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QCOM.OQ - Q2 2026 Qualcomm Inc Earnings Call

EVENT DATE/TIME: APRIL 29, 2026 / 8:45PM GMT

OVERVIEW:

Company Summary

LSEG DATA & ANALYTICS

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Qualcomm second-quarter fiscal 2026 earnings conference call.

(Operator Instructions) As a reminder, this conference is being recorded, April 29, 2026.

Playback number for today's call is (877) 660-6853. International callers, please dial (201) 612-7415. Playback reservation number is 13759551.

I would now like to turn the call over to Brett Simpson, Senior Vice President of Investor Relations. Mr. Simpson, please go ahead.

Brett Simpson - *Qualcomm Inc - Senior Vice President of Investor Relations*

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

During the call today, we will use non-GAAP financial measures as defined in Regulation G, and you can find the related reconciliations to GAAP on our website. We will also make forward-looking statements, including projections and estimates of future events, business or industry trends, or business or financial results.

Actual events or results could differ materially from those projected in our forward-looking statements. Please refer to our SEC filings, including our most recent 10-Q, which contain important factors that could cause actual results to differ materially from the forward-looking statements.

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

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

Thank you, Brett, and good afternoon, everyone. Thanks for joining us today. In fiscal Q2, we delivered revenues of $10.6 billion and non-GAAP earnings per share of $2.65, with EPS coming in at the high end of our guidance. QCT revenues were $9.1 billion, with another quarter of record automotive revenues as well as growth in IoT. Licensing business revenues were $1.4 billion.

Before I share key highlights from the business, I would like to provide some perspective on Qualcomm's current customer design cycles and the opportunities ahead.

We are in a period of profound change, and it may not yet seem obvious to the financial community. The emergence of agentic AI workload, with OpenClaw as an early example, are fundamentally changing user experiences across connected edge devices and reshaping our roadmap in every platform we develop.

For agents to work efficiently, they must run continuously in the background, fuel sensor data into context, orchestrate multistep tasks reliably and deliver strong security. Today's installed base of devices were not built for this new capabilities, and it represents a significant upgrade opportunity and expansion of our addressable market in the coming years.

Agent orchestration is predominantly CPU bound and Qualcomm has the world's best-performing CPU across smartphones, PCs, auto, and soon, the data center. Qualcomm's unparalleled connectivity solutions empower efficient NPU for local models will also be key assets to delivering agentic AI experiences.

No other semiconductor company matches the breadth and scale of our technology and product portfolio, which powers devices spanning milliwatts to kilowatts, from smart wearables to data centers. As a result, we're seeing a step-function increase in strategic customer engagement and is changing how we think about the broad AI opportunity as well as the speed of our diversification efforts.

Beginning with Automotive, in Q2, we exceeded $5 billion in annualized revenues for the first time, and we expect to exit fiscal '26 at a run rate above $6 billion. This growth is driven by our fourth generation Snapdragon Digital Chassis platform, which comprises connectivity, telematics, infotainment, as well as advanced driver assistance and automated driving. Notably, we have now enabled more than 1 million cars operating ADAS and autonomy on our Snapdragon Ride processors. By the end of the fiscal year, we will begin commercial shipments of our fifth-generation Snapdragon Digital Chassis platform. This represents the largest generation-to-generation content increase in Qualcomm's history, delivering 3 times higher CPU throughput, a threefold increase in GPU capability, and 12 times higher NPU performance while supporting in-vehicle agents and processing for Level 3 and Level 4 autonomous driving.

Looking ahead to fiscal '27, we expect continued share gains and increased content, particularly in ADAS. We're pleased with the performance of our automated driving stack with BMW, and we're seeing broad customer engagement from other leading automakers. Our recent announcement with Bosch and Wayve are good examples of what's to come as we build on our proven platforms and self-driving stack and scale ADAS.

In IoT, agentic workloads and edge AI are driving major product renewal design cycles. Overall, our pipeline is healthy, and there is clear momentum for Qualcomm’s solutions.

In personal AI, we expect a significant increase in the choice of new smart glasses starting in the second half of the year. We believe these launches, combined with the rapid progress in agentic AI, will catalyze an inflection point in customer demand across this category.

Our 2026 Snapdragon X2 PC platforms are currently in production and our world-class Oryon CPU unlocks powerful, always-on agentic experiences, making it a true competitive differentiator. Agentic orchestrators such as OpenClaw, Claude Desktop, Claude Code, OpenAI Codex Desktop, Perplexity Computer, Crew AI, Hermes Agent, LandGraph, and Humain One running on Snapdragon X2 are early proof points.

A recent PCMag review of the ASUS ZenBook A16 notes that Qualcomm is now a “serious challenger” in the PC space and states, “the generational leap from the original Snapdragon X Elite to the X2 series is particularly striking. Qualcomm hasn't just caught up to the industry. In some cases, is now helping to set the pace.” In addition, our Hexagon NPU is the world's fastest for laptops delivering up to 85 TOPS. Together with our industry-leading CPU, which has the best on-device token generation rate, Snapdragon X2 delivers the full agent experience end-to-end and outperforms Intel's Panther Lake by nearly 30%.

In Physical and Industrial AI, our new Dragonwing IQ10 platform has generated substantial customer interest since our launch at CES. This is a significant upgrade compared to IQ9, featuring an NPU with up to 700 TOPS of on-device AI performance, an 18-core Orion CPU, over 20 camera sensors, and an integrated safety island. Building on our design win with Figure AI, we announced an exciting multi-year agreement with Neura, reinforcing our confidence that we can become a significant player in the broad robotics market.

Also during the quarter, we introduced VENTUNO Q at Embedded World. This is the second Arduino platform built on Qualcomm silicon and we view it as a world-class prototyping engine for both robotics and industrial AI developers as we expand our ecosystem across key verticals. VENTUNO Q is purpose built to bring AI into the physical world, enabling fully autonomous AI agents in a wide range of Edge AI applications, including voice assistance and vision systems. Several new industrial AI products are also moving from design win to deployment across retail, utilities, oil and gas, agriculture, and other verticals.

In Data Center, the Alphawave integration is off to a great start, and we're pursuing multiple opportunities with large hyperscalers, cloud service providers, sovereign AI projects, and other global partners. Building on that momentum, we're also entering the custom silicon, space beginning our ramp with a leading hyperscaler and we expect initial shipments in the December quarter. In addition, development of our leading data center CPU and high-performance AI inference accelerators is progressing well. We look forward to sharing more details and customer wins at Investor Day in June.

Regarding Handsets, I would like to underscore two key points. First, the quarter played out as we expected: sell-through held up in our chip business materially under shipped consumer demand. We believe our China Android revenue is bottoming out in fiscal Q3, and Akash will provide more specifics in his financial update. Second, we think agentic smartphone will soon begin to influence the premium tier and we expect this theme will only get stronger into fiscal '27. With examples like the ByteDance/Doubao-powered agentic AI phone from ZTE Nubia, Xiaomi's recent announcement of MiClaw agent framework and other agentic-assist systems now in development across the Android ecosystem, we have a clear line of sight into how the AI upgrade cycle will unfold, and this is going to be an important tailwind for premium demand over time.

Next, I want to highlight a major strategic initiative and long-term growth driver for Qualcomm: 6G – the next generation of wireless. Designed for the age of AI, we believe 6G will present one of the most significant transitions for the wireless industry. From a connectivity perspective, 6G will enable new classes of mobile and personal devices, such as smart glasses, with enhanced uplink capabilities to support agentic use cases like see what I see.

Beyond connectivity, 6G will be an AI-native network where AI reasoning, learning, and autonomous action are core functions. It is intended to act as distributed intelligent infrastructure that integrates communication in wide area real-time sensing. With these new capabilities, the network becomes critical infrastructure and provides the telecom industry an opportunity to develop completely new business and economic models. It will make possible new AI-enabled services, ranging from context-relevant data, data insights and analytics, low-altitude like aerial, terrestrial, and autonomous traffic management, drone detection, and tracking and 3D mapping with telemetry to build dynamic digital wins at scale.

Qualcomm's leadership in connectivity, AI processing, and high-performance, low-power computing position us to be one of the key architects and beneficiaries of the 6G transition. In addition to the development of foundational technologies and standards, we're building end-to-end solutions for devices and the network – from agentic modems and compute platforms that power phones, PC, intelligent wearables, and cars all the way to the network, including power-efficient next-generation radio units, wide area network sensing platforms, and high-performance compute and AI accelerators for the RAN, network edge, core, and data center.

To help shape and accelerate the 6G roadmap, at MWC we launched a 60-company coalition spinning carriers, cloud infrastructure, AI-native partners, and auto OEMs. The engagement and feedback on our 6G vision and plans from our partners, customers, and governments across the globe has been very positive, and we look forward to working across the industry to deliver on this generational opportunity.

Before I turn the call over to Akash, I want to note that we will provide a broader update at our Investor Day to include our data center plans and our progress in other areas, including advanced robotics, next-generation ADAS, industrial edge AI, personal AI devices, and 6G. We hope you can join us as we will be highlighting meaningful new avenues of growth to support our long-term diversification story.

I will now turn the call 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 results for the second fiscal quarter. We delivered revenues of $10.6 billion and non-GAAP EPS of $2.65, with EPS at the high end of our guidance. QTL revenues of $1.4 billion and EBT margin of 72% came in at the high end of our guidance, driven by favorable mix with global handset units approximately flat on a year-over-year basis. QCT revenues of $9.1 billion and EBT margin of 27% were in line with our expectations.

QCT Handset revenues of $6 billion came in as anticipated, as OEMs remain cautious on handset builds due to the impact of challenging memory industry dynamics. QCT IoT revenues of $1.7 billion were up 9% on a year-over-year basis, driven by growth across consumer and industrial products. In QCT Automotive, we delivered another record quarter with revenues of $1.3 billion, representing 38% year-over-year growth driven by accelerating demand and increasing content per vehicle due to the transition of new digital cockpit and ADAS launches to our 4th generation chipsets.

On a combined basis, QCT Automotive and IoT revenues grew 20% year over year, underscoring the continued diversification of our business, consistent with our long-term revenue targets. We also returned $3.7 billion to stockholders during the quarter, including $2.8 billion in share repurchases and $945 million in dividends, reflecting acceleration of our capital return program.

Lastly, we released a previously recorded tax valuation allowance, resulting in a $5.7 million noncash GAAP tax benefit in the second fiscal quarter. This benefit is excluded from non-GAAP results. This reversal reflects new guidance on Corporate Alternative Minimum Tax issued in February by Treasury and IRS permitting taxpayers to deduct previously capitalized domestic R&D expenses.

Before turning to guidance, I'd like to provide an update on the continued impact of memory industry dynamics on our business. Last quarter, we highlighted that the increasing demand for memory and AI data centers was driving uncertainty in memory supply and price increases to handset OEMs. And as a result, the handset OEMs, particularly in China, were taking a cautious approach by reducing build plans and drawing down channel inventory. These dynamics played out as expected in the second fiscal quarter and are also reflected in our third quarter guidance.

As a result, in both quarters, our China QCT Android shipments are meaningfully below the scale of end-consumer handset demand. We now estimate that QCT handset revenues from Chinese customers will reach a bottom in the third quarter and return to sequential growth in the following quarter.

Now turning to guidance. In the third fiscal quarter, we are forecasting revenues of $9.2 billion to $10 billion and non-GAAP EPS of $2.10 to $2.30. In QTL, we estimate revenues of $1.15 billion to $1.35 billion and EBT margins of 67% to 71% with sequential decline primarily due to the operating assumption of weaker low-tier handset units.

In QCT, we expect revenues of $7.9 billion to $8.5 billion and EBT margins of 25% to 27%. We are forecasting QCT Handset revenues to be approximately $4.9 billion as a result of the impact of the industry-wide memory dynamics I just outlined. We anticipate QCT IoT revenues to grow by high-single digits versus the year ago period, driven by industrial and consumer products. In QCT Automotive, following another

record quarter, we expect year-over-year revenue growth to further accelerate to approximately 50% in the third fiscal quarter. Lastly, we forecast non-GAAP operating expenses to be approximately $2.6 billion in the quarter.

In closing, while our near-term revenues are impacted by memory industry cyclical dynamics, we're confident in the underlying fundamentals around Snapdragon product leadership and content growth opportunities, including the adoption of agentic AI technologies.

We continue to execute on our secular growth opportunities in Automotive and IoT and remain confident in achieving our long-term revenue targets. In addition, we are very excited about the progress in our data center products and customer traction – we now expect initial shipments for our custom silicon engagement at a leading hyperscaler later this calendar year.

We look forward to providing an update on our growth initiatives, including opportunities in Data Center and Physical AI at our Investor Day on June 24. This concludes our prepared remarks. Back to you, Brett.

Brett Simpson - *Qualcomm Inc - Senior Vice President of Investor Relations*

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Joshua Buchalter, TD Cowen.

Joshua Buchalter - *Cowen and Company LLC - Analyst*

Hey, guys. Thank you for taking my question. Obviously, I'm not sure you're going to be able to front-run the AI Day you plan to host in June. But any details you're able to share or context on what the custom silicon engagement, what the scope is, what the magnitude is? Is this a CPU? Is it an accelerator? Is it a networking chip?

Just any help you can give us beyond the press release and prepared remarks, I think would be helpful as that's where investors certainly want to dig in today. Thank you.

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

Josh, this is Cristiano. Thanks a lot for the question. Look, I can't provide a lot of details, as you said, we don't want to front run, I think, June 24. But here's a couple of things I can tell you, which is alongside what we said in the script. I think we have spent the time, I think, building assets and we've been building our CPU. We have accelerator. We have a different solution for memory in the accelerator.

We have added a lot of capabilities for custom ASIC with the acquisition of Alphawave, and connectivity we have been pursuing custom ASIC. We've talked about having an engagement with a number of companies and pleased with the engagement several quarters ago. And I think given the capabilities that we're developing and what's happening in the market, that's accelerating. So we're very excited.

The only thing I can tell, it is a large hyperscaler and we're really thinking about a multi-generation engagement. But I think that's what we can say at this point.

Joshua Buchalter - *Cowen and Company LLC - Analyst*

Okay. I guess we'll stay tuned. For my follow-up, can you maybe walk through why you're confident that -- I assume it's fiscal third quarter that you were referring to with the third quarter, but why you're confident fiscal third quarter can be the bottom for Android sales -- Android QCT sales into China.

I mean, that's typically -- September quarter is usually a typically down seasonal quarter. And just given how low visibility is right now overall in the handset market, I'd be curious just what inputs you're seeing that gives you the confidence it's going to bottom in the June quarter. Thank you.

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

Sure, Josh. It's Akash. So if you think about the impact to QCT from Chinese handset OEMs as a result of the memory dynamics, it's really two parts. The first part is the scale of the handset market. And there, we have seen some small decline in it, especially in the mid, low tiers. But by far, the larger impact have been the OEMs making a decision to slow down their builds and draw down on channel inventory.

So both of these factors have been in our March quarter results and they're also represented in our June quarter guidance. And so what we end up doing in both quarters is really significantly under-shipping the end consumer demand for handsets as a result of the channel inventory drawdown factor.

So as we look forward, we feel confident that the third quarter is now the bottom. And so as we go forward, the revenue is going to be much closer to the scale of the handset business versus the inventory drawdown factor continuing into our forecast.

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

And Josh, this is Cristiano. I just want to add one thing because -- there's another way to look into this. As you know, because of our licensing business, we do have visibility of what happens in the market. So we know sell-through. We know how the sell-through market is behaving even with increased prices on the handsets. So it gave us a real good idea on activations and customer demand versus what we're shipping. So that dynamic outlined by Akash, is very clear to us that Q3 becomes the bottom.

Operator

Samik Chatterjee, JPMorgan.

Samik Chatterjee - *JPMorgan Chase & Co - Analyst*

Hi. Thank you. Thanks for taking my questions. Cristiano, maybe just going back to the data center opportunity and just trying to think about if you can help us think about the competitive landscape here. I mean, you've had Arm, which is the IP provider now announced they want to vertically integrate and make chips.

You had NVIDIA announce that they are going to focus on the inferencing market as well. How are you thinking about the competitive dynamics where they are related to maybe three months ago or six months ago that you're now going and trying to deliver these wins? And I have a quick follow-up after that. Thank you.

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

Great question. Look, I'll give our perspective. And I think we have now, I think, more clarity than we ever have about where we are in the AI space. So a little bit of maybe at a very high level, right? In the beginning, it was all about training. It was all about creation of AI, a lot of GPU, very GPU-centric deployment.

Infra started gain scale and then the conversation changed to -- I'm going to use my GPU from training on the cluster that I build and when I'm not training, I'm going to use that for inference.

As inference starts to gain scale, we started to see dedicated solutions. The data center becomes more disaggregated. You have separate computing solution, some for compute bound, some from memory bound.

And now we're entering the, I will say, the next phase, which is how AI is really going from inference-generating tokens, how do you generate demand for tokens, which all those agentic experience and those orchestrators, they run into a lot of the devices.

So when you think at that landscape and you look at our IP, in the places that we could be very differentiated, I will start by our CPU. I think when you think about agents, CPU becomes very important. And I will argue, we are one of the companies that have a pretty good CPU asset. We've proven that CPU performance with leading performance on the markets that we are right now, such as PC, smartphone, and auto.

And we have built -- and we'll provide details on Investor Day -- a dedicated CPU for agentic experiences in the data center. We're going to show the metrics, we're going to show how it performs. People will be able to compare. As you know, we have an architecture license, and we have a very, very high-performance CPU. So that's one of the assets.

The other asset is how you think about the scale of a semiconductor company like Qualcomm. We're not small. And the ability to combine the IP with the ability to do custom silicon, make sure that that yields, make sure it's delivered with quality, and combine a lot of the connectivity IP, which I believe Alphawave because it was a licensing IP company has a leading IP. The more you license, the better your IP becomes.

Number three is how we think about the accelerator. You're going to need high compute density, low TCO. And we think that we have something unique, which is focused on a cluster that is disaggregating for very specific function especially like decode. I think the activity you've seen with companies like Groq and Cerebras just prove that you have opportunity for a dedicated inference accelerator.

And the last point is, I would not discount the position that we have on the edge. If you actually track what's happening with OpenClaw in all of the different desktop and co-work solutions, you rely a lot on a high-performance CPU device, which is also causing an upgrade cycle for us.

So we look at this whole landscape, and that's how we feel so good about the agentic transition of AI, what it means to Qualcomm. And hopefully, on June 24, we'll show the details on the roadmap and investors will be able to see where we stand, and please reserve a seat.

Samik Chatterjee - *JPMorgan Chase & Co - Analyst*

Yeah. No, please, look forward to talking about that more at the Investor Day. Maybe for my follow-up, just going back to the handset business. Can you just remind us of the multi-year agreement framework that you have with your primary premium smartphone customer, Samsung. You did have some changes in the market -- in the share with them this year. I think there are some more indications for the step-down in share and more use of the in-house SoC next year? Or can you just remind us how you're thinking about that engagement long term? And what does the multi-year agreement capture at this point?

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

No, absolutely. I love answering the question. So this is a very, very stable, I think, relationship with Qualcomm. I want to remind you all that we have reset the framework of this relationship. Historically, we always had a business with Samsung that was in the 50% share between us and their own in-house silicon.

That has changed to greater than 70%, as you know, and that has been the framework. And sometimes we get more than that, but we plan our business in greater than 70% share, which is exactly what we have said. You should expect that that is the framework of this year, and that is also the framework for next year.

I would say that, that's probably one of the most stable relationship that we have, and we have visibility of what that entails. And we feel good about the position of Snapdragon. And I'll argue, I think given what's happened with agents, we have an opportunity to actually have a positive bias on that share.

Operator

Chris Caso, Wolfe Research.

Chris Caso - *Wolfe Research LLC - Analyst*

Yes. Hi. Good evening. I guess the first question is just returning to the data center briefly. And to clarify what you mentioned in terms of the hyperscale engagement for the December quarter. Is that an engagement for an accelerator or a CPU? I understand your targeting both, it sounds like, but what's the particular engagement for December?

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

This particular engagement, which we're going to have shipments in December is a custom product. We're working with a hyperscaler.

Chris Caso - *Wolfe Research LLC - Analyst*

Okay. So no other specificity past that okay. Just with regard to QTL, and it looks like that's modestly down and likely due to what you've been talking about with regard to what's going on in the handset market. What's the right way to think about the QTL business as we go forward into the second half of the year? Do you think that we maintain these levels and adjust for seasonality as you get to the end of the year? Or do you expect the impact on QTL to be more significant as you go in the second half?

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

Yes, Chris, it's Akash. So as you saw in our results for the second quarter, year-over-year handset units were flat for the global units. And this was really impacting our guidance as well, our actuals as well. As we look at third quarter, what we're guiding is some weakness in the mid, low tiers in the market. I mean, this is obviously something that we are projecting forward, and we're going to track closely.

But what we're seeing is the premium high tier of the market is continuing to hold and weakness in the lower tiers. And that's what's reflected in our guidance. That's a reasonable way of thinking about the market going forward as well.

Operator

Stacy Rasgon, Bernstein Research.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Hi, guys. Thanks for taking my questions. So if the China handsets bottom in Q3 and then they grow in Q4, that September quarter, September quarter, I think, is when we're supposed to get the Apple step down, which may be an offset. So I guess just how are you thinking about handset seasonality in the September quarter, given those competing dynamics? How should we be thinking about that?

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

Yes. Stacy, it's Akash. You're right. I think in terms of handset revenues for QCT from Chinese OEMs, we do expect that the June quarter is the bottom, and you will see sequential growth from there. And Apple, you're right as well that typically, it's a growth quarter for Apple product revenue, and we do not see that at this point given the share assumption change. So those are the two factors you would use to forecast September quarter.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

I mean, do you think handsets growing sequentially in September or not given those two factors?

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

Stacy, we are not specifically guiding it at this point, but I think those two factors would be the input into the forecast.

Stacy Rasgon - *Sanford C Bernstein & Co LLC - Analyst*

Okay. And for my follow-up, you talked about like agentic devices and agentic smartphones like driving a shift and things, I guess, into '27. Do you think the memory issues are going to be done by -- like how much memory does an agentic smartphone need? And is that something that's going to continue to be a headwind do you think on this as we go into 2027? How do we think about the broader dynamics around memory as we go forward?

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

Thank you for the question, Stacy. Look, it's a little early to talk about '27. I think one thing to see is the pace of change of AI is getting scale. When I think about the framework that I talked about before, which you go from inference to now, you know how you generate demand for tokens with a lot of agents. And I think what we see is two things.

One is the devices are changing the requirements in the design and the players. We see interesting associations now starting to form between smartphones and AI companies. We're starting to see some very interesting dynamics there, which is changing the nature of designs. We see designs moving towards products they have much more capable CPU to run those type of products. And there's a lot of noise in the memory environment right now.

I wish I could make a prediction on '27 is a little early, but we see a combination of some of the same companies that want a lot of demand for data centers and also getting involved with some of the devices at the edge as well. And we see new memory players coming and building capacity. So we're going to have to monitor the situation and see what happens in '27.

Operator

Timothy Arcuri, UBS.

Timothy Arcuri - *UBS AG - Analyst*

Thanks a lot. I wanted to ask also about this custom that is going to ship in the fourth quarter of this year. I know you brought a team in from Alphawave. It seems a little fast to get something to market that includes your IP by the end of this year, given cycle time. So I think they had some chiplet stuff and maybe some custom DSP stuff. Is that the thing you're talking about? Or is this truly something that includes a big portion of your IP that you've been able to turn around since the deal closed?

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

Look, I think I have two answers. So we have -- I'm pretty positive for the past several quarters, we've been talking about engaging with customers in the data center. So I think when we start engaging and talking about some of the Qualcomm capabilities, it's probably, I think, even before the acquisition of Alphawave.

I think the acquisition of Alphawave increase our execution capabilities in the portfolio of IP. I think you should expect that we're going to have a longer multi-generation agreements with those companies that brings a lot of Qualcomm capabilities to the table.

I wish I could provide more details, but like I said, I don't want to front run what we're going to do on June 24. But I think we will provide a detail of everything we're doing. Our customer wins in our roadmap and our IP.

Timothy Arcuri - *UBS AG - Analyst*

And then I guess just as a follow-up, is the assumption still the same that like around your share in Apple. I know there are some signs that there's going to be a little more aggressive displacement. Is the assumption still that it's going to be 20% for the new launch?

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

Yes. No change, Tim, to our assumption there. We've said 20% of the -- 20% share of the phones that will launch in fall this year and no product relationship beyond that. And this is -- this assumption has been consistent for the last couple of years. In terms of Apple product revenue for fiscal '27, we've seen sell-side models in the range of a little over $2 billion in terms of QCT product revenue in the year, and we think that's a reasonable place to model the business.

Operator

Joe Moore, Morgan Stanley.

Joseph Moore - *Morgan Stanley & Co Ltd - Analyst*

Thank you. You alluded to the weakness being more in the medium tier and the premium tier as being stronger. Is that something you can see where you're taking limited memory allocation and that drives just to limit that puts it in the high tier. Just what are you seeing in terms of what that's doing to your mix going forward?

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

Yeah. I think the actions from the OEMs are obviously very logical. If you had to choose between which devices you put your memory allocation to, you would pick the premium and the high tier, that's where the profitability sits, and that's what you're seeing happen in the market.

Joseph Moore - *Morgan Stanley & Co Ltd - Analyst*

Okay. And you talked about 6G in 2029. I mean, is that -- what does that time frame represent? Is that introduction of technology? Is there shipments then? Just anything you can tell us about when 6G starts to become relevant.

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

Yes. And look, thank you for the question. The reason I brought it up is because 6G is going to feel, I think, very different than the other G's for Qualcomm. I also believe that 6G creates some very interesting, I think sovereign AI and data center opportunities, I think, for Qualcomm as well.

You should be thinking about our timeline, and we've been consistent with it. We will have prototype base, I think, demonstrations in 2028. Likely, we're going to have first silicon in '28, and we want early launches in 2029, and then we expect that to get scale by 2030.

Operator

Ross Seymore, Deutsche Bank.

Ross Seymore - *Deutsche Bank Securities Inc - Analyst*

Hi, guys. Thanks for letting me ask a question. I want to go back to the handset side. And if you could just level set us to whether it's the fiscal second quarter or fiscal third quarter, what percentage of handsets is China. And you mentioned that a lot of the dynamics is how far you're under-shipping versus true demand, are you believing that true demand, whether it's China or elsewhere, is truly weakening still? Or is that side of the equation stabilizing despite the memory fears?

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

Yes, Ross, when you think about the total handset market, and this is more of a QTL comment, right, that's where we are seeing that the -- there's a slight decline in mid-low tiers, but the overall scale of the handset market has not changed much, at least in the March quarter, and we're going to obviously closely monitor that going forward.

In terms of QCT shipments to Chinese customers, it's a factor, as I said earlier, of two things. It's not just the scale of the handset market, but the OEM decision to draw down on channel inventory. And so my comments earlier were about the drawdown of channel inventory will end soon, and that's us calling the bottom on the quarter. And then really, our shipments will reconcile to the size of the handset market.

Ross Seymore - *Deutsche Bank Securities Inc - Analyst*

Okay. And I guess for my follow-up question, shifting gears to the automotive side of things. You mentioned about the ADAS side starting to ramp and growing 50% this year, so -- or at least in the next quarter, so doing very, very well. As you go from more of a cockpit business to the ADAS mix increasing, how does that change the revenue trajectory and perhaps the gross margin trajectory in your automotive business?

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

Yes. So hi, this is Cristiano. I think what you see is it accelerates revenue dramatically because it's a lot more silicon content. If you -- and that is true actually on both sides. I think what you saw is when we went from generation 3 to generation 4 in digital cockpit, we keep

mentioning the car, it's really becoming a computing surface. We saw a step function increase in the capability in silicon content. You expect another one when we go from fourth generation to fifth generation. And as we add processors and you start to see more and more development of L2++ in direction towards Level 3, you're starting to see the amount of computing power going up. So for us, it's basically a significant revenue accelerator within automotive.

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

And specifically on your question on gross margin, I'd highlight maybe two additional factors to what Cristiano said. I think we have the we're transitioning from a chip sale to a SIP sale. And so as we go to a module, it increases the revenue opportunity for us as well.

And then in addition, we have software opportunity on top of the chipset, which also helps our margin profile. So net-net, we still model the business in line with our corporate average, but it really is a business that has several vectors of growth as both of us outlined.

Operator

Vivek Arya, Bank of America Securities.

Vivek Arya - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Thanks for taking my questions. For the first one, Akash, you mentioned Apple product sales, I think, $2 billion plus for fiscal '27. What about the royalty contribution? How does that evolve as you approach the date for renegotiation negotiating that business?

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

Yes. So pending the renegotiation, the royalty, we don't expect it to change, right? It should be in the same scale that it's at, and it's an independent business separate from the chip business.

Vivek Arya - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

And for my follow-up, Cristiano, back to the hyperscaler discussion, I realize you'll give more details at Analyst Day. But was -- is Qualcomm's intention to approach this from an ASIC perspective, I thought you plan to enter the data center from a merchant perspective. But are you saying that now the goal is to approach it from an ASIC perspective? And if that is the case, what impact does it have on margins? Like are you really going to compete head-on with the other ASIC suppliers that are out there. So this is going to be more a one-on-one right type approach to the market as opposed to approaching the market in a broader merchant. So just what is the broader strategy, go-to-market strategy that Qualcomm has in this business?

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

Very good -- great question. I think the answer is all of the above. Look, we -- first of all, as a new entrant, I think we we're very flexible. But we also look at the reality of what's happening in the hyperscalers. You can see that the majority of the revenue for semiconductor companies is heavily concentrated in a few number of very large companies.

And those companies have now indicated very clearly, they have different -- as the data center gets disaggregated, you have different approach to compute to connectivity. And you should assume that Qualcomm will play on merchant, on custom and it's going to be a combination of how we're going to configure our IP and different IP blocks for different solutions is going to be a bespoke business.

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

And specifically on your question on this custom engagement we talked about, we do expect that to be accretive at the operating margin level.

Operator

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

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

I think the obvious thing I want to say is to please ask everyone to attend our June 24, I think, Investor Day. We intend at the Investor Day to really highlight not only, I think, everything that is happening with the new Qualcomm, but also I think the details of the products and technology we have been developing for the data center space, provide an update in how physical AI is transforming our business and provide the clarity that we have today, how really agents and agentic experience exactly has a broad implication in our entire business.

And I'm looking forward to speak to all of you, and I'd like to our partners, our employees for a great quarter as we continue to transform Qualcomm. Thank you very much.

Operator

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