

Qualcomm Q3 FY2024 Earnings

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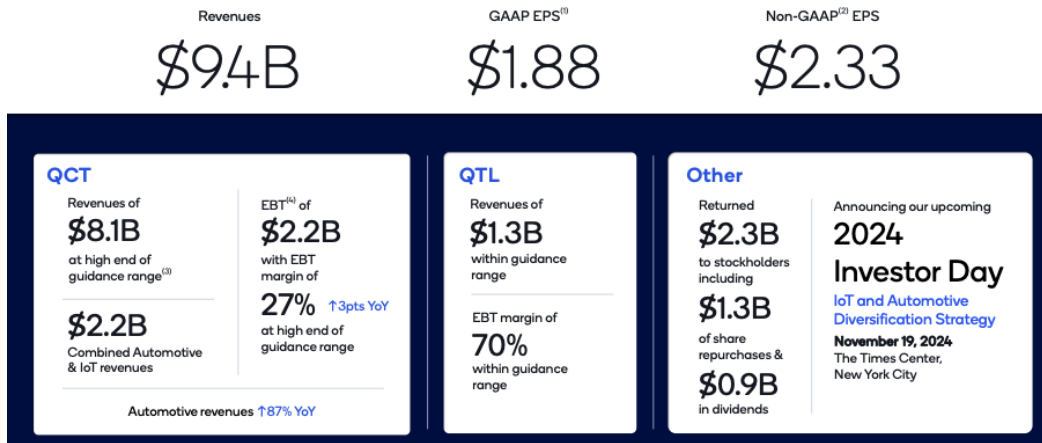
CONTEXT

In its fiscal third quarter, Qualcomm demonstrated [strong financial performance](#), driven by its continued success in diversifying its business beyond mobile handsets into sectors like automotive, IoT, and PCs. With its focus on innovation, particularly in AI and advanced computing, Qualcomm is well-positioned to sustain its leadership across various industries.

FINANCIAL PERFORMANCE

Qualcomm reported strong financial results, driven by its diversified business model.

Third Quarter Fiscal 2024 Results



Key financial metrics include:

- **Non-GAAP Revenues:** \$9.4 billion, exceeding guidance expectations.
- **Non-GAAP Earnings Per Share (EPS):** \$2.33, above the midpoint of the guidance range.

- **Chipset Business Revenue:** \$8.1 billion, with growth driven by automotive and IoT segments.
- **Licensing Business Revenue:** \$1.3 billion, consistent with expectations.

The financial performance was particularly strong in the automotive and IoT sectors, reflecting the company's focus on diversification.

NON-FISCAL HIGHLIGHTS

Qualcomm achieved several significant milestones across its business units.

**Q3FY24
QCT Highlights**

**Fourth
Consecutive
Quarter of
Record Auto
Revenues**



These achievements include:

- **Automotive:**
 - Secured over 10 new design wins with global automakers.
 - Continued expansion of the Snapdragon Digital Chassis, now a critical asset for the automotive industry.
 - Focus on integrating on-device AI solutions into automotive-centric applications, including digital cockpit and ADAS systems.
- **PCs:**
 - Launched Copilot+ PCs powered by Snapdragon X Series platforms, marking a major shift in the personal computing landscape.

- Expanded retail presence globally, with strong initial sales and plans for further expansion.
- Integrated Snapdragon X Series platforms into Qualcomm's AI hub, enhancing AI capabilities for developers.
- **XR and Industrial IoT:**
 - Positive momentum in the XR space, particularly with Meta's Ray-Ban smart glasses.
 - Collaboration with Aramco on AI and advanced computing solutions for industrial IoT applications in Saudi Arabia.
- **Licensing Agreements:**
 - Signed a long-term licensing agreement with Honor, a leading Chinese smartphone OEM, reflecting continued strength in the mobile sector.

GUIDANCE & OUTLOOK

Qualcomm provided optimistic guidance for the upcoming quarter, with key projections including:

- **Revenue Guidance:** \$9.5 billion to \$10.3 billion.
- **Non-GAAP EPS:** \$2.45 to \$2.65.
- **Handset Revenues:** Expected to grow by low single digits sequentially.
- **IoT Revenues:** Expected to grow by low double digits sequentially.
- **Automotive Revenues:** Expected to remain flat after a strong Q3 performance.

Qualcomm also highlighted upcoming product launches and long-term forecasts:

- **Snapdragon Summit in October:** Expected to unveil the next-generation Snapdragon 8 flagship mobile platform with custom Oryon CPU and enhanced AI capabilities.
- **AI-Capable PCs:** Forecast that by 2027, at least 50% of PCs will be AI-capable, positioning Qualcomm as a leading silicon supplier in this market.

GOING DEEPER: QUALCOMM'S AUTOMOTIVE BUSINESS

Automotive is an increasingly important contributor to Qualcomm's overall business, with the company saying the segment will contribute up to \$4 billion by the end of 2026. During its most previous period, Automotive contributed a record \$811 million in revenue.

Qualcomm's automotive business is driven by its Snapdragon Digital Chassis platform, which is now widely adopted by global automakers for next-generation digital cockpit, connectivity, and ADAS (Advanced Driver Assistance Systems) and autonomous driving solutions.

Key points about Qualcomm's automotive business include:

- **New Design Wins:** Qualcomm secured over 10 new design wins from global automakers during the quarter, indicating strong demand for its automotive solutions. These wins encompass next-generation digital cockpit systems, ADAS, and autonomy features.
- **Snapdragon Digital Chassis:** This platform has become a critical asset for the automotive industry, scaling across virtually all automotive OEMs. It is now a central component in modern vehicles, offering a comprehensive suite of solutions for connectivity, infotainment, and safety systems.
- **On-Device AI Integration:** Qualcomm is focusing on extending its industry-leading on-device AI capabilities to the Snapdragon Digital Chassis. This includes enabling automotive-centric generative AI use cases and applications to enhance user experiences and support advanced driver assistance and autonomy workloads.
- **Future Growth Drivers:** Qualcomm expects future growth in the automotive sector to be driven by several factors, including the integration of Gen AI experiences, the transition to software-defined vehicles, the replacement of traditional microcontrollers with central computing, expansion into two-wheelers, and the development of car-to-cloud services.
- **Revenue and Growth:** The automotive segment has shown significant revenue growth, with Qualcomm on track to meet its target of \$4 billion in automotive revenues by 2026. The company sees substantial long-term potential in this market, projecting continued growth as new vehicles equipped with Qualcomm's technology are launched.

Overall, Qualcomm's automotive business is positioned as a key growth area, leveraging its technological leadership to meet the evolving needs of the automotive industry, particularly in the areas of digital cockpits, ADAS, and AI-driven solutions.

ANALYSIS

From an industry analyst perspective, Qualcomm's Q3 performance underscores the company's successful diversification strategy and technological leadership.

The company's key strengths include:

- **Diversification Success:** Significant revenue growth in automotive and IoT, showcasing Qualcomm's ability to expand beyond mobile handsets.
- **AI Leadership:** Qualcomm's focus on on-device AI applications across mobile, automotive, and PCs positions it as a key player in the AI-driven future.
- **Strategic Bets Paying Off:** The strong initial response to Copilot+ PCs and continued traction in automotive suggest that Qualcomm's investments in these areas are yielding results.
- **Future Growth Potential:** With a robust product pipeline and strategic focus on AI, Qualcomm is well-positioned to continue its growth trajectory across multiple industries.

One of the most significant takeaways from this earnings release is the increasing impact resulting from Qualcomm's strategic focus on AI and advanced computing. The integration of on-device AI into automotive systems and the expansion of AI capabilities across segments, for example, sets Qualcomm apart. There really isn't another company with such an intriguing mix of technological capabilities.

Qualcomm remains a rare technology company that is not only successfully navigating a challenging macroeconomic environment but also executing a well-defined diversification strategy. This positions it well for sustained growth across multiple industries.



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