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PRESENTATION

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

Good afternoon, everyone. I'm Samik Chatterjee. I cover hardware companies at JPMorgan. For the next session here, we have the pleasure of hosting Qualcomm. And we have with us Akash Palkhiwala, who's the CFO at Qualcomm. Akash, thanks for coming here.

Akash Palkhiwala - *QUALCOMM Incorporated - Chief Financial Officer*

Thank you for having me.

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

Thanks to Mauricio and Claudia as well. Thanks for being at the conference. Thank you, everyone.

QUESTIONS AND ANSWERS

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

We'll start with smartphone, unfortunately. This is...

Akash Palkhiwala - *QUALCOMM Incorporated - Chief Financial Officer*

Yes. No worries.

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

The first question for you -- and we'll typically go through a few questions and open it up to the audience to take their Q&A as well. Your primary end market, the smartphone market, has seen limited pull forward of demand during the pandemic, I think, very contrary to what we saw with PCs and others. Yet the recovery has been underwhelming until date, and that's been a bit surprising. How do you sort of really look at this? Is it a willingness for customers to keep -- consumers to keep extending the replacement cycle or limited reasons to upgrade because of form factor changes? How you're looking at the consumer sort of upgrade cycle willingness, just given that we didn't really have much pull forward as well during the pandemic?

Akash Palkhiwala - *QUALCOMM Incorporated - Chief Financial Officer*

Yes. So I mean, it's -- the market has been interesting in the last 3 or 4 years. If you look at what happened in 2020 with COVID starting, it went down. And then 2021, it went back up to what it was in the previous year. And since then, we've seen a couple of years now of a reduction in the market.

So clearly, through COVID, and there's maybe 3 or 4 factors, I'll say, in response to your question. One factor is we saw people upgrade in 2021 at significant rates. And if you say it's a 3-year cycle, then you would say that somewhere in the 2024, 2025 time frame, where you would see the next upgrade cycle, those phones coming back on demand.

Second, I think as the recovery has happened, we saw this in developed markets. We're seeing this in China now, where the recovery first went to services spend. There was a lot of goods purchases through COVID when people were at home, and now the recovery is seen in services first and then into goods. So I think we're going through that cycle.

The third thing is if you look at the history of smartphones, every time there is a new set of features that come in, you see the benefit in replacement rates, and then it slows down a bit and then goes back up as the new set of features come in.

So I do think as you look forward from -- as AI becomes ubiquitous and comes to the edge at scale with large language models in addition to the cloud, I think that's going to be also an opportunity for the replacement rates to go up. So our approach is there's uncertainty in the short term, and our insight is not that much better than everyone else. But where we want to position the company is when you come out on the other side, how do we make sure we have the right assets, the right products to take advantage of it when it happens.

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

Okay. And I assume relative to the features, obviously, 5G was one of the big features coming through 2020 and after. On a global basis, we are about halfway through the 5G upgrade cycle, more so probably in developed markets in China related to some of the other markets. Now in general, the investor perception is that puts Qualcomm at a disadvantage on a go-forward basis. So how much visibility would you -- firstly, how would you respond to that in terms of the opportunity going forward? And how is your visibility in terms of design wins with sort of the new end markets that are going and racing ahead in 5G?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

So if you think about previous technology transitions with 3G and 4G, a lot of -- our company was at a very different place at that time. A lot of the content growth was driven by the modem. If you look at the last 3 years, the content growth actually has not been driven by the modem. In developed markets where there has been 5G for 3 years, the content in every phone has grown very significantly for us because it's being driven by the application processor. And so it's not just 5G, it's CPU and GPU and AI and audio/video, security, camera. All these things are consuming additional silicon. So it's a slightly different conversation with 5G, where 5G is incidental rather than the main driver.

The second thing I'll say is, also as a company, we are at a different place, where it was all about smartphones. Smartphone, obviously, drives a very large portion of our revenue. But you also have a very significant set of opportunities, automotive and IoT, for us. So that is also a key driver for growth, which didn't exist at that point.

So I think it's different. It's easy to kind of just say 4G and 5G will act the same way, but I think it loses the nuance of where the company is and then what has drawn driven content growth recently, which has actually been the application processor, not the modem.

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

Okay. And are you still getting visibility in terms of these new design wins? What's that indicating to you for share for the next 12 months in terms of sockets with these OEMs?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. Typically, it's different by OEM. But certain OEMs, global OEMs, have at least a 12-month design win cycle. There are other OEMs, which -- especially in China, where the design win cycle is shorter in terms of insight. So that's more like 6 months. But we obviously have a very good sense of what is happening over the next several months in terms of design wins and losses, and then we also know for the next 2 or 3 years of what our chip is going to be capable of doing. And so that's what gives us the confidence that we have the right road map, and we can take advantage of the recovery when it happens.

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

Got it. Next question was going to focus primarily on the inventory situation. And you have inventORIZATION headwinds in the smartphone segment, particularly when you've expressed your views about the China recovery. I think a lot of investors were really bullish on the sort of recovery early on in the year, but we haven't really seen much of a sell-through improvement, and you've called out the inventORIZATION to take longer. How do you see it playing out? Do you necessarily need a sell-through improvement from here on to clear out the inventory by the end of the year? Or does it even bleed into sort of next year in that case? I think you've guided to high single year decline in calendar '23 for the smartphone segment already.

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. So what we said about inventORIES, we think that it will take at least a couple of quarters from here to get through the inventory challenges. On the phone side, it looks like over the next couple of quarters, the OEMs are going to get to a reasonable place. And of course, it is always going to be informed by the demand, right? Because if the demand holds up, then it will get through it faster. If the demand gets challenged, it will take -- it automatically extends the time. But in our minds, it's transitory. It will happen, it will end, and we need to be in the right position when we get on the other side. We've also seen some impact on the IoT side, which I would expect that some of that kind of goes beyond the next couple of quarters. But again, all of these things, as I said before, are transitory things. Our focus is on design share and then size of the end market, and it's a combination of those that informs our financial picture.

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

Okay. I mean, just to clarify, so for you to think that this bleeds into 2024, you have to see a step-down in terms of sell-through.

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

On the handset side. I think IoT, as I said, there is some risk as it happens.

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

Okay. Got it. In terms of the China market, again, focusing on that, what's your view on market share with your customers and their pricing strategy. Investors generally perceive Apple share gain in that market as a sort of headwind to the OVX, OEMs there. What are you hearing from those OEMs in terms of price points versus how they want to target that domestic market?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. I think generally, all the OEMs are very aggressive at the high end. If you think about what happened with Huawei as they went away from the market, a portion of the share was gained by Oppo, Vivo, Xiaomi, Honor, and then a large portion went to Apple just based on the price tier they were in. But when you look at beyond the premium tier in high, mid-, low tiers, all those volume went to Oppo, Vivo, Xiaomi and Honor. So we see OEMs continuing to be aggressive. It's super important that they have the best chip for them to be able to hold and expand share. And that puts

us in a good place because we think we have the best chip in the market, especially within Android, and so we're able to serve the OEMs to make the best devices.

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

Okay. I think one of the concerns, too, on that front is, it's fair, you have the best chip in the market at this point. But in terms of in-sourcing by the OEMs for industry, I think we are definitely at a high point where you have the least amount of competitors today. Even rate to 4G, the number of competitors are pretty limited. And it only takes sort of incrementally 1 or 2 players to really then swell the pricing dynamics, right? Investors are worried that this is just a cyclical sort of point of time where you have the limited competition right now. Does anything change on that front, like Samsung investing in their Exynos sort of apps processor or OVX or even Apple? Like do you see that landscape -- competitive landscape changing in relation to insourcing?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

This is the same competitive landscape that has existed for a while. I mean we've seen OEMs invest in vertical efforts to make chipsets, and we've competed with that for a long period of time. I think recently, one of the larger OEMs decided to step back from pursuing an internal chip opportunity because it requires a lot of scale, it requires a lot of technology, and creating a chip at the leading node with integrating all these different wireless and application processor technologies is difficult to do. And that's why if you look at 10 years ago, there were a lot more competitors in the field. Now it's down to a couple of us in terms of merchant competitors. And we like our position.

I think the other thing that's very important is as everything else connects to the cloud, automotive IoT devices, whether it's PCs or XR or industrial devices, it gives us an advantage because now we are able to take technologies we created for handsets and bring it to those industries. So in some ways, our -- with the same technology investment, our SAM gets redefined to everything that is cloud-connected. And it's less just about phones, but about all other devices, and the challenge and the opportunity for us is to expand in those areas.

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

Okay, okay. Fair. Just maybe last couple on the smartphone side before we switch over. Apple's modem business, what are the potential scenarios you're thinking how this plays out? Because I think for now, your assumption is you retain the vast majority of share in 2023 with the launch. And then with the 2024 launch, you go to 0 share. What is the scenario in which this plays out? What are the time lines in which we'll sort of have more confirmation from that customer about what's going to happen?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Well, I'll just say what we have said before, which is your quotes on '23 share and beyond. And really, what we control is having the best modem chip with XDS75. We have, by far, the best modem chip in our minds. And when Apple wants to buy it, if they want to buy it, we'll be available to sell it.

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

Okay. On the same front, you've -- on the last earnings call, you talked about a delayed purchase decision by the customer. Any way of thinking about the upside or the downside to that assumption? Can the customer potentially delay the purchase decision more if they're using the same chip on the next-generation phone as well, the same modem chip?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Well, I think there is a timing debate we can have. But the reality is in the end, the purchases are going to be tied to the scale of the business. And I think there's a pretty good estimate that most people can make on the scale of their business. So that's how we think about it, right? In the end, the sell-through is what's going to drive the scale.

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

Okay, okay. Now moving to the good part.

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

This was the good part.

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

How relevant will AI be when you think about processor content gains? Because I think generally, when I look through some of your revenue outlooks for the past few years, and if you go back to your Analyst Day, there was an expectation of double-digit content growth on smartphone. Now if you think about sort of layering in AI on top of that, how do you see that playing out?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. So from an AI perspective, our view is as large language models come into play, a lot of the inference is going to happen on the device rather than in the cloud. And there's a simple explanation for it. The cost is definitely way cheaper on the device side. There are other concerns like privacy, security, latency, where the devices are advantaged as well. So if you can do a run-a-model, inference-wise on the device, I think most devices would prefer that. And so that creates a tremendous opportunity for us.

From our perspective, we've been investing in AI for a long period of time but for a different use case, not for large language models, but for computer vision, but for running our 5G modem for our camera algorithms. We've been running it on a extremely low power, special engine that we have in our chip.

Now as LLMs come in, we have the opportunity to expand the capacity of this low-power engine and apply it to large language models, which then just becomes tremendously important. Because if you're going to run a lot of inference requests on the device, it needs to be extremely low power and not have an impact on the performance on the device. So versus running it on a CPU or a GPU, you want to be able to run it on a specific engine that is built for it, and that's what creates an advantage for us going forward. And you should not think of that as a phone thing. It goes into the phone. It goes into our upcoming PC chip. It goes into automotive. It goes into industrial use cases, and it's something that creates a competitive advantage for us across all edge devices.

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

Okay. Are you already seeing smartphone customers engage with you on that front? And how much of a push do you see from, again, the Android customers and trying to catch up with the big smartphone player?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. I think what is going to happen is this is a rapidly evolving industry. I'm saying the obvious thing over the last several months, and it's going to continue to be that over the next year or 2. And if you think about all the hyperscalers, there's tremendous focus and effort on kind of having

large language models running in the cloud, but then also reducing the size so that you can run it on the device. And this kind of divergence in the size of the language models also makes it important -- an opportunity for us because you could run the smaller models on the device with very, very good accuracy and performance, which we can take across our ecosystem, not just phones.

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

Okay. I'll take this question that came in since it's relevant to the topic we're discussing. How is Qualcomm going to get paid for their AI technology? Most of their SoC already has AI integrated and so not sure how they get paid for incremental AI.

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

So the AI that we have integrated was -- is built for a different set of use cases. It needs to evolve as you start running large language models on it, both from a size of the engine perspective, size of memory bandwidth perspective as well. So there is -- it evolves into a different product, which is what is required going forward. So that in itself is a content increase and monetization opportunity.

Second is just from a competition perspective, this is going to put us in a very unique place, and so you should think of that as a second driver.

The third driver, I would say, is as we enter into new businesses, and PCs being an example of it, it creates another competitive advantage that we bring to the table as we go into it. So it improves the probability of succeeding in those areas as well.

There are other ways to monetize it, which we're still working through. We're here at the front end of saying, "Okay. Now we have something that's unique, something that we can leverage the technology investments we've made to build something that's very, very efficient from a power perspective to run on device AI. How do we monetize it beyond the 3 things I outlined?"

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

Okay. Got it. Since you brought up PCs a few times, NUVIA, and sort of give us a progress report there. What are the latest thoughts in terms of time lines of when we have a product from that business? And it sounds like from the way you've been talking about it, you're exactly sort of trying to hit this market, sort of this target opportunity with this NUVIA chip. Is that fair to say?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

That's right. So it is a chip that has a custom arm CPU designed by the NUVIA team. And in addition to that, now we'll have this increased AI capacity to run large language models, which obviously is very interesting to the PC ecosystem, big players in the PC ecosystem. And then no changing to the timing. I think we said the chip will sample later this year, but we expect a lot of the launches to happen sometime in 2024. If you think about the normal cadence of PC launches, our chip will fit into that cadence. And so that's when you should expect that next year, we'll have a presence. There's work to do on it from a channel perspective as well, and so we're working on all of those things.

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

Okay. Before I move on to the next set of questions, any questions from the audience? And you might need to raise your hand if you have. Okay. Let me continue then. So let me switch gears here to IoT, and one near-term question on the IoT side. It did rebound much quicker, particularly now that you're guiding to sequential revenue growth in the June quarter. It rebounded faster than I would have expected. Can you talk about the drivers there near term? Because you did call out the inventory challenge there as well. Are you -- and then maybe the second part, are you still positioned for \$9 billion revenue target that you outlined for 2024?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. So on the first part of the question, I think it's -- we've seen some variance through the quarters. We came in slightly lower than we had expected in March. So we're seeing a slight growth going into the June quarter. So I wouldn't think of that as end market recovery. It's just as the inventory plays out through the markets, you're seeing a change in that.

From a long-term target perspective, we've obviously not updated the target. But I'll say maybe a couple of things. First is, if you look at the fundamental trend of the businesses we are in, that has not changed, right? Like we still feel like the new areas of investment in IoT are very strong places for us to grow into. And in terms of progress or what we would have hoped to achieve, we've done pretty well. Now we overlay the current macro environment, that definitely makes that target difficult to achieve next year. But I don't think of this as anything fundamentally has changed in our ability to grow in IoT.

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

Okay. Three subgroups: consumer IoT, industrial IoT, edge networking. Maybe just more of a longer term, where do you see the most opportunity now? Is consumer IoT, just given what's happening with the macro, maybe slightly more moderated in your expectations of where you would land in 3 to 5 years?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

So if you think about the 4 areas that we had highlighted at Investor Day on the largest areas within IoT where we can grow, that hasn't changed. So I'll go through the 4 again. The first 2 were actually in consumer. So entering the PC, obviously, a very, very large SAM. For us, it's not about how big the SAM is, it's really about how quickly we can establish ourselves in that market.

Second is XR or Metaverse devices. As we look forward, we think we are going to all end up having some kind of a device, maybe for specific use case, maybe for general use case, can't exactly predict when it happens. But when it does, we have a tremendous set of design wins that we'll benefit from. And it's -- both PC and XR would be very incremental margin for us.

The third thing we highlighted was broader industrial use cases and whether it's transportation or health care or agriculture, manufacturing, all these industries are looking to connect things to the cloud. And when you want to do that, you suddenly need some kind of air interface, which we're obviously leaders at. You need processing at the edge, and now you're going to need AI at the edge, and so we'll be able to bring those advantages to those end devices.

And then the fourth market is really using 5G as a broadband technology into homes in emerging markets. It's not a topic that's relevant to developed markets. But in emerging markets, deploying fiber beyond what has already been deployed is very difficult, and so you have to use 5G in several regions for home Internet access. And so that's another opportunity for us. None of those 4 in my mind have changed. We can talk about timing of each one, but those are still very, very large opportunities for growth.

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

On the 5G side, I think, obviously, one of the ones -- markets that you've talked about is India ramping quickly. Any other sort of emerging markets that stand out in terms of what would be probably the second leg of growth on that business for you?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. So beyond India, I would say Indonesia is obviously a very large population. They're in the process of deploying 5G networks as well. And so that would be the obvious second market, where the scale of the market lends itself to an interesting business opportunity.

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

Okay, okay. I do want to switch to auto soon. But one of the questions I get often from investors is the rate to the PC market and what's the realistic market share to think of for Qualcomm. It seems to be much more about trying to predict where you go from essentially 0 at this point, right? So how do we even try to think about where you can be in 5 years' time? Is it take a fraction of the high-end market? Or how do we sort of dissect that number?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. So when we -- our view is not that we're going to play in a specific tier of the market. We'll have products that goes across the board. And we all know what the sweet spot of that PC market is, and we're building products that addresses the sweet spot of the market. So it's not a specific tier that I would think about in that market.

We haven't given a specific forecast, so I'll stay away from going into that discussion. But as we start launching at scale in the time line I just outlined, we'll definitely give more information that allows investors to model it. You look at history, that market has had one large player and a second player, and our opportunity is to take 1 of those 2 roles longer term.

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

Okay, okay. Let's move to autos, and I think probably the focus on autos has gone down a bit over the last few quarters, given everything that's going on with smartphone. But maybe an update on the pipeline there, particularly the size of the pipeline. And then how do we think about how much of that is connectivity versus digital cockpit versus ADAS?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. So I mean at this point, in auto, I think we're doing extremely well. There is no change to the vision and the product road map and our thought process that we outlined versus Investor Day. We obviously have a very strong position in telematics, being able to take our 5G leadership and combine it with Bluetooth, WiFi, position, location, bringing it all together.

The inside of the car continues to just transform very significantly. A lot of the EVs in China, if you look at the amount of silicon content that is going in the infotainment systems inside the car, it's extremely attractive for us. It's a great place for us to take the technologies we already have and leverage there.

And then ADAS, super happy with the progress we've made. I think we've established ourselves as 1 of the top 2 players in that market. And as we go forward, we'll be able to integrate all these platforms together and offer something that's, I think, superior to what our customers have. So no change to our strategy. We are executing well to it. A lot more to do, and a lot more to grow.

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

Okay. I wanted to dive into the competitive landscape in ADAS, particularly. You have competitors like NVIDIA. You have Enbrel, which is trying to sort of build a portfolio around ADAS as well; Mobileye. How do you see sort of the competitive landscape, particularly as you think from Level 1 vehicles to scaling up your portfolio as well to enable Level 3? Where do you intersect with each of these competitors? How do you see the differentiation playing out?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Well, as you think of Level 2, Level 3, where -- which is where we see a vast majority of the cars being over the next several years, it's really between 2 competitors as the strongest. It's Mobileye and us, and we feel like we have a strong offering. As you know, we acquired Arriver, which is the ADAS software asset of Veoneer. That now allows us to expand our product offering, not just to hardware, but also into data software.

And then within hardware, we have the ability to use the same chip for infotainment and ADAS, which also creates this unique advantage for us because our customers can reuse software across both. They can reuse chips across both and then give -- have natural redundancy in the cars when you have those chips. So we're excited. It's not just about competing at each individual product offering. It's also being able to have an integrated product offering where the software can be written once and applied to all of it.

Within ADAS, there are certain competitors we have. We have only a premium tier solution. But when you go to an OEM, what is required is solution across all tiers being able to reuse software, being able to reuse applications across everything, and that's something we can offer them.

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

Okay. This might be slightly off topic, but since you are a big player in digital cockpit and you're working with the OEMs on that front, General Motors really outlined their plans of taking Apple car play out and building essentially an interface for consumers that's more customized for their vehicle. What are you seeing on that front? Is there more of a driver from the OEMs to try and differentiate what they're offering in terms of digital cockpit? Is that being now seen as a differentiator that you're getting more called upon to sort of help them enable?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes, I think we have all kinds of models in the auto industry. But I'd say, clearly, Tesla is at the leading edge of the user experience, and they have their own user experience that's been defined in their cars. And I think a lot of the OEMs would look at that and say that's something that's possible to do, and it's a way to stay closer to the customers after the sale is done. So I'll stay away from specific choices on platform, but I do think that it is an opportunity for the auto OEMs to build a strong relationship with the consumer by doing this.

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

Okay. Got it. You recently acquired Autotalks, V2X company. I think -- I mean, at least in my experience, they've always been a regular at our auto conference as well. It implies you see V2X as a critical technology in autonomous vehicles, but maybe start with the rationale of the acquisition for you. At what level of autonomy does it really help you in terms of providing a full solution? And then I have a follow-up to that.

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. So we've been proponents of V2X for a very, very long period of time. We've done a lot of work in standards. Some of our current chip supports C-V2X already. As we look forward, we see Autotalks as a unique company that has done well. We like the product architecture that they have in place. There are certain end markets where it was going to become a requirement from a customer perspective and a regulatory perspective. So we think that's an -- that's a good way for us to expand our portfolio. And it's not very different than a lot of other acquisitions we've done, right? It's adjacent technology, allows us to expand our portfolio and give our customers a better solution in the end.

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

Okay. And my follow-up to that was going to be sort of again, just going through your decision to buy versus partner. Because when we've spoken in the past, there are areas you want to partner on versus buy. How much is that a function of just sort of the timing of these bearing out in your pipeline that you see like if you were to sort of tomorrow go out and acquire a camera-based sensor company versus a LiDAR company, how much

of it is timing play into those decisions versus do you really sort of evaluate it in a different way in terms of where you're partnering, where you're buying?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

There isn't like this specific blueprint in terms of timing that we would like to do this transaction at this point or that transaction at this point. Generally, we have a pretty simple strategy. We've laid it out. We'd like to take a platform approach to solutions because that's the best thing for the customers. C-V2X is at the right inflection point. And we see, as we go forward, it's going to get deployed broadly at scale. And so we just thought it was the right time to combine with them. But there's no kind of specific timing scale in our mind on these things.

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

Okay. And just in terms of thinking about integration with the portfolio, you needed to do work on Arriver once that was acquired. Where is that in terms of helping you scale up the solution on Snapdragon Ride. And then when -- sort of when -- how should we think about the time line to then integrate Autotalks in their product architecture in the whole ADAS solution?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Yes. So on Arriver, we're doing very well. We're very happy to have a team that has such a long experience in how to serve auto OEMs with auto safety specific skills, which obviously is extremely important when you work with some of these auto OEMs. And so they have brought not just ADAS software to us, but a slightly different mindset, the safety mindset that is so important in cars that we just didn't have at scale in our company. So going very well. Clearly, a lot more work to do to launch, lots of models at scale with ADAS, but we have the design wins. We are working with our partners, and we are very optimistic about where it's going.

From an Autotalks perspective, they have a product. And just like we have done with other chip acquisitions in the past, we'll integrate their product into our kind of portfolio of chips over time. But we haven't talked about specific things on the road map yet, so I'll stay away from that.

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

Okay. Last couple of questions for you. The next one is very sort of in the CFO line of questioning, which is your target for QCT in fiscal '22 that you laid out was mid-teens revenue CAGR and a 30% operating margin. But getting to that revenue CAGR does seem tough just given the macro. But how do you think about the opportunity to get to the margins if volumes stabilize and sort of you have more cost discipline that you're already showing?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Well, so what we try to do is, as we've gone through this year, we've tried to look at a normalized fiscal '23 if you did not have the inventory impact. And then we say, "Okay, with that P&L, how are we doing against the targets that we have set up, both from an OpEx perspective and operating margin perspective?" So that's the framework we've been using. And as I've said before and we've said at earnings releases, we've taken action on the cost side. And as we go forward, depending on how the market evolves, we are willing to do more.

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

Okay. I mean is that basically to say that your OpEx discipline continues into next year as well?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

That's what we've been doing, yes.

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

Okay, okay. Last one, M&A strategy beyond autos, how should we think about that? And capital allocation priorities?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

There's no fundamental change to our M&A strategy, right? We've always thought about M&A as a way to accelerate the growth plans, organic growth plans we've laid out. And so if you look at Arriver or NUVIA acquisition, each one of these kind of fit into that framework. That's our sweet spot. And so we've done well, and we'll continue to look at those acquisitions. We've looked at large transformative acquisitions in the past as well, but we've chosen not to go there. But it's on a case-by-case basis as we look at targets. And -- but when you step back from all of it, has our fundamental strategy is very consistent with what we laid out at Investor Day.

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

Okay. And other priorities for capital allocation?

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Again, I think no change, right? We had a very strong year in '22. We're clearly going through an adjustment in '23. Our strategy is longer term. So we're focusing on that, and we'll execute to what we said we would do.

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

Okay. I'll wrap it up there. We're almost up on time, actually. So thank you. Thanks for...

Akash Palkhiwala - QUALCOMM Incorporated - Chief Financial Officer

Thank you very much.

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

Thank you, everyone.

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