

LSEG STREETEVENTS

EDITED TRANSCRIPT

QCOM.OQ - Qualcomm Inc at Bernstein Strategic Decisions Conference

EVENT DATE/TIME: MAY 27, 2026 / 5:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Stacy Rasgon *Bernstein Research - Analyst*

PRESENTATION

Stacy Rasgon - *Bernstein Research - Analyst*

Good afternoon. Thank you all for coming. I'm Stacy Rasgon. I'm Bernstein's senior research analyst for US semiconductors and semiconductor capital equipment. And it is my honor to welcome our guest here today, Cristiano Amon, the President and CEO of Qualcomm. Now I always say Cristiano has been here for many years, and I always say here, Qualcomm is a company whose stock has been through a lot over the last 5 or 10 years.

But I think now sitting where we are today, it really looks to be coming to its own, especially recently. Like handsets, as we know, the biggest part of the business today, we'll talk a little bit about that. But I mean the fruits of the company's diversification strategy really do look like they may now be ripening with auto and IoT and now potentially as AI goes mainstream, data center excitement. Even the handset piece, we'll see what it does in the near term, but it may have its own moment if and when AI broadly moves to the edge.

So we'll talk about that and probably many other things today. It gives me great pleasure to welcome Cristiano. So thank you so much for joining us.

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

Thank you so much.

Stacy Rasgon - *Bernstein Research - Analyst*

You don't have like a safe harbor statement or anything -- ?

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

No, we don't. Thank you very much.

QUESTIONS AND ANSWERS

Stacy Rasgon - *Bernstein Research - Analyst*

And again, I've been looking forward to this. Thank you so much for coming. We will get to the data center and diversification stuff. I think I want to spend most of my time there. But I think I do need to talk a little bit about the other businesses today. And I mean, like my own view, handsets are probably not in such a great place given memory prices, although I think you guys have tried to incorporate that into the forward outlook.

In the meantime, though, I mean, IoT is recovering pretty well and automotive seems to be cruising along. And I guess maybe just to give you just an opportunity just to discuss sort of the recent results in near term. I don't want to spend a ton of time on it, but -- Just where are

we sitting as we are like standing today, both for the existing business as well as maybe where the future may be taking us, like just given where we're seeing today, what are you seeing?

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

Yes. Look, I think, what we said on handsets, it's kind of a stable business for Qualcomm. It is -- we have been very, very focused. I remember when I outlined our strategy for handset, that was kind of back in 2021 that we have an Investor Day, and we said we're just going to be focused on share of wallet. It's a market that it's going to -- it's stable. It grows single digits. I think we haven't still recovered in terms of total units it used to be before the pandemic. But if you look at our performance, it's been great. We've been growing content. I think we've been growing -- the mix has improved. I think we've been growing share. And I think that's kind of we think about the business. We significantly improved the operating margin. Nobody was interested, not even ourselves in this whole price war that happened in the --

Stacy Rasgon - *Bernstein Research - Analyst*

Yeah, we've seen those in the past, right?

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

That's -- we had a completely different strategy in '21, focused on the premium and high tier and focus on silicon content. Now what the handset is right now it is artificially constrained by the memory situation. It's artificially. I think we have seen data points showing about the market was down like a 15% year-over-year. It is not a statement on demand. And a Qualcomm specific, I think, commentary that we provided in the last earnings call, which is we can now see the bottom in Q3. And the reason we can see the bottom is because we're significantly undershipping --

Stacy Rasgon - *Bernstein Research - Analyst*

So that's not necessarily a bottom in the market, it's a bottom in your --

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

In Qualcomm. We are significantly undershipping to consumer demand. As you know, we have a sophisticated licensing business, and we have a lot of visibility on the channel. We have visibility in activations and what happens. So we can see even with the new prices, the prices became higher for devices. We're undershipping to market demand that give us confidence we're going to see kind of sequential improvement after Q3. And the magnitude of the market, I think, on handsets is going to go back to a larger -- once the memory situation gets resolved, and you go through the shift that we're starting to see right now that is happening in the market because of AI. Happy to elaborate on that. But that's kind of the 2 things going to drive the handset business.

We're very happy with our position. I think we had -- historically, we had on the Samsung about 50% share. Our baseline now is north of 70% share. And I think Snapdragon has become even more relevant when you have a smaller market. I think what we have seen from our customer base is for the high tier, the premium tier, then if I have to design for a smaller market, I want to make sure I design Snapdragon. So we've seen that dynamic play out. IoT, happy with the trajectory. I think a very diversified business for us. There's a lot of categories. Happy to elaborate what's inside.

And then automotive is this machine that we built. We talked about a \$45 billion pipeline. We've been executing to that. And I think it's even exceeding our own expectations, how well it is performing. I think we just talked about now ending the year with like a \$6 billion run rate, very comfortable when you look at our trajectory.

Stacy Rasgon - *Bernstein Research - Analyst*

I can't remember what the target was. Was it \$8 billion in '29?

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

\$8 billion in fiscal '29, we're very comfortable with that number.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. So maybe that's just a good segue into this broader diversification story. So I mean, it was -- I can't remember the numbers said today, handset is probably still 70% to 75% of the chipset business --

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

It's smaller now. Memory has helped accelerate diversification.

Stacy Rasgon - *Bernstein Research - Analyst*

But I mean maybe talk a little bit about that diversification journey. And I guess it's not like the handset position that you have has not helped feed into that, especially in areas like IoT and auto, where I do think there was a lot of like crosstalk between the businesses. But maybe just talk a little bit about the diversification strategy, sort of like what set it off and where are you now? And then we can start to maybe talk about some of the individual businesses within there.

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

So I think before I answer the question, Stacy, I'm going to go maybe give you 2 comments, like higher-level comments. I think one is we are incredibly blessed that we have the handset business. The handset business has proven to be an incredible business. First, from an engineering standpoint, the handset is incredibly unforgiving. You have to pack, especially if you're focused on premium tier, you have to pack the computing performance you find today in PCs into -- and a lot of AI into a small device that has to manage thermals, cannot get liquid cooled, cannot get hot. The battery has to last all day.

So it forces you to create a very comprehensive IP that has proven to be incredibly valuable as we diversify the company. And I gave us -- and I think you have seen that and you have seen even when you look at Apple, for example, their -- how handset can influence their computing strategy from the Neo to the M-Series, et cetera. So I think that is an incredible asset that we have in the company from a technology standpoint. The other thing is the handset become so concentrated as an industry that I decided when I became CEO, I'm going to do the opposite. I'm going to diversify Qualcomm to the max. And that's what we're doing right now. We're doing a lot of things in parallel because we're never going to see ourselves in a position again that is highly concentrated like that.

And I think the strategy is working very well. I think the way the way we have done that, we have done with a mission, with discipline. I think people can say a lot of things about Qualcomm, but our technology and engineering and execution, I don't think there's anything that people can say about our ability to execute. So first, we build a platform for the automotive. We saw that was an industry that we could be very disruptive. Then we look at the convergence between PC and mobile. So this is more scale for our IP, become accretive to the business. We've been executing that. We saw that there was an opportunity to drive a change in industrial. Industrial was about microcontroller and connectivity, and we changed it to high-performance compute and AI at the edge. We have built what we think is going to be a very important asset for the future of mobile platforms with AI.

We'll talk about that later. That's what we call in the personal AI category. And then we have been executing on our broadband business, continue to add assets, robotics, and then the next step will be the data center. So I think our -- by design, we said we're going to create a very diversified company. We're probably going to be very unique in having IP that goes from sub 2 milliwatts on an earbud to 2,000 watts on a data center. And I think the strategy is going well. We talk about \$22 billion on non-handset by fiscal '29, not including data center. We stand behind that number. And we're very happy to see how some of those businesses are performing right now.

Stacy Rasgon - *Bernstein Research - Analyst*

And to give you a plug, you have an Analyst Day on June 24, where --

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

Yes.

Stacy Rasgon - *Bernstein Research - Analyst*

Presumably we'll get some updates to some of these numbers, I would think --

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

I think you'll get a lot of details, especially a lot of details on what we're doing in data center. I think people will be very positively surprised and please reserve a seat.

Stacy Rasgon - *Bernstein Research - Analyst*

Okay. Let's talk about data center. So you've talked about data center before, different aspects of it. And there's a few pieces that I'm aware of, so you can correct me. We have the data center CPU, and you've announced something already with Humain, although I don't know that we've seen much in terms of actual revenue yet, but that's out there. You've sold AI accelerators for a while, several years, this AI 100, which was an initial product, but now we're talking racks, so AI 200 and AI 250. I recall a 200-megawatt deal with Humain that has been announced, although, again, I think we're still waiting for it to show up.

And then you announced a hyperscaler ASIC customer on the earnings call, which had been speculated and you confirmed that, and there's been some chatter in the press on the identity of -- I don't know if you want to comment there or not. But I guess, first of all, maybe to take those one at a time. So maybe just to start with the CPU piece. Clearly, CPUs have been catching a lot of attention recently on the back of Agentic AI. And again, we have the Humain deal. I don't know if there's any other deals that are out there. And maybe you can talk to this if you would like to. But I'm curious -- and this almost goes across all the different categories. What is Qualcomm's value proposition, maybe to start with CPUs?

What is it about it that would make a customer want to buy a Qualcomm CPU for these tasks or for whatever tasks versus something else that is available? Because to be fair, there are lots of other vendors that are already there and already established and scaled in that space. So what is it about Qualcomm that enables you to win in this market?

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

Okay, so a lot to unpack there. So let me do this.

Stacy Rasgon - *Bernstein Research - Analyst*

I have similar questions about the other pieces, by the way.

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

No, that's okay. So let me -- I'm going to give you as much as I can without front-running our Investor Day, but --

Stacy Rasgon - *Bernstein Research - Analyst*

Feel free to front run, by the way, if you --

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

But there's a lot to unpack. There's a lot to unpack. So first, I'm going to recap what we have said publicly, just to make sure because there's a lot of different information. We said publicly that we saw that data center now is the next step and natural expansion; it's a massive TAM for Qualcomm and especially that our IP is very relevant for that, especially the direction of traffic that data center was going. We said our data center strategy is going to be based on a number of factors, CPUs, we'll talk about that in a second, XPU, which is inference accelerator. We're not focused on training. We're focused on inference accelerator when we had a unique architecture, including how we think about memory.

We don't need HBM. So we have an XPU. And we have an incredibly large semiconductor machine. Most people don't know that we ship about 40 billion components a year that we're going to be able to do custom ASIC. The other thing we said is a lot of those markets are becoming bespoke markets. So we're very flexible. We're a new entrant. So those are the assets. What have we announced? The very first contract was a contract with Humain, actually not on the CPU. It's actually on the XPU, it's on accelerators. And we --

Stacy Rasgon - *Bernstein Research - Analyst*

I thought CPU came first, but maybe I'm wrong. Yes, you would know better than me.

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

I will talk about that in a second. And we're very happy that has been a process. I think we're now -- we started with the AI 100, but that's not -- the real scale is the AI 200, 250. I think we're on track on the execution. We're very happy with that. That's the very first one.

Stacy Rasgon - *Bernstein Research - Analyst*

You're not giving a shipment date for that yet.

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

So when that happens, we did say that we pull in -- when they announced Humain, we said data center would start having revenue in '28 -- fiscal '28, we pull into '27. The second thing that we said, we said we were very happy with the progress of our CPU with a US hyperscaler. And we're very happy with that. And I think that is how we get started. And then given the traction that we have now with custom ASIC, we

pull in now revenue that was supposed to be in fiscal '27. We said we're going to even see shipments within this calendar year. So that's what we said publicly.

Stacy Rasgon - *Bernstein Research - Analyst*

For the ASIC?

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

For the ASIC. So that's what we said publicly. Now I'm going to answer your question. The first one was on the CPU. Look, I think if you want to support, I think, the valuation that you probably see right now with companies I can tell, I think people realize that CPUs are very important, especially when you get mix of experts, you have orchestrated CPU, I think, is going to be a big asset when you think about the TAM. We have a pretty good CPU. I'll even say I probably -- when you think about the ARM compatible instruction set, we probably have one of the best CPUs in the industry, right --

Stacy Rasgon - *Bernstein Research - Analyst*

Is that performance? Is it power? Is it TCO?

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

All of it.

Stacy Rasgon - *Bernstein Research - Analyst*

All of it.

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

And a little bit of a track record, right? So we're the first one to put a 5 gigahertz CPU clocked on a smartphone. We did that. I think you saw what we did in PCs CPU. We also have our CPU with safety grade in automotive and the Snapdragon Ride Elite, Cockpit Elite. I think it's been second to none. So all of those markets, our CPU has been the test and benchmarks, and we have designed a CPU specifically for the data center.

Very flexible architecture. It scales in the number of cores to a very big data center all the way to on-prem, and it's going to be -- this conversation is going to be relevant for future 6G networks. And it also can be a chiplet that can be part of a custom design. So that's -- I think the reason you should look at Qualcomm for the CPU is CPU performance, power consumption and TCO will matter a lot. And I think we have an asset that's been proven in at least three other markets.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. Got it. What about the racks, the 200 and the 250? You mentioned some unique memory architecture. I mean, is that the value proposition of that rack?

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

So the value proposition of our NPU, I think the industry has been talking about XPU and they have a lot of those, and they have different customizations. I think you have to look at what is happening with the data center right now. The data center is going through a process of disaggregated compute. And let me take a minute to explain this because -- this is actually -- I go back to what I said. This is actually very familiar to Qualcomm. The smartphone is the most disaggregated compute ever because there's -- I like to tell this story because it's a very simple example. When iTunes started, everybody buying their iPods and people will go have an iTunes running on your PC, the whole MP3 decode happened on the CPU, an Intel CPU. Intel architecture has always been CPU does everything. You can never do that on the phone.

You have to have a separate hardware just to accelerate MP3. So the data center is going into that disaggregation. You started to see what it used to be: one GPU from NVIDIA for training and inference. Now you start to have a different solution for inference. Now inference further disaggregates into prefill and decode. So we're building the XPU that is going to be very good and efficient in terms of compute density and power. For inference, some of those disaggregated workloads. We also have something that is very unique. We don't need HBM. We have a different memory architecture. I think we're going to talk about that.

Stacy Rasgon - *Bernstein Research - Analyst*

Can you get the memory?

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

We're very, very confident about the ability to get memory for our engagements right now. And then the other thing I'm going to tell you is we're flexible. So we're building the chip. We're building the cards. We're building the servers. We're building the racks because different types of customers want different types of deployments. There is a value, I think, of at the system level, we can tap into the ecosystem that already exists for that. So those are all options of our solution on the accelerator. And happy to talk about the custom ASIC.

Stacy Rasgon - *Bernstein Research - Analyst*

Yes. Okay. So the custom ASIC -- so part of this is you recently bought Alphawave, and that brings a number of components that I think are sort of table stakes for that. You have SerDes and other things. Now Alphawave used to talk about their own ASIC engagements. This particular ASIC -- I just want to level -- this is not something that was acquired with Alphawave. This was something that was --

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

If it was the case, we would not get away paying \$2.5 billion for it.

Stacy Rasgon - *Bernstein Research - Analyst*

I get the question. So -- is there anything you can tell us about this ASIC? Or do we have to wait a few weeks?

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

So here's -- so there is a science -- I think there's science behind us in Qualcomm, especially when you look at M&A. I'm going to give you a couple of examples, right? I think we bought Arriver. We actually had to do gymnastics. We bought a Tier 1 Veoneer, got Arriver spin out. We bought Arriver because it was an important asset to complement everything else we're doing for automotive and help us complete the platform. I think we bought NUVIA to help us accelerate our efforts to design our CPU, combined with everything else we had and we entered some of those markets.

We bought Alphawave because it provided a lot of IP that we needed, a lot of the connectivity IP, a lot of the expertise on custom ASIC combined to the -- what we had in engagement and then allow us to go. That's why we think we're very focused and consistently said, now we're serious about data center. We're missing some assets. We're going to go buy Alphawave, and we're going to complement the platform. And I think what that happens, there are 2 things that happened with the acquisition of Alphawave. One, it complements our portfolio. Second, it builds a lot of confidence, I think. Then what do we bring to the table for custom ASIC?

We're not a small semiconductor company. There's a lot of companies that they decided to enter the semiconductor business, they probably have not a lot of experience doing a chip. We do have a lot of experience doing a chip. If you look at the number of chips that we do in leading node, we also have such a sophisticated -- and I'm going to say this, I don't want to brag. I'm just going to give you the fact.

We have such a sophisticated machine to build SoCs. For example, what we do in mobile, like clockwork on Snapdragon 8 every year, we tape out a chip on a new node. When TSMC finishes the mask, we go to production. We don't even have to get the chip back, how sophisticated our tools is. All of those things became incredibly attractive, I think, for companies that are trying to do bespoke solution. So it's our IP, a lot of the IP that comes with Alphawave, our ability to do this and our willingness to be very flexible. This has been incredibly helpful and kind of accelerated our data center ambitions.

Stacy Rasgon - Bernstein Research - Analyst

Got it. And so you've talked about -- I'm assuming we'll hear more about the revenue outlook and everything to grow that like in June. But you talked about like -- I can't remember the wording substantial or meaningful revenue.

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Material.

Stacy Rasgon - Bernstein Research - Analyst

Material revenue in '27. What does material mean?

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Well, just look at the Qualcomm revenue scale. Material has to be in the multiple billions of dollars. That's really what it means.

Stacy Rasgon - Bernstein Research - Analyst

Okay. And what about the margin structure of these? I mean we're seeing a lot of other ASIC players. I mean, Hock over there, Broadcom gets pretty high margins in ASICs. A lot of other players don't quite get that kind of margin. How should I think about the margin? And to be fair, I guess, your margins right now are more mobile related anyway, so they're probably not as high as -- but I mean, can we think about this as being margin -- gross margin and operating margin accretive?

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Operating margin accretive.

Stacy Rasgon - Bernstein Research - Analyst

Operating margin.

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

It is -- all of those things that we're doing are going to be operating margin accretive for the company.

Stacy Rasgon - Bernstein Research - Analyst

What about gross margin?

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Well, say, I think we did provide a framework, I believe, for the gross margin of the company. The reason I'm going to hesitate about gross margin right now is because a lot of those engagements, some are chips, some are cards, some are servers, some are rack. So they kind of fluctuate. But I think it's going to be probably very healthy, and it's going to be about making operating margin accretive at the company level.

Stacy Rasgon - Bernstein Research - Analyst

And the material revenue, that's across all of these things. It's not like it's CPUs and XPU's and ASICs collectively material.

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

That's correct. I think they all start ramping, but it is such that we -- like I said, we're going to -- it will pull in. So we're going to start shipping in the calendar year '26, '27, it becomes material for us.

Stacy Rasgon - Bernstein Research - Analyst

Are you going to split it out as a segment at least so we can look at it or -- are you going to split it out as a segment at least so we can look at it or --

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

I haven't thought about that right now.

Stacy Rasgon - Bernstein Research - Analyst

Okay. Okay. Okay. That sounds good. Let's talk about some of the other areas. So I mean, you mentioned Arriver in the context of automotive. Let's talk about automotive. So you've had these targets out there for a while. Again, it was \$8 billion by 2029. \$9 billion by 2031 or whatever it was. And you've been sort of dead on the trajectory, if not even ahead of it since then. So what are you doing in automotive now that's actually driving that? I guess Arriver brought some of the self-driving software in, but like what role does that play? How do I think about the split of maybe the revenue as well as the order backlog by things like infotainment versus like maybe the more attractive autonomous aspects of this?

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

Okay. So let's break this down in two parts. Let me talk about what the revenue that you see right now and go into the trajectory. And then I'm going to tell you some of the trends that are driving, I think, an acceleration and increase of content in automotive. Let's kind of break those two things. We did talk about publicly about a \$45 billion pipeline. I think the pipeline has increased since that time.

I won't disclose the new number now, but it's possible we're going to disclose that at Investor Day. And that has been converting into revenue. I think you see share gains, new models with Qualcomm silicon. That revenue today and that \$45 billion pipeline, you should think about one third is about all that's happening in connectivity on the car.

Another one is the digital cockpit, all the computer to power all the different screens. About a third of that is ADAS. ADAS is processor, mainly processor for autonomy and ADAS, and then it has some components of the stack. This is kind of what is driving that growth. And you see those growth rates significantly higher than the market growth. I think we guided 50% year-over-year is because we're gaining share.

I think those new models launched with Qualcomm technology. The exciting part is the second part. A couple of things happening in the car right now. First of all, the Chinese is accelerating, I think, premium content in the car. Actually, what they have been doing right now is breaking records from silicon to SOP, and that is driving a lot of more premium computing content.

Stacy Rasgon - *Bernstein Research - Analyst*

Are you talking about the speed at which they can get the stuff adopted?

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

New chips adopted and put it into cars and especially because -- the car right now is also being -- computing is being pre-provisioned in the car because over the lifetime of a car, we're starting to see a lot of Agentic AI experience coming to the car. We can talk about that across the board. So that is -- and it's China, you see that happening right now. The other thing that is driving a lot of the content is an acceleration, I think, of Level 2++, especially in premium cars, more processing, I think, for ADAS and autonomy.

The number three driver is what's happened with the stack. So we just -- we developed an asset, which I think is a very good asset. It's basically a Level 2+ safety stack that we've done with BMW and has been launched in the BMW iX3. We're getting a lot of interest from other OEMs. Some already engagements of that. And I think that's in combination with GenAI end-to-end stack.

You always have to have a safety stack that go along the end-to-end. That's driving an increase, I think, of content for Qualcomm and cars alongside where we're seeing a lot more processing capabilities that is happening on the digital cockpit because of Edge AI as well as the ADAS transition to FSD, which is going to be like what a premium car would expect to have.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. Got it. Maybe talk about IoT. And there's a couple of different pieces of this. And I'm going to go back to your prior Analyst Day. You sort of at the core business, which at the time was sort of at the bottom of the trough, I think. And you were sort of calling for growth of that business kind of reaching the prior peak in 5 years. It was, I think, getting to \$8 billion or something. And then you had another \$6 billion in the target, and it was \$4 billion from PCs and \$2 billion from XR, VR. And my at least outside-in view, it looks like the core IoT piece is in recovery, and that's great.

I feel like the XR/VR is maybe overachieving. And I guess on the glasses, to be fair, it's actually been on my big stack of things to do is to look at that market because it does seem like it's there. The PC piece feels like maybe it's lagging a little bit versus the trajectory. We haven't seen -- and now I mean, PCs just as a market are probably facing some of the same issues that smartphones are facing on that. Maybe if you could talk about the different pieces of IoT and what your perspective is on sort of where those markets are, where they're going and the growth?

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

Very good. Look, I'm just going to say, look, we're very happy with the trajectory. It's going as planned. I think that segment is also moving towards all the targets we set up for fiscal '29. Just to give an idea, I think we guided the IoT segment for next quarter. It's, I think, somewhere in the \$1.8 billion and change. So I think it's kind of starting to approach like that \$2 billion a quarter business. So you can look at the projection and you look at the growth rates to see how we're marching towards what we said we're going to do in fiscal '29.

Now, let me unpack what's in IoT. there. It's a good question when you ask me about segment reporting because eventually, I think as those businesses mature, we're probably going to be thinking about how to break it down because there's a lot of things in IoT. And I think in hindsight, it wasn't a great term to represent what is in there. But anyway, we'll get there. So the first thing that you see there is the compute business, tablets and PCs. I will come and talk about that. The second thing that you have there is you used to have VR, XR and wearables, which is now all wrap around what's happening with personal AI devices. So that's in there. You have our broadband business that's in there. You have our industrial business as well. And it's kind of, you kind of -- we often talk about -- if you look at some of our end markets, consumer, industrial and networking, it's kind of put PCs in the consumer side with wearables, networking is broadband, and industrial, it was about a third each one of those segments.

Now let me tell you what's happening right now. PC, we're actually very happy with the trajectory. I think we've been tracking -- if you look at our projections for \$4 billion, it's around in the order of magnitude, about 10% share. The markets that we launched, we're tracking to that. The problem with PC, you have to deal -- you have to have the patience because the first --

Stacy Rasgon - *Bernstein Research - Analyst*

To be fair, you've sold into that market for like over 10 years, right? I mean it's been a long time

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

It was not until Windows 11 that finally the emulator could run Win 64. And so you had a second-class Windows for ARM. And by the way, we have to do all of the heavy lifting ourselves. I think the effort to get ARM to run natively, we did it with Microsoft. No other company did it.

And what happened -- and of course, Apple did it for their ecosystem. But what's happening now, finally, on the consumer side, you now have -- there is no difference between an x86 and an ARM. It is now very mature in the consumer. We see that in the markets that we launched consumer. We're tracking in the consumer markets that we -- United States, top 5 Europeans, we're tracking 10%. We look at the position, the design traction in the channel, very strong. We're happy. That is now -- it's just going to get its own scale. We took the past year getting games and AAA games and all those things have to be more mature on the laptop side. Now we're tackling commercial.

Stacy Rasgon - *Bernstein Research - Analyst*

Okay. To be fair, the 10% is 10% where you play --

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

Where I play. If I get 10% of the market, I will already be at the \$4 billion target. Yes. But you have to have this discipline. Now we're in the commercial, which is very important and which is the majority, I think, of the profit pool is. So we've been working. We have about 500 enterprises. We're going to get their CIOs comfortable. And I think Microsoft has been a great partner of this, and it's going to get there. You just have -- you cannot burn any step. But when I look at the Mac Neo, which is excellent because it kind of validates this convergence between mobile and PC.

And I think about the performance of some of the products we're building and what's happening in AI, I'll talk about it in a second. I think that's very good. We just have to have patience. The problem is both tablets and PCs have the same memory dynamics. There's no memory. So the market is artificially constrained until that's resolved. The other one in the IoT segment is what is now what we call the personal AI devices. I am incredibly optimistic about this. And if anything, I kind of agree with you that when we talk about the XR \$2 billion by fiscal '29, I think we're beyond comfortable there. I think because of what's happening with those new mobile category of devices.

Every AI company, every AI company and every cloud company from the United States and China and other places are looking at those new kind of devices. You hear here and there in the press. We're working with all of them. We have over 40 designs of what is called this personal AI category --

Stacy Rasgon - *Bernstein Research - Analyst*

Give us an example. What kind of devices are we talking?

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

Okay. The one that is the most popular and is going to get the most scale is smart glasses. And smart glasses come in two forms: processing, connectivity, cameras, and then you may or may not have a display. Why glasses? Why glasses? And you have to really understand what's happening there because it has nothing to do with the definition of a wearable or smart glasses before. As AI now has a role in large language models, large visual models in the man-machine interface, it becomes very natural for glasses which are close to your senses, close to your eyes, your ears, your mouth; you turn your head, you're watching it and then you can access a model.

And what we're starting to see right now is a little bit of the dynamic of the smartphone, not the same, but similar. Every week, somebody adds a new workload, a QR code, a payment system gets integrated, like, for example, some of the digital payment systems has been integrated, all of those glasses. So glasses is the big one. I think it's already in the multiple tens of millions of units. It could become 100 million units. Eventually, if this is successful, it could become as big as phones. The second one, I will put it in the --

Stacy Rasgon - *Bernstein Research - Analyst*

You think we're still buying phones in that scenario?

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

100% you're buying phones. Yes. Because if you give me time to talk about what's happening with the AI transition of phones. -- you'll see the role of both. Now the second form factor that is getting traction is a combination of pins, pendant, jewelry. I actually -- I'd be careful what I say, but there's some other form factor that are very interesting. Go watch Microsoft Build. go watch Microsoft Build. You're going to see some interesting things there, too. I think there's going to be -- the form factors are changing because it's related to the easiest way for a human to get access to a model for a completely Agentic use cases that has no legacy.

So that is now what we call the personal AI category. And I said we have about 40 designs of any nature, all connected to models. The other thing in there is our broadband business, stable. It is -- we're happy with it.

Stacy Rasgon - *Bernstein Research - Analyst*

This is like networking gateways and --

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

It's access points, retail, carrier, and for enterprise as well as broadband. We also now have wired connectivity. We've been executing our XGS-PON. -- we're doing -- and then also edge processing happening for AI at the broadband business. And that's going to grow for us with 6G. We're going to take a role into that area as well. And then the last one is industrial. Very diversified, very sticky. On industrial, I'll tell you right now, we're not bound by demand. We're bound by speed of building solutions across verticals. We have focused on retail, oil and gas, energy, manufacturing warehousing.

Stacy Rasgon - *Bernstein Research - Analyst*

It really does require vertical solutions, I guess --

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

You have to have the silicon, some of the AI capabilities, it's common. Like think about, for example, computer vision, it's common. I think the -- what is the edge appliance, the smart cameras. But then a lot of the players and the software that goes on top is building an ecosystem across each vertical. So that's what is in IoT.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. So let's talk more broadly about AI at the edge. Talk to me about AI and smartphones. Why do I want an AI smartphone?

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

Oh, you want it for sure. So it's really important. I need a few minutes to explain this because we have clarity now. Like I didn't have clarity. We knew that this stuff was going to happen. We have different pieces. But now we can see everything together. And the picture, at least for us, is super clear, and we're starting to see what the change is going to be in mobile. One thing I'm going to tell you, from the early days of cellular, from analog to 2G to 3G, 4G, 5G, one thing I can tell about cellular it changes every time. It changes, the players change, companies go from hero to zero.

We're fortunate enough that we survive all of those transitions. And we always want to look to understand what is happening, how is that transitioning. Now we have clarity. I want to explain that to you. So think about what happened with AI. First thing that happened with AI is you have chat box, people go in, they ask something to a chat box and a search and get a response. Then all of a sudden you get reasoning, you start to generate tokens, but then something incredible happened. Then OpenClaw happened. Those orchestrators happen. That's what's driving a lot of the CPU. You have now -- you have the ability to get a bunch of agents, you have a mix of experts.

You have different models for different things, and you have this orchestrator that does things for you. And it started to operate your computer for you. It's so profound that if you're a SaaS company today, you have to design your SaaS software for a client, not only to interface a human, but to interface an agent because the agent is going to go to the client. And you start to see what people are doing with OpenClaw,

you send a WhatsApp to your computer and they start doing things for you. And that's how computers are going to get utilized and those things consume a lot of tokens.

So you're going to start to see now finally, somebody said, oh, this hybrid AI that Qualcomm has been talking about is starting to make sense with different models, mix of experts and smart routing and all of that. So what's happening on phones? So what happened on phones, you have to understand there are 2 fundamental changes happening with the phone market. One, I'm going to give you an example of what happened when OpenClaw and all those different claws started. People started buying Mac Minis. Apple was sold out of Mac Mini. They put the Mac mini, they put the thing and run. Okay.

Stacy Rasgon - Bernstein Research - Analyst

But you can run it on anything, not you didn't need a Mac Mini --

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

No, but that's not an interesting observation. The observation is in the phone, you only carry one device. You cannot buy a backpack, put a Mac mini, a car battery and walk around. So you're going to have to have it in your phone. So your phone is starting to get the double personality right now. You, as the human will pick up your phone and you do phone things. You're going to go to your apps and you're going to do the things you do every day with your phone.

Actually, the reason glasses are getting traction is because it's not very natural for you to talk to the phone or pointing the phones to things that needs context; you're going to do your phone thing. But the phone now can also run those orchestrators. And then the phone is going to start doing things for you on your behalf. And it's going to be doing things for the other devices that you interact with on your behalf because the agent takes the center page -- it's not the phone in the center, all the wearables connecting to the phone. Now it's the agent in the center.

Stacy Rasgon - Bernstein Research - Analyst

Is the agent on the phone or is the agent in the cloud somewhere --

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Orchestrator runs on the phone. And see, this -- I'm going to say this to be provocative. I have seen so much discussion about cloud and edge, cloud and edge. It's a useless discussion. It's almost like for me to ask you to go to your 300 apps that you have on your phone and let's say, let's say one by one. What runs on the cloud, what runs on the end. Put it in airplane mode, they're going to say useless. -- is a brick. It's probably an iPod Touch, right, with all the Qualcomm IP. So then you're going to think about it, this is going to be cloud and edge working together.

You see all of those orchestrators that run on a device, they do some things on the cloud, MCP protocol, things that go to your app and they start doing things for you. So what we're starting to see right now is the orchestrator comes to the phone and starts doing things for you on your phone or for other devices. You may do something on another device and your phone is going to do something for you. And that drives the second change. you're going to see right now between now and summer, every one of the phone -- every one of my phone OEMs right now in China, they have their claw -- the claw equivalent. Coming into the phone, you're going to see every OS vendor talking about a claw as part of the OS.

And the interesting thing is the nature of the business is changing. I used to think about the OEMs as the customers. Now I think that the OEMs and the cloud companies as the customers. Just look, for example, what's happened in China. Some cloud and AI company actually

took over the UI of the entire phone OEM and that's going to be the new change in phones. And I think that is driving a completely different discussion. On one hand, you have the existing OEM thinking about memory cost is too high. I need -- I don't know if I can afford all of this compute, this is a smaller market. Have an AI company said, I need more compute. I need more compute. I need to have the ability to do a lot of those things into that device. That's going to propagate to the PC. It's going to propagate because it's 6 billion people uses phones.

So yes, your Mac Mini separate, you're going to see every OS vendor is going to talk about a claw and you're going to feel which one is secure, not secure. And you're -- and those are going to be token machines. And that's going to require a lot of competition. And leads me to the last -- that's going to happen to your access point, it's going to happen to your car. And the last part of this conversation is this concept of hybrid AI. I am going to speak at Computex, and we're going to show a couple of interesting demos at Computex.

Stacy Rasgon - *Bernstein Research - Analyst*

Are you leaving there like -- you're going there shortly, I guess, right?

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

Yes. And what you're going to see in some of those demos is how much it's going to cost you when you start having those token machines running everything in the cloud and how much it's going to cost when those cloud companies push some of those models to the device and they break the tasks up. I think we're starting to see a lot of conversations about how companies are thinking about how much you can afford, what is open source, what is not. All of this is goodness that is going to drive an upgrade. And then my last comment on this, none of the existing devices today --

Stacy Rasgon - *Bernstein Research - Analyst*

So this is the killer app though that we've all been waiting for.

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

It's going to be those orchestrators and agents that's going to be generating tokens. And we're going to finally -- finally, we're going to start talking about what the real conversation because the real conversation in the early days of smartphone, if I have to tell you that the smartphone experience is going to be defined by what the OS vendor put into the OS or the OEM put into his apps, that is nothing compared to the apps the developers did. Those agents are going to be some of the applications. And I think the good thing for Qualcomm is none of those devices are ready for it. So you're going to have to go to an upgrade cycle. I can't predict the timing, but we now have clarity how those are going to play out.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. Got it. The phones today don't have the computing power that are necessary to orchestrate something like this, do they?

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

They -- right now, you're going to need much faster CPUs to be able to run those orchestrators. And then eventually, as some of the hybrid AI matures, you're going to need accelerators as well.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. Got a few minutes left to go to the lightning round, see some of the audience questions. I guess it has to be asked. There's the quintessential Apple question, which is here, which is baselines now that Apple starts leaving the model in a bigger way this year, do investors have the right trajectory in mind? And I would follow this up by also saying Apple's licensing business, which does have an expiration date, the current agreement, I guess, beginning of April of next year. So what are your thoughts on that?

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

Look, I hope investors have the right trajectory. We have been so clear --

Stacy Rasgon - *Bernstein Research - Analyst*

You've been 100% clear, by the way. There's no excuse, frankly, if they don't have the right trajectory in mind.

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

All right. Second question. Look, we -- as you'd expect, we're in conversations about the license. The license is independent of the chip business. And I will say, I think the licensing business is probably one of the most stable times of our licensing business. I probably feel very confident about the state of the licenses business and --

Stacy Rasgon - *Bernstein Research - Analyst*

Probably feel very confident.

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

And look, I think you have to ask yourself, especially a lot of those customers' renewals, this business is being battle-tested. So I think there's a lot of clarity about what the patents are, what the claim charts are, I think the size of the patent portfolio. And I think what I have seen from most of my customers right now, especially in the AI transition, the last thing anybody wants in the middle of an AI transition is a worldwide patent litigation. I think everybody knows, I think that we're always going to defend that business. And I think -- and the fact that we always have done that, that in itself, it's a positive thing that brings stability. So I am -- I will repeat. I think it's probably one of the most stable times for our licensing business right now.

Stacy Rasgon - *Bernstein Research - Analyst*

Okay. Is there any truth to the idea though that like the last time Apple settled is -- I mean, they had no choice. Intel was late with 5G, the only option. Less of an issue now that they've got other options.

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

I think you should follow the court case.

Stacy Rasgon - Bernstein Research - Analyst

I guess -- to be fair, you've had a lot of disputes over many years. And I think eventually, you've come out on top on every single one. I think that is true. So one more question here. What's the next -- given memory issue hopefully is abating? I don't know if it's abating yet, by the way, but hopefully abating. Handset market share is well forecast. What's the next thing that concerns you? What are you most worried about? Is it competition from China? Is it something else?

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Look, I think if you're in the semiconductor business right now and you're a global company, you have a lot to worry about. But I -- look, right now, for us, I think we can't wait, I think, for the memory things to improve because like it's just going to be an immediate acceleration, I think, of our business. I think we've been --

Stacy Rasgon - Bernstein Research - Analyst

And there any signs, by the way, that is, are you seeing any improvement or getting worse?

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

It depends. I think it depends on how you look at. One thing I'm going to say for this, especially on DRAM, we have seen a lot of investments in China, I think, to build DRAM capacity.

Stacy Rasgon - Bernstein Research - Analyst

And you're qualified with the local Chinese guys, correct?

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

If you have memory right now, I'll qualify your memory. I'm qualified with everything. So I'm more optimistic than people are about maybe '27, there's more capacity coming in, in line. So that's one thing. And the other thing is we're like laser focused on executing on the data center. We see a great opportunity for the company. I think we're being positively surprised with the traction, and we need to make sure we're delivering on all the expectations.

Stacy Rasgon - Bernstein Research - Analyst

Got it. So we've got about 40 seconds left. As I always do, I'll give you your soapbox, you've got a whole audience here. Why should these fine people buy your stock?

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Look, one thing I tell about the company, and I'll give them my bias. I joined the company as an engineer in 1995, been in the company for 30 years. So Qualcomm has an incredible, I think, engineering and technology capability. I think we also -- our patent portfolio, it's kind of reflective of our innovation engine. All those markets that we enter one way or the other, even some of the markets where we're new players and we have to grow, we -- if you look at our execution, we have the leading platform.

And I think Qualcomm has been on this trajectory to be a very diversified company. I will never bet against Qualcomm execution. So I think investors, if they understand the capability of the company, they understand the trends that is happening on AI. It's fascinating to see when everybody thought everything is about the GPU. Now people don't talk about that anymore. There's a lot of new engines.

If people didn't talk about the edge before, now they talk about the edge. I think the company is unique because it has bets in many areas that are now -- have seen positive trends in AI. And we're just going to be on this mission. And hopefully, June '24, we'll have a very compelling story to see why this is an incredible long-term opportunity.

Stacy Rasgon - *Bernstein Research - Analyst*

Got it. With that, I think we'll close it out. Thank you so much.

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

Thank you. Thank you very much.

DISCLAIMER

LSEG reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES LSEG OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2026, LSEG. All Rights Reserved.