Financial Performance and Trends in the Telecom Industry

Applied Value

Q1 2022

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Applied Value Telecommunications Practice

Telecommunication has been a core practice area for Applied Value since our inception in 1997. Over the last 20+ years, we have supported a wide range of clients across the telecommunications value chain and across continents.

We generate client value and provide tangible results by applying an unbiased perspective, having a hands-on approach, and recognizing the importance of delivering value fast.

About this report

This report tracks the financial performance of major players in the telecommunications industry ranging from operators to infrastructure OEMs and mobile device makers.

We hope that you find this report insightful, and we welcome feedback or opportunities for further discussions.

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Applied Value’s telecom report tracks the financial performance of major players in the industry

Operators

Infrastructure OEMs

Device OEMs

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Executive summary

Key takeaways per segment

Operators

1. The operator segment Q1’22 revenue fell by 2% YoY, driven by 4% and 9% YoY decline in EU and APAC operators. Millicom outperformed its peers in Q1’22 with 41% YoY revenue growth driven by a robust subscriber growth as well as a B2B expansion.
2. Yearly average NOPAT and EBITDA declined by 0.1pp. and 0.2pp. respectively YoY. LATAM operators’ profitability improved the most during Q1’22 with 5% YoY rise in NOPAT margin and 3% for EBITDA margin.
3. ROIC for operators averaged at 7.7% in LTM, a 0.1pp. decline from 2021, Ooredoo lead the peer group with 1.1% YoY increase over LTM.

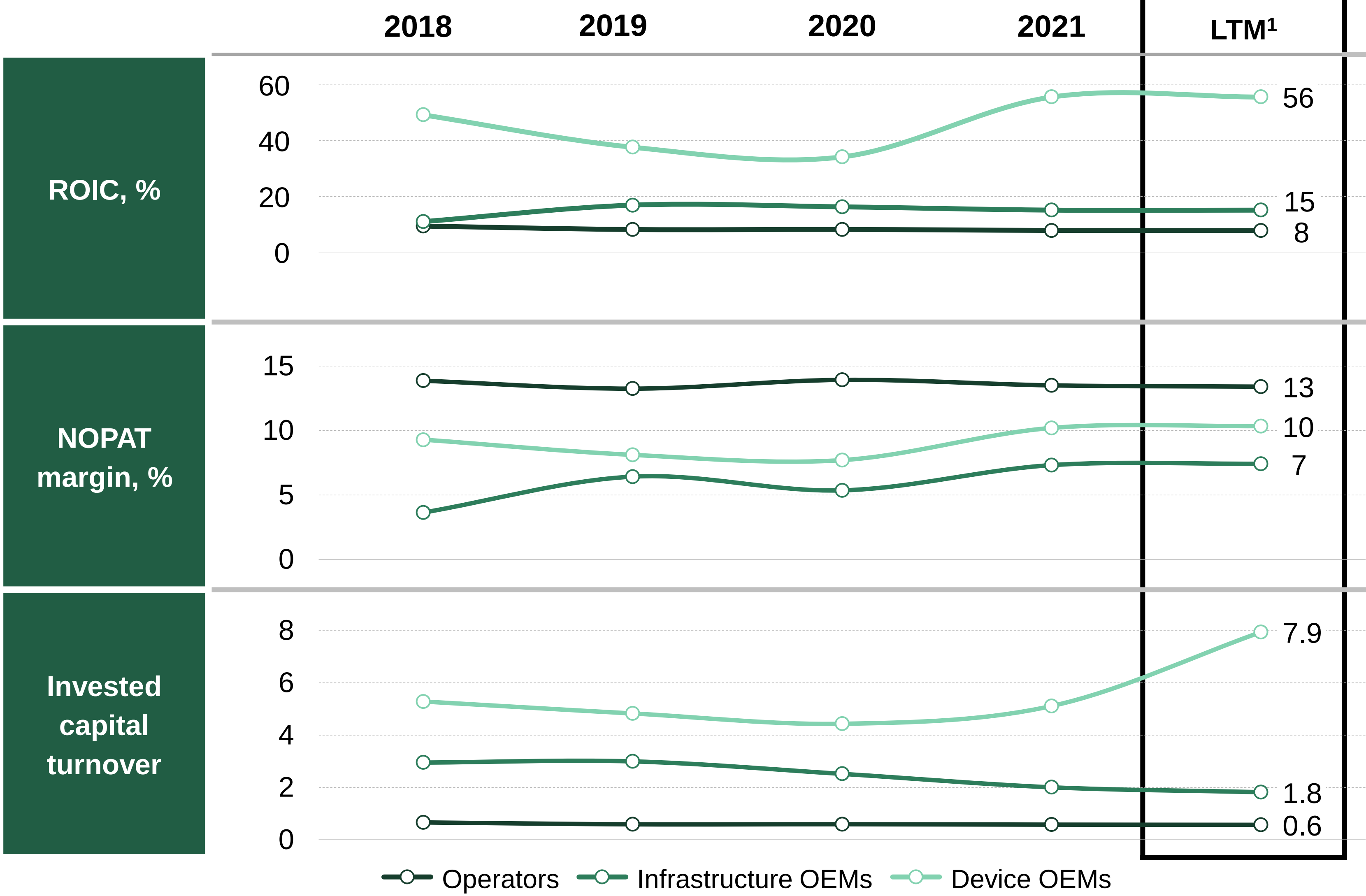
Infrastructure OEMs

1. Infrastructure OEM yearly revenue grew by 0.5pp. YoY on average driven by growth in capacity and 5G investments. ZTE’s lead the rise with 10% increase in revenues, followed by Ericsson with a revenue improvement of 3.5%.
2. Average NOPAT in LTM for selected infrastructure OEMs reached to 7.4%, Ericsson obtained the highest NOPAT margin of 11%, representing a 7.4pp. rise since 2018
3. CTR for Huawei dropped by 1.2 in LTM comparing with FY2021 which then led to a 13% decline in ROIC. Ericsson’s CTR fell by 0.4 while Nokia gained 0.1 over the same time period.

Device OEMs

1. Selected global device OEMs revenue increased YoY by 2% with Xiaomi and Apple being the primary drivers. Apple has had a steady growth in sales since 2019, whereas Samsung’s quarterly revenue increased by 10% YoY. Total sales for Xiaomi fell YoY but has more than doubled in LTM compared with 2018.
2. Both global smartphone and PC shipments suffered in Q1’22 by 6% and 4% YoY, respectively, while an 11% YoY improvement was seen in global wearable shipments volume as market momentum continues.
3. Over LTM, Apple, Lenovo and Xiaomi all achieved a ROIC that is greater than industry average WACC of 15%.

Financial overview (1/2): Yearly performance



Change 2018 – LTM	
ROIC, %	*Device OEMs* **-1.6pp.**
	Infra OEMs **2.9pp.**
	Operator **-3.2pp.**
NOPAT margin, %	*Operator* **-0.5pp.**
	Device OEMs **+3.8pp.**
	Infra OEMs **+1.1pp.**
Invested capital turnover	*Device OEMs* **-0.10**
	Infra OEMs **-1.20**
	Operator **+2.60**

Notes: 1. LTM refers to Q2'21 – Q1'22 for most companies included in the report. LTM analysis of Xiaomi and Apple based on the period of Q1'21 – Q4'21; ROIC (Return on Invested Capital), NOPAT (Net Operating Profit After Tax); Deviations due to different selection of operators and restated company financials. Telecom report data is based on fiscal years and calendar quarters.

Financial overview (2/2): Quarterly performance

	Segment	Q1'22	Q4'21	Q3'21	Q2'21
Sales Y-o-Y (% change)	**Operators**	-2.0%	2.7%	2.7%	9.4%
	Infrastructure OEMs	-5.2%	-11.1%	-20.6%	-20.2%
	Device OEMs	-8.6%	8.8%	10.0%	19.1%
NOPAT Y-o-Y (p.p. change)	**Operators**	0.1 pp.	0.2 pp.	0.6 pp.	0.2 pp.
	Infrastructure OEMs	-2.0 pp.	-1.5 pp.	1.7 pp.	1.5 pp.
	Device OEMs	-2.5 pp.	1.7 pp.	2.2 pp.	1.9 pp.
EBITDA Y-o-Y (p.p. change)	**Operators**	-1.6 pp.	-0.1 pp.	-0.3 pp.	-1.7 pp.
	Infrastructure OEMs	-3.8 pp.	-1.5 pp.	2.9 pp.	1.9 pp.
	Device OEMs	-3.3 pp.	2.2 pp.	3.5 pp.	2.4 pp.

Notes: Telecom report data is based on fiscal years and calendar quarters; NOPAT: Net Operating Profit After Tax

Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

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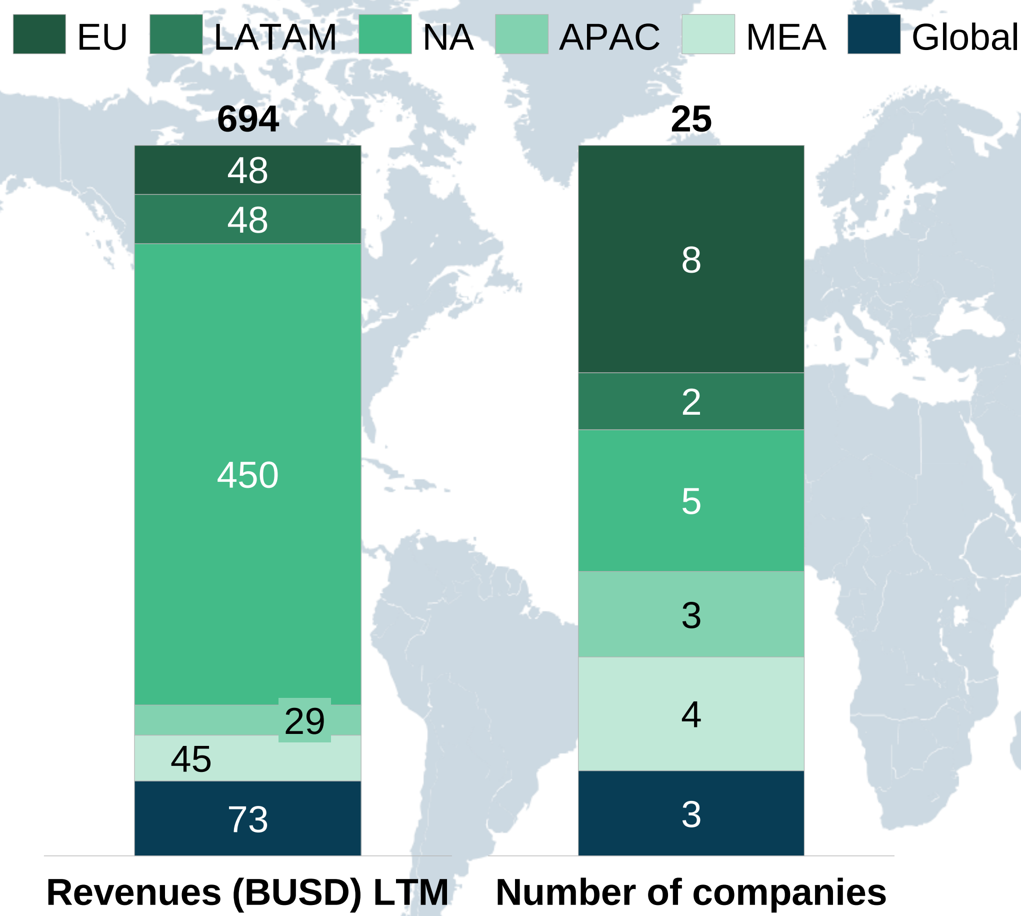
The Q1'22 report covers 25 of the largest operators globally, accounting for nearly $694B in revenues LTM

Report overview
Revenue in BUSD, and company breakdown by regions



Note: Global operator refers to those with transregional business establishments.
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Key takeaways from the operator segment

Key takeaways

Creating Shareholder Value

1. The ROIC for selected operators averaged at 7.7% during LTM – declined for the third consecutive year, driven by a slight decrease in both NOPAT margin and CTR.
2. Telkom Indonesia recorded the highest ROIC in the peer group at 17%, followed by STC (15%) and Elisa (13%). Ooredoo improved ROIC most significantly by 1.1pp. in LTM comparing to LTM-1 as a result of improved operating performance.

Revenue Performance

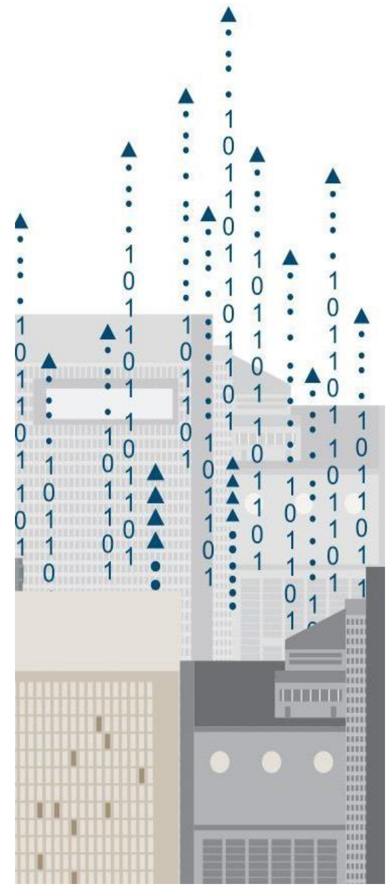
1. LATAM operators revenue improved the most in Q1’22 YoY by 8%, whereas EU operators suffered 4% loss in sales during the same period.
2. Millicom displayed the most significant revenue improvement of 41% YoY, owing to a robust subscriber growth, sustained growth in all countries and business units, and expansion in the B2B businesses.

Margin Performance

1. Averaged yearly EBITDA margins for selected operators stabilized at around 37%, while NOPAT margins flattened at around 14%.
2. Millicom achieved the highest profitability in Q1’22 with a YoY EBITDA margin and NOPAT margin growth of 5pp. and 9pp. Respectively; whereas both Ooredoo and Telus both experienced 6pp. YoY EBITDA decline.

Capital Expenditure

1. Quarterly CAPEX over sales for selected operators averaged at 14.8% in Q1’22 compared to 15% in Q1’21.
2. Altice, Proximus and Telecom Italia all increased their CAPEX/sales the most out of the peer group by 8pp. while SK Telecom reduced its spending by 12pp YoY.

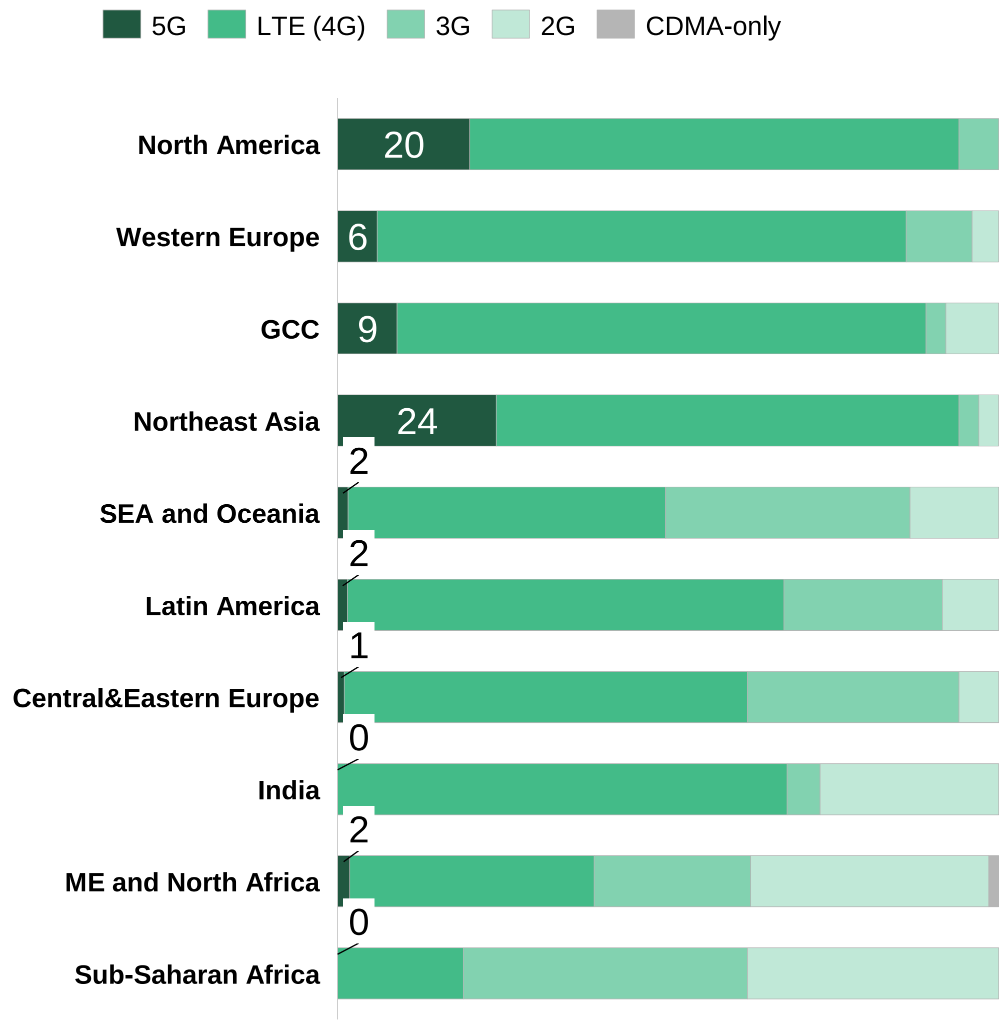


Q1’22 events across the operator segment

Industry & operator news

5G Coverage	Study shows more than **70 countries** are covered by 5G with nearly **200 operators** launching 5G around the world at the start of 2022. This has led to almost **640 million people** benefiting from the 5G network. While 4G still serves the bulk of mobile broadband users, operators now focus their capital expenditure and technology innovation on 5G.
Rise in Bundling Services	Consumers tend to renew their mobile subscription contracts but consider new bundled services available from operators when switching to 5G. Research shows 5G consumers are keen on video streaming, digital security services, as well as wearable services, operators could take opportunity from **bundling services** to boost sales.
Feb-2022	**América Móvil** declared that it would invest $1.8B to roll out 5G mobile coverage in 120 Mexican cities by the end of 2022.
Feb-2022	Two of the biggest telcos in Europe, **Deutsche Telekom** and Spanish **Telefónica** reported stronger-than-anticipated revenue growth and profitability which was driven by strong international business performance.
Mar-2022	Emerging markets-focused telecoms group **Millicom** has already invested over $5B in northern LATAM countries like Guatemala, Honduras, El Salvador and further announced to invest $3B on expanding mobile and broadband networks in South and Central America.
Mar-2022	**Orange** and **MasMovil** plan to combine their Spanish businesses together and form a joint venture that is worth €19.6B with the goal of streamlining Europe’s fragmented telecom markets.

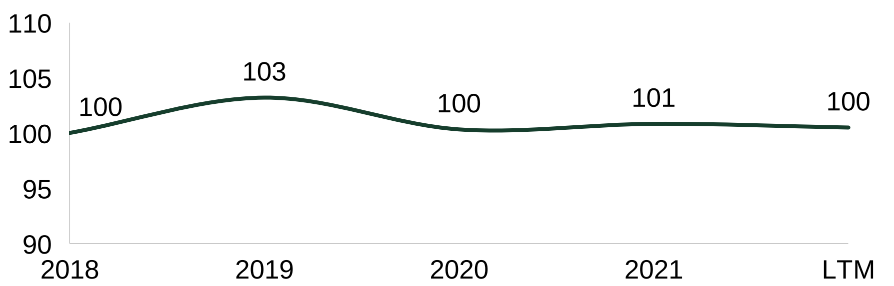
Mobile subscriptions by region and technology, 2021



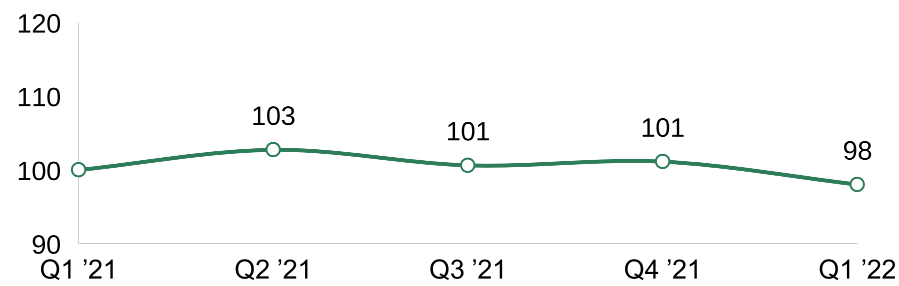
Source: Press & News, Financial Times, GSMA, Ericsson Mobility Report, Applied Value Analysis.

LATAM operators' revenue grew by 4% in LTM driven by an 8% YoY rise in Q1’22; Yearly revenue for other regions are relatively more stable

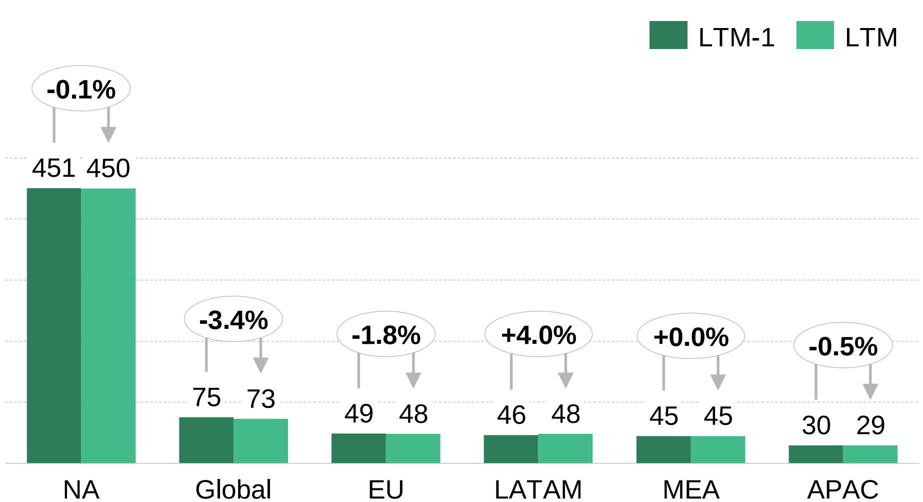
Indexed Yearly revenues
2018 - LTM (index 2018=100)



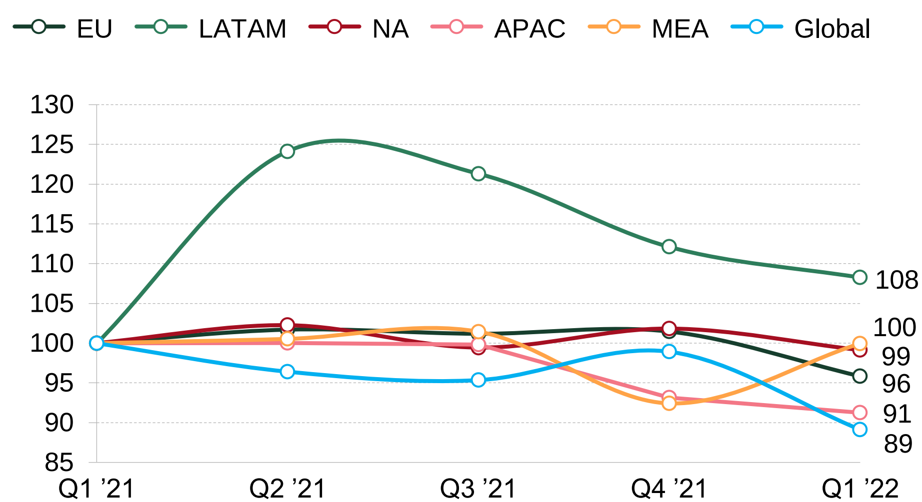
Indexed Quarterly revenues
Q1’21 – Q1’22 (index Q1’21=100)



Yearly revenues by region
LTM-1 (Q2’20 – Q1’21), to LTM (Q2’21 – Q1’22), BUSD



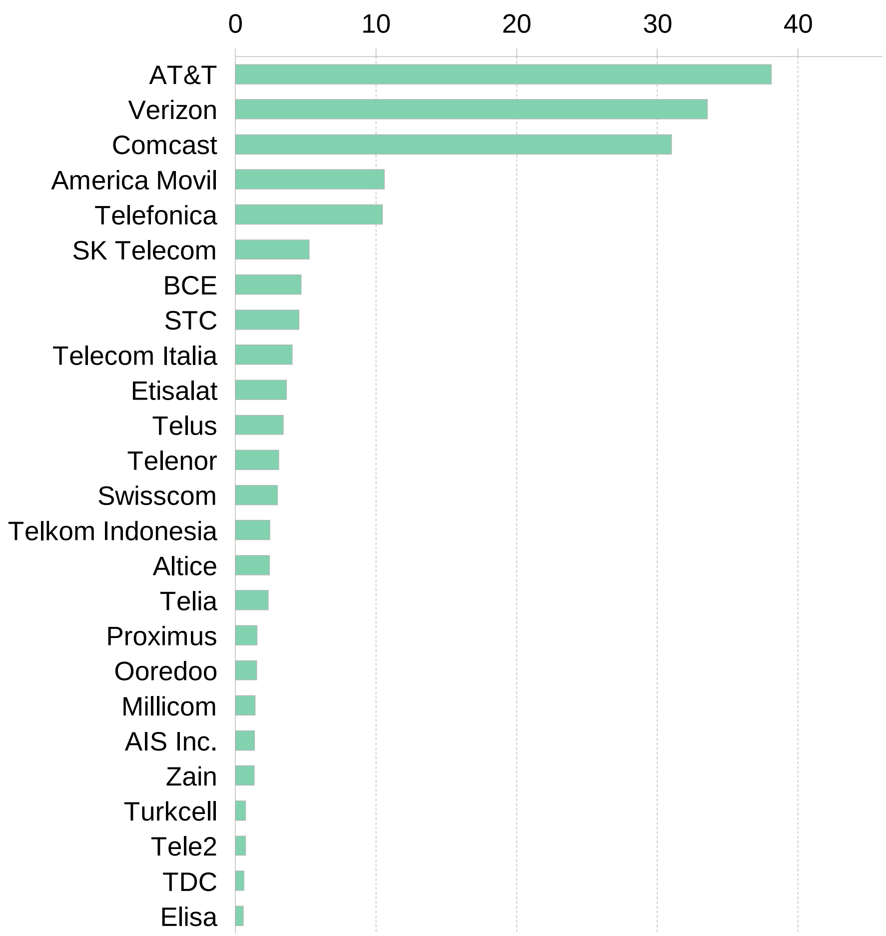
Indexed Quarterly revenues by region
Q1’21 – Q1’22 (index Q1’21=100)



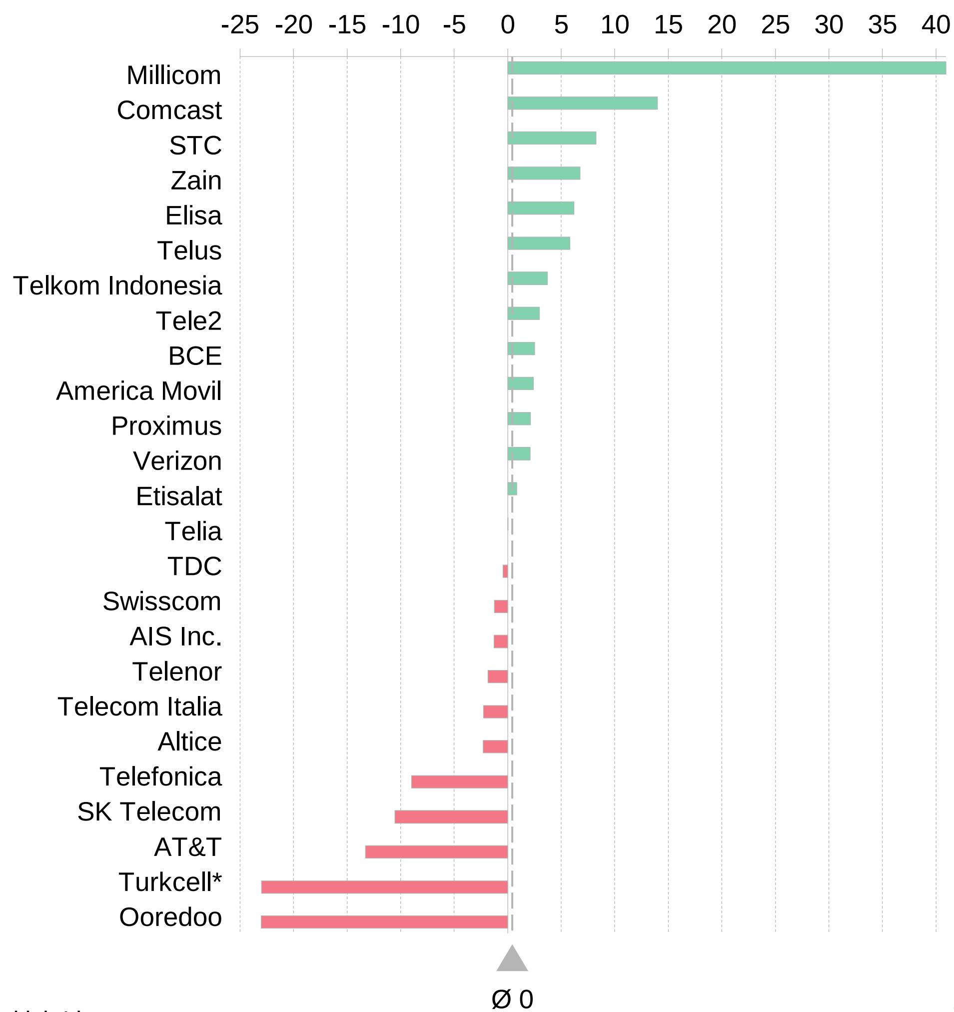
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Most operators reported positive YoY revenue development; Millicom continued its robust revenue growth in Q1'22 ~41% YoY

Revenue by operator
Q1'22 BUSD



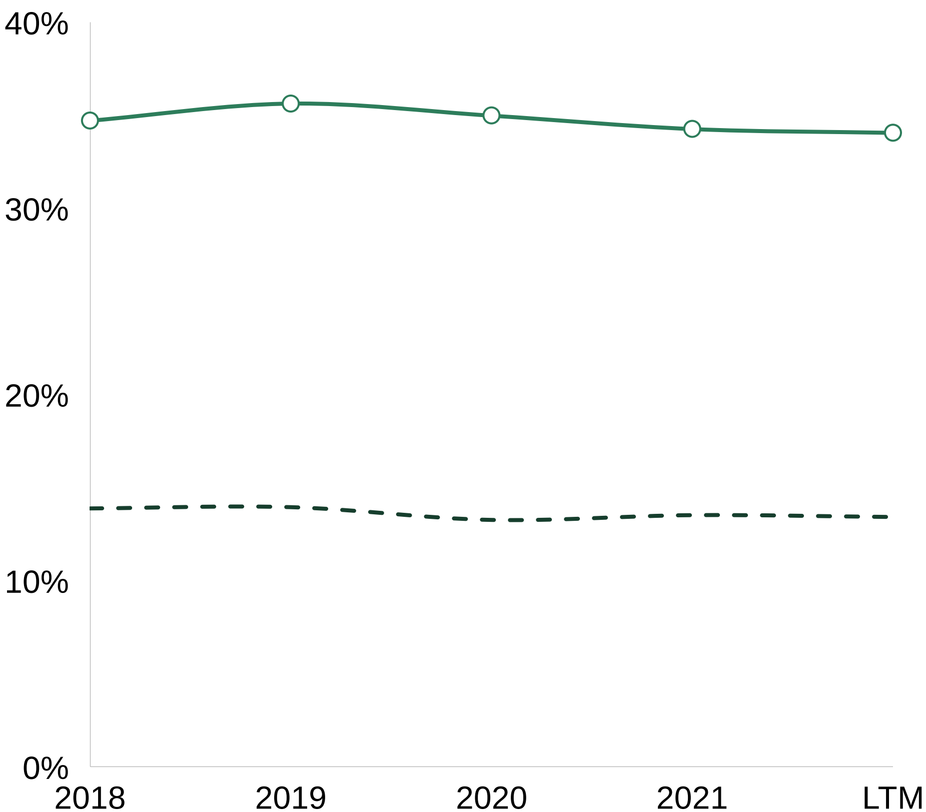
Revenue development by operator
Delta (Q1'22 vs. Q1'21), %, filing currency



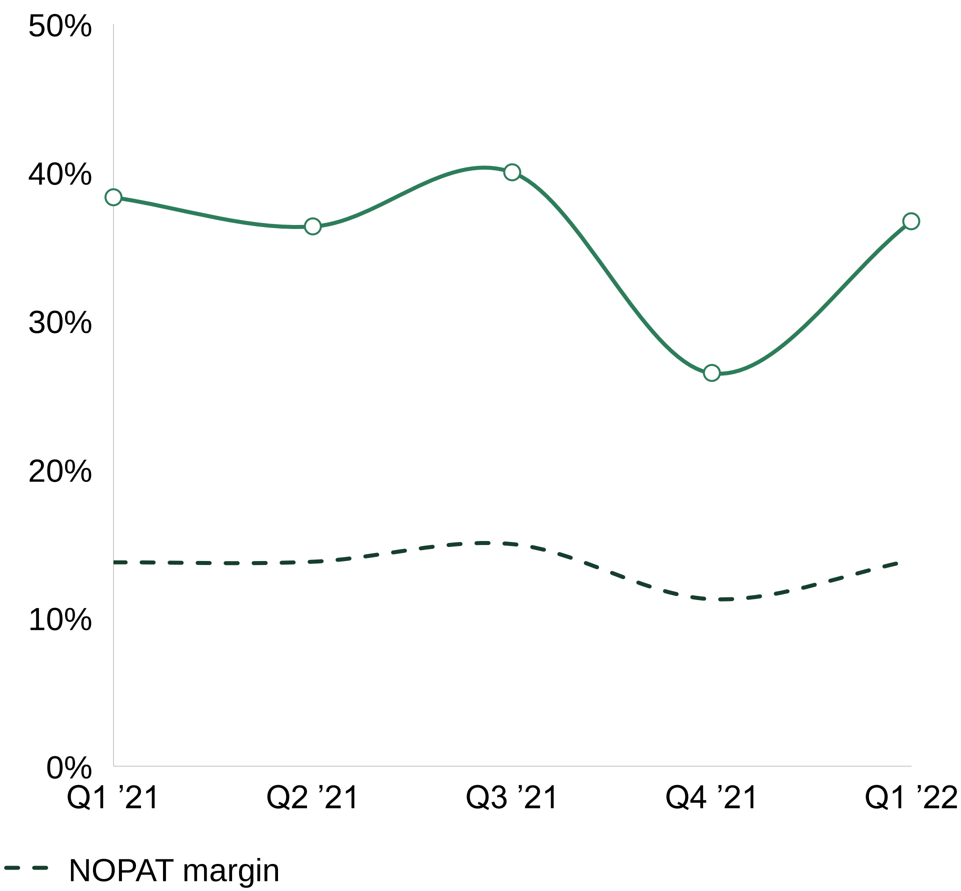
Note: Turkcell revenue development calculated in USD to equalize inflation in Turkish Lira
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Both quarterly EBITDA and NOPAT margins have experienced seasonality in the operator sector, ended at 37% and 14% average respectively in Q1’22

Yearly profitability development
2018 - LTM, %



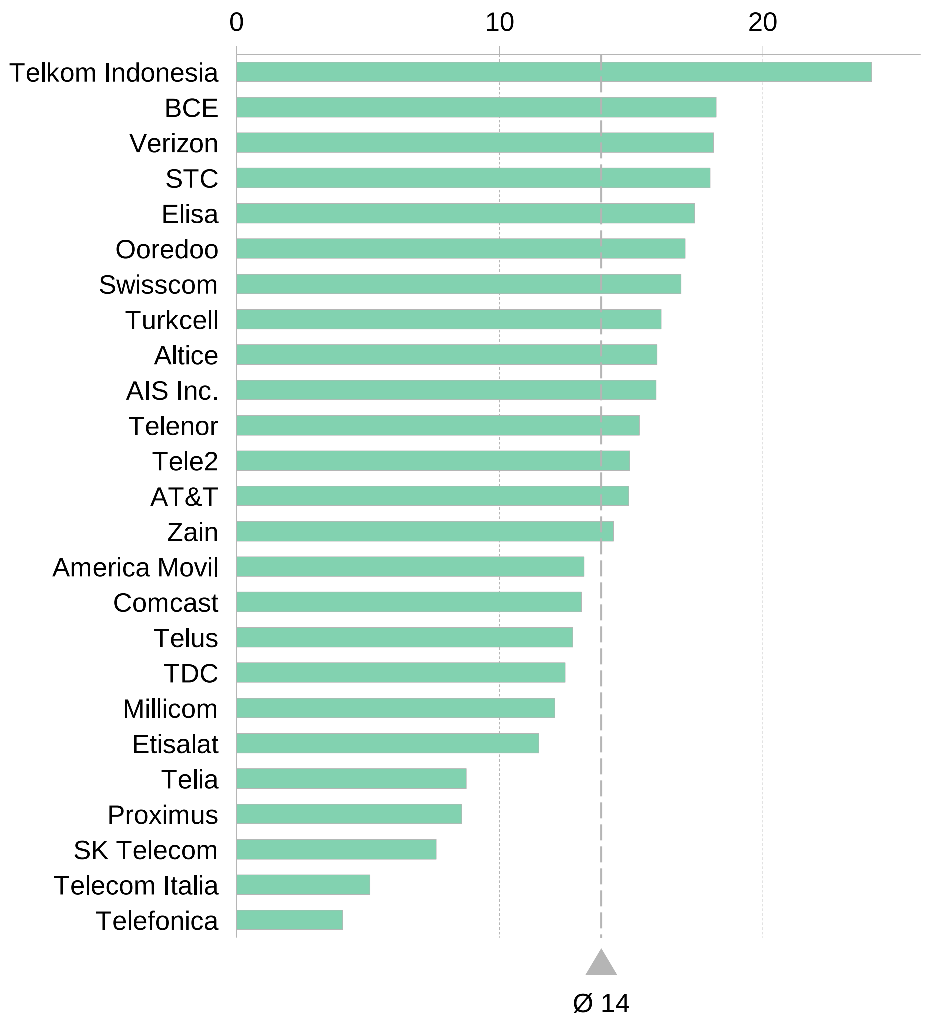
Quarterly profitability development
Q1’21 – Q1’22, %



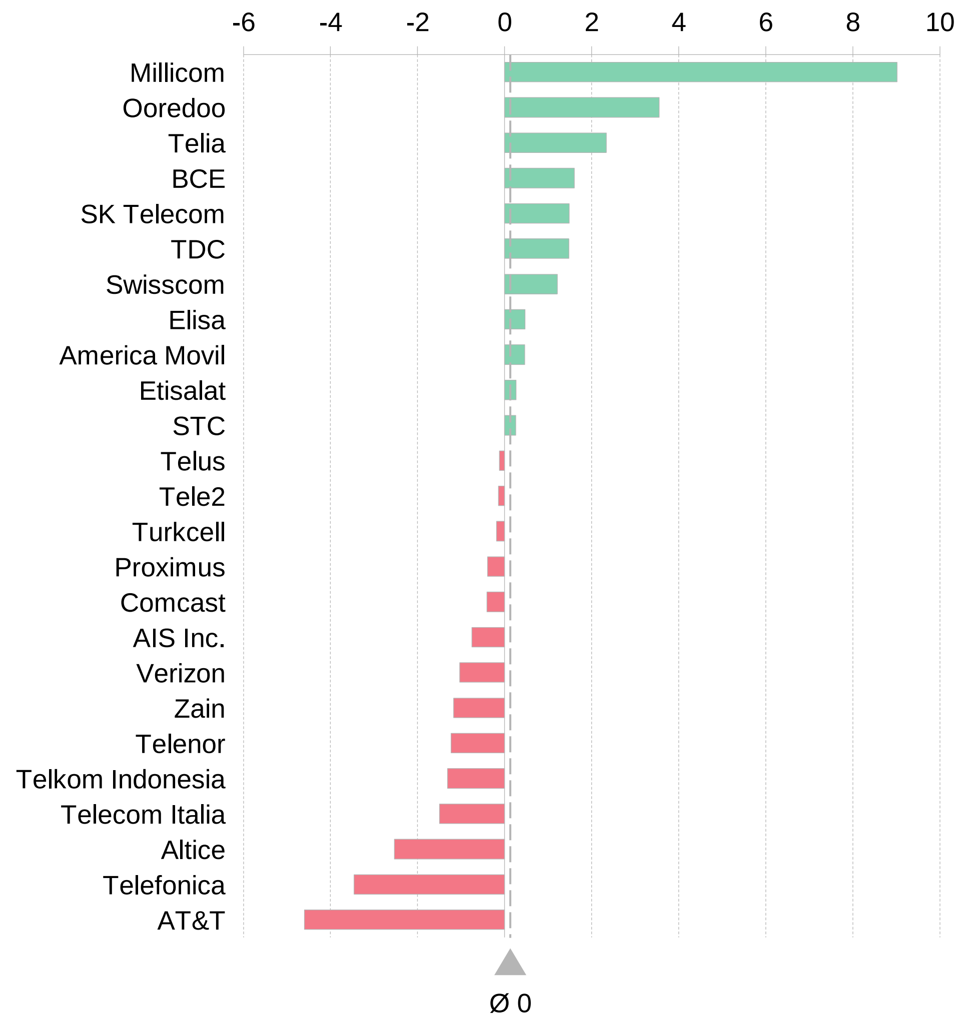
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

NOPAT margins averaged at 14% in Q1’22 for selected operators; Millicom’s YoY NOPAT improved by 9% as a result of strong subscriber growth

NOPAT margin by operator
Q1’22, %



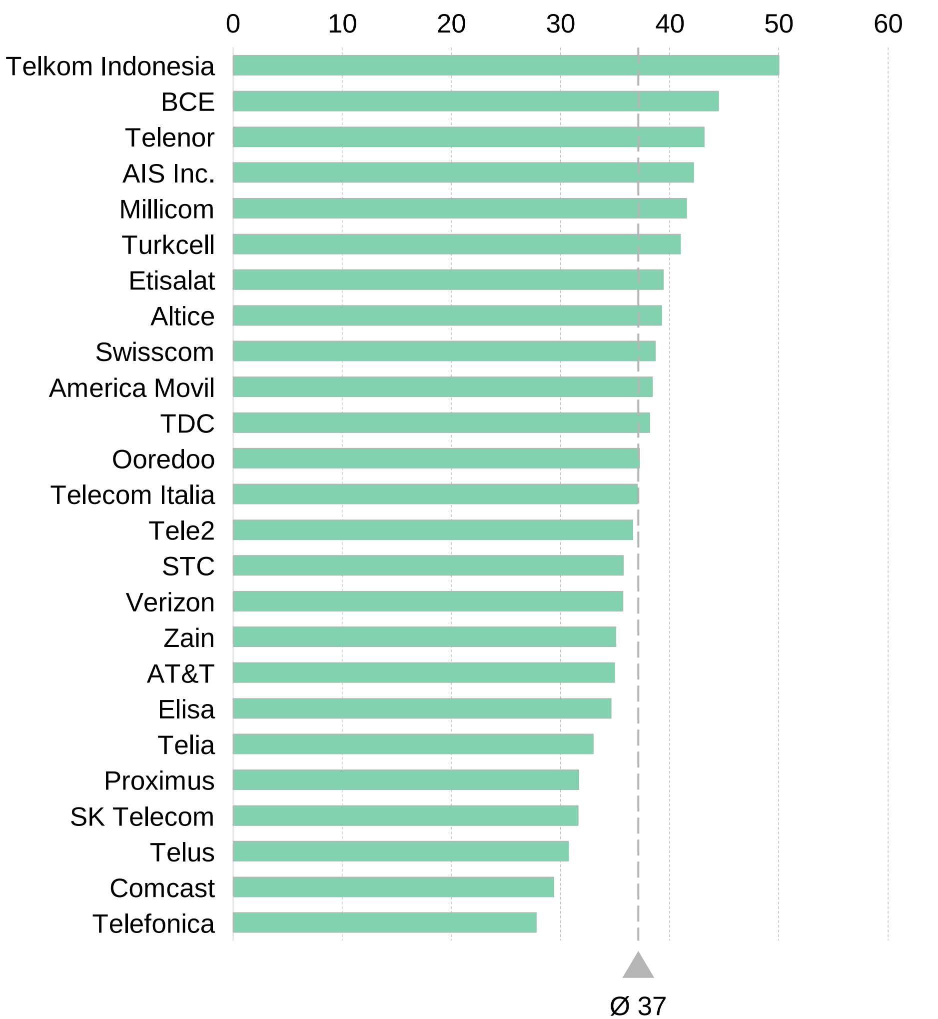
NOPAT margin development by operator
Delta (Q1’22 vs. Q1’21), p.p.



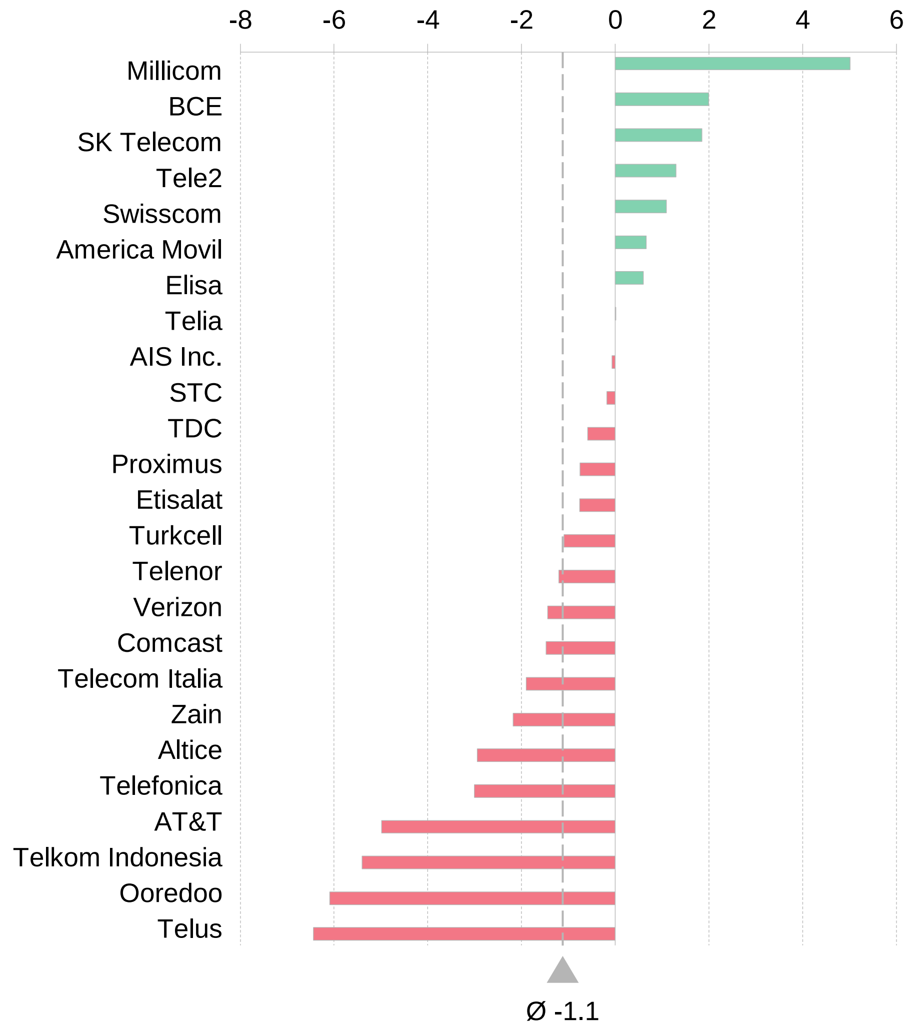
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Most selected operators suffered a negative YoY EBITDA margin development

EBITDA margin by operator
Q1'22, %



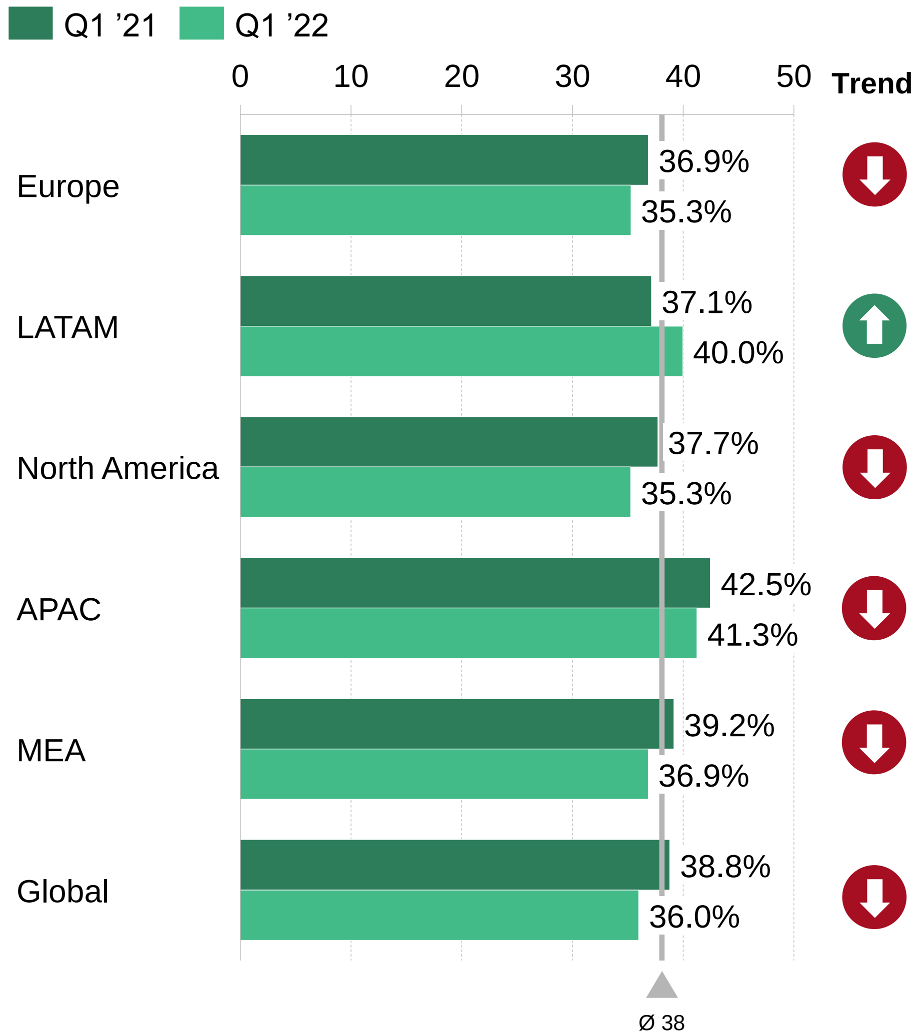
EBITDA margin development by operator
Delta (Q1'22 vs. Q1'21), pp.



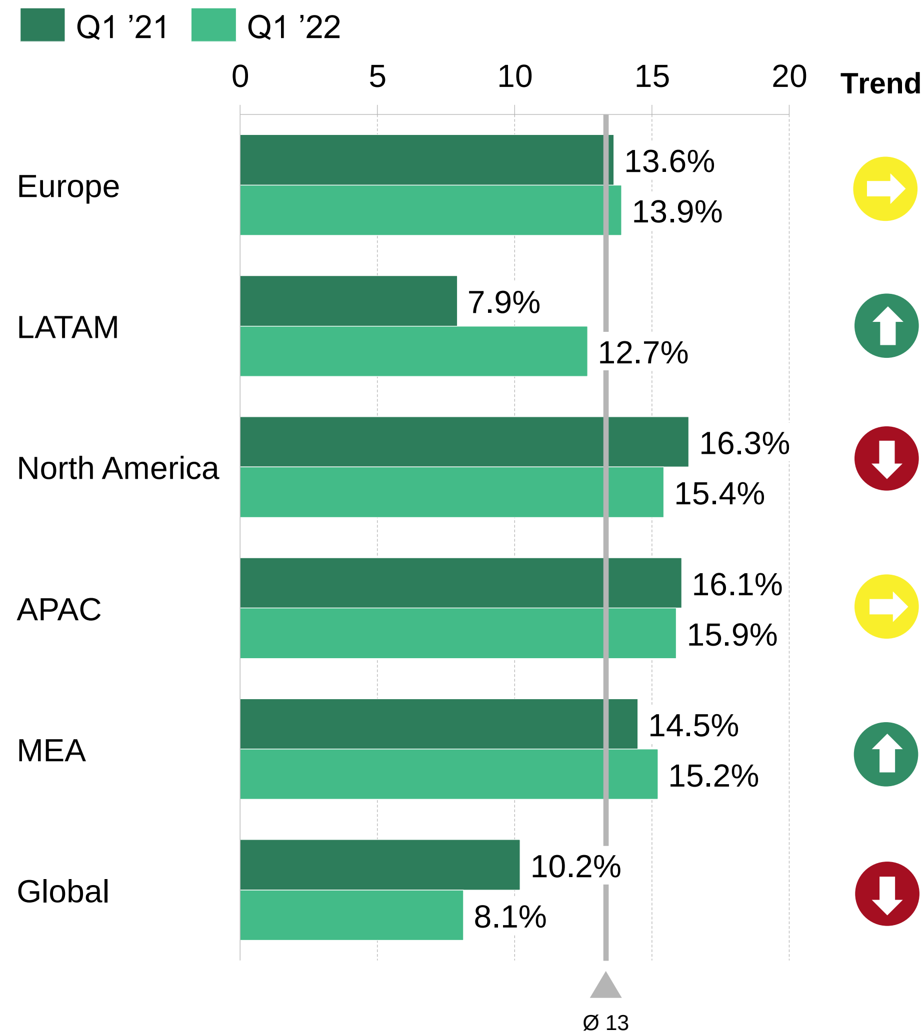
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

LATAM was the only region to reach positive development in EBITDA and NOPAT margin, whereas NA operators saw both EBITDA and NOPAT decline

Average EBITDA margin by region

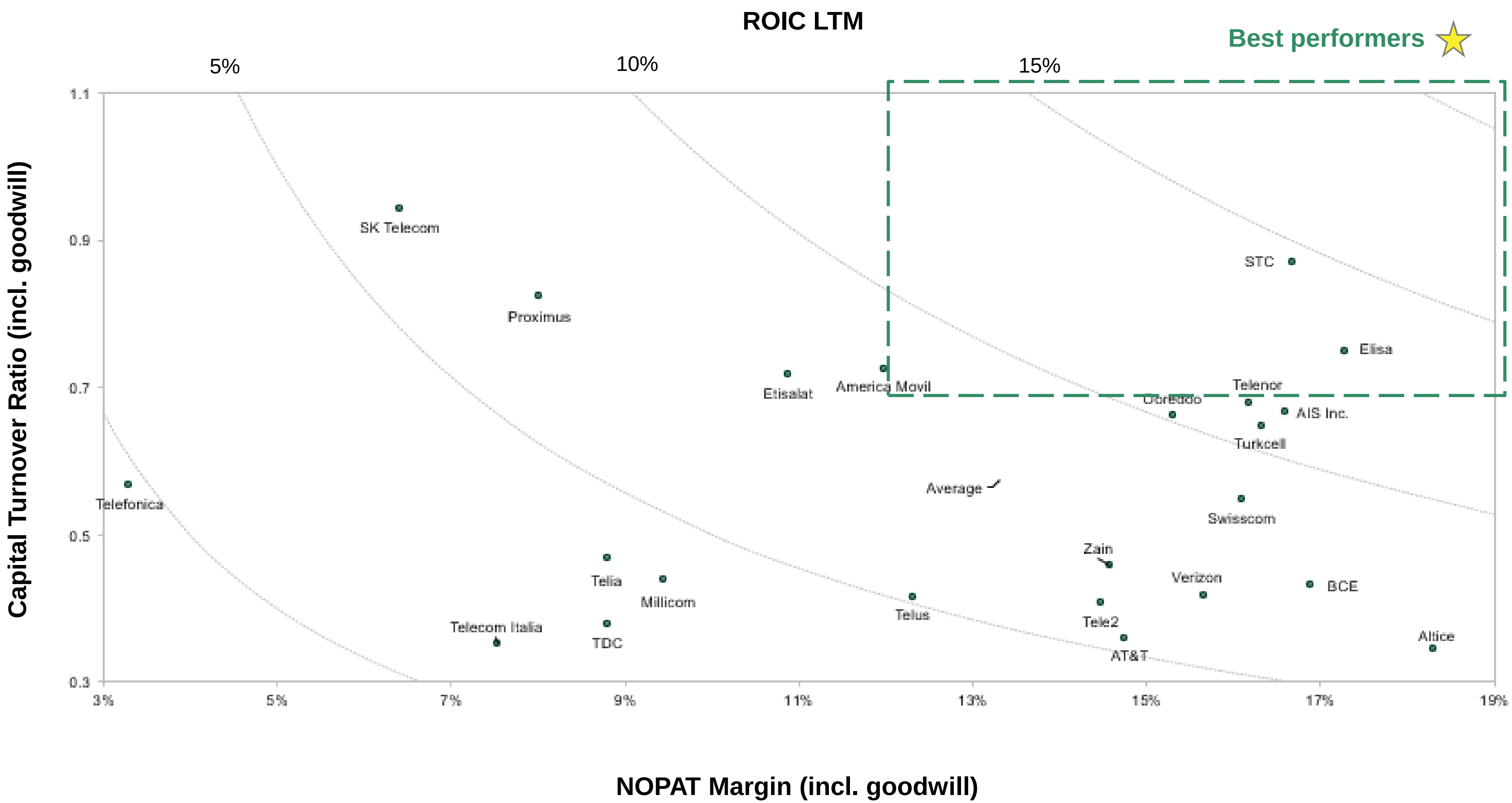


Average NOPAT margin by region



Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

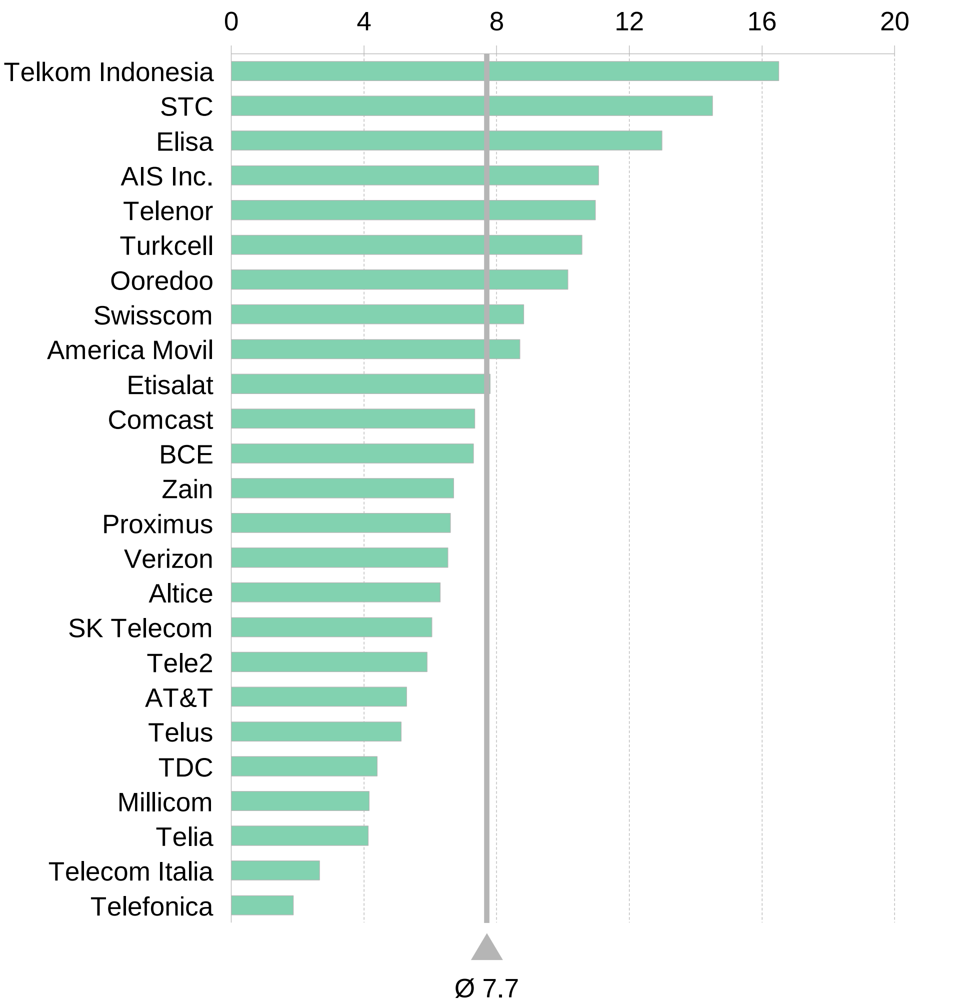
STC and Elisa are top ROIC performers within the peer group; Altice reached the highest NOPAT margin, while SK Telecom outperformed in terms of CTR



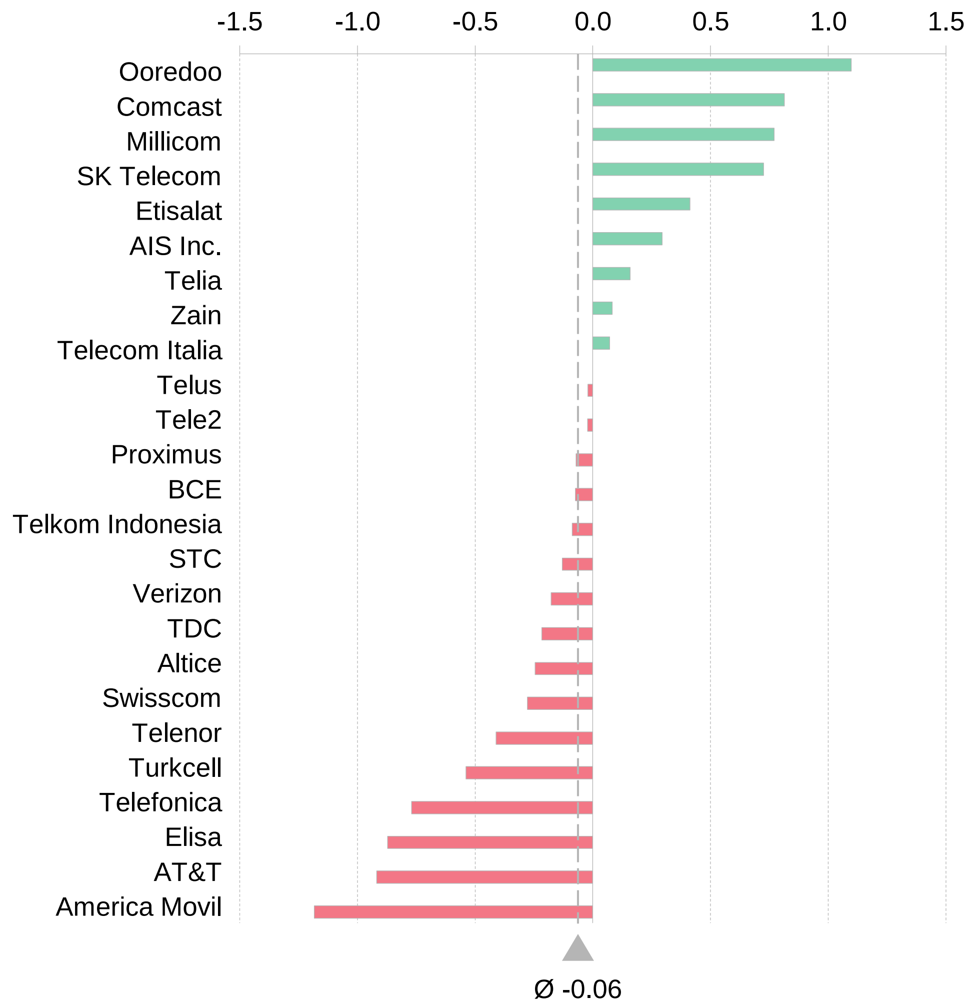
Note: ROIC = Return on Invested Capital (actual return that the company has generated after tax); BT is excluded due to missing data
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

The segment average ROIC declined from 7.8% to 7.7% YoY in LTM, driven by a 1.2% YoY decrease from America Movil and 0.9% fall at AT&T and Elisa

ROIC by operator
LTM (Q2' 21 – Q1' 22), %



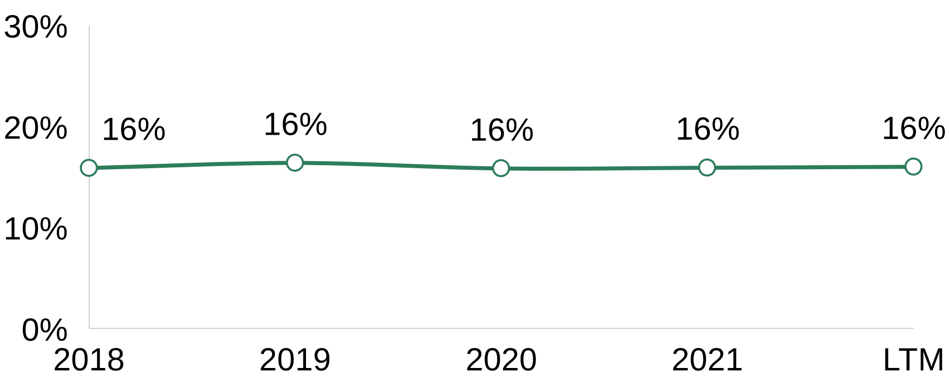
ROIC development by operator
Delta (LTM vs. LTM-1), p.p.



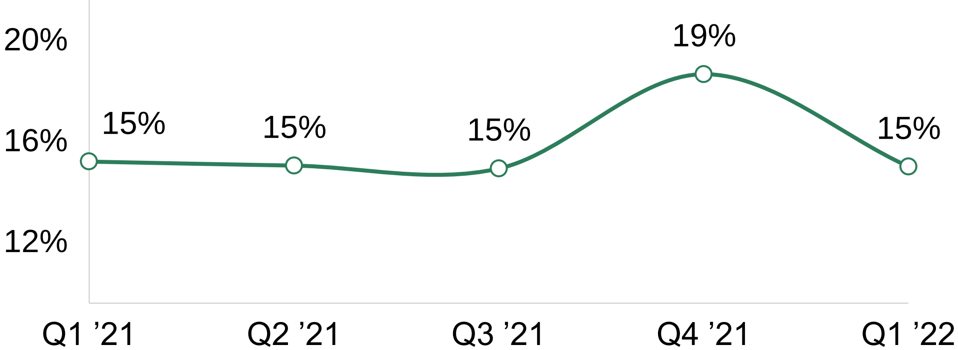
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Yearly CAPEX/Sales remained virtually unchanged over last 4 years; NA and MEA operators CAPEX/Sales fell ~25% and 16% in LTM comparing with 2018

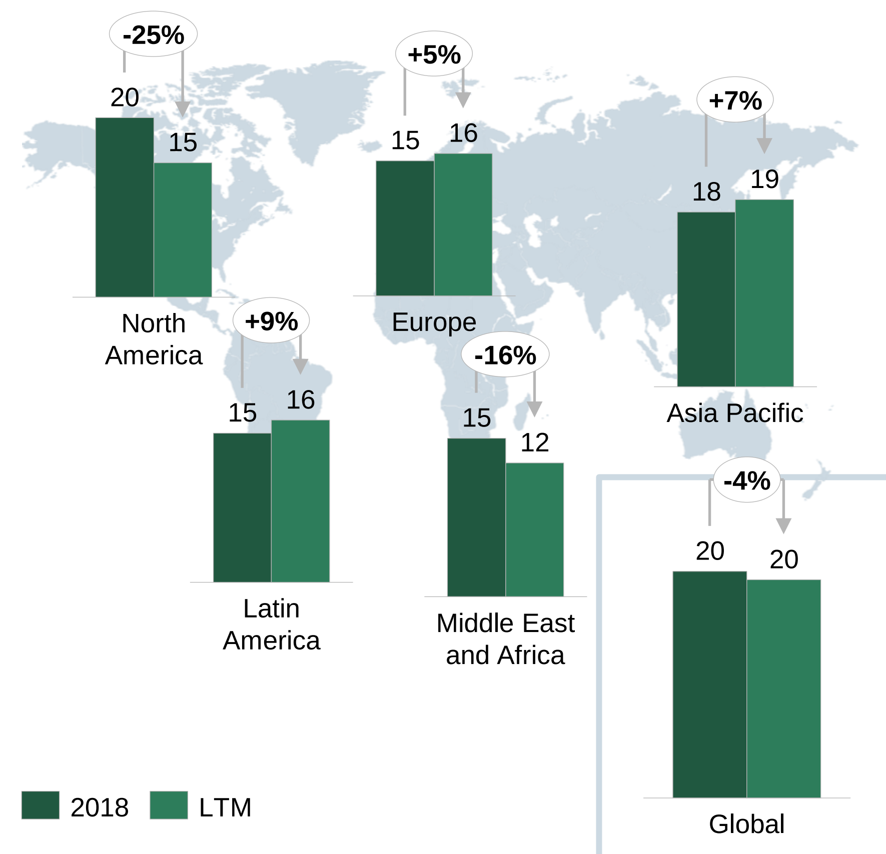
Yearly CAPEX over sales
2018 - LTM, %



Quarterly CAPEX over sales
Q1'21 – Q1'22, %



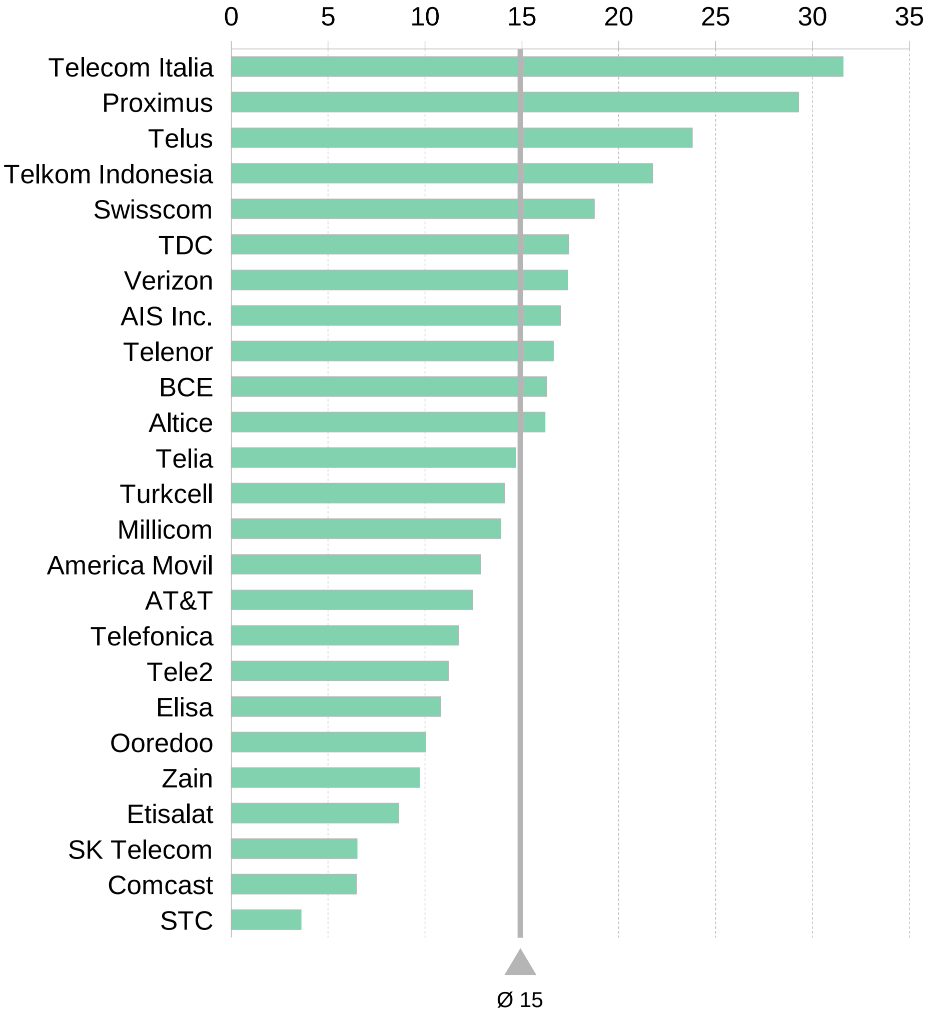
CAPEX over sales by region
2018 vs. LTM, %



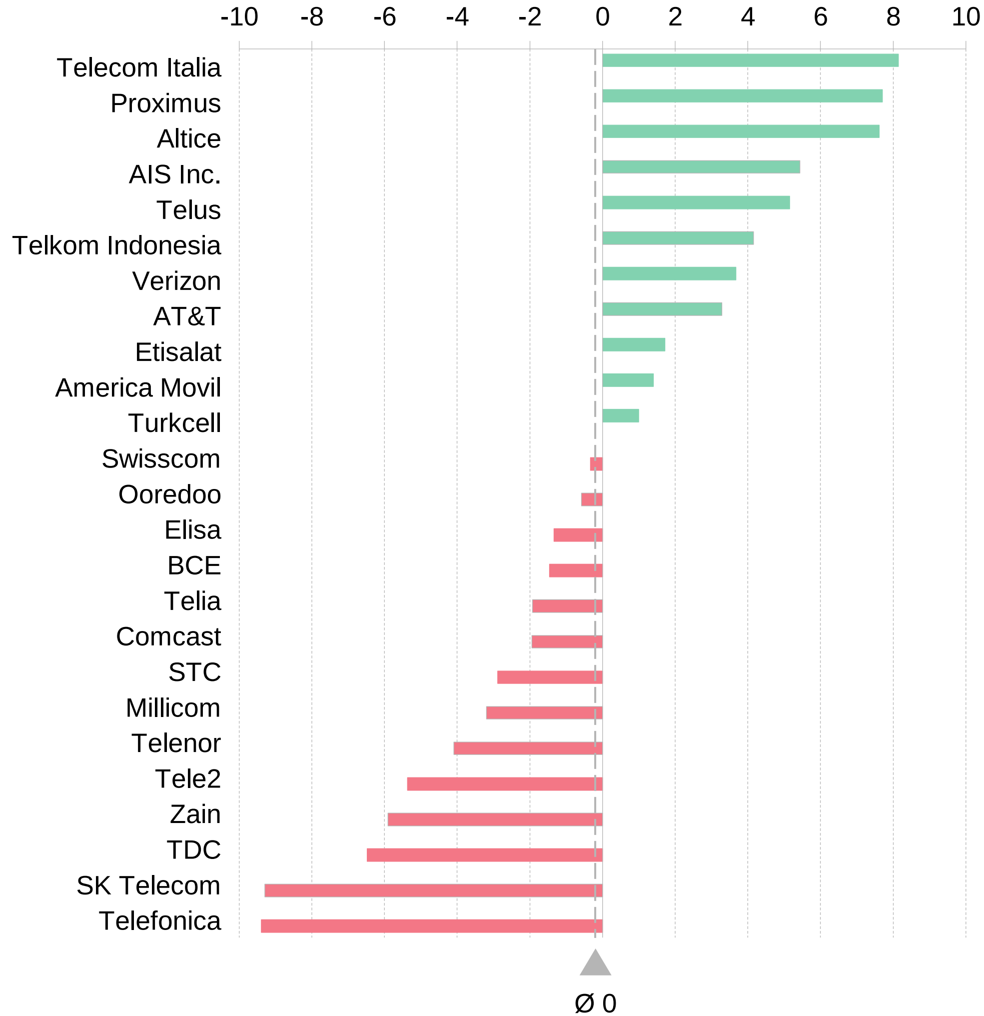
Source: Capital IQ, Annual & quarterly reports, GMT Research, Applied Value Analysis.

Telecom Italia CAPEX over sales increased by 35% YoY to €932M as a result of higher investments in FTTH, mobile coverage, Cloud and Data Centers

CAPEX over sales by operator
Q1’22, %



CAPEX over sales development by operator
Delta (Q1’22 vs. Q1’21), p.p.



Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

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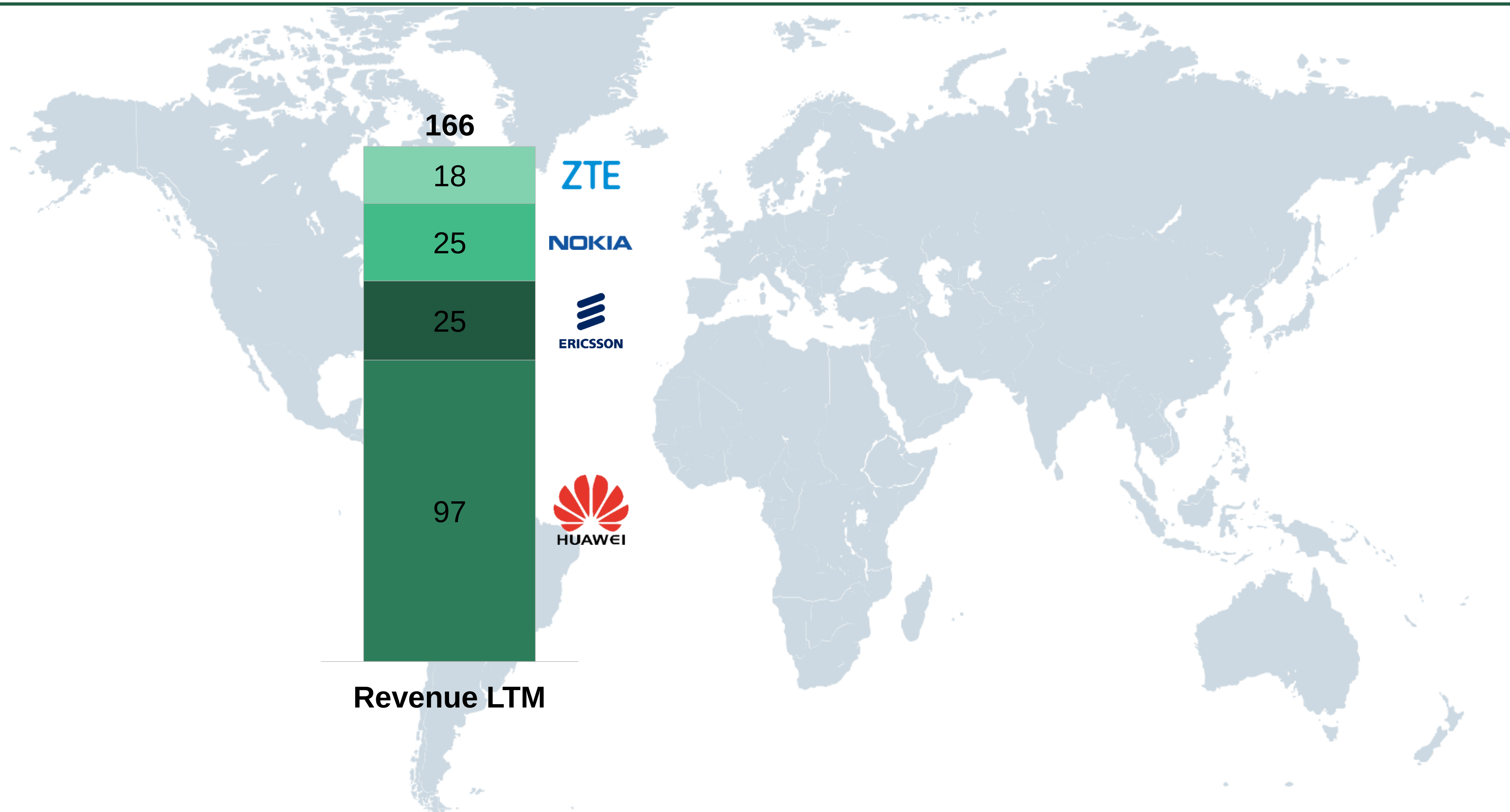
The Q1 2022 Report includes four major infrastructure players – ZTE, Ericsson, Nokia and Huawei, revenue summed up to $166B in LTM

Report overview
Revenue in BUSD



Notes: Revenue based on group revenue; LTM analysis of Huawei is based on data from Q1'21 – Q4'21.
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Key takeaways from the Infrastructure OEM segment

Key takeaways

Creating Shareholder Value	1. Among all selected OEMs, Ericsson and Huawei have had created shareholders' value over LTM with ROIC equaling 20% and 18% respectively compared to WACC of 15%, this could be explained by improved NOPAT margin and consistent CTR. 2. Huawei maintained a relatively stable NOPAT margin while CTR continued to drop for the third consecutive year as a result of lowered fixed asset turnover and longer inventory days.
Revenue Performance	1. Total revenue for selected infrastructure OEMs fell by 5% LTM comparing with FY2020, mainly driven by a 14% drop in Huawei's total sales. 2. ZTE continued to outperform its peers in LTM with 47% improvement in revenue comparing with 2018 while quarterly revenue increased by 10% YoY; Strong seasonality is shown for Huawei, Nokia and Ericsson – rise in sales in Q2 and Q4, decline in Q1 and Q3.
Margin Performance	1. LTM NOPAT margin for selected infrastructure OEMs averaged at 7.1%. Ericsson, Nokia and ZTE show persistent rise since 2018, while Huawei's NOPAT dropped significantly in FY2020 due to sanctions but started to recover in H2 2021. 2. Huawei initiated several cost-efficiency activities in 2021 to reduce operational expenses which has strengthened profitability by 15% compared with FY2020.
Capital Efficiency	1. Both Huawei and ZTE experienced halved capital turnover ratio LTM comparing with FY2019, driven by significant reduced fixed asset turnover and longer inventory days. 2. Nokia is the only infrastructure OEM within the peer group who has achieved positive development in CTR during LTM in comparison with FY2021; backed by very short inventory days and long account payable days. 3. Although ZTE achieved the highest fixed asset turnover ratio and accounts payable days in LTM, long inventory days and account receivable days dragged CTR down by 26% compared with FY2021.

Note: LTM analysis of Huawei is based on data from Q1'21 – Q4'21.
Source: Press & News, S&P Capital IQ, Applied Value Analysis

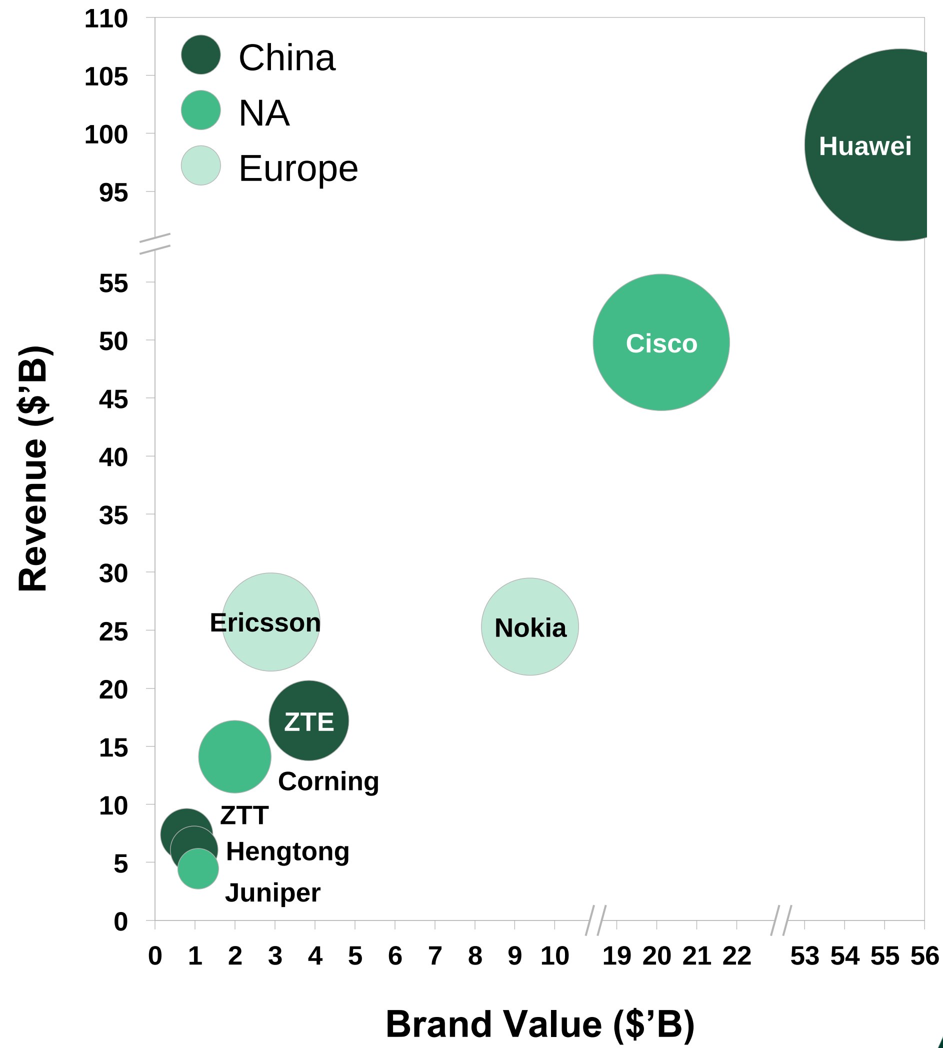
Events across the Infrastructure OEMs sector from the quarter

News and happenings for infrastructure OEMs

Jan-2022	**Deutsche Telekom** has extended its campus network portfolio to 5G Standalone Technology (5G SA) by partnering with network technology supplier **Ericsson**. The 5G SA improves efficiency of processes and supports development of innovative digital appliances.
Jan-2022	**Nokia** and **SK Telecom** collaborated together on the world's first implementation of 5G 64TRX wireless-based virtualized RAN network in South Korea.
Feb-2022	**Orange** decided to contract with **Nokia** and **Ericsson** for the supply of 5G standalone core networks in six of its European operations. Moreover, Nokia's subscriber data management platform will be used by **Orange** across all countries of operation. Orange also contracted with **Oracle** as its supplier for core signaling and routing across the European markets.
Mar-2022	**AIS** set the goal to develop 5G network as a national infrastructure and announced collaboration with **Qualcomm** and **ZTE** in innovating the world's first 5G NR-DC (New Radio Dual Connectivity) showcase in Thailand in order to enhance the capabilities of Thailand's 5G network and extend the 5G application landscape.
Mar-2022	**Huawei** and **Zain KSA** established a joint venture to deploy the first 5G LAN network in Middle East and North Africa, which is a key technology to enable the application of 5G in vertical industries. The two companies will continue to work together with local partners to expand the 5G MEC ecosystem and boost the growing digital economy.
Mar-2022	After western powers placed sanctions on Russia, Putin turned to **Huawei** to rebuild and upgrade communication infrastructures, Huawei now faces dilemma over Russia operations.

Top infrastructure OEMs brand value & revenue

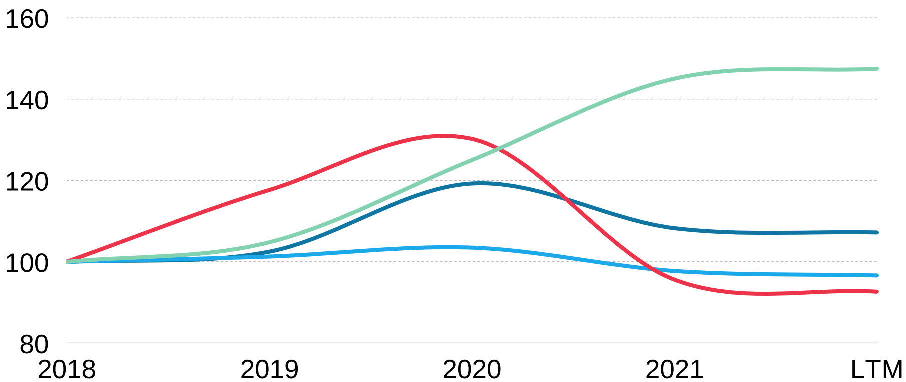
2021 (BUSD)



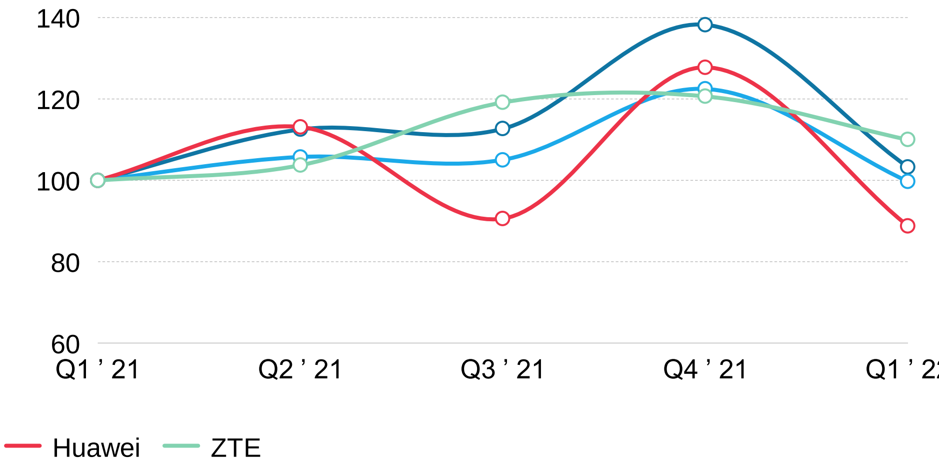
Source: Press &, News, S&P Capital IQ, Financial Times, Applied Value Analysis

All companies except for ZTE displayed clear seasonality trends over the past year – presenting relatively higher sales volumes in Q2 and Q4

Indexed Yearly Group Revenues
2018 – LTM (index 2018=100)



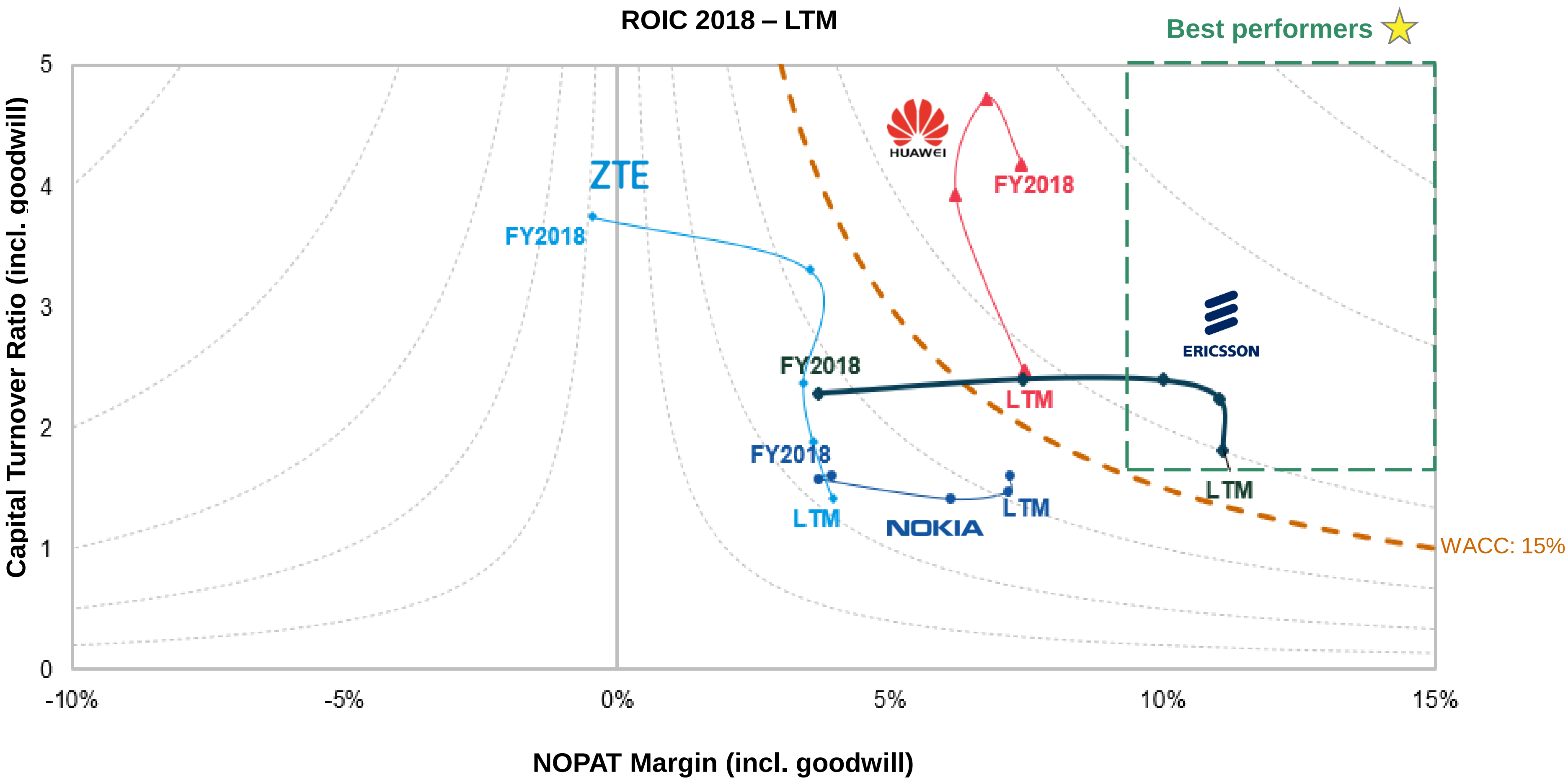
Indexed Quarterly Group revenues
Q1'21– Q1'22 (index Q4'20=100)



- ZTE outperformed peers in LTM with revenue improved by 47% comparing with 2018 and quarterly revenue increased by 6% YoY, driven by eased competition for ZTE's main telecom carrier business.
- Huawei is still reeling from the imposed restrictions and sanctions resulting in a first-ever decline in revenue of 29% in FY2021 which is driven by 50% YoY decline in Consumer Business sector and 7% YoY decrease in Carrier Business sector. However, Huawei's yearly net profit surged by 76% in FY2021 reflecting efficient cost management activities and growing in homegrown components to weather the fallout from sanctions.
- Nokia net sales stayed relatively constant in Q1'22 comparing with Q1'21 mainly due to withdrawal from the Russian market. However, Nokia's net sales still grew by 5% YoY with Network Infrastructure growing 9% while the Mobile Network segment dropped 4%. Rise in Network Infrastructure sector could be explained by strong demand in both Fixed and Submarine Networks and strong performance from Cloud and Network Services.
- Ericsson's quarterly revenue went up by 3% YoY in Q1'22 driven by solid increase in domestic market reflecting a strengthened market position. Ericsson has also captured opportunities in the Emerging Business segment, displaying a 15% YoY growth backed by Cradlepoint acquisition.

Note: LTM analysis of Huawei is based on data from Q1'21 – Q4'21.
Source: S&P Capital IQ, Annual & quarterly reports, Press Release, Economic Times, Applied Value Analysis.

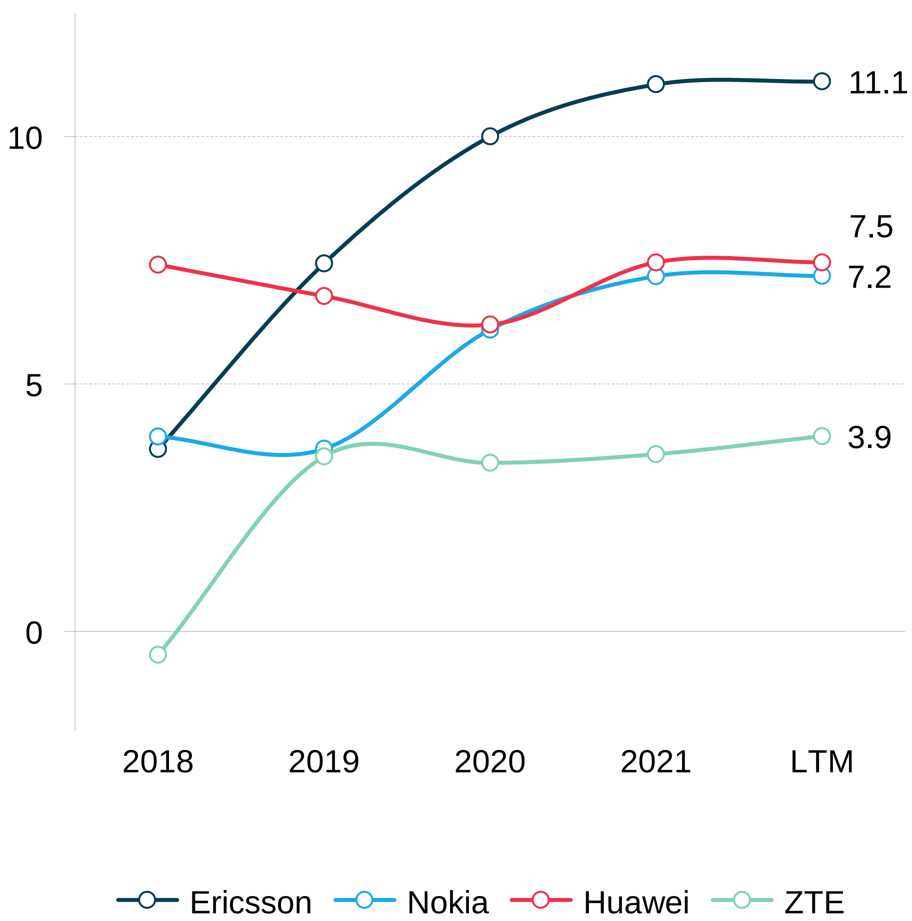
Huawei and Ericsson managed to achieve higher-than-WACC ROIC of 18% and 20% respectively, despite CTR for Huawei dropped significantly

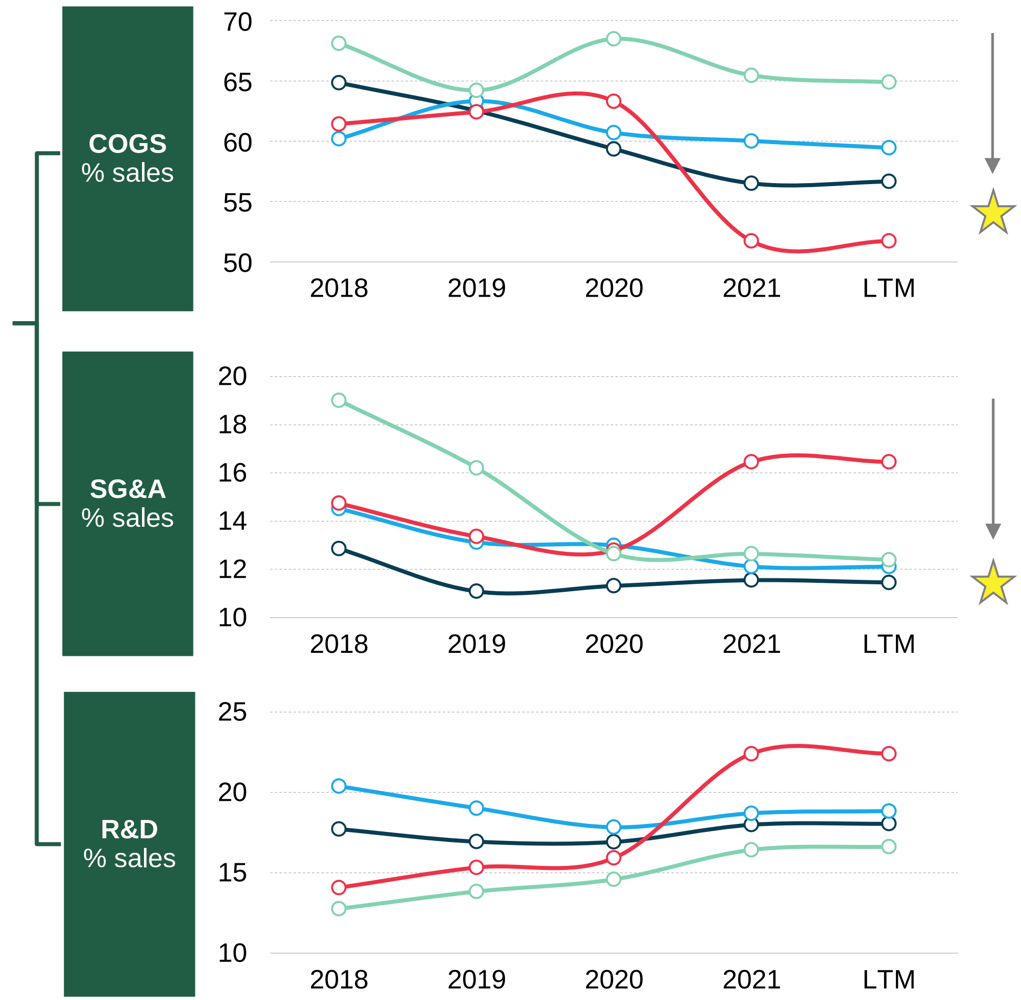


Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Ericsson retained highest NOPAT margin in the peer group driven by a relatively lower COGS/Sales and SG&A/Sales ratio

NOPAT margin, %

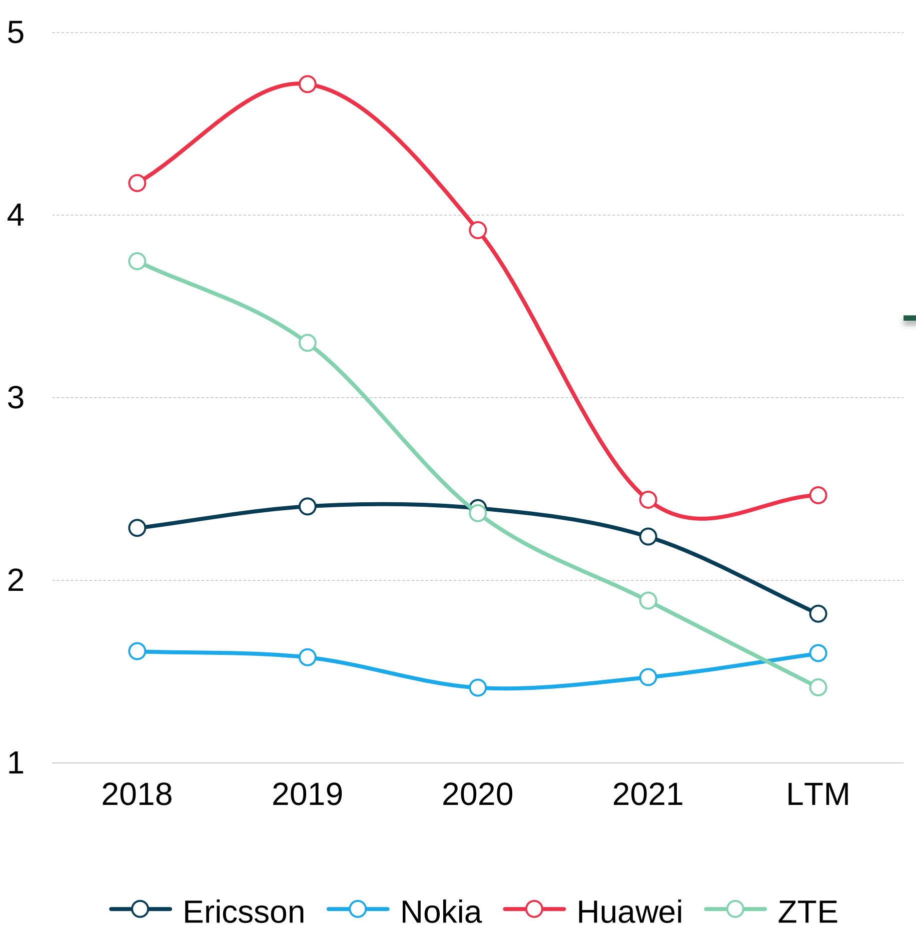




Note: LTM analysis of Huawei is based on data from Q1'21 – Q4'21.
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

ZTE and Ericsson CTR ratio declined significantly in LTM as a result of decrease in fixed asset turnover and higher AR days

Capital turnover ratio (CTR)

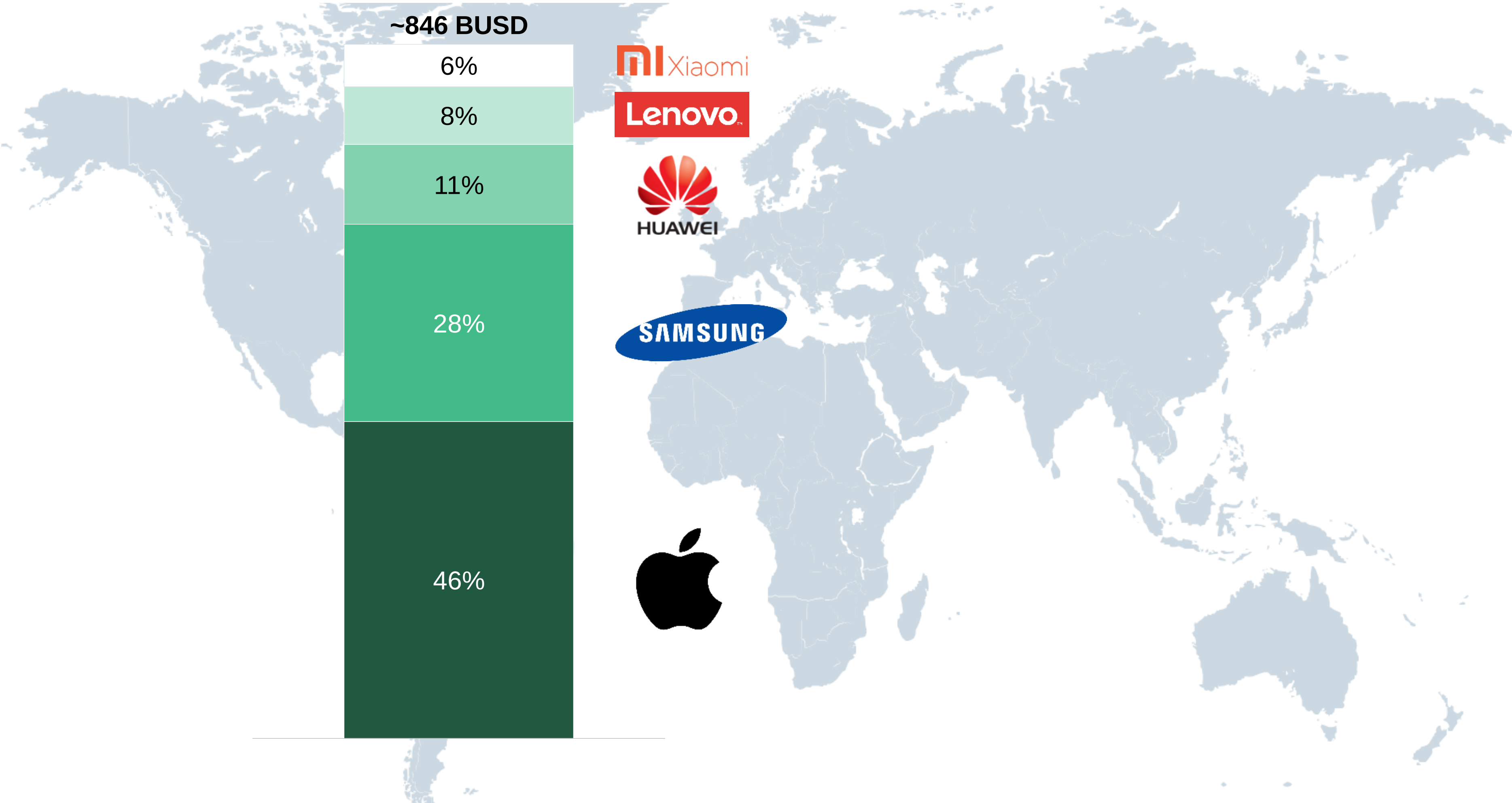


Note: LTM analysis of Huawei is based on data from Q1'21 – Q4'21.
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Contents

The Q1 2022 report includes five major device manufacturers

Report overview
Revenue in BUSD, LTM



Note: Revenue based on group revenue
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Key takeaways from the Device OEM segment

Key takeaways

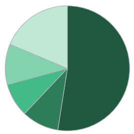
Creating Shareholder Value	1. Apple, Lenovo and Xiaomi have obtained higher ROIC in LTM compared to 2020, indicating further value creation for shareholders. 2. Both Lenovo and Xiaomi ROIC rose significantly driven by higher CTR, whereas Samsung's drop in NOPAT margin contributed to declined ROIC over LTM comparing with FY2021. 3. Huawei's ROIC fell by 6 pp. in 2021 compared to 2020 from both declining NOPAT margin and CTR.
Revenue Performance	1. The overall quarterly revenue for selected device OEMs increased by 2% YoY; Xiaomi yearly revenue is more than doubled in LTM compared with FY2018, followed by Lenovo (56%), Apple (45%), and Samsung (10%). 2. Samsung quarterly revenue improved the most within the peer group by 10% YoY, whereas Apple's revenue improved 9%. Huawei saw a corresponding decline in quarterly revenue (-11%).
Margin Performance	1. Average NOPAT margin for selected device OEMs is 10% in LTM, Apple led the peer group in terms of yearly NOPAT margin with an increase to 23% in LTM. 2. After the plunge in FY2019, Samsung's NOPAT has steadily recovered and reached 15% over LTM, Xiaomi and Lenovo have also managed operating activities efficiently in the past three years and achieved consistent improvement in NOPAT margin.
Capital Efficiency	1. CTR for selected companies averaged at 5 in LTM. Apple and Lenovo outperformed peers and reached to 9 and 8, respectively, which contributed to their ROIC improvements. 2. Huawei and Samsung experienced declines in their CTR to 1.2 and 0.8 respectively, driven by long inventory days and low fixed asset turnover ratio.

Note: Analysis on Xiaomi and Apple are based on Q1'21 – Q4'21

Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Business Segments of Device OEMs

Company	Business segments and revenue shares over LTM, (Q2'21 – Q1'22) %	Description



iPhone
Mac
iPad
Wearables, Home and Accessories
Services

- iPhone: Mobile Phones
- Services: iTunes Store, iCloud, Apple Pay, other services
- Mac: Laptops & Personal Computers
- iPad: Tablets
- Wearables, Home and Accessories: Apple Watch, Apple branded accessories for Apple products

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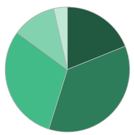

Device Experience (DX) - VD / DA
Device Experience (DX) - Mobile Experience (MX) / Networks
Device Solutions (DS)
SDC
Harman

- DX: Mobile and consumer electronics businesses
- Device Solutions: Semiconductor Business and display panels
- Consumer Electronics: TVs, monitors, printers, air conditioners and refrigerators
- Harman: Infotainment, connected solutions for automakers, and consumers

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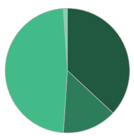

Carrier
Enterprise
Consumer
Other items

- Carrier: Building telecommunications networks and services
- Enterprise: Equipment, software and services to enterprise customers
- Consumer: Manufacturing of electronic communication services (e.g. phones)
- Others: Communication services not applicable to above descriptions

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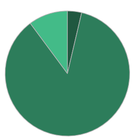

Solutions and Services Group (SSG)
Intelligent Devices Group (IDG)
Infrastructure Solutions Group (ISG)

- IDG: Personal computer and smart devices, and mobile businesses
- DCG: Provide data center solutions
- SSG: Deliver enhanced services capabilities and new solutions

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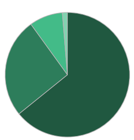


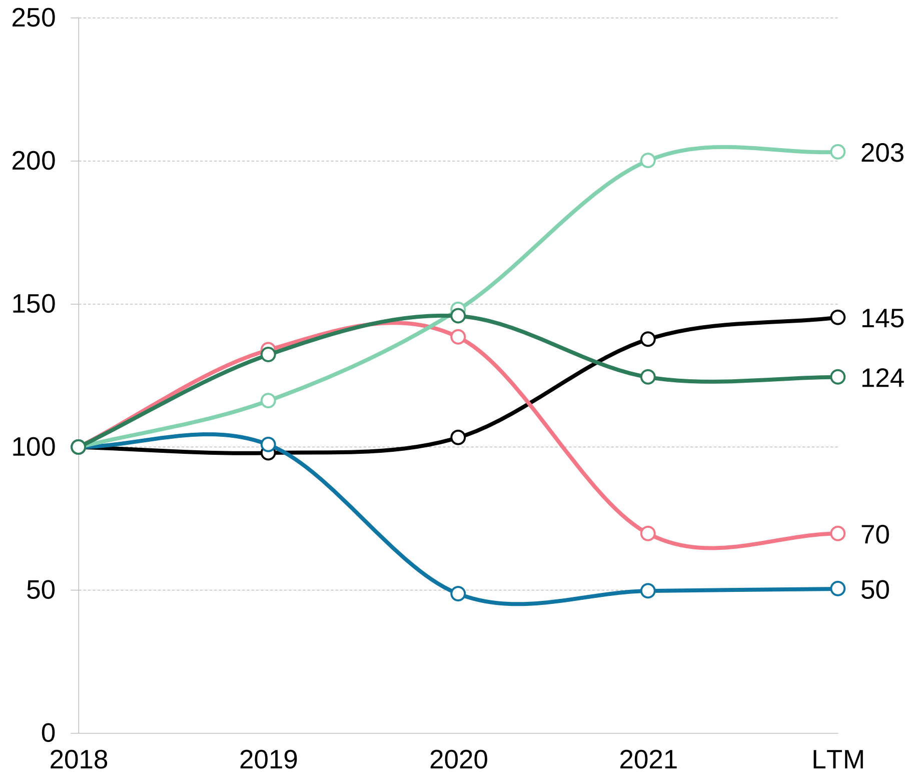
Smartphones
IoT and Lifestyle Products
Internet Services
Others

- Smartphones: Mobile devices, Smartphone, Tablet
- IoT & Lifestyle products: Smart TVs, scoters, vacuum cleaners, cameras, etc.
- Internet Services: Preloaded apps, services and advertisements
- Other: Miscellaneous additional services and products

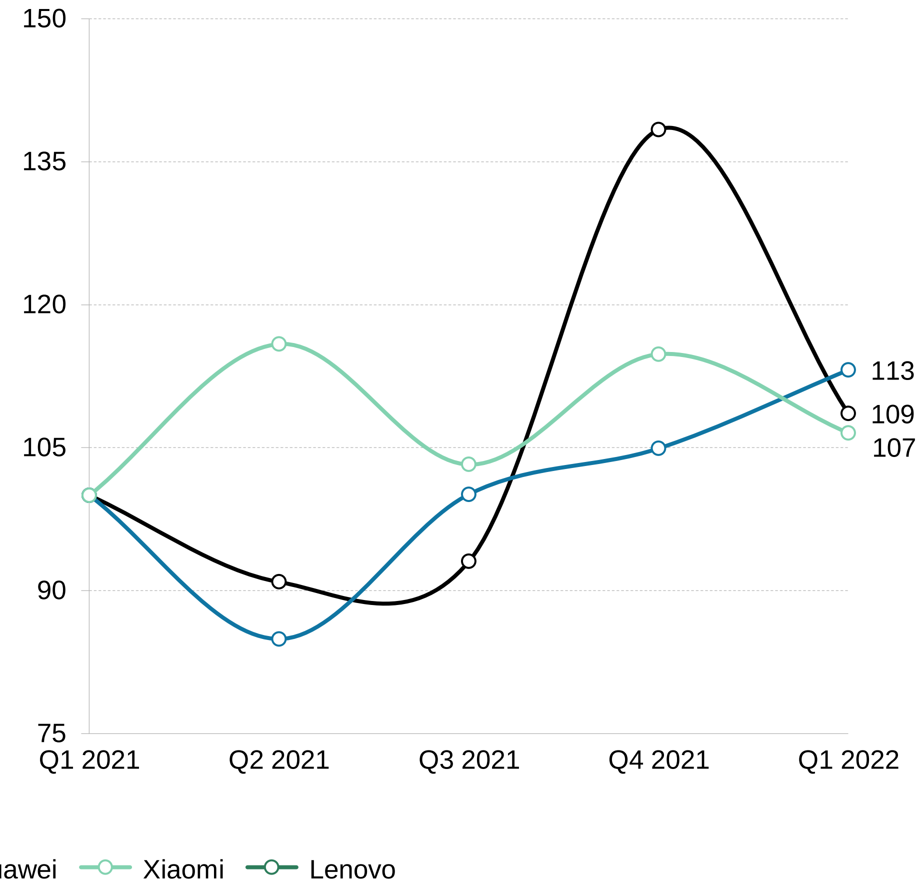
Note: Apple and Samsung (Q2'21-Q1'22); Huawei, Lenovo and Xiaomi (Q1'21 – Q4'21).
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Xiaomi stood out in the peer group in FY2021 in terms of revenue – 103% increase compared with FY2018

Segment Yearly revenue development
2018 - LTM (index 2018=100)



Segment quarterly revenue development
Q1'21 – Q1'22 (index Q1'21=100)



Note: Included segments per company: Samsung (DX); Apple and Xiaomi (All segments); Lenovo (IDG); Huawei (Consumer Business); LTM analysis of Huawei, Lenovo are based on data from Q1'21 – Q4'21.

Source: S&P Capital IQ, Annual/Quarterly/Half Year Reports.

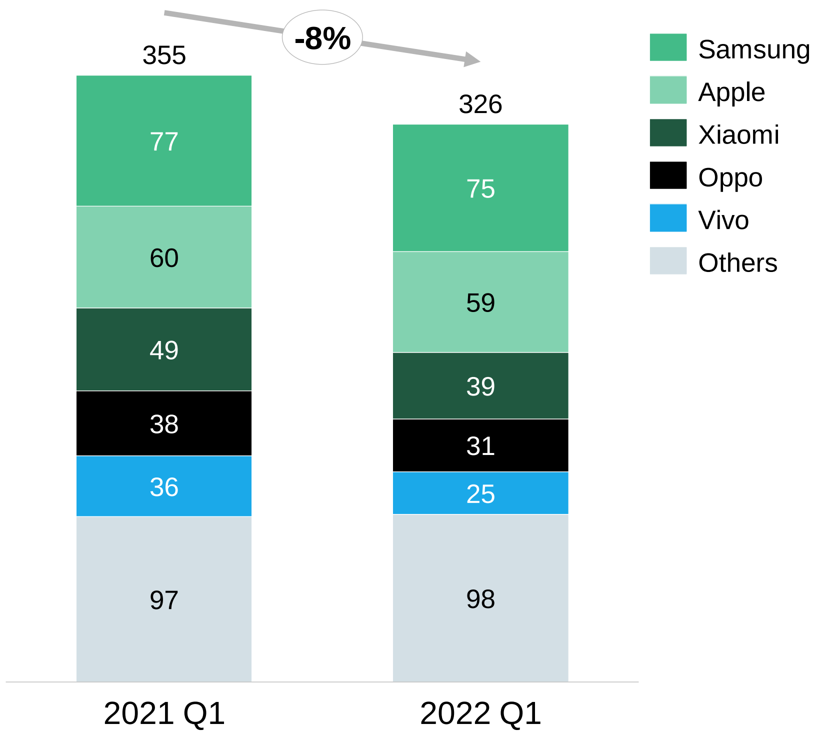
Events across the Device OEMs sector from the last quarter

News and happenings for Device OEMs

Jan-2022	**Lenovo** unveiled a portfolio of innovative products and solutions at CES 2022 to power hybrid life, including smarter work, home and gaming products.
Feb-2022	**Samsung** launched the new Galaxy S models to cope with the shrink in premium market share, the new lineup is designed for new generation who's more interested in sharing videos on platforms like TikTok, Facebook, YouTube.
Mar-2022	**Xiaomi**, **Vivio** and **Oppo** negotiated with Indian contract manufacturers to assemble phones locally for global export, with the hope to establish India as a hub for electronics production. If the plan goes ahead, Lava International Ltd. and Dixon Technologies India Ltd. will have the two major plant bases in India.
Mar-2022	**Samsung** and **Apple** suspended sales to Russia, the two OEMs occupied 27% and 24% of Russia's market share in 2021.
Mar-2022	Despite the initial plunge in smart device shipments, **Huawei** is considered an early winner from the Russia-Ukraine conflict. During the first two weeks of March, Huawei phone sales volume went up 300%, while other Chinese smartphone brands like **Oppo** and **Vivo** also recorded triple-digit sales increases.

Global smartphone shipments

Million units

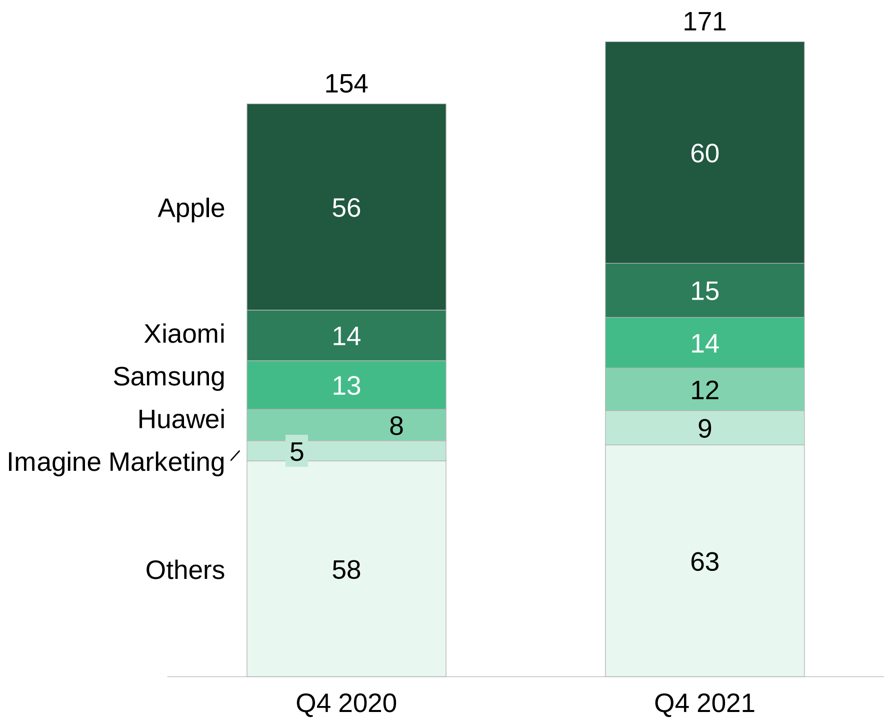


Global smartphone shipments declined by 8% YoY in Q1'22, reaching 325M units. **Samsung** continued to hold the leading position in global smartphone shipments of 23% despite the 3% YoY decline in shipment. **Apple** shipments declined by 1% YoY to 59M units in Q1'22. However, Xiaomi, Oppo and Vivo faced constraints in delivery of components that lead to decline in shipments on both annual and quarterly basis.

Source: Counterpoint Research, Annual & quarterly reports, Applied Value Analysis.

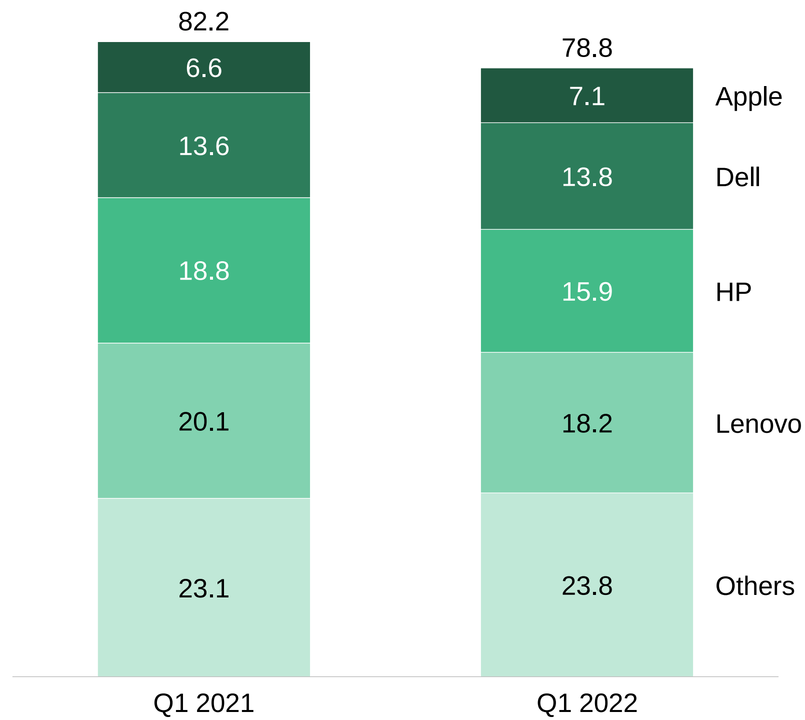
Global PC shipments declined for the first time after 7 quarters of growth while Global wearables shipments increased by 11% to 171M units

Global wearables shipments
Million units



Global wearables hit record highs in Q4’21 as shipments reached 171M units, representing 11% YoY rise. Continued demand for health and fitness tracking products along with hearables maintains the market momentum. Total shipments in FY2021 reached 534M units – 20% increase comparing with the previous year. Though Apple remains in leading position, Huawei (35%) and Imagine Marketing (70%) all posted market-beaten YoY growth in the quarter.

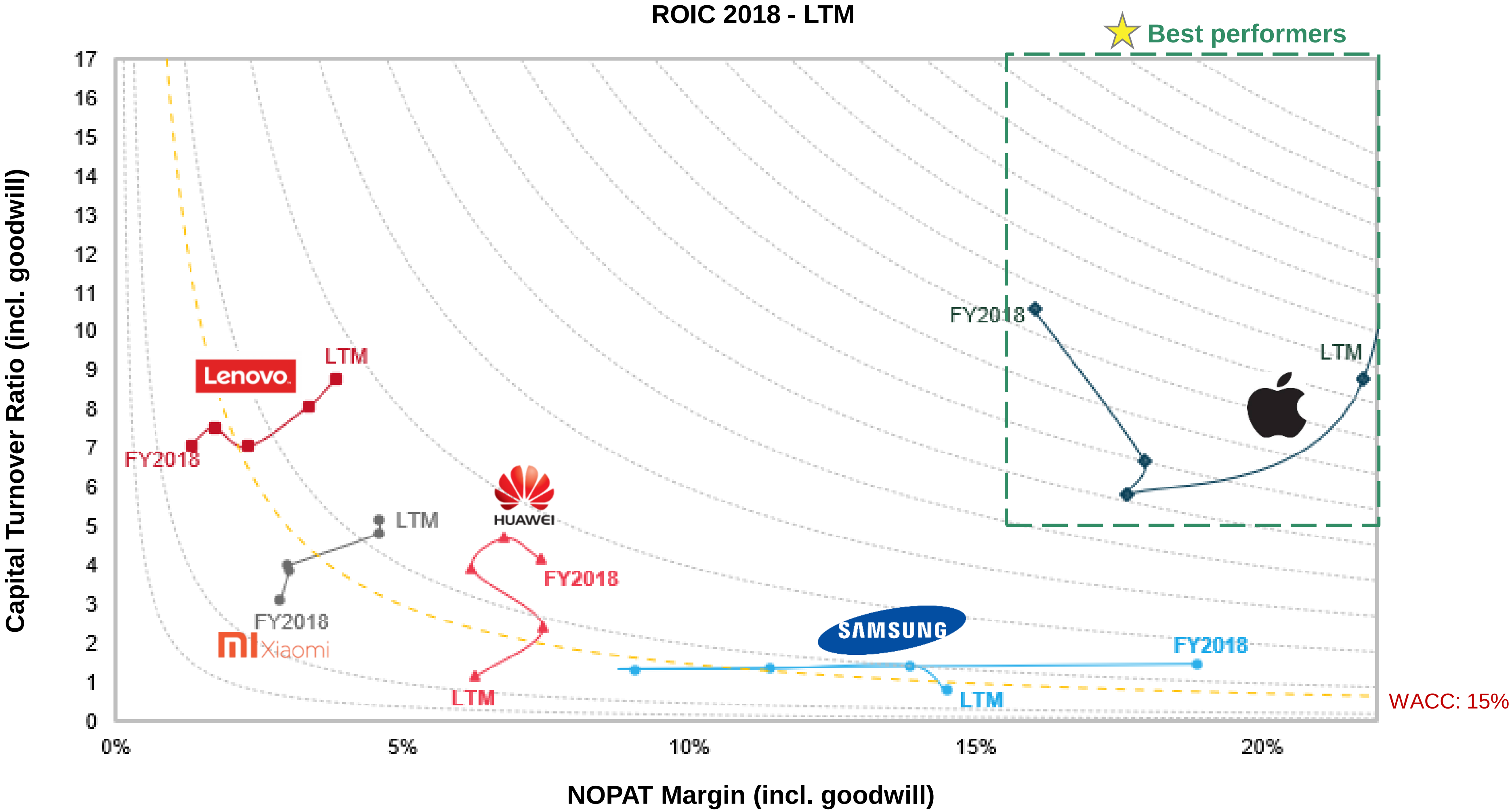
Global PC shipments
Million units



World PC shipments fell by 4% YoY in Q4’22 to 79M units as supply chains turned conservative after global inflation and regional conflicts which brought uncertainties to the PC demand momentum. What’s more, recent lockdowns in Shanghai where many manufacturing lines are located lead to further complications, but as restrictions ease it may lead to shipment corrections further on in 2022.

Note: Global wearables shipments Q1’22 data is missing.
Source: IDC, Counterpoint Research and Applied Value Analysis.

Most peers reported positive ROIC development in LTM



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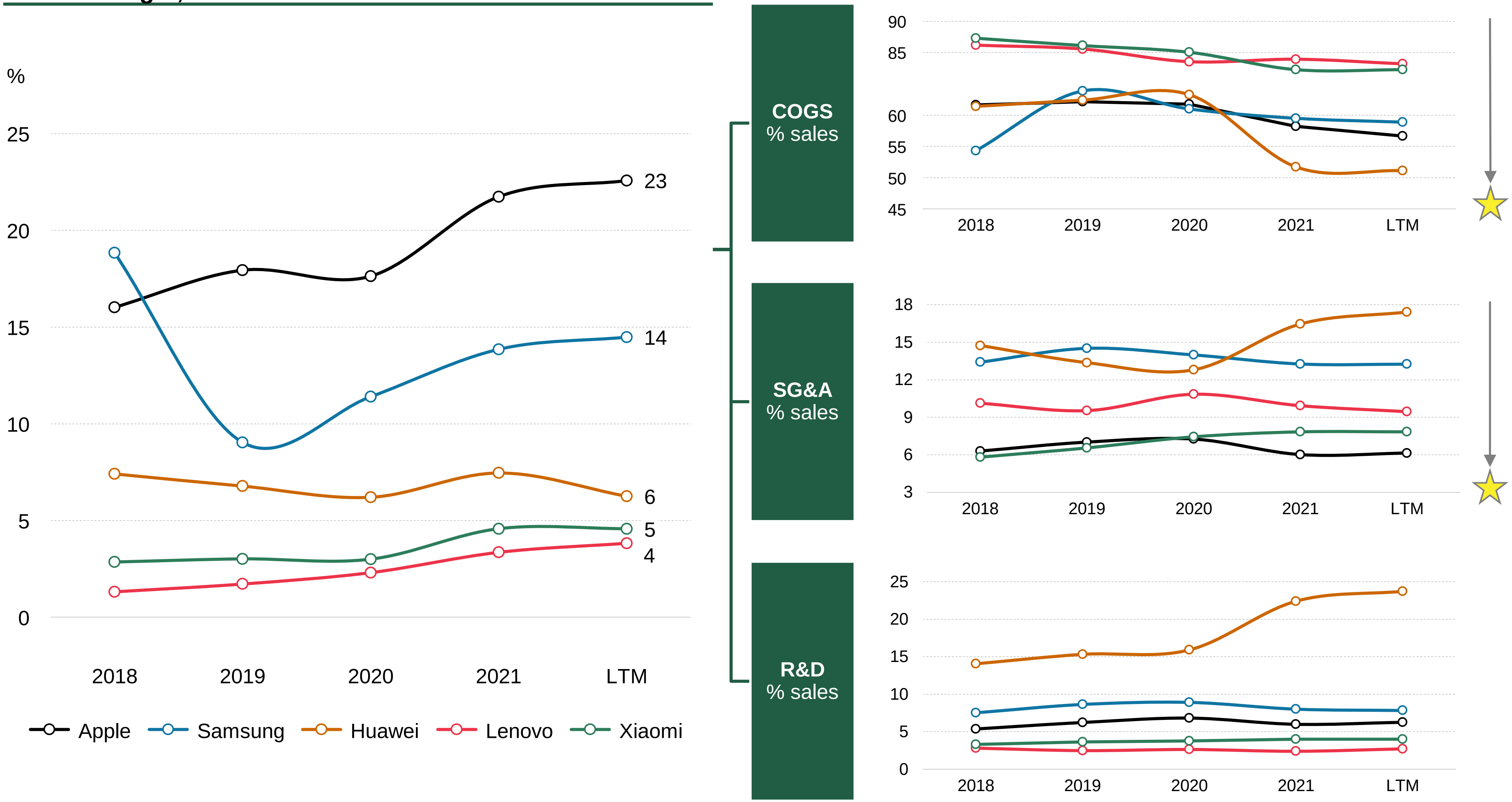
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Apple NOPAT margin reached 23% in LTM, improvements seen for all OEMs except for Huawei

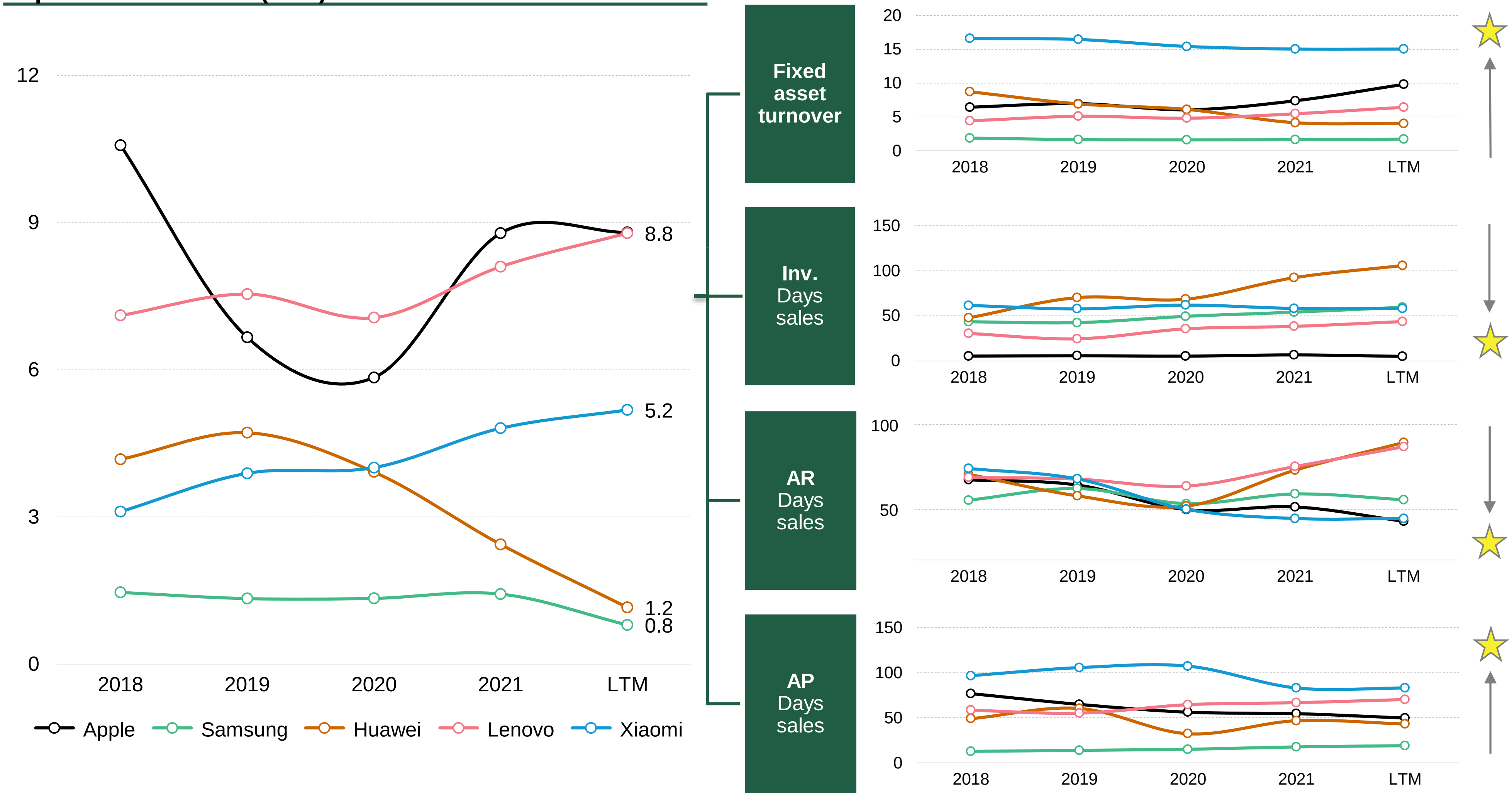
NOPAT margin, %



Note: LTM analysis of Xiaomi is based on data from Q1'21 – Q4'21.
Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Huawei CTR continued to decline to 1.2 in LTM while CTR for Xiaomi and Lenovo has improved consistently since 2020

Capital turnover ratio (CTR)



Note: LTM analysis of Apple and Xiaomi are based on data from Q1'21 – Q4'21.

Source: S&P Capital IQ, Annual & quarterly reports, Applied Value Analysis.

Contents

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