

Third Quarter Fiscal 2023 Earnings

August 2, 2023



Note Regarding Forward-Looking Statements

In addition to historical information, this document and the conference call that it accompanies contain forward-looking statements that are inherently subject to risks and uncertainties, including but not limited to: statements regarding our growth opportunities, including those in Automotive, IoT and the artificial intelligence (AI) space; our business, product and technology strategies, including our diversification strategy; our technologies, technology leadership and technology roadmap; our products, product performance, product leadership, product pipeline, product mix and product roadmap; new product releases, announcements and design wins; the benefits of our technologies, products, business model and research and development efforts; our business and share trends, as well as market and industry trends, such as the transition to on-device AI use cases, and their potential impact on our business and our positioning to take advantage thereof; acquisitions, collaborations or other strategic transactions, including the anticipated benefits thereof; elevated channel inventory levels, including our expectations regarding the resolution of this condition and the timing thereof; our restructuring initiatives and cost actions, and the anticipated timing and benefits thereof; anticipated demand for our products and technologies; seasonal trends; our business outlook; our expectations regarding macroeconomic conditions, our ability to navigate current challenges and our being well positioned to benefit from an economic recovery; and our estimates and guidance related to revenues, earnings per share (EPS), non-GAAP combined R&D and SG&A expenses (non-GAAP operating expenses), interest and investment and other expense (income) net, weighted average diluted share count, earnings before tax (EBT) margins and growth, effective tax rates and global handset units. Forward-looking statements are generally identified by words such as “estimates,” “guidance,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks” and similar expressions. Actual results may differ materially from those referred to in the forward-looking statements due to a number of important factors, including but not limited to: our dependence on a small number of customers and licensees, and particularly from their sale of premium-tier devices; our customers vertically integrating; a significant portion of our business being concentrated in China, which is exacerbated by U.S./China trade and national security tensions; our ability to extend our technologies and products into new and expanded product areas, and industries and applications beyond mobile handsets; our strategic acquisitions, transactions and investments, and our ability to consummate strategic acquisitions; our dependence on a limited number of third-party suppliers; risks associated with the operation and control of our manufacturing facilities; security breaches of our information technology systems, or other misappropriation of our technology, intellectual property or other proprietary or confidential information; our ability to attract and retain qualified employees, and recent changes to our hybrid work model; the continued and future success of our licensing programs, which requires us to continue to evolve our patent portfolio and to renew or renegotiate license agreements that are expiring; efforts by some OEMs to avoid paying fair and reasonable royalties for the use of our intellectual property, and other attacks on our licensing business model; potential changes in our patent licensing practices, whether due to governmental investigations, legal challenges or otherwise; adverse rulings in governmental investigations or proceedings or other legal proceedings; our customers’ and licensees’ sales of products and services based on CDMA, OFDMA and other communications technologies, including 5G, and our customers’ demand for our products based on these technologies; competition in an environment of rapid technological change, and our ability to adapt to such change and compete effectively; failures in our products or in the products of our customers or licensees, including those resulting from security vulnerabilities, defects or errors; difficulties in enforcing and protecting our intellectual property rights; claims by third parties that we infringe their intellectual property; our use of open source software; impacts of the COVID-19 pandemic, or any similar health crisis that may arise in the future, and government policies and other measures adopted in response thereto; the cyclical nature of the semiconductor industry, declines in global, regional or local economic conditions, or our stock price and earnings volatility; our ability to comply with laws, regulations, policies and standards; our indebtedness; and potential tax liabilities. These and other risks are set forth in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2023 filed with the Securities and Exchange Commission (SEC). Our reports filed with the SEC are available on our website at www.qualcomm.com. We undertake no obligation to update, or continue to provide information with respect to, any forward-looking statement or risk factor, whether as a result of new information, future events or otherwise.

This presentation includes “Non-GAAP financial measures” as that term is defined in Regulation G. Further discussion regarding our use of Non-GAAP financial measures, as well as the most directly comparable GAAP (accounting principles generally accepted in the United States) financial measures and information reconciling these Non-GAAP financial measures to our financial results prepared in accordance with GAAP, are included in this presentation.

References to “Qualcomm” refer to Qualcomm Incorporated and/or its subsidiaries, as applicable. Qualcomm Incorporated includes QTL and the vast majority of our patent portfolio. Qualcomm Technologies, Inc., a subsidiary of Qualcomm Incorporated, operates, along with its subsidiaries, substantially all of our engineering and research and development functions and substantially all of our products and services businesses, including QCT.

Q3FY23 Highlights

Third Quarter Fiscal 2023 Results

EPS⁽¹⁾ Exceeded Midpoint of Guidance Range⁽²⁾

GAAP Revenues

\$8.5B

GAAP EPS

\$1.60

Non-GAAP⁽³⁾ EPS

\$1.87

QCT

Revenues of
\$7.2B

within guidance
range⁽²⁾

\$1.9B

Combined Automotive
& IoT revenues

EBT⁽⁴⁾ of
\$1.7B

with EBT
margin of

24%

at midpoint of
guidance range⁽²⁾

QTL

Revenues of
\$1.2B

within guidance
range⁽²⁾

EBT margin of

66%

at midpoint of
guidance range⁽²⁾

Other

Returned
\$1.3B
to stockholders
including

\$0.4B

of share
repurchases &

\$0.9B

in dividends

Sale of Veoneer's
Active Safety business
to Magna was
completed for

\$1.5B

of net cash proceeds

Q3FY23 QCT Highlights

YoY Growth in Auto

Revenues

Handsets
\$5.3B



- Our Snapdragon® 8 Series Mobile Platforms continue to [set the benchmark for premium tier mobile experiences](#). Smartphones powered by our Snapdragon 8 Gen 2 represent the [top devices](#) according to AnTuTu benchmarks and Android Authority.

Automotive
\$434M



- [Hosted our first Automotive Summit](#) in Suzhou, China, with more than one thousand automotive OEMs, Tier 1s, ecosystem partners, media, analysts and government officials in attendance.
- We also [secured more than ten new design-wins](#), with leading automakers across the globe, for next generation digital cockpit and telematics systems.

Internet of Things (IoT)
\$1.5B



- In Consumer IoT, the recently announced Meta Quest 3 is the [first virtual and mixed reality headset to be powered by a next generation Snapdragon XR platform](#) developed in collaboration with Meta. The Quest 3 features twice the graphical performance, higher resolution, and a slimmer more comfortable form factor than the Quest 2.
- In Edge Networking IoT, our [Wi-Fi 7 customer design wins continue to gain momentum](#). As an example, TP Link expanded its retail, small, and medium business lines by launching five new routers spanning indoor and outdoor deployment scenarios – all based on Qualcomm® Networking Pro Wi-Fi 7 platforms.
- In Industrial IoT, we launched the QCS8550 and QCS4490, our [first software-defined IoT solutions](#), at Hannover Messe. These solutions enable next-gen smart cameras, drones, robotics, video collaboration, cloud gaming, industrial handhelds, panels, point-of-sale devices, and more.

Note: Beginning in the first quarter of fiscal 2023, QCT RFFE (radio frequency front-end) revenues, which were previously presented as a separate revenue stream, are now included within our Handsets, Automotive and IoT revenue streams as applicable. Prior period information has been recast to reflect this change.

Snapdragon and Qualcomm branded products are products of Qualcomm Technologies, Inc. and/or its subsidiaries.

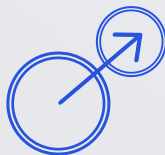
Q3FY23 Earnings Commentary

Global Handsets & Inventory



- We continue to estimate that calendar 2023 handset units will be down at least a high single-digit percentage relative to calendar 2022, reflecting the macroeconomic environment and a slower recovery in China.
- This forecast contemplates growth in handset units going into the holiday season.
- In IoT, channel inventory remains elevated due to weaker demand driven by the broader macroeconomic conditions.
- Since it remains difficult to predict the timing of a sustained recovery and customers remain cautious with purchases, we continue to operate under the assumption that inventory drawdown dynamics will be a factor through the end of the calendar year.

Cost Actions



- We have successfully executed our fiscal 2023 cost actions and are on track to exceed our commitment of a 5% reduction relative to fiscal 2022 exit rate.
- Given our commitment to operating discipline, we will proactively implement additional cost actions in the first half of fiscal 2024.
- Despite these actions, we will preserve investments in our strategic priorities and position ourselves to emerge stronger, as the recovery for the broader industry begins to take hold.

Financial Results and Guidance

As of August 2, 2023

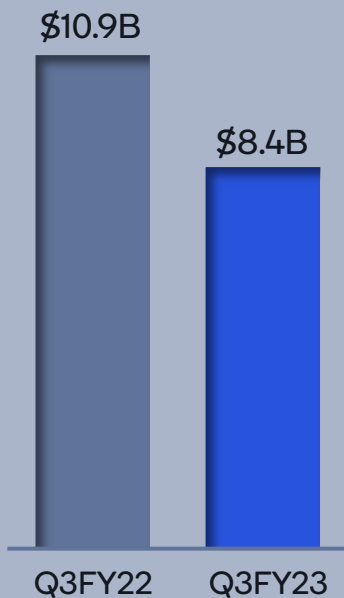
Quarterly Results and Guidance	Q3FY23 Guidance ⁽¹⁾	Q3FY23 Results	Q4FY23 Guidance ⁽²⁾
GAAP Revenues	\$8.1B - \$8.9B	\$8.5B	\$8.1B - \$8.9B
Non-GAAP diluted EPS	\$1.70 - \$1.90	\$1.87	\$1.80 - \$2.00
Non-GAAP operating expenses ⁽³⁾	~Flat	~Flat (\$2.2B)	~Flat
GAAP interest and investment and other expense, net	~\$125M	\$66M	~\$75M
Non-GAAP effective tax rate	~15%	13%	~14%
Weighted average diluted share count	~1.13B	1.12B	~1.12B
Segment Results and Guidance			
QCT revenues	\$6.9B - \$7.5B	\$7.2B	\$6.9B - \$7.5B
QCT EBT margin %	23% - 25%	24%	24% - 26%
QTL revenues	\$1.15B - \$1.35B	\$1.23B	\$1.15B - \$1.35B
QTL EBT margin %	64% - 68%	66%	64% - 68%
Annual Guidance		FY23 Prior Guidance⁽¹⁾	FY23 Guidance⁽²⁾
Non-GAAP effective tax rate		~15%	~15%

1.) Prior guidance as of May 3, 2023; 2.) Our outlook does not include provisions for proposed tax law changes, future asset impairments, charges from additional restructuring actions or for pending legal matters, other than future legal amounts that are probable and estimable. Further, due to their nature, certain income and expense items, such as certain investments, derivative and foreign currency transaction gains or losses, cannot be accurately forecast. Accordingly, we only include such items in our financial outlook to the extent they are reasonably certain. Our outlook includes the impact of any pending business combinations to the extent they are expected to close in the upcoming quarter. Actual results may differ materially from outlook; 3.) Non-GAAP operating expenses = Non-GAAP combined R&D and SG&A expenses.

Q3FY23 Non-GAAP Results

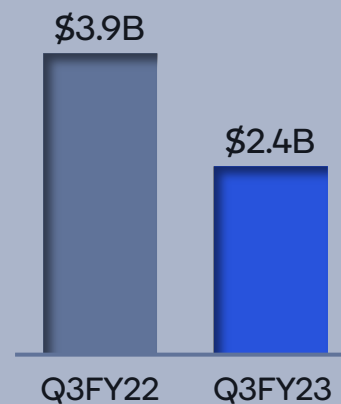
Revenues

-23%



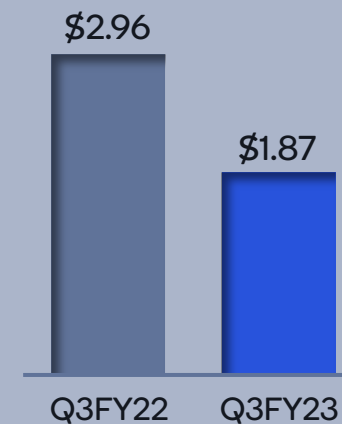
EBT

-38%



EPS

-37%



Q3FY23 Segment Results

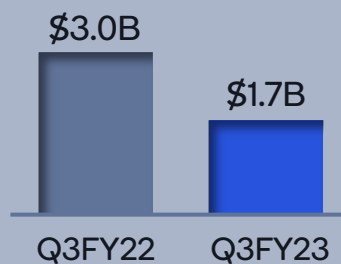
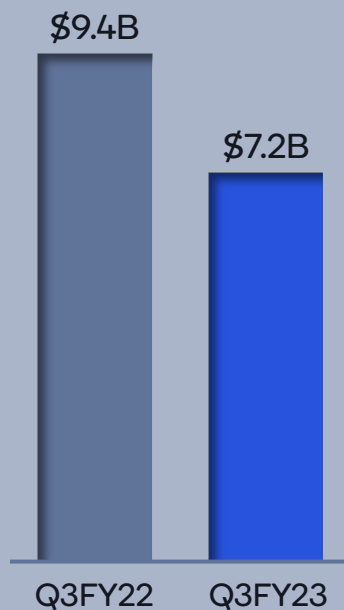
QCT

Revenues

-24%

EBT

-42%



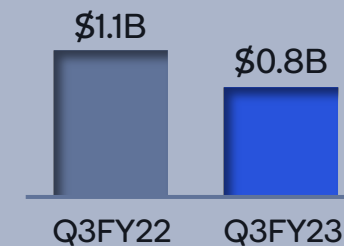
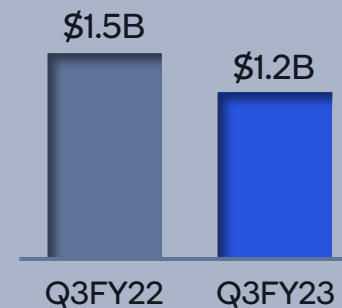
QTL

Revenues

-19%

EBT

-25%

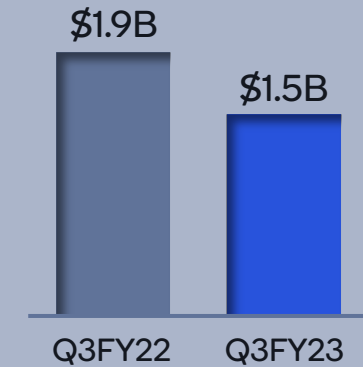
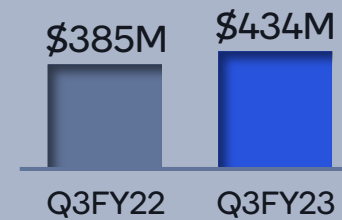
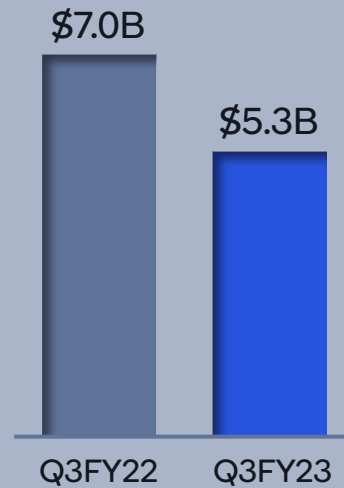


Q3FY23 QCT Revenue Streams

Handsets
-25%

Automotive
+13%

IoT
-24%



Key Announcements

QCT AI Leadership: Windows PC on-device AI: Stable Diffusion example

Collaborating with Microsoft to enable on-device generative AI productivity applications

- Qualcomm and Microsoft Align Efforts to Scale On-Device AI at Build – [link](#)

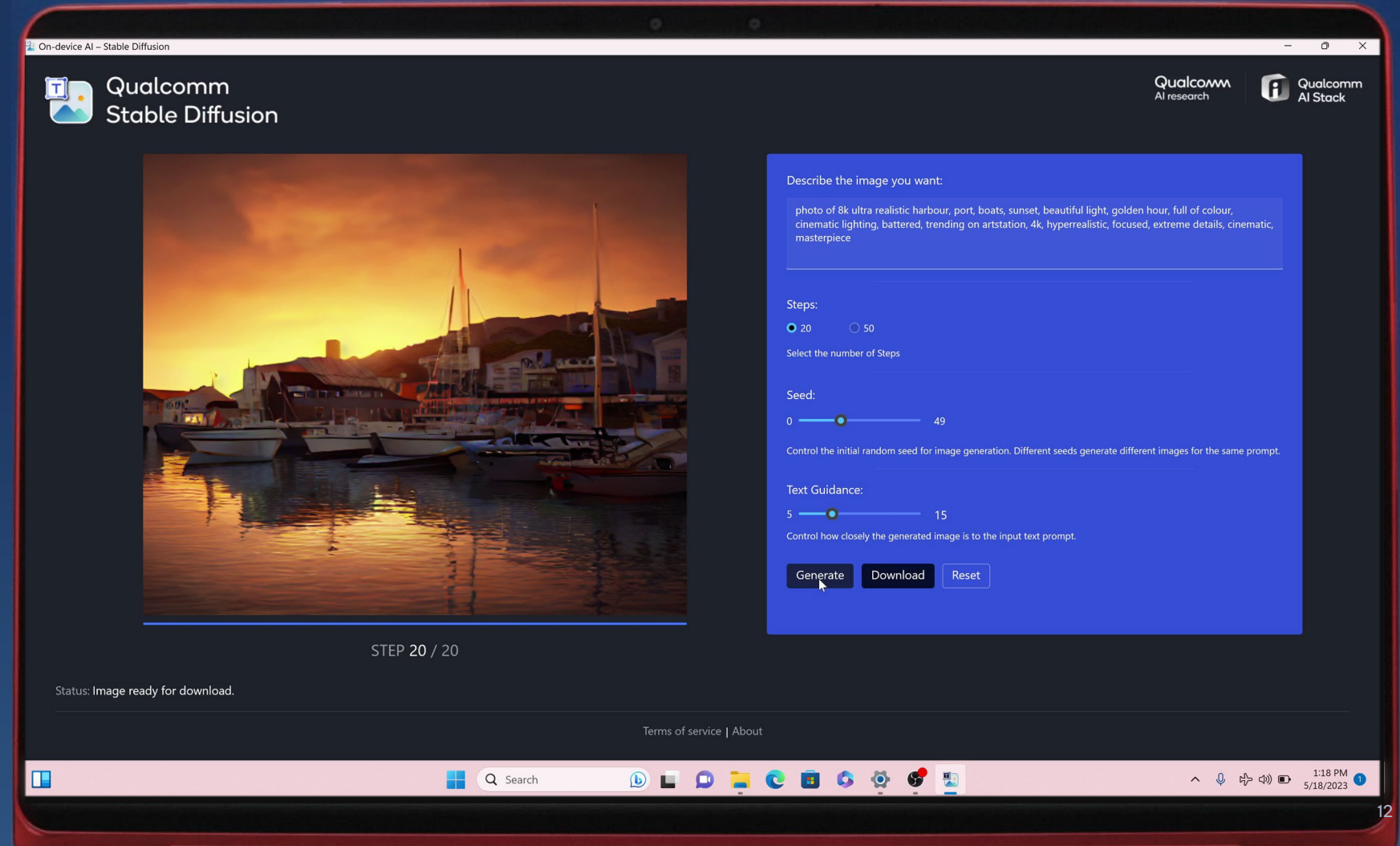
- On-device generative AI solutions allow developers and cloud service providers to **make generative AI more affordable, reliable, and private** by moving queries and inferencing to edge devices such as PCs and phones.

- Qualcomm and Microsoft affirm their collaboration to scale AI capabilities and **bring best-in-class AI experiences to users** across consumer, enterprise, and industrial devices.

“For generative AI to become truly mainstream, much of the inferencing will need to be executed on edge devices. Our best-in-class AI hardware and software empowers developers to make full use of our powerful AI capabilities, **delivering incredible new user experiences on laptops, phones and other devices powered by Snapdragon.**”

Ziad Asghar
SVP, Product Management
Qualcomm Technologies, Inc.

Snapdragon and Qualcomm branded products are products of Qualcomm Technologies, Inc. and/or its subsidiaries



QCT AI Leadership:

Supporting generative AI models like Llama 2 to run on Snapdragon-based OEM devices

- Qualcomm Works with Meta to Enable On-device AI Applications Using Llama 2 – [link](#)

Key Advantages of On-device AI

- Qualcomm Technologies is working with OEMs to make available Llama 2-based AI implementations on flagship smartphones and PCs starting from 2024 onwards to enable developers to **usher in new and exciting generative AI applications** using the AI-capabilities of Snapdragon® platforms.
- On-device AI implementation helps to **increase user privacy, address security preferences, enhance applications reliability and enable personalization** – at a significantly lower cost for developers compared to the sole use of cloud-based AI implementation and services.

RELIABILITY & PERFORMANCE

No congested cloud servers or network issues mean gen AI apps work anywhere users are, even without connectivity.

PERSONALIZATION

Digital assistants and gen AI apps can cater to a user's expressions, quirks and uniqueness without sacrificing privacy.



COST REDUCTION

Apps that run AI on-device reduce cloud per-query costs or eliminate them completely.



PRIVACY & SECURITY

User privacy and data are protected since queries and personal information remain solely on-device.



QCT Handsets: Extending Snapdragon 5G experiences to value tier smartphones

- Qualcomm Delivers Unprecedented Accessibility to Mobile Experiences in the Value Tier with New Snapdragon® 4 Gen 2 Mobile Platform – [link](#)

- The first 4nm platform in the 4-series, Snapdragon 4 Gen 2 is packed with purpose & makes impressive technologies like 5G more accessible worldwide.
- Designed to meet consumer needs in the value tier by providing **effortless multi-tasking, advanced photography and videography, and reliable connections.**
- **Exciting new AI enhancements** include an AI-based low-light for crisp, detailed images in dim environments. AI-enhanced background noise removal ensures users are heard clearly on calls and video during work or in a crowded environment.
- Key OEM brands, including Redmi and vivo, will adopt Snapdragon 4 Gen 2, with commercial devices announced in the second half of 2023.



QCT Edge Networking IoT:

Enabling ultra-low power connectivity for IoT devices across both cellular and satellite networks

- Qualcomm Launches New Satellite IoT Solutions to Provide Uninterrupted Remote Monitoring and Asset Tracking – [link](#)

- The new modems, launched in collaboration with Skylo, an NTN service provider, to enable **ultra-low power and superior connectivity** for IoT devices across satellite and cellular networks.
- The new modems follow the 3GPP Release 17 standards for satellite communications on GEO/GSO satellites, making connectivity available globally and providing easy device setup and orientation.
- Both chipsets support the Qualcomm Aware™ platform, which provides **real-time asset tracking and device management** in remote areas to support critical decision-making.

A black rectangular chip with the Qualcomm logo in white at the top and the model number '212S' in white at the bottom. The background of the slide is a satellite network map over Earth, with glowing nodes and connecting lines.

212S

A black rectangular chip with the Qualcomm logo in white at the top and the model number '9205S' in white at the bottom. The background of the slide is a satellite network map over Earth, with glowing nodes and connecting lines.

9205S

QCT Industrial IoT:

Transforming virtual meetings and meet-ups into immersive, connected experiences

- Qualcomm Unveils Cutting-edge Video Collaboration Platform Suite, To Enable Digital Transformation of the Home and Enterprise – [link](#)

Qualcomm
video collaboration
VC5 platform

Qualcomm
video collaboration
VC3 platform

Qualcomm
video collaboration
VC1 platform

- With a tiered set of features, each platform provides OEMs **choice and flexibility** for the design and deployment of immersive video conferencing devices – ranging from enterprise all-in-one video collaboration systems, huddle camera bars, smart controllers, and personal conference devices - across diverse environments – from company conference rooms, healthcare settings, to at-home video calling with friends and family.
- New suite of video collaboration solutions combines industry-leading technology in audio, video, and AI in **unified hardware and software platforms** for high quality video conferencing.
- Delivers differentiated video conferencing experiences using dedicated AI accelerators to offer **customizable or out-of-the-box on-device capabilities** like AI based noise suppression, dynamic group framing, people framing, and speaker framing.

Partners supporting Qualcomm® Video Collaboration Platform launch

AmTRAN

OC
audiocodes

AVer

BOE

BOSE

CRESTRON

eInfochips

F&IOT
BEING SMARTER WITH US

hp | poly

Jabra GN

LANTRONIX

Lenovo

logitech

Microsoft

OWL
LABS

Thundercomm

TYMPHANY

wlstron

VVDN
TECHNOLOGIES

Yealink

zoom

QCT Handsets and Consumer IoT: Snapdragon powering new Samsung Galaxy premium products globally

- Snapdragon Powers Samsung's New Galaxy Lineup Globally – [link](#)

- Snapdragon® 8 Gen 2 for Galaxy powers Samsung's newest flagship device lineup, Galaxy Z Flip5, Galaxy Z Fold5, and Galaxy Tab S9 Series.
- The **fastest Snapdragon ever** defines a new standard for connected computing, including **groundbreaking AI experiences**, desktop-level gaming features, professional grade photography, and more.
- This launch underscores Qualcomm and Samsung's mutual commitment to **delivering premium consumer experiences** for flagship Galaxy devices.



Key Announcements

- Qualcomm Announces Shortlisted Teams for the Inaugural Qualcomm® Make in Africa Mentorship Program – [link](#)
- Qualcomm to Acquire Autotalks – [link](#)
- Qualcomm and Microsoft Align Efforts to Scale On-Device AI at Build – [link](#)
- Qualcomm Accelerates an Open, XR Developer Ecosystem with Snapdragon Spaces Milestones – [link](#)
- Snapdragon Announced as Presenting Partner of Manchester United’s USA Tour 23 – [link](#)
- Qualcomm Unveils Cutting-edge Video Collaboration Platform Suite, To Enable Digital Transformation of the Home and Enterprise – [link](#)
- Qualcomm S3 Gen 2 Sound Platform Portfolio Extended to Deliver Best-In-Class Gaming and LE Audio Experiences – [link](#)
- Qualcomm Launches New Satellite IoT Solutions to Provide Uninterrupted Remote Monitoring and Asset Tracking – [link](#)
- Qualcomm Announces Multi-Year Collaboration with Sony to Deliver Next Generation Smartphones – [link](#)
- Qualcomm Delivers Unprecedented Accessibility to Mobile Experiences in the Value Tier with New Snapdragon 4 Gen 2 Mobile Platform – [link](#)
- Outstanding researchers in the fields of AI and cybersecurity are recognized and rewarded by Qualcomm Innovation Fellowship Europe – [link](#)
- Qualcomm Works with Meta to Enable On-device AI Applications Using Llama 2 – [link](#)
- Qualcomm Announces Quarterly Cash Dividend – [link](#)
- Historically Underrepresented Inventors Can Navigate the U.S. Patent System More Easily Due to The Inventor’s Patent Academy (TIPA) - [link](#)
- Snapdragon Powers Samsung’s New Galaxy Lineup Globally – [link](#)
- Qualcomm Announces New Product Longevity Program for its Industrial and Enterprise IoT Portfolio – [link](#)
- Whitepaper: The future of AI is hybrid (part 1) – Unlocking the generative AI future with on-device hybrid AI – [link](#)
- Whitepaper: The future of AI is hybrid (part 2) – Qualcomm is uniquely positioned to scale hybrid AI – [link](#)

Financial Strength & Reconciliations

Financial Strength

	June 25, 2023	June 26, 2022
Total cash, cash equivalents and marketable securities	\$8.6B	\$6.8B
Total assets	\$49.0B	\$47.0B
Stockholders' equity	\$20.7B	\$16.0B
Debt ⁽¹⁾	\$15.4B	\$15.5B

1.) Includes short-term and long-term debt.

Note Regarding Use of Non-GAAP Financial Measures

The Non-GAAP financial measures presented herein should be considered in addition to, not as a substitute for or superior to, financial measures calculated in accordance with GAAP. In addition, “Non-GAAP” is not a term defined by GAAP, and as a result, our Non-GAAP financial measures might be different than similarly titled measures used by other companies. Reconciliations between GAAP and Non-GAAP financial measures are presented herein.

We use Non-GAAP financial information: (i) to evaluate, assess and benchmark our operating results on a consistent and comparable basis; (ii) to measure the performance and efficiency of our ongoing core operating businesses, including our QCT (Qualcomm CDMA Technologies) and QTL (Qualcomm Technology Licensing) segments; and (iii) to compare the performance and efficiency of these segments against competitors. Non-GAAP measurements used by us include revenues, cost of revenues, research and development (R&D) expenses, selling, general and administrative (SG&A) expenses, other income or expenses, operating income, interest expense, net investment and other income, income or earnings before income taxes, effective tax rate, net income and diluted earnings per share. We are able to assess what we believe is a meaningful and comparable set of financial performance measures by using Non-GAAP information. In addition, the HR and Compensation Committee of our Board of Directors uses certain Non-GAAP financial measures in establishing portions of the performance-based incentive compensation programs for our executive officers. We present Non-GAAP financial information to provide greater transparency to investors with respect to our use of such information in financial and operational decision-making. This Non-GAAP financial information is also used by institutional investors and analysts in evaluating our business and assessing trends and future expectations.

Non-GAAP information presented herein excludes our QSI (Qualcomm Strategic Initiatives) segment and certain share-based compensation, acquisition-related items, tax items and other items.

- QSI is excluded because we generally expect to exit our strategic investments in the foreseeable future, and the effects of fluctuations in the value of such investments and realized gains or losses are viewed as unrelated to our operational performance.
- Share-based compensation expense primarily relates to restricted stock units. We believe that excluding share-based compensation from Non-GAAP financial information allows us and investors to make additional comparisons of the operating activities of our ongoing core businesses over time and with respect to other companies.
- Certain other items are excluded because we view such items as unrelated to the operating activities of our ongoing core businesses, as follows:
 - Acquisition-related items include amortization of acquisition-related intangible assets, substantially all of which relate to the amortization of technology-based intangible assets that is recorded in cost of revenues and will recur in future periods until the related intangible assets have been fully amortized. We view acquisition-related intangible assets as items arising from pre-acquisition activities determined at the time of an acquisition. Acquisition-related intangible assets contribute to revenue generation that has not been excluded from our Non-GAAP financial information. Acquisition-related items also include recognition of the step-up of inventories and property, plant and equipment to fair value and the related tax effects of acquisition-related items, as well as any effects from restructuring the ownership of such acquired assets. We also exclude the operating results of acquired and/or consolidated businesses that, as of close, are expected or required to be sold. Additionally, we exclude certain other acquisition-related charges such as third-party acquisition and integration services costs and costs related to temporary debt facilities and letters of credit executed prior to the close of an acquisition.
 - We exclude certain other items that we view as unrelated to our ongoing businesses, such as major restructuring and restructuring-related costs, asset impairments and awards, settlements and/or damages arising from legal or regulatory matters. We exclude gains and losses driven by the revaluation of our deferred compensation plan liabilities recognized in operating expenses and the offsetting gains and losses on the related plan assets recognized in investment and other income (expense).
 - Certain tax items that are unrelated to the fiscal year in which they are recorded are excluded in order to provide a clearer understanding of our ongoing Non-GAAP tax rate and after-tax earnings. Beginning in the first quarter of fiscal 2023 and for the initial five-year period in which we are required to capitalize and amortize R&D expenditures for U.S. federal income tax purposes, we also exclude the favorable impact to our provision for income taxes and results of operations resulting from such change in treatment of R&D expenditures. The favorable tax provision impact will diminish in future years as capitalized research and development expenditures continue to amortize.

Reconciliations of GAAP to Non-GAAP Financial Measures

Third Quarter Fiscal 2023 Results

<i>(in millions, except per share data)</i>	GAAP Results	Less QSI	Less Share-Based Compensation	Less Other Items ⁽¹⁾	Non-GAAP Results
Revenues	\$8,451	\$9	\$—	\$—	\$8,442
EBT	\$1,757	(\$21)	(\$613)	(\$39)	\$2,430
Net income (loss)	\$1,803	(\$17)	(\$525)	\$240	\$2,105
Diluted EPS	\$1.60	(\$0.01)	(\$0.47)	\$0.21	\$1.87
Diluted shares	1,124	1,124	1,124	1,124	1,124

Third Quarter Fiscal 2022 Results

<i>(in millions, except per share data)</i>	GAAP Results	Less QSI	Less Share-Based Compensation	Less Other Items ⁽²⁾	Non-GAAP Results
Revenues	\$10,936	\$8	\$—	\$—	\$10,928
EBT	\$4,239	(\$101)	(\$544)	\$990	\$3,894
Net income (loss)	\$3,730	(\$80)	(\$421)	\$875	\$3,356
Diluted EPS	\$3.29	(\$0.07)	(\$0.37)	\$0.77	\$2.96
Diluted shares	1,134	1,134	1,134	1,134	1,134

1.) Other items excluded from Non-GAAP results included \$39 million of acquisition-related charges, \$48 million of losses driven by the revaluation of our deferred compensation plan liabilities, which increased operating expenses, offset by corresponding \$48 million of gains driven by the revaluation of the associated plan assets, which were included within investment and other income (expense), net, as well as \$68 million of income, net of income taxes, from the discontinued operations of the Non-Arriver businesses. Tax benefit in "Other Items" included a \$126 million benefit from fiscal 2021 and 2022 foreign-derived intangible income (FDII) deductions related to a change in sourcing of R&D expenditures, a \$57 million benefit related to a foreign tax audit, a \$35 million benefit from the FDII deduction resulting from the requirement to capitalize and amortize R&D expenditures, an \$11 million benefit for the tax effect of acquisition-related charges and a \$7 million benefit from the combined effect of other items in EBT, partially offset by an \$11 million foreign currency loss related to a noncurrent receivable resulting from our refund claim of Korean withholding taxes paid in prior periods, an \$11 million charge related to prior periods and a \$3 million charge to reconcile the tax provision of each column to the total GAAP tax provision for the quarter.

2.) Details of amounts included in the "Other Items" column for the third quarter of fiscal 2022 are included in the Earnings Presentation for that period.

Sums may not equal totals due to rounding.

Business Outlook

	Q3FY23 Guidance ⁽¹⁾	Q4FY23 Guidance ⁽²⁾⁽³⁾
Revenues	\$8.1B - \$8.9B	\$8.1B - \$8.9B
GAAP diluted EPS	\$1.24 - \$1.44	\$1.37 - \$1.57
Less diluted EPS attributable to QSI	\$—	\$—
Less diluted EPS attributable to share-based compensation	(\$0.45)	(\$0.45)
Less diluted EPS attributable to other items ⁽⁴⁾	(\$0.01)	\$0.02
Non-GAAP diluted EPS	\$1.70 - \$1.90	\$1.80 - \$2.00

1.) Prior guidance as of May 3, 2023.

2.) Our outlook does not include provisions for proposed tax law changes, future asset impairments, charges from additional restructuring actions or for pending legal matters, other than future legal amounts that are probable and estimable. Further, due to their nature, certain income and expense items, such as certain investments, derivative and foreign currency transaction gains or losses, cannot be accurately forecast. Accordingly, we only include such items in our financial outlook to the extent they are reasonably certain. Our outlook includes the impact of any pending business combinations to the extent they are expected to close in the upcoming quarter. Actual results may differ materially from the outlook.

3.) Guidance as of August 2, 2023.

4.) Our guidance for diluted EPS attributable to other items for the third quarter of fiscal 2023 was primarily related to acquisition-related items, including the discontinued operations of the Non-Arriver business, partially offset by the tax benefit resulting from the requirement to capitalize R&D expenditures under U.S. Federal income tax law. Our guidance for diluted EPS attributable to other items for the fourth quarter of fiscal 2023 is primarily related to the tax benefit resulting from the requirement to capitalize R&D expenditures under U.S. Federal income tax law, partially offset by acquisition-related items and existing restructuring plan charges.

Operating Expenses

(in millions, except percentages)

	Q4FY22 Results ⁽¹⁾	FY23 Target Reduction ⁽¹⁾⁽²⁾	Q2FY23 Results	Q3FY23 Results	Q3FY23 Sequential % Increase	Q3FY23 Guidance ⁽³⁾	Q4FY23 Guidance ⁽²⁾
GAAP combined R&D and SG&A expenses	\$2,862	~Flat year-over-year	\$2,824	\$2,840	1%	Decrease 1% sequentially	Decrease 1% sequentially
Less QSI	3	N/P	4	3	—	N/P	N/P
Less share-based compensation	506	N/P	610	594	—	N/P	N/P
Less other items ⁽⁴⁾	6	N/P	38	62	1%	N/P	N/P
Non-GAAP operating expenses (Non-GAAP combined R&D and SG&A expenses)	\$2,347	Decrease 5% year-over-year	\$2,172	\$2,181	~Flat	~Flat sequentially	~Flat sequentially

Effective Tax Rates

	GAAP Results/Guidance	Less QSI ⁽⁵⁾	Less Share-Based Compensation ⁽⁵⁾	Less Other Items ⁽⁵⁾⁽⁶⁾	Non-GAAP Results/Guidance
Estimated ⁽³⁾ Q3FY23 tax rate	9%	—	(2%)	(4%)	15%
Q3FY23 tax rate	1%	—	(3%)	(9%)	13%
Estimated ⁽²⁾ Q4FY23 tax rate	9%	—	(2%)	(3%)	14%
Previous estimated ⁽³⁾ FY23 annual tax rate	8%	—	(2%)	(5%)	15%
Estimated ⁽²⁾ FY23 annual tax rate	6%	—	(3%)	(6%)	15%

1.) As of February 2, 2023, we reported that we expect to reduce our non-GAAP operating expenses by approximately 5% relative to our fourth quarter fiscal 2022 exit rate. As of August 2, 2023, we reported that we are currently on track to exceed our commitment.

2.) Guidance as of August 2, 2023.

3.) Prior guidance as of May 3, 2023.

4.) Other items in the third quarter of fiscal 2023 consisted of \$13 million of acquisition-related charges, \$1 million of restructuring-related charges, and \$48 million of losses driven by the revaluation of our deferred compensation plan liabilities. Details of amounts included in the "Other Items" row for the fourth quarter of fiscal 2022 and the second quarter of fiscal 2023 are included in the Earnings Presentation for that period.

5.) The incremental effect of our adjustments to the Non-GAAP tax rate is calculated by allocating the difference between (i) the tax expense (benefit) calculated based on the GAAP tax rate and (ii) the actual or estimated tax expense (benefit) for each column.

6.) Tax expenses in the "Other Items" column for the third quarter of fiscal 2023 are included in the "Third Quarter Fiscal 2023 Results" section herein. Our estimated tax guidance for the "Other Items" in the fourth quarter in fiscal 2023 and fiscal 2023 includes the impact of the requirement to capitalize and amortize R&D expenditures required under U.S. Federal income tax law.

N/P - Not provided