Good afternoon everyone. I am sorry I can't be with you live today, but I did want to give you my comments before passing it on to the team. We are pleased with our strong results this quarter with revenues up 35% and non-GAAP EPS up 21% versus a year ago. Licensing revenues were driven by strong smartphone sales in the March quarter and our Snapdragon and Gobi products were featured in an extensive set of flagship devices. The tremendous success of the business puts us in a strong position to return capital to stockholders.

During the third fiscal quarter and up through today, we returned approximately $2.2 billion. This includes dividends paid and approximately $1.5 billion in stock repurchases made under our previously announced $5 billion stock repurchase program. We're confident in our business outlook and we will continue to return capital to stockholders consistent with this deal. I like to focus my comments today on smartphone innovation before turning it over to Steve for more comprehensive update on our QCT and QTL businesses.

I'm often asked about the potential slowing pace of innovation in smartphone. I can assure that we do not see it here at Qualcomm. The breadth of technologies that are being developed and the demand for new features and device capabilities from our customers remains extremely strong. Though we have seven major technology areas in which significant advances are continuing to be made including the modem, including RF, the CPU, the graphics processing unit, digital signal processing and multi-media, connectivity, sensors and displays. Innovation such as LTE Advanced, LTE Broadcast, multi-band RF front ends, ultra-HD video, augmented reality, computational photography, continuous interaction user interfaces, H.265 video compression, HD audio, sensor monitoring, 802.11ac (inaudible), indoor position locations, proximity based communication, wireless charging, new display technologies, mobile payment capabilities, security features, remote device management are some of the many features that will increase the utility of 3G and 4G devices any one of which could provide a catalyst for a smartphone user to upgrade.

Throughout the history of the industry we've a series of technology advancements that have driven new innovative devices which are fueled upgrade and replacement cycle. This has continued over the last several years as we have seen the introduction of many new technologies, including LTE, Dual and Quad Core processors, improved graphics, higher resolution displays and more capable operating system. In the near future we will see the broad adoption of LTE Advanced which doubles the peak data rate and provides higher average throughput.

That's not all, the scale of the smartphone platform is unparalleled and it is at the center of technology innovation. New technologies used to be commercialized through discreet consumer electronics products. Today we see innovations moving rapidly in the smartphones. For example the first place most consumers will see high-quality ultra-HD video recording, is on a Snapdragon enabled smartphone.

Looking at this now from a regional perspective, there seems to be some concern that developed regions are becoming saturated with smartphones. The fact is that these reasons have been primarily replacement cycle driven for some time as handset penetrations are already quite high. The strategies (ph) already been cycling through devices and are used to doing so. Certain large carriers routinely provide incentives for subscribers to purchase a new phone every two years, and although we may see different programs or replacement initiatives in the future. These types of programs are working successfully and competitive dynamics stay with their continuance in the future. Interestingly there has been some recent plans launched by operators that could actually accelerate the replacement cycle, so we will continue to monitor those. In some our long term plans continue to include a very modest decrease in the developed region replacement rate.

Turning to emerging regions we view the opportunity is very significant when you consider that according to our geographic definition approximately 80% of the world's population resides in these locations with a relatively youthful demographic, and the GDP in emerging region is expected to grow at an annual rate of approximately 6% for the next five years according to consensus estimates. And according to Gartner, in these countries at the end of 2012 the average penetration rate of smartphones relatively the install base and the handsets sits at approximately 18% or only 10% of the total population.

As we pointed out during the last couple of years, we're seeing the rapid adoption of mobile technologies and in fact rising average selling prices in these locations as a mix shift to smartphone. In these regions there are limited, fixed broadband alternatives and users are getting excellent utility from their wireless devices. So in summary although we expect to experience quarterly growth rate fluctuations for a variety of reasons, 3G, 4G mobile computing technology and device are still in an early stage of adoption in the majority of the world and have a very long runway of attractive growth potential. This adoption is feeling new innovation and perpetuating that cycle. Gartner estimates that approximately 700 million smartphones were sold in calendar 2012 and that number will grow to 1.7 billion in 2017 representing an approximately 20% compound annual growth rate. Building off fiscal year 2012, we believe we will experience a double-digit average annual growth in total reported device sales over our five-year planning period, which included an estimated average low single-digit percentage decline in average selling prices over this period.

So, again, I am sorry, I can't be on the call live today, but I am pleased with our results and outlook. And Steve and George will now comment on that. Thank you very much.

Steven Mollenkopf

Good afternoon, everyone. I will provide some comments on our QTL and QCT businesses, which both delivered strong financial results this quarter. In QTL, total reported device sales by our licensees were up 18% year-over-year and above our prior expectations, driven by stronger than expected average selling prices. Average selling prices were up $13 sequentially at the midpoint despite $3 of foreign exchange unfavorability, reflecting an increased mix of mid-tier and high-tier handsets. The quarter-over-quarter increase was driven by ASP strength in both emerging and developed regions.

As Paul noted in his comments, although the developed regions have been primarily driven by replacements and smartphone penetration is relatively high, our calendar year 2013 unit shipment estimates include year-over-year growth of approximately 6% in developed regions well ahead of GDP estimates. This quarter we also continue to see an increasing mix of handsets at the mid and high tiers, and we expect this distribution to remain relatively stable going forward in developed regions.

In the emerging regions, we expect to continue to see strong unit growth and increasing average selling prices. We also continued to grow our licensee base, and now have over 240 CDMA licensees and more than 65 single-mode OFDMA licensees. Our patent portfolio continues to be the most widely licensed in the industry. QCT also had another strong quarter with record revenues. Results either met or exceeded each of our prior key guidance metrics with revenues and earnings before tax increasing 47% and 56% year-over-year respectively.

MSM shipments were up 22% year-over-year and at the high end of our prior guidance range. Implied revenue per MSM was higher sequentially as we increased our share of content in devices. Versus expectations, we had a greater mix of shipments of mid, low-tier products, and to Chinese emerging accounts offsetting a bit of softness we saw from some Tier 1 OEMs. Our scale and broad diversified customer base are key strengths to our business and allows us to deliver strong results, despite quarterly fluctuations in mix or OEM share.

Looking to the fourth fiscal quarter, we had a similar product mix shift versus prior expectations. We expect MSM shipments to be slightly higher sequentially driven by anticipated new device launches and a seasonality associated with this quarter. Similar to what we have seen in the last couple of years, it is important to note that our MSM volumes for each of the next two quarters are depended on timing and success of OEM product launches for the holiday selling seasons. We are encouraged by a strong pipeline of Snapdragon 800 and Snapdragon 200 products launching over the next two quarters, along with shipments for the China Mobile LTE trial beginning in September and ramping into the December quarter.

Our design traction remained strong. We have just crossed a new milestone with more than 1,000 designs announced or shipping with Snapdragon processors and have over 500 designs in the pipeline. We are also seeing increased momentum in tablets as OEMs leveraged phone designs for tablets with over 40 design wins in the pipeline, including the recently announced new Nexus 7 by Google. Our latest Snapdragon 800 processor has again raised the bar combining the industry's most advanced mobile application processor with the industry's most advanced multi-mode LTE modems.

Designs are in process and with many major OEMs for a very broad set of opportunities worldwide. Flagship devices announced with the Snapdragon 800, include the next generation LGG smartphone, Samsung Galaxy S4 LTE advanced, and the Sony Xperia Z Ultra. We remain confident in our LTE leadership position moving forward. Though LTE competition exist today and new suppliers are hoping to enter, the complexity of a multi-mode LTE modem feature set and the integration of a high-performance application processor into the same solutions is proving to be a technically challenging for many. The modem roadmap of the industry remains robust as carriers move to LTE advanced and utilize complicated spectrum allocations to meet the increasing data demands of mobile devices and support roaming. We're building (inaudible) in China and our emerging account shipments were up 35% sequentially in the June quarter. We continue to add new design wins. We expect competition for low cost solutions to remain strong; however we believe the expected launch of LTE in China will be a differentiator for us and enable us to gain broader access including into China Mobile.

Further many of the leading emerging account OEMs hope to expand their businesses internally which also aligns well with our tiered roadmap. We won 30 new designs in the China Mobile large scale LTE trial and including increasing share of new designs in the second way of the LTE Device Awards. Our connectivity and networking products continue to do well with record revenue and unit shipments in the June quarter. Connectivity design traction continues to be strong across the mobile networking and consumer electronics segment.

We’re also pleased with the growing success of our new 802.11ac product the WCN3680 which was the first 11ac mobile solution in the industry to achieve WiFi certification and it's also featured in the Samsung Galaxy Mega. Our RF360 Front End Solution is an opportunity for us to solve further complexity at the chipset level and grow our content in the device.

The first product in this family of product is on-track and currently sampling to a major Tier 1 OEM. Though still early in the life cycle this new solution we’re very encouraged by early OEM interest and design traction. Looking ahead we see very strong trends for both QTL and QCT with many exciting devices expected this holiday season. That concludes my remarks and I will now turn the call over to George.

George Davis

Thank you Steve and good afternoon everyone. We’re pleased to be reporting another quarter of strong financial results, reflecting significant year-over-year growth in both QCT and QTL. This performance also provides the basis for an increase in our financial outlook for fiscal 2013. Fiscal third quarter revenues were a record $6.2 billion up 35% year-over-year and 2%.

Non-GAAP operating income of $2 billion was up 18% year-over-year and non-GAAP earnings per share of $1.03 was up 21% year-over-year and down 12% quarter-over-quarter. These results included a 158 million impairment charge or $0.06 per share related to QMT assets.

Without this impairment non-GAAP earnings per share would have been $1.09 well above the high end of our prior guidance range. Our major businesses performed quite well in the quarter on strong device ASPs and demand from emerging regions into QTL while higher implied revenue per MSM and strong volumes led to solid results for QCT.

In QTL total reported device sales by our licensees were $56.5 billion above the high end of our prior guidance range. We estimate that 244 million to 248 million 3G, 4G based devices were shipped by our licensees in the March quarter at an average selling price of $227 to $233 up approximately $13 sequentially at the midpoint. QCT had record revenues in the quarter, and MSM shipments were 172 million units towards the high end of our prior guidance range implied revenue per MSM was $24.55 which was higher sequentially as expected.

Fiscal third quarter QCT operating margin was 17% in line with our prior expectations, non-GAAP combined R&D and SG&A expenses grew 1% sequentially, slightly below our prior expectations. As Paul mentioned during the third fiscal quarter in the first few weeks of this current quarter, we returned approximately $2.15 billion to stockholders including $600 million of dividends paid and $1.55 billion in stock repurchases. We now have just under $3.5 billion two remaining on $5 billion authorization as a result of these activities.

Cash flow from operations was strong at 33% of revenues and we ended the quarter with cash and marketable securities of $30.4 billion. In other balance sheet matters I'm pleased to report that we have taken another step forward in our partnership with Bharti in India. Consistent with our previous plans, Bharti funded repayment of $492 million in debt that QUALCOMM had previously guaranteed. The remaining $484 million in debt guaranteed by QUALCOMM was deconsolidated due to a change in control of the joint venture, which included Bharti subscribing to additional shares. We expect the remaining guarantee to be released prior to the end of this fiscal year.

Now, turning to our guidance, we are raising our financial outlook for fiscal 2013. We estimate fiscal 2013 revenues to be in the range of approximately $24.3 billion to $25 billion, up approximately 29% year-over-year at the midpoint. We expect fiscal 2013 non-GAAP earnings per share to be in the range of $4.48 to $4.56, up approximately 22% year-over-year at the midpoint. We are increasing our forecast for this fiscal 2013 QTL average selling price to approximately $223 to $229, which is $6 above our prior $220 midpoint estimate reflecting higher handset prices in multiple regions. For calendar 2013 global 3G/4G based device shipments, we continue to estimate that between 1.015 and 1.085 billion devices will be shipped by our licensees, up approximately 12% year-over-year at the midpoint. While our calendar year range is unchanged, we are more upwardly biased in our outlook than we were previously. Consistent with our prior expectations, we estimate fiscal 2013 QTL operating margins to be 85.5% to 87.5% and QCT operating margins to be 18.5% to 20.5%. We expect combined non-GAAP R&D and SG&A expense to grow approximately 22% to 23% year-over-year.

Now, turning to the fourth fiscal quarter, we estimate revenues to be in the range of approximately $5.9 billion to $6.6 billion, up approximately 28% year-over-year at the midpoint. Our estimates reflect continued strength in QTL and QCT balanced by higher operating expenses and some uncertainty around the timing and success of product launches. As Steve mentioned, we are very confident in our positioning in these leading edge devices, it is more a matter of timing. We estimate non-GAAP earnings per share in our fourth fiscal quarter to be approximately $1.02 to $1.10 per share, up approximately 19% year-over-year at the midpoint. We anticipate fourth fiscal quarter non-GAAP combined R&D and SG&A expenses will increase sequentially approximately 4% to 6% reflecting increased patent expense in QTL and R&D expense in QCT.

In QTL, we estimate that total reported device sales of $55 billion to $60 billion will be reported by our licensees in the September quarter for shipments they made in the June quarter, up approximately 24% year-over-year at the midpoint. In QCT, we anticipate MSM shipments of approximately 171 million to 181 million units during the September quarter and QCT operating margin to be approximately 16% to 17%. We expect implied revenue per MSM to be flat to slightly down of a strong third quarter. Consistent with our prior view, we estimate that the 3G/4G channel inventory will decline further in the September quarter as OEMs and operators prepare for new product launches for the holiday season though we continue to expect it to remain within the normal 11 to 16 week range. That concludes my comment.

I will now turn the call back to Warren.

Warren Kneeshaw

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

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from the line of Simona Jankowski from Goldman Sachs. Please go ahead with your question.

Simona Jankowski - Goldman Sachs

George I wanted to ask you a question first on your capital allocation strategy that was one of the highlights in Paul's prepared remarks as well and obviously the buyback is quite significantly here. Is your strategy here to basically continue to buy opportunistically especially when there is pull-back in the stock like we have seen recently or is there any thoughts, the borrowed level or in your office about something that is a little bit more structured and more significant and perhaps including leveling the balance sheet and then a question for Steve on chipset margins, seems like we continue to be in the high-teens there even though you're gaining quite significant content share and also volumes are coming up nicely in the next quarter. Can you just go through the puts and takes of what we're not seeing that move higher? Thank you.

George Davis

I think what you're seeing is definitely a step up in the return of capital for the quarter and actually for the full year as you may have seen we have returned $3.3 million in buyback and dividends. We just feel at the levels of the stock today and the strength of the balance sheet and quite frankly the strength of the businesses that it's a good time to be buying. You can see that we continue to buy through the end of the quarter up about $500 million on top of the 1 billion that we did in the quarter. We have about $3.5 billion remaining on the current authorization and we're really not in a position at this point to make any broader statement about a change in capital policy. We've always been supportive of returning capital shareholders and we have had a bias, and we will continue to have a bias to step up more heavily when the markets provide a good opportunity.

Steve Mollenkopf

On your second question I think it was really, if you think about the mix it was a little bit, look at the June quarter probably a little weaker on the premium tier and it was offset by some strengths at the emerging accounts tier. We have forecasted a similar trend going into September, which is essential a little bit less premium. Of course it's always definitely is a weird quarter to predict sometimes because of the importance of flagship launches.

So I think you're probably seeing a little bit of just the maybe a little before we see flagships devices launch. Now we do have a fair bit of investment in the businesses as George mentioned, we continue to invest quite heavily actually in the modem and in those areas of innovation as Paul mentioned in his prepared remarks. We think we're actually very well-positioned at the premium tier moving forward and we consider ourselves to be really differentiated there, so we're continuing to drive that in the business and we think it will pay off long term.

Operator

Matt Hoffman from Cowen. Please go ahead with your questions.

Matt Hoffman - Cowen & Company

Strong ASPs were certainly one of the positives here in the quarter since the company highlighted the Snapdragon 800 in the release, can we assume that's the product which is really driving those ASPs up so sharply. I guess it was up 8% sequentially in the June quarter and also if you can just comment on mix moving forward. Thanks.

Steve Mollenkopf

Sure with the chip ASPs really the 800 is really haven't launched yet actually, so we're anticipating over the next two quarters to start see some exciting devices come out of the 800 but that really hasn't started launching yet. What we saw in the June quarter was really more of a mix toward relative to our expectation, it's a little bit less premium, little bit more emerging markets and we did have some improvements in gross margin primarily in the cost area.

Matt Hoffman - Cowen & Company

Okay, so as you start to bring your mix back toward more than modems are some of the high-end smartphone guys bringing their shipments back up in the back half of the calendar year. Do ASPs, continue to move up?

Steve Mollenkopf

Well I think we forecasted, as George mentioned that to be flat and really what you see in our product line because they're such a big mix, different there is a big difference in ASP between the premium devices and the mid-tier and low-tier devices. That can change a lot actually based on the mix now looking forward. Now in the holiday season as I think is behind your question, you tend to be more flagship launches and you tend to see more premium devices launch as well. Same thing following Mobile World Congress in the first half of the calendar year as well. So we will see how that plays out but we think we're well-positioned in terms of design wins. It's just a question of what happens.

Operator

Tavis McCourt from Raymond James, please go ahead with your question.

Tavis McCourt - Raymond James

Couple of questions. First on the license ASP reported the quarter of roughly $230 at the midpoint, I guess, it's a little surprising to me that we are talking about a March quarter here, which I would think would have a lower mix of flagship smartphones relative to December quarter and yet the ASP was up quite a bit. Is it just at the China low end or emerging market, low end market was so strong in that December quarter that it cause your ASPs to come down that $10 or so when you report at March?

Derek Aberle

So, I think, this is Derek, I think we highlighted during the last call that we are starting to see a little more volatility in the quarter-over-quarter ASP changes. And we indicated our belief was that we were going to see an upward movement in the ASP this quarter which is in line with what happened is actually a little stronger than what we expected, but really that came from a strength in both developed and emerging regions as Steve noted in his remarks. In developed, I think we started to see an increasing mix this quarter of devices at the mid and high-tier while at the same time, the prices within those tiers remaining relatively stable and there were actually some new launches within the quarter, at the March quarter. And then in emerging regions, I think it's much of the same story in developed meaning we have an increasing percentage of devices going into the mid and high-tier, but also I think acceleration more so than we expected of feature phones moving over to smartphones. And as we pointed out in the past, the ASP uplift when moving from feature phones even to the lower tier smartphones is quite meaningful. So, we are continuing to see upward movement in emerging region ASP. So, really, all of those things came together to get us where we ended up this quarter.

Operator

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

Tim Long - BMO Capital

Two related ones on chips here. First, I think Steve you mentioned that the gross margin was up a little in the June quarter due to some cost savings there. Just give us a sense on kind of what's the strategy for pricing we still see some pretty aggressive competition in Asia given that gross margins for this business have come down meaningfully in the last two years. Do we think we are bumping along a level where we are not likely to see gross margins any lower? And then Steve the second one, just maybe you could just talk a little bit about there is a lot out there lately on benchmarking of different chips that has been pretty controversial topic. So, we just love your take on how we should look at kind of comparing a lot of these new chips and new features out there. What's the best way for us to look at how companies will be successful? Thanks.

Steven Mollenkopf

Okay, Tim. So, on the pricing side, as I mentioned in my remarks, we saw some I think some sequential strength in the emerging accounts. And we are probably up 35% quarter-over-quarter there. Those products for us really could fall into two buckets. So, we do quite well from a margin as well as the unit's perspective kind of at the performance tier of the emerging accounts. And I think one of the misconceptions is that, that's all just at the bottom if not a lot of the OEMs there are turning to build both the brand as well as volume. Now, in the very low tier, it is a very, very aggressive time period. It's really the 2G to 3G conversion market and it's quite aggressive. We are continuing to price aggressively there.

Quite frankly, we don’t have the best cost structure at that time. We are working to improve that. We hope that, that will improve over time. But we are pleased, because we think although our units are growing they still have further to go. And my guess is that our revenue share is probably pretty strong certainly stronger than our unit share in that area. Remember too, that we don’t participate really in China Mobile yet, which is the largest carrier in the region, largest carrier in the world. So, we look at that and we say there is an opportunity there for us to grow the business and we look forward to it. That being said, it’s very competitive market as you know.

With respect to benchmarks, good question, actually I am glad you asked, what’s interesting about it is I think there is probably a little bit, I don’t know the right word, basically I think it's a little bit dubious the way that some of these benchmarks have led to certain conclusions and then other conclusions, but at the end when we look at the results we conclude that we’re definitely in the lead there. More importantly though when we look at our position at the OEM base and in the near-term, or even the midterm we’re quite confident about how we fit. And I think it comes down from the fact that we think we have the best technology across all of the vectors that matter, but most importantly we have it together. We have the ability to put multiple things into one SoC and I think that has served us quite well and we expect that to serve us quite well moving forward. So we have a tough time understanding all the anxiety that people have regarding the conclusions people make from those benchmarks that we just don’t see that in our customer base.

Operator

Mike Walkley from Canaccord. Please go ahead with your question.

Mike Walkley - Canaccord Genuity

Just want to go back to the margins and clearly there is some high end platforms that uncertain timing you’re ramping some R&D ahead of that, but maybe in intermediate basis you’ve have grown content share with those, some chipset aren’t MSM related, are helping you grow your content and they have tended to be lower margins also. Can you just share with us kind of an intermediate-term how should we think about the margins as an investor, more content share opportunities versus mid-year longer term operating expenses margins plan you want to execute against.

Steve Mollenkopf

Sure maybe I can provide a little bit of color than George I think probably you could also jump in here as well. We look at our business right now and we definitely don't subscribe to the view that the high tier is going away in terms of innovation. In fact if you look at the speed at which we’re being asked to cycle through chipsets I would argue that it's actually accelerating in terms of feature velocity. So we’re driving that, we think that’s a competitive strength for us, we also believe that moving forward over the next couple of years that will be really the thing that determines profitability as driving that tier and we think we have the ability to do that.

That being said today I would say we’re probably at a point where we have some additional R&D because we’re moving through the process notes faster than it's traditional in our business and complexity of doing that is actually increased and but we think that scale is actually a differentiator for us. So we’re continuing to do that, if you see us over the years not have to do that. We hope that it makes it easier for us from a business perspective, but maybe George can comment a little bit on the other question.

George Davis

The outlook for the margin is for the full-year obviously is right in line with where we started, the year overall. So a concern about something having changed in the marketplace that is driving a change in our outlook is I think exacerbated a little bit by the fact that we’re looking at seasonal quarters here in terms of margin, so we will update the longer-term outlook at the November meeting, and again I think concerns about further erosion in margin are really overplayed.

Operator

Brian Modoff from Deutsche Bank. Please go ahead with your question.

Brian Modoff - Deutsche Bank

So Steve couple of questions one just if you can elaborate a little bit on what you think your share is in the China market, when you see the impact. So you have TD-LTE in your devices for a little bit of time so when you start seeing the impact from that and then can you talk a little bit about your mid-range LTE chips coming into the market, you know the timing of it and how you see kind of a more of a mid-range line up of LTE devices impacting overall LTE volumes as we move into next year and particularly some of your competitors try to bring competing products to the market, albeit later than they may have thought.

Steve Mollenkopf

Okay Brian on the share side of the China market it's interesting, when we look at where we really compete we really compete, we don't support an EDGE product, we don't support a low-tiered TD-SCDMA product. We think that by the time that we would have that out that market will transition to LTE and really intersect with the rest of our product line. So if you just look at kind of where we compete, we're quite pleased actually with how we've been able to develop what is essentially a new channel for us. All of the units that I mentioned that were sequentially strong those are new customers, customers that we wouldn't normally deal and I think we're intercepting those customers but at the same time that we're also getting I think the premium skews that are coming in that market. So we're actually fairly pleased with how we're doing there from a share perspective, probably more pleased from a revenue dollars perspective, but I think what that we are excited about is that when that business, when the China market starts to go toward LTE, which we think will start at the second half of this calendar year when they started the trial will be positioned even better, because that will really intercept our tiered roadmap from the 800 all the way down to some new products that we haven't announced, but we are clearly working on in that tier. So, we look at that as a disruptor for us.

The other aspect, which we think will be a good thing for us. We got a lot of the big OEM that has started to build their name through the transition to smartphones. In China, domestic OEMs are looking to go international. And we have we think a good on-ramp with them to drive their international business. So, as you may know, if you look at our product lines, one of the big advantages we have is that we have all of the band support, and that enables you to design a product in China and use that other places in the world, which we think is going to be something that's good for us to be able to intercept a number of the other OEMs that we haven't been strong in heretofore.

Operator

Ehud Gelblum from Morgan Stanley, you may go ahead with your question.

Ehud Gelblum - Morgan Stanley

I appreciate it. Thanks guys. Questions or clarifications, George, I don't hear you correctly at the end there that the QCT up margin guiding to 16% to 17% to down in the fiscal fourth quarter, I just want to make sure just clarification that I heard that right?

George Davis

That's correct.

Ehud Gelblum - Morgan Stanley

Okay. And I guess that has to do with mix.

George Davis

Correct.

Ehud Gelblum - Morgan Stanley

And the low before flagship the way Steve talked about it, okay.

George Davis

Exactly.

Ehud Gelblum - Morgan Stanley

Steve, and maybe this is actually combination between the two of you, what's the time between when you recognized revenue on a chip and you call it a natural shipment and the time the phone ends up in a stores, so if I say a phone is going to I walk into a store and that phone shows up there for the first time tomorrow, when did you actually ship that chip, I am just trying to get a sense as to the timing with respect to the difference from there? And then I ask this every quarter, but is there any way that you can give us a sense as to the chips that you ship into phones that are LTE phones used as LTE phones versus ones that are non-LTE phones, if you can take 172 million chips, give us a sense of that? What percent of the modems on those 172 are used for LTE, although probably more of them are capable with LTE, but how many that are actually in the LTE phones versus not and the same thing for Snapdragon versus thin modem and give us a sense of the ASP differential between those two? So, we can kind of go ahead, kind of model out what we think may happen with MSM revenue per – ASP per MSM chip?

Steven Mollenkopf

Ehud, this is Steve. On the timing question, it's pretty difficult it varies from customer to customer. And I apologize I actually don't know even the range, but with some customers, they have the ability to move very, very rapidly other customers through their manufacturing, they may have a more complicated manufacturing process, other subcontractors what have you, and it may take them longer. So, I don't have a great sense as to what how long that would take for them to have sell-through some of my other colleagues perhaps could comment. But on the LTE mix, I also don't have that mix right now. I think we could probably provide some color in New York about that. I would say, directionally we are doing quite well in LTE, and it's clearly moving very rapidly throughout our portfolio, but we are also selling allowing customers or enabling customers to sell that same device in non-LTE markets as well. I just don't know the mix between those two.

Operator

Stacy Rasgon from Sanford Bernstein, please go ahead with your question.

Stacy Rasgon - Sanford Bernstein

Hi, guys. Thanks for my taking my questions. I have two quick ones. Firstly around your guidance for next quarter, you said that there was uncertainty around the timing of the flagship devices in that. Can you give us some feeling of what is actually baked into the guidance in terms of how conservative or not you might be on that timing? Second question around again the capital allocation and the buybacks, so you bought more than $10 billion in stock back over the last five years, your share count is actually up over that time. You said you are waiting for the markets to provide a good opportunity. Your valuation right now is lower than it ever has and why is it right now not the best opportunity to do may be a much bigger buyback than you have done historically?

Steven Mollenkopf

So, let's start with the Q4 first, I think what you're seeing with Q4 is even though we're calling for MSMs to be up, if you look at our view of pricing it's suggesting the mix is going to be impacted by some of the emerging market volumes of more than the flagship volumes. So I think that's what we were talking about in terms of conservatism. But if you think about where we came in on MSMs in Q3 which was well ahead of our guidance, Q3 and Q4 together looked actually quite good and Q4 is a very similar overall in terms of the business for both QTL and QCT it's really some of the higher spending, eroding a little bit of the strong performance that we saw in Q3 but still very strong performance overall.

On the capital allocation front, we do agree it's a good time to buying stock and that's why we're we have ramped significantly the repurchase activity and it's continuing into Q4. As I said we have 3.5 billion outstanding, we don't forecast our share repurchase activity but as Paul said in his own quote we're confident in the business and we will continue to return capital consistent with that view. So we will stay in contact on that.

Operator

Kulbinder Garcha from Credit Suisse. Please go ahead with your question.

Kulbinder Garcha - Credit Suisse

A question for Steve I guess, Steve a lot of things went on (inaudible) QCT whether it's flagship high end share gains, your LTE position is definitely coming your ASPs are, very highly QCT business and there is lots of reasons you've given but I understand them in terms of pricing and what not but there is just not leverage in QCT. So I'm curious as you looked over the next medium-term would you say this is an acceptable level of margin for that business? I'm just curious how you see because I would have thought this year of all years especially with the revenue growth you saw they would have been a bit more leverage as seen of this (inaudible) and so can you speak a little bit about that dynamic and a question for Derek I guess on the licensing business it's quite clear in this last quarter especially the MediaTek and Spreadtrum and alike have seen very strong sequential and year-on-year volume increases, seven chips to the extreme low end of the smartphone market I would say. Is your ability to license in there and if so your volume number for the overall addressable market just seems a little bit conservative. So I'm just kind of curious as to how you would reconcile that dynamics. Thanks.

Steve Mollenkopf

Quick answer to your question on margin target, we actually would expect that business to do better and our plans are to make that happen. I think one of the things that when I listen to people talk about the competitive environment that there probably is a difference between our outlook and what other people see is that today it's already very competitive. I mean if you look at the market structure we essentially compete in Samsung against Samsung and that and we do quite well and so I don't think there is a much more competitive dynamic than that dynamic and we do I think quite well in that environment.

That being said, we believe that the investments that we're making and really it is our level of spending that I think is probably the easiest level to deal with that level of spending we think is creating technology distance between what our roadmap is providing and what I think other people get by doing their own chipsets and if you just look at over the last several years how much we've started to at least in our minds move ahead from the competition both on an integrated scale but also individual technology vectors. We think that will play well to our strengths moving forward and there will be more leverage in the business moving forward. We're also not seeing additional markets in most of the I think tablet market in the revenue line but that is clearly in the cost line, I think it's too early to make a call on that but your outlook on that business I think also has a big lever in terms of what will happen long term.

Derek Aberle

On your second question I think we have been pretty transparent that you know we're continuing to grow the licensing base and I think we went up another 10 licensees this quarter. Most of that growth has continued to come from China. So, we feel very confident that where we are collecting under our agreements, and that we have the main customers of Mediatek and Spectrum and others, as well as even the mid and smaller customers licensed and paying.

The one exception that we have discussed a number of times is TD-SCDMA and I think that maybe driving a little bit of the difference in the numbers that you are seeing versus the numbers that we are reporting to you as royalty bearing units. And as you know, we have had some difficulties collecting on TD-SCDMA in China. This year, in particular, we have seen pretty meaningful growth in TD-SCDMA units in China. And so as we go forward, that's having sort of a muted impact on the growth overall of the units reported to us, but as I look ahead, our expectation is though as China Mobile launches LTE that a significant portion of that volume will start to fairly quickly transition over to including the LTE and/or UMTS and that will provide a basis for us to collect royalties on those devices, hopefully without the same types of challenges that we have had historically around TD-SCDMA. So, that would drive kind of accelerated growth year-over-year when you start looking out into '14 and '15 from a unit standpoint.

Operator

Mark McKechnie from Evercore, please go ahead with your question.

Mark McKechnie - Evercore

Thanks. Couple of questions. One for Steve, how big has your connectivity business grown to and maybe you could talk a bit about the tax rates, the MSMs versus how many standalone connectivity solutions you have?

Steven Mollenkopf

Sure. Mark, if you look at our business, the connectivity business, I mentioned earlier that it was actually a record quarter in June for it. And now it's also not just a cellular connectivity business, it includes consumer electronics as networking in that as well. So, it's actually a little bit more diversified than probably what people think. Now, that being said, on the phones side, we have been I think done a good job in terms of getting pull-through for our connectivity solutions either through integrated or through standalone on our mid-tier and low-tier platforms. I gave some comments last year actually about how strong that was in terms of a tax rate.

What we are starting to see and one of the things we are excited about is that now we are starting to see Tier 1s start to use the products. And we think that's an on-ramp one of the necessary or first steps to getting us into the flagship devices as well. And that will be I think it's a long road to ahead of us on that, but we see the first signs of success there. We also believe that our integration story, which has served us well with RF, power management, Bluetooth and GPS will also serve us well in the connectivity space as well. So, we are continuing to invest in that area. We are bullish about it long-term.

Operator

Romit Shah from Nomura, please go ahead with your question.

Romit Shah - Nomura

Steve, you mentioned that your share of content improved in the quarter the factor driving chipset ASPs up, I know that it's coming down a little bit here in the September period, but can you just give us more color on what's driving that? And would you expect chipset ASPs to continue to grind higher after this period? I just wanted to also ask about LTE competition, Broadcom indicated yesterday that their LTE solution will be pushed out to the second half of next year. So, your assessment of the competitive landscape and how big of a lead do you guys think you have today? And then just finally for George, you mentioned on the buyback that you guys are being opportunistic here in July, the stock price, it feels like it's been out of favor for most of the years, so I am just curious what was it or what are you guys seeing here in July that pushed you to be more opportunistic with the share buyback? Thank you.

Steven Mollenkopf

Romit, maybe I will start with the LTE question first. Yes, I think that's probably an accurate view of what we are seeing. If you look at our feedback from the OEMs, it seems like we don't see anyone sort of knocking on the door in the near-term door, kind of with the feature set they were already delivering. As you know we are on our third-generation and we're going to continue to move that forward into next year. So it looks like people are having trouble ramping this year or last year's feature set and we're going to be delivering next year's feature set next year. So we think we're continuing to be strong in the LTE space. I would point to people to the importance of a SoC strategy in LTE and essentially that's in the flagship tier you need to be able to deliver solutions in the developed world. The developed world because the spectrum constraints really needs to embrace LTE Advanced next year and should you be able to produce a product like that and compete with us on a modem space you will also need to do that in an integrated SoC which means that you need to make sure that you have a world-class application process and connectivity and graphics and we think we're differentiated across all of those vectors and certainly if you put them together we feel quite strong. On the first question I actually forgot what it was, could you remind me please?

Share content, yes, thank you. On share count essentially what's happened we're growing our position in the phone, as I've mentioned on previous call sometimes that comes at less gross margin percentage than our traditional modem business but it comes at more dollars and I think a good growth business for us if you have seen in the year-over-year numbers, plus you're seeing some of that. We also from time to time are able to collect essentially value-added software fees for additional functionality that we can sell alongside the chip and you start to see that sometimes I move around from quarter-to-quarter.

So all in all I think it's a strong story for us although from a dollar perspective but not at the traditional gross margin percentages that you saw in the traditional model business but a good business for us.

George Davis

Let me just cover your question on again on share buyback. What I talked about when I was using the term opportunistic it was really in response to the question, that the company has valued an opportunistic strategy over time and I still believe that to be the case. The decision to start purchasing in Q3 was clearly coming out of the earnings call, although the stock reacted and came down, and we felt it was an extremely attractive time to start buying back shares. So it kind of goes beyond opportunistic and really a view of valuation and again I think you can see from the Outlook and from performance in the quarter that the company is performing strongly, we think it's a good time to be buying.

Operator

Rod Hall from JPMorgan. Please go ahead with your question.

Rod Hall - JPMorgan Securities

So I wanted to see Steve if you can comment again, I mean a question was asked earlier on WiFi, there have been some varied blog reports and so on suggesting that you guys have had some pretty good sized WiFi wins for standalone chips with the big vendors and I just wonder if you can comment on whether there has been anything I think the basic situation has been that the underlying driver software favored another large vendor that kind of dominates that space and that's why we hadn't seem as much attach. I wonder if you can comment on whether there has been any change there, do you think that there are more software support that might enable people to use the onboard Snapdragon connectivity solution as we move forward more.

I just be curious to get your comment on that. And then the other thing that I would like to get you guys to comment on is we have got these new replacement programs coming out from U.S. Carriers and there is a lot of speculation over whether that means people (inaudible) or replace more. I just wonder if you can comment on your thinking there, do you think it will impact consumer behavior at all and if so how does it impact it. Thanks.

Steve Mollenkopf

On the connectivity piece essentially we've been working quite hard to bring both the maturity and the feature set of our wireless LAN solution up to what is would be considered a leadership of position. We think we're at that point now, we have been able to also exploit a one of the benefits of our platform which essentially is that we have had the 11ac or end solution which is the 3660 and it's pin-for-pin compatible with the 36.80. So, I think it's been somewhat of misunderstood, but we are actually at the lead in terms of mobile AC. And it's a very easy migration for people to have. So, we do, I think quite well at the mid-tier in terms of design win percentages, and I think that's a great on-ramp to convince people that at the flagship tier can be used as well. And as I said earlier, those things won't switch overnight, but I think the integration story is quite strong on this technology as it is with many technologies. It's just the right thing to move the customer in that direction.

The other things, remember as well, is that eventually the modem, the wireless WAN modem and the wireless LAN modem actually have to coordinate to manage interference and manage offload in a very coordinated way. That particularly becomes important as networks get more dense. So, over time, the good technical reasons of integration are augmented by just that's the way the system is going to need to work to be successful. So, that's a good trend for us.

Derek Aberle

Rod, this is Derek. Obviously, it's early days, and we'll have to see how some of these new programs play out, but I think our view is generally positive that they should have a positive impact on replacement cycles. There has been some concern about whether operators are going to step back a bit from subsidies and given the smartphone penetration that is in some of the developed regions. And I think we are going to see I believe we'll continue to see a number of different kinds of programs that will help drive replacements. If you look at AT&T, I think they just announced results and they said 35% of their smartphone users are on LTE, which is still relatively low and yet they are seeing higher data usage across the LTE subscribers. So, you would think that the operators will continue to be motivated even with the smartphone penetration where it is to drive replacement cycle. So, we will see how these play out, but I think generally a positive development.

Operator

James Faucette from Pacific Crest, you may go ahead with your question.

James Faucette - Pacific Crest

One quick question and a more elaborate question I guess on China, first quick question is that you mentioned and you would expect channel inventories to come down during the course of the September quarter even though you expect them to remain in their typical range, can you just talk about quickly where you think channel inventories or how big do you think channel inventories developed during the June quarter? And then on China, you mentioned that you expect to start to ramp into China Mobile for their testing later this quarter and to the end of this year, how are you thinking about the actual activation of the commercial network for TD LTE and its timing? And what about the other carriers and their eventual move to 4G and how you think about the chipset share opportunity on those migrations? Thank you very much.

Derek Aberle

So, on channel inventory, the channel inventory peaked in our second fiscal quarter or the first calendar quarter in the 15-week to 16-week range. We saw it come down about a week in our fiscal third quarter and we think it will come down at least another week and a half or so in our fourth fiscal quarter. So, pretty continuous decline since the peak of Q2.

Steven Mollenkopf

With respect to LTE in China, we are being driven quite hard to start supporting what are I think very large scale trials at the end of this year. And also as I understand the Spectrum situation, from a government perspective, has been a lot more clarity given over the last month or so with respect to that. So, we expect that to start in the second half of this year. And then I would expect the other carriers to follow I think it will start in LTE-TDD in China Mobile and then following the other carriers. But again, it's very difficult to predict what happens in China, but we are being pushed hard in that direction.