

# Global smartphones

## A slower 2H15 outlook

- Apple may ship more iPhone6S/6S+ on 28 Sep but ...
- ...the keys are the YoY comp for 4Q15 and 1Q16.
- We introduce our 2H15 shipment forecasts and expect industry growth to slow to a single digit in 3Q/4Q - the slowest in recent years, bringing FY15 growth to 10%.

### Higher iPhone6S shipments expected but ...

In line with Apple's commentary, we expect shipments of the new iPhones on the first weekend (to be announced on 28 Sep) to be 12-14m units, above 2014's 10m units. Based on our estimates, the daily run rate for the pre-orders for iPhone6S/6S+ (started on 12 Sep) is averaging 1m units, with 25% contribution from China. This is compared with 1.4-1.5m units in 2014. The YoY comparison is less meaningful due to six extra days of pre-orders in 2015, and importantly China being included in the first wave of launches in 2015 as opposed to the second wave (10 Oct) in 2014. Also, Apple achieved 4m units of iPhone6 sales within the first 24 hours of pre-orders in 2014, but such data was not disclosed this time.

Nevertheless, we think investors are likely to focus on the aggregate iPhone shipment on the first weekend (28 Sep), 3Q and 4Q. We maintain our forecast 3Q iPhone shipments of 48-49m units, which implies +23-25% YoY - a strong outperformance vs the industry (+8-10%), but a material slowdown compared to 2Q of 35% and 1Q of 40%. However, the challenge for Apple is the growth projection for FY4Q15, vs the extraordinary sales of 74.5m units in 4Q14. Given early availability of iPhone6S/6S+ in China (one month ahead in 2015), already strong upgrade cycle of the iPhone6 in 2014/15 and the high base, we think it is prudent to start with a relatively conservative estimate of 65-70m units in 4Q. This represents a 6-13% YoY dip. Such a trend (YoY dip) could continue in FY1Q16 as the base in 1Q15 was equally high at 61.2m units.

### 3Q/4Q growth could be the slowest in modern times

We expect 3Q industry unit growth to be <10% and 4Q to be 5-6%, materially slower than 2Q of 12% and 1Q of 16%. This will bring FY15 growth to 10%, a significant slowdown vs FY14 of 28%. Risks to the industry include the continuous weakness of the economy and FX in the emerging markets (EM, especially in Latam and SE Asia), as well as the reduction of subsidies by operators. The former will impact the low to mid-end segment, while the latter is likely to adversely affect consumers in premium products in the developed markets (DM). The strength of the USD also affects demand in both the EM and DM countries.

Stock	Mkt cap	Rating	TP	Upside/ Downside	PE (x)		PB (x)		EV/EBITDA (x)		ROE (%)		Dividend yld (%)	
					15E	16E	15E	16E	15E	16E	15E	16E		
As of 22 Sep.	(USD'bn)		(LC)											
Apple*	646.7	NR	NA	NA	12.4	11.6	5.1	4.3	6.1	5.9	39.1	37.3	1.8	1.9
Samsung Elec.	142.9	BUY	1.72m	50%	8.1	8.2	1.1	1.0	3.8	3.0	12.4	11.7	1.7	1.9
Samsung-Prefs.	16.1	BUY	1.72m	85%	7.3	6.7	0.9	0.8	2.2	1.6	12.4	11.7	2.2	2.4
Lenovo^	9.9	SELL	7.00	1%	NM	11.2	1.7	1.6	22.4	6.0	NM	15.3	NA	3.1
TSMC	102.6	SELL	99.0	-24%	11.7	12.2	2.9	2.6	5.7	5.6	26.2	22.1	3.8	4.2

Note: ^ March FY16/17. \* Bloomberg consensus

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### Smartphone shipments

Unit (m)	'14	'15E	1Q	2Q	3QE	4QE
Samsung	318.2	317.9	82.4	73.2	83.8	78.5
Apple	192.7	225.0	61.1	47.5	48.5	67.9
Lenovo*	93.5	71.2	18.7	16.2	16.5	19.8
Huawei	73.8	98.5	17.3	29.9	25.0	26.3
LGE	59.2	59.4	15.4	15.0	14.0	15.0
Xiaomi	57.7	70.5	14.7	17.9	18.0	20.0
ZTE	42.5	60.5	10.3	15.7	16.5	18.0
TCL^	36.5	45.0	9.4	9.5	11.9	14.3
Others	386.5	483.1	105.1	112.3	127.3	138.0
Total	1,301.0	1,431.1	334.4	337.2	361.5	398.0
YoY	27.5%	10.0%	16.0%	11.6%	8.7%	5.4%

\* Lenovo + Motorola; ^TCL Comm only excludes Momoda.

Source: IDC, Maybank est.

### Smartphone market share

Mkt shr	'14	'15E	1Q	2Q	3QE	4QE
Samsung	24.5%	22.2%	24.6%	21.7%	23.2%	19.7%
Apple	14.8%	15.7%	18.3%	14.1%	13.4%	17.1%
Lenovo*	7.2%	5.0%	5.6%	4.8%	4.6%	5.0%
Huawei	5.7%	6.9%	5.2%	8.9%	6.9%	6.6%
LGE	4.6%	4.2%	4.6%	4.4%	3.9%	3.8%
Xiaomi	4.4%	4.9%	4.4%	5.3%	5.0%	5.0%
ZTE	3.3%	4.2%	3.1%	4.7%	4.6%	4.5%
TCL^	2.8%	3.1%	2.8%	2.8%	3.3%	3.6%
Others	29.7%	33.8%	31.4%	33.3%	35.2%	34.7%
Total	100%	100%	100%	100%	100%	100%

\* Lenovo + Motorola; ^TCL Comm only excludes Momoda.

Source: IDC, Maybank est.

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