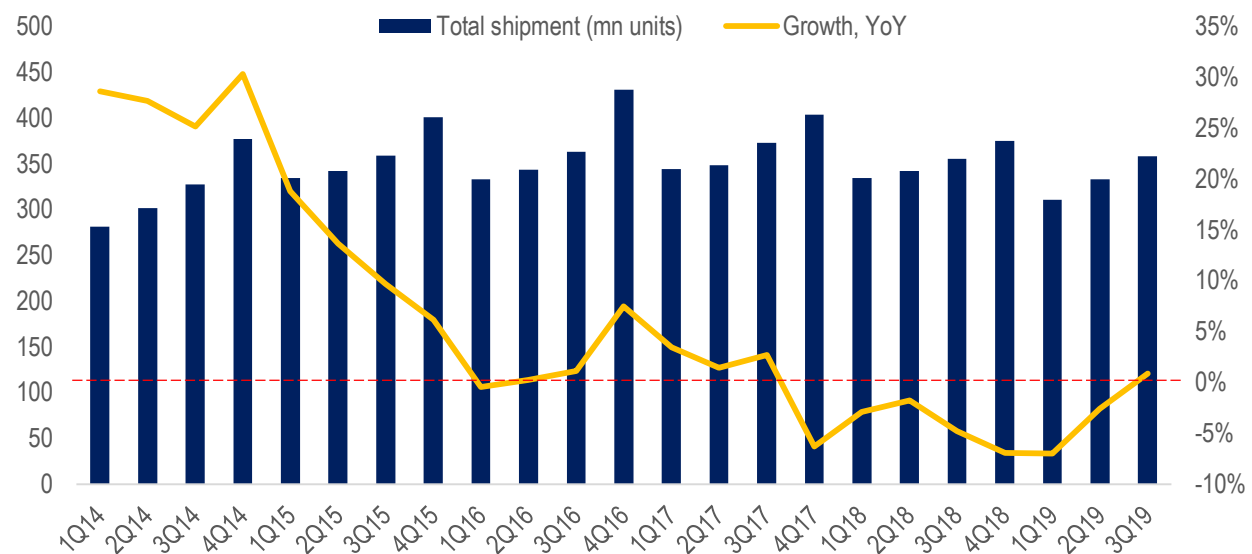




Global smartphone shipment – back on a growth track

Figure 1: Global smartphone shipment and growth, YoY



Source: IDC, AMTD Research

**AMTD views:** according to IDC, worldwide smartphone shipment was 358.3mn units in 3Q19, up 0.8% YoY after 7 consecutive quarters of decline. Despite the meager growth in this quarter, we still saw a clear recovery trend and believe global smartphone has been back on growth track again as a new round of smartphone replacement is coming soon. First, it has been almost 3 years since the last round of smartphone replacement in late 2016; and second, 5G will be another strong catalyst for this new round of smartphone replacement. 5G commercial deployments is being carried out in different countries across world, in the meantime, with more and more affordable 5G phones launched, it will continue to boost the smartphone shipment growth in following 1-2 years, in our view.

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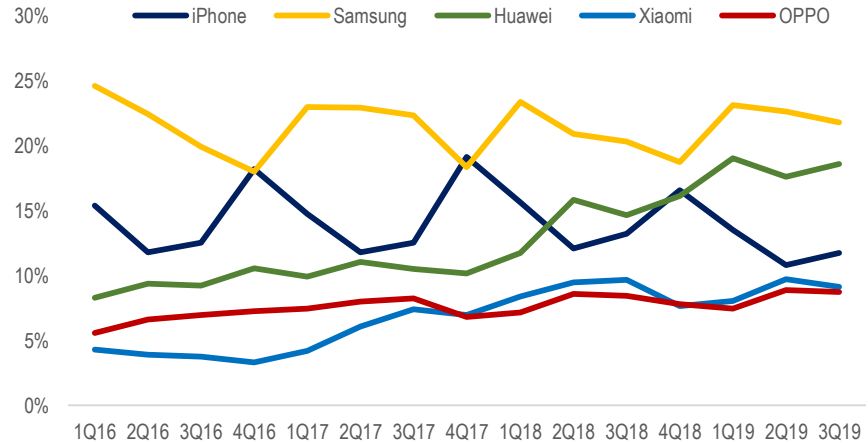
## Smartphone

## Shipment

### Market share by shipment

In 3Q19, in terms of shipment, Samsung was still leading ahead other major rivals with a market share of 21.8%; Huawei ranked second, accounting for 18.6% of total market share; Apple regained its market share by 2ppts, reaching 12.0% in this quarter, thanks to strong sales of newly launched iPhone 11; Xiaomi and OPPO's market share declined slightly to 9.1% and 8.7% in this quarter, respectively.

Figure 2: Market share trends of major smartphone manufacturers



Source: IDC, AMTD Research

### Apple

After overtook by Huawei and fell to third place in 2018, Apple's market share had been slipped to the record low of 10.1% in 2Q19. Thanks to successful launch of its new iPhone 11, which has longer battery life, upgraded camera system and more affordable price with trade-in offers, iPhone's sales rebounded. According to IDC, Apple shipped 46.6mn units in 3Q19 with decline narrowing to 0.6% YoY. With positive iPhone guidance of next quarter, we expect a continuous improvement of iPhone sales into next year. However, Apple still faces challenges, as it lags behind in introducing 5G products and its rivals like Samsung, Huawei, etc., have already launched 5G phones for sale.

### Samsung

According to IDC, Samsung smartphone shipment grew by 8.3% YoY to 78.2mn units in 3Q19, which was supported by strong performance of its flagship Galaxy Note 10 and mid-tier Galaxy A series. Despite the seasonality, Samsung smartphone market share stayed stable and was at 21.8% this quarter. For the next quarter, management expected its mass-market smartphones, including the new A series, to maintain solid sales. Looking ahead to 2020, Samsung planned to offer more 5G devices and foldable products to enhance its competitiveness and drive further growth.

### Huawei

Huawei has surpassed Samsung in the number of new products launched each year since 2017. With the most abundant product line, Huawei smartphone shipment achieved high growth over the past three years. Huawei reported shipment of 185mn units in 9M19, up 26% YoY, implying a shipment of 67mn in 3Q19 (+14% QoQ/+30% YoY) and accounting for 18.6% share of total market globally. The strong growth was largely contributed by China market. Huawei's shipment was up 66% in China market with market share reaching record of 42%, as Huawei refocused on China market given the US ban and without Google apps support. Huawei still faces challenges in overseas markets. The P-series and Y-series, which are

normally released at the beginning of each year, are models with a large sales contribution. If the ban has not been removed, it will have a huge impact on Huawei's overseas sales.

### Xiaomi

Huawei's refocusing on China market intensified the competition. According to IDC, Xiaomi's shipment in China market was 9.7mn units in 3Q19, down 30.5% YoY, mainly due to the weak sales of Mi9 and CC9. However, in India market, Xiaomi continued its leading position with a market share of 27.1%, followed by Samsung at 18.9%. Xiaomi accounted for 50%/20% of online/offline market in India and continued to invest in offline channels to strengthen its leadership. Globally, Xiaomi shipped 32.7mn units in 3Q19, down 3.3% YoY. Looking into the next quarter, new launches of Xiaomi Note 10 and Redmi Note 8 are expected to boost sales growth, in the meanwhile, entering telecom carriers' sales channels in Europe market will be another catalyst for the long term growth.

### Products launched

Figure 3: No. of new products launched

	No. product lines		No. of products launched				
	Current	2016	2017	2018	9M2019	2019E	5G model
Apple	1	3	3	3	3	3	0
Samsung	6	31	28	28	26	31	5
Huawei	7	23	27	34	29	38	4
Xiaomi	5	15	13	17	15	22	3
OPPO	7	13	15	20	16	24	1
Vivo	8	14	13	22	19	28	3

Source: AMTD Research estimates

### Shipment forecast

Figure 4: 2019 smartphone shipment forecast

Company					Market share		Shipment (mn units)	
	2015	2016	2017	2018	2019E	2018	2019E	
Apple	16.1%	14.6%	14.7%	14.4%	13.4%	203	185	
Samsung	22.7%	21.0%	21.5%	20.8%	22.1%	292	305	
Huawei	7.4%	9.4%	10.4%	14.6%	17.4%	206	240	
Xiaomi	4.6%	3.8%	6.2%	8.8%	9.1%	123	125	
OPPO	3.0%	6.6%	7.6%	8.0%	8.0%	112	110	
Vivo	2.7%	5.1%	6.9%	7.3%	7.2%	102	100	
Others	43.6%	39.5%	32.7%	26.2%	22.8%	368	315	
Total					100%	1,407	1,380	

Source: IDC, AMTD Research estimates

## News updates

30 Oct 2019

Smartphone

Apple

### Apple F4Q19 results with improved GM and accelerating Services

Apple reported F4Q19 total revenue of US\$64.0bn, up 2% YoY, with iPhone's revenue of US\$33.4bn (-9% YoY), iPad's revenue of US\$4.6bn (+17% YoY), Mac's revenue of US\$7.0bn (-5% YoY), Wearables, Home and Accessories' revenue of US\$6.5bn (+54% YoY), and Services' revenue of US\$12.5bn (+18% YoY). Gross margin recovered to 38.0% from 37.6% in F3Q19, thanks to product gross margin improvement from 30.4% in F3Q19 to 31.6% F4Q19. Services gross margin was 64.1%, flat QoQ. For next quarter, total revenue was guided to US\$85.5-89.5bn with gross margin of 37.5% to 38.5%. (Source: [Apple](#))

**AMTD views:** iPhone revenue was down 9% YoY, improved from 12% YoY decline in F3Q19. The longer battery, upgraded camera system and more affordable price with trade-in offers drove the sales growth new iPhone 11. Apple guided -3% YoY revenue growth of iPhone next quarter, indicating a continuous improvement. For Services, as expected, the revenue growth picked up this quarter (+18% YoY vs +13% YoY in F3Q19) thanks to more services launched. Management highlighted that it currently has a total of more than 450mn paid subscribers and is expected to surpass its target of 500mn in FY20. Wearables, Home and Accessories has become a new growth driver, and its revenue was up 54% YoY this quarter (vs +48% YoY F3Q19), mainly driven by Apple Watch and AirPods. In addition, Apple continued to return US\$20bn cash to its shareholders this quarter.

30 Oct 2019

Semiconductor

AMD

### AMD 3Q results in line with expanding margins given better product mix

AMD reported 3Q19 total revenue of US\$1.80bn, up 17.6% QoQ/9.0% YoY, in line with consensus. Computing and Graphics revenue was US\$1.28bn, up 35.7% QoQ/36.0% YoY, driven by strong CPU sales. Enterprise, Embedded and Semi-Custom revenue was US\$525mn, down 11.2% QoQ/26.6% YoY, mainly due to lower console sales. Non-GAAP gross margin was 43.3%, up 2.6ppts QoQ/up 3.3ppts YoY and Non-GAAP EPS was US\$0.18, in line with the expectation. AMD guided total revenue to the midpoint of US\$2.1bn and expected non-GAAP gross margin of 44% in 4Q, respectively. (Source: [AMD](#))

**AMTD views:** Better product mix helped to boost gross margin this quarter. Desktop processors (with gross margin above 50%) and server processors (with gross margin above 60%) revenue grew strongly QoQ, while console (with gross margin around mid 20s) sales decline QoQ. AMD's move to 7nm before Intel did help it gaining market share from Intel. In particular, AMD's server processor share increased to around 5% from nothing, however, its size was still relatively smaller compared to Intel's data center business with a revenue of US\$6.4bn in latest quarter. Thus, we expect AMD's server processors revenue will continue a strong double digit growth in next quarter.

10 Nov 2019

Devices

### 3Q19 global tablet market fell by 4% YoY

According to Strategy Analytics, 3Q19 global tablet market fell 4% YoY, with 38.2 million units shipped. Apple still ranked No.1 and Amazon's tablets sales increased up by 141% YoY, with a 14% market share, making it the world's second-largest tablet maker in 3Q19. China's tablet market shipments in 3Q19 were about 5.67 million units, with a year-on-year growth rate of 6 consecutive quarters according to IDC. But the growth rate has continued to narrow, with a growth rate of only 1.4%. Huawei took the lead in Chinese tablet market for the first time due to the popularity of its new flagship model and wide range of products. (Source: [Xinhua](#))

8 Nov 2019

### Alibaba resumed plan for HK listing

Alibaba

Alibaba has resumed its plan for Hong Kong listing. Alibaba will issue 500mn new ordinary shares plus 75 million “greenshoe” options. Retail shares will be priced at no more than HKD188. The final offer price will be set by Nov 20 based on the closing price of Nov 19. Alibaba’s Hong Kong shares are expected to start trading on Nov 26. The total amount raised could be around US\$13.8bn, if the option is exercised, and the funds are expected to be used in expanding its eleme, Fliggy and Youku business. (Source: [Reuters](#))

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8 Nov 2019

### 3Q19 OLED shipment surpassed LTPS LCD panels for first time

Modules

The global OLED shipment for smartphone displays reached 147mn units in 3Q19, surpassing that of LTPS LCDs for the first time, according to IHS Markit. LTPS LCD shipment was just over 100mn units. Fingerprint On Display (FOD) is one of the main drivers behind the OLED growth, as LCD panels are less compatible with FOD. Samsung Display still dominated the OLED market with a shipment of 51mn units in September. (Source: [THE ELEC](#))

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7 Nov 2019

### Amazon announced new Amazon Robotics Innovation Hub

AI

Amazon

Amazon has announced its plan to build a new Amazon Robotics Innovation Hub and create 200 tech and advanced manufacturing jobs in Westborough, Massachusetts. Opening in 2021, the company plans to invest more than US\$40mn in the new site to allow Amazon Robotics to continue to grow its engineering, manufacturing, support and test teams in the state. Amazon is not new to Massachusetts. It has had a presence in the Bay State since 2011, and has invested more than US\$3bn and created more than 4,000 full-time jobs in Massachusetts, according to data supplied by the company. (Source: [BusinessInsider](#))

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7 Nov 2019

### Vivo X30 with Samsung Exynos 980 5G SoC set to launch in December

Smartphone

Vivo

Vivo has announced that Vivo X30 is set to launch in December. The smartphone will come with dual-mode 5G support and feature Samsung's Exynos 980 SoC. Exynos 980 was unveiled in September and it is the new octa-core chipset with an integrated 5G modem and on-device artificial intelligence (AI) processing support. The Exynos SoC also includes two cores of ARM Cortex-A77 cores in addition to power-efficient Cortex-A55 cores to deliver optimal performance. According to a media report, the Vivo X30 may have a 6.5-inch AMOLED display. Furthermore, the phone could include a quad rear camera setup, including a 64MP primary sensor. (Source: [Gsmarena](#))

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6 Nov 2019

### IBM and Bank of America to launch financial services-specific cloud

Cloud

IBM/BofA

IBM announced that it has built financial services-specific cloud technology in collaboration with Bank of America. It is IBM's first industry-specific cloud. The platform is designed to meet the high regulatory, security and resiliency standards required by the financial services industry. Bank of America has managed to develop its internal cloud computing capabilities, and will be the first major bank to use this new platform to serve its 66 million banking customers. (Source: [IBM](#))

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6 Nov 2019

### Global smartwatch shipments reached 14.2mn units in 3Q19

Wearables

According to Strategy Analytics, the global smartwatch shipments reached 14.2mn units in 3Q19, up 42% YoY. Apple Watch kept dominating the market with a market share of 47.9%, and its shipment grew by 51% YoY to 6.8mn units. Samsung's shipment was 1.9mn units, up 73% YoY, taking the 2nd place with a market share of 13.4%. Fitbit's market share declined to 11.3% from 15.0% in 3Q18, as it underperformed the industry average with a year-on-year growth of 7%. (Source: [StrategyAnalytics](#))

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5 Nov 2019

### Microsoft and Nokia jointly announced digitalization solutions for enterprises

Cloud

Microsoft/NOKIA

Microsoft and Nokia announced a strategic collaboration to accelerate digital transformation and innovation across industries with cloud, AI and IoT. Microsoft's Azure, Azure IoT, Azure AI and Machine Learning solutions will be combined with Nokia's LTE/5G-ready private wireless solutions, IP, SD-WAN, and IoT connectivity offerings, to help industrial digitalization and automation across enterprises and communications service providers. They aim to unlock connected scenarios across multiple industries including digital factories, smart cities, healthcare settings, transportation hubs and more. (Source: [NOKIA](#))

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5 Nov 2019

### Xiaomi launched the first 108MP smartphone Mi CC9 Pro

Smartphone

Xiaomi

Xiaomi has launched its first smartphone with a 108MP camera, the Mi CC9 Pro. The phone is equipped with five rear cameras and a front camera housed in a teardrop-style notch. The 108MP sensor, Samsung ISOCELL Bright HMX, is co-designed by Xiaomi and Samsung. It is embedded with a curved 6.47-inch AMOLED display from Visionox, with an in-display fingerprint sensor. Mi CC9 Pro features Qualcomm's Snapdragon 730G processor. The price starts from RMB2,799. (Source: [TheVerge](#))

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5 Nov 2019

### Xiaomi to enter Japan smartphone market in 2020

Smartphone

Xiaomi

Xiaomi is set to enter Japan smartphone market in 2020. Xiaomi will offer multiple models with high performance but lower prices, compared to rivals like Apple. Xiaomi also plans to introduce linked wearable devices in Japan. The products will first be available exclusively through Xiaomi's own sales channels both online and offline; Xiaomi will then partner with local wireless carriers and main phone distributors in the country. (Source: [NikkeiAsianReview](#))

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1 Nov 2019

### 3Q19 Global Semiconductor sales increased 8.2% QoQ

Semiconductor

The SIA announced that the worldwide sales of semiconductor reached US\$106.7bn during 3Q19, an increase of 8.2% QoQ and 14.6% less than 3Q18. Global sales for September 2019 reached US\$35.6bn, up 3.4% MoM and down 14.6% YoY. Regionally, sales increased 4.4% MoM in China, 4.3% MoM in the Americas, 2.9% MoM in Europe, and 2.4% MoM in Asia Pacific/All Other. Sales were down across all regions compared to September 2018: Europe (-6.4%), Asia Pacific/All Other (-6.9%), Japan (-10.0%), China (-12.9%), and the Americas (-30.4%). (Source: [Semiconductors](#))

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1 Nov 2019

Wearables

Google/Fitbit

### Google to acquire Fitbit at US\$2.1bn in cash

Google will acquire Fitbit at about US\$2.1bn in cash. Fitbit will be wholly under Google, rather than Alphabet. Google targeted the fitness trackers and smart watches market in rivalry with Xiaomi and Apple. The acquisition shows Google's ambitions for its Wear OS. Fitbit took up 10.1% of the global wearables market in 2Q19, ranking 4th, according to IDC. Fitbit will still take privacy for health and fitness data seriously, meaning that the data will not be used for Google ads. The deal is expected to close in 2020. (Source: [Reuters](#))

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31 Oct 2019

5G/Infrastructure

### China officially rolled out 5G networks on a commercial basis

China officially rolled out "one of the world's largest" 5G networks on a commercial basis. The three major carriers unveiled their 5G data plans, with monthly fees ranging from RMB128 to RMB599. The service is now available in more than 50 cities, including Beijing and Shanghai. China Mobile, China Telecom and China Unicom have projected a combined capital spending of RMB302bn this year. Over 130,000 5G base stations will be opened by the year end, according to MIIT. (Source: [Bloomberg](#))

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30 Oct 2019

Smartphone

Apple

### Apple plans to ship at least 80mn units of 5G iPhones in 2020

Apple plans to roll out three models of 5G iPhones in 2020 for the first time, according to Nikkei. The company has set an aggressive sales target of at least 80mn units. The phones will carry a 5G modem chip from Qualcomm. Apple's launch of 5G line-up is expected to boost its iPhone sales, as well as to accelerate 5G rollouts worldwide, especially outside China. (Source: [NikkeiAsianReview](#))

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We, Brian Li, Michelle Li and Roy Wu, hereby certify that (i) all of the views expressed in this research report reflect accurately our personal views about the subject companies and their securities; and (ii) no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed by us in this research report, nor is it tied to any specific investment banking transactions performed by AMTD Global Markets Limited.

As of the date the report is published, Brian Li holds financial interest in the securities of Amazon mentioned in the report.

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