Qualcomm

Company Description:
Qualcomm designs and sells semiconductors and wireless technology, best known for its Snapdragon mobile chips that power smartphones and other connected devices. It's now expanding beyond its core handset business into data center AI accelerators, automotive chips, IoT, and robotics platforms.

Name	Ticker	Yield	Growth	D + G
QUALCOMM Incorporated	QCOM	2.09%	9.00%	11.09%

Highlights: From a fundamental execution standpoint, Qualcomm's recent results show real momentum building even before its biggest opportunities have kicked in. Automotive has already proven itself, posting $1.33 billion in the March quarter, up 38% year-over-year, with management guiding to roughly an eightfold increase in content per vehicle between its third- and fifth-generation platforms - a trajectory that's tracking well ahead of what the market seems to be pricing in. IoT has held steady at around $14 billion, and with the broader AI-device wave still in its early innings, that flat line looks more like a floor than a ceiling. Meanwhile, the data-center and robotics stories are just getting started rather than falling short: the first AI200 racks ship this year, Meta's multi-generation CPU agreement is locked in with C1000 production arriving in 2H 2028, and Dragonwing is already landing partners like Figure and Arduino ahead of any real robotics volume ramp. Taken together, Qualcomm is stacking up concrete wins in the segments it can control today (automotive, early data-center validation) while its highest-optionality bets (data center, robotics, AI devices) still have their biggest catalysts ahead - a setup where execution is arguably outpacing the market's willingness to underwrite it.

Bull Case:

- ***Potentially the Next AI Processing Play –*** Its new High Bandwidth Compute architecture sidesteps the costly HBM/interposer bottleneck by stacking processing directly under Low-Power Double Data Rate ("LPDDR") memory, leveraging Qualcomm's mobile-era expertise in low-power, small-footprint design - potentially delivering major bandwidth-per-watt and decode-performance advantages.
- ***Data-center Commercial Momentum is Building Faster than Skeptics Assume –*** Alphawave supplies key chiplet/connectivity tech, two hyperscaler custom-silicon programs start contributing in FY27, Meta has signed a multi-generation CPU deal, and the pending Modular acquisition adds the software portability layer needed to compete.
- ***Underappreciated Upside Sits Outside the Core Narrative –*** Automotive (content per vehicle rising ~8x across platform generations), AI wearables (its chip already powers Meta's popular Ray-Ban smart glasses), and robotics via its Dragonwing platform - any of which could make current guidance look conservative.

Bear Case:

- ***Investor Trust → But Could Lead to Re-Rating If Successful –*** Management hasn't yet earned the market's trust on data-center execution given the failed 2017 Centriq 2400 attempt, and the FY29 targets require a lot of faith in a team without a strong track record here.
- ***Smartphone Headwinds –*** While loss of AAPL content is well known, QCOM should continue benefiting over the next few years from legacy products. A stronger mix of newer iPhone models with internal modems presents downside risk. In addition, any slowdown in premium Android shipments or lower Android share could negatively impact revenue.
- ***Continued Difficult Handset Cycle –*** Qualcomm still faces a rough handset cycle, and if management fumbles the data-center pivot while failing to capitalize on tailwinds elsewhere (automotive, robotics, IoT), the stock could stay stuck in its "old mobile chip" valuation box.

Overall Thesis: Qualcomm looks undervalued as a pure "old economy" mobile chip stock because it's quietly building a credible new data-center business. At its June 24 Investor Day, the company nearly doubled its FY29 non-handset revenue target (from $22B to $40B), driven largely by a new memory architecture called High Bandwidth Compute, which stacks processing directly beneath LPDDR memory instead of relying on costly HBM and interposers. This design leverages Qualcomm's decades of expertise in low-power, small-footprint mobile chips and reportedly offers major efficiency gains in bandwidth-per-watt and decode performance. Supporting infrastructure is already falling into place: Alphawave brings key chiplet and connectivity tech, two hyperscaler custom-silicon programs start in FY27, Meta has signed a multi-generation CPU deal (C1000 production in 2H 2028), and the pending Modular acquisition adds the software layer needed for cross-platform model portability. Beyond data center, Qualcomm has strong, under-appreciated upside in automotive (content per vehicle rising sharply across platform generations), IoT, AI wearables (its chip is already inside Meta's popular Ray-Ban smart glasses), and robotics through its Dragonwing platform. Given how early these growth vectors still are and how much skepticism remains priced in after Qualcomm's past data-center misfires, there's meaningful room for a re-rating similar to what MediaTek experienced once the market recognized its AI upside.

Past performance is not indicative of future results. This information is for illustrative purposes only. Investing involves risk including the potential loss of principal. This material is not financial advice or an offer to sell any product. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Aptus Capital Advisors, Inc. reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. Forward looking statements cannot be guaranteed. This is not a recommendation to buy or sell a particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. Information was obtained from third party sources which we believe to be reliable but are not guaranteed as to their accuracy or completeness.

This commentary offers generalized research, not personalized investment advice. It is for informational purposes only and does not constitute a complete description of our investment services or performance. Nothing in this commentary should be interpreted to state or imply that past results are an indication of future investment returns. All investments involve risk and unless otherwise stated, are not guaranteed. Be sure to consult with an investment & tax professional before implementing any investment strategy. Investing involves risk. Principal loss is possible.

The content and/or when a page is marked "Advisor Use Only" or "For Institutional Use", the content is only intended for financial advisors, consultants, or existing and prospective institutional investors of Aptus. These materials have not been written or approved for a retail audience or use in mind and should not be distributed to retail investors. Any distribution to retail investors by a registered investment adviser may violate the new Marketing Rule under the Investment Advisers Act. If you choose to utilize or cite material we recommend the citation, be presented in context, with similar footnotes in the material and appropriate sourcing to Aptus and/or any other author or source references. This is notwithstanding any considerations or customizations with regards to your operations, based on your own compliance process, and compliance review with the marketing rule effective November 4, 2022.

Advisory services are offered through Aptus Capital Advisors, LLC, a Registered Investment Adviser registered with the Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about the advisor, its investment strategies and objectives, is included in the firm's Form ADV Part 2, which can be obtained, at no charge, by calling (251) 517-7198. Aptus Capital Advisors, LLC is headquartered in Fairhope, Alabama. ACA-2607-26.