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PRESENTATION

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Hi. Good afternoon. I'm Samik Chatterjee, networking and hardware analyst at JPMorgan. Starting off my post-lunch sessions, it's a pleasure to host Qualcomm. And as you can see out of your new screen, Cristiano Amon, who's the President as well as CEO-elect. I think as Mauricio informed me, you're taking over on June 30 officially. Again, congratulations on that, Cristiano.

Just before I kick it off with questions, everyone in the audience does have the option of sending in questions, which I can ask on your behalf. (Operator Instructions)

QUESTIONS AND ANSWERS

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

So Cristiano, thanks for taking the time to do this. Very appreciative of your time here. I think the first and the broad question I'll start with is you're now going to take over leadership of this company, which already has established itself as the leader in 5G technology.

So as we now think of the next 5 to 10 years, what are the strategic priorities? And are there any changes in terms of these strategic priorities as well?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Very good. First of all, good to see you, Samik. Very happy to be here. And it's a really exciting time to be part of Qualcomm right now, and I'm really happy to become the new CEO of this company, especially at this time. And I'll start by answering your question.

Looking at what happened to us in 5G, it becomes very clear and that there's demand for Qualcomm technology outside mobile. And that's going to be the marquee of Qualcomm going forward. We will continue to diversify the company. It's already happening. If you look at our automotive business and IoT business, they are now material. We're just scratching the surface on IoT, and we'll continue to be on this trajectory of really executing on the 5G opportunity in front of us and expanding Qualcomm to many different industries, especially as our technology becomes critical to the digital economy going forward.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

All right. Helpful. Again, as a reminder, investors, if you have any questions, please feel free to send them in. Cristiano, I do -- we will get to the IoT and the automotive discussions as well in a bit. But some of the more near-term discussion points that we are kind of addressing investor questions on a day-to-day basis.

Firstly, the capacity constraints, that's been the biggest talking point and its industry-wide at this point. The broader perception amongst the investment community does remain that Qualcomm is a bit more acutely impacted than some of the other semiconductor companies. Can you

just briefly outline where things stand? Are things starting to moderate in terms of some of the constraints? And when does Qualcomm get back to realizing like the full revenue opportunity.

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Look, that's a great question. It's definitely industry-wide. I think the commentary that Qualcomm is more acutely impact is, I don't think that is correct. If anything, it's because we have demand across all of our business. All of our business, we have more demand than supply. And I will argue in the current environment, if you're a semiconductor company and you don't have more demand than supply, you should be worried about it because we have everything is short. There's nothing from leading to legacy technology.

But the good news, as we outlined in our earnings call, we have scale. We had applied a number of actions from multi-sourcing to the ability to actually make capacity commitments, capacity planning actions with our foundries, and we expect to see material improvements towards the end of the year.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Okay. Moving on to the other topic that's been -- that we've been getting a lot of questions on that Huawei market share moderation and the addressable market coming up as a result of that, that's raising a lot of questions because that's -- the market share has moderated in a year when you have been a bit more capacity constrained. And the competitors like MediaTek have capitalized on some of that opportunity. I think you've been fairly confident on your earnings calls that you do expect to realize that TAM as you get into next year and you have some of the capacity constraints easing.

So what gives you visibility into that, is the primary question investors are asking. What gives you visibility? It does imply that you win share back. So what's driving that confidence?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Well, first, I'm going to say it, that we're getting all the share that we want. And that's a bold statement, but that's the reason we're so excited about it because most of the value of the Huawei addressable market really comes from the Huawei premium tier. I think at the peak of Huawei, the Mate series, the P series were key drivers of premium android smartphones, and we're highly differentiated in this segment with Snapdragon 800.

There's plenty of opportunity for us and our competitors to grow. We like the fact that it's a 2-horse race on -- it's always been a very competitive market, and both of us will be able to get share at the expense of HiSilicon. But the most important thing is we're getting the share when we want. We're very happy about that.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

All right. Because you brought it up on the 2-horse race here, I think just a few questions coming in more recently on that with MediaTek started to release their 5G millimeter-wave chip later this year? How does it change the competitive landscape? Does it make the high-end phones a bit more competitive for your kind of market share position? Does it impact pricing? Just give us your insights on that.

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Not really. I actually look at that as validation of statements that Qualcomm has been making for a while. And I'll point that out to you. Samik, they're 2. One is you will need millimeter wave for 5G. The full potential 5G require millimeter wave. Eventually, every market will have millimeter wave, it's just a question of time.

The second point is China is going to transition to millimeter wave as well. So if you are a China-centric supplier, you better have millimeter wave. So we look at those things as validation, the millimeter wave is going to happen, and that's going to expand its addressable market from what we see today, which is primarily markets such as the United States, Japan and Korea. So we look at that as very good news for the landscape on millimeter wave.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Great. Let me take one of the investor questions that came in. I did want to hit on RF and a bit more on the -- staying on the Qualcomm mobile opportunity. But just this business more a strategic question, and I'll rephrase it somewhat related to what the investors asked here. But it says, history of Qualcomm has been that the company typically tends to overspend to foresee market expansion. What should -- why shouldn't I be worried when you start talking about diversification?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

So to answer that question, it's probably important to outline, I think the key element of our diversification strategy. One thing that is very unique to what we have done to diversify the company is high leverage of the technology we develop for mobile into other industries. So when you look at companies that diversify, you have to take 2 types of risks. You take a technology risk, going to develop a new technology that you don't have or you're going to take a more -- a channel risk. What is unique about the Qualcomm diversification strategy and why we'll be able to achieve organic success in a very rapid manner is that we leverage the technology we develop for mobile and the scale of mobile, to go into other markets, not taking a technology risk primarily by taking a channel risk. And that is demonstrated that all those new market opportunities, it's coming and actually they are accretive to QCT in margins. They come at a higher-margin profile than mobile. And we'll continue to do that as we gain scale for the company and continue to grow into those other end markets.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Great. Taking a follow-up from the investor questions here on the Huawei opportunity and market share moderation there. So just because it's a follow-up, let's take it now. As Qualcomm benefits from Huawei share gains on QCT, what is the best way for investors to think about implications for QTL?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

QTL, you should think of QTL as a very stable revenue and earnings generation for Qualcomm. Everyone is licensed. All of the large OEMs are licensed. Disputes have been all resolved from both the OEM and the regulatory side.

Even Huawei is licensed as they remain in the phone business, the new OEM, the spinout out of Huawei. Honor is also licensed. And you should think of that as, as the company grows with 5G, that continues to be an important revenue and earnings contribution with optionality on the licensing business to expand as 5G and cellular standard essential patents become more relevant in other industries over time.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Great. Moving back to the mobile discussion here about the RF front end. Obviously, that's been a great success. I think -- I don't think at the time that you outlined those plans for market share on the RF side at the 2019, I think Analyst Day, anybody was going to give you credit to execute those and you overdelivered on that front.

So my question was going to be what's driven that success, particularly given kind of where you were on 4G devices? And now what's the next step? What needs to happen for you to instead of being 1 of 2, 3 or 4 players becoming the leader in that market as well?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Thank you for the kind words and for your question, Samik. I want to use this opportunity also to clarify some misinformation, if I can say that way, that we often hear about RF business. So I want to give 2 data points to investors, one of which we already gave it in our last earnings call. Our current RF front-end revenues, less than 20% of it includes millimeter wave components. So the absolute majority, more than 80% is really sub-6 5G and 4G bands.

The other data point, it does not include the transceiver. The transceiver is not included into the RF front-end revenues. That's in the handset business. So it's basically, RF front-end components, majority of it sub-6 and 4G. So by all metrics, I think Qualcomm is a large provider, exceeding some of our Analyst Day projection. And now to answer your question, we're winning on 2 levels. We're winning at the component level. For every band, we're now becoming the benchmark of performance in filter. We're also winning with trackers, the PA, the tuners.

On filtering, we have Qualcomm ultraSAW as now the benchmark for the high band, exceeding performance of FBAR technologies in that band. We're winning at the component level, we're winning at the system level.

At the system level, when you have end-to-end, our more than 2-antenna strategy is working. You just have differentiated performance at the system level on something that is already validated and tested. And that is reflecting in the speed of our growth, and we're well positioned to become the leader in RF front end.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Cristiano, thanks again for that. Let me see. Let me actually move over to discussing some of the non-smartphone opportunities, and we'll come back to take some of these questions that are coming in.

So I wanted you to rank order. I know you've talked about diversification and you've given autos as one of the drivers. You've given IoT and I think compute also has been one of the areas you started to probably report that within IoT, but compute is the other area you've highlighted.

So just rank order for us, what is the strongest growth driver for Qualcomm in terms of diversification? And how should we think about timing in terms of some of those starting to inflect and maybe these true-up in terms of more material growth drivers in the coming years.

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Thank you. And Samik, this is actually one area that we really would like the investors to pay attention to. We are very serious about diversification. We have been on this journey. A lot of those businesses are ready to showing with scale, such as our IoT segment. And with that, I wanted to -- I will start by auto. The reason we -- I want to start with auto is because it's more mature at this point. It's a very well-understood addressable market. Our position and our winning in this segment is clear with our contracted pipeline of revenue. And it's starting to show up on revenues as new cars get sold.

But even though auto is not as big in revenue for now as our IoT, the contracted business is very large and it's easy to understand the total SAM. So auto is the primary one because this industry has been transformed. We have became the de facto provider of connecting the car -- the technology that connects the car with the cloud, within the C box, the redesign of the digital cockpit. And the next 2 growth areas for us in this segment is what we call the digital chassis. As automotive industry change to electrification, you're really building a computer on wheels. You need a high-performance, power-efficient connected computer. We have an opportunity to replace a lot of the existing incumbent technology with our high-performance processors in the car, and we're going to apply NUVIA CPUs to the automotive segment as well. So the digital chassis becomes another one, and then ADAS.

While we have already some ADAS and autonomy into our revenues, we see ADAS as an opportunity for high attach, especially as you think about that in Level 2 and Level 3 plus building that into cars the same way that you have today the attach of cruise control, where you think you can have a high penetration of ADAS capabilities into automobile. So we're very excited about that segment.

The IoT one, we're just scratching the surface of the TAM. So unlike auto, which is an easy-to-understand TAM, in the case of IoT, it's a fast-growing TAM. The way you should think about our IoT business and now the way I like investors to think of Qualcomm when you look at our IoT business, if you buy the growth of the hyperscalers and everything going to the cloud, Qualcomm devices at the edge are going to be the ones generating the data and connecting with the cloud.

And we're very happy. We have 2 quarters of $1 billion. We guided $1.3 billion, and it's a very diverse segment. And as I said, we're just at the beginning of the IoT ramp, and we see that as going to be very likely one of the fastest growth opportunity for Qualcomm over time.

Last, in your question, you mentioned compute. In compute, we see an incredible opportunity as computers are being redefined. If you look what happened in the pandemic, the PC became a communicator device. This that we're doing right now, it's the #1 use case on PCs right now. A lot of the Qualcomm capabilities become apparent, connectivity, multimedia, high-definition camera, battery life. And as the PC gets redefined, we see an incredible opportunity to create a new revenue segment for us. It's right now within the IoT category and leveraging all the R&D we do for mobile. And that's where the NUVIA acquisition comes in. With the NUVIA acquisition, we believe we can build the leading ARM CPU. The ecosystem is already moving to ARM. We feel pretty good about our partnership with Microsoft, and we see that as definitely a growth opportunity in the horizon for Qualcomm.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Great. Cristiano, that's actually a good segue to some follow-ups. I have -- I see some follow-ups from investors coming in on that front. So let me start with autos first. A couple of things. One, most auto investors tend to think of whenever they think of automotive opportunity, they tend to think of it in terms of content per vehicle. Can you help us out in terms of when you get the content on the digital cockpit as well as the connectivity piece on the vehicle, how much of an uplift can you get when you get the additional 2 drivers that you just talked about in addition to the digital cockpit and the connectivity?

The second question on that front, and I'll just kind of lump these 2 together, and you can answer them. The second is auto backlog is obviously a great demonstration of the pipeline that you have. But at same time, we all know the auto business takes time to get those design wins done. It takes time to really get them into the P&L. So why not also be more aggressive double down through an organic route as well?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Okay. Those are great questions. So let me start by talking about the silicon content question. We don't make disclosures on the automotive ASPs and silicon content, but I will give you some qualitative metrics. We see a lot of silicon content opportunity. The automotive parts, they are automotive quality. They have a different set of requirements. It's much higher ASPs than you're used to see, for example, in the mobile segment. And the -- you should look at Qualcomm silicon. I will give you the lists, right?

On connecting the car to the cloud in the telematics business or the C box, we have a modem, we have a processor that runs modem applications, we have RF front end attached, we have WiFi connectivity and coming up, the upgrade of Cellular V2X new modem, which will connect the car to the other cars, the car to the traffic lights and the car to the pedestrians.

When you think about digital cockpit, you have a silicon for the infotainment, silicon for the dashboard. You have silicon for the rear seat entertainment screens as well as head-up display and smart mirrors. When you think about the digital chassis, you have the car gateway and the general computing platform, which is high-performance computing. That eventually is going to replace a lot of the microcontrollers into the cars. And when you think about ADAS, you have the overall processor, inference processor as well. You don't put a server in the junk of the car, so you have a very power-efficient inference processor in -- for the acceleration in the sensor hub.

So the silicon opportunity for Qualcomm is very significant. And what you see right now into the numbers that we're shipping is just the modem for the telematics and in the silicon for the infotainment. So you can see the opportunity to grow, and don't forget about the opportunity to have RF front end and connectivity attached every time we have a modem into the car. So that's kind of the runway.

Now the second question you asked me about growing faster in automotive. Look, the pipeline is now approximately $9 billion. And it's going to grow as we add new segments in addition to digital cockpit and telematics, as we add the digital chassis of the car as well and ADAS and autonomy. We are always looking for opportunities to grow faster. Most -- we expect most of our M&A activity likely to be directed to the IoT segment. And the reason is because what's happening in the car right now, the car is transforming itself and the trend is moving towards Qualcomm Technologies, not towards the incumbents, especially as you think of an electrical car, think about a skateboard chassis with a connect to computer on wheels, right? That's the new assets for the future automotive companies. So as the trend is moving towards our technologies, we don't see acquisition in this space, as probably the way to accelerate diversification. We're likely going to be looking at that into the IoT segment.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Follow-up on IoT from an investor. And I think largely -- I'll just rephrase it slightly. Is there better growth for Qualcomm's RF on 5G or on IoT WiFi? And so I guess I won't really rephrase it to -- if are you seeing more growth in IoT cellular or noncellular?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Both. There's growth in both areas. And I'll say, in cellular, we're just at the beginning, even though it's already significant. We're just at the beginning. You should look as the eventual transition of IT infrastructure in the enterprise where the -- in addition of the current WiFi networks, they're going to add private 5G networks in enterprise. That's going to significantly increase the volume of cellular. But also, we expect Wi-Fi 6 to be a significant upgrade as well, especially when we think about the networking business. The first wave of people working from home drove a lot of growth of our WiFi networking business in the home as people upgrade their home to a mesh network and upgrade their broadband. Now as the United States is getting ready to go back to the workplace, we see the enterprises upgrading their WiFi infrastructure right now to Wi-Fi 6 because a new use case of the enterprise is video calling. And so we see that also happening in large scale. So the answer to your question is there's opportunities for both.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Cristiano, I wanted to bring in millimeter wave here. Obviously, everyone thinks on the smartphone side, there's a content opportunity on millimeter wave for Qualcomm. How should we think about, as you mentioned, millimeter wave will have broader adoption across all geographies. And from at least my standpoint, when I talk to different companies, growing millimeter waving equipment for 5G infrastructure, I can only hear about Qualcomm being one of the chip suppliers.

So how is the leadership from Qualcomm standpoint when it comes to millimeter wave infrastructure? And how do you see that leverage to overall, again, millimeter wave adoption globally, but in terms of the network infrastructure out of smartphones?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Great question, Samik. There's a lot to unpack here. So I'm going to speak just for a few minutes. I think it will be good for investors to understand that perspective. And I'm going to break this down.

First, I'm going to tell you the reason we like millimeter wave so much. The reason we like millimeter wave so much is because it's a very complex technology. Millimeter wave is about managing an array of antennas, both on the base stations with -- as well as the devices and devices you have multiple modules. Each one of those modules have an array of different antennas. And it's about a system-level RF solution you have to manage individual antenna beams.

The reason we like it so much, you remember we provided this metric about 1.5 multiplier when Qualcomm mobile business go from 4G to 5G. And When it go from 4G to 5G, like-for-like, we see a 1.5 multiplier on revenues because of the incremental 5G modem as well as the RF front end attached. That 1.5 multiplier is applied with the current millimeter wave markets we see today, which is just United States in the premium tier, plus Japan and Korea which started. So if millimeter wave has a much larger penetration of the total 5G addressable market, if millimeter wave, for example, happens in China and become a requirement for China high-tier and premium-tier phones, that 1.5 multiplier goes significantly higher.

And remember, we only -- on RF front end, we have less than 20% of millimeter wave content in our total revenue. So we like it because it's complex. It requires a Qualcomm-type company to solve the technology problem of millimeter wave, to work in mobile devices and in computers. And we like it because if it gains its scale, we're talking about a much higher number than 1.5 multiplier. That's the part number one.

The part number two about millimeter wave. Yes. Millimeter wave, it's required for a number of the use cases of -- advanced use cases of 5G if you think about fully immersive augmented reality, which is likely going to be the next computing platform. But more important, you can see the benefits of that today. On-demand computing. You connect your 5G PC with the hyperscaler and you can run any application on the hyperscaler, the PC is like a terminal and you can do advanced workloads or workstation workloads in a laptop. That requires millimeter wave inside the enterprise. And when you think about the full potential of the gaming industry, to become like a Netflix, where you're going to have like Microsoft xCloud and you can stream any game, any game, you need 5G in the home for the controller, for the latency. So millimeter wave eventually will get into the home and you will get it to the enterprise because of the full potential of 5G. So it's not a matter of if, it's just an issue of when.

Then I'm going to go to piece number three. It's more complex to deploy. But the upside is both the enterprise indicators are both going to be investing in deployment. Qualcomm had started a couple of years ago building infrastructure as well. RF small cell for millimeter wave has designed at pretty much every major infrastructure OEM, except Ericsson. Everybody else is designing a millimeter wave base station as well, a lot of the private 5G. So that is going to facilitate getting millimeter wave into the home, into the enterprise as we gain scale.

And then the last part of the conversation is really the most important, which is China. China is gearing towards the Winter Olympics. There's been a number of progress towards technology validation and demonstration with China Unicom. As China deploys millimeter wave, and the requirement of the market starts to look like the United States, where millimeter wave is required for premium devices, the scale of China is so big that it's going to change the dynamics of millimeter wave across many other markets. So overall, a very good story. We have to be patient, but Qualcomm is highly differentiated in the space and millimeter wave is good for Qualcomm.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Cristiano, that's great. I know we have about 5 minutes left and probably like 15 questions that I have -- still have left. So I'll just take the ones that are areas that we haven't discussed until now. So one of them from an investor is, what would need to change to return QTL to being a growth business?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

That's a great question. Well, we have been focused on stabilizing QTL. So I remember the question from the investors, what would take for QTL to be stable. And I think we got that. The natural growth of QTL will come as 5G technology and standard essential patents of the Qualcomm portfolio that is licensed to QTL becomes more pervasive in other industries. And it's going to happen. I think the last mile of cloud connectivity is already decided. It's going to be done by 5G. It's going to quiz this with Wi-Fi 6. And as 5G grows into other industries and gain scale, QTL will grow with 5G. And that's how we think about QTL as some investors should think about QTL.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

One of the follow-ups on compute and you talked about compute on devices and the opportunity there. The question is more on servers and the question reads, at your Analyst Day, you talked about servers as a long-term opportunity. Since then, demand for ARM-based PCs and servers have heated up, and NVIDIA has announced plans to ship ARM CPUs in 2023. Any progress update from Qualcomm on that front?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Look, we're not focused as part of our strategy in the data center. Our key element of our strategy is really what Qualcomm is very good at and highly differentiated, which is a communication company and is an edge processing company. So with that, we see a lot of opportunities to continue to build the processors out of the edge. We see as our -- we grow into other business, thinking about 5G private networks, so think about the growth of the infrastructure and think about some of the more advanced use cases in automotive, which is really a connected computer on wheels and power really matters. We see opportunity for us to deploy edge high-performance processors and inference processors, but we're not focused in the data center as a company. It's not part of our strategy. We're really focused on owning the space of processing and connectivity at the edge.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Okay. Last few minutes, I want to get in at least a couple of questions on margins here. So firstly, on the QCT EBT margins, there seems to be some investor concern that you're already cycling past what would be peak margins in QCT. Can you address that? And the second part of that question would be how should we think about the margin profile of some of the adjacent markets or non-smartphone market opportunities that you talked about related to margin profile in the smartphone?

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

No, great question. Look, I disagree with some of those investor comments. I think you only make that comment if you're entirely discounting any ability of Qualcomm to succeed in diversifying the company, which is not the case. Remember, on IoT alone, we're already 2 success -- 2 subsequent quarters of $1 billion. We guided $1.3 billion for the next quarter, so it's already material. And you're assuming that Qualcomm in 5G is not in the leadership position.

What I would tell you is I kind of answered a question before. The 1.5 multiplier has been a key driver in really changing the scale and the margin profile on QCT and mobile. And we continue to be very focused on premium and high tier. That is the area that we see a significant growth. We're differentiated there. And with that, we're already above the 20% target of operating margin we set for QCT. But the most important part of the answer is all of those new business that we've leveraged R&D for mobile, they are accretive margins to QCT. So the more that the company diversifies and the more than they gain scale, that's a very positive story on the margin trajectory. I think it's a mistake to try to look of historical data. It's a completely different Qualcomm going forward, especially how we think about the end markets and how we operate in areas that we're highly differentiated.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Great. Cristiano, we -- I have a few more questions coming in, but unfortunately, that's all we have time for. So again, thank you for taking the time to do this. Thank you to everyone who dialed in and also sent questions, and thank you.

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Thank you. Happy to do it. It's good to see you, and I appreciate the opportunity.

Samik Chatterjee - *JPMorgan Chase & Co, Research Division - Analyst*

Same here. Okay.

Cristiano Renno Amon - *QUALCOMM Incorporated - President*

Take care.