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Qualcomm Announces Second Quarter Fiscal 2020 Results
Revenues \$5.2 billion
GAAP EPS \$0.41, Non-GAAP EPS \$0.88

SAN DIEGO - April 29, 2020 - Qualcomm Incorporated (NASDAQ: QCOM) today announced results for its fiscal second quarter ended March 29, 2020.

“We executed extremely well in the second fiscal quarter, with strong Non-GAAP results in line with our guidance, demonstrating the strength of our business model and the resilience of our team to respond quickly to the unique challenges presented by the global pandemic,” said Steve Mollenkopf, CEO of Qualcomm Incorporated.

Second Quarter Results ¹

Our second quarter fiscal 2020 GAAP and Non-GAAP results were negatively impacted by the global coronavirus (COVID-19) pandemic, which caused a reduction in demand of 3G/4G/5G handsets of approximately 21% compared to our prior expectation and on a year-over-year basis. In addition, our GAAP results were also negatively impacted by \$265 million, or (\$0.21) per share, in non-marketable investment impairments, resulting in part from the impacts of COVID-19.

<i>(in millions, except per share data and percentages)</i>	GAAP			Non-GAAP		
	Q2 Fiscal 2020	Q2 Fiscal 2019	Change	Q2 Fiscal 2020	Q2 Fiscal 2019	Change
Revenues	\$5,216	\$4,982	+5%	\$5,206	\$4,884	+7%
Earnings before taxes (EBT)	\$598	\$806	(26%)	\$1,185	\$1,091	+9%
Net income	\$468	\$663	(29%)	\$1,015	\$932	+9%
Diluted earnings per share (EPS)	\$0.41	\$0.55	(25%)	\$0.88	\$0.77	+14%

¹ Discussion regarding our use of Non-GAAP financial measures and reconciliations between GAAP and Non-GAAP results, as well as information that should be considered in regard to year-over-year comparisons, is included at the end of this news release.

Segment Results

<i>(in millions, except percentages)</i>	QCT			QTL		
	Q2 Fiscal 2020	Q2 Fiscal 2019	Change	Q2 Fiscal 2020	Q2 Fiscal 2019	Change
Revenues	\$4,100	\$3,722	+10%	\$1,072	\$1,122	(4%)
EBT	\$667	\$542	+23%	\$671	\$674	—%
<i>EBT as % of revenues</i>	<i>16%</i>	<i>15%</i>	<i>+1 point</i>	<i>63%</i>	<i>60%</i>	<i>+3 points</i>
MSM™ chip shipments	129	155	(17%)			

Return of Capital to Stockholders

During the second quarter of fiscal 2020, we returned \$2.3 billion to stockholders, including \$705 million, or \$0.62 per share, of cash dividends paid and \$1.6 billion through repurchases of 20.0 million shares of common stock.

Business Outlook

Given the uncertainty caused by the COVID-19 pandemic, including the timing and pace of economic recovery, our guidance for the third quarter of fiscal 2020 is based on a planning assumption that there will be an approximate 30% reduction in handset shipments relative to our prior expectations, resulting in an estimated impact of greater than (\$0.30) to EPS in the third quarter of fiscal 2020.

However, the actual impact may differ materially due to the challenging economic environment and highly uncertain effects of COVID-19. The “Note Regarding Forward-Looking Statements” in this news release provides a description of certain risks that we face, and our most recent quarterly report on file with the Securities and Exchange Commission (SEC) provides a more complete description of our risks.

The following table summarizes GAAP and Non-GAAP guidance based on the current outlook.

	Current Guidance Q3 FY20 Estimates (1)(2)
Revenues	\$4.4B - \$5.2B
GAAP diluted EPS	\$0.29 - \$0.49
Less diluted EPS attributable to QSI	\$—
Less diluted EPS attributable to share-based compensation	(\$0.23)
Less diluted EPS attributable to other items (3)	(\$0.08)
Non-GAAP diluted EPS	\$0.60 - \$0.80
Other Information	
MSM chip shipments	125M - 145M
QCT revenues	\$3.6B - \$4.2B
QTL revenues	\$750M - \$950M

- (1) 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 may differ materially from the outlook.
- (2) Our guidance for revenues and EPS for the third quarter of fiscal 2020 excludes QTL revenues from Huawei.
- (3) Our guidance for EPS attributable to other items for the third quarter of fiscal 2020 is primarily attributable to acquisition-related items.

Conference Call

Qualcomm's second quarter fiscal 2020 earnings conference call will be broadcast live on April 29, 2020, beginning at 1:45 p.m. Pacific Time (PT) at <http://investor.qualcomm.com/events.cfm>. This conference call will include a discussion of "Non-GAAP financial measures" as defined in Regulation G. The most directly comparable GAAP financial measures and information reconciling these Non-GAAP financial measures to our financial results prepared in accordance with GAAP, as well as other financial and statistical information to be discussed on the conference call, will be posted at <http://investor.qualcomm.com/> immediately prior to the commencement of the call. An audio replay will be available at <http://investor.qualcomm.com/events.cfm> and via telephone following the live call for 30 days thereafter. To listen to the replay via telephone, U.S. callers may dial (877) 660-6853 and international callers may dial (201) 612-7415. Callers should use reservation number 13700396.

About Qualcomm

Qualcomm is the world's leading wireless technology innovator and the driving force behind the development, launch and expansion of 5G. When we connected the phone to the internet, the mobile revolution was born. Today, our foundational technologies enable the mobile ecosystem and are found in every 3G, 4G and 5G smartphone. We bring the benefits of mobile to new industries, including automotive, the internet of things and computing, and are leading the way to a world where everything and everyone can communicate and interact seamlessly.

Qualcomm Incorporated includes our licensing business, QTL, and the vast majority of our patent portfolio. Qualcomm Technologies, Inc., a subsidiary of Qualcomm Incorporated, operates, along with its subsidiaries, substantially all of our engineering, research and development functions, and substantially all of our products and services businesses, including our QCT semiconductor business.

Note Regarding Forward-Looking Statements

In addition to the historical information contained herein, this news release contains forward-looking statements that are inherently subject to risks and uncertainties, including but not limited to statements regarding: our guidance for the third quarter of fiscal 2020 being based on a planning assumption that there will be an approximate 30% reduction in handset shipments relative to our prior expectations, resulting in an estimated impact of greater than (\$0.30) to EPS in the third quarter of fiscal 2020; our business outlook; and our estimates and guidance related to revenues, earnings per share and MSM chip 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 COVID-19 and government policies and other measures being taken to limit its spread, on: business and consumer confidence, 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 the global wireless supply chain and 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 ability to resolve our licensing dispute with Huawei and enter into a new license agreement; commercial network deployments, expansions and upgrades of CDMA, OFDMA and other communications technologies, our customers' and licensees' sales of products and services based on these technologies and our customers' demand for our products and services; competition in an environment of rapid technological change; our dependence on a small number of customers and licensees, which increasingly includes a small number of Chinese OEMs; our dependence on the premium-tier device segment; 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 difficulties in enforcing and protecting our intellectual property rights; our ability to extend our technologies, products and services into new and expanded product areas and adjacent industry segments and applications outside of traditional cellular industries; risks associated with the operation and control of our manufacturing facilities; the continued and future success of our licensing programs, which requires us to continue to evolve our patent portfolio, and which may be impacted by the proliferation of devices in new industry segments, and the need to renew or renegotiate license agreements that are expiring; our dependence on a limited number of third-party suppliers; claims by third parties that we infringe their intellectual property; strategic acquisitions, transactions and investments and our ability to consummate planned strategic acquisitions; our compliance with laws, regulations, policies and standards; our use of open source software; the cyclical nature of the semiconductor industry, and our stock price and earnings volatility; our indebtedness and our significant stock repurchase program; security breaches of our information technology systems or other misappropriation of our technology, intellectual property or other proprietary or confidential information; potential tax liabilities; global, regional or local economic conditions or political actions that impact the industries in which we operate; our ability to attract and retain qualified employees; foreign currency fluctuations; and failures in our products or in the products of our customers or licensees, including those resulting from security vulnerabilities, defects or errors. These and other risks are set forth in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 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.

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MSM is a product of Qualcomm Technologies, Inc.

QUALCOMM Incorporated
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except par value amounts)
(Unaudited)

	<u>March 29, 2020</u>	<u>September 29, 2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,403	\$ 11,839
Marketable securities	1,543	421
Accounts receivable, net	3,081	2,471
Inventories	1,700	1,400
Other current assets	<u>586</u>	<u>634</u>
Total current assets	15,313	16,765
Deferred tax assets	1,249	1,196
Property, plant and equipment, net	3,358	3,081
Goodwill	6,294	6,282
Other intangible assets, net	1,889	2,172
Other assets	<u>3,835</u>	<u>3,461</u>
Total assets	<u>\$ 31,938</u>	<u>\$ 32,957</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 2,061	\$ 1,368
Payroll and other benefits related liabilities	699	1,048
Unearned revenues	529	565
Short-term debt	2,499	2,496
Other current liabilities	<u>3,986</u>	<u>3,458</u>
Total current liabilities	9,774	8,935
Unearned revenues	968	1,160
Income taxes payable	1,879	2,088
Long-term debt	13,449	13,437
Other liabilities	<u>2,823</u>	<u>2,428</u>
Total liabilities	<u>28,893</u>	<u>28,048</u>
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 8 shares authorized; none outstanding	—	—
Common stock and paid-in capital, \$0.0001 par value; 6,000 shares authorized; 1,127 and 1,145 shares issued and outstanding, respectively	—	343
Retained earnings	2,990	4,466
Accumulated other comprehensive income	<u>55</u>	<u>100</u>
Total stockholders' equity	3,045	4,909
Total liabilities and stockholders' equity	<u>\$ 31,938</u>	<u>\$ 32,957</u>

QUALCOMM Incorporated
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019
Revenues:				
Equipment and services	\$ 4,050	\$ 3,753	\$ 7,583	\$ 7,506
Licensing	1,166	1,229	2,709	2,318
Total revenues	5,216	4,982	10,292	9,824
Costs and expenses:				
Cost of revenues	2,297	2,179	4,410	4,367
Research and development	1,468	1,308	2,873	2,577
Selling, general and administrative	483	573	1,011	1,100
Other	(23)	(18)	(23)	130
Total costs and expenses	4,225	4,042	8,271	8,174
Operating income	991	940	2,021	1,650
Interest expense	(146)	(162)	(294)	(317)
Investment and other (expense) income, net	(247)	28	(182)	33
Income before income taxes	598	806	1,545	1,366
Income tax (expense) benefit	(130)	(143)	(152)	365
Net income	\$ 468	\$ 663	\$ 1,393	\$ 1,731
Basic earnings per share	\$ 0.41	\$ 0.55	\$ 1.22	\$ 1.43
Diluted earnings per share	\$ 0.41	\$ 0.55	\$ 1.21	\$ 1.42
Shares used in per share calculations:				
Basic	1,139	1,213	1,142	1,213
Diluted	1,151	1,217	1,155	1,220

QUALCOMM Incorporated
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019
Operating Activities:				
Net income	\$ 468	\$ 663	\$ 1,393	\$ 1,731
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization expense	340	345	691	698
Income tax provision less than income tax payments	(219)	(295)	(350)	(958)
Non-cash portion of share-based compensation expense	309	221	603	452
Net losses (gains) on marketable securities and other investments	30	(46)	(49)	(9)
Indefinite and long-lived asset impairment charges	—	53	—	203
Impairment losses on other investments	265	60	337	69
Other items, net	(49)	(155)	(75)	(190)
Changes in assets and liabilities:				
Accounts receivable, net	(345)	(215)	(607)	200
Inventories	(280)	(31)	(297)	(49)
Other assets	48	173	(71)	25
Trade accounts payable	359	230	755	(173)
Payroll, benefits and other liabilities	195	(149)	24	(727)
Unearned revenues	(38)	(60)	(153)	(122)
Net cash provided by operating activities	1,083	794	2,201	1,150
Investing Activities:				
Capital expenditures	(345)	(170)	(641)	(322)
Purchases of debt and equity marketable securities	(1,312)	—	(1,312)	—
Proceeds from sales and maturities of debt and equity marketable securities	127	61	256	96
Acquisitions and other investments, net of cash acquired	(53)	(62)	(128)	(118)
Other items, net	17	62	56	83
Net cash used by investing activities	(1,566)	(109)	(1,769)	(261)
Financing Activities:				
Proceeds from short-term debt	558	1,513	1,116	3,297
Repayment of short-term debt	(558)	(1,513)	(1,116)	(3,303)
Proceeds from issuance of common stock	151	149	174	177
Repurchases and retirements of common stock	(1,578)	—	(2,340)	(1,019)
Dividends paid	(705)	(752)	(1,415)	(1,502)
Payments of tax withholdings related to vesting of share-based awards	(31)	(4)	(232)	(143)
Other items, net	(46)	(37)	(55)	(38)
Net cash used by financing activities	(2,209)	(644)	(3,868)	(2,531)
Changes in cash and cash equivalents held for sale	—	25	—	—
Effect of exchange rate changes on cash and cash equivalents	(14)	3	—	—
Net (decrease) increase in total cash and cash equivalents	(2,706)	69	(3,436)	(1,642)
Total cash and cash equivalents at beginning of period	11,109	10,066	11,839	11,777
Total cash and cash equivalents at end of period	\$ 8,403	\$ 10,135	\$ 8,403	\$ 10,135

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 the 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 for Qualcomm and its business segments 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 certain intangible assets, recognition of the step-up of inventories and property, plant and equipment to fair value and the related tax effects of these 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 our 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 Results to Non-GAAP Results

<i>(in millions, except per share data and percentages)</i>	GAAP to Non-GAAP Reconciliation					Non-GAAP Supplemental Information		
	GAAP Results	Less QSI	Less Share-Based Compensation	Less Other Items (a)	Non-GAAP Results	QCT	QTL (b)	Non-GAAP Reconciling Items (c)
Q2 FISCAL 2020 ^(d)								
Revenues	\$5,216	\$10	\$—	\$—	\$5,206	\$4,100	\$1,072	\$34
Operating income (loss)	991	4	(309)	8	1,288			
EBT	598	(208)	(309)	(70)	1,185	667	671	(153)
EBT as % of revenues	11%				23%			
Net income (loss)	468	(208)	(259)	(80)	1,015			
Diluted EPS	\$0.41	(\$0.18)	(\$0.22)	(\$0.07)	\$0.88			
Diluted shares	1,151	1,151	1,151	1,151	1,151			
Q2 FISCAL 2019								
Revenues	\$4,982	\$98	\$—	\$—	\$4,884	\$3,722	\$1,122	\$40
Operating income (loss)	940	88	(221)	(89)	1,162			
EBT	806	17	(221)	(81)	1,091	542	674	(125)
EBT as % of revenues	16%				22%			
Net income (loss)	663	21	(191)	(99)	932			
Diluted EPS	\$0.55	\$0.02	(\$0.16)	(\$0.08)	\$0.77			
Diluted shares	1,217	1,217	1,217	1,217	1,217			

- (a) Further details of amounts included in the “Other Items” column for the current period are included in the “Supplemental Information and Reconciliations” section herein. Details of amounts included in the “Other Items” column for the prior period are included in the news release for that period.
- (b) QTL results for the second quarter of fiscal 2020 included royalties from Apple as a result of the settlement with Apple and its contract manufacturers in April 2019 and excluded royalties due on the sales of Huawei’s consumer wireless products. QTL results for the second quarter of fiscal 2019 excluded royalties due on sales of Apple or other products by Apple’s contract manufacturers and included \$150 million of royalties resulting from an interim agreement with Huawei.
- (c) Non-GAAP reconciling items related to revenues consisted primarily of nonreportable segment revenues less intersegment eliminations. Non-GAAP reconciling items related to EBT consisted primarily of certain R&D expenses, SG&A expenses, other expenses or income, interest expense and certain investment income that are not allocated to segments for management reporting purposes; nonreportable segment results; and the elimination of intersegment profit.
- (d) The rapid, global spread of COVID-19 negatively impacted consumer demand for devices that incorporate our products and intellectual property, which negatively impacted our GAAP and Non-GAAP results in the second quarter of fiscal 2020. Our GAAP results were also negatively impacted by \$265 million, or (\$0.21) per share, in non-marketable investment impairments, resulting in part from the impacts of COVID-19.

Sums may not equal totals due to rounding.

Q2 FISCAL 2020 Supplemental Information and Reconciliations					
<i>(\$ in millions)</i>	GAAP Results	Less QSI	Less Share-Based Compensation	Less Other Items (a) (b)	Non-GAAP Results
Cost of revenues	\$2,297	\$3	\$9	\$77	\$2,208
Research and development expenses	1,468	—	220	(34)	1,282
Selling, general and administrative expenses	483	3	80	(28)	428
Other income	(23)	—	—	(23)	—
Interest expense	146	—	—	6	140
Investment and other (expense) income, net	(247)	(212)	—	(72)	37
Income tax expense (benefit)	130	—	(50)	10	170

- (a) Other items excluded from Non-GAAP results included \$85 million of acquisition-related charges, \$6 million of interest expense related to the 2018 and 2019 European Commission fines and a \$2 million charge related to restructuring-related activities, partially offset by a \$23 million gain related to a favorable legal settlement. Other items excluded from Non-GAAP results also included \$72 million of gains driven by the revaluation of our deferred compensation plan liabilities, which reduced operating expenses, offset by corresponding \$72 million of losses driven by the revaluation of the associated plan assets, which were included within investment and other (expense) income, net.
- (b) At fiscal year end, the quarterly tax provision for each column equals the annual tax provision for each column computed in accordance with GAAP. In interim quarters, the sum of these provisions may not equal the total GAAP tax provision, and this difference is included in the tax provision in the “Other Items” column. The tax expense in the “Other Items” column included a \$46 million foreign currency loss related to a noncurrent receivable related to our refund claim of Korean withholding taxes paid in prior periods, partially offset by a \$14 million tax benefit for the tax effect of acquisition-related charges, a \$12 million benefit to reconcile the tax provision of each column to the total GAAP tax provision for the quarter and a \$10 million tax benefit from the combined effect of other items in EBT.