Qualcomm

Financial Results and Guidance

As of November 4, 2020

Quarterly Results and Guidance	Q4FY20 Guidance[1]	Q4FY20 Results[2]	Q1FY21 Guidance
GAAP revenues	$7.3B - $8.1B	$8.3B	$7.8B - $8.6B
Non-GAAP[3] revenues	$5.5B - $6.3B	$6.5B	$7.8B - $8.6B
Non-GAAP diluted earnings per share (EPS)	$1.05 - $1.25	$1.45	$1.95 - $2.15
Non-GAAP combined R&D and SG&A expenses, sequential quarter change	Increase ~5%	Increase 7%	Increase ~2%
GAAP interest and investment and other expense (income), net	~$125M	$146M	~$125M
Non-GAAP tax rate	~13%	10%	~14%
Weighted average diluted share count	~1.15B	1.15B	~1.15B
Segment Results and Guidance:			
QCT revenues	$4.3B - $4.9B	$5.0B	$6.2B - $6.8B
QCT earnings before tax (EBT) margin %	17% - 19%	20%	25% - 27%
MSM™ chip shipments	145M - 165M	162M	Not provided
QTL revenues	$1.2B - $1.4B	$1.5B	$1.6B - $1.8B
QTL EBT margin %	67% - 71%	73%	74% - 78%

Annual Guidance	FY20 Prior Guidance[1]	FY20 Results[2]	FY21 Guidance
Non-GAAP tax rate	~13%	12%	~14%
Global Handset Shipment Guidance		**Q4CY20 Est.**	**CY21 Est.**
3G/4G/5G handset shipments[4] year-over-year change		Decrease ~5%	High-single-digit growth
	CY20 Prior Est.[1]	**CY20 Current Est.**	**CY21 Current Est.**
5G handset shipments	175M - 225M	175M - 225M	450M - 550M

Financial Strength

	September 27, 2020	September 29, 2019
Total cash, cash equivalents and marketable securities	$11.2B	$12.3B
Total assets	$35.6B	$33.0B
Stockholders' equity	$6.1B	$4.9B
Debt[5]	$15.7B	$15.9B
	FY20[7]	**FY19[7]**
EBITDA[6]	$7.6B	$9.1B
Adjusted EBITDA[6]	$7.0B	$5.7B

1. Previous guidance as of July 29, 2020. Our financial guidance for the fourth quarter of fiscal 2020 included the following: 1) estimated QTL revenues for royalties due on sales made by Huawei in the September 2020 quarter under the new global patent license agreement with Huawei, and 2) estimated revenues of approximately $1.8 billion (which will be excluded from our Non-GAAP results) related to amounts due from Huawei under the settlement agreement (which are incremental to amounts previously paid under two interim agreements) and estimated amounts due for the March 2020 and June 2020 quarters under the new global patent license agreement. Our guidance for the fourth quarter of fiscal 2020 also included an impact of greater than ($0.25) attributable to a planning assumption of an approximate 15% year-over-year reduction in handset shipments due to COVID-19, including a partial impact from the delay of a global 5G flagship phone launch.
2. Fourth quarter of fiscal 2020 GAAP results included $1.8 billion resulting from the settlement agreement with Huawei and royalties for sales made in the March 2020 and June 2020 quarters under the new global patent license agreement with Huawei. GAAP and Non-GAAP results for the fourth quarter of fiscal 2020 included an estimate of royalties due from Huawei for sales made in the September 2020 quarter under the new global patent license agreement.
3. Non-GAAP information excludes our QSI (Qualcomm Strategic Initiatives) segment and certain share-based compensation, acquisition-related items, tax items and other items. Further discussion regarding our use of Non-GAAP financial measures and reconciliations between GAAP and Non-GAAP results are included in this presentation.
4. Global 3G/4G/5G handset shipments represent our estimate of CDMA-based, OFDMA-based and CDMA/OFDMA multimode subscriber devices shipped globally, excluding TD-SCDMA devices that do not implement LTE.
5. Includes short-term and long-term debt.
6. EBITDA is defined as net income before income tax expense, depreciation and amortization expense, interest expense and investment and other income, net. Adjusted EBITDA also excludes the following items: QSI segment, certain acquisition-related items, certain share-based compensation and certain other items that management views as unrelated to our ongoing business.
7. The following should be considered in regard to the year-over-year comparison:
   - Fiscal 2020 GAAP results included $1.8 billion resulting from the settlement agreement with Huawei and royalties for sales made in the March 2020 and June 2020 quarters under the new global patent license agreement with Huawei. GAAP and Non-GAAP results for fiscal 2020 included an estimate of royalties due from Huawei for sales made in the September 2020 quarter under the new global patent license agreement. GAAP and Non-GAAP results in fiscal 2019 included $450 million of royalties due under a second interim agreement with Huawei that concluded in the third quarter of fiscal 2019. We did not record any revenues in the fourth quarter of fiscal 2019 or the first three quarters of fiscal 2020 for royalties due on the sales of Huawei's consumer wireless products.
   - Fiscal 2019 GAAP results included $4.7 billion resulting from the settlement with Apple and its contract manufacturers in April 2019. GAAP and Non-GAAP results for fiscal 2020 and the second half of fiscal 2019 included royalties from Apple and its contract manufactures. Revenues in the first six months of fiscal 2019 did not include royalties from sales of Apple or other products by Apple's contract manufacturers.
   - Fiscal 2019 GAAP results included a $2.5 billion tax expense due to the derecognition of a deferred tax asset as a result of an agreement with the Internal Revenue Service under which we forwent the federal tax basis step-up in certain distributed intellectual property. Fiscal 2019 results included a $570 million tax benefit for GAAP and a $552 million tax benefit for Non-GAAP relating to certain tax elections made in the first quarter of fiscal 2019.

Note Regarding Use of Non-GAAP Financial Measures

The Non-GAAP financial measures presented herein should be considered in addition to, not as a substitute for or superior to, financial measures calculated in accordance with GAAP. In addition, "Non-GAAP" is not a term defined by GAAP, and as a result, our Non-GAAP financial measures might be different than similarly titled measures used by other companies. Reconciliations between GAAP and Non-GAAP financial measures are presented herein.

We use Non-GAAP financial information: (i) to evaluate, assess and benchmark our operating results on a consistent and comparable basis; (ii) to measure the performance and efficiency of our ongoing core operating businesses, including our QCT (Qualcomm CDMA Technologies) and QTL (Qualcomm Technology Licensing) segments; and (iii) to compare the performance and efficiency of these segments against competitors. Non-GAAP measurements used by us include revenues, cost of revenues, research and development (R&D) expenses, selling, general and administrative (SG&A) expenses, other income or expenses, operating income, interest expense, net investment and other income, income or earnings before income taxes, effective tax rate, net income and diluted earnings per share. We are able to assess what we believe is a more meaningful and comparable set of financial performance measures by using Non-GAAP information. In addition, the HR and Compensation Committee of the Board of Directors uses certain Non-GAAP financial measures in establishing portions of the performance-based incentive compensation programs for our executive officers. We present Non-GAAP financial information to provide greater transparency to investors with respect to our use of such information in financial and operational decision-making. This Non-GAAP financial information is also used by institutional investors and analysts in evaluating our business and assessing trends and future expectations.

Non-GAAP information excludes our QSI (Qualcomm Strategic Initiatives) segment and certain share-based compensation, acquisition-related items, tax items and other items.

- QSI is excluded because we expect to exit our strategic investments in the foreseeable future, and the effects of fluctuations in the value of such investments and realized gains or losses are viewed as unrelated to our operational performance.
- Share-based compensation expense primarily relates to restricted stock units. We believe that excluding non-cash share-based compensation from the Non-GAAP financial information allows us and investors to make additional comparisons of the operating activities of our ongoing core businesses over time and with respect to other companies.
- Certain other items are excluded because we view such items as unrelated to the operating activities of our ongoing core businesses, as follows:
  - Acquisition-related items include amortization of acquisition-related intangible assets, substantially all of which relate to the amortization of technology-based intangible assets that is recorded in cost of revenues and will recur in future periods until the related intangible assets have been fully amortized. We view acquisition-related intangible assets as items arising from pre-acquisition activities determined at the time of an acquisition. Acquisition-related intangible assets contribute to revenue generation that has not been excluded from our Non-GAAP financial information. Acquisition-related items also include recognition of the step-up of inventories and property, plant and equipment to fair value and the related tax effects of acquisition-related items, as well as any effects from restructuring the ownership of such acquired assets. Additionally, we exclude third-party acquisition and integration services costs and costs related to temporary debt facilities and letters of credit executed prior to the close of an acquisition.
  - We exclude certain other items that we view as unrelated to our ongoing businesses, such as major restructuring and restructuring-related costs, goodwill and indefinite- and long-lived asset impairments and awards, settlements and/or damages arising from legal or regulatory matters. Beginning in the second quarter of fiscal 2020, we exclude gains and losses driven by the revaluation of our deferred compensation plan liabilities recognized in operating expenses and the offsetting gains and losses on the related plan assets recognized in investment and other income. Amounts prior to the second quarter of fiscal 2020, which were not material, continue to be included in Non-GAAP results.
  - Certain tax items that are unrelated to the fiscal year in which they are recorded are excluded in order to provide a clearer understanding of our ongoing Non-GAAP tax rate and after-tax earnings.

Reconciliations of GAAP to Non-GAAP Financial Measures

Fourth Quarter Fiscal 2020 Results

(in millions, except per share data)	GAAP Results	Less QSI	Less Share-Based Compensation	Less Other Items(1)	Non-GAAP Results
Revenues	$8,346	$3	$—	$1,841	$6,502
Net income (loss)	$2,960	$28	($252)	$1,515	$1,669
Diluted earnings per share (EPS)	$2.58	$0.02	($0.22)	$1.32	$1.45
Diluted shares	1,148	1,148	1,148	1,148	1,148

1. Other items excluded from Non-GAAP results included $1.8 billion resulting from the settlement agreement with Huawei and royalties for sales made in the March 2020 and June 2020 quarters under the new global patent license agreement with Huawei, $74 million of acquisition-related charges, $54 million of non-marketable investment impairments, $7 million of interest expense related to the 2018 and 2019 European Commission fines and $2 million of charges related to restructuring-related activities, partially offset by a $6 million gain related to a favorable legal settlement. Other items excluded from Non-GAAP results also included $31 million of losses driven by the revaluation of our deferred compensation plan liabilities, which increased operating expenses, offset by corresponding $31 million of gains driven by the revaluation of the associated plan assets, which were included within investment and other income, net. Tax expense in the "Other Items" column included a $266 million charge from the combined effect of other items in EBT and a $25 million charge related to the issuance of final foreign-derived intangible income regulations, partially offset by a $61 million tax benefit from tax incentives in a foreign jurisdiction, $26 million of foreign currency gains related to a noncurrent receivable resulting from our refund claim of Korean withholding taxes paid in prior periods and a $9 million tax benefit for the tax effect of acquisition-related charges.

Sums may not equal totals due to rounding.

Fiscal 2020 Results

(in millions, except per share data)	GAAP Results	Less QSI	Less Share-Based Compensation	Less Other Items[1]	Non-GAAP Results
Revenues	$23,531	$36	$—	$1,841	$21,654
Net income (loss)	$5,198	($3)	($974)	$1,359	$4,816
Diluted EPS	$4.52	$—	($0.85)	$1.18	$4.19
Diluted shares	1,149	1,149	1,149	1,149	1,149

1. Other items excluded from Non-GAAP results included $1.8 billion resulting from the settlement agreement with Huawei and royalties for sales made in the March 2020 and June 2020 quarters under the new global patent license agreement with Huawei, $329 million of acquisition-related charges, $54 million of non-marketable investment impairments, $26 million of interest expense related to the 2018 and 2019 European Commission fines and $2 million of charges related to restructuring-related activities, partially offset by a $28 million gain related to a favorable legal settlement. Other items excluded from Non-GAAP results also included $17 million of losses driven by the revaluation of our deferred compensation plan liabilities, which increased operating expenses, offset by corresponding $17 million of gains driven by the revaluation of the associated plan assets, which were included within investment and other income, net. Tax expense in the "Other Items" column included a $267 million charge from the combined effect of other items in EBT, a $25 million charge related to the issuance of final foreign-derived intangible income regulations, a $13 million charge related to a change in prior period tax rate of a foreign jurisdiction and an $11 million charge related to a foreign tax audit, partially offset by a $61 million tax benefit from tax incentives in a foreign jurisdiction, a $57 million tax benefit from the release of a valuation allowance, a $46 million tax benefit for the tax effect of acquisition-related charges, $32 million of foreign currency gains related to a noncurrent receivable resulting from our refund claim of Korea withholding taxes paid in prior periods and a $21 million tax benefit related to a prior year.

Sums may not equal totals due to rounding.

Business Outlook

	Q4FY20 Guidance[1][2]	Q1FY21 Guidance[2][3]
GAAP revenues	$7.3B - $8.1B	$7.8B - $8.6B
Less revenues attributable to other items[4]	~$1.8B	$—
Non-GAAP revenues	$5.5B - $6.3B	$7.8B - $8.6B
GAAP diluted EPS	$2.12 - $2.32	$1.67 - $1.87
Less diluted EPS attributable to QSI	($0.01)	$—
Less diluted EPS attributable to share-based compensation	($0.23)	($0.24)
Less diluted EPS attributable to other items[4]	$1.31	($0.04)
Non-GAAP diluted EPS	$1.05 - $1.25	$1.95 - $2.15

1. Previous guidance as of July 29, 2020. Our GAAP and Non-GAAP financial guidance for the fourth quarter of fiscal 2020 included estimated QTL revenues for royalties due on sales made by Huawei in the September 2020 quarter. Our guidance for the fourth quarter of fiscal 2020 also included an impact of greater than ($0.25) attributable to a planning assumption of an approximate 15% year-over-year reduction in handset shipments due to COVID-19, including a partial impact from the delay of a global 5G flagship phone launch.
2. Our outlook does not include provisions for future asset impairments or for pending legal matters, other than future legal amounts that are probable and estimable. Further, due to their nature, certain income and expense items, such as certain investments, derivative and foreign currency transaction gains or losses, cannot be accurately forecast. Accordingly, we only include such items in our financial outlook to the extent they are reasonably certain; however, actual results have in the past and may in the future differ materially from the outlook.
3. Guidance as of November 4, 2020.
4. Our guidance for revenues and diluted EPS attributable to other items for the fourth quarter of fiscal 2020 included estimated revenues of approximately $1.8 billion and estimated EPS of $1.38 per share related to amounts due from Huawei under the settlement agreement and estimated amounts due for the March 2020 and June 2020 quarters under the new global patent license agreement. Our guidance for diluted EPS attributable to other items for the fourth quarter of fiscal 2020 also included acquisition-related items. Our guidance for diluted EPS attributable to other items for the first quarter of fiscal 2021 is primarily attributable to acquisition-related items.

Combined R&D and SG&A Expenses

(in millions, except percentages)	Q3FY20 Results	Q4FY20 Results	Q4FY20 Sequential % Increase (Decrease)	Q4FY20 Guidance[1]	Q1FY21 Guidance[2]
GAAP combined R&D and SG&A	$2,031	$2,134	5%	Increase ~2% sequentially	Increase ~3% sequentially
Less QSI	3	3	N/P	N/P	N/P
Less share-based compensation	288	304	N/P	N/P	N/P
Less other items[3]	64	39	N/P	N/P	N/P
Non-GAAP combined R&D and SG&A expenses	$1,676	$1,788	7%	Increase ~5% sequentially	Increase ~2% sequentially

1. Previous guidance as of July 29, 2020.
2. Guidance as of November 4, 2020.
3. Other items in the fourth quarter of fiscal 2020 consisted of $31 million of losses driven by the revaluation of our deferred compensation plan liabilities, which increased R&D and SG&A expenses, $6 million of acquisition-related charges and $2 million of charges related to restructuring-related activities. Other items in the third quarter of fiscal 2020 consisted of $57 million of losses driven by the revaluation of our deferred compensation plan liabilities, which increased R&D and SG&A expenses, $5 million of acquisition-related charges and $2 million of charges related to restructuring-related activities.

Tax Rates

	GAAP Results	Less QSI[1]	Less Share-Based Compensation[1]	Less Other Items [1][2]	Non-GAAP Results
Estimated[3] Q4FY20 tax rate	14%	—%	—%	1%	13%
Q4FY20 tax rate	10%	1%	(2%)	1%	10%
Estimated[4] Q1FY21 tax rate	10%	—%	(3%)	(1%)	14%
Previous estimated[3] FY20 annual tax rate	11%	—%	(2%)	—%	13%
FY20 annual tax rate	9%	—%	(2%)	(1%)	12%
Estimated[4] FY21 annual tax rate	13%	—%	(1%)	—%	14%

1. The incremental effect of our adjustments to the Non-GAAP tax rate is calculated by allocating the difference between (i) the tax expense (benefit) calculated based on the GAAP tax rate and (ii) the actual or estimated tax expense (benefit) for each column.
2. In the fourth quarter of fiscal 2020, the tax expense in the “Other Items” column included a $266 million charge from the combined effect of other items in EBT and a $25 million charge related to the issuance of final foreign-derived intangible income regulations, partially offset by a $61 million tax benefit from tax incentives in a foreign jurisdiction, $26 million of foreign currency gains related to a noncurrent receivable resulting from our refund claim of Korean withholding taxes paid in prior periods and a $9 million tax benefit for the tax effect of acquisition-related charges. In fiscal 2020, the tax expense in the "Other Items" column included a $267 million charge from the combined effect of other items in EBT, a $25 million charge related to the issuance of final foreign-derived intangible income regulations, a $13 million charge related to a change in prior period tax rate of a foreign jurisdiction and an $11 million charge related to a foreign tax audit, partially offset by a $61 million tax benefit from tax incentives in a foreign jurisdiction, a $57 million tax benefit from the release of a valuation allowance, a $46 million tax benefit for the tax effect of acquisition-related charges, $32 million of foreign currency gains related to a noncurrent receivable resulting from our refund claim of Korea withholding taxes paid in prior periods and a $21 million tax benefit related to a prior year.
3. Previous guidance as of July 29, 2020.
4. Guidance as of November 4, 2020. Our estimated tax rate guidance for the first quarter of fiscal 2021 includes an estimate of discrete tax impacts that are reasonably estimable, including excess tax benefits associated with share-based awards that vest within the first quarter of fiscal 2021. Our estimated tax rate guidance for fiscal 2021 only includes an estimate of discrete tax impacts that will impact the first quarter of fiscal 2021. While we continue to evaluate the impact of the U.S. Treasury Regulations that were issued in the first quarter of fiscal 2021, our estimated tax rate guidance for the first quarter of fiscal 2021 includes the effects of the new regulations.

Qualcomm

EBITDA and Adjusted EBITDA

(In millions)	FY20	FY19
Net income	$5,198	$4,386
Plus income tax expense	521	3,095
Plus depreciation and amortization expense	1,393	1,401
Plus interest expense	602	627
Less investment and other income, net	66	441
EBITDA	$7,648	$9,068
Adjustments		
Less QSI operating income[(1)]	$13	$113
Less share-based compensation operating loss[(1)]	(1,212)	(1,037)
Less other items*	1,837	4,296
Adjusted EBITDA	$7,010	$5,696
*Other items includes:		
Apple settlement	$—	$4,723
Huawei settlement	1,841	—
2019 European Commission fine	—	(275)
Restructuring and restructuring-related charges[(2)]	(2)	(211)
Gain due to partial recovery of a fine	—	43
Benefits related to favorable legal settlement	28	31
Revaluation of deferred compensation plan liabilities	(17)	—
Acquisition-related charges[(2)]	(13)	(15)
Total other items	$1,837	$4,296

1. As depreciation and amortization was $0 for fiscal 2020 and 2019, EBITDA for the QSI segment and certain share-based compensation is equal to operating income.
2. Excludes depreciation and amortization.

Note Regarding Forward Looking Statements

In addition to historical information, this document and the conference call that accompanies it contain forward-looking statements that are inherently subject to risks and uncertainties, including but not limited to statements regarding our growth opportunities, including in 5G, RF Front-End, Automotive, IoT, Infrastructure and Edge-Compute, and our being well positioned to take advantage of those opportunities; our business, product and technology strategies; our technologies and technology leadership; our products, product performance, product leadership, product pipeline and product roadmap; new product releases and announcements; our business and share trends, as well as market and industry trends, and their potential impact on our business, and our positioning to take advantage thereof; our business outlook; and our estimates and guidance related to revenues, diluted earnings per share (EPS), combined R&D and SG&A expenses, interest and investment and other expense (income) net, weighted average diluted share count, earnings before taxes (EBT) margin percentage, tax rates, 5G handset units and 3G/4G/5G handset shipments. Forward-looking statements are generally identified by words such as "estimates," "guidance," "expects," "anticipates," "intends," "plans," "believes," "seeks" and similar expressions. Actual results may differ materially from those referred to in the forward-looking statements due to a number of important factors, including but not limited to the impact of the COVID-19 pandemic, and government policies and other measures being taken to limit its spread, on business and consumer confidence, on demand for smartphones and other consumer devices sold by our customers or licensees which incorporate our integrated circuit products and/or our intellectual property, and on the global wireless supply chain, transportation and distribution networks, and workforces. Actual results may also differ materially from those referred to in the forward-looking statements due to, among other factors: our customers' and licensees' sales of products and services based on CDMA, OFDMA and other communications technologies, including 5G, and our customers' demand for our products based on these technologies; intense competition in an environment of rapid technological change, and our ability to adapt to such change and compete effectively; our dependence on a small number of customers and licensees, and particularly from their sale of premium-tier devices; our customers' vertically integrating; a significant portion of our business being concentrated in China, which is exacerbated by U.S./China trade and national security tensions; efforts by some OEMs to avoid paying fair and reasonable royalties for the use of our intellectual property and other attacks on our licensing business model, including current and future legal proceedings and governmental investigations and proceedings, including potential adverse outcomes relating to the Federal Trade Commission lawsuit against us, and actions of quasi-governmental bodies and standards and industry organizations; potential changes in our patent licensing practices, whether due to governmental investigations, private legal proceedings challenging those practices, or otherwise; the continued and future success of our licensing programs, which requires us to continue to evolve our patent portfolio and to renew or renegotiate license agreements that are expiring; our dependence on a limited number of third-party suppliers; risks associated with the operation and control of our manufacturing facilities; our ability to extend our technologies and products into new and expanded product areas and adjacent industry segments and applications beyond mobile; our strategic acquisitions, transactions and investments, and our ability to consummate strategic acquisitions; security breaches of our information technology systems, or other misappropriation of our technology, intellectual property or other proprietary or confidential information; difficulties in enforcing and protecting our intellectual property rights; claims by third parties that we infringe their intellectual property; our use of open source software; our ability to attract and retain qualified employees; failures in our products or in the products of our customers or licensees, including those resulting from security vulnerabilities, defects or errors; the cyclical nature of the semiconductor industry, declines in global, regional or local economic conditions, or our stock price and earnings volatility; our ability to comply with laws, regulations, policies and standards; our indebtedness; and potential tax liabilities. These and other risks are set forth in our Annual Report on Form 10-K for the fiscal year ended September 27, 2020 filed with the SEC. Our reports filed with the SEC are available on our website at www.qualcomm.com. We undertake no obligation to update, or continue to provide information with respect to, any forward-looking statement or risk factor, whether as a result of new information, future events or otherwise.

This presentation includes "non-GAAP financial measures" as that term is defined in Regulation G. Further discussion regarding our use of non-GAAP financial measures, as well as the most directly comparable GAAP (accounting principles generally accepted in the United States) financial measures and information reconciling these non-GAAP financial measures to our financial results prepared in accordance with GAAP, are included in this presentation. The non-GAAP financial measures presented herein should be considered in addition to, and not a substitute for, or superior to, financial measures calculated and presented in accordance with GAAP.

We refer to "Qualcomm" for ease of reference. However, in connection with our October 2012 reorganization, Qualcomm Incorporated continues to operate QTL and own the vast majority of our patent portfolio, while Qualcomm Technologies, Inc., its wholly-owned subsidiary, operates, along with its subsidiaries, substantially all of our products and services businesses, including QCT, and substantially all of our research and development functions.