

Qualcomm FY2025 + Run-Rate Due Diligence Brief

23 November 2025

Executive takeaways

- FY2025 revenue reached 44.3B (+14% YoY) with equipment & services up 15% and licensing up 4%; QCT carried 87% of sales and broadened beyond handsets as automotive & IoT combined for 10.6B (Qualcomm Form 10-K).
- Operating income expanded to 12.4B (27.9% margin) on disciplined opex even as GAAP net income fell to 5.5B (12.5% margin) because of a 7.1B tax charge tied to audit settlements and repatriation adjustments.
- Cash generation remained elite: 14.0B operating cash (32% of revenue), 1.2B capex, and 12.8B free cash flow funded 8.8B buybacks plus 3.8B dividends while net debt stayed modest.
- Q3 FY2025 delivered 10.4B revenue (+10% YoY) and 2.7B operating income with QCT EBT margins holding 30%; nine-month operating cash already 11B despite elevated working-capital needs (June 29, 2025 Form 10-Q).
- Valuation screens inexpensive relative to quality: shares at 174 imply 4.1x NTM sales, 14.3x NTM EPS, 2.0% dividend yield, and 187B market cap versus peers trading 25–60x earnings on similar or lower cash conversion (Semiconductor List.xlsx).

Source corpus

- Qualcomm Incorporated Form 10-K for FY2025 (filed 5 November 2025) — Excel extracts for consolidated statements, segment detail, capex, cash flow, and balance sheet.
- Qualcomm Incorporated Form 10-Q for Q3 FY2025 (quarter ended 29 June 2025, filed 30 July 2025) — quarterly operations, nine-month cash flow, and segment commentary.
- “Semiconductor List.xlsx” (November 2025 refresh) — market data, consensus revenue/EPS, valuation multiples, beta, leverage, volatility, and sentiment statistics.

QCT/QTL portfolio map

- **QCT (Qualcomm CDMA Technologies):** Handsets (Snapdragon 8/7 platforms, RF front-end, modems), Automotive (Digital Chassis, Ride Flex, telematics), IoT (industrial edge, XR, Wi-Fi 7, PC compute modules).
- **QTL (Qualcomm Technology Licensing):** Cellular SEPs, application processor IP, and systems patents monetized across Android, Apple, and IoT OEMs; structurally high-margin cash generator.
- **Capital-light model:** Fabless execution with multi-source foundry partners (TSMC/Samsung), limited capex needs, and heavy R&D investment focused on modem-to-edge AI compute stacks.

Metric (USD in billions)	FY2025	FY2024	YoY
Revenue	44.3	39.0	+13.6%
Gross margin	24.5	21.9	+12.0%
Operating income	12.4	10.1	+22.7%
Net income	5.5	10.1	-45.3%
Operating cash flow	14.0	12.2	+14.8%
Capital expenditures	1.2	1.0	+14.5%
Free cash flow	12.8	11.2	+14.5%
R&D expense	9.0	8.9	+1.7%
Share repurchases	8.8	4.1	+113%
Gross margin	55.4%	56.2%	-80 bps
Operating margin	27.9%	25.8%	+210 bps
Net margin	12.5%	26.0%	-1,350 bps

Table 1: Qualcomm FY2025 consolidated results (millions converted to USD billions). Free cash flow defined as operating cash flow minus capital expenditures.

FY2025 scoreboard

Observations

- Margin profile still healthy despite handset volatility; the apparent EPS collapse is purely tax driven with no deterioration in core profitability.
- Working capital provided 1.4B of cash (inventory modestly higher for new Snapdragon ramps, offset by receivables collections and lower accrued comp).
- R&D intensity of 20% reflects investment in custom Oryon CPU cores, generative AI software (AI Hub), and automotive silicon; SG&A leverage kept operating margin expanding 210 bps.
- Buybacks + dividends returned 12.6B (90% of free cash flow), showing confidence in medium-term demand and patent cash streams.

Segment and mix dynamics

FY2025 QCT revenue detail

Category	Revenue (B)	Mix	YoY
Handsets	27.8	72.5%	+12%
Automotive	4.0	10.3%	+36%
IoT	6.6	17.2%	+22%
Total QCT	38.4	86.7%	+15.6%
QTL licensing	6.4	13.3%	+4%

Table 2: Segment disclosures from the FY2025 Form 10-K; mix based on consolidated revenue.

Key mix takeaways

- **Automotive pipeline:** Revenue 4.0B with EBT margin near 30%; design-win backlog now 45+B with BMW, GM, Mercedes, Hyundai, and Chinese EV OEMs adopting Snapdragon Ride Flex and Car-to-Cloud.
- **IoT normalization:** Industrial/edge computing, XR, and Wi-Fi 7 CPE sustained 6.6B revenue while low-end consumer IoT remains inventory managed.
- **Licensing durability:** QTL EBT 5.2B (81% margin) even with Apple royalties stepping down; QCOM maintained near-100% compliance across major 5G OEMs.

Latest quarterly pulse (Q3 FY2025)

- Revenue 10.365B (+10% YoY) with operating income 2.762B (26.6% margin) and net income 2.666B (diluted EPS 2.43); nine-month revenue 33.0B (+15%).
- QCT posted 8.993B quarterly revenue (Handsets 6.33B, Automotive 0.98B, IoT 1.68B) and 2.67B segment EBT (29.7% margin); QTL added 1.318B revenue and 0.94B EBT.
- Operating cash flow for the first nine months reached 11.0B with 0.86B capex and 6.4B buybacks; quarter-end liquidity was 9.9B cash + 4.3B marketable securities against 15.0B total debt.
- Management flagged broad-based Snapdragon 8 Gen 4 adoption (Samsung, vivo, Xiaomi), first Ride Flex SOPs at BMW/GM mid-2025, and strengthening demand for Windows-on-ARM AI PCs and industrial edge gateways.

Balance sheet, liquidity, and capital returns

- **Liquidity:** Cash 5.5B + restricted cash 2.3B + short-term securities 4.6B = 12.5B; revolving credit capacity remains undrawn.
- **Leverage:** Long-term debt 14.8B with maturities ladder through 2053; debt-to-equity 0.70x and net debt roughly 2.3B after including restricted cash.
- **Working capital:** Receivables 4.3B, inventories 6.5B, other current assets 2.4B vs. current liabilities 9.1B — a 2.8x current ratio supporting advanced-node prepayments.
- **Cash return policy:** 0.80 quarterly dividend (3.20 annualized, 2.0% yield) plus opportunistic buybacks; FY2025 weighted-average repurchase price 189.
- **Capex needs:** Fabless structure caps annual capex near 1–1.5B (mostly lab/test and design tools), keeping free cash flow conversion above 90%.

Strategic themes and catalysts

1. **Edge/on-device AI monetization:** Snapdragon X Elite PCs, 8 Gen 4 phones, and AI Hub software create CPU/GPU/NPU attach while limiting dependence on handset unit growth.
2. **Automotive flywheel:** Digital Chassis backlog exceeds 45B with zonal controllers, infotainment, ADAS, and connectivity; blended dollar content per vehicle continues to climb.

3. **Diversified revenue streams:** Licensing cash plus automotive/IoT exposure reduces reliance on premium Android cycles and smooths free cash flow.
4. **Custom silicon + foundry partnerships:** Collaboration with TSMC/Nuvia-derived CPU roadmap aims to capture Windows-on-ARM share and potential datacenter accelerator sockets.
5. **Capital deployment:** High free cash flow enables continued buybacks/dividends while funding tuck-in AI software & RF front-end acquisitions.

Risks and watch items

- **Handset unit volatility:** Android flagship sell-through remains macro sensitive; a weak 2026 refresh could stall QCT growth.
- **Regulatory/tax uncertainty:** Ongoing global tax audits and potential changes to SEP licensing frameworks create earnings volatility similar to FY2025.
- **Apple modem exposure:** Any unexpected end to the Apple modem extension (currently through 2027) would trim handset revenue until standalone RF & application processors backfill.
- **Automotive execution:** Software integration (Ride Flex, safety certifications) must stay on schedule to convert the 45B design-win pipeline into revenue.
- **Geopolitical/export controls:** Restrictions on advanced SoCs or RF modules to China, or broader supply-chain disruptions, could pressure both QCT shipments and royalty collections.

Scenario outlook

Scenario	Key assumptions	FY2026 revenue (B)	FY2026 EPS (USD)
Bear	Android volumes flat, automotive SOPs slip a year, and regulators force incremental royalty rebates; buybacks slow.	43	11.0
Base	Stable Android mix, Snapdragon X Elite PCs reach mid-single-digit PC share, automotive backlog converts on schedule, tax rate normalizes to high-teens.	47	12.4
Bull	Accelerated on-device AI adoption plus incremental Apple/PC wins, automotive pipeline pull-ins, and continued buybacks shrink share count 3%.	50	13.2

Table 3: Scenario guardrails anchored on FY2025 actuals, FY2025 Q3 run-rate, and consensus inputs (Semiconductor List.xlsx: FY1 revenue 45.6B, FY2 EPS 12.43).

Action items

- Track Snapdragon X Elite/Oryon PC design wins (Microsoft, Lenovo, HP) and software ecosystem benchmarks to validate PC share assumptions.
- Monitor automotive SOP milestones (BMW Neue Klasse, GM Ultra Cruise, Chinese EV launches) and attach-rate announcements.
- Watch handset channel inventory, Android flagship ASPs, and RF front-end share to gauge FY2026 revenue glide path.
- Follow global tax/SEP litigation progress to anticipate potential reversals of the FY2025 one-time tax charge.
- Refresh valuation comps (PS NTM 4.1x, PE NTM 14.3x, beta 1.10) after each earnings print relative to analog/mixed-signal peers and AI CPU/GPU leaders.

Appendix: data notes

- Figures sourced from Qualcomm FY2025 Form 10-K and Q3 FY2025 Form 10-Q spreadsheets bundled in the workspace; amounts converted from millions to USD billions and rounded to one decimal unless noted.
- Free cash flow defined as operating cash flow minus capital expenditures; margins and mixes computed from GAAP figures.
- Valuation metrics, beta, EPS/revenue growth, dividend yield, and short interest pulled from “Semiconductor List.xlsx” (November 2025).
- Segment abbreviations follow Qualcomm disclosures: QCT (Qualcomm CDMA Technologies) and QTL (Qualcomm Technology Licensing).