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OVERVIEW:

Company Summary

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PRESENTATION

James Schneider - *Goldman Sachs International - Analyst*

Okay. Good morning, everybody. Welcome to the Goldman Sachs Communacopia and Technology Conference. My name is Jim Schneider. I'm the semiconductor analyst here at Goldman, and it's my pleasure to welcome you to our first session of the day. We're very happy to have Qualcomm CFO and COO, Akash Palkhiwala with us today. Welcome, Akash.

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Thank you. Thank you for having me here.

James Schneider - *Goldman Sachs International - Analyst*

Akash, I think at the highest level, Qualcomm is working pretty hard to diversify beyond smartphones over a number of years. I want to get your latest thoughts on the progress starting with data center, but you had a very exciting announcement this morning.

QUESTIONS AND ANSWERS

James Schneider - *Goldman Sachs International - Analyst*

So I think a custom silicon agreement with Amazon, multiyear in nature and with some warrants attached to it. Maybe you can kind of unpack that for us, help us dimensionalize the opportunity both in terms of size, type of products and so on to the extent you can.

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Sure. So first of all, thank you for having me here. Very exciting deal for us. I think as you rightly noted, the company is transforming. We are used to being a smartphone -- primarily a smartphone company. As we look forward, we are very much a highly diversified company with, I'd say, three legs of the stool. We have smartphones, we have auto IoT, and data center. And we set pretty compelling targets for our data center business a couple of months ago at our Investor Day.

And so very pleased to announce this strategic transaction with Amazon. It's a first of many as we make progress towards what we laid out. So you should think of this as really a landmark deal for us in the data center business. It kicks us off there. It includes two components on the product side. So first is customized silicon business with them, multiple generations of that. We are also going to be working with them on optical connectivity solutions, starting with 1.6T and follow-on generations.

And the transaction includes a warrant agreement that we've outlined in our 8-K that we filed today. But the way it's structured is we issue warrants against purchases of up to \$60 billion from Amazon for data center products over the next 10 years. And there is an upfront vesting of about 15% of those warrants that's associated with the \$60 billion, and that is tied to upfront commitments that are being made by Amazon. So the 15% really ties to what they're committing upfront.

If you kind of wind back and look at what we had committed at Investor Day, we said approximately \$5 billion in revenue in fiscal '27. Our fiscal '27 starts shortly for us, and this makes our number very high confidence. It also positions us for fiscal '28 to deliver strong year-over-year growth from '27 to '28. We are also similarly proceeding with the other data center customer that we talked about at Investor Day.

So a lot of strong progress. We'll start having revenue with Amazon starting the December quarter, and so we're already in production with them. Very excited about how this deal positions us to execute on our targets going forward. We also did set a target of \$15 billion in fiscal '29, and you should think of this agreement as one of the core components that allows us to execute on that.

James Schneider - *Goldman Sachs International - Analyst*

Okay. Great. I want to come back to all of those things -- let you unpack it a little bit more, but maybe zooming in again for a second. From a technology perspective, the company's long-held expertise in processors, and we're seeing a lot of technologies kind of become more relevant to winning formula in AI overall, specifically networking storage and software.

So maybe help investors understand or contextualize for us why these are or not the correct assets they have under the same corporate umbrella? And speak to maybe Qualcomm's right to win in the marketplace against competitors who maybe have a slightly more diversified technology portfolio in some of those areas?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

From a data center perspective.

James Schneider - *Goldman Sachs International - Analyst*

From a data center perspective yeah.

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Yeah. So let me maybe kind of step back, as you said and outline the different components of our data center strategy. There are four parts to what we're trying to do. First is custom silicon engagement. And so obviously, in addition to Amazon, we've talked about one other global hyperscaler that we're engaged with.

And I think it's very simple. We have a very strong portfolio of technologies, both from a compute and a connectivity perspective. We also do a lot of chips, especially in advanced nodes, tremendous expertise of high-performance, low-power, tremendous expertise of high-yield manufacturing. And so we're bringing all of those things together for our custom silicon engagement. So that's the first part of the business is custom silicon. There's a lot of opportunity in the market. We are obviously a new player, but we have all the technology scale to deliver on what's required there.

The second part of the business is AI accelerator. This is an area where the market is going through a transition. We used to have one uniform solution for all kinds of AI accelerator needs. And what we're seeing in the market is a disaggregation of compute, where there is certain kind of solutions: GPUs would be very good for certain things, XPU's would be very good for other things. As you break the workloads down into training and inference as you break inference down into prefill and decode, there's a clear desire from hyperscalers to have customized solutions for various components.

One of the challenges in the current set of solutions that are available is memory bandwidth constrained solutions. And so Qualcomm has this innovative technology that we outlined at Investor Day. We call it high bandwidth compute, which is really kind of stacking compute and memory together to deliver extremely high bandwidth that our customer -- that are perfect solutions for certain kind of decode workloads

within inference. And so we're very excited about the reaction we're getting from customers. And so there's more to come on that. But very excited about what that technology brings to the market, something very unique and that the market is looking for. So that's our custom -- sorry, our AI accelerator business.

The third is CPU, where we deliver what we think is the leading CPU at the edge in phones and PCs in automotive and industrial devices, and we're bringing that to the data center. And this is delivering high performance at low power, low cost, and that's what we are bringing to the table. And so we have an agreement with Meta as our first customer for silicon solutions in data center and so excited about that.

And then finally, connectivity. I think we acquired Alphawave. They had SerDes that is integrated into a lot of these solutions. Even our custom silicon engagement includes Alphawave SerDes, and they have optical connectivity products that are also a part of the -- part of the Amazon agreement. So I think those four areas, of course, we're a new player. But the fact that we come with so much expertise in chip manufacturing at scale, maybe the broadest technology portfolio on the computing side, and that's what we bring to the table.

James Schneider - *Goldman Sachs International - Analyst*

Fair enough. Very helpful overview. So maybe also another high-level question. Clearly, the size of the AI opportunity, I think is a lot much bigger than a lot of what investors thought about just a few years ago. One point of controversy though in the market has been sort of agentic AI and the scale of token demand that it's going to generate.

At the same time, I think everyone is also talking about constraints, power supply, other factors, land, power that sort of can measure or limit the pace in which we can generate those tokens. So what's Qualcomm's view on all of this, in general? And at the end of the day, what's your view on whether AI computing stays confined to the data center or moves to the edge? And how you kind of position the company and the products around that?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Yeah, great question. So first of all, we don't think about it as this or this, right? If you think about kind of general compute, not AI compute, normal compute, it's always been distributed in the cloud and in the edge. And we think AI kind of plays the same way.

There are certain things that make sense to run on the edge. There are certain things that would make sense to run on the cloud. And that is the way we expect things to evolve. Now with our kind of expanded strategy and presence in data center, we have an opportunity to play on both sides, and I'll address both individually.

To your specific question on data center, our view is you're going to see demand grow very, very significantly in terms of token. So one of my responsibility is also running IT within Qualcomm. And so as you think about how our engineers use tokens to write software, to design chips, to support customers, we're seeing a massive growth in tokens usage within the company. And of course, that is going to be replicated across every enterprise in the world. And it drives a lot of efficiencies, a lot of time-to-market advantages in terms of being able to launch new products sooner.

And so our view is there's going to be very, very significant demand growth for tokens and there will be a need to satisfy that through different kinds of solutions. Clearly, there is a constraint on power. There is a constraint on how many wafers are available and just memory is available. And I think some of those things play to our strength. Our strength has always been delivering performance per watt. And so in any power constrained environment, Qualcomm has something unique to offer. And so we're excited that we can bring that to data center.

The second thing I'll say is in terms of wafer scale, maybe Qualcomm is one of the top five players in the world. And so us being able to use our wafer scale as a strategic advantage in building our data center business is also very important. And so I think when you think about data center, we bring all those technologies I just outlined. But in addition to that, in a constrained environment, I think Qualcomm is an advantaged position.

On the edge, we're seeing a very similar transition on the edge happening over the next couple of years as we're seeing in data center, which is build an AI accelerator that sits next to the main chip. And their job is to really run pervasive AI at very low power. And so we're building very similar to the HBC technology that we talked about in data center. We're building a similar compute plus memory stack as a coprocessor that would go into all edge devices.

So whether, again, it's phones or cars or PCs or industrial devices, robotics, those are going to be areas where that technology will become relevant. And so we see data center as an opportunity. We see edge as an opportunity for AI.

James Schneider - *Goldman Sachs International - Analyst*

Very good. So I want to come back to the target you talked about earlier, from your Investor Day, \$15 billion in fiscal '29, for data center revenue. Maybe talk about the underlying assumptions here? And are the existing programs, including the one you announced today enough to sort of get to that target? Or do you need to announce other customers to come to the market to hit that?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Yeah, so let me kind of summarize the data points and then build to the \$15 billion, right? So we talked about \$5 billion in fiscal '27, very high confidence at this point. The year starts in about a month for us, less than a month. And we are already -- we have POs, we're building the chips.

So that's very high confidence. We also talked about strong growth going into '28, based on the engagements that we have. So it allows us to grow significantly beyond the \$5 billion. In -- late in '28, going into '29, we'll have the Meta engagement with CPU coming on top of that. And then we'll also have -- we've announced HUMAIN as an AI accelerator customer that will be deploying that as well.

So when you add those kind of four, five things that I outlined, you're already very significantly on your way towards \$15 billion. And so it doesn't take us a lot more to get to the \$15 billion. But don't just think about it like that. I'd say that's the numerical part of the answer. But you should really think about the engagement that we will have will be very broad-based because we're delivering technologies, as I outlined earlier, that the market needs that the customer needs.

And so tremendous, I think, very well positioned to take advantage of it.

James Schneider - *Goldman Sachs International - Analyst*

Fair enough. And then in the longer run, maybe you've talked about as kind of 5% of market share of \$1 trillion TAM in all-in. Help us bridge between what you just said and how you get there? And how much is kind of tied to your assumptions around Arm's server CPU penetration versus x86 and maybe your share within the ecosystem more broadly?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Yeah. So our longer-term forecast is not just tied to CPU engagement. Of course, it's CPU, AI accelerator, custom chip and connectivity, all four franchises that we're building. Specifically on CPU, when we signed our agreement with Meta, the size of the CPU market was a lot less than it's perceived to be today. And so we're very excited because we have a very strong engagement with one of the top hyperscalers.

We are going to deliver what we think is the best performance per watt, performance per area solution in CPUs. And so we have a tremendous opportunity to grow beyond Meta. The CPU TAM, obviously, has tripled since then. And so we're talking about over \$200 billion a year now. And we see a very significant -- about half of that market transitioning over to our architecture where we will have performance leadership. So very well positioned there. But the largest part of the market, obviously, is the AI accelerator market, and we are tackling it two ways.

We have the custom chip engagements that we have with various hyperscalers and then these are global hyperscalers, and we're working on their main AI accelerators. This is not kind of ancillary custom chip engagements.

And then the second thing I'll say is we're also -- we have our HBC technology that delivers the significant performance advantage. So overall, very confident that this is a strong portfolio that doesn't rely on one or two customers, doesn't rely on one or two products. This is multi-gen, multiproduct, multi-customer engagement. And that diversity is what gives us the confidence that the opportunity beyond '29, is much, much bigger.

James Schneider - *Goldman Sachs International - Analyst*

And then just a couple of more on data centers before we close out that section. You just talked a minute ago about inference becoming more disaggregated. Distinct requirements for prefill, decode, other stages of the stack and kind of implies a little bit different architecture than we've seen historically. How do you -- how is QUALCOMM viewing this shift strategically? And where do you think the biggest opportunities for you to participate are?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Yeah, so I think, obviously, when you look at training and inference, we're better suited to inference. Within inference is prefill and decode, we are starting with a very keen focus on solving the memory bandwidth problem in decode. And so our technology stack, HBC is uniquely positioned to that. But that's not the end game. That's where we are starting. I think our ability to kind of extend into everything inference is very strong. We have the technology assets to go do it.

And because of the stacking technology and being able to deliver this performance at very low power, and to your earlier point, given the power constraints in data center, we have something that's unique and the customers see it. The customers see the need for disaggregated computing. And I think it just positions us very well in a transforming market where the market is transforming in our favor.

James Schneider - *Goldman Sachs International - Analyst*

Yeah. Very good. And then finally, software. Help us understand how the software ecosystem is changing. You bought mModular this year and announced a number of open source initiatives in general around that. Where do you think the market is going? Where are some of the challenges you need to overcome to kind of go head-to-head with software incumbents like NVIDIA's CUDA product? And how is Modular helping you get there?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Yeah, so software, obviously, is a very, very important problem statement. One of NVIDIA's advantages, obviously, is CUDA. And so what we were missing is a very modern stack that makes it extremely easy to port models onto our silicon, right? And so we met Chris Lattner and Modular, and they were on this mission of building a stack that is -- that disaggregates the silicon and works across silicon.

And so once you put a model on top of the Modular stack, it works across whether it's NVIDIA silicon, AMD silicon or our silicon. And then they also support AWS and Apple. So it truly disaggregates the need for specific silicon tied to the stack. And then builds a modern stack that's very easy for developers to work on, but then also allows them to port once and work across different silicon platforms without compromising performance. And so we just came across this incredible company that is just the right size, right culture for us that was building something that we were missing.

And so that will become our stack going forward. We're also taking a very friendly approach to open source. We're making the kind of the lower layers of the stack. Think of it as an Android-like approach, where we're making the stack available to everyone in the industry to

deploy. And so very optimistic about what it brings both as a horizontal industry platform, but then something that cuts across everything that Qualcomm makes, whether it's an edge chip or a data center chip.

And it makes our silicon very accessible to developers, which was the goal in the first place. So I think it was a missing piece that we have now resolved and it comes at the right time as we start scaling our data center products.

James Schneider - *Goldman Sachs International - Analyst*

Excellent. Almost 20 minutes in, we have not talked about smartphones yet, so I want to go there.

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Please.

James Schneider - *Goldman Sachs International - Analyst*

You have a huge installed base across billions of devices and smartphones based on your core processing and wireless technologies. As we move to a world where kind of devices at the edge get more important, especially given the realities of AI we just talked about, what changes should we expect to see in smartphones over the next, say, three to five years, both in terms of processing, memory and so on?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Yeah, so it's interesting. I think this is very much -- people think of it as a mature market, but it's a market that's very much in transition. And so let me go through kind of a few trends around smartphones. First is kind of building smartphones for agentic experiences.

And so we've obviously been in this touch world that goes app by app. And there is a clear vision from a lot of hyperscaler players who are looking for endpoints for their clouds as to building something that is agentic first, that is voice first. And that's a device that where you just give work to an agent and the agent is figuring out across the apps or across cloud MCPs of how to take out that -- execute on the task for you.

And so very different device it is becoming. I think it's a given that the end point is that. The question is how long does it take and how the journey happens, but it's a device in transition from that perspective. From a silicon perspective, it's a device in transition because of the disaggregation of AI compute and having this AI accelerator that sits next to the main chip and how it is going to increase the silicon content in a device.

The third thing I'll say is there's also this third device being added to the personal device ecosystem. That is sometimes connected to the smartphones, sometimes a stand-alone device. And we think of it as a wearable device, a device that can see what you can see, a device that can hear what you can hear and a device that you can have an agent AI conversation with.

So I'll say every hyperscaler we know of, every cloud company, model company we know of globally is in the process of building a device like that. And so whether it's the big hyperscalers you know in the US, the model companies you know in the US, the hyperscalers you know in China, every single OEM globally, they're all using Qualcomm chips to build a third device that adds to the smartphone. And so very excited about kind of all of those transitions happening at the same time. And we are obviously coming off of a low point in the smartphone cycle given the memory industry dynamics. So I think of smartphones as an area that will offer -- can only offer growth to us given all these vectors.

James Schneider - *Goldman Sachs International - Analyst*

Yeah. Tactical question to follow up on that. I wanted to sort of ask you sort of how do you think your customers are adapting to sort of the new normal in terms of memory prices and the unit dynamics that has on the market. Clearly, you've already talked about you think Android has bottomed as a market today. How are you thinking about sort of the forward in terms of smartphone unit growth for the broader market, some of the catalysts that might accelerate growth from here?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Yeah, so the catalysts are the ones that I just outlined, but maybe to start with the first part of your question. We've seen maybe volume go down by low double-digits on smartphones, low teens over the last year. And the impact is largely on the lowest tier and the second-lowest tiers, everything below \$300. That's where the largest impact has been because in a lot of cases, memory has now become more than half of the BOM of the phone.

And obviously, it makes some of those device prices unsustainable. And so we're seeing an impact there. If you look at the very top of the smartphone market, which is where Qualcomm has the most significant presence, we have actually not seen much of an impact. The prices clearly have gone up. But really kind of when you step back and look at the importance of the phone and the consumers' lives, it's the central device. It's the most important device, right? And so people are -- you're continuing to see people spend the money they need to spend to get the right phone.

And that, I think, shows up when you look at the market data as well. So we don't expect that to change. We think the low end of the market will continue to be under pressure. But again, I think the as we stand today, we are at the low part of the cycle, and we have all these new vectors in place that improves the opportunity for us going forward.

James Schneider - *Goldman Sachs International - Analyst*

Okay. So we went through a lot of things about sort of how AI is changing, move to the edge, also the impact of agentic. How does this apply to automobiles in your automotive business? How is AI changing the automotive architecture over time and sort of how you participate in that transition?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Yeah. Incredible set of changes, obviously happening in automotive. And we've been at the center of it. I'd say definitely our most successful diversification initiative. Next year, we expect to be the largest chip supplier to the automotive industry. Very kind of well-positioned in terms of driving the transition, not just participating in it.

I'll say AI is very deeply integrated into automotive. It started with ADAS. Obviously, AI is the foundation for what happens in autonomous driving. And we are one of the two chip leaders on the autonomous driving side. But what is also happening now is AI is becoming central to the cockpit experience as well.

So within the car, we're seeing this -- your hands are already busy on the wheel. There is -- it's difficult for you to go and work the buttons as you're operating the car. So being able to talk to the car. I think if there are people in the audience who drive a Tesla, you could get very used to talking to Grok while you're driving, right?

And so it is just a great way to use voice, to use AI, to use voice AI really to kind of interact with the car and get information, to ask it to do things. And so that is becoming very foundationally getting deployed in automotive. And we're seeing every OEM around the world as kind of the core feature that they're looking to deploy in next-generation cars is around AI.

I'll -- if you allow me, I'll also say that the way we think about robotics is really for us an extension of the automotive opportunity. Because from a silicon perspective, those things look very similar. And in some ways, a robot is a car standing up. So we are extending that portfolio. Everything we're doing in automotive, those products apply to robotics as well.

And AI is obviously foundational to that. So very excited about kind of this broader category of physical AI that starts with automotive, goes into industrial and robotics and us being able to take our automotive platform into those areas.

James Schneider - *Goldman Sachs International - Analyst*

Do you see that robotic opportunity is more or less coincident from a product standpoint for you?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

A very large leverage of everything we've built from automotive, at least from a silicon perspective, the stack is different, obviously.

James Schneider - *Goldman Sachs International - Analyst*

Okay. And then just in terms of content growth in that automotive market, what areas of that business do you see kind of driving the fastest content growth?

Akash Palkhiwala - *Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer*

Yes, so tremendous content growth for us. What has happened is we were at our Generation three of products. We went to Gen 4. Now we are deploying -- beginning to deploy Gen 5. The compute content growth from Gen 3 to Gen 5 is 8x. So a lot more processing, a lot more AI. And we've also transitioned the business from selling chips to selling modules and SIPs. And so we're integrating memory. We're integrating passives and we are delivering a complete solution to our customers.

And so there's a cost advantage to the customers. There's a performance advantage to the customers. There's obviously content growth for us that comes from that. And this sits on top of the fact that there's a demand for a lot more compute. There's a demand for a lot more AI.

And all of those things are coming together. And that's why when you look at our financials for automotive, we had set a target for \$10 billion in revenue in '31, then we pulled it to '29. Now we have pulled it back further because we're getting to those numbers much faster than we thought a couple of years ago because of this trend for content growth and then we're gaining share across the board as well, right? Whether it's the Chinese OEMs or whether it's Europeans or Japanese or Korean or American, we're gaining share across the board in the growing part of the automotive silicon TAM.

James Schneider - *Goldman Sachs International - Analyst*

I wanted to talk a little bit about sort of smart glasses and wearables market, which you just brought up a minute ago. What is really needed for this category to move to sort of enthusiast level adoption to broad consumer adoption? And do you see the potential for these kind of smart glasses and other wearables to be used more broadly in things like the enterprise? Or is it more of a kind of a consumer-centric thing in your view?

Akash Palkhiwala - Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer

So I think it's definitely consumer and enterprise. But the way the device is being designed, and maybe I'll broaden the category beyond smart glasses. It's a personal AI device that, as I said earlier, you can talk to it, it can see what you can see, it can hear what you can hear. And so you have certain OEMs focusing on glasses.

You have others building watches, pendants, pins, dongles, all kinds of devices being built, but each device has the same premise is a battery-powered high-performance device that is an AI-first device that becomes the interaction point for a user.

The reason for glasses is a very reasonable form factor is, it's close to your eyes and close to your ears. And so it can see what you can see, it can hear what you can hear. And so that's a form factor that works very well. Outside of the consumer use cases, there's tremendous use case in enterprise. There is -- clearly, this is a platform that allows you to have lot of efficiencies if you're working on a machine, if you're working in a distribution center in retail, just being able to look at something and get information about it, there's tremendous value around it.

So I think we're going to see broad deployment of it. Like automotive, our strategy is also transitioning here. We are transitioning from chips to delivering modules and SIPs. Because form factor is so important that we are integrating everything into the smallest possible module that would be very difficult for someone else to do. And so when you combine processing, wireless connectivity, AI, along with memory passives and you put it in the smallest possible module that is performing at very low power, only Qualcomm can do that. So I think this is a device that is for us to own. And as the market takes off, you'll see it come through in our financials.

James Schneider - Goldman Sachs International - Analyst

Great. I think we -- I'm going to be chastised if I have the CFO and don't ask any financial questions. So maybe as data center kind of becomes a larger part of your product mix and portfolio, how should investors be thinking about the longer-term margin profile for your business?

Akash Palkhiwala - Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer

Yeah, so I think at Investor Day, we outlined kind of how we see the margins play out. I think gross margins are going to be somewhere in the range of where we are at today. We think that will be a combination of custom products being lower in margin than our current rate, but merchant products being significantly higher, and there will be some weighted average, and we'll have to see how kind of the two businesses play out relative to each other.

So that's our view on gross margins. The operating margin argument for Qualcomm has always been around scale and being able to leverage R&D across everything we're doing. And so as we grow in these new areas, it just automatically helps our operating margin, and that's the way we are thinking about it.

James Schneider - Goldman Sachs International - Analyst

Yes. In terms of the investment balance versus that growth trajectory. Maybe talk about that intensity.

Akash Palkhiwala - Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer

So you should think of our investments in increasing OpEx trailing the growth significantly. And so as we look kind of three years out, we've set a target of 30% operating margins. But really kind of as we go from there, there is no reason to invest more. It's really just going to be incremental revenue scale sitting on top of the existing investment base. And so excited about what that combination brings from a financial perspective as well.

James Schneider - Goldman Sachs International - Analyst

Great. Now we've covered a lot of ground today. As you think about kind of Qualcomm's position in AI, compute, data center, et cetera, what do you think investors are still sort of underestimating about your opportunity ahead? And what would you sort of like everybody to take away from this if they only had to take away one thing?

Akash Palkhiwala - Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer

Well, I think, obviously, investors are very focused on data centers. We outlined a compelling strategy and a compelling set of products, but there was a little bit of, okay, but I want to see how do you execute on it. And today is a key milestone for that. Obviously, a very large deal with Amazon. But it's not the last one.

It's just the first one. And we have a very strong engagement with another hyperscaler that we've not disclosed, but similar to the transaction -- the engagement we have with -- technology engagement we have with Amazon. So I think it's just the beginning. We're executing on everything we said we'd execute on.

And hopefully, today's announcement gives people a lot of confidence that that will be the case. And then when you look beyond kind of data center and when you look at automotive, IoT, clearly, our position is very strong, and we're very well positioned to really execute faster than any target we've set out there as well. And then finally, on smartphones is the third leg of the stool, I'll say, we're at the low point in the cycle, things can only go up from here, both from the way the market is evolving, but then also from the impact that we are seeing from memory in the short-term kind of resolving through. So it is an opportunity to buy into a well-priced, highly diversified and growing stock.

James Schneider - Goldman Sachs International - Analyst

Fantastic. I think unfortunately, we're out of time. But Akash, thanks so much for being here. Thanks. Appreciate it.

Akash Palkhiwala - Qualcomm Incorporated - Chief Financial Officer, Chief Operating Officer

I appreciate it. Thank you.

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