

June 25, 2026 03:53 AM GMT

Qualcomm Inc. | North America

# Investor Day AI #s present a more optimistic view of data center; move to EW

WHAT'S CHANGED		
Qualcomm Inc. (QCOM.O)	From	To
Price Target	\$146.00	<b>\$231.00</b>
Rating	Underweight	<b>Equal-weight</b>

\$5 bn of guidance for AI in FY27 from a proven management team clearly pushes them into the AI beneficiaries category, though the 3-year ramp is a show-me story. But given the narrative shift and YTD underperformance, we upgrade to EW.

## Key Takeaways

- We have been wrong to be skeptical. While Qualcomm is a late entrant, a newly emerging trillion dollar data center market creates significant opportunities
- Mgmt's forecast of \$5 bn in revenues next year is at least 2x higher than expected, and puts them in the winners category
- Forecast \$15 bn in 3 years feels more aspirational; the timeline for AI processors and CPUs does make them late, even by the standards of other late entrants
- Why not OW? We simply see better value from the dominant players vs more speculative new entrants, and we remain mindful of smartphone headwinds.

**\$5 bn in FY27 guidance for data center moves the company into the data center winner category.** \$15 bn by FY29 is also surprising, but in our view less certain. But line of sight on FY27 should be solid enough that it's in the ballpark, which just makes it hard to fight the more optimistic narrative ramping into a trillion dollar market. We come away without feeling like we answered every question on the product roadmap, but revenue strength seems credible, especially given the current narrative driven market. We remain a bit skeptical, but not enough to forecast underperformance given the overall strength in AI.

**The accelerator opportunity is there starting in 2h fiscal (September) 27, but we take a show-me view towards those areas, for now.** The opportunity around disaggregated decode for inference, and various low latency approaches, is an obvious one that we are hearing about everywhere. We see it less about disaggregation and more just about very high revenue per token for higher speed inference, but the opportunity is there. That said, Qualcomm seems well behind other approaches - Cerebras, who is in the market now, and NVIDIA's LPUs ramping later this year, and several startups all seem to be productizing well before Qualcomm, and we feel like we need to get customer validation before underwriting big numbers here. The Microsoft testimonial was a nice proof point, but was more

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**Qualcomm Inc. (QCOM.O, QCOM US)**

**Semiconductors | United States of America**

<b>Stock Rating</b>	<b>Equal-weight</b>
<b>Industry View</b>	<b>Attractive</b>
<b>Price target</b>	<b>\$231.00</b>
Shr price, close (Jun 24, 2026)	\$197.41
Mkt cap, curr (mm)	\$212,815
52-Week Range	\$259.92-121.99

Fiscal Year Ending	09/25	09/26e	09/27e	09/28e
ModelWare EPS (\$)	9.69	7.49	7.27	10.33
EPS (\$)§	11.90	10.74	10.61	12.01
EPS (\$)***	12.05	10.41	10.45	13.62
P/E	17.2	26.4	27.1	19.1
Div yld (%)	2.1	1.8	1.8	1.8

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework  
 § = Consensus data is provided by Refinitiv Estimates  
 \*\*\* = Based on consensus methodology  
 e = Morgan Stanley Research estimates

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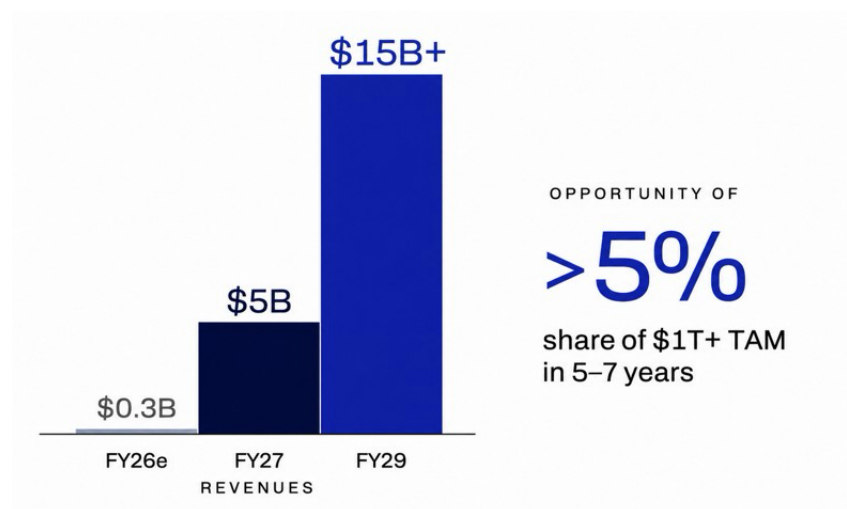
**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.**

of vague "we will look into working with Qualcomm down the road, as we have in PCs and other areas", rather than a firm commitment.

**Similarly, the timing on server CPUs - mid CY2028, or 2hFY28 seems very late, and is likely to intersect oversupply of CPUs.** There seems to be some missing context around the current CPU shortage, that is happening at least in part because of highly reduced supply. Intel volumes declined year on year in 1q, which even with strong growth from AMD and custom ARM likely points to single digit supply growth. Supply is ramping everywhere, with NVDA calling for \$20 bn of CPU revenue this year (\$8-10 bn of head node), Intel saying that as they get past supply challenges they will have a significant ramp and expect to gain share because they have fabs, while AMD is quite adamant that they do not intend to lose share (and our Taiwan CoWoS data supports very large production ramps). Amazon's Graviton and Google's Axion are ramping significantly, and now the ARM server companies that left the market two years ago such as Qualcomm are now coming back. So a mid 2028 entry may not meet with the reception that it would have today. The Meta testimonial was fairly non committal and we would point out that Meta is ramping at least 3 other ARM cpu server architectures that we are aware of - all of which are well ahead of the Qualcomm timeline.

**What is interesting to us is the \$5 bn of revenue in FY27, that has no CPU and minimal accelerator, meaning it is majority custom silicon revenue.** But the descriptor of custom silicon content was that it was being used for CPUs or acceleration, so we are surprised at the advanced timeline. The company talked about two billion+ custom programs ramping up next year; at least one of those is likely Chinese, which does present some geopolitical risk to the ramp.

That said, this is a credible management team that does not need to go out on a limb, and if they are forecasting \$5 bn in revenue next year, even if we are surprised, we are going to accept that the number is in that ballpark. Our expectations are lower in FY29 - as we have been for most semiconductor companies forecasting out that far - but we note that Qualcomm's strong YTD move pales by comparison with other companies that are in the AI winners group (AMD or MRVL), and especially vs. names that have moved into that group (notably Intel).

**Exhibit 1:** QCOM Data Center Revenue Forecast

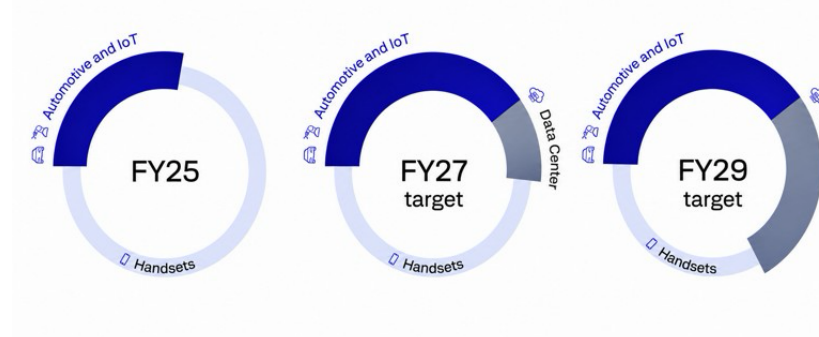
Source: Company Data, Morgan Stanley Research

**Outside of AI, Auto was another positive surprise.** Qualcomm increased its FY29 automotive revenue target to \$10bn from \$8bn previously, effectively pulling forward its roadmap by another two years, while remaining on track to exit FY26 at roughly a \$6bn run rate. The acceleration continues to be driven by higher content per vehicle across cockpit, ADAS and AI workloads. Beyond automotive, management was also positive on the industrial automation and robotics opportunities. We continue to view robotics as one of the more interesting long-term AI opportunities, and Qualcomm appears well positioned given its existing automotive and edge AI platform. Collectively, these markets extend Qualcomm further into physical AI.

The mobile message was less about smartphones themselves and more about the evolution of edge AI. Management argued that devices become endpoints for AI agents rather than the center of the computing experience, with agentic AI eventually driving another handset upgrade cycle. At the same time, Qualcomm highlighted new AI endpoint opportunities, particularly smart glasses and other wearables, while positioning 6G as foundational infrastructure for distributed AI through higher bandwidth sensing and low-latency inference. **The company's long-term handset outlook assumes only ~5% Android revenue growth.**

**Overall, the broader takeaway is that Qualcomm's diversification appears to be happening faster than we had expected, driven by the larger than anticipated data center opportunity.** The company has made a number of targeted acquisitions over the past several years to support this transition, with the recently announced Modular acquisition intended to strengthen its AI software platform alongside its silicon roadmap. Management clearly believes Qualcomm can become a meaningful AI infrastructure beneficiary, targeting >5% share of a \$1tn data center TAM within 5-7 years. It is an ambitious pivot, and one that still requires execution across multiple new markets, but if successful it would fundamentally change the Qualcomm narrative from a business largely tied to a maturing handset market into a diversified AI infrastructure company with a materially higher long-term growth profile.

**Exhibit 2:** Data Center is helping to accelerate the diversification away from handsets



Source: Company data, Morgan Stanley Research

**Changes to our estimates:** Our FY26 estimates remain largely unchanged. We increase our FY27 revenue estimate from \$4.1bn to \$4.6bn to reflect the addition of Qualcomm's data center business. We lower our FY27 gross margin estimate from 55.5% to 53.8%, reflecting the lower gross margin profile of custom silicon. As a result, our FY27 non-GAAP EPS estimate increases from \$9.84 to \$10.45. For FY28, we now model revenue, gross margin, and non-GAAP EPS of \$5.5bn, 54.1%, and \$13.62, respectively.

**Thoughts on the stock:** Our UW rating was a function of headwinds that remain in the core smartphone business, as well understood issues - loss of Apple baseband, a return to normal share at Samsung from recent above-normal levels, memory related headwinds in smartphone volumes, and general competitive pressures as 5G cellular technology matures. Of course, those challenges have been the rationale for the diversification program, including the acquisition of Alphawave (and now modular), though the returns have been mixed in other diversification areas (very strong automotive, but client computing below our expectations). The data center AI opportunity is obviously so large that even a modicum of success can make a difference even to a larger company like Qualcomm, but getting to critical mass is also very difficult. As Qualcomm has described these opportunities, we have tried to be clear that we would use this analyst day as a chance to reassess our views and determine if the UW rating is still correct.

We came away without more conviction in the narrative, but a bit more conviction on the next year number, which is enough for us to admit that we have been wrong on this and move off of the UW rating. Why not move to OW? We simply do not have conviction in the 3 year ramp in a target rich environment for AI semis, and the \$5 bn AI foundation in FY27 in custom chips may or may not have legs as we transition to merchant solutions.

As a result, we are moving to Equal-weight. We are also raising our price target from \$146 to \$231, reflecting the incorporation of Qualcomm's new \$5bn FY27 data center revenue target into our estimates. Our MW EPS estimate (including stock-based compensation) increases from \$7.12 to \$8.25. We are also increasing our valuation multiple from 21x to 28x, reflecting greater confidence that the data center opportunity has become tangible.

## Risk Reward – Qualcomm Inc. (QCOM.O)

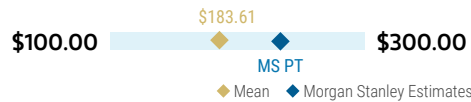
Key edge AI enabler, but wide range of outcomes with smartphone share and AI PC

### PRICE TARGET \$231.00

We use a 28x MW PE multiple on \$8.25 in CY2027 earnings (includes stock based compensation). This is roughly 17x Non-GAAP EPS of \$11.46. This is close to the midpoint of their historical range.

#### Consensus Price Target Distribution

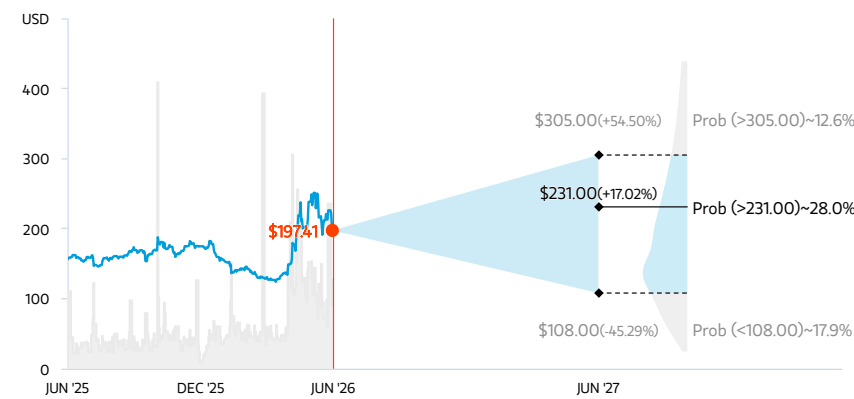
Source: Refinitiv, Morgan Stanley Research



### EQUAL-WEIGHT THESIS

- Handset volumes seem likely to be pressured by severe memory shortage, starting at the low end and becoming more pervasive as the year goes on
- Diversification into automotive has been very strong, and new data center initiatives look promising near-term but remain a show-me story longer-term
- The data center AI opportunity is obviously so large that even a modicum of success can make a difference even to a larger company like Qualcomm, but getting to critical mass is also very difficult. We are watching developments here closely.

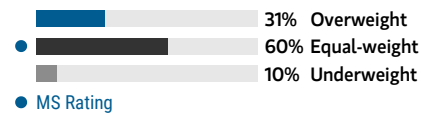
### RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 24 Jun 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

#### Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

BULL CASE	\$305.00	BASE CASE	\$231.00	BEAR CASE	\$108.00
33X Base Case CY26 MW EPS of \$9.23		28x CY27 MW EPS of \$8.25		20X Bear Case CY26 MW EPS of \$5.42	
Exposure to premium market shields QCOM from most of memory headwinds. Autos, IoT, and Data Center scale quickly to diversify away from the smartphone market.		While we are expecting a muted smartphone cycle from memory constraints, the new data center revenue is offsetting headwinds. We are valuing it at the midpoint of their historic range.		Memory constraints worse than expected, smartphone is pressured even at the high end. Diversification story fails to develop.	

## Risk Reward – Qualcomm Inc. (QCOM.O)

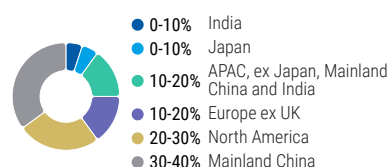
### KEY EARNINGS INPUTS

Drivers	Sep 2025	Sep 2026e	Sep 2027e	Sep 2028e
GAAP Revenue (\$, mm)	44,283	41,686	46,092	55,253
Non-GAAP Gross Margin (%)	55.9	55.4	53.8	54.1
Non-GAAP EPS (\$)	12.05	10.41	10.45	13.62
Inventory (\$, mm)	6,526	5,528	8,210	8,684
DOI (\$)	122.3	108.5	140.7	124.9

### INVESTMENT DRIVERS

- Smartphone market growth and Qualcomm's share in chipsets
- Revenue diversification (automotive & IoT) beyond handsets

### GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate  
View explanation of regional hierarchies [here](#)

### MS ALPHA MODELS

<b>4/5 BEST</b>	24 Month Horizon	<b>3/5 MOST</b>	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

### RISKS TO PT/RATING

#### RISKS TO UPSIDE

- Memory constraints ease faster than expected
- Android market is more resilient
- Apple transition is slow
- Non-handset business scales faster than expected

#### RISKS TO DOWNSIDE

- Smartphone memory headwinds worse than expected
- Apple internal silicon timeline brought forward
- Share loss to competitors
- Diversification story fails to develop

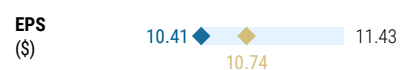
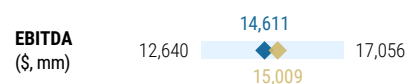
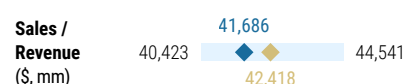
### OWNERSHIP POSITIONING

Inst. Owners, % Active	39.6%	<div style="width: 39.6%;"></div>
HF Sector Long/Short Ratio	2.1x	<div style="width: 2.1;"></div>
HF Sector Net Exposure	29.5%	<div style="width: 29.5%;"></div>

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

### MS ESTIMATES VS. CONSENSUS

FY Sep 2026e



◆ Mean ◆ Morgan Stanley Estimates  
Source: Refinitiv, Morgan Stanley Research

## Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options\\_Probabilities\\_Exhibit\\_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR\\_Themes\\_Exhibit\\_Link.pdf](#)
3. View explanation of regional hierarchies - [GEG\\_Exhibit\\_Link.pdf](#)
4. View explanation of Theme/Exposure methodology - [ESG\\_Sustainable\\_Solutions\\_External\\_Link.pdf](#)
5. View explanation of HERS methodology - [ESG\\_HERS\\_External\\_Link.pdf](#)

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(as of May 31, 2026)

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For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1542	42%	465	51%	30%	707	43%
Equal-weight/Hold	1571	43%	369	40%	23%	723	44%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

## Stock Price, Price Target and Rating History (See Rating Definitions)

Qualcomm Inc. (QCOM.O) - As of 06/25/26 GMT in USD  
Industry : Semiconductors

Stock Rating History: 6/1/21 : O/I; 12/7/23 : E/A; 7/7/25 : NA/A; 2/10/26 : U/A

Price Target History: 4/29/21 : 173; 7/29/21 : 180; 11/4/21 : 187; 12/14/21 : 215; 2/2/22 : 223; 4/25/22 : 167; 4/27/22 : 170; 10/31/22 : 147; 11/2/22 : 126; 2/2/23 : 145; 5/3/23 : 125; 8/3/23 : 129; 11/2/23 : 119; 12/7/23 : 132; 1/29/24 : 158; 5/2/24 : 172; 7/14/24 : 220; 7/31/24 : 207; 11/6/24 : 204; 4/27/25 : 163; 7/7/25 : NA; 2/10/26 : 132; 4/29/26 : 146

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)  
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■  
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View  
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)  
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/24/2026)
<b>Joseph Moore</b>		
Advanced Micro Devices (AMD.O)	E (06/09/2024)	\$519.74
Aeva Technologies Inc (AEVA.O)	E (07/19/2021)	\$20.04
Allegro Microsystems Inc (ALGM.O)	O (02/13/2026)	\$55.42
Ambarella Inc (AMBA.O)	O (03/29/2016)	\$62.99
Amkor Technology Inc (AMKR.O)	E (11/08/2023)	\$82.76
Analog Devices Inc. (ADI.O)	O (11/16/2023)	\$413.16
Astera Labs Inc (ALAB.O)	O (05/11/2025)	\$399.92
Broadcom Inc. (AVGO.O)	O (06/09/2024)	\$382.07
Cerebras Systems (CBRS.O)	O (06/08/2026)	\$182.26
GlobalFoundries Inc (GFS.O)	E (10/28/2024)	\$83.70
Intel Corporation (INTC.O)	E (02/22/2023)	\$131.65
IonQ Inc (IONQ.N)	E (04/25/2023)	\$53.60
Marvell Technology Group Ltd (MRVL.O)	E (09/14/2015)	\$276.70
Microchip Technology Inc. (MCHPO)	E (07/10/2024)	\$92.48
Micron Technology Inc. (MU.O)	O (10/06/2025)	\$1,048.51
Navitas Semiconductor Corp (NVTS.O)	U (04/06/2025)	\$18.32
NVIDIA Corp. (NVDA.O)	O (03/16/2023)	\$199.00
NXP Semiconductor NV (NXPI.O)	O (02/11/2025)	\$294.06
ON Semiconductor Corp. (ON.O)	E (05/11/2025)	\$115.74
Qorvo Inc (QRVO.O)	E (10/28/2025)	\$97.18
Qualcomm Inc. (QCOM.O)	E (06/25/2026)	\$197.41
SanDisk Corporation. (SNDK.O)	O (03/03/2025)	\$1,914.46
Semtech Corp. (SMT.C.O)	E (04/06/2025)	\$158.48
Silicon Laboratories Inc. (SLAB.O)	E (01/19/2021)	\$218.00
Skyworks Solutions Inc (SWKS.O)	E (11/28/2018)	\$71.40
Texas Instruments (TXN.O)	U (04/13/2020)	\$303.11
Wolfspeed, INC (WOLF.N)	NR (04/06/2025)	\$45.87

Lee Simpson

Arm Holdings plc (ARM.O)	E (04/07/2026)	\$359.08
Cadence Design Systems Inc (CDNS.O)	O (02/14/2024)	\$372.40
Synopsys Inc. (SNPS.O)	E (02/27/2026)	\$463.93

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