05 Nov 2026 06:48:50 ET | 14 pages

Qualcomm Inc (QCOM.O)

Estimates Still Falling as Data Center Ramps and Apple Rolls Off

CITI'S TAKE

Qualcomm delivered a muted quarter, with Sep-Q sales/EPS (incl. SBC) 3%/2% vs. FactSet consensus and Dec-Q sales/EPS guidance 3%/-1% vs. consensus. QCOM guided Data Center revenue to exit FY27 at a ~$7B run rate (10% of FY27 sales), driven primarily by custom AI inference accelerators for two hyperscalers, including Amazon, followed by optical connectivity products, while Handset revenue is expected to decline ~28% YoY to ~$17B (39% of FY27 sales) given smartphone weakness and Apple insourcing. We lower F27/F28 EPS (incl. SBC) by 17%/12% and maintain our $175 TP, based on 22x F28 EPS (vs. prior 20x), reflecting accelerating Data Center growth.

Data Center ramp primarily driven by custom AI – Management guided Data Center revenue to exceed $650M in F1Q27, grow sequentially and exit FY27 at a ~$7B annualized run rate. Growth is being driven primarily by custom AI inference accelerators for two hyperscalers, including Amazon, followed by optical connectivity products.

Data Center gross margin dilutive – Data Center is gross margin dilutive but operating margin accretive. Management reiterated its ~$5B FY27 and >$15B FY29 Data Center revenue targets, driven by CPU and merchant AI accelerator ramps, while additional supply could provide upside.

Handset Outlook – We assume handset revenue to decline to ~$17B in FY27 from ~$24B in FY26 as Apple modem revenue falls to ~$1.5B-$1.6B. Excluding Apple, Android handset revenue is expected to remain roughly flat.

Android seasonality –Android follows its normal seasonal pattern, with Samsung Galaxy launches benefiting the March quarter, while March and June are typically softer due to China seasonality, Chinese New Year timing, and fewer flagship smartphone launches in the June quarter. Major flagship launches resume in the fall.

Connectivity Engagement & DC Silicon – We believe Qualcomm's custom silicon pipeline focuses on mainstream AI inference accelerators, while optical connectivity wins are based on PAM4 optical DSPs with the second connectivity win representing a standalone customer, not a custom ASIC customer. Moreover, progress on AI 250 high-bandwidth compute silicon is opening advanced customer engagements with large hyperscale prospects beyond initial design wins.

EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2026A	2.80A	1.94A	1.52A	1.46A	7.73A	10.54A	10.54A
2027E	**1.30E**	**1.37E**	**1.60E**	**1.78E**	**6.05E**	**9.97E**	**9.54E**
Previous	1.78E	1.72E	1.79E	1.99E	7.28E	na	na
2028E	**1.77E**	**1.84E**	**2.02E**	**2.21E**	**7.84E**	**12.79E**	**11.32E**
Previous	2.36E	1.89E	2.11E	2.51E	8.86E	na	na
2029E	**2.05E**	**2.10E**	**2.27E**	**2.45E**	**8.87E**	**17.16E**	**14.66E**
Previous	na	na	na	na	na	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.

Click here for Visible Alpha consensus data

Neutral

Price (04 Nov 26 16:00)	US$173.19
Target price	US$175.00
Expected share price return	1.0%
Expected dividend yield	2.1%
Expected total return	3.2%
Market Cap	US$185,313M

Price Performance
(RIC: QCOM.O, BB: QCOM US)



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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations



QCOM.O: Fiscal year end 30-Sep

Price: US$173.19; TP: US$175.00; Market Cap: US$185,313m; Recomm: Neutral

Profit & Loss (US$m)	2025	2026	2027E	2028E	2029E
Sales revenue	44,140	43,240	44,831	52,247	59,303
Cost of sales	-19,558	-19,936	-22,075	-25,601	-29,058
Gross profit	24,582	23,304	22,756	26,646	30,244
Gross Margin (%)	55.7	53.9	50.8	51.0	51.0
EBITDA (Adj)	**14,273**	**11,417**	**9,019**	**11,265**	**12,040**
EBITDA Margin (Adj) (%)	32.3	26.4	20.1	21.6	20.3
Depreciation	-1,602	-1,630	-1,712	-1,712	-1,205
Amortisation	0	0	0	0	0
EBIT (Adj)	**12,671**	**9,787**	**7,307**	**9,553**	**10,835**
EBIT Margin (Adj) (%)	28.7	22.6	16.3	18.3	18.3
Net interest	0	0	0	0	0
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	3	-262	200	200	200
Pre-tax profit	**12,674**	**9,525**	**7,507**	**9,753**	**11,035**
Tax	-1,543	-1,227	-976	-1,365	-1,545
Extraord./Min.Int./Pref.div.	-5,590	5,329	-500	-500	-500
Reported net profit	**5,541**	**13,627**	**6,032**	**7,888**	**8,990**
Net Margin (%)	12.6	31.5	13.5	15.1	15.2
Core NPAT	11,131	8,298	6,532	8,388	9,490

Per share data	2025	2026	2027E	2028E	2029E
Reported EPS ($)	5.01	12.70	5.58	7.37	8.40
Core EPS ($)	10.07	7.73	6.05	7.84	8.87
DPS ($)	3.48	3.62	3.96	3.96	3.96
CFPS ($)	12.68	10.38	10.27	11.17	11.71
FCFPS ($)	11.60	8.06	9.02	9.71	9.81
BVPS ($)	19.35	28.58	27.97	30.13	30.10
Wtd avg ord shares (m)	1,096	1,064	1,069	1,059	1,059
Wtd avg diluted shares (m)	1,105	1,073	1,080	1,070	1,070

Growth rates	2025	2026	2027E	2028E	2029E
Sales revenue (%)	13.3	-2.0	3.7	16.5	13.5
EBIT (Adj) (%)	18.7	-22.8	-25.3	30.7	13.4
Core NPAT (%)	16.4	-25.5	-21.3	28.4	13.2
Core EPS (%)	19.0	-23.2	-21.8	29.6	13.2

Balance Sheet (US$m)	2025	2026	2027E	2028E	2029E
Cash & cash equiv.	12,478	7,681	7,062	7,198	5,654
Accounts receivables	4,315	4,199	4,827	5,752	6,250
Inventory	6,526	8,640	8,810	10,534	11,453
Net fixed & other tangibles	11,883	20,258	19,891	19,746	20,176
Goodwill & intangibles	12,506	18,299	18,299	18,299	18,299
Financial & other assets	2,435	1,752	1,752	1,752	1,752
Total assets	**50,143**	**60,829**	**60,640**	**63,281**	**63,585**
Accounts payable	2,791	3,056	3,364	3,999	4,342
Short-term debt	0	2,492	2,492	2,492	2,492
Long-term debt	14,811	12,620	12,620	12,620	12,620
Provisions & other liab	11,335	12,260	12,260	12,260	12,260
Total liabilities	**28,937**	**30,428**	**30,736**	**31,371**	**31,714**
Shareholders' equity	21,206	30,401	29,904	31,911	31,871
Minority interests	0	0	0	0	0
Total equity	**21,206**	**30,401**	**29,904**	**31,911**	**31,871**
Net debt (Adj)	**2,333**	**7,431**	**8,050**	**7,914**	**9,458**
Net debt to equity (Adj) (%)	11.0	24.4	26.9	24.8	29.7

Valuation ratios	2025	2026	2027E	2028E	2029E
PE (x)	17.2	22.4	28.6	22.1	19.5
PB (x)	9.0	6.1	6.2	5.7	5.8
EV/EBITDA (x)	13.1	16.7	21.4	17.2	16.1
FCF yield (%)	6.7	4.7	5.2	5.6	5.7
Dividend yield (%)	2.0	2.1	2.3	2.3	2.3
Payout ratio (%)	35	47	65	51	45
ROE (%)	23.3	52.8	20.0	25.5	28.2

Cashflow (US$m)	2025	2026	2027E	2028E	2029E
EBITDA	14,273	11,417	9,019	11,265	12,040
Working capital	414	-765	-489	-2,015	-1,443
Other	-675	493	2,560	2,707	1,930
Operating cashflow	**14,012**	**11,145**	**11,090**	**11,957**	**12,528**
Capex	-1,192	-2,494	-1,345	-1,567	-2,028
Net acq/disposals	318	381	-16	-16	-461
Other	74	74	0	0	56
Investing cashflow	**-800**	**-2,039**	**-1,361**	**-1,583**	**-2,433**
Dividends paid	-3,805	-3,854	-4,277	-4,237	-3,927
Financing cashflow	**-13,196**	**-12,295**	**-10,277**	**-10,237**	**-12,010**
Net change in cash	**-6**	**-3,207**	**-547**	**136**	**-1,937**
Free cashflow to s/holders	**12,820**	**8,651**	**9,746**	**10,390**	**10,500**

For definitions of the items in this table, please click here.

FQ4 Earnings Recap

Cellular Infrastructure & SpaceX Deal – Qualcomm partnership with SpaceX to power Starlink Mobile's nationwide terrestrial 5G network in IoT segment, with commercial deployments starting in 2027. **Revenue contribution layering on in FY28 as incremental growth above baseline QCT**. Under the agreement, Qualcomm is supplying full-stack cellular infrastructure content, radio units, AI-accelerated baseband/digital unit processors, and software—establishing a strategic foothold in next-generation terrestrial and satellite infrastructure.

Automotive exiting FY26 ahead of expectations – Automotive reached an ~$8B annualized revenue run rate exiting FY26, roughly $1B ahead of prior expectations, driven by increasing content and adoption of Qualcomm's fifth-generation Digital Chassis platform.

Handset market flat to down slightly in 2027 – Qualcomm expects global handset units to be flat to slightly down in CY27 after a low-teens to mid-teens % YoY decline in 2026. China Android revenue bottomed in the June quarter and is expected to improve sequentially through FY27.

Samsung share – Management said Qualcomm's Samsung share has risen from a historical ~50% level to north of 70%, supported by broader Snapdragon adoption across Samsung flagship devices.

F27 modeling – We expect FY27 non-handset revenue of $21B-$22B across Auto, IoT, and Data Center (>60% YoY growth), more than offsetting handset weakness, with handset revenue declining to ~$17B and total revenue reaching $44B-$44.5B. Management clarified that the 300bp headwind to December-quarter QCT EBT margin guidance (20%-22%) reflects an internal OpEx reclassification from moving Data Center out of "Other" and into QCT and is neutral at the corporate level. Management guided F1Q27 OpEx to $2.8B, with a MSD% QoQ increase in the March quarter driven by annual compensation resets, implying full-year non-GAAP OpEx in the high-$11B range (ex-SBC).

Figure 1. F4Q26 Segment Results vs Consensus

		4Q26			
	% of Sales	Actual	Citi	Cons	Delta
QCT	**85%**	**9,015.0**	**8,704.5**	**8,704.2**	**BEAT**
Handset	49%	5,137.0	5,200.3	5,199.8	MISS
Auto	19%	1,990.0	1,691.8	1,685.5	BEAT
IOT	18%	1,888.0	1,812.4	1,803.0	BEAT
QTL	**15%**	**1,553.1**	**1,310.4**	**1,299.0**	**BEAT**

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Source: Citi Research, FactSet

Figure 2. F4Q26 and F1Q27 Estimate Changes

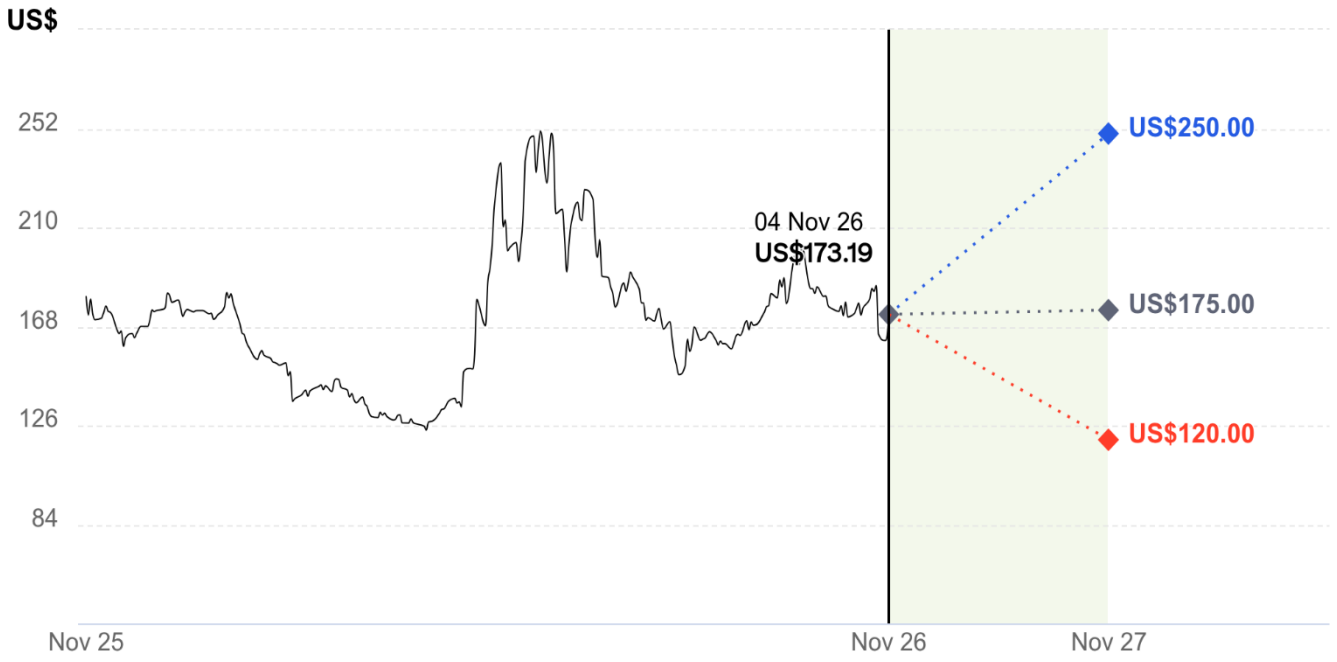
QCOM	New	Old		New	Old	
FY end: Sep.	**F4Q26**	**F4Q26E**	**Delta**	**F1Q27E**	**F1Q27E**	**Delta**
Total Revenue	**10,442.0**	**10,100.0**	**3%**	**10,801.1**	**10,800.0**	**0%**
% Change Y/Y	-7.3%	-10.4%		-11.8%	-11.9%	
% Change Q/Q	5.0%	1.5%		3.4%	6.9%	
Gross Margins (inc. SBC)	**52.2%**	**53.0%**	**-83 bps**	**50.0%**	**53.0%**	**-300 bps**
SG&A	898.0	919.1	-2%	972.1	918.0	6%
% Total Revenue	8.6%	9.1%	-50 bps	9.0%	8.5%	50 bps
R&D	2,654.0	2,580.6	3%	2,862.3	2,646.0	8%
% Total Revenue	25.4%	25.6%	-13 bps	26.5%	24.5%	200 bps
Operating Income	1896.0	1853.4	2%	1566.2	2160.0	-27%
Operating Margins (inc. SBC)	**18.2%**	**18.4%**	**-19 bps**	**14.5%**	**20.0%**	**-550 bps**
Tax Rate	12.8%	13.0%	-23 bps	13.0%	14.0%	-100 bps
Net Income	1,564.0	1,690.7	-7%	1,406.1	1,900.6	-26%
Diluted Shares	1,073.0	1,080.0	-1%	1,080.0	1,070.0	1%
Proforma EPS Incl. Options	**$1.46**	**$1.57**	**-7%**	**$1.30**	**$1.78**	**-27%**
% Change Y/Y	-43.1%	-38.9%		-53.5%	-36.6%	
% Change Q/Q	-4.3%	2.8%		-10.7%	13.5%	
Proforma EPS Excl. Options	**$2.17**	**$2.20**	**-1%**	**$2.29**	**$2.45**	**-6%**
% Change Y/Y	-19.6%	-20.3%		-20.7%	-27.6%	
% Change Q/Q	-16.1%	-16.8%		7.0%	-1.4%	

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Source: Citi Research

Bull/Bear: Qualcomm Inc (QCOM.O)

US$ 250.00 ▲44% Upside | US$ 175.00 ▲1.0% Upside | US$ 120.00 ▼31% Downside



Spread 75pp
Current Price and expected returns (upside/downside) as of 04 Nov 2026

BULL Assumptions

- Share Gains in Data Center
- Handset unit recovery in F27

BASE Assumptions

- Handset unit decline in F26
- Gains share in Automotive

BEAR Assumptions

- Handset Share Loss
- Margin Pressure

Qualcomm Inc

Company description

Qualcomm Incorporated (QCOM) is a supplier of digital integrated circuits and IP. The company's products are used in primarily in the handset end market for applications such as smartphones, tablets, automotive, industrial, and connectivity devices. Based in San Diego, California, Qualcomm has roughly 53,000 employees worldwide. The company's two largest customers, Apple and Samsung, combine for roughly 40% of sales.

Investment strategy

We are Neutral-rated on Qualcomm shares due to high ~70% handset end market sales exposure with limited unit and $ content growth drivers in 2026/27.

Valuation

We set our target price at $175, based on 22x F28E EPS above its 3-year historical average to reflect a premium for improving data center traction and visibility.

Risks

Risks to the shares achieving our target price include the following.

Handset end market: Qualcomm derives over 70% of sales from the handset end market. Therefore, any major uptick/downtick in handset sales could result in upside/downside to our estimates and target price for Qualcomm.

Customer: Qualcomm derives roughly 40% of sales from Apple and Samsung. Therefore, any design wins/losses or higher/lower Apple and/or Samsung handset sales could result upside/downside to our estimates and target price for Qualcomm.

Regulatory: Qualcomm derives roughly 13% of sales from licensing and royalties. Therefore, any major litigation or changes in intellectual property regulation could result in downside to our estimates and target price for Qualcomm.

Competition: Qualcomm competes with other chip suppliers. The company also competes with internally designed solutions from Apple and Samsung. Consequently, any gain/loss of market share could result in upside/downside risk to our estimates and target price to Qualcomm.

Macroeconomic: Qualcomm's geographic exposure spans multiple geographies including the U.S., Europe, and Asia. As a result, any prolonged macroeconomic downturn/upturn could result in downside/upside to our estimates and target price.