Thank you, Warren, and good afternoon, everyone. We're pleased to report another successful quarter driven by strong year-over-year growth in both our chipset and licensing businesses. Revenue was up 28%, and non-GAAP earnings per share was up 16% compared to a year ago. Adoption of 3G and 3G/4G technologies continues around the world, and our licensees report stronger-than-expected total reported device sales driven by strength in high-end smartphones.

Looking forward, we're now forecasting approximately 14% growth of 3G/4G device shipments in calendar 2012, reflecting a slightly more cautious outlook on the macroeconomic environment. We now also expect the profile of the calendar year to be more back-end loaded as new devices are launched for the holiday season.

Now although our outlook for semiconductor volumes in the fiscal fourth quarter has been reduced from our prior expectations, we are ramping our supply of 28 nanometer chipsets. We expect this ramp, along with new devices launched for the holiday season, to result in a strong December quarter for our semiconductor business.

During the third fiscal quarter and up through today, we returned approximately $1.4 billion in capital to stockholders. This includes approximately $1 billion in stock repurchases. We believe that the combination of dividends and stock repurchases are effective means to increase our stockholders' returns and build additional stockholder value.

In QCT, we're continuing to see strong demand for our new Snapdragon S4, and other 28 nanometer chipsets, and that demand continues to exceed our available supply. We will continue to ramp capacity in the upcoming quarters consistent with our prior expectation. However, the constraints on 28 nanometer supply are continuing to limit our potential revenue upside this fiscal year.

QCT continues to drive technology and product leadership, including the sampling of 802.11ac solutions for mobile computing and networking products and several new chipsets in the Snapdragon S4 family.

QTL continues to grow and expand its base of licensees, and we now have over 215 CDMA licensees, including our first major Brazilian licensee, Digibras Group. We now also have more than 25 royalty-bearing, single-mode OFDMA licensing -- licensees. And as with 3G, we believe that our 4G portfolio is the most widely licensed in the industry.

On the spectrum front, Bharti Airtel, a leading wireless -- Indian wireless operator, acquired a 49% interest in our Indian BWA entities. One of our key objectives from the outset of our investment has been to include a strong

Indian operator as our partner in the Indian venture with the scale, experiences and resources to deploy and operate an LTE TDD network. We're very pleased to have Bharti's participation and support in this effort.

Also related to spectrum, the European CEPT reached an initial conclusion, which is subject to final approval, to harmonize the L-Band for supplemental downlink. This is the same spectrum that we own in the U.K. This is an important milestone, and it opens up the potential to have our carrier aggregation technology deployed widely across Europe.

With respect to QMT, we're now focusing on licensing our next-generation mirasol display technology and will directly commercialize only certain mirasol products. We believe that this strategy will better align our updated roadmap with the addressable opportunities.

Looking forward, we believe that our long-term growth drivers remain intact. Smartphone demand continues to grow. Gartner estimates that approximately 145 million smartphones were shipped in the first calendar quarter of this year, representing 45% growth year-over-year. In China alone, they estimate that approximately 33 million smartphones were shipped, representing greater than 160% year-over-year growth. This year, Gartner estimates that China will become the largest consumer of smartphone. And just to give you some idea of the interest, I recently attended China Telecom's 3G handset fair where it was reported that more than 20,000 industry players and 200,000 consumers attended. And at that event, China Telecom encouraged their manufacturers to launch a full range of smartphones from flagship devices through all of the tiers.

The overall growth of 3G remains strong especially in emerging regions. According to Wireless Intelligence, at the end of June, of the 1.8 billion 3G connections globally, there were greater than 900 million 3G connections in emerging regions, representing a 42% growth year-over-year. We believe the burgeoning opportunity beyond handsets is front of us -- is in front of us and, moving forward, will be driven by the growth in 3G/4G connectivity from tablets, mobile PCs, machine-to-machine and other devices. We're encouraged by developments in the computing space with Microsoft's support behind the ecosystem for Windows RT with general availability expected in October.

On the legal front, I wanted to give you an update on our ongoing SEC and DOJ investigations. As we noted in our 10-Q, which was filed today, we have discovered and, as part of our ongoing cooperation with these investigations, have informed the SEC and DOJ of instances in which special hiring consideration, gifts or other benefits were provided to several individuals associated with certain Chinese state-owned companies or agencies. Based on the facts currently known, we believe that the monetary value of these benefits in aggregate to be less than $250,000, excluding employment compensation. We're continuing to investigate the circumstances related to providing these benefits and are attempting to identify when -- whether any other benefits were provided. We're continuing to cooperate with these investigations, but we are unable to predict their outcome. Given the ongoing nature of the investigations, we'll have no further comments beyond the foregoing and what's contained in our Form 10-Q.

So to conclude, we've completed another solid quarter at Qualcomm. And despite some challenging near-term market dynamics and supply constraints, we're very pleased to see the continued growth of 3G and 3G/4G multimode smartphones, as well as new mobile computing devices. We're looking forward to an exciting portfolio of device launches for the holiday season and are anticipating a strong December quarter on the semiconductor front and believe that we are well positioned for the opportunities ahead. Thank you, and I will now turn the call over to Steve Mollenkopf.

Steven M. Mollenkopf

Thank you, Paul, and good afternoon, everyone. I'd like to first congratulate Cristiano Amon and Dr. Murthy Renduchintala on their new roles as co-presidents of Qualcomm mobile and computing products. Their leadership has been instrumental in our success to date, and I look forward to working with them in their expanded roles. Dr. Craig Barratt will continue as President of QCA, focusing on connectivity and networking products, and Jim Lederer will continue in his current General Manager role, leading the sport organizations across the semiconductor business.

QCT shipped 141 million MSMs this quarter, up 18% year-over-year but below our prior expectations. Our fiscal third quarter MSM shipments and our outlook for the fourth quarter have been impacted by a number of factors, including a near-term reduction in the 3G/4G inventory channel, which we believe reflects a pause and a re-profiling of demand prior to the launch of some key flagship devices for the holiday season. Additionally, we have seen some impact from customer mix shifts and competitive pressures in the low tiers, as well as a slowdown in the industry demand for USB dongles, particularly in Europe.

We continue to be supplies constrained on our 28 nanometer products but are ramping supply with multiple foundries in the September quarter and again into the December quarter consistent with our prior expectations. We currently project that we'll be able to closely match supply with demand as we exit the calendar year.

The reduced demand profile and ongoing 28 nanometer supply constraints, as well as our increased efforts to bring additional 28 nanometer capacity online and continue investments in our QRD and mobile computing programs in advance of the opportunities ahead are driving lower operating margins in the fiscal third and fourth quarters versus historical norms.

Looking ahead, we anticipate a strong lineup of device launches leading into the holiday season and believe QCT is well positioned for the December quarter, particularly with the increasing supply of industry-leading chipsets for high-tier devices.

Over 15 devices based on our S4 MSM8960 28 nanometer chipsets have launched to date, including the Samsung GALAXY S III, the HTC One S and One X, LG Optimus LTE2, Pantech Vega Racer 2 and Sony Xperia SX. There are now more than 420 announced Snapdragon-based devices with over 400 more in design, including 175 S4 designs. Third-party reviews and benchmarks again reinforced our product leadership this quarter, confirming that the Snapdragon MSM8960 outperforms quad-core CPUs-based handsets by using a complete multi-core system with our custom GPU, DSP and dual-Krait CPU cores. We also sampled 3 new S4 chips this quarter, including the APQ8064 and the MSM8x30. The APQ8064 includes 4 Krait CPUs. It is the first to use our new Adreno 320 GPU and will extend the performance expectations we recently established with the MSM8960. The MSM8x30 integrates a multi-mode LG or 3G LTE and is designed to enable 3G/4G smartphones at high-volume price points globally.

Our modem leadership also continues to be a differentiator for design wins in modem plus AP smartphones, in tablets, modules and WiFi personal hotspots, including over 90 designs in process based on our 28 nanometer 3G/4G LTE MDM9x15 modem. While many companies are still commercializing their first LTE products, we have already announced our third-generation LTE chipsets and will continue investing in our modem road map to maintain our leadership.

Our connectivity solutions, which include WiFi, GPS, GLONASS, Bluetooth and FM, continue to be used in a vast majority of our customers' designs on the S4. Our new-generation 802.11ac solutions are being designed into smartphones, tablets, computers and networking products and align with the WiFi industry's certifications timeline to enable 802.11ac interoperable products in market by early 2013.

In emerging regions, our QRD program, which provides turnkey designs for affordable smartphones, continues to expand rapidly. We continue to grow our QRD road map with differentiated technology, including our new Snapdragon 8x25 1.2 gigahertz dual-core chipset, which began shipping commercially in July, only 2 months after first sampling. We are engaged with over 40 OEMs, many of which are now transitioning their platforms from 2G to 3G, and these OEMs have announced approximately 50 devices based on our chipsets for China and other emerging countries. In addition to the announced devices, we currently have 100 new QRD-based smartphone designs in the pipeline.

We also continue to invest in mobile computing and are pleased to see the momentum building around the new ARM-based Windows platform. As the only chipset provider supporting Windows on both PCs and phones sold commercially, we look forward to the availability of both Windows 8 and Windows Phone 8 this fall.

Looking ahead, while we are forecasting sequentially lower MSM shipments based on midpoints in the September quarter consistent with the pause and re-profiling of demand, we expect a strong December quarter as new high-tier smartphone devices launch for the holidays and we have an improved supply of 28 nanometer products.

That concludes my remarks, and I will now turn the call over to Bill Keitel.

William E. Keitel

Thank you, Steve, and good afternoon, everyone. We have another good quarter. Compared to last year, our fiscal third quarter revenues were up 28% to $4.6 billion, non-GAAP operating income was up 23% to $1.7 billion and non-GAAP earnings per share was up 16% to $0.85 per share.

As both Paul and Steve mentioned, our results this quarter and updated fiscal 2012 guidance reflect estimated reductions in the 3G/4G inventory channel in the June and September quarters, as well as our expectation that a greater percentage of calendar year volume will be sold in the December quarter as new, high-tier devices launch for the holidays.

We continue to expect this to drive a strong December quarter for our chipset business.

In QTL, total reported device sales by our licensees were up 31% year-over-year to $47.8 billion and above the high end of our prior guidance range, driven by strong smartphone demand. We estimate that approximately 206 million to 211 million 3G/4G-based devices were shipped by our licensees in the March quarter at an average selling price of approximately $226 to $232, up approximately $15 sequentially, reflecting higher average selling prices in multiple regions, particularly Europe and developed regions in Asia, and combined with lower mix of data modems.

QCT shipped 141 million MSMs, up 18% year-over-year but below our expectations at the outset of the quarter for the reasons Steve just explained.

During the third fiscal quarter and the first few weeks of this current quarter, we returned approximately $1.4 billion of capital to our stockholders, including dividends paid of $429 million and approximately $990 million for stock repurchases.

Now turning to our guidance. We are modifying our estimate of global 3G/4G-based device shipments for calendar year 2012, reflecting economists' more cautious view on the 2012 world economy. We now estimate that between 875 million and 935 million 3G/4G-based devices will ship in calendar year 2012, up approximately 14% year-over-year at the midpoint.

We expect the second half profile to be similar to calendar year 2011, which had muted growth of 3G/4G devices in the September quarter and very strong growth in the December quarter.

We estimate that the average selling price of 3G/4G-based devices for fiscal 2012 will be approximately $216 to $222. The $219 midpoint is $7 above our prior $212 midpoint estimate primarily driven by higher average selling prices in multiple regions, including an increased mix of smartphone shipments, particularly at the high tier.

We expect fiscal 2012 revenues to be in the range of approximately $18.7 billion to $19.1 billion, up approximately 26% year-over-year at the midpoint. We anticipate fiscal 2012 non-GAAP earnings per share to be in the range of $3.61 to $3.67, up approximately 14% year-over-year at the midpoint.

In QCT, we estimate operating margins to be approximately 18% to 19% for the fiscal year, lower by approximately 100 basis points than our prior estimate, and reflecting reduced expectations for MSM volumes driven primarily by lower expected 3G/4G channel inventory and a re-profiling of demand prior to new devices being launched for the holiday season. We expect the combination of non-GAAP R&D and SG&A expense to grow approximately 24% year-over-year.

We estimate our fiscal 2012 tax rate to be approximately 20% for both GAAP and non-GAAP and a bit higher than our prior estimates driven by the mix of our foreign and domestic earnings.

Specific to the fiscal fourth quarter, we estimate revenues to be in the range of approximately $4.45 billion to $4.85 billion, up approximately 13% year-over-year at the midpoint. We estimate non-GAAP earnings per share to be approximately $0.78 to $0.84, up approximately 1% year-over-year at the midpoint.

We estimate that our subscriber licensees will report total reported device sales of approximately $43.5 billion to $47.5 billion in the September quarter for shipments they made in the June quarter and up approximately 16% year-over-year at the midpoint.

We anticipate shipments of approximately 134 million to 142 million MSM units during the September quarter with revenue per MSM higher sequentially, reflecting favorable product mix, including lower sequential shipments of shipments [ph] for data modems and increased volume of 28 nanometer products.

We estimate that the 3G/4G inventory channel declined in the June quarter, and our guidance includes an additional bleed of channel inventory in the September quarter, ahead of new device launches for the holidays. We estimate the channel inventory will exit the fiscal year at or slightly below the low end of the 13- to 18-week normal range.

We expect QCT's operating margin to be approximately 14% in the fourth fiscal quarter, approximately 500 basis points below the midpoint of our prior outlook and driven primarily by the expected contraction of 3G/4G channel inventory and re-profiling of demand prior to new devices launching for the holiday season.

We anticipate fourth fiscal quarter non-GAAP R&D and SG&A expenses combined will increase sequentially approximately 11%, reflecting continued QCT investments in 28 nanometer, QRD products and mobile computing.

That concludes my comments. I will now turn the call back to Warren Kneeshaw.

Warren Kneeshaw

Thank you, Bill. Josh, we're ready for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Mike Walkley with Canaccord Genuity.

T. Michael Walkley - Canaccord Genuity, Research Division

Bill, just 2 questions for me. One, just on the mirasol going to a licensing model, could you remind us what kind of impact was -- mirasol might have had to earnings this year and how that business model might change? And then just on a higher level on the royalty side, much better-than-expected QTL ASPs, but there's certain smartphones that are dominating the high end of the market. So with that coming more in the holiday season, would you expect us to see ASPs drop maybe for the next 2 quarters and recover again into the March quarter given QTL's reported quarter arrears [ph]? I'm just trying to get a feel for the new cadence of ASPs as they might be tied to certain high-end smartphone launches.

William E. Keitel

Sure, Mike. On mirasol, we did announce today a shift in our focus, a bit more of a licensing focus number one. And number two, commercialization. We're going to be focused on certain mirasol products. The impact for the year, this fiscal year, will be relatively muted since we're largely through the year. But we do expect some changes to be taking effect for fiscal '13. On the royalty side, yes, we -- Mike, we do expect quite a strong December quarter for the QCT business, and we expect a very large increase in the overall shipments of 3G/4G devices. And that will then -- should extend then to a strong second fiscal quarter for the QTL business. On the ASP front, I think it's always prudent to be cautious on ASPs rising. We do -- but I think a reasonable expectation is low single-digit decrease on an annual basis.

Operator

Sam Weil [ph] with the Bank of Montreal.

Unknown Analyst

Just getting back to the chip business. I think you said ASPs went up and they're expected to go up again next quarter. Just looking at the profitability there, obviously the volumes hurt, but it looks to me, by my calculations, we had another tick down in gross margin. So I'm just curious, what would be causing the gross margin pressure still than just competition? And then you did mention 28 nanometer helping the ASP. I'm curious both on ASP and gross margin as we get into Q3 and really calendar Q4 when the volumes are fully there. How should that impact both ASP and gross margin? And how much of that will be passed through the model? And how much will be used to maybe accelerate the QRD program? So if you could help us talk about the balance between the profitability and growth as we transition to 28 nanometer.

William E. Keitel

Sure. I'll take stab at it here, but others might want to chime in. On the chip ASPs, yes, we do expect a sequential increase from Q3 to Q4. There is, of course, pressure on the gross margins. We've been seeing that now for some time. It's consistent -- largely consistent with our expectations. No real surprises there. But we've added into the business mix what has traditionally been lower gross margin products, number one. Number two, as we're going more in -- more and more into emerging markets, it does have a lower cost profile and price profile. So that puts pressure on it. But, I mean, aside from the supply shortages and channel inventory corrections, we've been able to sustain still a pretty rich operating margin in this environment of pressure on the gross margins. The 28 nanometer, I think, fits much into that fold. I won't comment directly on the gross margin of 28 nanometer, but I think you're aware we have stated in the past that we have been pricing pretty aggressively. But nonetheless, these are very rich products, and we think we're quite a distance ahead of the competition as well. So I do think it will be a nice positive to our business as we ramp 28 nanometer here.

Operator

Brian Modoff with Deutsche Bank.

Brian T. Modoff - Deutsche Bank AG, Research Division

Steve, on the 28 nanometer, can you talk a little bit about how you see demand in the current quarter? You've talked about hitting 1/3 of volume by September. Is that still feasible? In terms of the guide down sequentially, is this -- a lot of this -- have you seen cuts in the 45-nanometer demand trends as well? And then are you bringing a second source on for -- in terms of meeting the demand as you get into the fourth quarter? And are you happy with the yields that you're seeing on that second source at this point?

Steven M. Mollenkopf

Brian, yes, it's Steve. The 28 nanometer right now, as I said, we're supply limited. So it's -- and it's going quite well in terms of bringing up additional sources. We actually have 4 sources that we're now bringing up. If you track through the calendar year, we're engaged with all of them now. And it's going the way that we had thought. You had -- you talked a little bit about the 45-nanometer products and such, and I think what you're seeing a bit of is a little less of the backfill that we would have expected. And I think that's consistent with what we were talking about, the re-profiling of demand. That's really a little bit less of the backfill and a little bit more waiting for the new products to come out. So we're just working very hard to try to get those products out the door.

Brian T. Modoff - Deutsche Bank AG, Research Division

So in terms of talking through the -- just talking about a more positive December quarter, some of this is you're getting demand. People want the 28 nanometer. So the push in demand is to that quarter is what you're saying?

Steven M. Mollenkopf

That's right. You -- at the same time, you're -- we have a significant demand for the 28-nanometer products. And as you get into the December quarter, you now have a tier of products on 28 nanometer, which, I think, is a big advantage for our portfolio. And they're moving forward. And you're essentially in a situation where demand is increasing and supply is increasing, and we're trying to match those 2 ramps. And it's -- we're just in execution mode getting through that right now and engaged with 4 fabs in order to do that.

Operator

Ehud Gelblum with Morgan Stanley.

Ehud Gelblum - Morgan Stanley, Research Division

A couple of questions. First, Steve, in the past, you've given us a sense of the growth in Snapdragon. I was wondering if you'd do it again in terms of however you look at it, quarter-over-quarter, year-over-year, half-over-half, whatever you can give us in terms of what the Snapdragon growth is. And Bill, on the ASP jump from the $214 to $229 in the March quarter, it seems relatively -- I mean, that's a large jump. Can at least some of that -- and obviously, you said that -- I heard the narrative that you said, and it makes sense that smartphones are growing. But could some of that be explained by higher tablets that are going in there because they go in at the full ASP as opposed to at the truncated ASP? I'm just wondering just if -- any granularity you have, an explanation of that large jump and what we should do with that going forward? And then when you were talking about this year unfolding similar to last year with a more muted September on the QCT unit side and a stronger December, last year, we went from 127 million in September to 156 million in December. So on absolute value terms, 30 units. This year, we're going be somewhere in the, by your guidance, mid- to high 130s, probably high 130s, maybe around 140. Should we be looking again at the same 30 million uptick as we look into December? Or should we be looking at higher because it's just a bigger market and a bigger year?

Steven M. Mollenkopf

Ehud, it's -- this is Steve. Your first question was about growth in Snapdragon. Snapdragon's a big portion of our shipments now. And if you look at the year-over-year, it's probably in the high 20s in terms of percent growth. And that includes -- that's if I looked at the quarter we just were reporting on now. That includes the fact that a number of the Snapdragon products are, of course, 28-nanometer products and they're a bit supply-constrained today. So we would have even seen higher growth than that year-over-year. So we're quite pleased with how the Snapdragon product line is ramping throughout the year, so. And I'll -- I think the second part is really more Bill could perhaps take.

Derek K. Aberle

Ehud, let me -- this is Derek. Let me jump in on the ASP. I think actually, the increase quarter-over-quarter on the ASP was pretty broad based. Just generally stronger ASPs across both emerging and developed regions. The tablet numbers, although they tend to go up and down with the market, have remained relatively constant in terms of a percentage of total units. And so although again, we saw strength across pretty much all products and geographies, it wasn't driven by an increase in the percentage of tablets as compared to total units.

William E. Keitel

And Ehud, Bill. On your last question, the profile for the year, for 2011, calendar 2011, our estimate is about 24% of the total devices that year were shipped in the September quarter. And then there was a large jump to approximately 30% of the total devices shipped in the December quarter. And that's for 2011. Our estimates for 2012 are -- based on the midpoint of that -- the 905 million total units is very similar to that profile that I just quoted for last year. And by the way, that's -- that information is now on our website if anybody wants to take a look at that.

Ehud Gelblum - Morgan Stanley, Research Division

If I can follow up? So should your QCT units match that? Or is it going to be different because you have maybe unusually low share now with 28 nanometers restricted and maybe proportionally higher share in December once your restriction is over. So maybe even more drastic than that 21 to 30?

William E. Keitel

I think it's best I refrain getting too specific on the first fiscal quarter of 2013. I'll just say that we're looking for a pretty substantial increase in QCT's quantity of MSMs.

Operator

Simona Jankowski with Goldman Sachs.

Simona Jankowski - Goldman Sachs Group Inc., Research Division

Just a couple of questions. First, to clarify. With your comments on the 28 nanometer, suffice to say it's alleviating in the December quarter, was that referring to the entirety of the December quarter? Or is it just for the exit run rate? In other words, would you still see inability to meet some of the demand in the entirety of that quarter? And then as it pertains to your chipset margin, is there any reason to think that in December, chipset margins should not be above your typical average margin given the volumes you're expecting?

Steven M. Mollenkopf

Simona, it's -- this is Steve. The supply really exits the quarter on a matched situation. It doesn't end -- enter the quarter that way. So at the beginning of the quarter, we still have a gap that we need to deal with, but it improves throughout the quarter. We think it matches up toward the end.

William E. Keitel

And Simona, it's Bill. On the margin side, it's -- well, it's preliminary here. We do expect a nice, increasing QCT op margin. But understand, it's still going to be a very active quarter in terms of ramping the supply. So there's going to be a high level of costs supporting that. So I think it's too early to comment or maybe even to expect that the December quarter would be above our averages in the past.

Simona Jankowski - Goldman Sachs Group Inc., Research Division

So then maybe just a question for Paul. In terms of looking strategically longer at some of your big customers who are becoming more vertically integrated, and obviously, we had the announcement yesterday from Samsung are buying some of the technology and connectivity from CSR, now how should we think about customers like that longer term for fall coming in terms of your potential share of their silicon business?

Paul E. Jacobs

Yes. So we've had these same issues throughout the history of the company where internal efforts -- people try to build the silicon for their own chipsets. And I think the key way to combat that, as we've done all along, is to continue to drive the technology hard. Obviously, we're driving it very rapidly in a number of areas now, not just the radio. It used to be just the radio. But now it's also processor and graphics technology. And we've seen -- I'm sure you've seen a number of the benchmarks coming out talking about how, I think the latest one I saw was on graphics, how we were really winning on the graphics side but, obviously also, on the computing side, we've had great comparisons. So the key, as I said, is drive the technology hard. Do people for their internal uses have enough scale to invest at the same rate that we do? And the answer is generally no. And plus, we have just a level of experience that we can bring to bear, and I think that, that strategy will continue to work as it has in the past.

Operator

Rod Hall with JPMorgan.

Rod B. Hall - JP Morgan Chase & Co, Research Division

Just a couple of questions and clarifications. I guess first on the channel inventory. I don't think I heard, Bill, you comment on how many weeks of inventory -- the inventory is reducing down to that below-13 level. So I don't know if you could just comment on what the change in channel inventory is from your point of view or the change in your expectation, I should say. And then also, I'm just wondering on your GDP assumption. You talked to us about what you -- what GDP assumption you make underlying your guidance. I wonder if you could just update us on that. Then on the -- just the overall demand picture, if you could talk to us about the rate of deterioration. Are you guys expecting demand, based on what you're seeing out there, to remain roughly where it is now? Or do you think demand is going to continue to deteriorate? And at what sort of rate do you think that might occur? And then on 28 nanometer, just one more thing. Can you quantify at all what kind of 28-nanometer shortfall you're assuming in the fiscal Q4 guidance?

William E. Keitel

Okay, Rod. First, on channel inventory. We think we're exiting here the June quarter at just -- or coming in -- we exited the March quarter just a little bit above 15 weeks. We think we're exiting the June quarter at a little bit below 15 weeks, and we think we're going to exit the September quarter at just below 13 weeks. So obviously, that September quarter, if that happens, which we obviously expect it will, would be almost a new low for at least our history.

Rod B. Hall - JP Morgan Chase & Co, Research Division

What did you think before, Bill? Did you think it was going to be around 15 and now it's 13? Or I just wonder what you were expecting. Okay.

William E. Keitel

We thought it was going to be more flattish between just a little bit under 15 to just above 15 weeks. So that's on the channel inventory. On GDP, we're aligned with consensus economists for 2012. And you're probably aware, they recently downticked from about 3.2% world GDP growth to about 3.1%. Obviously, a little bit more in the second half of the year relative to the first half. For 2013, I'm -- I would say we're a bit below consensus right now. We're a little more cautious than where the consensus economists are. But to translate that back into our estimate, our midpoint estimate of 3G/4G devices, so 3 months ago, our midpoint was 915 million units, and our updated guidance here is 905 million. That 10 million reduction is approximately a 1 percentage drop in the turnover rate, replacement rate of devices. We've previously been around 34%. We're just -- we're a little bit above 33% now. So as the economy weakens, we typically expect consumers to hold on to their devices a little bit longer. And we think this is concentrated for -- our decrease here is concentrated in Europe and North America. On overall demand, I think we have a good sizing on it now. The -- I think historically, we've seen, on a quarterly basis, we're pretty good at predicting MSM volume. And obviously, there's a lot of interest and focus on what we're going to be able to ship here all this quarter and particularly into December. So I feel like we have a good handle on it right now, Rod.

Rod B. Hall - JP Morgan Chase & Co, Research Division

And 28 nanometer?

William E. Keitel

What on 28 nanometer?

Rod B. Hall - JP Morgan Chase & Co, Research Division

Just how much is -- they tend to the guidance in terms of shortfall?

William E. Keitel

Oh, in the shortfall. Well, let me say this. First of all, 28 nanometer, our shipment estimates both for the fourth fiscal quarter and what we expect for the first fiscal quarter, we're essentially in line with where we were 3 months ago. So the QCT team is executing well on that aggressive ramp that we had talked about last time. But going out of this quarter, if we could ship all the demand that's in front of us for this quarter, I would just say that our revenue and operating margin would be materially higher.

Operator

Tal Liani with Bank of America.

Tal Liani - BofA Merrill Lynch, Research Division

I have 2 questions. First, the NREs. I think you said before they're going to be $200 million. Can you give an update on where it is and when would this be reversed? Second, the -- on the same topic, is -- should we expect the OpEx intensity ratio or OpEx ratio to be relatively the same as you transition to smaller geometries? Or are we going to see improvement sometimes once you're done with the 28 nano? Those are my 2 questions.

William E. Keitel

Sure. Tal, it's Bill. On the NRE, I think your -- I think the 200 million is referring to our -- the increase in R&D that we're looking at approximately this time of year versus where we were at the outset of the year. I want to answer your question correctly because that's approximately what we're up in R&D outlook, current outlook for fiscal 2012 versus the outlook at the outset of fiscal 2012. Am I vectored correctly with it?

Tal Liani - BofA Merrill Lynch, Research Division

Yes. Yes, I...

William E. Keitel

Yes, all right. Yes, the key components of that, foremost, is spending around 28-nanometer products, both the -- accelerating the supply as much as we could, but then also, there's been expansion in the products and the future road map for those products. That's number one. Secondly would be the mobile computing. We've stepped up our investments there relative to what we expected at the outset of the year. Thirdly would be you heard Steve talk a lot about how well we're doing on the modem. And so we have stepped that investment up, both -- carrier aggregation being one example. There's a lot of demand for that right now. And then lastly would be in QCA, the Atheros business. Those would be the 4 primary areas that make up the great majority of the R&D increase this year. Steve, anything to add to that?

Steven M. Mollenkopf

Well, I might say that this year is a little bit unusual in the sense that we pulled in some real [ph] SLA [ph] investments essentially to accelerate the speed at which we're going through future nodes. So this year is a little bit faster than you would typically see because we're trying to go through the nodes even faster than we have done in the past. And you're seeing that in the OpEx this year in particular. The other aspect, just to add to the QCA comment, was we're seeing significant fan out in terms of design wins on our connectivity products, and we're essentially scaling up our ability to deliver on those design wins. Those are probably the 2 of the bigger topics we're having right now.

William E. Keitel

And then the last one, Tal, this was on OpEx, operating expense, intensity and -- particularly in light of new -- as we go through new geometries from here. I think the key there is scale. And we're doing very well on scale. So we've got a good opportunity to manage our operating expense intensity, I think, pretty well. But the key, I think, there is scale.

Tal Liani - BofA Merrill Lynch, Research Division

So if you look at -- just to combine your 2 answers, if you look at the growth in OpEx this year, given that next year you have other plans and -- to drive different technologies, is the hike this year kind of one-off? Or is it going to be reversed? Or is this just a new level that from this point onward, it depend -- revenue growth will determine the margin level of the company unless the decline in OpEx?

William E. Keitel

I think, Tal, this year, it's unusual in respect that we've ramped the operating expenses even though we aren't able to ship all of our customer demand. That's a rare case in our history where we can't ship demand. But going forward then, the operating expense intensity, I think we've said in the past we expect that -- I mean, our goal is to improve it. It isn't -- I -- that isn't a guidance point for fiscal '13, but I would take it as a guidance point looking 3 years out. And maybe Paul, I don't [indiscernible].

Paul E. Jacobs

Yes, I just wanted to say also we're obviously investing a lot in QMT. We're looking at the opportunities to -- on that business model to reduce some of the expenses that we have there. And so that could have a pretty significant impact as well.

Operator

Stacy Rasgon with Sanford Bernstein.

Stacy A. Rasgon - Sanford C. Bernstein & Co., LLC., Research Division

I was wondering first if you could talk a little bit about emerging markets. We've seen some signs of weakness in emerging markets in the handsets and in others and even some of your big customers reporting to more weakness there. But your own outlook seems to be pointing more weakness in developed markets or even where you took guidance down with more in developed markets than in emerging. So if you could talk about some of the dynamics that you're seeing between those, so that'd be helpful, and particularly potential impacts going forward on ASPs. I think for -- and just a second question, if you could just maybe comment a little bit about the recent IP restructuring that you guys did. If you could give us a little more commentary on the rationale for that. And then any sort of impacts or not that, that may have going forward, that would be helpful.

William E. Keitel

Stacy, I'll take your first point. On the emerging market side, now we -- our estimates within that 915 million midpoint estimate that we shared 3 months ago are largely intact. So I have seen some reports here where some people are seeing some surprises here and there. But overall, we feel it's holding fairly steady. So the 2 changes we really made in our estimates for this year are North America and Europe and really just a bit of an extension on the replacement rate that we had previously been forecasting. So I think emerging is holding strong. And then on the -- expect on ASPs, as we said in the past, as we're seeing smartphones penetrating emerging markets. And so the ASP trends that we've been seeing on the emerging front is -- has been really quite positive to us.

Derek K. Aberle

This is Derek. Let me just take a second answer to your question on the corporate restructuring. So we just went through the corporate restructuring for a variety of reasons. I think it's something that if you look kind of across various industries, that companies will adopt as a corporate structure separating certain businesses and liabilities for other regions. But also, obviously, a big part of this was to kind of reflect the way that we've been doing business for a number of years and to further protect the intellectual property portfolio for some of the activities of the operating businesses such as the chip business. And in particular, we've been working quite a bit with open source historically and feel very good about the way we've been doing that. But we expect that, that need will continue to increase, and this just kind of further protects the important intellectual property that underpins the licensing business from some claims or inadvertent activities by others in the business.

Operator

Jeff Kvaal with Barclays.

Jeffrey T. Kvaal - Barclays Capital, Research Division

I have a couple, gentlemen. I think the first is to follow up on the internal production. I think we've seen the pendulum shift back and forth between internal and outsourced a bit over the years. Where are we in the current swing? Should we expect production to go a little bit more internal perhaps over the course of the next few quarters or years? Then my second question is on the Intel-ASML relationship. I wonder if you had some observations on that of how you feel about your access to capacity looking out over a 5- to 10-year period.

Steven M. Mollenkopf

This is Steve. I'm assuming the first question is really more about the vertical customers. I would say that it's really consistent with what Paul said. I think it's getting harder and harder to create chipsets moving forward. It's primarily because in order to create particularly high-end products, you need to innovate across so many different technology vectors. And unless you're fairly large and you have a fairly broad technology portfolio and you're at the leading nodes, I think you're going to have a difficult time producing the type of products that you need. So in our view, it's actually getting harder to do chipsets and so, therefore, probably more favoring of our model. With regards to the ASML and really the 450 move, our view essentially that the industry moving that direction and supporting larger wafers and really bringing the economies of scale even to further out nodes is something that we actually want to see happen. But it's also the expense is so large. It's unlikely to us that one company is going to be able to put something in place that will advance them and given the fact that it's just going to require a number of different companies to put the investment in. So we're happy to see that the industry is moving in a way that keeps Moore's Law working. We think that's good for our business as it is for others.

Jeffrey T. Kvaal - Barclays Capital, Research Division

Are you comfortable that -- or should we expect you to be contributing to procuring that capacity yourself, Steve? Does it mean you would do it on your own or as a part of a group?

Steven M. Mollenkopf

Well, I hope [ph] -- I think you'll start to see some of our fab partners perhaps working on that, but I don't have any special information on that.

We're still committed to the fabless model. It served us well. And with our size, I think we're probably a bigger player in terms of being able to influence it. But I don't know to the degree that our -- that we will have a direct relationship in that particular issue.

Operator

Kulbinder Garcha with Credit Suisse.

Kulbinder Garcha - Crédit Suisse AG, Research Division

I just want to dig into QCT margins a little bit. I understand that you said they're going to go down to somewhere around 14% in the near term, and I understand the drivers. I'm wondering how quick the snapback is. And the reason why I'm asking is that as QCT margin's at a new low, I'm just trying to think, has there been any structural change? Once upon a time, ex Atheros [ph] they were at 30%. Then we talked about the mid-20s. Now we're at 14%. I'm just thinking, as we look out beyond a couple of quarters and as you get through these ramp issues, are you really confident enough in this change to the competitive dynamics? That's my first question for Steve. On the ASP front, I understand the strength you've seen. I understand, Bill, also the conservatism you want to think about with ASPs going forward. But specifically, as you're going through the back half, many of these product launches that are discussed or speculate seem very high end. So doesn't the mix shift of the industry actually go -- even to calendar Q4 look very high end as well? And that would help licensing for the whole of next year or for a significant part of next year. What's wrong with that way of thinking of things?

William E. Keitel

Sure. Kulbinder, this is Bill. I'll take on the 14% up margin question and will there really be a quick snapback. Yes, I feel like we just had a quick snap down. I was expecting -- we were expecting 19% operating margin. We lost a little bit of volume and we're at 14%. So I do expect a quick snapback, use your terminology. But maybe more important, we've said for sometime now here our goal as a company is to look over the next 5 years or so to be improving the QCT operating margin a bit. And the June quarter, September quarter, really, that's -- it's not having any impact. It isn't making us re-question our goal there. It's just a temporary phenomena that -- and we think we understand it pretty well.

Steven M. Mollenkopf

We also have a very significant investment in pre-revenue opportunity, which is the whole mobile computing space. So we certainly expect to get a good return on that investment going forward. But right now, currently weighing down the margins.

William E. Keitel

On ASPs, I think you're characterizing a positive outlook, at least for the next couple of quarters, and we don't disagree with that. But obviously, there's a lot of pressure within the industry to be reducing prices, both consumers and carriers, and OEMs putting the pressure on their suppliers. We're trying -- we're working hard to enable that best we can. And hence, I always think it's just a little bit better to be not looking for ASP increases but just flat to modestly down, I think, is the better outlook. But I agree, we're looking -- I think the next couple of quarters look pretty positive for us.

Operator

James Faucette with Pacific Crest.

James E. Faucette - Pacific Crest Securities, Inc., Research Division

Just a few follow-up questions. First, back to Steve or Paul related to your partnerships with your foundries. I think, Steve, you said that you're now sourcing 28 nanometer from 4 different partners. Going forward as we look at future geometry and process improvements, should we expect you to continue to be diversified at the outset across multiple partners? Or should we expect you to return to concentrating on 1 or 2 key partners for future transitions, firstly? Secondly, Bill, just could you update us quickly on where we're at in terms of authorized buyback? I mean, you've been fairly active since the end of June or starting at the end of June, and I just want to make sure that I kind of know where you're at in terms of what you still have authorized.

Steven M. Mollenkopf

James, this is Steve. Our product portfolio at the high tier, we tend to be on the leading node; on the lower tiers or the mass-market tiers, we may be one node behind. So we tend to have a broad sourcing strategy to take account of the fact that we're on leading node. And also, following nodes, we tend to engage with a lot of fab partners by necessity. On the leading nodes, I think you're not going to see a big change in our strategy moving forward with the exception that we do, obviously, a much better job of matching our ramps, capacity ramps and demand ramps, as we drive leading nodes. For us, you're going to continue to see us really taking advantage of the fact that you can play the integration game at the leading nodes. And there's a number of different good road maps that we're seeing from the industry through the fab -- through fab partners, and we're going to continue to drive the best ones that we can find.

William E. Keitel

On the -- James, on the buyback authorization, as of a day or 2 ago, it was just a little under $3 billion. But I think just think in terms of -- it's about $3 billion. We have one more put that's set to expire for about $200 million. And so approximately $3 billion remaining authority on our buyback.

Operator

Parag Agarwal with UBS.

Parag Agarwal - UBS Investment Bank, Research Division

Steve, I just wanted to know, how do you plan to manage the QCT business as you try to balance revenue and the margins? And also, if you could give some color as to was there any impact on the gross margins you could really shoot as you're ramping for foundry partners.

Steven M. Mollenkopf

So yes, we -- really consistent with what Paul said, we -- we're now in a position where we're investing pretty heavily in a number of different pre-revenue areas, the biggest one really being the mobile computing market, which we're very happy to see the software partners doing things that we think are going to bring that to a revenue event here in the near term. So really, the way that we're looking at the businesses is this year, is we're -- even though we're continuing to grow the business, were still investing pretty heavily because we like the opportunity that exists in front of us, particularly as more and more things leverage technology that you have to develop to be a strong phone player. So we continue to drive that. We think that, that will turn into, we think, a more positive trajectory in terms of the business moving forward. There was a question that I missed.

Parag Agarwal - UBS Investment Bank, Research Division

On the...

Steven M. Mollenkopf

With yield, anytime that you're ramping a new source, at the beginning part of a ramp, you don't have yield and cost numbers consistent with several quarters into ramp. And we have that given the fact that we're bringing up multiple sources. But that's part of what we're spending a lot of energy now trying to get that as quickly as possible.

Operator

This concludes the allotted time for question and answers. Dr. Jacobs, do you have anything further to add before adjourning the call?

Paul E. Jacobs

Yes, I just wanted to close by saying that we're very happy with the strong growth this quarter. Obviously, it could have been better and we're disappointed that we're not able yet to fulfill demand, but we are working very hard to bring up additional capacity. And we're certainly pleased that our customers are working with us through the shortages, and we're very excited that they're building some absolutely great products. So we'll work through this near term. We're looking forward to a very strong close to the calendar year. And the nice thing is, people still love their smartphones. They love wireless data. We're working hard to give them better and better experiences. That's really a great opportunity for us. So thanks, everybody, and I look forward to seeing you soon or talking to you soon. Bye-bye.