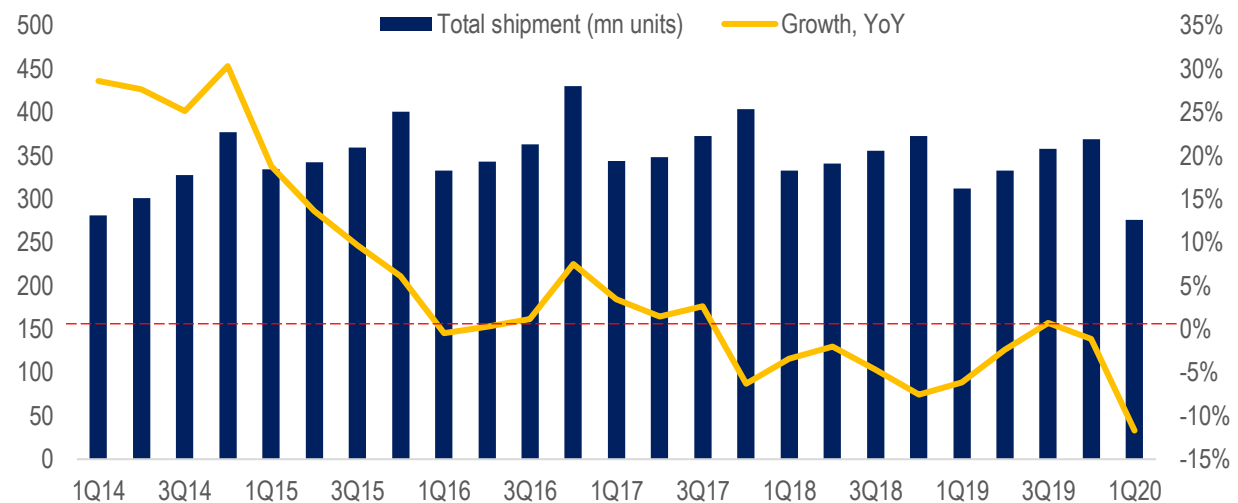




Global smartphone shipment dropped in Q1, but not worse than expected

Figure 1: Global smartphone shipment and growth, YoY



Source: IDC, AMTD Research

AMTD views: according to IDC data, global smartphone shipments were 275.8mn units in Q1 of 2020, down 11.7% YoY, but better than the previously expected of down 14.5% YoY. Since the outbreak started first in China, China experienced the largest regional decline of 20.3% YoY in the first quarter of 2020, while the United States and Western Europe fell 16.1% and 18.3% YoY, respectively. As China was first in and first out amid this pandemic, demand in the Chinese market has been gradually recovering since March. However, given that the pandemic has not been under fully control globally, the pace of economy recovery is still uncertain, which could hinder smartphone shipment growth, in our view. On the other hand, global smartphone manufacturers experienced different shipment growth trajectory in Q1 of 2020: Xiaomi and Vivo achieved a growth, Apple was flat, while Samsung, Huawei saw a decline.

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Xiaomi and Vivo achieved shipment growth in Q1

Xiaomi: according to IDC, Xiaomi smartphone shipment was 29.5mn units in 1Q20, up 6.1% YoY, primarily driven by: 1) strength of online sale channels, offsetting the virus's adverse impacts on offline stores' shutdown and contributing to sales momentum over the headwinds. 2) multi-brand strategies to extend consumers coverage, including Mi 10 series for premium segment, Redmi and spun-off POCO brand for low-/mid-end market in India. In particular, Redmi Note 8 series sales surpassed 30mn units globally within 7 months. 3) newly launched high-quality and budget-friendly products, POCO F2 Pro and Redmi products, before the lockdowns. As the Indian factories partially resumed production, we believe that POCO and Redmi will show great potentials in India and boost the global sales.

Vivo: according to IDC, Vivo returned to top five vendor this quarter by shipping 24.8mn, up 7.0% YoY, thanks to: 1) its abundant stockpiles in India in advance, as Vivo has bought the title sponsorship for the Indian Premier League (IPL) 2020 season and splurged on television advertising; 2) strong performance of expanding portfolio – its aggressive promotion of affordable Y and S series in the low-/mid-range market, along with a plethora of newly launched 5G phones, such as iQOO3, Z6, NEX3s, S6 and others fueled its rapid growth. Therefore, Vivo overtook Samsung as the second-largest smartphone manufacturer in India in 1Q20. However, given that the tournament had to be suspended and the lockdowns due to COVID-19, we project that Vivo is burdening pressure from existing high inventory.

Samsung and Huawei saw a shipment decline in Q1

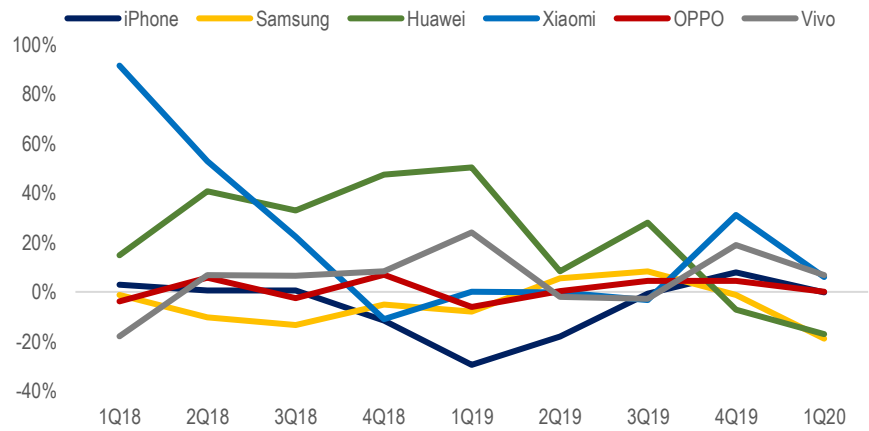
Samsung: according to IDC, Samsung regained its top position by shipping 58.3mn in 1Q20, despite an 18.9% YoY decline. The underperformance was mainly due to: 1) heavily reliance on offline stores and slow move into online channels - Samsung experienced a steep decline during the global lockdowns. 2) decline shipment of its premium 5G flagship, Galaxy S20, due to aggressive pricing strategies - comparing to the successful launch of S10 series in 1Q19, S20 is expected to suffer a 10-20% decline. 3) market loss competition in India – Samsung, facing a lot of heat from Xiaomi, Vivo, Oppo, has dropped to third place this quarter. On the other hand, the continued popularity of the A series helped gravitate its sales. Galaxy A51 ranked global top 2 best-selling Android smartphones in 1Q20, according to Canalys. Looking ahead, two premium products - Galaxy Note 20 and Fold 2 will come in 2H20, with Galaxy Note 20 series shipping 16GB of RAM as standard and Fold 2 rumored to use 108MP camera.

Huawei: according to IDC, Huawei smartphone shipment was 49.0mn units in 1Q20, down 17.1% YoY. Restricted from GMS under US ban, Huawei suffered a sharp decline mainly in oversea market. Moreover, the fierce pressure from iPhone 11 made it worse. However, as the virus dampened the demand, the company cut prices significantly in advance for Mate 30 and P30 series, Honor's V30 and 9X series, along with a diversified online-offline channels integration to promote rebound in sales. We expect Huawei is growing more dependent on the domestic market benefiting from its highly involvement in China "New Infrastructure" project.

Apple shipment was flat in Q1

Apple: according to IDC, iPhone smartphone shipment was 36.7mn units in 1Q20, down 0.4% YoY, lowest annual decline among the top 3 vendors, thanks to its sustainable growth of iPhone 11 series. Canalys data showed that iPhone 11 was the global top-selling model in 1Q20. However, facing stiff competition from other brand's successive products, Apple slid to third position. Looking forward, Apple's newly launched iPhone SE in April, targeting the lower-priced segment, is selling better than expected, and it is expected to shoulder a sizeable portion of total sales in a challenging market. Furthermore, iPhone 12, iPhone 12 Max, iPhone 12 Pro and iPhone 12 Pro Max will come in at 5.4", 6.1", 6.1" and 6.7" in 2H20, respectively, with a selective upgraded triple-camera system and support of 5G.

Figure 2: Shipment YoY growth of major smartphone manufacturers by quarter



Source: IDC, AMTD Research

Figure 3: Quarter smartphone shipments and growth by manufacturer

Company	Shipment (mn units)					Growth, YoY	
	1Q19	2Q19	3Q19	4Q19	1Q20	1Q19	1Q20
Apple	36.8	33.8	46.6	73.8	36.7	-29.5%	-0.4%
Samsung	71.9	75.5	78.2	69.4	58.3	-8.1%	-18.9%
Huawei	59.1	58.7	66.6	56.2	49.0	50.4%	-17.1%
Xiaomi	27.8	32.3	32.7	32.8	29.5	0.0%	6.1%
OPPO	23.1	29.5	31.2	30.6	n.a.	-6.1%	n.a.
Vivo	23.2	26.0	n.a.	n.a.	24.8	24.1%	7.0%
Total	312.3	333.2	358.3	368.8	275.8	-6.1%	-11.7%

Source: IDC, AMTD Research

News update

6 May 2020

SaaS/eCommerce

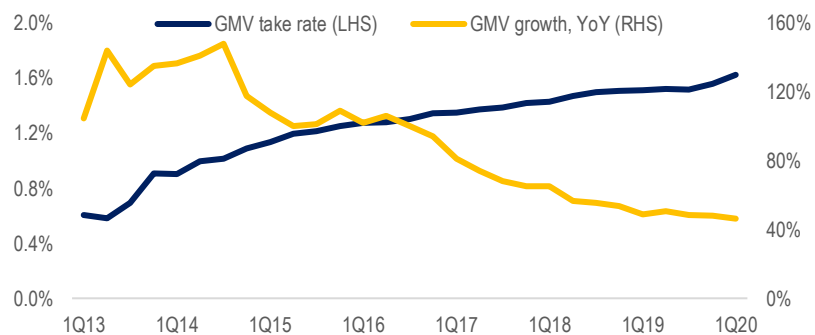
Shopify

Beat on revenue, but exposed to both tailwinds and headwinds in NT

Shopify reported strong Q1 2020 results. Revenue grew by 47% YoY to US\$470mn, ahead of its guidance of US\$440mn to US\$446mn. Merchant solutions maintained robust momentum with revenue of US\$282mn (up 57% YoY). The strength mainly came from growing GMV, which reached US\$17.4bn (up 46% YoY), and higher take rate of 1.62% (vs. 1.56% last quarter and 1.51% in Q1 2019). US\$7.3bn of GMV was processed on Shopify Payments in Q1 and Payments penetration of GMV was 42% vs 41% in Q1 2019. Subscription solutions revenue was US\$188mn, up 33.6% vs. 37.1% YoY last quarter, and MRR's growth deaccelerated to 25.3% YoY from 31.7% YoY last quarter. Shopify Plus continued to increase its contribution to MRR, accounting for US\$15.3mn or 28% compared with 26% of MRR in Q1 2019. Adjusted operating loss was US\$7.3mn, mainly due to acquisition expenses and significantly more brand spend. No guidance provided due to the uncertainty from COVID-19. (Source: [Shopify](#))

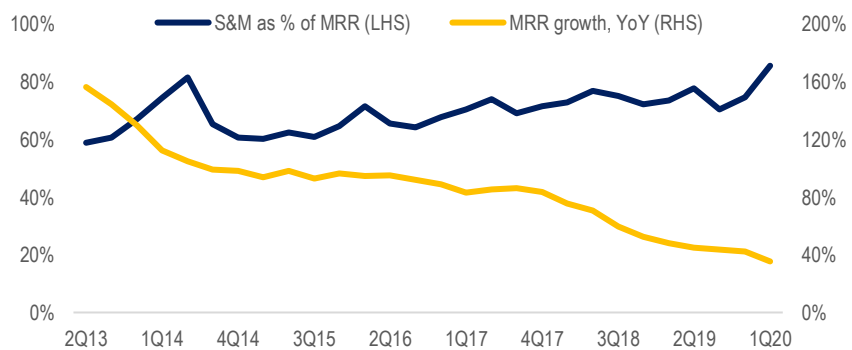
AMTD views: with respect to tailwinds, there has been an accelerated shift from offline to online, in particular, in the pandemic. Softening GMV in impacted verticals (e.g. apparel, accessories) was offset by strength in verticals, such as food/beverage/home office/fitness. It is forcing all kinds of merchants to rethink multi-channel commerce to manage costs in the pandemic. For the headwinds, Shopify had paused brand campaign, however, giving the weakening MRR growth, the company decided to extend the free trial period to 90 days, which will likely further pressure MRR growth in second quarter, but the company hoped to materialize the benefits in the third quarter.

Figure 4: GMV growth, YoY and GMV take rate



Source: Company data, AMTD Research

Figure 5: MRR growth, YoY and S&M as % of MRR



Source: Company data, AMTD Research

17 May 2020

5G

Microsoft

Microsoft acquired Metaswitch Networks to expand its Azure 5G strategy

Microsoft has signed an agreement to acquire Metaswitch Networks to strengthen its cloud-based telecoms offering. This announcement builds on the recent acquisition of Affirmed Networks, which closed on April 23, 2020. Metaswitch Networks is a U.K.-based provider of cloud-based communications products used by carriers and network providers. (Source: [Techcrunch](#))

15 May 2020

Semiconductor

Yageo

Yageo's long-term contract has attracted many customers even at higher price

After increasing at least 50% of the contract price for the current quarter, Yageo's long-term contract price is even higher than the recent contract price, which still attracts 40-50 customers to sign up. It is expected that more customers will follow up in the future, pushing the operating results of Yageo. As Chinese electronics manufacturers gradually resume operation, demands for distant applications increase and the global 5G infrastructure deployment pushes demand for component while plants in Philippines and Malaysia suspend production, Assembly plants have to chase the price to buy materials. (Source: [Yageo](#))

15 May 2020

VR

Apple

Apple acquired startup 'NextVR' that broadcast VR content

Apple confirmed the acquisition of NextVR, a startup that provides sports and other content to VR headsets. The acquisition may help Apple's development of VR and AR headsets with accompanying software and content. NextVR supplies content to several existing VR headsets, including Facebook Oculus and devices from Sony, HTC and Lenovo. (Source: [Bloomberg](#))

14 May 2020

Semiconductor

Vivo/MediaTek

Vivo launched flagship iQOO Z1 with the MediaTek Dimensity 1000 +

iQOO has introduced its new 'Z' smartphone lineup with the launch of iQOO Z1, at RMB2,198. iQOO Z1 5G is the first smartphone powered by the MediaTek Dimensity 1000+ SoC. The chipset is built on the 7nm process, coming with 5G UltraSave which effectively reduces the power usage of the modem. It also supports SA and NSA dual-mode 5G networking and is the only chip in the industry that supports 5G + 5G dual SIM/dual standby and is equipped with 5G dual-carrier aggregation technology. (Source: [Gizmochina](#))

13 May 2020

Semiconductor

TSMC

TSMC's 5nm chips prepared for mass production

TSMC had announced that its 5nm processing technology is ready for mass production in 2Q20. TSMC is also planning to build a \$12 billion chip factory in Arizona, US. The company will create up to 1,600 jobs and is aiming to start production of chips in 2024. (Source: [Techtimes](#))

8 May 2020

Smartphone

Xiaomi/Qualcomm

Redmi K30 5G Racing Edition was launched with Qualcomm Snapdragon 768G

Redmi has now officially unveiled the Redmi K30 5G Racing Edition in China, priced at RMB1,999. It is the world's first phone to feature Qualcomm's upgraded Snapdragon 768G chipset. The new chipset includes an integrated 5G modem, making the Redmi K30 Racing Edition compatible with dual mode SA/NSA 5G. Besides, the phone also supports dual SIM compatibility, Bluetooth, NFC, an IR blaster, and GPS/A-GPS. (Source: [Xiaomi](#))

8 May 2020

Cloud

Microsoft

Microsoft to invest US\$1.5 billion to build a datacentre in Italy

Microsoft announced that it would create its first datacentre region in Italy under a US\$1.5 bn investment plan. Microsoft's rival Amazon Web Services already opened a datacentre region in Milan, while in March Google sealed a partnership with former phone monopoly Telecom Italia to expand cloud business operations in Italy. (Source: [Microsoft](#))

7 May 2020

e-Commerce

Shopify/Pinterest

Pinterest partnered with Shopify to launch a new app

Pinterest has launched a new app with e-commerce platform Shopify to offer merchants in the home furnishings space and others a quick way to upload catalogs to the social media site in order to create shoppable product pins with just a few clicks. Once installed, the app allows merchants to display a tag on their site, then upload their product catalog and quickly publish in-stock product pins. (Source: [Pinterest](#))

7 May 2020

Semiconductor

Google/Samsung

Google had collaborated with Samsung to build its own 5 nm chip

Google in cooperation with Samsung, has designed the chip, code-named Whitechapel, which is manufactured on 5 nm technology. The chip has an 8-core ARM processor, as well as hardware optimized for Google's machine-learning technology in part dedicated to improving the performance and always-on capabilities of Google Assistant. This new chip will be used in Pixels and will also power Chromebooks. (Source: [Axios](#))

7 May 2020

IoT

Apple/Samsung

Global smartwatch shipments grew by 20% to 14 mn in 1Q20

According to Strategy Analytics, global smartwatch shipments grew 20% annually to reach 14 mn units in 1Q20. Apple Watch shipped 7.6mn units worldwide in 1Q20, rising an above-average 23% YoY, with a market share of 55%. Samsung shipped 1.9mn smartwatches worldwide in 1Q20 and its global smartwatch market share has dipped from 15% to 14%. Garmin returned to third position for the first time in two years and shipped 1.1mn smartwatches worldwide in 1Q20. Garmin has grown from 7% to 8% global smartwatch market share in the past year. (Source: [Strategyanalytics](#))

6 May 2020

Smartphone

Xiaomi

Redmi Note 8 series sales surpassed 30 mn units globally

Xiaomi India said Foxconn had already received approval from state government for the Sri City plant, where Xiaomi phones would be made, and would soon start production. It is expected that the production in India will return to normal capacity by next month. Besides, Redmi announced that Redmi Note 8 phone sales has surpassed 30 mn units globally. (Source: [Andriodcentral](#))

6 May 2020

Semiconductor

Qualcomm

Snapdragon 875 chipset to be manufactured on TSMC's 5nm process

Qualcomm is expected to announce its next flagship chipset Snapdragon 875 later this year. The upcoming Snapdragon 875 chipset, codenamed SM8350, will be manufactured on the newly developed TSMC's 5nm Fabrication Node, and will come packed with the new Snapdragon X60 5G modem RF-integrated system. It is most likely to get 3 G/ 4G/ 5G modem –Millimeter wave (mmWave) and sub-6 GHz bands support. (Source: [Gizmochina](#))

5 May 2020

Semiconductor

TSMC/Nvidia

TSMC obtained orders from NVIDIA for 7nm and 5nm Chips

TSMC has reportedly secured orders from NVIDIA for chips based on its 7 nm and 5 nm silicon fabrication nodes, according to DigiTimes. If true, it could confirm rumors of NVIDIA splitting its next-generation GPU manufacturing between TSMC and Samsung. (Source: [Digitimes](#))

5 May 2020

Cloud

Google/Splunk

Google Cloud and Splunk announced strategic partnership

Google Cloud and Splunk, the provider of the Data-to-Everything platform, announced a new strategic partnership to help organizations drive actionable insights from their data and enable better, faster decisions with real-time visibility across the enterprise. Splunk Cloud will soon be available on Google Cloud to help customers unlock the value of their data and provide increased flexibility for harnessing the power of the Splunk Data-to-Everything Platform. (Source: [GoogleCloud](#))

4 May 2020

Semiconductor

Nvidia

NVIDIA acquired network-software trailblazer 'Cumulus Networks'

On 4 May, Nvidia announced its plans to acquire Cumulus Networks, an open-source-centric company that specializes in helping enterprises optimize their data center networking stack. Cumulus offers both its own Linux distribution for network switches, as well as tools for managing network operations. With Cumulus Express, the company also offers a hardware solution in the form of its own data center switch. (Source: [Nvidia](#))

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