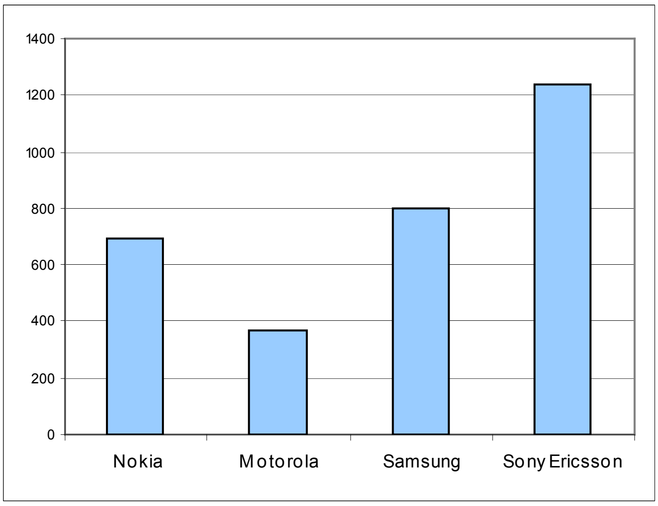
PMN Handset Industry Dashboard Q1 2007

PMN ranking score YoY Q1 performance

The PMN ranking evaluates the relative year-on-year (YoY) quarterly performance of the major handset manufacturers. It is calculated using a scoring system that awards points based on the 4 companies' relative performance in key areas such as YoY change in margin, profit, ASP, market share, unit shipments and sales. The scoring system is weighted to reward growth in profit, margin and ASP over sales and unit shipments, so a company which slashes prices to achieve sales growth would be ranked lower than one which achieved more modest sales growth, but cut costs to improve its margins.



Summary

Sony Ericsson significantly outperformed its larger rivals once again, buoyed by strong sales of its Walkman and Cybershot ranges. The company's focus on design, ease-of-use and premium branding helped Sony Ericsson to more than double profits and improve margins by 59% year-on-year. While all 4 manufacturers recorded a year on year (YoY) decline in average selling price (ASP), Sony Ericsson's drop of 10% was significantly better than the average decline of 16%. Its ASP remains significantly higher than the other manufacturers.

ASP across the four majors fell 16% YoY and 4% sequentially from Q4 06 to Q1 07. Nokia and Motorola stabilised their ASP sequentially at about $120.

Samsung posted a significant rise in both YoY and sequential profits (up 71% QoQ and 30% sequentially) and margins (up 73% YoY and 34% sequentially). This was despite recording the largest YoY fall in ASP and the second largest sequential decline. The numbers suggest management is making major structural changes to reduce the cost base.

Only Samsung managed sequential growth in unit shipments, mainly because it suffered a poor Q4 and its considerable exposure to its domestic market of South Korea, where there is less seasonal uplift in the Q4 period.

Across the four majors, profits fell by an average of 23% YoY, while margins declined 26%. This suggests 2007 will be characterised by intensifying competition, with companies seeking to differentiate through new product launches. The wider value web may also feel the effects of further cost reduction efforts in handset manufacturer supply chains.

Nokia continued to expand its dominance of industry economics – in Q1 07 it accounted for $0.45 of every dollar spent on mobile handsets.

All four manufacturers face a macro-challenge of operating in two distinct market environments: an emerging sector characterised by rapid growth in first-time subscribers, typically buying low-cost devices; and intense competition in mature markets to retain or acquire existing mobile subscribers during the upgrade cycle. To-date, Nokia and Motorola have made the biggest push into emerging markets, hoping to win customer loyalty early on, enabling them to build profits when subscribers in these regions eventually start upgrading to more expensive devices. If mobile devices become the internet access terminals of choice in emerging markets, this could be seen as a smart long-term strategic move by the larger manufacturers, but it will likely come at the expense of margins and ASP for the next several financial periods. Sony Ericsson has concentred on the mid- and high-end of the market for some time, but recently announced a deal with French manufacturer Sagem to produce a range of lower cost devices, signalling it could be seeking to further expand its unit shipments and build market share.

About this service

The PMN Handset Industry Dashboard was developed for PMN's internal use as part of its ongoing analysis of the mobile industry. We're making it available to the industry for the first time in Q1 2007 as a free sample.

If you are interested in receiving future editions as part of our premium subscription service, please contact Marek Pawlowski at marekpawlowski@pmn.co.uk or on +44 (0)7767 622957.

Established in 1995, PMN provides research, conferences and consultancy for the mobile industry. Our focus is the user experience.

Visit www.pmn.co.uk for more information on PMN.

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Financial results

		Q1 07	Q4 06	Q1 06
Nokia				
	Market share (%)	36.0	37.1	35.0
	Unit shipments (millions)	91.1	106	75.1
	ASP ($)	120	120	139
	Sales ($ 000s)	11017	12848	10548
	Profit ($ 000s)	1322	2051	1342
	Margin (%)	12.0	16.0	12.7
Motorola				
	Market share (%)	17.9	23.0	21.5
	Unit shipments (millions)	45.4	65.7	46.1
	ASP ($)	118	118	138
	Sales ($ 000s)	5400	7800	6210
	Profit ($ 000s)	-231	663	701
	Margin (%)	-4.3	8.5	11.3
Samsung				
	Market share (%)	13.8	11.5	12.5
	Unit shipments (millions)	35.0	32.8	26.8
	ASP ($)	122	131	164
	Sales ($ 000s)	4280	4310	4390
	Profit ($ 000s)	600	350	460
	Margin (%)	14.0	8.1	10.5
Sony Ericsson				
	Market share (%)	8.6	9.1	6.2
	Unit shipments (millions)	21.8	26	13.3
	ASP ($)	181	197	201
	Sales ($ 000s)	3955	5106	2689
	Profit ($ 000s)	343	603	147
	Margin (%)	8.7	11.8	5.5

Financial results cont/d…

"Big 4" totals

Market share (%)	76.4	80.6	75.2
Unit shipments (millions)	193.3	230.5	161.3
ASP ($)	135	142	161
Sales ($ 000s)	24652	30064	23837
Profit ($ 000s)	2034	3667	2650
Margin (%)	8.3	12.2	11.1

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Trends

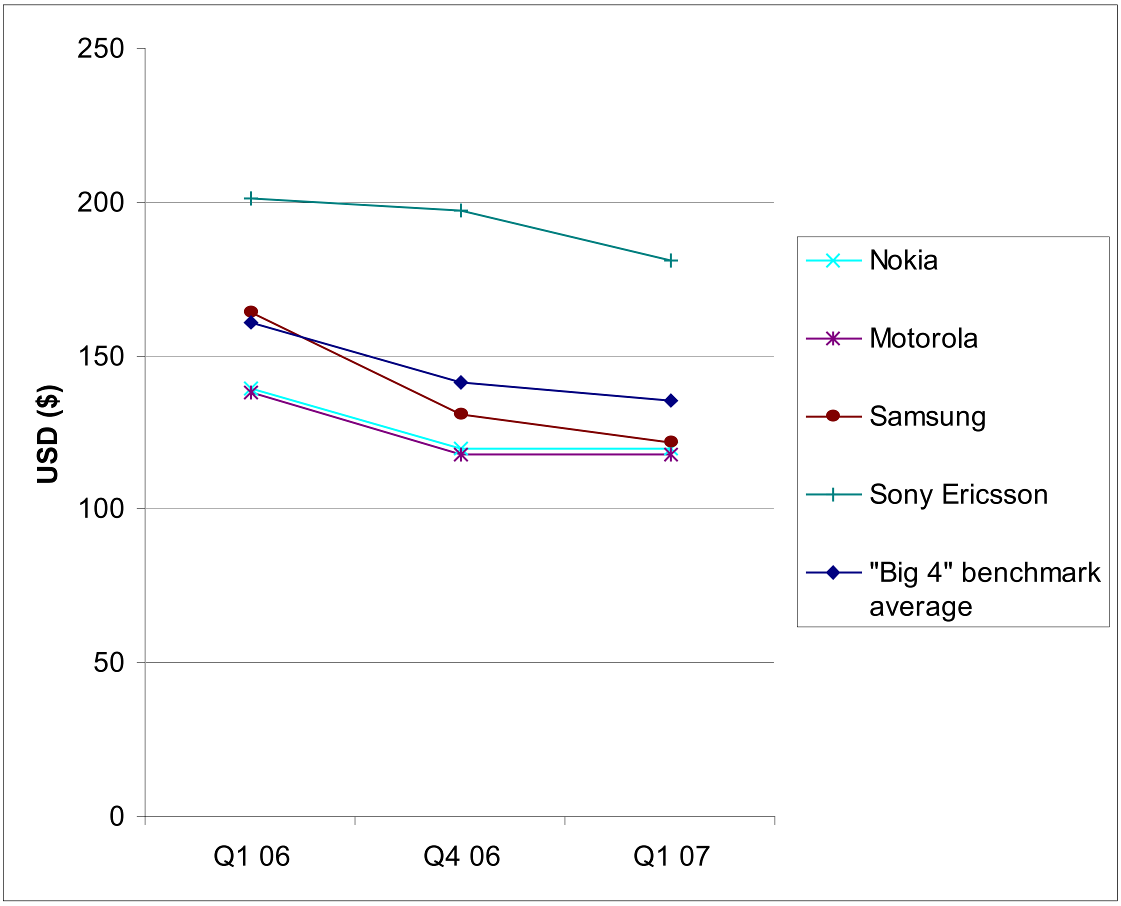
		Q on Q sequential trend (%)	Y on Y Q1 trend (%)
Nokia			
	Market share (%)	-3	3
	Unit shipments (millions)	-14	21
	ASP ($)	0	-14
	Sales ($ 000s)	-14	4
	Profit ($ 000s)	-36	-1
	Margin (%)	-25	-6
Motorola			
	Market share (%)	-22	-17
	Unit shipments (millions)	-31	-2
	ASP ($)	0	-14
	Sales ($ 000s)	-31	-13
	Profit ($ 000s)	-135	-133
	Margin (%)	-150	-138
Samsung			
	Market share (%)	21	11
	Unit shipments (millions)	7	31
	ASP ($)	-7	-26
	Sales ($ 000s)	-1	-3
	Profit ($ 000s)	71	30
	Margin (%)	73	34
Sony Ericsson			
	Market share (%)	-5	39
	Unit shipments (millions)	-16	64
	ASP ($)	-8	-10
	Sales ($ 000s)	-23	47
	Profit ($ 000s)	-43	133
	Margin (%)	-27	59

Trends cont/d…

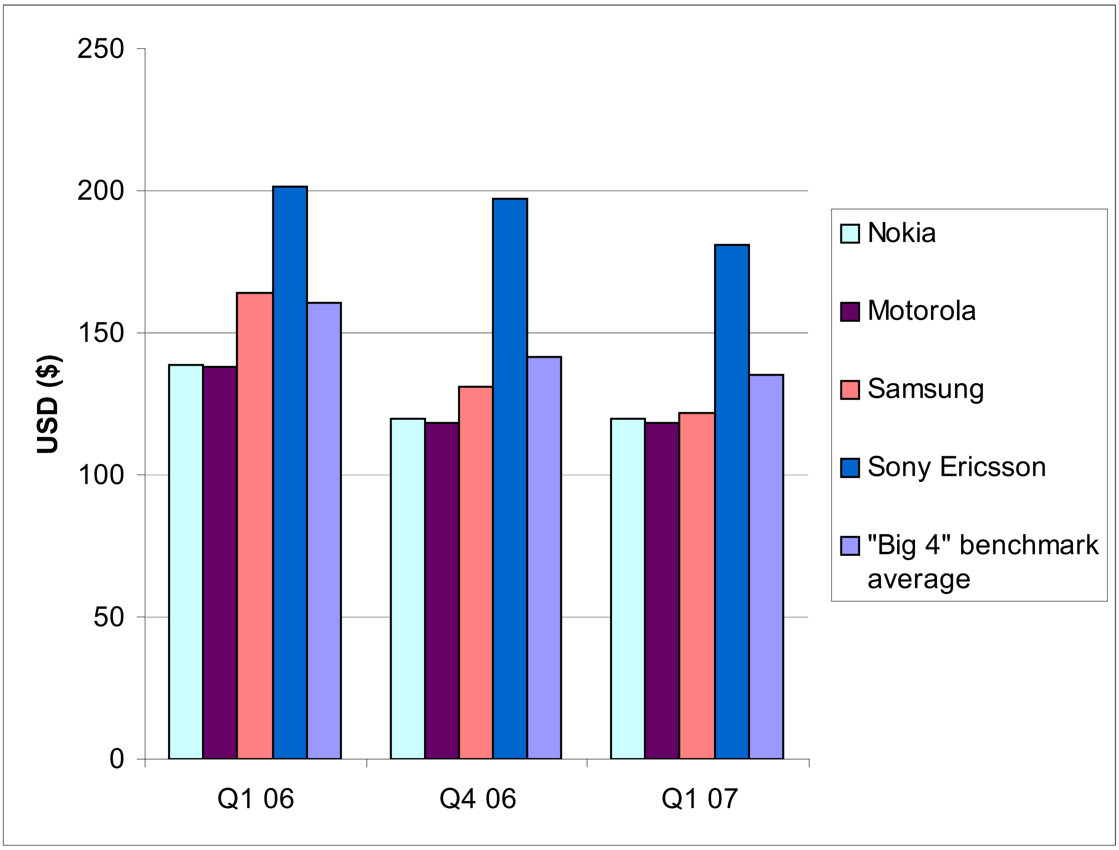
"Big 4" totals

Market share (%)	-5	2
Unit shipments (millions)	-16	20
ASP ($)	-4	-16
Sales ($ 000s)	-18	3
Profit ($ 000s)	-45	-23
Margin (%)	-32	-26

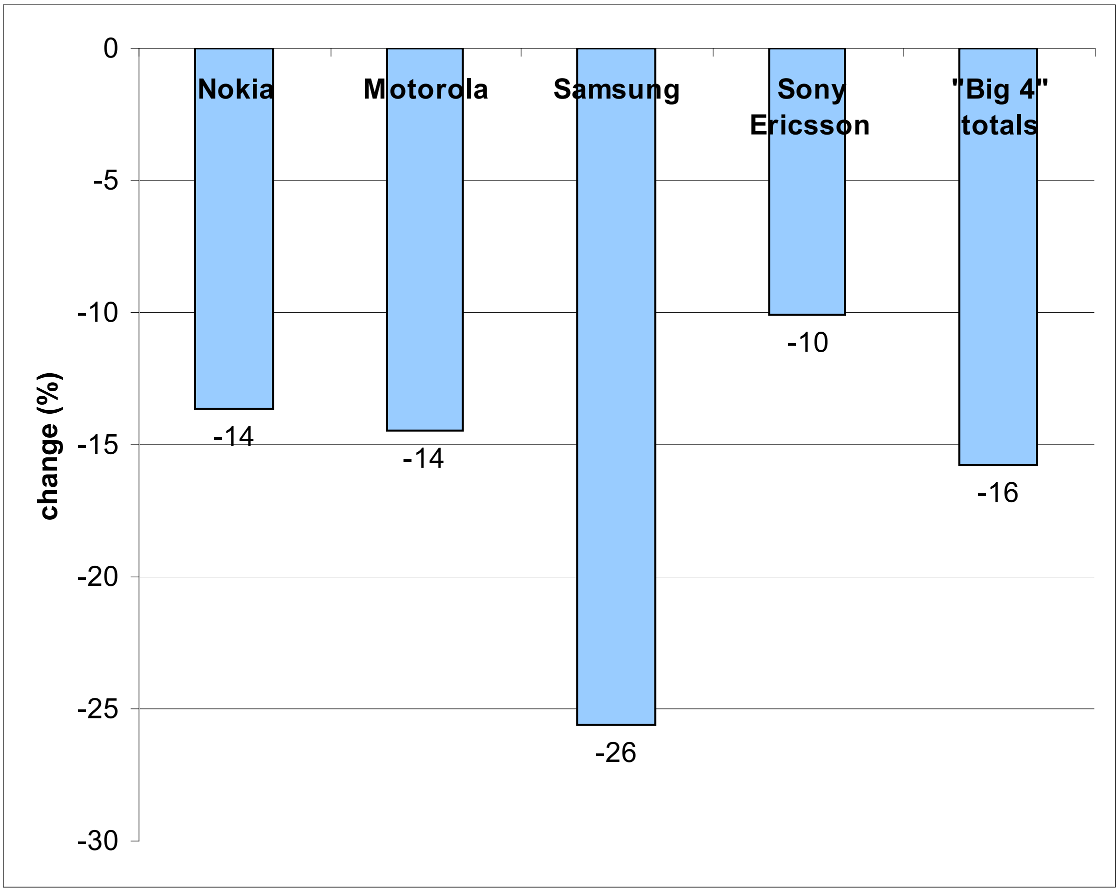
Average selling price (ASP) trend



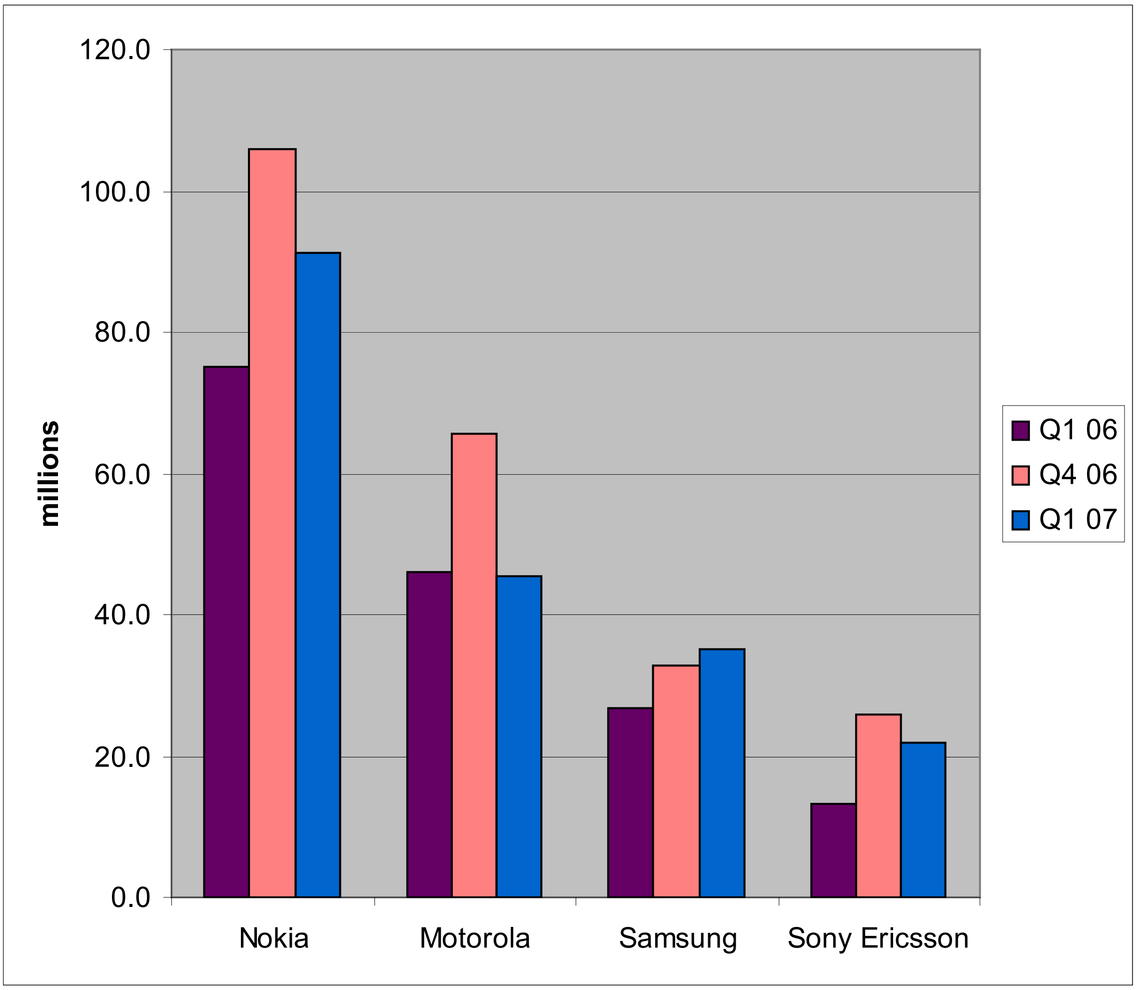
Average selling price (ASP) comparison



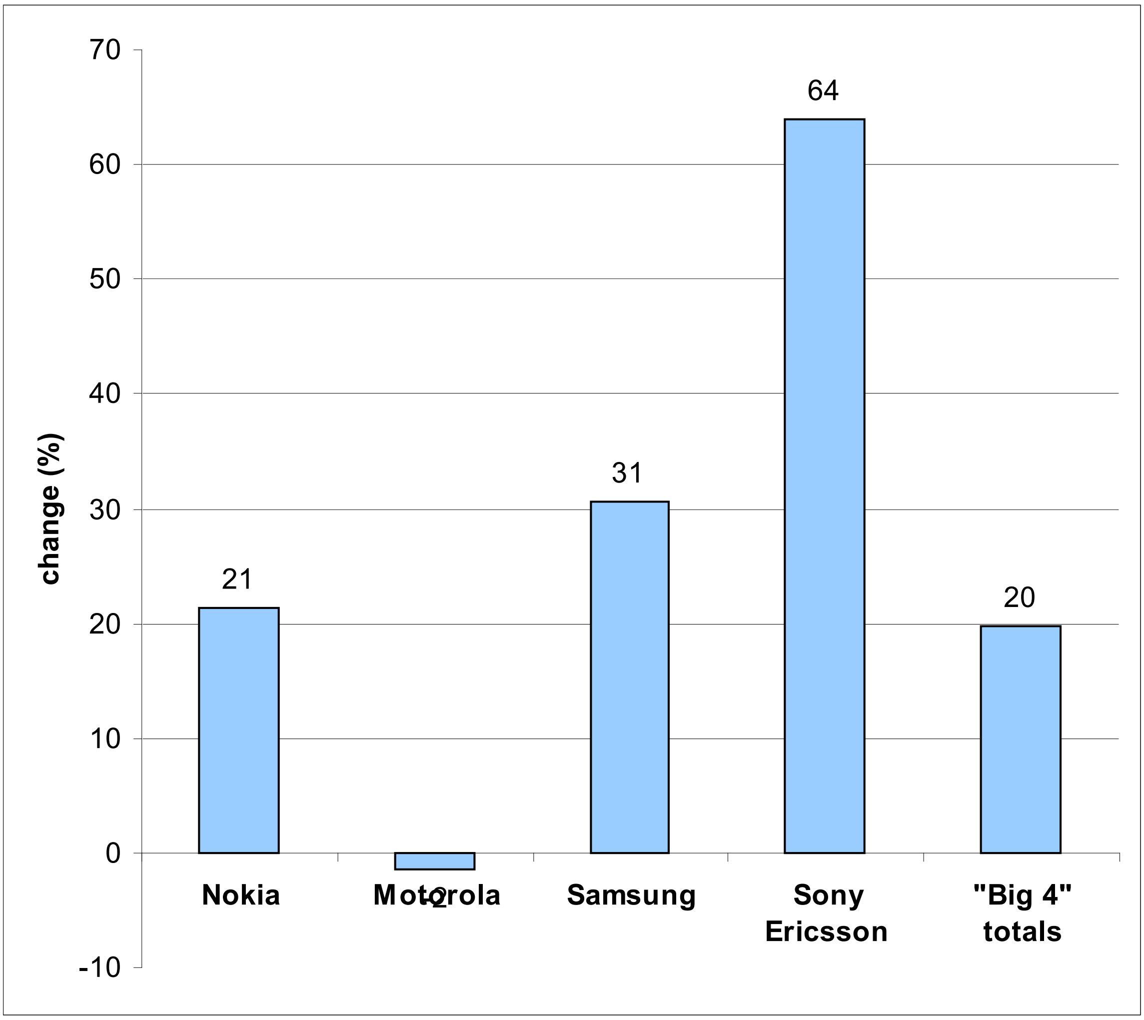
Average selling price (ASP) Y on Y Q1 change



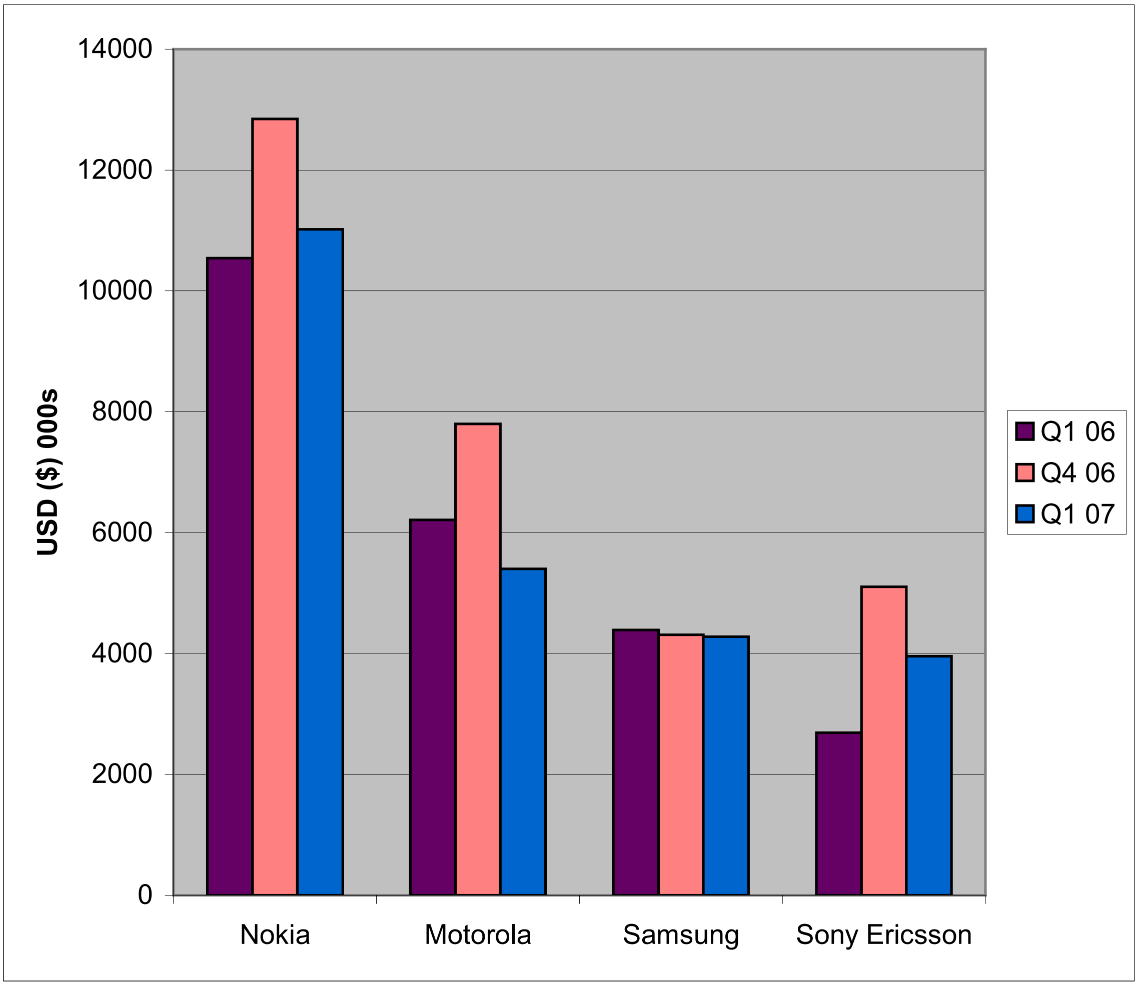
Unit shipments



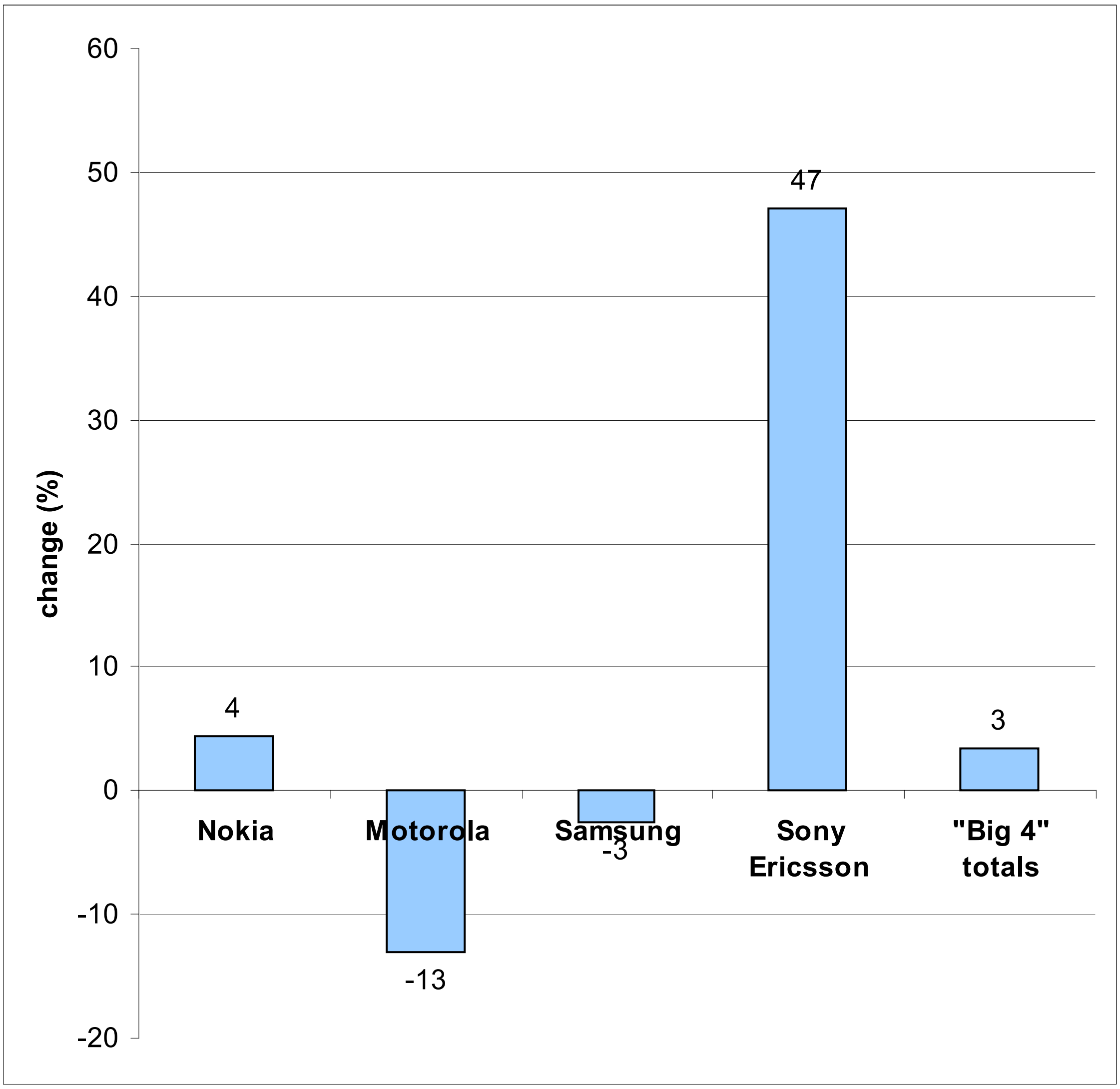
Unit shipments Y on Y Q1 change



Revenues


14000
12000
10000
8000
6000
4000
2000
0
USD ($) 000s
Nokia
Motorola
Samsung
Sony Ericsson
Q1 06
Q4 06
Q1 07

Revenues Y on Y Q1 change



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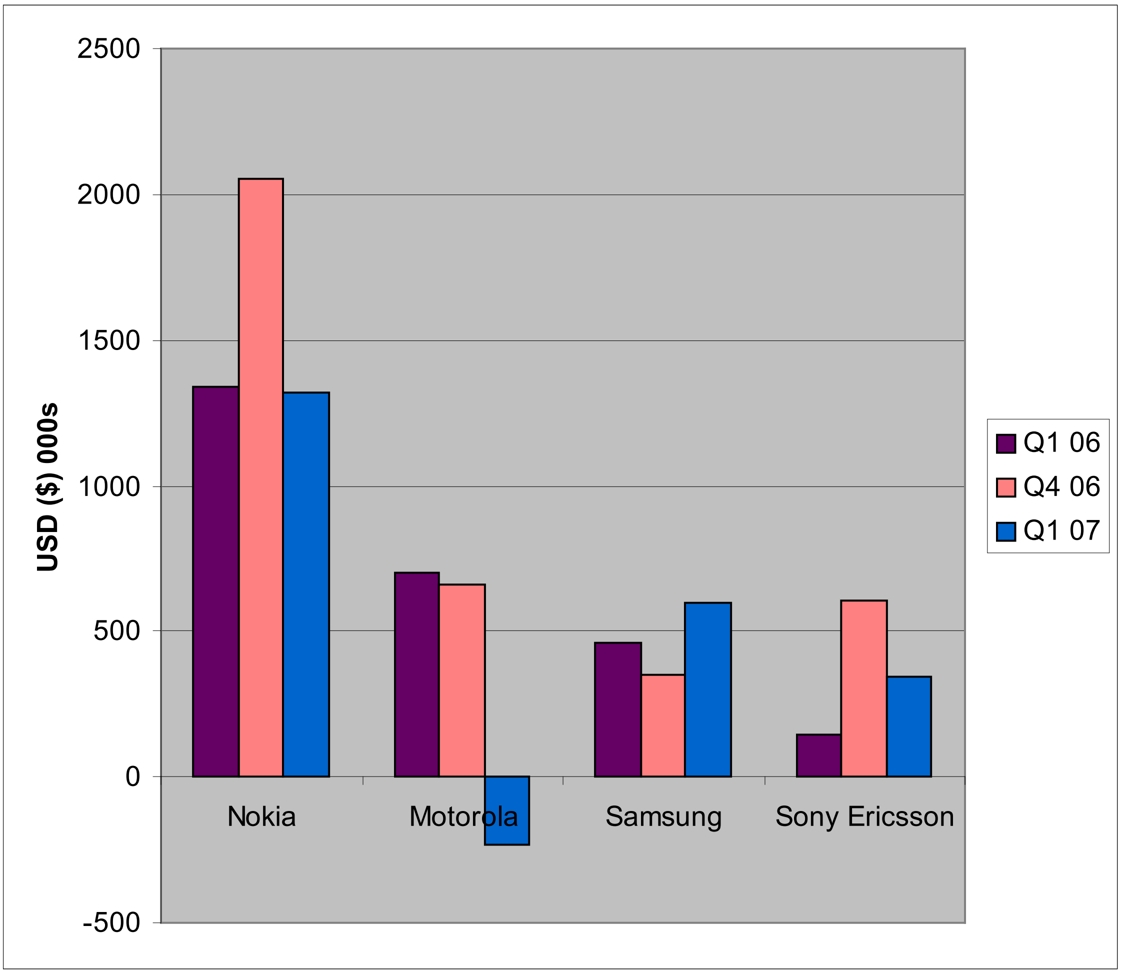
Profits



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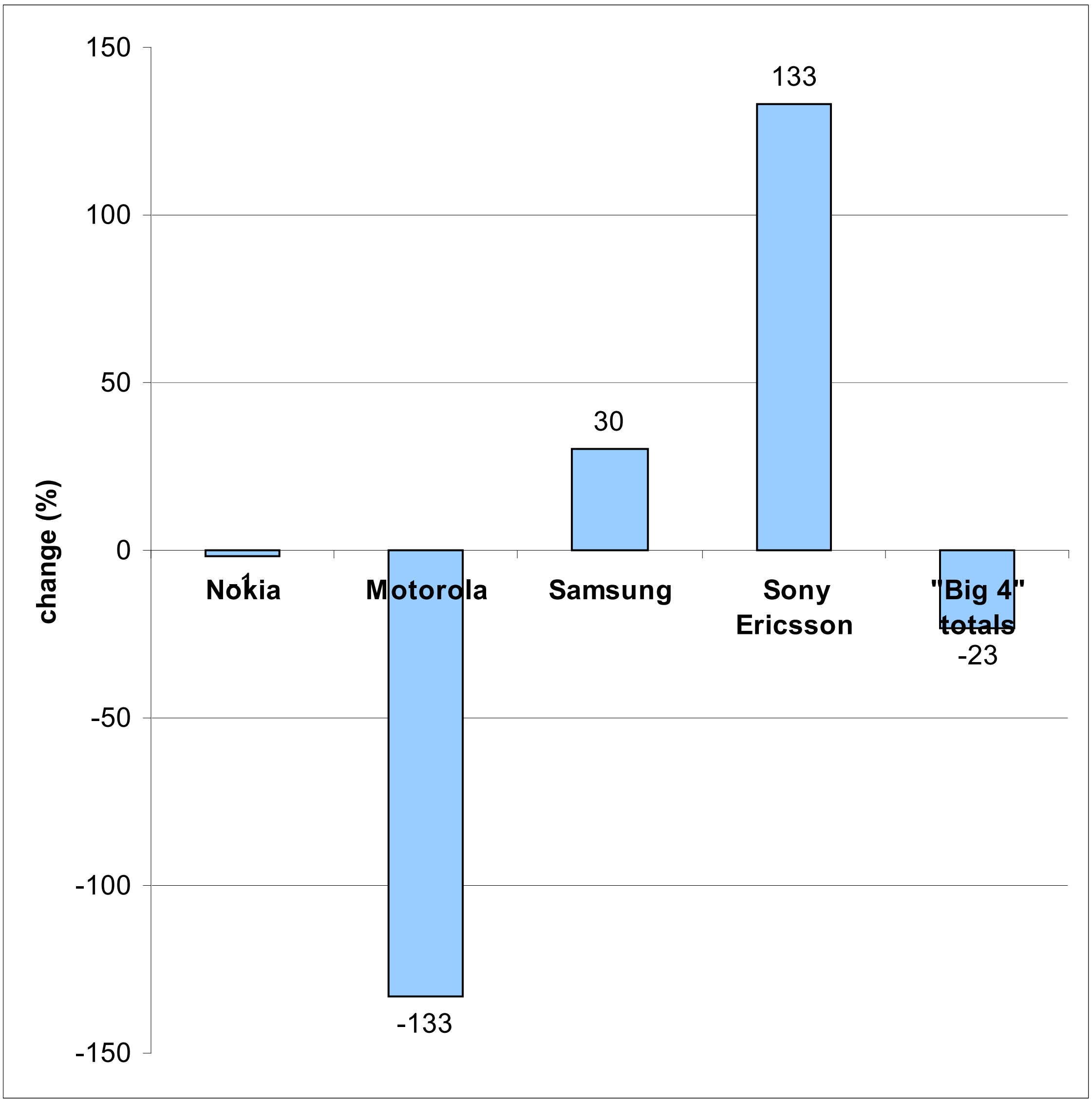
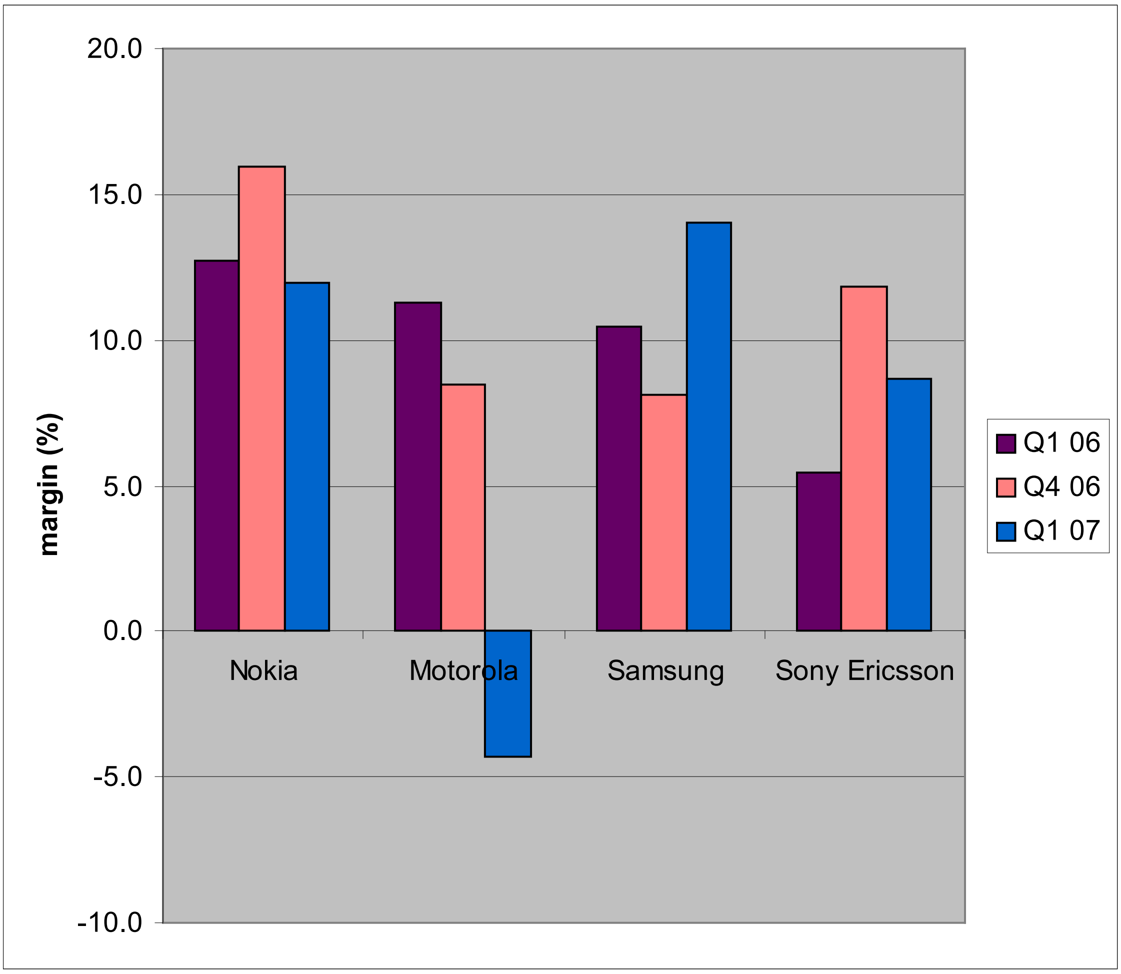
Profits Y on Y Q1 change



PMN publications

Margins


20.0
15.0
10.0
5.0
0.0
-5.0
-10.0
margin (%)
Nokia
Motorola
Samsung
Sony Ericsson
Q1 06
Q4 06
Q1 07

Margins Y on Y Q1 change