*

Not that big anymore.

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

So here's -- I know there's a lot of conversation about this. I'll tell you exactly what we did, and I want you to take away from the answer I'm going to provide it to you. How we think about our licensing business in China and how stable it is in China.

Stacy Rasgon - *Bernstein Research - Analyst*

Actually, I'd love to hear about the licensing business outside of China as well.

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

So we renewed every one of our Chinese customers in China, okay, we renewed all of them. And then we knew that Huawei is going to expire, as you would imagine Huawei, there's a lot on their plate right now. So we -- as we said in the last earnings call, we are in conversations with Huawei, but we have not renewed the agreement and we're not in a position to provide a deadline. But here's what we did. We knew that we had one licensee that needed us to get licensed that was Transsion. And Transsion,it's about the size of the Huawei licensing business. So I wanted to make the Huawei licensee renewal because I've been saying QTL is this annuity that is not the growth engine of the company but it's a great business, this annuity. And the company we said, we want to make the Huawei renewal an upside to the model, not a downside to the model. So we went to renew Transsion. Actually, in Transsionwe litigated against them in China in the Beijing court and we had a successful outcome and they're licensed and now Huawei is an upside to the model. We'll continue the conversations with Huawei, but that's how we should think about the QTL business.

Stacy Rasgon - *Bernstein Research - Analyst*

That makes sense. And to be clear, Huawei is not that big. My own numbers, it was $0.10 maybe $0.15 of EPS, in the context of the earnings it's not that big, but okay. The other headwind in hand, which is known is clearly Apple, right? And I mean you were up here on stage years ago telling everybody to think about that business going away and it's taken a lot longer than I think like, maybe not longer than you thought, maybe, but certainly longer than I think they thought it would. It is starting to roll off now and maybe just to first of all remind us, remind everyone in the audience if they're not clear like how we should be thinking about the trajectory of that business going down.

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

Look, we have been -- and this one I go back even to the very first time I spoke about it when I became CEO in 2021, and we have our first Investor Day. We have been incredibly transparent with the Apple relationship. Every time we have a contract, contracts have a beginning, a middle and an end. As soon as we have a contract, we say this is what the contract is. It starts here, it ends here. And I think that's where we are with Apple.

Look, we build great modems as you expect. We are a great supplier and we build quality products to go into their products. They decided to build their own modem. And we have a contract with them that has a very well-defined trajectory, which is, starting where we are right now, we should expect the iPhone to launch in 2025, that is upcoming launches, we expect to have a 70% market share. The iPhone that will launch in 2026 we expect to have about 20% market share. The iPhone that launches in '27, we expect to be zero because our agreement ends. Now we are continued to grow in Android. I think we, when we had an Investor Day, we said 5% CAGR out 2029. And if you look what's happening right now, if you look at --

Stacy Rasgon - *Bernstein Research - Analyst*

That was for the market, right, the Android --

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

We say we're going to grow, with the market. It's a reasonable projection to make, right? So but here's how you should think about it since that time. I am excited about the dynamics in China. Remember, every time one Android premium with Snapdragon 8 Elite replaces a phone with our modem it's a multiplier of 6 to 7 plus times for Qualcomm. Second, if you look at the announcements that you saw from Google I/O, incredibly exciting where Android is on AI. That's great too, this changes the dynamics and the company is growing all the other areas, so we expect to grow to the spirit.

We're planning our business 100% with zero expectations that anything changes with Apple from our 2027 projection. We're confident we're going to go to this period, if you don't have a crazy cyclical correction in the market because of the macro, the tariffs, and everything, and that's -- we're just focused on the new Qualcomm.

Stacy Rasgon - *Bernstein Research - Analyst*

That makes sense. What happens when Apple's licensing agreement expires? What is it April of '27?

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

Look, I feel like you would expect. We would expect to renew that agreement. I feel we're in a stronger position now than we've ever been for the license renewal, just look at the landscape of the license renewal right now versus before. It's not going to be any different, and that's how we should think about the licensing business. The licensing business is, it's this great annuity on Qualcomm. It's about 5.x, and the rest of the growth is all about semis that is independent in Apple. And we'll see, how the renewal's going to go.

Stacy Rasgon - *Bernstein Research - Analyst*

Yeah. It's funny too when I started covering the company licensing was all that mattered. It was like 80% plus of the profits back then and it's not trivial anymore, but still, but it's not 80%. I mean, the growth in the chip business must be 5x better, bigger now over the last 10 or 15 years versus where it was then.

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

Oh yes, and look, I want you to think about the chip business, but having said that, remember just last year, we were of all American companies, the number one company in patent applications of granted and pending, so we have probably one of the world's best patent portfolio, and we're not shy about it.

Stacy Rasgon - *Bernstein Research - Analyst*

Yeah. You used to have that slide in your in your quarterly deck. You took it out.

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

But it's still in our lobby. You have the patent wall in our lobby.

Stacy Rasgon - *Bernstein Research - Analyst*

That's great. I want to shift a little bit. I still want to stay on handsets, but I want to talk about the fun, the more fun part of handsets. So you talked about the Android, and clearly there's a big push toward AI content and I won't say pricing going up, but content certainly does seem to be going up. And I think we saw the same thing even during the 5G roll off where you used to say like your ASPs your content would go up 50%. It went up a lot more than that. I think handsets are down, I don't know, about 15%, 20% off the peak and your chip business, which is still mostly handsets, I mean, grew with something like a 20% CAGR. Even as handset numbers came down like on the back of content.

And so then I look at like your, it ties into your 2029 targets. You're still looking for Android to grow like mid-single digits. It feels to me like it even in a flat market, why wouldn't it, especially given where you play, why wouldn't it grow more than that? It feels like it ought to.

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

Look, if you look at the past performance, we're very happy with it. I think --

Stacy Rasgon - *Bernstein Research - Analyst*

You've certainly grown more than mid single digits like --

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

Yes, and I think we try to make reasonable estimates going forward, but here's the more qualitative answer to that question. There are two dynamics that are driving the growth in ASP in handsets, the two dynamics. One is a lot more processing content. Those are becoming way more powerful devices and it's actually going to be, they're even going to have more content when you think about AI. There's so much processing. Actually, one of the areas I'm incredibly excited is about what we can do with processing memory bandwidth and all those things with AI. That's driving content. That's number one. Number two, mix expansion. If you look historically, if you're tracking the company, quarter after quarter, year after year, premium tier expansion, that is a great driver for overall revenue in handsets for us.

Stacy Rasgon - *Bernstein Research - Analyst*

Yeah, I believe, I mean. Maybe you could talk a little about the actual like silicon content that AI is driving for. I mean you have the NPU and you're also doing a ton of work like on the software and the ecosystem side, and I don't know if you're charging for that if that's just to help drive adoption, but maybe talk a little bit about the specifics about what you're doing on AI.

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

Yes, look, can I do one thing since we're talking a lot about handsets, can I just take two minutes and --

Stacy Rasgon - *Bernstein Research - Analyst*

We're going to go off of handsets right after this question.

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

No, I know, but I want to take two minutes to talk about what's really exciting about handsets right now. Like we're really excited. And I am going to probably repeat this. I'm saying every opportunity I have. I know folks and investors are very impatient to see this AI upgrade cycle, but I remember probably many of you in this room, many of you, from the iPhone launch until you gave up your BlackBerry probably 18 months to 2 years, and the main driver for that is really the third party application ecosystem.

Like when iPhone launched about, I don't know the number, but about 20 apps and people like playing with iTunes, playing with those instruments that you can choose the battery, the guitar, and those little things. But then eventually you realize it wasn't about the features and the apps that come with the OS and the OEM, but what's coming on the third-party ecosystem. I feel the inflection point is now starting.

We started with this AI transition, and the first thing you saw, same thing, you saw the use cases from the OEM and you try to measure whether this AI transition is happening based on the use case of the OEM. Like I said, combined -- Galaxy 25 when they launched combined Google and Samsung with about 20 AI use cases. But the important thing is actually the third-party ecosystem. And you saw like the Google I/O, incredibly exciting that you're starting to bring the third-party ecosystem.

Like any app you can have a completely new app which is free from the constraints of OS, and you see that happen in glasses. In glasses, the AI use cases are pure AI agentic use cases. There's no constraints of OS and apps, you see that in glasses. But you're going to start to see this hybrid when people integrate AI to their app, where there is the front end. Those things are starting to happen, and I think that's the exciting thing. As third party applications start to go up, then we're going to get to the AI upgrade cycle. I can't really predict it's going to be one year, it's going to be two, but just track that. And that's why we're doing so much work on the ecosystem, making sure that any model, all of the open-source models, those things are optimized and can run on this.

The other thing that is good is there are new wearable AI devices, and glasses is starting to converging is probably the place that this happened and that is where you start to see those new use cases. So now going back to your question. We are doing the software work in phones and PCs. The software work we could do was limited. We're just going to have to support Android, support Windows, support Linux, but in automotive, in edge industrial, in what we're doing with smart glasses, completely different. And we have built a lot of software assets in the company. We built a lot of software capabilities for AI. You'll see some acquisitions Edge Impulse, FocusAI, very relevant. It's building a direct developer platform because the development of AI is very different than what happened with apps and in those markets there's plenty of opportunity to build a platform.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. Makes sense. I want to switch away from handsets to other things. So maybe to use your, you just had the Analyst Day a few months ago and maybe to use your 2029 targets as a baseline. So if I run through the math, it was roughly $50 billion in overall revenue and you said $22 billion in non-handsets, but the handset piece has no Apple in it at that point.

I think it was what it was it was $8 billion in auto by then and $14 billion in IoT and of the IoT $8 billion was kind of core. And you had $4 billion in PCs and $2 billion in VR/AR, if I have it correct. Okay, so that's all maybe we take those one of them. Let's talk about auto first because I think that's been the sort of the clearest evidence of this diversification story and the growth there has been like. I mean, even in an auto market that's not been all that great recently, that business has been growing by leaps and bounds, and you did some acquisitions there. You got the Arriver self-driving software. You're one of, I mean, there's three guys out there with sort of a full stack self-driving solutions you and Nvidia and Mobileye.

But maybe talk about the auto growth, maybe talk about the pipeline you've got. What gives you confidence in your visibility in some of those revenue targets that are out there and maybe, you know, just generally like what are you actually selling in that business that is driving that growth?

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

Okay, it's a lot of questions. Let me go in reverse order. So what are we selling into business today? And I actually think we got the right anchor. We got the right center point of the car. So what we're selling in the car today, we sell all of the computing for what we call the digital cockpit. It's a high-performance computer that powers every screen in the car. Not only that, it powers the dashboard, it's safety grade, it's ASO compliant. We have built a lot of software assets. We have our hypervisor. You can build -- it's supporting the safety system, the driver camera, and everything, powers the sensor island. And at the same time on top of the hypervisor, you can run gas, you can run other different ecosystems on it, and it became the platform of choice for virtually every OEM. We're working with all the Americans, all the Japanese, or the Koreans, all the Europeans, all the Chinese on the digital cockpit.

That digital cockpit that we provide this computing solution is now also evolving for the software defined vehicle as the central computing on the car, and functionality has started to get accumulated in zonal, controllers and different domains, and some of that has started to run as software. The Chinese did a lot of that. A lot of microcontrollers became a software application on our center computing of the car. That's the first thing we sell. The second thing we sell is the connectivity engine of the car, connects the car with Wi-Fi, Bluetooth, and cellular. And then we have the processor for ADAS and autonomy. And in the process for ADAS and autonomy, we work with any stack. So that's kind of the first thing that we sell to the cars, a lot of chips. There's a lot of software on it, including the platform that the OEMs use for car to cloud services.

Okay, the next part of your question. We have disclosed the pipeline. I think the pipeline continues to grow, but I --

Stacy Rasgon - *Bernstein Research - Analyst*

Can't remember what it is. Is it $45 billion? I can't remember.

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

$45 billion. I won't do the additional disclosure today, but I think we have been talking about it. You see in the quarterly results we continue to win new designs. That $45 billion is about one-third of that is the digital cockpit, one-third of that is processor for ADAS and autonomy. We work like with any stack, and then one-third of that is the legacy telematics and they continue to grow. Okay. The other thing we're doing on cars, we took a platform approach and we have something very unique, which is Flex. Flex basically is leveraging in our software capabilities and high-performance compute. We now can split and run the digital cockpit, the central computing on the car, and ADAS on the same SOC. That has been incredibly powerful for brands that have multi-tiers, think about companies like Stellantis, think a lot of the Japanese providers, they have multi-tier. You can bring ADAS down to the entry levels with single SOC. So I actually like the position where we are in the control point of the car. Think about we add ADAS to the central computing of the car.

The other thing that we have in Auto that we have not commercialized and you don't see it in the numbers, is our stack. So what we did with the stack was something very unique. We bought Arriver, we combined the Arriver R&D with BMW R&D. We jointly develop and now people will be able to see it. You'll be able to go in the field and measure. We are May 28th, next month we're going to launch it, for the first time, we're going to launch it in 100 countries and once it launches, I have the ability to get the stack and offer to every other OEM, and you'll be able to see how it performs --

Stacy Rasgon - *Bernstein Research - Analyst*

So you're not locked into BMW with that then.

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

No, it's a very unique partnership that we did for them. It's a benefit, the more scale we get. We've been -- we have something very unique. We've been training that stack on several millions of miles. We're also using AI data, synthetic data, we created something very unique. We have a Gen AI path and for safety we have a rule-based machine learning path that overrides for safety. It's been a lot of work and it's now coming to the market in June. People will be able to measure. They will see how the stack performs and it's an option for the OEMs, that's not in our numbers.

I'm excited about the auto business. I think we put that in execution mode. I think it was the first way to demonstrate the power of Qualcomm and lower new core competences and go to different markets and we're going to kind of repeat that in some of the other initiatives we have.

Stacy Rasgon - *Bernstein Research - Analyst*

Okay, got it. And just for the record, I mean this business is doing close to $1billion a quarter now. Like this is a real business now.

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

Record consecutive quarters and like the last one I believe last quarter we're growing every year in excess of 50%.

Stacy Rasgon - *Bernstein Research - Analyst*

Yeah, got it. Now on the IoT side, if I mean if I take the three components, you have the core piece. So I know I know the target was like $8 billion. You're running a little over, I can't remember $5 billion-plus right now. It was an $8 billion, right? It was doing a $2 billion a quarter run rate during the peak of COVID. And so I guess to me getting back to peak levels in the next like five years doesn't seem crazy, but is there anything more that's required to get there beyond just sort of like cyclical recovery over?

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

No, look, I think we have very reasonable estimates, so maybe I'll start by providing clarification. When we talk about the revenue stream of IoT, there's a lot of things in there. So I'm going to talk about what's really important, and we did break that down in our Investor Day.

So within that segment, let's go one by one. First of all, we said PCs. PCs, we said $4 billion by 2029, which assumes a 12% market share. 12% market share of our SAM. With the market that we that we serve, which is laptops, we assume 12% market share to get to $4 billion revenue, and the reason the number is 12% is because $4 billion was the plug number that that comes to 12% market share. Now, on 2029. What are we doing right now? We're doing okay because we have about 85 designs across all the PC makers. It's going to go to 100 now that is going to be in the market as we get to next year and within that the markets that we launched, we only launched domestic US retail and now the European top five, we're in the 9%-10%. So not an unreasonable target when you think about 2029 based on where we are right now. That's the first one. Second one, we said $2 billion in VR/AR, and when we look at what's happening with smart glasses --

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Stacy Rasgon - *Bernstein Research - Analyst*

How big is that now, by the way?

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

I don't think we're -- Akash is just shaking his head. I cannot provide a disclosure.

Stacy Rasgon - *Bernstein Research - Analyst*

I tried, sorry.

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

But I tell you right now, the forecast on this Meta glasses continues to increase. We had the Meta Glasses now, just on last quarter we got 15 different designs. This thing is multiplying like rabbits. It's the AI that you can wear. I think that's a very a reasonable estimate. Let's go to the next one. We set about $4 billion in networking that's already a mature business for us. And then $4 billion in this edge industrial, I'm very excited about that. That's a large SAM, and that's all of the stuff that you see now AI running at the edge, especially that you can -- you have models that are smaller and very efficient.

Stacy Rasgon - *Bernstein Research - Analyst*

That makes sense. Let's dig into those PC assumptions a little bit because I know people got very excited about that last year and I always look at this, I mean, my view on this for you guys is like, look, I actually don't know if it's going to be a thing or not. They're not new. I would also say like quite often I hear you guys talk about this in the context of AI PCs, and I sort of view like AI PCs and Arm PCs as sort of orthogonal to each other. To me it's more, it seems to me like you're trying to use the AI PC push to drive consumers toward, which is fine, but Arm PC has been around for a long time. I mean 2012, I think, was the first Microsoft Surface tablet was the first one. You guys have actually sold into this market since like 2016.

I mean, I could go into a Microsoft store and buy a Surface laptop since then with a Qualcomm chip. They didn't sell very many of them back then, but they sold them. What's different now that actually starts to drive like material amounts of adoption.

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

Okay, this is a great question, and I think you've just brought memory lane. It's a great question. Remember, we also started this when Microsoft bought Nokia, and Nokia wanted to make a PC, was an Arm base, and this is a while ago. Let me just cut to the chase, right? So Arm wasn't real until Microsoft actually launched an emulator that could run Win 32 and Win 64 x86 apps. The ability to run Win 64 apps was not ready until Windows 11. So before that, I think it was trying to build a converged device between, it's like a competitor to iPad as an extension of the phone. And there was no room for that in the Windows because there is no second class windows. It's Windows or it's not Windows.

So what is real now, and it wasn't before, is the Microsoft decision to transition to Arm. And then, and it combines with a number of things, right? There are many things that drove this point that we are today. The first one is Apple successfully executing on the M series, and that was the performance benchmark for a personal computer.

Stacy Rasgon - *Bernstein Research - Analyst*

They've done a good job.

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

Yeah, sure, yes, and I think we're very happy with the CPU team that we have right now. Okay, so that's the first data point. The second data point is Intel no longer could provide technology leadership for that, and Windows is very important for Microsoft, right? The number three data point is a transition of PC into next generation devices for the age of AI, which I'll get to that in the point. So that's what's different. So we knew that we needed to check those boxes. The performance one is on us. The compatibility with x86 is on the Microsoft front in the transition. That was a great combination that landed with Snapdragon X Elite, which it was, when it launched, incredible, and the one we're going to launch on Snapdragon Summit this year is going to be even more incredible.

So then we started this business on those premises that is that entire SAM is going to switch to Arm and the first thing that you see, now I'm going to get to the first part of your question, the first thing that you're going to see is we can build better, thinner, multi-day battery life laptops, and that's what you start to see right now. The attraction on the design, the reason we get designs is because people say I can build this device, it's very competitive and it has high performance, it's the Apple compete, and it has multi-day battery life. We're not yet into the AI PC. We're not yet.

But we will be there, right, because what happened is you started to have the ability for many of the things you run on a PC to include an AI front and an AI assistant. The third-party ecosystem is what's going to drive scale. Co-Pilot+ features are awesome, but those are what comes with the OS. Same conversation we had with the phone. When that happens, then you're going to see something different. Do you have the ability to run AI pervasively on the device without compromising battery life because that's not going to be a gaming rig anymore. It's going to be an everyday laptop. I think that's where our platform is going to shine right now. We're winning designs on fast multi-day battery life, cool PC. AI is coming and we're ready for it.

Stacy Rasgon - *Bernstein Research - Analyst*

Okay. About five minutes left. You want to move to the lightning round questions.

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

Yes.

Stacy Rasgon - *Bernstein Research - Analyst*

Okay here's a PC one. There's a trend of PC companies reportedly working on their own custom Arm-based chips including Lenovo and Huawei, considering this is what gives you confidence in hitting your targets, and I would actually add to that question, are more players in Arm PCs good or bad for you? Because I could actually argue it's both ways.

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

Okay, two very simple answers to the question. First of all, transition to more companies working on Arm is awesome. It's awesome. One of the best things that happened for us was Nvidia, which has been on the PC forever, providing the RTX graphics card, decided to add an Arm CPU next to it to replace Intel. That is moving the entire gaming ecosystem. That was the hardest part for us to do. And the gaming ecosystem moving, great news. Second thing, remember, Windows is not Android, Windows is not open source. So every time you add a new silicon, Microsoft needs to put an engineering team to do the work. And how many they will be willing to take, that's a question for you to ask them.

Stacy Rasgon - *Bernstein Research - Analyst*

That makes sense. Question on the Apple loss. Basically what it's asking is as that as Apple business goes away, will you take costs out to mitigate, I guess the EPS hit.

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

Here. Look, we have been clear about the operating model of the company when we look at what is -- how much we're investing in R&D, how much is the operating margin profile, and we communicated in our Investor Day when we look at our targets, that's how we're going to operate the company. So we're investing in the new areas. We're rationalizing OpEx in the areas that are not growing. We're not changing the operating margin profile of the company.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. I mean, I'll add a question of my own to there. So you talk about your, I know you guys don't report a chip gross margin, but it's not that hard to back it out. You've kind of talked about 48% to 50% and I guess as the Apple business goes out, do you expect any changes to those gross margin ranges?

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

Look, how we've been talking about the overall company, different, we're now in so many different industries and they have different margin profiles. Overall company, where we reporting and where we're saying we're going to be, that's what we're going to be.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. Okay. Here's someone who wants you to front run your roadmap. Let's see what further improvements in energy efficiency can we expect from Qualcomm's future production innovations, especially next generation Snapdragon chips?

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

I think this is a great question. The biggest opportunity, and it's a technical challenge, but it's the biggest opportunity, you're going to do a lot of AI processing at very high-performance AI, especially going to measure the amount of tokens you have to generate on the devices at the edge, and phone is very unforgiving. Phone at this -- there is no compromise on the entire day your battery needs to last, thermals and size. And you cannot deal with the phone the way you deal with the data center, but you still need memory bandwidth increase, you need the processing, you need power consumption. So we have some great innovation in this area. I think if people come to Snapdragon Summit every year to see what we up on our flagship, you're going to be impressed with what we're doing.

Stacy Rasgon - *Bernstein Research - Analyst*

When is that, by the way?

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

It's usually around, August, September time.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. All right, great. I have a question for you, and it sort of relates to the current valuation of the stock. I mean, and you guys are upping your cash return this year. You're returning more. Is that strictly just a view on the stock valuation? Are there other reasons? And is there, is it, does it make sense to think about that change in cash return strategies potentially more permanent?

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

Look, it's opportunistic. I think the reason to do it is we believe in the company. We think, the company has been trading at low multiples, especially we trade as an Apple supplier and a mobile supplier, and I think that we have all those other things that we're doing. It's opportunistic, I think we're always going to balance that between that and the opportunity in our industry to have flexibility for M&A. And so no big change in how we operate, okay.

Stacy Rasgon - *Bernstein Research - Analyst*

So I guess along those lines we've got about one minute left as always, you've got a room -- packed room here. I will give you your soapbox. Why should everybody in this room buy Qualcomm stock?

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

Okay, one other thing we didn't talk about it, but I'll answer your question is we're also incredibly excited –

Stacy Rasgon - *Bernstein Research - Analyst*

I wish we had more time.

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

Two things. We didn't talk about it. You didn't ask the question, so I'm just going to use the microphone to talk about it. One thing that people are not paying attention to what we're doing, but you should, because the teasers is very simple. I cannot think of a device that looks like a phone like this. There's a lot of interesting things happening with Qualcomm and robotics because remember, a robot is untethered, it's mobile. It needs --

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Stacy Rasgon - *Bernstein Research - Analyst*

That is not a market that I think investors typically think about Qualcomm.

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

Yes, I know. I'll show you some of the stuff we're doing. I have some videos of some of our customers, very interesting. It's mobile, it requires a lot of computing power. It requires to run AI locally. It needs to have battery. It needs to go to manufacturing at scale. It needs to leverage a bill of materials that you see in markets like phones. Very exciting opportunity for Qualcomm. But now with that I'm going to ask you a question.

If your mindset as an investor is, it's thinking about Qualcomm about 10 years ago, 15 years ago, or even 5 years ago, you're probably obsessed about the licensing business, obsessed about how we're going to have Apple and not going to have Apple, and probably not understanding how different this company is. I'm going to say something I said in a conference that was in Shanghai when people were looking at China and everything just happened in China. And I said, two types of CEOs can be very dangerous to their business. One is the CEO that's never been to China, but more dangerous is the CEO that's been to China 10 years ago and thinks he understands China, right?

So let's just use the same metaphor. I think if you were thinking of Qualcomm about 10 years ago, you're probably putting the focus not where the company is going. Because if you look at what we did in Automotive, if that was a standalone business, we'd probably have significantly higher multiples. If you look at the position that we're building for AI at the edge, if you look at all of those exciting markets, and this is a company that has, in each and every market we chose to enter, in spite of all this skepticism, we actually build a leading platform. We didn't show up with a commodity solution. We built a leading platform and the company's proven that we can learn new tricks and execute in new areas. So I think that's the opportunity for Qualcomm. I think investors need to get probably past, and maybe that day will come when Apple is zero, and I'm going to be a more diversified company --

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Stacy Rasgon - *Bernstein Research - Analyst*

I wish it was zero tomorrow. I do.

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

But anyway, so that's how I feel about it.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. And I think that's as good of a place to end off as any. Thank you so much. I really appreciate it.