Thank you, Brent, and good afternoon everyone. Today's call will include prepared remarks by Steve Mollenkopf, Derek Aberle and George Davis. In addition, Cristiano Amon and Don Rosenberg will join the question-and-answer session. You can access our earnings release and an executive presentation that accompany this call on our investor relations website. This call is also being webcast on qualcomm.com and a replay will be available on the website later today.

During this conference call we will use non-GAAP financial measures as defined in Regulation G and you can find the related reconciliations to GAAP on our website. In addition, we will be making forward-looking statements, including projections and estimates of future events, business, or industry trends, or our business or financial results. Actual events or results could differ materially from those projected in the forward-looking statements. Please refer to our SEC filings including our most recent 10-K which contain important factors that could cause actual results to differ materially from the forward-looking statements.

And now to comments from QUALCOMM's Chief Executive Officer, Steven Mollenkopf.

Steven M. Mollenkopf - QUALCOMM, Inc.

Thank you, John, and good afternoon, everyone. We delivered strong results this quarter with better than expected earnings per share reflecting continued disciplined execution on the strategy we outlined last year. We had a very productive year. QCT delivered the improved operating margin target we set last year and QTL made additional progress on new license agreements in China.

Last week, we announced our agreement to acquire an NXP, an established global leader in industrial grade computing, security, sensors, RF, and networking. The proposed NXP acquisition accelerates our strategy in growth areas with complementary and world-class technology, products, customer relationships, and strong sales channels across automotive, IoT, security and networking.

Our strategy and disciplined execution has put us in an excellent position to maintain our leading position in mobile, and strengthen it into the next wave of growth. And we continue to invest in technology leadership just as we led each mobile technology transition from 2G to 3G, 3G to 4G LTE, we are leading the way to 5G. Further, 5G will be the communications fabric for our emerging hyper-connected world.

In our licensing business, we continue to execute well as we enable the industry to benefit from the tremendous opportunities around the world, including in China. We have now signed license agreements with nine of the top 10 largest Chinese OEMs according to calendar second quarter 2016 global IDC data. We expect to continue to sign additional licenses with Chinese OEMs and increase the level of compliance throughout fiscal 2017.

Looking ahead we are very excited about the future. We have spent the last 30 years interconnecting people. We will spend the next 30 years interconnecting their worlds by building on our mobile technology leadership in advanced computing, connectivity and communications systems. Our priority growth segments, IoT, automotive and networking, are being transformed by mobile technologies and our proposed acquisition of NXP and our 5G leadership further accelerates our positions in these segments.

As evidenced by our fiscal fourth quarter results, we continue to drive operational and financial discipline to execute on our strategy to create a competitive cost structure, and we continue to focus our investments in new growth areas. As we've executed this strategy to drive profitable growth, we've maintained our strong balance sheet and commitment to attractive capital returns, returning $6.9 billion to stockholders this fiscal year and $21 billion over the last two years. We believe we are on a path to build QUALCOMM into the semiconductor engine for the connected world.

Turning to our QCT business, we continue to invest to lead the industry. In the premium tier, the Snapdragon 820 is in more than 150 smartphone and tablet designs, including iconic devices such as the Samsung Galaxy 7 and 7 Edge, the Xiaomi Mi 5, and the LG G5, and this past quarter we announced the follow-on Snapdragon 821 that was recently launched in Google's Pixel.

In October, we hosted our annual 4G/5G Summit in Hong Kong, where we announced new products in the high and mid-tier segments with the Snapdragon 653, Snapdragon 626, and Snapdragon 427, designed for enhanced experiences and improved connectivity. All three processors feature the X9 LTE modem capable of 300 megabits per second on the downlink and 150 megabits per second on the uplink.

We continue to extend our modem leadership across tiers and lead the industry to 5G. Our Snapdragon X12 LTE modem with features such as carrier aggregation, 4x4 MIMO, and 256-QAM modulation is capable of supporting 600 megabits per second on the downlink. Recently T-Mobile launched the first 4x4 MIMO technology service with the Galaxy S7 and S7 Edge and has publicly talked about plans for implementing 256-QAM in the near future. SKT and Telstra have launched similar capabilities, and we expect to soon see other operators do the same.

In February, we announced our Snapdragon X16 modem, capable of gigabit class LTE speeds, and we recently announced the world's first gigabit class LTE mobile device and gigabit-ready network in collaboration with Telstra, Ericsson and NETGEAR. This modem also includes support for LAA, the global standard for deploying LTE in unlicensed spectrum. The FCC recently began issuing equipment authorizations for LAA, and we received the first.

We also recently announced our first 5G modem, which will support early 5G trials and deployments. The Snapdragon X50 5G modem is designed to support peak download speeds of up to 5 gigabits per second and will initially support 28 gigahertz millimeter wave spectrum. The first 5G commercial products that will integrate the Snapdragon X55G modem are expected to be available during the first half of 2018.

In addition, QUALCOMM is accelerating the path to 5GNR, the global 5G standard for a 5G new radio standardized by 3GPP. 5GNR is expected to not only enhance mobile broadband services but also enable conductivity and management for the Internet of Things and new types of mission-critical services.

In January we announced our planned joint venture with TDK to enable delivery of RF front-end modules and RF filters into fully integrated systems for mobile devices and IoT. The joint venture will draw upon TDK's capabilities in micro-acoustic RF filtering, packaging and module integration technologies and our expertise in advanced wireless technologies to serve customers with leading-edge RF solutions into fully integrated systems.

In our adjacent businesses, fiscal 2016 revenues were up more than 40% year-over-year driven by growth in auto, networking and the addition of the CSR business. For IoT, we are leveraging our leadership in both connectivity and computing to deliver platforms to help accelerate adoption across multiple device types. We now offer over 25 platforms that help manufacturers quickly and cost-effectively deliver IoT products including the Snapdragon VR 820 virtual reality reference platform, and a suite of connected camera solutions.

Smartwatches using Snapdragon Wear processors continue to be launched or announced, and drones using our Snapdragon flight platform are already commercially available in the U.S. and China ahead of the holiday season.

There is also an increasing trend to use LTE connectivity for IoT. Building off the 100 plus designs we announced in June using the MDM 9x07 modems, we have recent traction among many ecosystem players where the MDM9206 category MB1 modems featuring a purpose-built design for IoT, with lower power consumption and longer-range connectivity than previous

LTE generations. We are broadening distribution of Snapdragon processors with two announced parts, the 410E and 600E, available globally by third-party distributors.

In automotive, we expanded our design win momentum with global automakers across telematics, connectivity, and infotainment. We maintain our position as the leading supplier of modems for telematics, benefiting from increased cellular attach rates in cars and the transition to 4G LTE vehicle solutions. And with the pending addition of the NXP business, we will have the breadth of technology and products to capture even more of the opportunity in these rapidly growing adjacent areas.

To summarize, fiscal 2016 has been a very productive year for QUALCOMM. Our strong results this quarter reflect the progress on our strategy and disciplined execution for technology leadership in mobile and new growth areas. We are excited about the future as we continue to build QUALCOMM as the semiconductor engine for the connected world. I would now like to turn the call over to Derek.

Derek K. Aberle - QUALCOMM, Inc.

Thank you, Steve, and good afternoon everyone. As Steve noted, QTL had a strong fiscal fourth quarter. Revenues were $1.9 billion, and total reported device sales were $74.2 billion, driven primarily by the conclusion of key license agreements in China as well as stronger than expected 3G/4G device ASPs. QTL revenue for the fiscal fourth quarter was higher than our prior guidance based on the timing of concluding a key new license agreement in China.

Total reported device sales in the fiscal fourth quarter were also above our prior guidance with reported 3G/4G device shipments at a record 403 million units and ASPs at $184. QTL continues to make good progress in China, both in terms of signing new license agreements and collecting catch-up amounts for prior period sales.

In our fiscal fourth quarter, we completed new agreements with both vivo and OPPO and recorded catch-up revenues related to prior quarter sales, including a significant amount for prior period 3-mode sales. The externally implied royalty rate in the fiscal fourth quarter was approximately 2.5%, reflecting the impact of the catch-up amounts in the quarter, which included significant royalties from 3-mode device shipments and other device shipments in China.

In fiscal 2016, QTL revenues were $7.66 billion, with total reported device sales of $267.4 billion, reflecting continued handset growth, particularly at

Chinese OEMs, and catch-up amounts for prior period sales. The externally implied royalty rate for fiscal 2016 was approximately 2.9%, as expected.

Excluding catch-up amounts related to sales prior to fiscal 2016, the multi-year amortization from the agreement that expired after the first quarter of fiscal 2016, as well as the acceleration of the license fees for the terminated infrastructure agreement we previously disclosed, we estimate that fiscal year 2016 QTL revenues would have been approximately $7.2 billion. We estimate that we collected royalties on approximately 73% of both 3-mode and non 3-mode Chinese OEM global device sales in fiscal 2016.

As discussed last quarter, we initiated litigation against Meizu in order to protect our rights, and equally importantly, to prevent Meizu from continuing to compete unfairly against our other licensees that are respectful of intellectual property rights and have entered into license agreements with QUALCOMM, consistent with resolution we reached with the NDRC. In June, we filed complaints against Meizu in the intellectual property courts in both Beijing and Shanghai, China, and last month we filed a complaint with the United States ITC, a patent infringement action in Germany and an infringement seizure action in France.

Regarding the Korea Fair Trade Commission investigation of our licensing practices, we have submitted an extensive response to the case team's report and are currently in the hearing phase with the commissioners. We have been providing further responses to the case team's report.

Turning to our expectations for global 3G/4G device shipments, in calendar 2016 we estimate 1.625 billion to 1.725 billion devices will be shipped, consistent with our prior forecast, with year-over-year unit growth of approximately 8% at the midpoint. We continue to see a strong 4G ramp in China as each of the operators pursues aggressive subscriber growth targets with their 4G plus service offerings, and design momentum continues to drive an increasing percentage of all mode devices across China.

We estimate that the global ASP for handsets shipped during our fiscal 2016 was approximately $185, reflecting an annual decline of approximately 6%, which is in line with our prior forecast. As we expected, the year-over-year handset ASP erosion moderated significantly in fiscal 2016 to approximately half of the rate we experienced during fiscal 2015.

Looking ahead to calendar 2017, we expect continued year-over-year 3G/4G device shipment growth. We estimate 1.75 billion to 1.85 billion devices will be shipped during calendar 2017, with year-over-year unit growth of approximately 7% at the midpoint. We forecast healthy 3G/4G handset shipment growth to continue in calendar 2017, driven primarily by emerging regions, particularly in India.

We expect that the annual erosion in the ASP for handsets shipped during fiscal 2017 will further moderate as compared to fiscal 2016, driving mid single digit year-over-year global handset sales growth.

We expect strong growth in 3G/4G connected IoT device shipments in calendar 2017, driven by the increasing demands of industrial and commercial applications within the smart cities, connected home, wearables and consumer electronic segments. Additionally, several of the world's largest cellular providers are expected to launch commercial operations of scalable narrowband LTE platforms in the coming year.

To summarize, we are pleased with the progress we are making in China and continue to see favorable trends for global 3G/4G device sales. We're focused on concluding additional licensing agreements and improving compliance in fiscal 2017.

That concludes my comments, and I will now turn the call over to George.

George S. Davis - QUALCOMM, Inc.

Thank you, Derek, and good afternoon everyone. I will begin with comments on our fiscal fourth quarter and 2016 results, followed by our first fiscal quarter of 2017 guidance and some perspective on 2017 overall.

In our fiscal fourth quarter, we delivered revenues of $6.2 billion and non-GAAP earnings per share of $1.28. Our performance was strong in both QTL and QCT relative to expectations. The incremental EPS results that were above the high end of our guidance range were largely driven by the new license agreements and related catch-up payments Derek described along with stronger-than-expected performance in our investment portfolio.

In QTL, in addition to the new licenses and related catch-up, stronger-than-expected 3G/4G device ASPs also contributed to the above expectation TRDS results.

QCT had revenues of $4.1 billion, reflecting MSM shipments modestly above the midpoint of expectations, driven by higher demand in thin modems and from OEMs in China. Revenue per MSM was modestly higher sequentially, primarily due to growth in adjacent businesses.

Non-GAAP combined R&D and SG&A expenses were down 3% sequentially, as expected, on cost controls and spending reductions under our strategic realignment plan.

During the fiscal fourth quarter, we returned $1 billion to stockholders including approximately $780 million of dividends paid and $225 million in share repurchases. For the full year in 2016, we returned just over 100% of free cash flow to our stockholders on share repurchases of $3.9 billion and dividends of $3 billion.

Our goals for fiscal 2016 were designed to improve our cost structure while repositioning the company to capture the next phase of growth. We set three primary guidance points for 2016 as a result. First, we committed to making significant progress on signing new licenses under the approved terms in China, and provided a revenue target range of $7.3 billion to $8 billion for QTL. We executed well on that plan by signing key license agreements with leading Chinese OEMs and delivered approximately $7.66 billion in revenue in the year.

Second, we set an ambitious $1.4 billion spending reduction program which was comprised of $1.1 billion in savings and operating expenses, and engineering costs and COGS, and a $300 million reduction in the annual grant of share-based compensation. The program was fully realized by the end of fiscal 2016. A comparison of the program reductions against the SRP baseline is found on our website and our quarterly investor deck.

Finally, we targeted to exit fiscal 2016 with a minimum of 16% or better operating margin in QCT for the fourth quarter, which was met as we reported 16.6% in that quarter.

Let's now turn to our financial outlook for the first quarter of fiscal 2017. We estimate fiscal fourth quarter revenues to be in the range of approximately $5.7 billion to $6.5 billion, down approximately 1% sequentially at the midpoint. We estimate non-GAAP earnings per share to be approximately $1.12 to $1.22 per share, down 9% sequentially at the midpoint. We anticipate fiscal first quarter non-GAAP combined R&D and SG&A expenses to be approximately flat sequentially.

In QTL, we expect total reported device sales of approximately $58 billion to $66 billion in the first quarter, down approximately 16% sequentially at the midpoint, primarily as a result of the timing of signing new license agreements and related catch-up payments recorded in the fiscal 2016 fourth quarter.

In QCT, we expect approximately 205 million to 225 million MSM chip shipments for the fiscal first quarter, up 2% sequentially and reflecting seasonally strong demand, primarily from OEMs in China across a broad range of products. Share loss at a large thin modem customer is expected to moderate the normally strong seasonal MSM shipment trend in the December quarter.

We expect QCTs operating margin percentage to be within approximately 100 basis points of the fourth fiscal quarter. Both of our businesses are seeing a modest impact in their outlook for the quarter as a result of a major customer's product launch challenges.

Turning to 2017, we are providing selective guidance points for the year. We're estimating mid single digit percentage growth for global 3G/4G handset sales for fiscal 2017, and 7% growth at the midpoint in calendar year 2017 3G/4G global device shipments, as Derek described. Consistent with last fiscal year and aligned with our semiconductor and large-cap tech peers, we are not providing fiscal year revenue or earnings per share guidance.

We estimate our non-GAAP fiscal 2017 tax rate to be approximately 18%. As we discussed last week when we announce the proposed acquisition of NXP, we are modifying our capital return program ahead of the expected close of the transaction later in calendar 2017. However, we remain firmly committed to our current dividend program and to continuing to grow our dividend in the future.

We are also committed to share repurchases at a level that at least offsets dilution. Depending on the level of stock option exercises by our employees, we could return close to 75% of free cash flow to shareholders during fiscal 2017 as our outstanding stock options have approximately two years on average remaining on their lives.

We expect to delever quickly after the NXP transaction is closed, providing a strong foundation for future capital returns and enabling us to approach our pre-transaction leverage ratios within two years of transaction close.

That concludes my comments, I will now turn the call back to John.

John T. Sinnott - QUALCOMM, Inc.

Thank you, George. Operator, we are ready for questions.

Question-and-Answer Session

Operator

Your first question comes from the line of Mike Walkley with Canaccord Genuity. Please go ahead.

T. Michael Walkley - Canaccord Genuity, Inc.

Great. Thank you. I guess I'll focus the question on the QCT segment with a nice increase in the revenue per MSM. Is this just mainly just stepping up a higher mix within the Chinese smartphone market? And then can you help us model into Q1 2017 given the Samsung Note recall and the better mix of the iPhone, how should we think about revenue per MSM on a sequential basis? Thank you.

George S. Davis - QUALCOMM, Inc.

Hey, Mike. It's George. I'll take this and then maybe Cristiano will want to jump in. So if you look at Q4, I would say you saw some benefit from mix for sure. I would also add that you saw the impact of the adjacent businesses, which had a strong quarter both quarter-over-quarter and year-over-year. Going into Q1, it's definitely the fact that you're seeing real strength in the high and mid-tier that's helping offset what might be some of the other impacts that we're seeing in the quarter. And also you're seeing some lower low tier, which helps the overall picture there.

Cristiano R. Amon - QUALCOMM, Inc.

And Mike, this is Cristiano Amon. Just an added comment, while we don't provide I think guidance for the year, I think within 2017 we expect to see the introduction of our new premium tier Snapdragon at 10 nanometer, the flagship. We also expect to continue to have growth in adjacent business, and that's going to have a positive impact and offset some seasonality we saw with OEM mix.

Operator

Your next question comes from the line of James Faucette with Morgan Stanley. Please go ahead.

James E. Faucette - Morgan Stanley & Co. LLC

Thank you very much. I also wanted ask a couple of questions related to QCT. Steve, you talked about the performance advantages of your modems, but yet in the last couple of years, we've seen a couple of the highest profile phones opt at least in some regions to use modems that were somewhat inferior in performance. Can you talk a bit about what you can do encourage and make sure that at least the best phones are using the best modems and really playing to your advantage?

And then my second question is that, George, you talked a little bit about or your expectation that QCT margin should be within about 100 bps of what you put up for the September quarter in the December quarter. But how should we think about QCT margins on the more medium to long-term basis? Are we kind of at a new low or is this a new baseline? Or should we expect some volatility both up and down from current levels? Thanks.

Steven M. Mollenkopf - QUALCOMM, Inc.

James, this is Steve. I'll handle that, the first piece of it. I think it also depends on where you're looking the world. If you look in China, for example, I think the migration to uplink carrier aggregation in the 4G plus has really been helping the business actually. So I think that's an area where feature leadership in the modem has certainly been able to be highly correlated actually with success. But you're right. In some areas we have seen people either de-feature or go with a less advanced modem. Now the way we think about that is that the networks themselves are moving, and that's not a sustainable long-term position to be in.

When we look at tear downs are or we look at comparisons between competitors' parts, the tear downs are very consistent with our view in terms of modem leadership. We are getting feedback from operators that they do want to upgrade their modems, and actually that includes their end market devices. The pressure to go to gigabit-class modems as well as 5G we think set up a good environment for us. But we do like the position of having modem leadership in the future, and we think we are going to be able to maintain that. We did, as you know, have to make some changes to our cost structure to make sure that we can sustain an environment where maybe that isn't always the case at any particular moment, but we still think that's strong strategic ground to hold.

George S. Davis - QUALCOMM, Inc.

James, hi. It's George. On QCT margins, as we said, we expect to be within the 100 basis points of where we finished the year. And I think that's at a time, too, when we're dealing with the impact of the share loss at the modem customer. So I think that's a positive sign. It shows a couple things, one, the strength of our position in China and how that's been impacting us overall, the strength of the product portfolio coming out in the second half of the year of 2016.

In terms of looking forward, clearly we'll be up year-over-year in our expectations. We haven't guided what we think that will be for margin, but there's still going to be seasonality. Obviously there is usually a big movement seasonally between our Q1 and Q2 for QCT and then strengthen the second half of the year. I don't know, Cristiano, was there anything else you wanted to add?

Cristiano R. Amon - QUALCOMM, Inc.

No, I just wanted to add that when we look for 2017, we feel comfortable right now with the product roadmap and traction across our broad customer base. I think China definitely want to highlight. I think we expect to repeat in 2017 the success we had in China in 2016. And we're going to be upgrading all tiers across thin modems, the premium tier MSM and the mid-tier MSM while we maintain the operating discipline implemented during strategic realignment plan.

Operator

Your next question comes from the line of Simona Jankowski with Goldman Sachs. Please go ahead.

Simona K. Jankowski - Goldman Sachs & Co.

Thank you. I wanted to shift the focus to QTL. I think last quarter you had suggested about $400 million in catch-up royalties that you had expected, which was basically the delta between the $7.4 billion and $7.8 billion in your full year revenue guidance for QTL. And it looks like you recognized about half of that in Q4. So is it fair to assume that there's another $200 million of catch-ups left? Or is that amount larger? And by when do you expect to collect all of the catch-up payments?

Derek K. Aberle - QUALCOMM, Inc.

Simona, this is Derek. Actually what we said was last quarter in Q3 we had about – we had north of $400 million in out-of-period revenue in QTL. Part of that was from the resolution of our dispute with LG, and the other chunk of it, about $200 million-ish was from licensees that we were still negotiating with began reporting some of the royalties even ahead of signing agreements. That was all in Q3, and it was reflected in the $7.4 billion to $7.8 billion annual fiscal year guidance.

When you fast-forward into Q4, we've got some additional catch-up payments, as I noted in my remarks, north of $200 million additional coming in in Q4, which gets us to – and if you might recall from last time, we guided some additional progress with license negotiations in Q4, but not all of it. And we kind of over-delivered on that in terms of concluding additional deals which brought us above our Q4 guide, and right around the midpoint of the annual fiscal year guidance.

George S. Davis - QUALCOMM, Inc.

And I would just add, we had said going into the fourth quarter that there was more risk to meeting the midpoint of our guide because the market had been softer than we would have thought at the time when we came up with the $7.3 billion to the $8.0 billion, and so – but we felt we were making enough progress that we could make the guide that we did, and it turns out we made even more progress.

Operator

Your next question comes from the line of Rod Hall with JPMorgan. Please go ahead.

Rod B. Hall - JPMorgan Securities LLC

Yes, hi guys. I kind of want to follow up on that last question. So your underlying royalty rate calculated, as I think Derek had called out, or one of you guys had called out, is 2.5%. And you're talking about a couple hundred million of catch-up payments. Can you give us any idea what the underlying royalty rate here was ex the catch-up payments? Are we talking about rates as we look forward that are similar to the average for the full year? Or are we talking about something else? Just to help us think about what the underlying rates look like here.

And then the other question I had for you is related to the overall market demand. It's kind of hard because there's so many moving parts in terms of your TRDS, et cetera. It's a little bit hard to understand what's happening with the end market. So I just wonder if you could help us understand what you've seen in this last quarter with respect to end market demand and how you think that's trending as we look into next year. Thanks.

Derek K. Aberle - QUALCOMM, Inc.

Hey, Rod, this is Derek. So as we pointed out at the outset of the year, this year and probably even going forward into fiscal 2017, the externally implied rate is going to fluctuate quite a bit quarter-over-quarter. If you look back in Q3, we were north of 3.2%. Then this quarter it swings down to 2.5%. Really the main driver in this quarter was the amount of catch-up that came in within the quarter, both – all of it really coming from Chinese OEMs, a combination of folks reporting under the NDRC terms, but also a significant portion of that under the lower rates that apply to 3-mode.

So we think that's largely sort of a historical thing. If you look at the projections for 3-mode in China, they are expected to be below 30% of the volume at China Mobile by the end of 2016, end of calendar 2016. So we think this is just going to be kind of the fluctuation that we pointed out would happen as we signed agreements and brought in catch-up. For the year, we came pretty close to the 2.9% longer-term kind of normalized rate we talked about in February at the Analyst Day. I expect we're going to see some continued fluctuations through 2017, but structurally and in terms of how we see the future unfolding, I think you can sort of think of that normalized 2.9% as a good longer-term metric. And we do expect next quarter will be up, because even if we conclude some additional deals that we're making progress on, the amount of the prior period catch-up will likely be smaller.

And then on the end market, really, let me try to unpack it a couple of different ways. We're continuing to see good growth in units, so we're holding our guide for calendar 2016, which is about 8% year-over-year growth, and we put out a guide now for 2017, which is 7% year-over-year growth. And then the story that we really highlighted maybe three years ago is playing out very, very accurately to what we expected. The ASPs have continued to moderate in terms of erosion, and 2016 came in about where we called it at the beginning of the year, around 6% year-over-year erosion, and we expect that to further moderate into fiscal 2017.

So one of the guideposts we set out in my remarks is if you look at the unit growth and the expected ASP erosion, we think the handset piece of the market in fiscal 2017 will grow about mid single digit. And then of course on top of that, you have the non-handset piece as well as some continued improvement that we expect to drive in compliance, which means we expect to grow the business, the QTL business, at or above the handset growth in the market.

Operator

Your next question comes from the line of Tim Long with BMO Capital Markets. Please go ahead.

Timothy Patrick Long - BMO Capital Markets (United States)

Thank you. Derek, just a quick clarification and the question. On the catch-ups, I'm assuming you're saying that vivo and OPPO are things that have past. Those catch-ups are done, and anything next year in the future will be from new deals.

And then I just wanted to talk about that 5% to 11% for this year. Thanks for the color on the 2017 number. But IDC and others, IDC I think just lowered their number for smartphones from 3% to 1.5% for the year. So to get to this 5% to 11% range, could you help us out a little bit? Is it more of the non-handset stuff? And in there that's driving it higher, do you think there's some misunderstanding about China? And related to that, the QTL long-term goal of $10 billion I think by fiscal 2020, it sounded like normalized was about $7.2 billion. So maybe just walk us through the unit ASP or new markets that would get us to that longer-term number. Thank you.

Derek K. Aberle - QUALCOMM, Inc.

Tim, this is Derek. Yeah, the catch-up that came in over the last two quarters related to the signing of new deals. That's basically largely baked and behind us. We have signed nine of the top 10 Chinese OEMs now, so great progress throughout the year. We do have another one that we're continuing to negotiate with and continuing to make progress, as well as we've noted the litigation against Meizu, which we are hopeful will drive to an agreement at some point. So there will be some continued fluctuation in the revenue in QTL based on catch-up, both on combination of new deals as well as driving compliance resolutions. But the ones that we've talked about from the announced deals are I think basically behind us.

In terms of the market, I think if you look at the way the market has developed throughout the year, a number of industry analysts have been more pessimistic on handset growth than we were at the outset. But at least so far, I would say the market's trending more in line with our view than what they set out. China continues to be strong, and we saw another good quarter in the September quarter of 4G adds, and going forward we're expecting some pretty meaningful growth in 2017 coming from India and Southeast Asia, Middle East. So there's definitely big markets where we see the opportunity for a lot of continued growth.

On top of that, we do see a lot of good trends with operators focusing more attention on things like narrowband LTE and more of the industrial, and in addition to consumer launches of IoT devices. So that will be a growth opportunity as well, but the handset, underlying handset growth that we called for 2017 mid single digit I think is something we feel very comfortable with.

We're not going to update the sort of the $10 billion call that we gave in February, but guess what I can say there is in terms of the new agreements that we've signed, and the way that the market is playing out since February, there's nothing really that would change the long-term view for the business.

Operator

Your next question comes from the line of Romit Shah with Nomura. Please go ahead.

Romit J. Shah - Nomura Securities International, Inc.

Yes, thank you. Just could you help us understand what's driving the moderation of ASPs in 2017, Derek? You mentioned a higher mix of emerging markets. And I would just think India, Southeast Asia would put more downward pressure on ASP. So if you could talk about that. And then the timing of the NXPI deal closer for late 2017 seems conservative when you consider just the complementary nature of the asset. And if we look at other deals in the space over the last year or two, they have been closing within eight to nine months. So I'm just wondering if there's potential for this deal to close earlier than what you guys communicated a week ago.

Derek K. Aberle - QUALCOMM, Inc.

This is Derek. So on the first question, I don't think, it's really nothing new. I mean, we've been talking about the trends that we expected to play out in the handset market, like I said, for the last few years. We expected to see some pretty accelerated erosion in ASPs for a couple of years and then start to moderate. But what we are seeing in the emerging markets, although most of the growth going forward is coming from the emerging markets, it's the same trends that we had talked about we're continuing to see play out.

The Chinese OEMs are continuing to kind of move up tier as they gain share. Cristiano mentioned some of that in response to an earlier question. That's really been a good story. A lot of growth in China and across the Chinese OEMs even outside of China, in the mid to high tier, that volume is not just coming in at the low tier. And part of that's being driven by the replacement rate story that we expected as people started to replace their phones and move up tier. We believe those trends are playing out and they'll continue to play out as we go through 2017. And interestingly, if you look at the reported ASP in the business for fiscal 2016, it was down less than the global. So even though we're pulling in some of the catch-up amounts from prior period, and some that stuff tended to be at the lower tiers, there has still been some good stability across the ASP picture.

George S. Davis - QUALCOMM, Inc.

And let me comment on – this is George – I'll comment on the NXP closing date. We totally agree with your comment that this is a highly complementary deal, and the industrial logic for customers is quite attractive. So we didn't pick an outside date because we thought there would be a lot of regulatory push back. It was just designed to recognize that at the outside it would be by the end of the calendar year, but it could certainly be well before that depending on the regulatory reviews.

Operator

Your next question comes from the line of Timothy Arcuri with Cowen & Company. Please go ahead.

Timothy Arcuri - Cowen & Co. LLC

Thank you. I guess I had two questions on QTL. First of all, Derek, I think you had said that the gap in terms of dollars between TDS and TRDS exiting fiscal 2016 would be less than 10%. Obviously that gap is coming down, but can you give us some milepost in terms of where that gap will be exiting fiscal 2017? Could it be only 5% for example?

Derek K. Aberle - QUALCOMM, Inc.

Tim, so we've given a couple of guideposts. One is that as we continue to negotiate and close what we call the key Chinese license agreements that were remaining, that if we could get those done, we believed we would be around 75% of their global sales that would be reported. We're not quite there yet. We've got a lot of good progress and certainly the largest player is done, but we're still in negotiations with one more of those. So as I'd mentioned in my remarks, we're kind of at the 73% mark now, and we need to make some more progress to get closer to the 75%. But I do think that we're on track to get there.

And then from there, we'll have to drive some additional signings and some compliance improvements to get that number up. The 75% that we last gave, it sort of aligned with around a little less than 10% global sales that would be unreported. And so we don't, I'm really not in a position today to guide where we end up in 2017 other than to say we've been making steady progress, and we've got a number of initiatives underway in addition to just negotiating closing new agreements to drive the compliance in a more favorable picture for us. And we're going be working hard on that throughout fiscal 2017 and hope to continue to narrow that gap.

Operator

Your next question comes from the line of Stacy Rasgon with Bernstein Research. Please go ahead.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co. LLC

Hi, guys. Thanks for taking my questions. I had one and then a follow-up to it. The first, I guess Derek's comments on OPPO and vivo, what appeared to be catch-up in Q3, your comments that you just made seem to suggest that wasn't catch-up. That was actually run rate revenue they decided to report while they were negotiating. So can clarify, is that in fact true? Were OPPO and vivo actually in the run rate of revenues in Q3, starting in Q3 and obviously going forward from now?

And then to that end, how do you guys, how to I get your QTL guidance for next quarter? At the midpoint, $62 billion, it's only up about 2% year-over-year, and a year ago you should have been having very serious collection issues in China, much better than you're having now, and yet you're only guiding it up 2% year-over-year. So I guess are those two issues related and can clarify both of those, please?

Derek K. Aberle - QUALCOMM, Inc.

Stacy, this is Derek. Yeah, so the catch-up situation is a bit complicated. I guess the best way I can lay it out for you is we got some catch-up in from the licensees that we closed on in Q4 into Q3 that were for prior-period sales, and they were not in the run rate in Q3. We closed the deals in Q4, which brought an additional catch-up for prior periods, but then also brought them into the run rate into Q4. So it's a blend of the two. Now George, if you want to take the next one.

George S. Davis - QUALCOMM, Inc.

Yeah. In terms of trying to then guide to how you get to the outlook for Q1, which I believe was your second question, was it's really just fundamentally the step down in TRDS quarter-over-quarter. So it's, otherwise it's a fairly strong guide, and if you blend the two quarters, I think you're right on top of it.

Operator

Your next question comes from the line of David Wong with Wells Fargo. Please go ahead.

David M. Wong - Wells Fargo Securities LLC

Thanks very much. Are you still on track for closing the joint venture arrangement with TDK as expected? Does it look like this will be a March 2017 event?

Cristiano R. Amon - QUALCOMM, Inc.

Hi. This is Cristiano. I think we are still on track. We see some of the regulatory approvals getting near completion, and we're on track to close this towards the end of the year, beginning of 2017.

Operator

Your next question comes from the line of Edward Snyder with Charter Equity Research. Please go ahead.

Edward Snyder - Charter Equity Research

Thanks a lot. You mentioned that some of the offset to your QCT business was because of share loss in thin modems, and you made comments on the premium that QUALCOMM has enjoyed and still enjoys among performance isn't as valued by some of your OEM customers as it has the past. Do you see that reverting back to the mean in any of the product roadmap in the next year or two that you're looking at? Because I know that a lot of these phones are white boarded three years in advance. It suggests that there will be an increase on a premium for performance at some of those OEMs. Or is this going to be the state of the industry for some time on both competitor solutions, say like Intel, but also in internal solutions? So I'd get a feeling for that.

And then in terms of Note 7, I know the cancellation, how much of an impact did that have on the quarter? And I know there's probably some forecast for that into the March period. Is it all in now? Or do you think you will have a little bit more out in the first calendar quarter of next year? Thanks.

Steven M. Mollenkopf - QUALCOMM, Inc.

Yeah. This is Steve. I'll take the first piece and maybe George can jump in on the end. What I meant to say earlier was I think there's maybe points in time where you can get away with not the leading quality or the leading edge feature set, but I don't think that's good strategic ground to hold. And our view of where our roadmap is going, the speed at which the industry is moving, meaning the networks that are in the operators – what their plans are to upgrade the networks, we feel very good about where our modem roadmap and modem business is going.

I gave a couple of data points about people launching some of the more advanced either MIMO or 256-QAM networks. We see that happening. We see things like license assisted access happening, particularly in the United States, being a positive thing. The upgrade to 802.11ax, and the interconnection or the simultaneous operation between that and cellular being a good thing. And then just the general pressure on OEMs from other OEMs to use, let's say things like gigabit-class modems, we think is creating a positive design win, good feedback from our customers in terms of how that sets up.

So the individual, how that relates to an individual model and such and timing of that I think is really a better question for the OEMs. But we like where the modem business is headed, particularly as 5G happens and things like narrowband IoT come into the networks as well. So I think that's where we are.

Quickly, maybe on the Note 7 and other devices, I think we did comprehend a little bit of impact from that in the forward guide. I think you should think of that as if there's kind of a momentary hole in the market and we have a view as to how that's going to fill in. It may fill in maybe not perhaps in the entire first quarter, but it will fill in and we feel like we're well positioned for almost any scenario that you can think of. I mean a lot of different OEMs could fill it in, including just a product transition within the OEM that we're talking about. So we feel like we're well positioned in any of those scenarios, and we did comprehend some impact of that in the first quarter guide.

Operator

Your next question comes from the line of Tal Liani with Bank of America. Please go ahead.

Daniel Joseph Bartus - Bank of America Merrill Lynch

Hi, guys, this is Dan Bartus on for Tal. Thanks for taking my questions. I wanted to understand the QCT opportunities for next year a little bit more. When we look to next year, the growth is mainly coming from India. So wondering if you guys could discuss the strategy there and how can you differentiate in such a low ASP market? And then just separately, I was wondering if the share loss at that key thin modem customer was greater than you guys had originally baked into your QCT planning and margin assumptions. Thanks.

Cristiano R. Amon - QUALCOMM, Inc.

Hi, Dan, it's Cristiano. Maybe let me just start talking about the growth. I think one of the things we had said priorly, that we have been quite successful with our product line in China and we see a lot of the Chinese OEMs, and particularly the market in China, you see some of the larger OEMs in China consolidating the volume. And they look to export that into growth opportunities in emerging markets. That is actually a differentiating position of QCT. So I think the more that the Chinese customer base export outside China, I think actually help our position both within China as well as the growth opportunities.

Specifically to India, we're actually excited about it. There has been a very large-scale LTE launch with Reliance that is moving the market towards – from feature phone accelerated path towards smartphone with 4G and technology such as Voice-over-LTE. All of the concepts of all mode that has been successful in China can also be a driver in India. So I think that's how we feel good about basically ability to generate growth in those market as well. I think your second question, you want to take the second question?

Derek K. Aberle - QUALCOMM, Inc.

Sure, be happy to. So we had talked actually the previous quarter about the fact that we had contemplated the impact of second sourcing in our full year guidance in terms of where we thought QCT would come out on margin. And actually if you look back on the year, QCT not only exceeded the new margin target that we set, but they did it in a year where quite frankly the market itself was weaker, particularly in the thin modem area. And it required us to recapture an important slot in the premium tier, which they did, but also rolled out a series of products across the low, mid and high tiers where we saw much stronger traction in China than we expected going in. So I think overall, it's a very strong year and our planning assumptions with respect to the second sourcing were always a part of that.

Operator

Thank you. This ends our allotted time for questions and answers. Mr. Mollenkopf, do you have anything further to add before adjourning the call?

Steven M. Mollenkopf - QUALCOMM, Inc.

Thank you. I just want to thank everyone for attending the call today and reiterate how excited we are about the future. We're executing on our strategy to maintain our leadership in mobile and grow in adjacent opportunities with disciplined execution. With the pending additions of TDK JV and the NXP business, we are in an excellent position to grow our businesses. Lastly, I want to thank all of our employees for their hard work and dedication through this evolution of our business model. We look forward to the many exciting opportunities ahead. Thank you.