

# Taiwan handsets

DIGITIMES Research  
ICT Report – 4Q 2012

Original Chinese: Luke Lin, DIGITIMES Research, January 2013

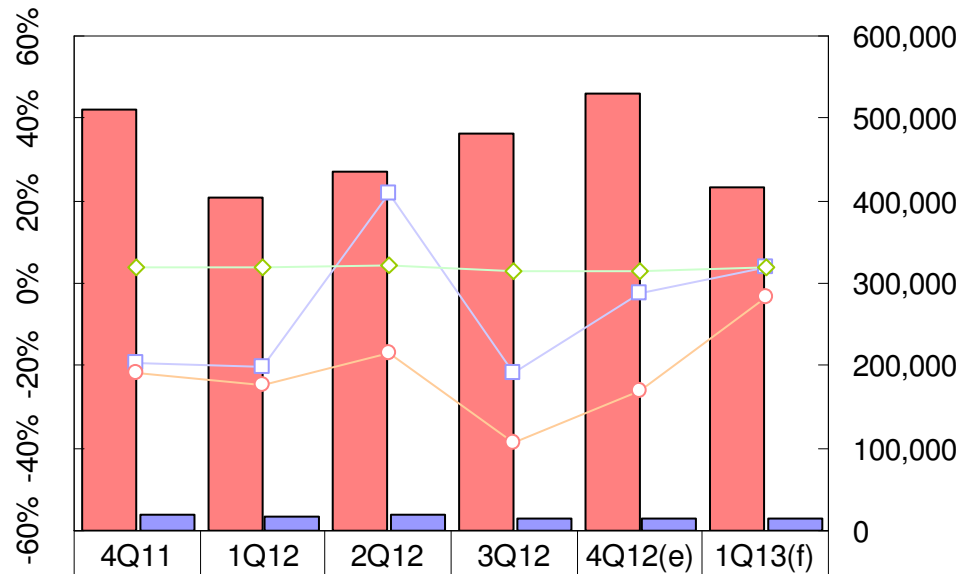
English edition: Nick Brown, DIGITIMES, February 2013

# Introduction

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- ✓ Taiwan shipped 14.64 million handsets in the fourth quarter of 2012, up 2.5% from the previous quarter and 26% on year.
- ✓ Taiwan's handset shipments will increase 4% sequentially but decrease 3.4% on year in the first quarter of 2013 to reach 15.23 million units.
- ✓ *NOTE: Unless otherwise indicated, all figures and tables in this report refer to output from Taiwan makers.*

# Handset shipments, 4Q11-1Q13 (k units)



	4Q11	1Q12	2Q12	3Q12	4Q12(e)	1Q13(f)
Shipments	19,790	15,760	19,190	15,010	14,640	15,230
Worldwide shipments	510,600	403,300	436,400	480,400	529,900	415,400
Q/Q	-19.4%	-20.4%	21.8%	-21.8%	-2.5%	4.0%
Y/Y	-21.7%	-24.7%	-16.9%	-38.9%	-26.0%	-3.4%
Market share	3.9%	3.9%	4.4%	3.1%	2.8%	3.7%

# Handset shipments (1)

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- ✓ Taiwan's major brand vendor HTC launched a number of new flagship Android and Windows Phone (WP) 8 handsets in the fourth quarter of 2012, but the new phones were launched in late November, the upshot of which was that HTC's shipments actually saw a marked decline in the fourth quarter. Of the OEM firms, Chi Mei Communication Systems (CMCS), Arima Communications (Arima) and Compal Communications all saw shipments rise on the previous quarter, however. Consequently, the Taiwan handset industry as a whole saw a small sequential contraction in shipments during the fourth quarter, but compared to 2012, shipments dropped 26%.
- ✓ Motorola Mobility, a major feature phone customer for Taiwan-based OEMs, decided in 2012 that it would no longer pursue its feature phone business, and therefore slashed orders in the second half of the year. Taiwan-based OEMs therefore underwent a sharp and sustained drop in feature phone shipments, which in turn led to the proportion of Taiwan handset shipments accounted for by smartphones rising to a record level during the fourth quarter.
- ✓ Strong sales of several HTC models launched at the end of 2012, including the Butterfly, Droid DNA and Windows Phone 8X and 8S, mean that the company will continue to scale up orders in the first quarter of 2013, with overall shipments for HTC expected to be markedly higher than in the previous quarter.

## Handset shipments (2)

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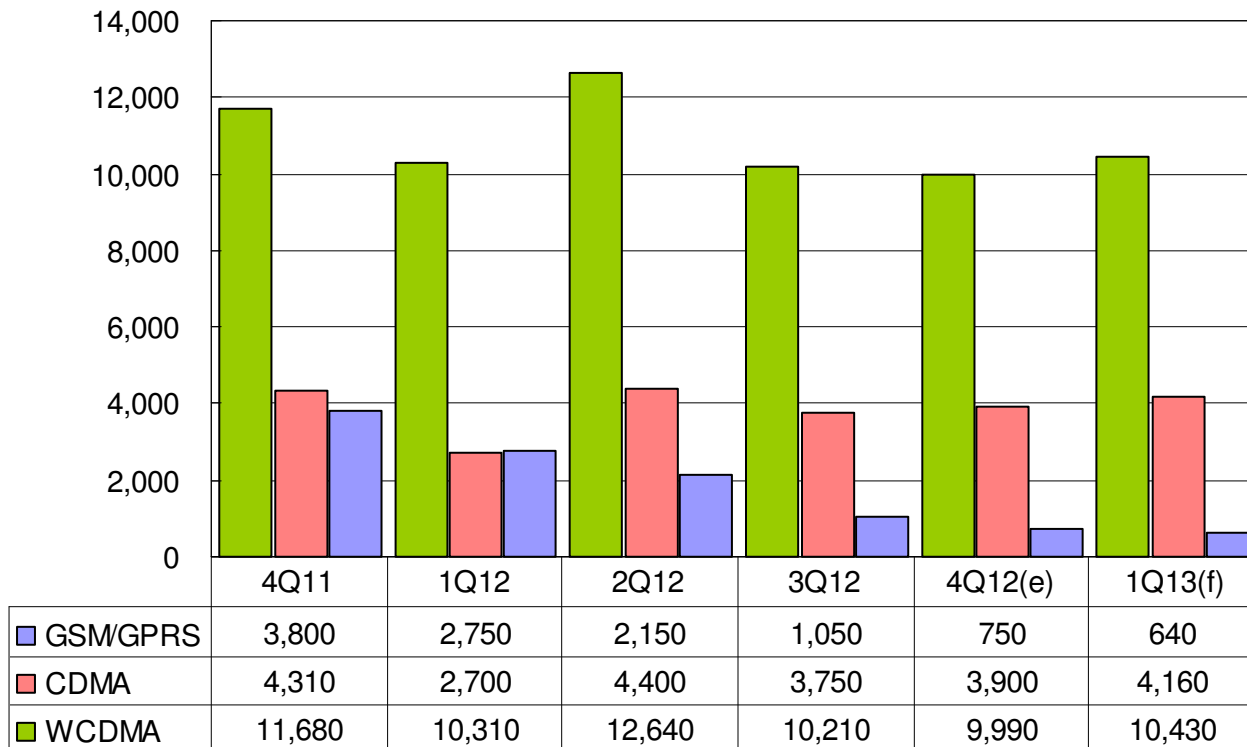
- ✓ The traditional post-holiday slow season means that shipments of clients' existing models from OEMs have already peaked, while new models will not be launched until the end of the first quarter or some time in the second quarter; as a result, OEM shipments for the first quarter of 2013 will be significantly lower than in the previous quarter.
- ✓ As a whole, Taiwan-based manufacturers' shipments will see a first-quarter increase and a year-on-year decrease both within 5%. Only HTC will see shipments increase over the previous quarter, while other firms will see a decrease in shipments, causing HTC's share of Taiwan shipments to rebound to more than 50%.
- ✓ Motorola Mobility will massively reduce the number of models it makes in 2013, decimating its orders to Taiwan-based OEMs. There will be no new orders during the first quarter, and as shipments of existing models draw to an end, the impact on shipments for Taiwan-based handset makers will be significant.
- ✓ Looking at Sony Mobile Communications' Android handset orders to Taiwan-based handset makers, existing models will continue to ship during the first quarter of 2013, while one or two new models are likely to be launched towards the end of the quarter.
- ✓ Of Nokia's orders for Lumia model manufacturing given to Compal Comm, only existing Windows Phone (WP) WP 7 models launched in the third and fourth quarters of 2012 will continue to ship in first-quarter 2013, while orders for new WP 8 models will not be placed until second-half 2013.

# Handset shipments (3)

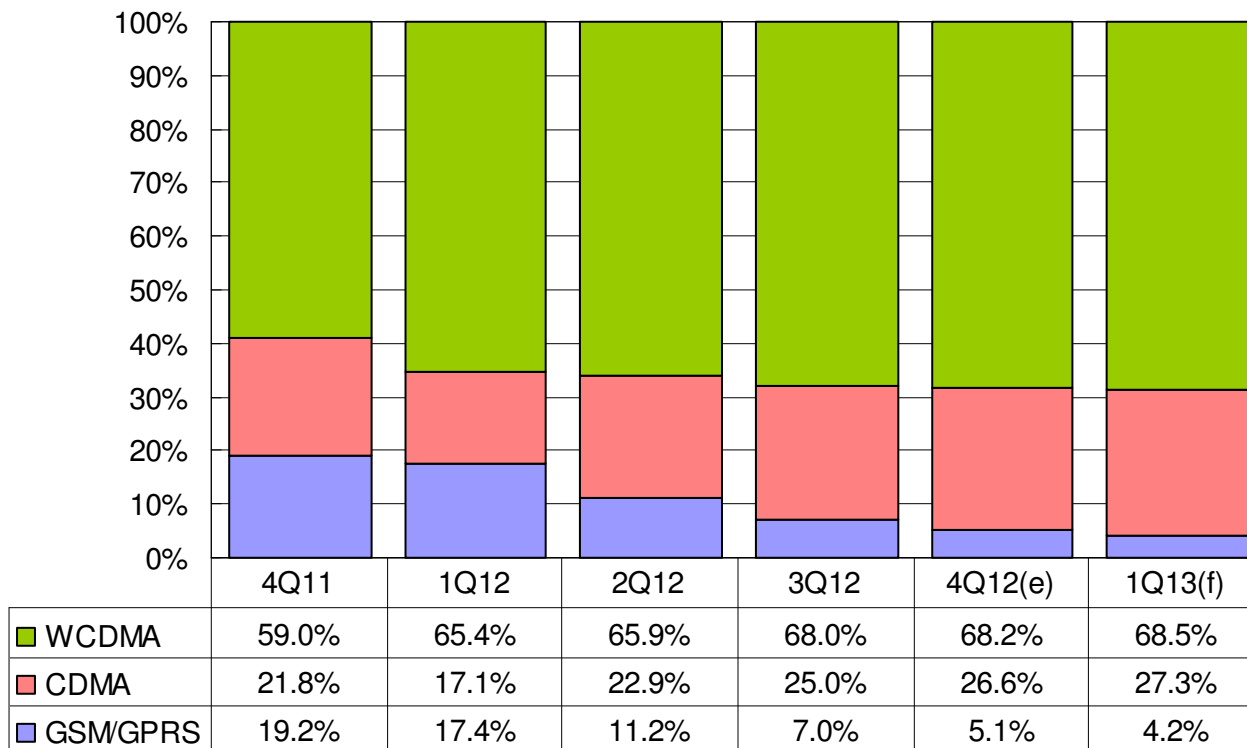
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- ✓ Other than Sony Mobile Communications, Japanese brands' orders placed with Taiwan OEMs are mostly for high-end and midrange models that were launched in the fourth quarter of 2012 and will continue to ship during the first quarter. Shipment levels suggest that these were far from huge orders, but the high prices mean that they may still make a significant contribution to revenues and profits for Taiwan-based OEMs.
- ✓ China-based brands such as Lenovo, Haier, Xiaomi, TCL, Coolpad and Tianyu (K-Touch) will continue to place orders for smartphones with Taiwan-based OEMs. New models will be launched this quarter, while existing models will continue to ship; the number of separate orders is significant, but overall shipment levels remain low.
- ✓ HTC launched several new flagship models in the last two weeks of 2012, shipments of which should peak in the first quarter of 2013.

# Handset shipments by transmission technology, 4Q11-1Q13 (k units)



# Handset shipment share by transmission technology, 4Q11-1Q13



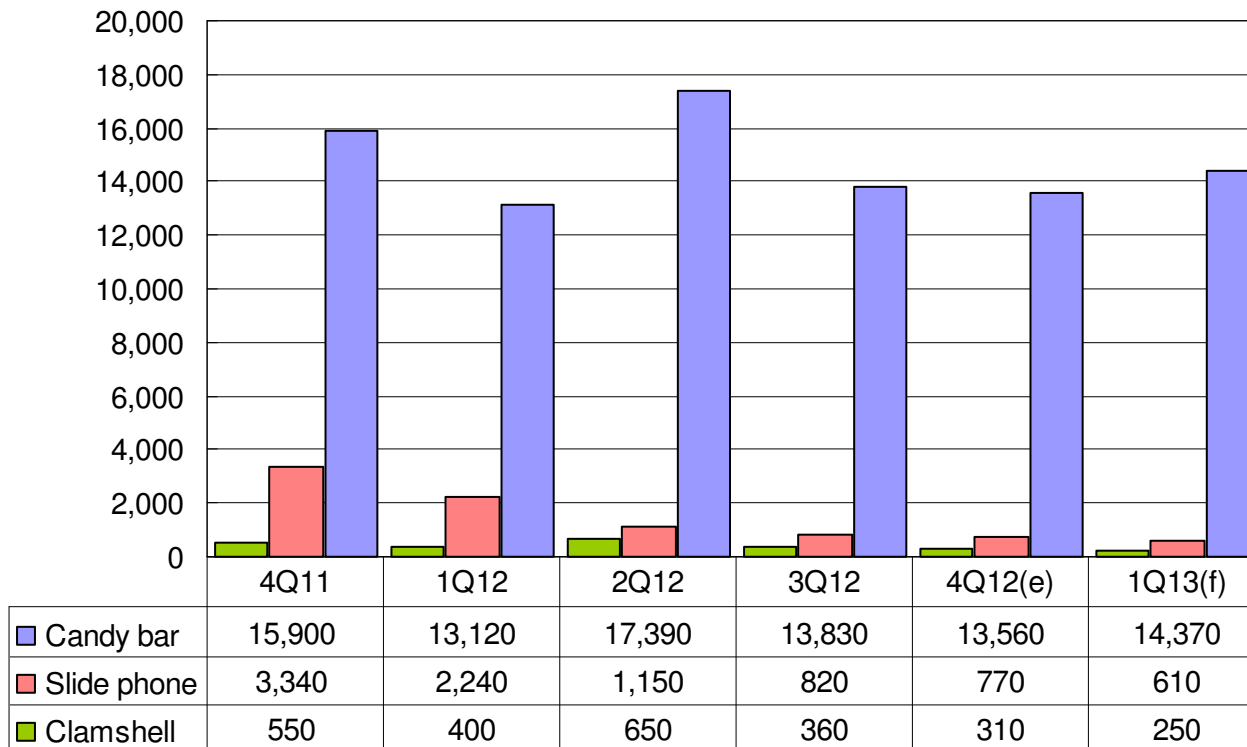


# Transmission technology

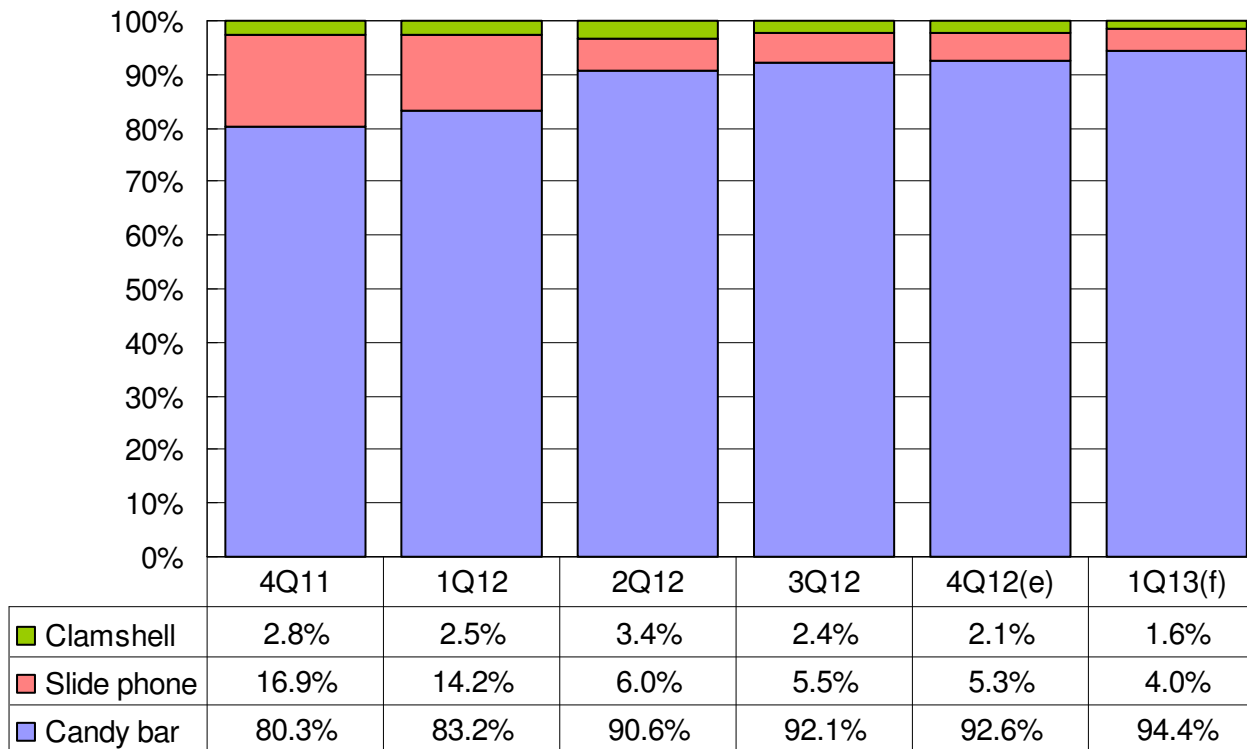
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- ✓ During the fourth quarter, HTC shipped its CDMA flagship Droid DNA to number one US carrier Verizon Wireless, and its flagship HTC J Butterfly – also a CDMA device – to number two Japanese carrier KDDI au, causing a rise in CDMA's share of Taiwan handset shipments.
- ✓ Strong sales of the HTC Butterfly and Droid DNA mean that shipments are likely to rise in the first quarter of 2013. The company's partnership with US-based prepaid telecom carrier Cricket Wireless, which has some seven million customers, to sell CDMA versions of the One SV, will also help to drive up the proportion of CDMA handsets in HTC's overall shipments, as well as in first-quarter 2013 shipments for Taiwan-based handset makers as a whole.

# Handset shipments by form factor, 4Q11-1Q13 (k units)



# Handset shipment share by form factor, 4Q11-1Q13

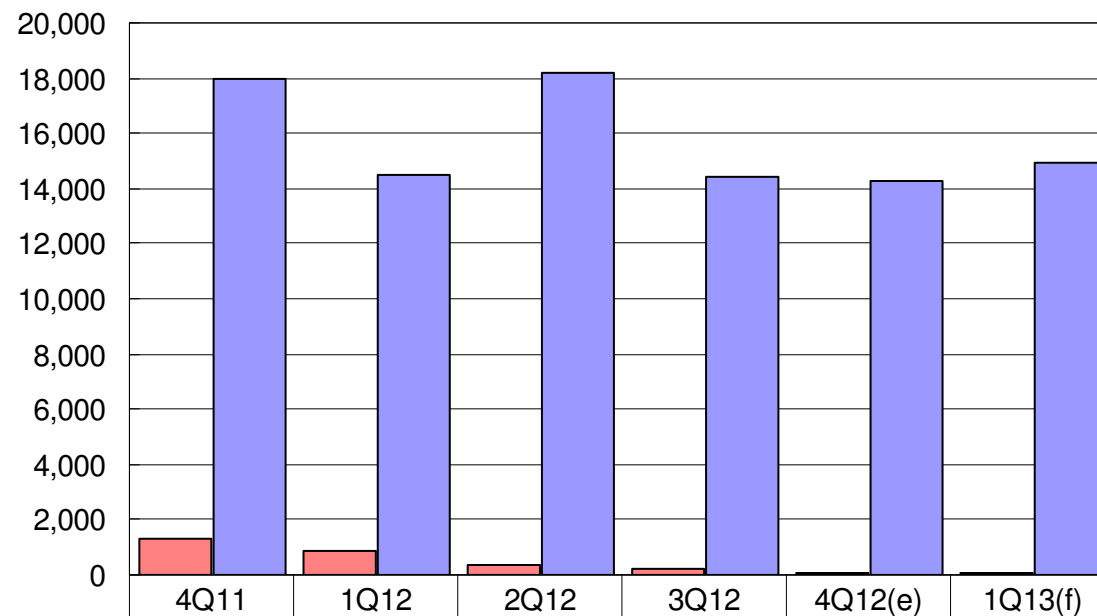


# Form factors

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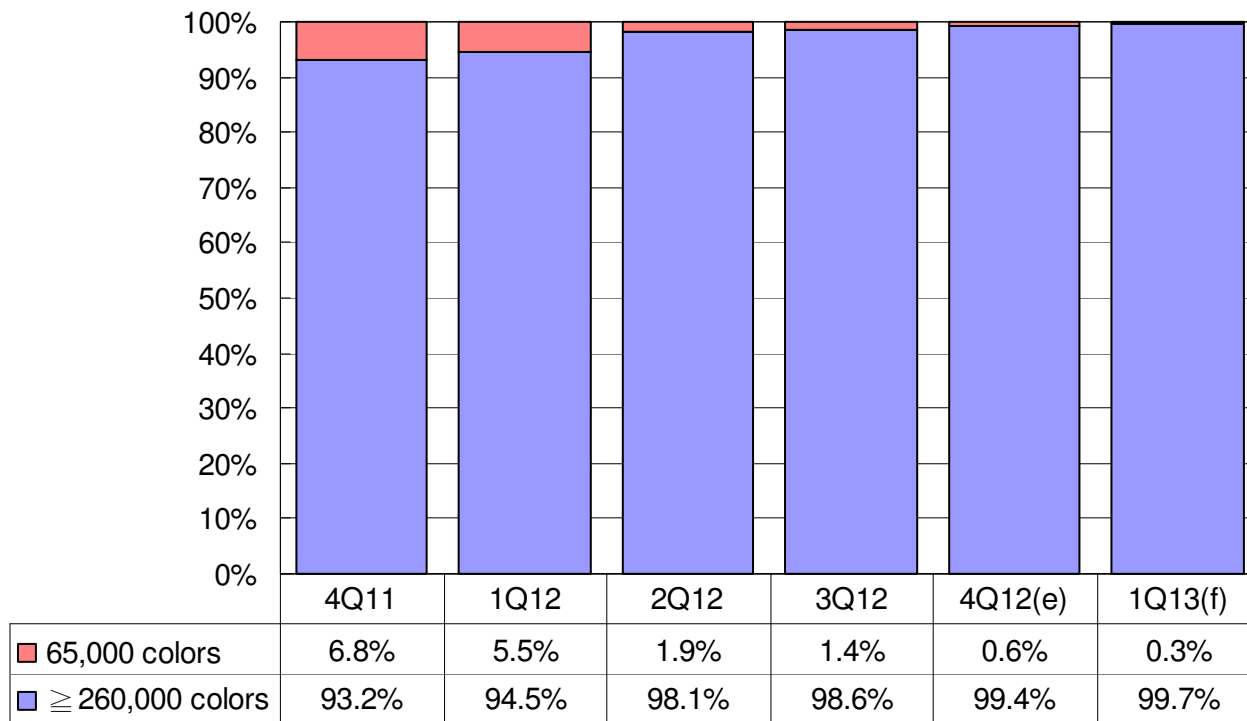
- ✓ The candy bar form factor continued to account for more than 90% of Taiwan handset shipments in the fourth quarter of 2012.
- ✓ The candy bar form factor will continue to account for more than 90% of handset shipments in 1Q13

# Candy bar, slide phone shipments by main display colors, 4Q11-1Q13 (k units)



■ ≥ 260,000 colors	17,940	14,510	18,190	14,450	14,250	14,930
■ 65,000 colors	1,300	850	350	200	80	50

# Candy bar, slide phone shipment share by main display colors, 4Q11-1Q13

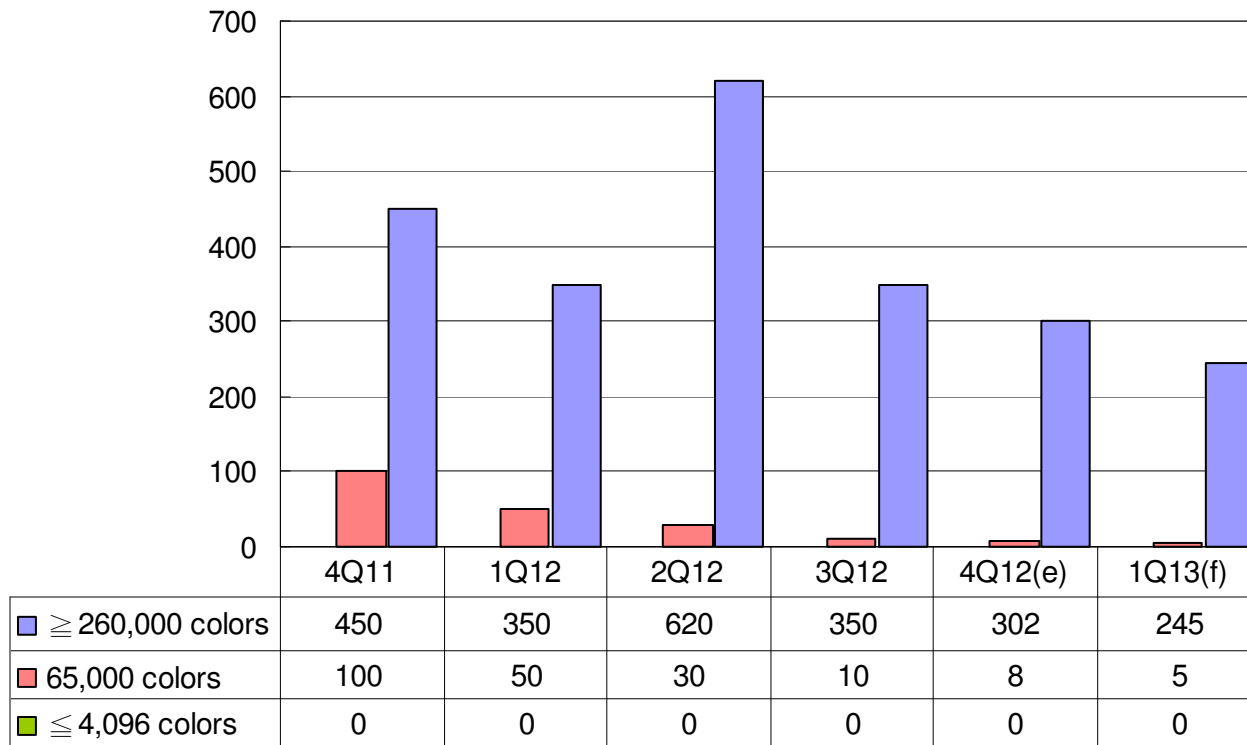


# Candy bar, slide phone main displays

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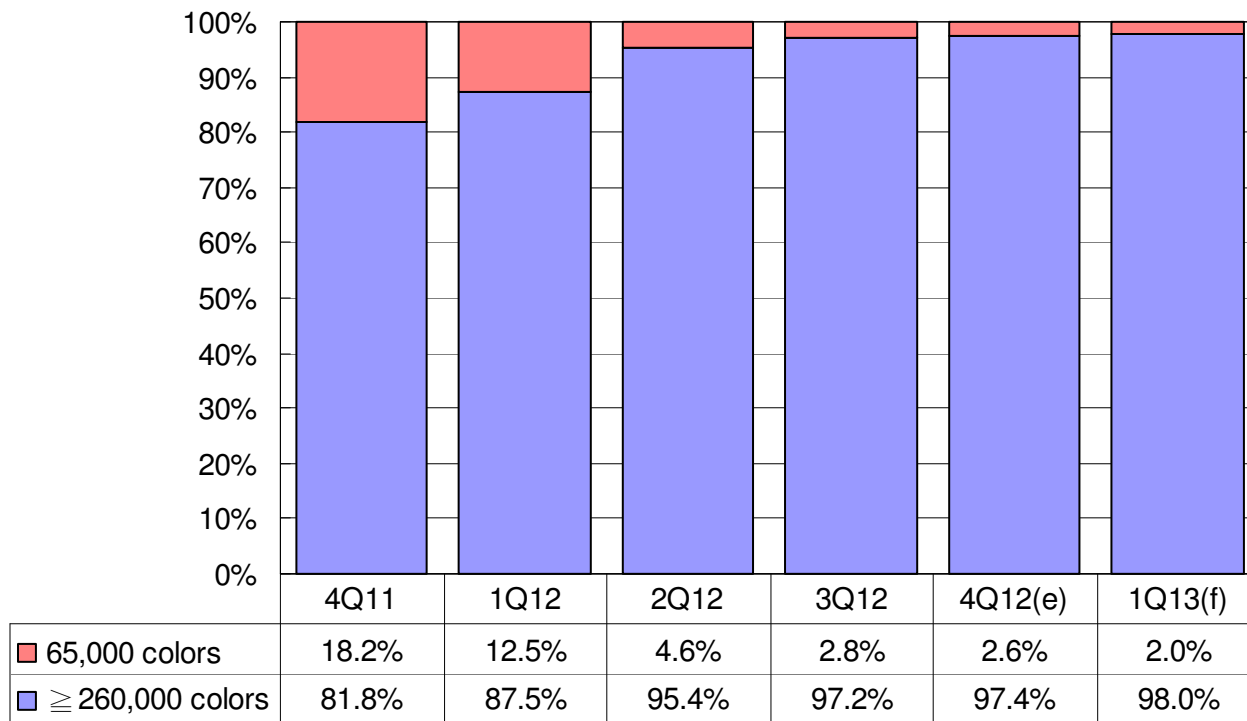
- ✓ Within Taiwan-based manufacturers' shipments, only a handful of feature phones were not fitted with screens with at least 260,000 colors by the fourth quarter, with the 260,000 colors plus specification accounting for more than 99% of Taiwan handset shipments.
- ✓ The proportion of candy bar/slider form factor smartphones and feature phones shipped by Taiwan-based manufacturers that use screens with less than 260,000 colors will continue to drop in the first quarter of 2013, with 260,000-color or better screens accounting for more than 99% of shipments.

# Clamshell shipments by main display colors, 4Q11-1Q13 (k units)





# Clamshell shipment share by main display colors, 4Q11-1Q13

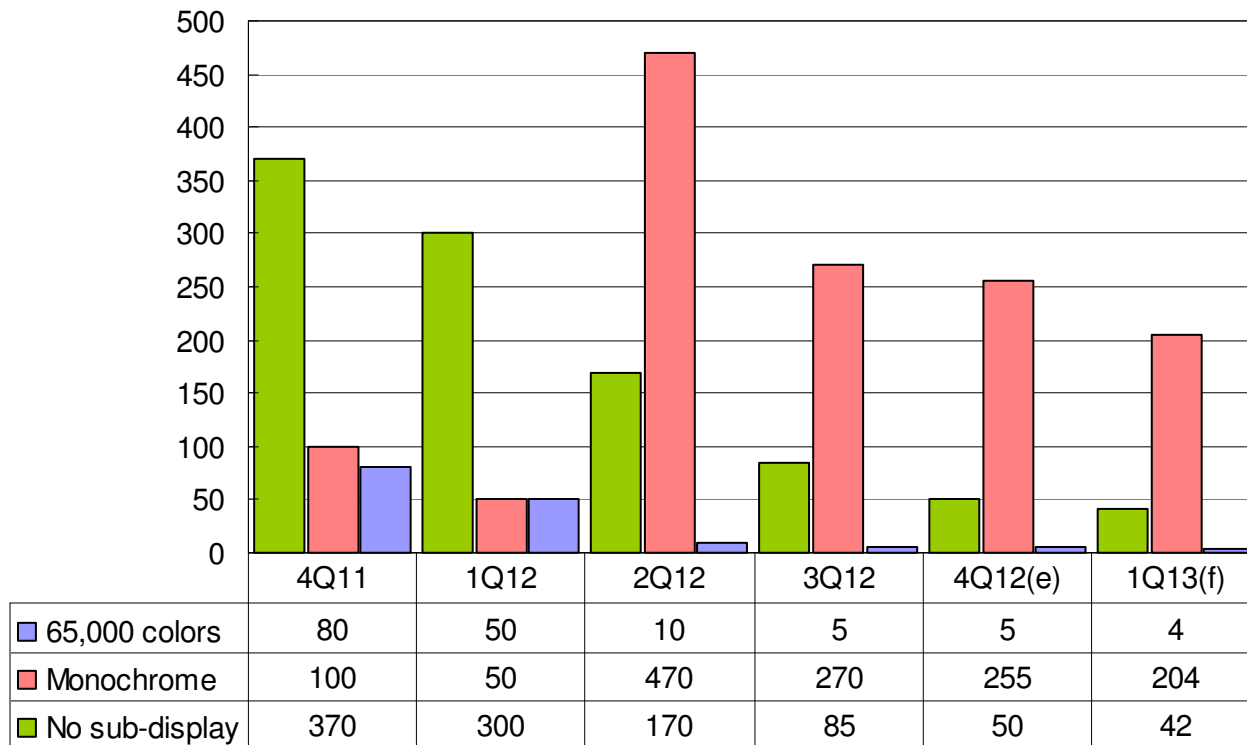


# Clamshell main displays

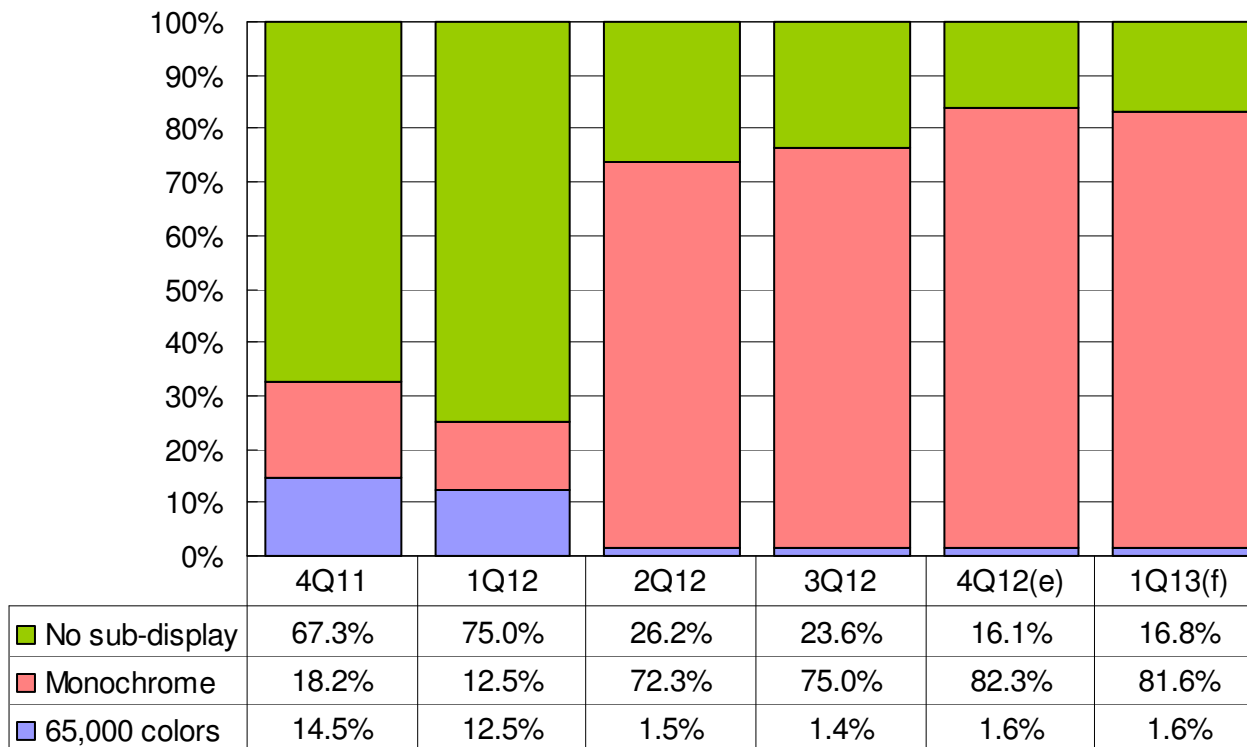
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- ✓ More than 97% of flip phones from Taiwan-based OEMs and brand vendors used 260k color or higher main screens in the fourth quarter.
- ✓ The proportion of Taiwan-based OEM or own-brand clamshell models shipped in the first quarter of 2013 with main screens featuring 260,000 colors or more will increase to 98%.

# Clamshell shipments by sub-display colors, 4Q11-1Q13 (k units)



# Clamshell shipment share by sub-display colors, 4Q11-1Q13

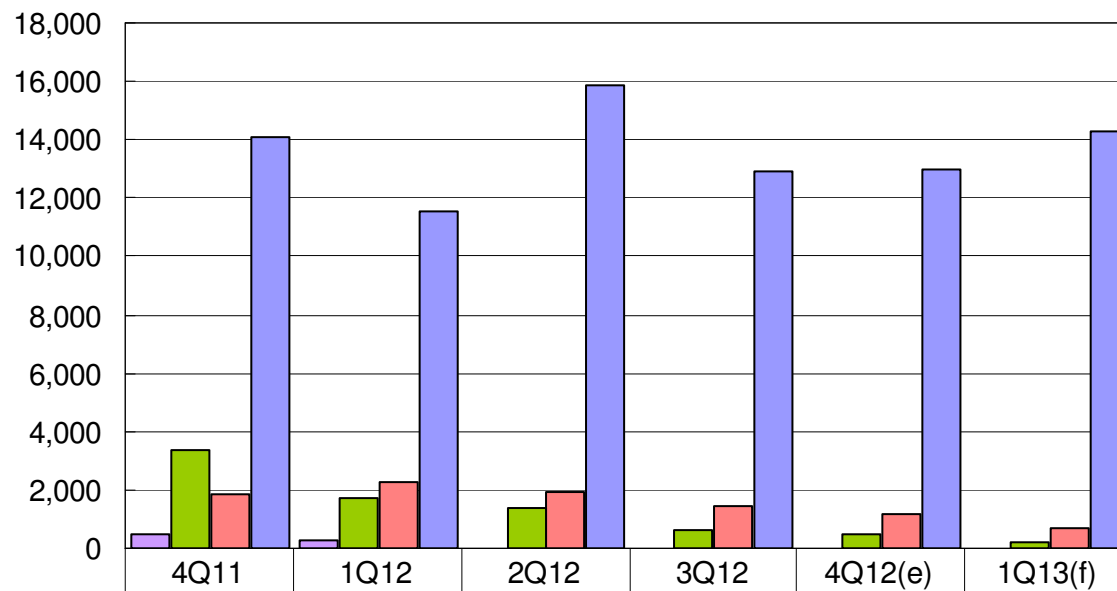


# Clamshell sub-displays

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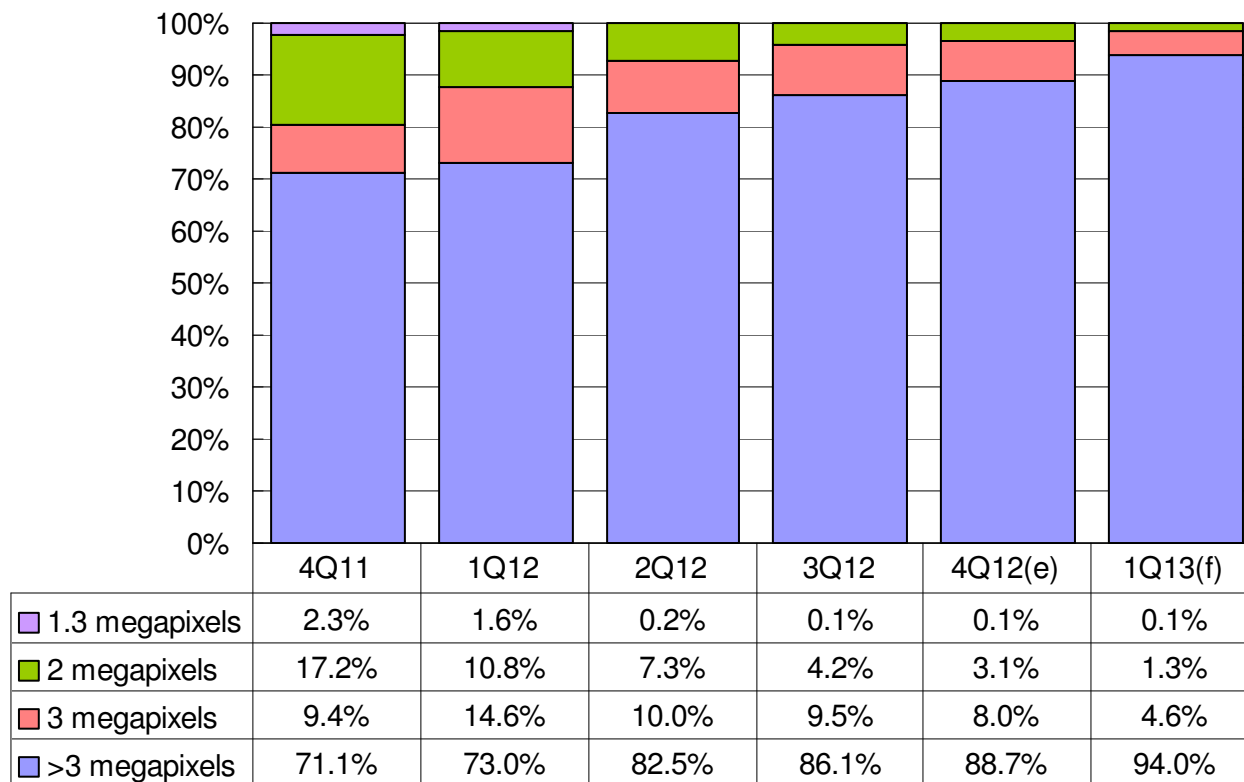
- ✓ As brand vendors slashed orders for feature phones, OEMs' shipments of flip phones with monochrome second screens fell markedly, reducing the proportion of overall shipments with this specification during the fourth quarter of 2012.
- ✓ The proportion of clamshell handset shipments from Taiwan-based OEMs with monochrome second screens will continue to drop in first-quarter 2013.

# Handset shipments by camera pixels, 4Q11-1Q13 (k units)



	4Q11	1Q12	2Q12	3Q12	4Q12(e)	1Q13(f)
>3 megapixels	14,070	11,510	15,840	12,930	12,990	14,320
3 megapixels	1,870	2,300	1,920	1,430	1,170	700
2 megapixels	3,400	1,700	1,400	630	460	200
1.3 megapixels	450	250	30	20	20	10

# Handset shipment share by camera pixels, 4Q11-1Q13



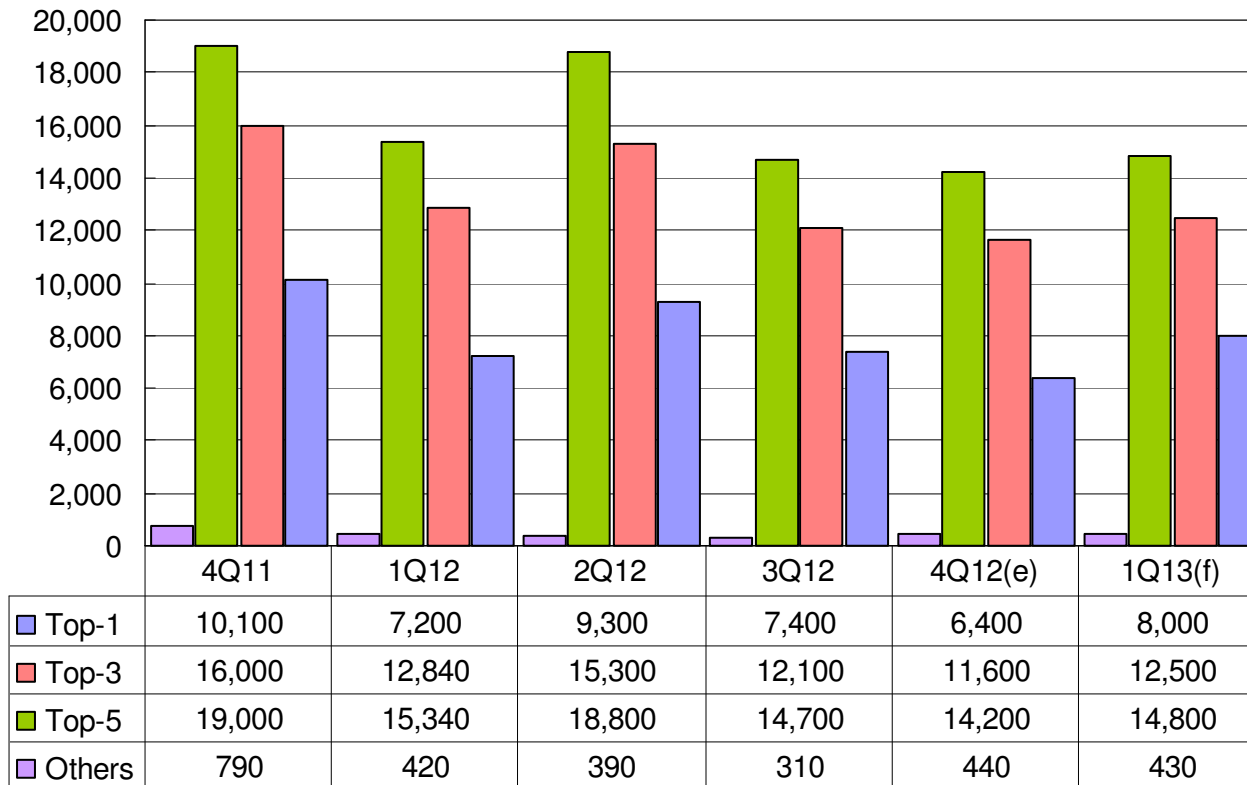
# Built-in cameras

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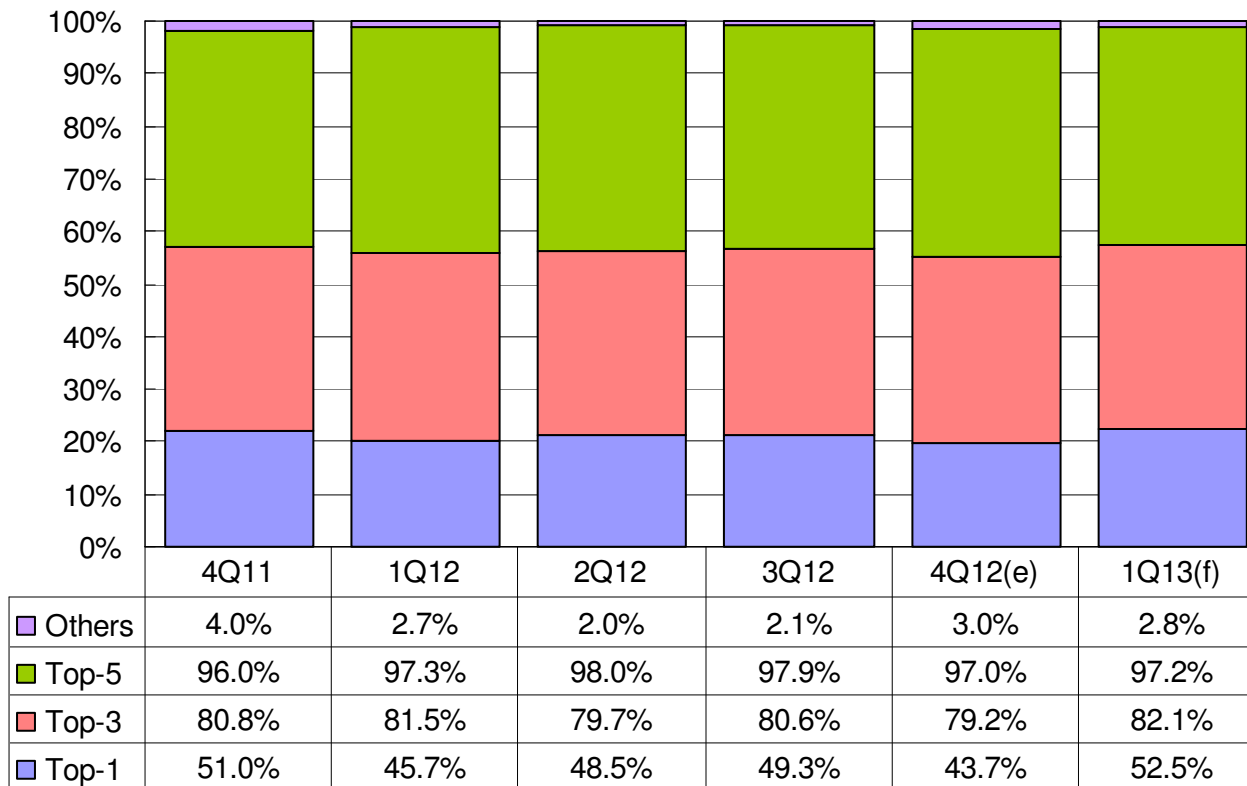
- ✓ Models with cameras of 3-megapixel (MP) or greater resolution accounted for nearly 90% of shipments in 4Q12. Both brand and OEM orders were overwhelmingly for models with 5MP or higher resolution cameras during the fourth quarter of 2012, and the proportion of Taiwan handset shipments with 3MP or higher resolution cameras continued to climb.
- ✓ Shipments of OEM handsets with 2MP and 1.3MP models continued to decline, with the percentage of 3MP models declining into single figures, 2MP models barely reaching 3%, and 1.3MP models declining to insignificant levels.
- ✓ The vast majority of both smartphones and feature phones from Taiwan-based manufacturers will have cameras with a resolution of 5MP or larger by 1Q13, pushing the proportion of their shipments with camera resolutions of 3MP or higher up to nearly 95%.



# Handset shipments by maker tier, 4Q11-1Q13 (k units)



# Shipment share by maker tier, 4Q11-1Q13



# Top-5 handset makers, 4Q11-1Q13 (k units)

Rank	4Q11	1Q12	2Q12	3Q12	4Q12(e)	1Q13(f)
1	HTC (10,100)	HTC (7,200)	HTC (9,300)	HTC (7,400)	HTC (6,400)	HTC (8,000)
2	Arima (4,100)	Arima (3,500)	Arima (3,300)	CMCS (3,500)	CMCS (2,700)	CMCS (2,500)
3	CMCS (1,800)	Compal Comm (2,150)	CMCS (2,800)	Arima (2,200)	Compal Comm (2,500)	Compal Comm (2,000)
4	Compal Comm (1,500)	CMCS (1,500)	Compal Comm (2,700)	Compal Comm (1,800)	Arima (2,000)	Arima (1,800)
5	Inventec Appliances (1,500)	Inventec Appliances (1,000)	Inventec Appliances (1,200)	Inventec Appliances (800)	Inventec Appliances (600)	Inventec Appliances (500)

# Makers (1)

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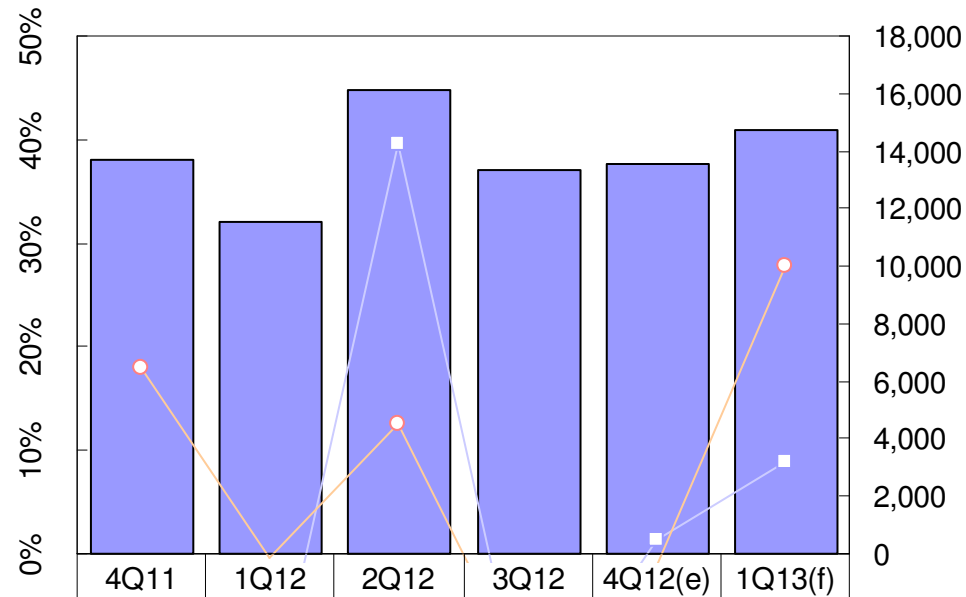
- ✓ Despite the launch of new models for the US and Japanese markets and sales partnerships with major local carriers in China, the launch of the iPhone 5 depressed shipments in many markets, while HTC's own new major models were not shipped in volume until late November, causing a marked drop in shipments for the fourth quarter as a whole.
- ✓ Sony Mobile Communications continued to ship significant quantities of two midrange to low-end smartphone models, helping to secure manufacturer CMCS's position as the second ranked Taiwan-based handset maker during the fourth quarter of 2012.
- ✓ Compal Comm's shipments rose greatly in the fourth quarter and it climbed to third place in the Taiwan handset maker rankings on the back of the launch of the low-priced Nokia Lumia 510 and increased orders for the Lumia 610, originally launched in the preceding quarter.
- ✓ Arima's average price per shipment unit rose greatly during the fourth quarter as its client NEC launched two LTE smartphones. As a result, Arima's revenues rose sharply. However, the rise in smartphone shipments was insufficient to offset the drop in feature phone orders, and the firms' overall handset shipments dropped as a result.
- ✓ Inventec Appliance's shipments continued to fall during the fourth quarter, as sales of its own branded handsets continued to fall, while key client Xiaomi switched orders for several Android models to Foxconn.

## Makers (2)

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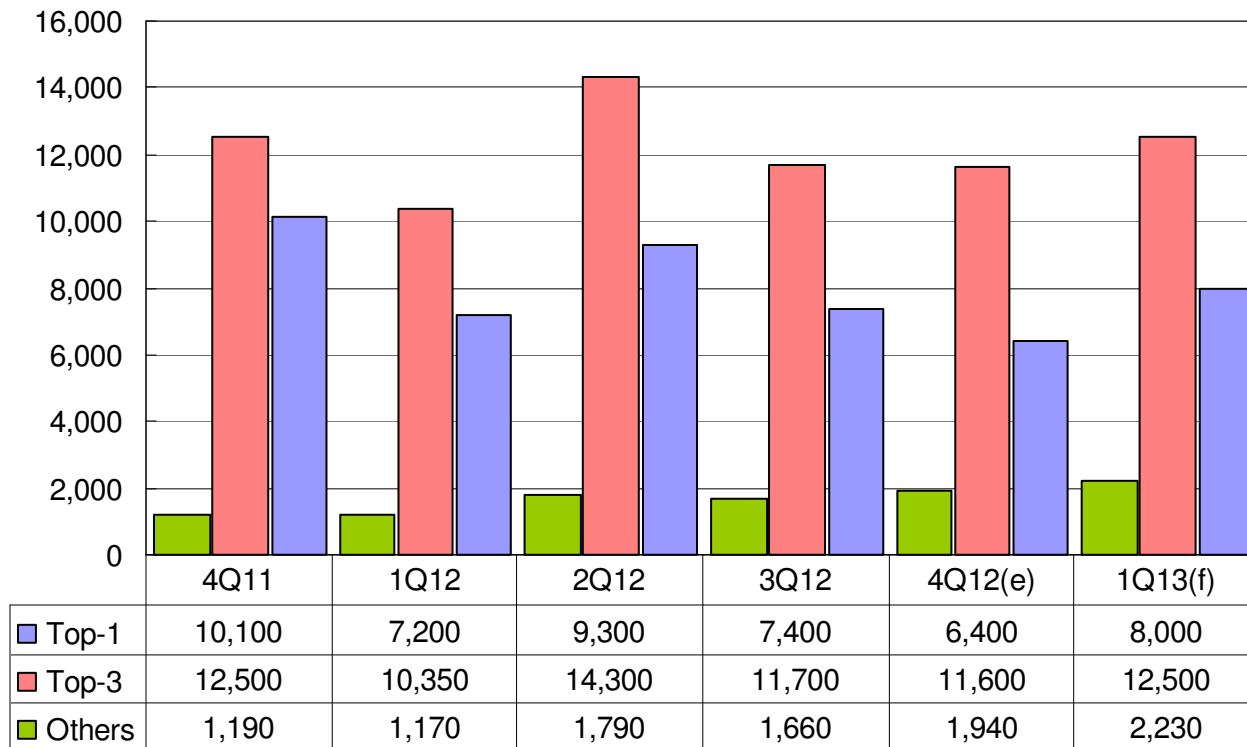
- ✓ The number one Taiwan-based handset maker HTC has benefitted from strong sales of several new models launched in 2012 in the US and Japanese markets, with shipments of these models likely to continue to rise in the first quarter of 2013, resulting in a marked rise in the company's overall shipments over the preceding quarter.
- ✓ While CMCS will benefit from a marked rise in shipments of the second-generation Xiaomi smartphone over the previous quarter, many models from major client Sony Mobile Communications have passed their shipment peak; as a result, CMCS' overall shipments will fall in the first quarter of 2013, but not enough to threaten the firm's position as second-ranked Taiwan-based handset manufacturer.
- ✓ Compal Comm will see a marked contraction in its shipments during first-quarter 2013, as its major clients, including Nokia and China-based clients such as Lenovo see falling shipments of existing models, but will not launch new models until late in the first quarter or even early in the second quarter; Compal Comm will nevertheless remain the third-ranked Taiwan handset maker.
- ✓ The two NEC smartphone models made by Arima and launched in the fourth quarter of 2012 have already passed their shipment peak, while orders for new models from Sony Mobile will not be placed in significant numbers until late in the first quarter of 2013; Arima's shipments will therefore drop from the levels seen in the previous quarter, but the firm will retain its fourth-placed ranking.

# Smartphone shipments, 4Q11-1Q13 (k units)

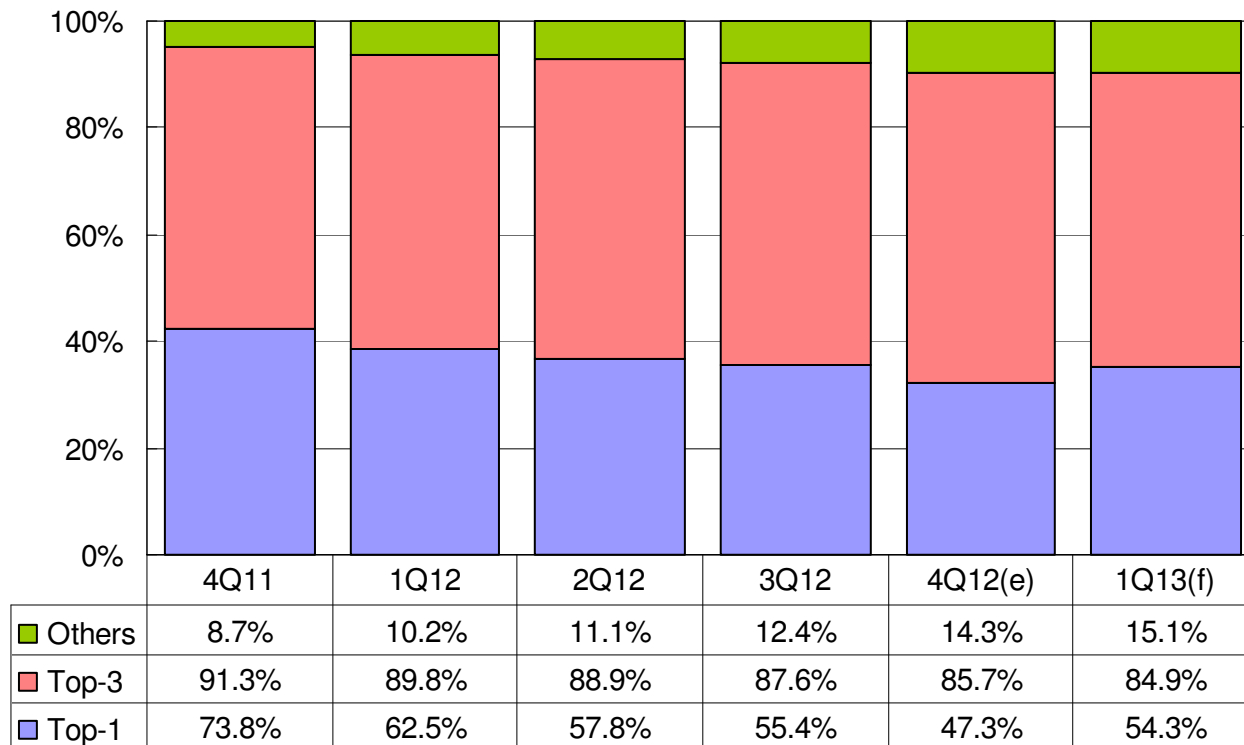


Shipment	13,690	11,520	16,090	13,360	13,540	14,730
Q/Q	-	-10.4%	-15.9%	39.7%	-17.0%	1.3%
Y/Y	18.0%	-0.4%	12.6%	-12.5%	-1.1%	27.9%
Share of all handsets	69.2%	73.1%	83.8%	89.0%	92.5%	96.7%

# Smartphone shipment share by maker tier, 4Q11-1Q13 (k units)



# Smartphone shipment share by maker tier, 4Q11-1Q13



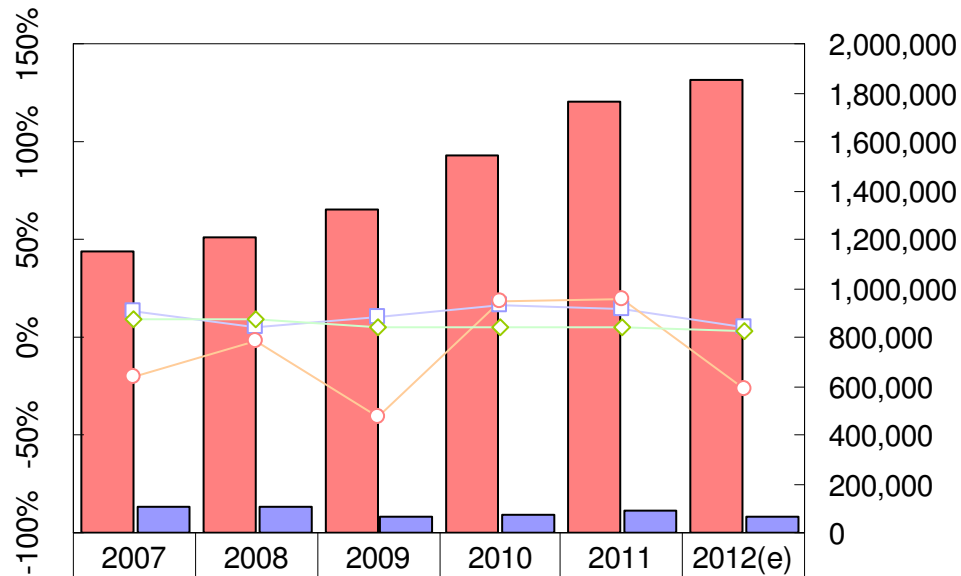


# Smartphones

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- ✓ As Motorola Mobility decided to launch no further feature phones and slashed orders in the second half of 2012, Taiwan-based ODMs' feature phone shipments dropped sharply, with the result that smartphones rose to a new high of more than 90% of Taiwan handset shipments.
- ✓ OEM firms' major clients launched a number of new smartphones in the third and fourth quarters, causing Compal Comm's, Arima's, CMCS's smartphone shipments to rise during the fourth quarter, while HTC's own smartphone shipments fell, causing HTC's share of Taiwan smartphone shipments to drop further to below 50%.
- ✓ Feature shipments for OEM companies will continue to drop in the first quarter of 2013, driving smartphones' share of Taiwan handset shipments up to a record high of more than 95%.
- ✓ The drop in smartphone shipments for Taiwan OEMs and the rise in HTC's shipments mean that HTC will once again account for more than 50% of smartphone shipments for Taiwan-based manufacturers.

# Taiwan's handset shipments and global market share, 2007-2012 (k units)



Taiwan shipments	107,708	105,502	62,438	74,105	88,390	64,600
Worldwide shipments	1,147,70	1,206,00	1,324,19	1,542,20	1,764,40	1,850,00
Worldwide growth Y/Y	13.3%	5.1%	9.8%	16.5%	14.4%	4.9%
Taiwan growth Y/Y	-20.5%	-2.0%	-40.8%	18.7%	19.3%	-26.9%
Taiwan market share	9.4%	8.7%	4.7%	4.8%	5.0%	3.5%