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QCOM.OQ - Q4 2025 Qualcomm Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Qualcomm fourth quarter fiscal 2025 earnings conference call. (Operator Instructions)As a reminder, this conference is being recorded, November 5, 2025. (Operator Instructions)

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

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

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

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

During the call today, we will non-GAAP financial measures as defined in Regulation G. And you can find the related reconciliations to GAAP on our website. We will also make forward-looking statements, including projections and estimates of future events, business or industry trends, or business or financial results. Actual events or results could differ materially from those projected in our forward-looking statements. Please refer to our SEC filings, including our most recent 10-K, which contain important factors that could cause actual results to differ maturely from the forward-looking statements.

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

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

Thank you, Mauricio, and good afternoon, everyone. Thanks for joining us today.

In fiscal Q4, we delivered another strong quarter with revenues of \$11.3 billion and non-GAAP earnings per share of \$3, both of which exceeded the high end of our guidance range. QCT revenues of \$9.8 billion, up 9% sequentially, were driven by strong end-customer demand for Snapdragon-powered premium tier Android handsets, continued traction for automotive Snapdragon Digital Chassis and the strength in IoT across industrial, Wi-Fi 7 access point, 5G Fixed Wireless, and smart glasses. In addition, all three QCT revenue streams exceeded our expectations, including record Automotive quarterly revenues in excess of \$1 billion. Licensing business revenues were \$1.4 billion.

Fiscal '25 non-GAAP revenues of \$44 billion were up 13% year over year, with record QCT annual revenues of \$38.4 billion up 16% year over year, including Automotive and IoT revenue growth of 36% and 22% year over year respectively. We delivered 18% year over year growth in total QCT non-Apple revenues above our prior estimates. We remain on track to achieve our fiscal '29 long-term revenue commitment as outlined at our 2024 Investor Day.

I will now share some key highlights from the business. At Snapdragon Summit in September, we introduced our Snapdragon 8 Elite Gen 5 mobile platform for next-generation flagship AI smartphones. This platform is equipped with our custom-built third-generation Oryon CPU, the fastest mobile CPU ever, along with an upgraded NPU and GPU. With the Snapdragon 8 Elite Gen 5, we continue to set the pace of innovation in mobile processors.

This year marked our 10th Snapdragon Summit with simultaneous events held in Maui and Beijing. Validating the strength of our Snapdragon ecosystem, leading China OEMs, including Xiaomi, Honor, Vivo, and OnePlus, announced their flagship phones at our event. More than 1,100 partners, analysts, tech influencers, and press attended in person, and our keynotes captured over 26 million unique views across both events.

Together with our announcement, Snapdragon Summit generated over 547 million social media impressions. In addition, our Snapdragon Insiders community of tech enthusiasts, developers, and fans has grown to more than 20 million members worldwide.

Our highly differentiated technology continues to drive increased brand visibility, and during the quarter, Qualcomm debuted at 39 on the Interbrand Top 100 Global Brands list for 2025, reflecting the strength of Snapdragon. And for the first time ever, Kantar's Brand Z Most Valuable Global Brands List included Snapdragon, where we ranked number 38. Also at Summit, we unveiled our newest platforms for premium laptops, the Snapdragon X-2 Elite and X2 Elite Extreme.

Once again, our industry-leading processors continue to outperform competitors, surpassing Intel and AMD in both speed and power efficiency. Our latest NPU sets a new benchmark as the world's fastest AI engine for laptops, also exceeding Intel and AMD in performance. And with the new Oryon Gen 3, we have the world's first 5 gigahertz CPU for the ultramobile laptop category with extended battery life. We now expect approximately 150 designs to be commercialized through 2026 and remain optimistic about the continued momentum for Snapdragon-powered AI PCs.

As AI transforms human-computer interactions, intelligent wearables, and specifically smart glasses, are evolving into personal AI devices that can connect the user directly to an AI agent or model. This emerging category is growing at a remarkable pace and has reached an inflection point fueled by very strong demand for smart glasses from Meta. This quarter alone, Meta introduced several new Snapdragon-powered styles, including the Ray-Ban Meta second-generation glasses, the Oakley Meta Vanguard performance glasses, and the Meta Ray-Ban Display and neural band.

In addition to Meta, our leadership in this space is reflected by the 30 designs in production or development with our global partners. They include Samsung, which recently launched Galaxy XR, a truly multimodal AI headset and the first device for Google's new AI native operating system, Android XR. We achieved a significant milestone in Automotive with the launch of Snapdragon Ride Pilot, our first full-system solution for L2+ automated driving. Developed in close collaboration with BMW, it debuted in the automaker's BMW iX3 EV SUV.

Powered by our advanced self-driving software stack, Snapdragon Ride Pilot sets a new standard in automated driving. It's designed for universal compatibility and seamless integration with automakers, unlocking L2+ driver assistant features like hands-free highway driving and urban navigation for vehicles worldwide.

Snapdragon Ride Pilot is currently validated in 60 countries and extends to 100 in 2026. The broad interest from leading automakers globally is exceeding our expectations. At IAA Mobility, Qualcomm and Google announced an expanded partnership, including the integration of Google Gemini models to our suite of Snapdragon Digital Chassis solutions. Together, we will enable automakers to build and deploy personalized AI agents that act as an in-vehicle assistants bringing multimodal, Edge to Cloud AI to next-generation software-defined vehicles.

In industrial IoT, we completed our acquisition of Arduino, a premier open-source hardware and software company with an IoT development ecosystem of more than 30 million users worldwide. This builds on our acquisitions of Edge Impulse and Foundries.io and accelerates our plans to provide a comprehensive Edge AI development platform for a broad set of applications. With this new assets, we're expanding our portfolio to a wide range of customers and verticals, further cementing our position as a leader of AI for the Edge.

Additionally, we recently released the Arduino UNO Q single-board computer. Powered by a Dragonwing processor, this full stack Edge AI platform enables the rapid development of solutions for applications ranging from smart home automation to industrial, robotics, drones, and more.

AI data center growth is moving from training to dedicated inference workloads, and this trend is expected to accelerate in the coming years. The mass adoption and continuous use of AI applications is driving the industry to look for competitive alternatives that prioritize power-efficient performance and cost.

We announced our entry into this market and recently unveiled our AI inference optimize AI200 and AI250 SoCs and associated accelerator cards and racks. We are very pleased to have HUMAIN as our first customer for these solutions with a target deployment of 200 megawatts starting in 2026. Looking ahead, we're executing on a multi-generation roadmap with an annual cadence.

I would like to share that we're looking forward to providing an update in the first half of 2026 on our data center plans, including our roadmap performance and differentiated memory and compute technology. We'll also highlight our progress in other areas, including advanced robotics, next-generation ADAS, industrial edge AI, and 6G devices in AI-powered RAN. As we execute on our strategy and expand our IP and capabilities, we believe we are one of the best positioned companies to lead the expansion of AI to the Edge, Edge to Cloud Hybrid AI, and develop a power efficient cloud inferencing solution.

I will now turn the call over to Akash.

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

Thank you, Cristiano, and good afternoon, everyone. Let me begin with our fourth fiscal quarter results.

We are pleased with our strong non-GAAP performance, with revenues of \$11.3 billion and EPS of \$3.00, both of which were above the high end of our guidance. QTL revenues of \$1.4 billion and EBT margin of 72% were above the midpoint of our guidance, driven by slightly higher handset units.

QCT delivered revenues of \$9.8 billion and EBT of \$2.9 billion, with year-over-year growth of 13% and 17%, respectively. QCT EBT margin of 29% was at the high end of our guidance. QCT handset revenues of \$7 billion increased 14% on a year-over-year basis, reflecting increased demand for premium Android handsets powered by our Snapdragon 8 Elite Gen 5 platform.

QCT IoT revenues of \$1.8 billion grew 7% year-over-year, driven by strength across industrial and networking products and increased demand for AI smart glasses powered by our Snapdragon platform. In QCT Automotive, we surpassed \$1 billion quarterly revenue milestone, delivering 17% year-over-year revenue growth as the adoption of our Snapdragon Digital Chassis platform continues to accelerate.

With the recent enactment of the One Big Beautiful Tax Bill, we now expect our non-GAAP tax rate to remain in the 13% to 14% range going forward. And we anticipate lower cash tax payments relative to prior expectations. This new legislation resulted in a non-cash charge of \$5.7 billion in the fourth fiscal quarter to reduce the value of our deferred tax assets. This charge is excluded from non-GAAP metrics, but impacts our GAAP results.

Before turning to guidance, I'd like to take a moment to highlight our strong performance in fiscal '25. We are incredibly pleased with our execution, with non-GAAP revenues of \$44 billion and EPS of \$12.03, representing year-over-year growth of 13% and 18%, respectively. In QCT, we achieved 16% year-over-year revenue growth driven by double-digit increases across all revenue streams, with IoT up 22% and Automotive growing 36%.

We also delivered QCT operating margins of 30%, in line with our long-term target we've previously outlined. Over the past five years, our non-Apple QCT revenues grew at a 15% compounded annual growth rate. Similarly, over the last two years, our non-Apple QCT revenues grew by 17% and 18%, respectively. Lastly, we generated record free cash flow of \$12.8 billion. And consistent with our commitment, we returned nearly 100% to stockholders through repurchases and dividends through the year.

Now turning to guidance, in the first fiscal quarter, we expect to deliver record results, with revenues in the range of \$11.8 billion to \$12.6 billion and non-GAAP EPS of \$3.30 to \$3.50. In QTL, we estimate revenues of \$1.4 billion to \$1.6 billion and EBT margins of 74% to 78%. In QCT, we expect record revenues of \$10.3 billion to \$10.9 billion and EBT margins of 30% to 32%. We anticipate record QCT handset revenues, with low-teens percentage growth sequentially, primarily driven by new flagship Android handset launches powered by Snapdragon.

Following our outperformance for QCT IoT revenues in the fourth quarter, we expect a sequential decline consistent with last year, driven by seasonality in consumer products. In QCT Automotive, following a record fourth quarter, we estimate revenues in the first fiscal quarter to remain flat to slightly up on a sequential basis. Lastly, we forecast non-GAAP operating expenses to be approximately \$2.45 billion in the quarter.

In closing, as we approach one year since outlining our growth strategy at Investor Day, I'd like to provide an update on the progress towards our \$22 billion fiscal '29 revenue target across Automotive and IoT. In Automotive, we've established ourselves as the most strategic silicon partner for OEMs globally. The accelerating adoption of our Snapdragon Digital Chassis platform and 36% year-over-year revenue growth in fiscal '25 puts us on track to achieve our \$8 billion revenue target.

Across IoT, the increasing importance of artificial intelligence, high-performance low-power computing, and connectivity, validated by our 22% year-over-year revenue growth in fiscal '25, reinforces our confidence in achieving our \$14 billion revenue target. In Industrial, increasing customer engagement and growth in design win pipeline, combined with our recent acquisitions to unlock access to 30 million users, underlines our confidence in strong revenue growth through the end of the decade.

In XR, we're exceeding prior expectations on strong demand for AI smart glasses, and we remain the platform of choice for smart glasses and mixed reality devices across leading global OEMs and ecosystems. In PCs, we extended our technology leadership with the recent launch of Snapdragon X2 Elite and X2 Elite Extreme platforms, which deliver multi-generational performance increases across CPU, GPU, and AI.

Given our strong pipeline of approximately 150 design wins, we're optimistic about the growth potential for Snapdragon-powered AI PCs as we expand our presence across global consumer and enterprise channels. In Networking, our continued innovation and leadership in WiFi, 5G, Edge processing, and AI, combined with our integrated platform approach, positions us to drive content growth and adoption globally.

As Cristiano outlined, beyond our revenue target, we're also pursuing incremental opportunities across data center and robotics. Finally, I want to thank our employees for exceptional execution and continuing to deliver industry-leading technologies and products.

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

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

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Joshua Buchalter, TD Cowen.

Joshua Buchalter - Cowen and Company LLC - Analyst

Hey guys, thanks for taking my question, and congrats on a stellar set of results in a bumpy backdrop. I wanted to start with the data center business. You know, I realize you're going to provide more details in the first half of 2026 and my questions might get punted as a result. But maybe you could spend a few minutes talking about what you see as Qualcomm's right to win in the data center space. And any details you can provide on the specs of the AI200 and 250 beyond what you were able to offer in the press release when the HUMAIN engagement was announced.

And then lastly on this topic. You know last quarter, you called out a, I believe, a hyperscaler engagement. I assume that's distinct from the HUMAIN engagement, and any details on timing there? Thank you.

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

Hey, Josh. Thanks for your question. Yes, look, we're very excited. I think this is the next chapter of, the process we have been in Qualcomm to changing the company, diversifying the company, spending our IP.

I think that's one of the reasons we made acquisitions such as Alphawave. We think there are two areas that we outlined that we can participate into the data center. We're incredibly excited about the size of the opportunity in the next phase, I think, of data center build-out, where there's going to be real competition, we go from training to inference.

We have been focused in two areas. One is we believe we have one very strategic asset in the industry, which is a very competitive power-efficient CPU that is both for the head node of AI clusters as well as general purpose compute. And then we also have been building what we think is a new architecture dedicated for inference. I think the focus has been increased computer density and simplify the architecture for the data center in terms of increase, I think, performance per watt. I think it's all going to be about generating the most amount of tokens with the least amount of power, and that's our right to play.

We're excited about what we're doing. That has been in development. It's something that we're actually doing in a very disciplined manner. We spend a lot of time, I think, with our early experimentation with AI100 to develop the software and then we're now building AI200, AI250 both the SoC, the card direct solutions. And I think we're pleased with what we're seeing. We will provide more details on that as we outlined early next year.

Specific to your questions, I think we were in discussion with a hyperscaler. We're very pleased with the outcome of that conversation, and that's going to be part of our update when we provide details on the roadmap, the performance, the KPI. We'll be able to show details of the solution as well as our customer engagement.

We are in conversation with a lot of companies. It's clear the market wants competition for this. But in a typical Qualcomm way, we're just going to be focused on executing and show the products performing. Like I said, this is exciting in the new chapter of our expansion. And alongside robotics, those are kind of new opportunities for us.

Joshua Buchalter - Cowen and Company LLC - Analyst

Appreciate all the color there and looking forward to the update. For my follow-up, I wanted to ask about the handset market. So you highlighted your ongoing momentum in the Android space as driving growth in the fourth quarter -- or excuse me, calendar fourth quarter in your prepared

remarks. There's been a lot of noise, I think, about at your lead Android customer potentially looking to use an internal modem more than they have in recent years.

Could you maybe just talk about your visibility into your share at that customer? And any sort of share that you would expect to -- how that you would expect that over the next year or so? Thank you.

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

Look, thanks for the question, I want to spend a little bit of time on this because I sense that there is potential for a lot of noise when noise is actually not required. I think, first of all, there is one thing that is happening with our Snapdragon and our premium-tier Snapdragon Android, which has been very consistent, and this has happened over the past few years. The premium tier is expanding. I think if we look at the overall market, we have this trend that is very healthy and the premium tier is expanding and is adding more compute. That is the reason why our Android business, even on a market that is relatively flat, which is a handset market, we continue to grow our content, ASPs, and earnings because we see premium-tier expanding. A lot of the upside we have in the handsets is primarily driven by the Android premium tier.

Second part is our relationship with Samsung. We have said for a number of years -- a number of reasons. And that's been true in the past, I think, several years that what used to be a normal relationship at a 50% share, the new baseline is about 75% share. And that is always going to be our financial assumption. When we out-execute, sometimes we get more than 75%. On Galaxy S25, we got 100%. Our assumption for any new Galaxy is always going to be 75%. That's our assumption for Galaxy S26.

Operator

Samik Chatterjee, JPMorgan.

Samik Chatterjee - *JPMorgan Chase & Co - Analyst*

Hi, thanks for taking my question. Cristiano, you mentioned the -- on the data center side, starting with that. You mentioned the price performance for the inferencing performance that you're trying to deliver. I mean, most of the training clusters that we've sort of seen the other incumbents sort of talk about the ranges of installation cost is somewhere in the sort of \$30 billion, \$40 billion per gigawatt that we're hearing of. Can you just rightsize us in terms of when you're thinking about the deployment on a gigawatt basis? What kind of cost performance or price performance are you thinking of relative to these inferencing workloads that you can support on the AI200 or AI250.

And I'm also trying to get to sort of what revenue implications are for HUMAIN when you sort of deploy 200 megawatts with them. And I have a follow-up, please.

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

Okay. I'm going to try to give as much color as I can without getting ahead of the update we're going to provide next year. So first, let's just have a broader discussion about revenue. What we said before, that we expect data center products to start leading to a revenue ramp beginning in fiscal '28. I think as a result of the HUMAIN engagement and our progress on the AI accelerator, I think we're pulling this forward into fiscal '27. So you should expect now from what we said before, I think data center revenue is going to start to become material in fiscal '27. So I think that's the extent of what I can provide at this moment is about a one-year pull-in.

The second thing is we are getting interest. You should assume the companies that are having to deploy as much compute as they need in the data center for inference, especially now that you see the constraints that you have on power, the constraints that you have on the amount of computer density. I think we have a lot of folks interested. We will not be having conversations if we didn't have a solution that is competitive, but we will show the KPIs of the platform, I think, when we have a roadmap update earlier next year.

Samik Chatterjee - *JPMorgan Chase & Co - Analyst*

Okay, okay. Got it. And maybe the second one, similar to Josh's question, I think, Akash, if I'm interpreting the market's reaction to your strong numbers, there seems to be that concern about what March looks like with the change in share at the primary Android customer. Typically, on the handset side, your quarter-over-quarter decline into March has been sort of this high single-digit pace.

Is that still a good run rate with sort of the lower level of share? Or would you sort of guide us otherwise? Because I think that's really what the market seems to be sort of concerned about at this point. Thank you.

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

Yeah, Samik. Thanks for the question. We were not guiding beyond first quarter at this point. But when you look at our strong business momentum, exiting fiscal '25, you see the benefit of that showed up in our results also showing up in the December quarter guidance. And so that carries forward into the rest of the fiscal year.

The only additional thing I'd note is just a reminder that we expect to close our Alphawave acquisition in the fourth calendar quarter of '26. But otherwise, I think the business momentum is strong and just a couple factors that you outlined.

Operator

Timothy Arcuri, UBS.

Timothy Arcuri - *UBS AG - Analyst*

Thanks a lot. Akash, when you talked about September, you said that the beat was driven mostly by premium Android. But it seemed like it came a little more from your top customer because before you were saying to take like 30% of units out and that was like \$500 million roughly, but it seems like nowhere near that much came out from that customer. So I mean, it was kind of barely down year over year. So can you just square that?

And then also as part of that, can you speak to how much that customer is as kind of a baseline assumption for December? I think we've seen that the model that has their modem in it is not really selling very well. So I would assume that that's a tailwind for you also in calendar Q4. And then I had a second question. Thanks.

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

Sure, Tim. So as we had said earlier, we expect it to be in three of the four models of the phone that was launched. And so that is exactly what happened. And share, of course, is based on how sell-through plays out. Specifically on the September-quarter question, we already had kind of demand from the customer that was factored into the guidance we gave. So the upside we saw was not from Apple. It was really driven by Android customers and primarily premium tier with the launch of our new Snapdragon chip.

When you look at the sequential trend as well, as I mentioned, we are forecasting approximately low-teens sequential revenue growth in the handset revenue stream for QCT and primarily driven by Android as well. So there is some benefit from Apple, but the primary driver for the growth quarter over quarter is actually Android premium-tier shipments.

Timothy Arcuri - UBS AG - Analyst

Okay, thanks. And then is there any update on the negotiation with Huawei for a license? It seems like it's kind of dragging on a little bit. Can you just talk about that?

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

Yeah. This is Alex. Thanks for the question. No, we actually don't have an update now. Discussions are still underway. Really nothing substantive to say beyond that.

Operator

Stacy Rasgon, Bernstein Research.

Stacy Rasgon - Sanford C Bernstein & Co LLC - Analyst

Hi guys, thanks for taking my questions. So you noted the non-Apple QCT revenue was up 18% year over year. And even if I take out the Auto and the IoT, it's clear that the Android piece was up like pretty strong double digits year over year. So am I right in assuming that's all content or primarily content given? I don't think units grew that much? And is that the right sort of pace of like further content increase that we ought to be thinking about as we go forward?

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

Yeah. So Stacy, you're doing -- obviously, doing the math right. There are two primary drivers on this. One is just the mix shift of units, up. And so this is a trend that we've seen over the last several years. And sometimes it's thought of as a developed market trend, but that's not true. It's across all developing regions as well. The devices that are purchased continue to move up, and so that shows up in the benefit to our revenue stream.

The second trend is within premium tier. Content continues to grow as we deliver more and more capable chips and more capable handsets are being delivered as a result of it. And those are the two primary drivers of kind of the long-term trend of our handset business.

Stacy Rasgon - Sanford C Bernstein & Co LLC - Analyst

Got it. Thanks. And if I could have a quick follow-up. Just the Snapdragon Android strength in September and December. Is that primarily China? and is there any concerns there? I mean, is that just the timing of the launches? Like any thoughts on pull forward or anything like that, anything we ought to be thinking about there.

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

Yeah. No, there's no pull forward there. I think what we've seen is most of our China customers, actually all the major customers have already launched devices and the initial reception to the devices have been very positive. We'll see a lot of our global customers launch devices as well later this quarter going into early next year. And so it's just a reflection of kind of normal purchase patterns around the launch of these devices and the great initial consumer reaction to the launches.

Operator

Chris Caso, Wolfe Research.

Chris Caso - Wolfe Research LLC - Analyst

Yes, thank you. And a question again on AI data center, and I realize you're going to provide some detail coming up, but there's some specs out there, so which is why we ask. But from what we've seen what was in the press release was perhaps a different architecture than what we've seen others attack the market with, you know DDR memory, PCI Express and that.

Should we interpret that as sort of a first approach by Qualcomm with more to come? Or is this rather a different sort of philosophy for attacking the market? You talked about being more efficient on power consumption. Is this sort of a different -- attacking the market differently than what's in the market today?

Cristiano Amon - Qualcomm Inc - President and Chief Executive Officer

I think the answer to the question is yes. For us, I think we're approaching this, thinking about what the future architecture should look like. We had said before, we have thought about this for the Edge as well, which means when we think about dedicated inferencing clusters and the goal is to actually have the highest possible computer density at the lowest possible cost and energy consumption to generate tokens, we thought there may be an architecture that is beyond the GPU and what you've traditionally been doing with GPU and HBM is what we should be doing. That's we're developing and we have to execute. And that's the focus on the company right now.

Chris Caso - Wolfe Research LLC - Analyst

Got it. Just back on handsets. And you talked about a mix shift towards the premium tier. To what extent has the growth that you've seen in handsets been driven by Snapdragon ASPs?

And obviously, wafer prices are going up as you go to finer geometries. Maybe talk about the impact of higher ASPs on handset growth, both now and going forward and how the industry absorbs those higher ASPs.

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

Yeah. So I think there's a long-term trend that we've seen. This is a conversation that we have every year, but we continue to see just very strong demand for more capable chips, more capable processing in these premium-tier chips. And so the competition between the OEMs drives it, the demand for consumers doing more activity on the phone drives it. And we know the next couple of chips that we are making, and we're already in discussions, advanced discussions with our customers. So we feel pretty confident that there is legs to this trend over the next several years.

The second factor that I outlined is important to keep in mind as well, is this very significant mix shift towards more premium devices. And that's not about content growth within the tier, but it's more about more capable devices being purchased by consumers. And that is a multi-year trend as well that we're continuing to see going forward.

Operator

Tal Liani, Bank of America.

Tal Liani - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Hi guys, thank you. If I look at this quarter, you grew handsets by 14%, and it looks like next quarter you're guiding again 600 basis points of above market growth or above market expectations for QCT. When you look at next quarter, what are the components of this outperformance? Can you

go over kind of IoT Autos and Handsets? Where do you think you can perform better than you initially thought last quarter, et cetera? Can you give us a little bit of color on how next quarter is behaving of the QCT breakdown? Thanks.

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

Tal, just to confirm your question is about the December quarter, first fiscal quarter?

Tal Liani - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes, first fiscal quarter, sorry. The question is about the guidance for next quarter. Yeah.

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

Yeah, perfect. So, specifically in Automotive, we had a record quarter in September. So \$1.1 billion -- approximately \$1.1 billion, and we are guiding flat to slightly up, in Automotive. We do think that we're in this very strong position as additional cars get launched with our capabilities in them. We will continue to grow revenue through the year.

IoT is similarly positioned, right? We saw significant upside relative to our guidance within the September quarter, and we are positioned to continue to grow revenue starting first quarter going into the rest of the fiscal year as well.

Within Handsets, the upside that you're seeing in the December quarter is really the success of our launch of our new chip. We've seen all the major OEMs launch devices with it. As I said earlier, strong consumer reaction, and that is reflected in our financial forecast.

On a sequential basis, as I mentioned earlier, we are forecasting low teens sequential revenue growth in the handset stream in QCT.

Tal Liani - Bofa Merrill Lynch Asset Holdings Inc - Analyst

And my follow-up is on a, like historical perspective, when you launch a product into China and it's into the New Year's -- the Chinese New Year, et cetera, is first fiscal quarter the strongest quarter? What happens from a seasonality point of view? What happens for the next few quarters from a historical perspective?

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

I mean, as you've seen in the past, we expect our first fiscal and second fiscal quarter to be the stronger quarters in the year. And usually, the June quarter, the third fiscal quarter is the lower quarter. So that seasonality should be consistent with what you've seen before in the handset business.

Operator

CJ Muse, Canor Fitzgerald.

CJ Muse - Cantor Fitzgerald - Analyst

Yeah, good afternoon, thank you for taking the question. I wanted to kind of focus on QCT EBT margins. And revenues grew 5% year on year, yet margins were down 100-plus bps. And I'm curious, is that a function of mix? Or is that a function of higher manufacturing costs? Or is it simply R&D investments for future revenue growth?

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

Yeah. I think when you look at the year-over-year trend, I think you should think of, we are investing in the data center area, which over the last several years, we've been kind of just focusing OpEx on moving from mature businesses into growth areas. Data center is incremental to the investment profile that we have.

CJ Muse - Cantor Fitzgerald - Analyst

Okay. Very helpful. And then I guess just to hone in on your non-Android handset business. Is there an update in terms of how we should model that for calendar '26?

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

No change to what we've said on share within Apple versus what we've said in the past.

Operator

Ben Reitzes, Melius Research.

Ben Reitzes - Melius Research LLC - Equity Analyst

Hey guys, thanks a lot. Just wanted to touch back on the data center again so you don't do updating this in the next calendar year. Previously, you had an Analyst Day where you've put out these long-term targets for FY29. I would assume that the smallest opportunity was in XR at \$2 billion. I would assume that if we're going to have an event and go through something like this, this has the opportunity to be something pretty material, bigger than the smallest opportunity outlined at the last Analyst Day was \$2 billion for XR by '29 and more like another multi-billion opportunity.

Can you guys clarify that?

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

Yeah, Ben, that's a great observation. I think we're seeing this market take off very fast, especially AI smart glasses. And so we definitely feel like we're significantly ahead of the guidance that we'd provided and very significant upside opportunity.

I mean, if you kind of step back and think about the broader opportunity around personal AI, and you could think of it as the glasses form factor or the watch form factor or hearables form factor. This could be a very, very large market. And so if that plays out, as we suspect it might, it would create significant upside opportunity.

Ben Reitzes - Melius Research LLC - Equity Analyst

Yes. Sorry, just to clarify though my question, I appreciate that is that if you're going to outline the data center opportunity and have a special event, could we assume that it's a multi-billion opportunity something that you would call out that's at least as big, if not bigger, than anything you laid out at your last Analyst Day which is the smaller opportunities or \$2 billion to \$4 billion?

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

Ben, no, thanks for the question. I understand it now. Yes, it's upside on that number. And success in this area, I think, presents to us a potential multi-billion-dollar revenue opportunity in a couple of years, and that's how we're thinking about it right now.

Operator

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

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

I just want to thank all of our partners, our employees. And we are continuing to change Qualcomm into a very diversified company. We're probably one of the few companies among all the semiconductor companies that can go from 5 watts to 500 watts with a very flexible and very broad technology capabilities.

I think one thing that we take pride of in every industry that we enter, we have a platform that is a leading technology platform. And we're excited about the future of the company, and we're just going to keep executing on this strategy. Thank you very much for supporting our call.

Operator

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

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