

Top smart phone vendors hit record volumes in Q4

➤ Samsung and Apple vie to outdo each other as the leading global vendor

Shanghai, Palo Alto, Singapore and Reading - Friday, 27 January 2012

Canalys today provided analysis of recent, record-achieving financial results issued by key smart phone vendors. The analyst firm noted strong performance from Apple and Samsung, but less than stellar outcomes for others. Leading the pack, Apple not only broke its own sales and financial records and bested the financial performances of technology companies throughout history, but also smashed the record for the most smart phones shipped globally in a single quarter by a single vendor. The 37.0 million iPhones shipped in Q4 beat the previous record of 28.3 million devices shipped by Nokia in Q4 2010. The huge volume of iPhones also exceeded the size of the entire market of four years ago, when a total of 35.5 million smart phones shipped globally. Apple's quarterly revenue hit \$46.3 billion, profit came in at \$13.1 billion, and gross margin reached 44.7%, which was above Apple's guidance. The company ended the quarter with \$97.6 billion in cash.

"Apple's strong performance will no doubt be a concern to its competition, which need to keep pace with Apple's innovation, defend against its patent litigation, and deliver products that can truly compete with the iPhone," said Canalys Vice President and Principal Analyst Chris Jones. "Despite initial disappointment surrounding the lackluster new features of the iPhone 4S, the model has clearly been a triumph, and shipments benefitted from pent-up market demand."

The iPhone 3GS, now in its thirty-second month of sales, continues to boost shipment volumes. "Apple noted in its investors' call that it has been particularly successful in mainland China, though the iPhone 4S only launched there last week, again to exceptional demand," Jones added. "This kind of performance demonstrates the powerful aspirational pull the brand has achieved in markets all around the world."

Hot on Apple's heels, Samsung Electronics announced a 13% year-on-year increase in revenues to 47.3 trillion South Korean won (\$42.1 billion), and a 76% increase in operating profit to 5.3 trillion South Korean won (\$4.7 billion). The telecommunications division, which includes its mobile phone and tablet business, also achieved record earnings and profits. Samsung does not publicly announce its shipment numbers, but revealed impressive quarterly growth in smart phones of around 30%. The vendor also said that its mobile phone shipments increased by more than 10%. The smart phone figures include devices shipped under the Google and T-Mobile brands.

"Samsung has a strong portfolio and entices consumers with flagship models, such as the Galaxy S II, but it also offers a wide range of devices at price points that appeal to customers who are upgrading from feature phones," said Canalys Principal Analyst Pete Cunningham. "The Galaxy Note was a new departure for Samsung in Q4 2011, with its 5.3 inch screen and stylus. Devices with larger screens (4.7 inches and above) are a niche proposition; nonetheless, some markets exhibited strong demand."

Nokia posted a slight annual decline in its mobile phone volumes (excluding smart phones) at 93.9 million units in the quarter, but Canalys expects its line-up of Series 40 Asha products in the first quarter of 2012 to help it maintain its market position, particularly in emerging markets.

In addition, Nokia shipped 19.6 million smart phones, which was substantially down on Q4 2010, but a decent performance given its current transitional state. Initial shipments of more than 1 million Nokia Windows Phone-based Lumia smart phones into a limited number of countries helped buoy volumes. Despite leaving room for optimism around its smart phone performance, the company's financial results were disappointing. Nokia's revenues fell 21% from €12.7 billion (\$16.6 billion) a year ago to €10.0 billion (\$13.2 billion) in Q4 2011, and it suffered a €1.1 billion (\$1.4 billion) net loss.

"Nokia's new Windows Phone devices are an important step forward for the company, and that it managed to bring two products to market in 2011 and announce another device for North America in the opening weeks of the year is very encouraging," said Cunningham. "All three Lumia models are well designed, credible and competitive. They demonstrate Nokia's ability to produce high-quality smart phones, but they are not game changers, and the company still has a lot of work to do. We expect more announcements at Mobile World Congress and Nokia needs to deliver further innovative Lumia products to lure new customers."

"Q4 proved to be a tough quarter for many vendors, not least because of substantial demand for the iPhone 4S," said Jones. "The numbers are still coming in, but our early take on the state of the smart phone market is that, while Apple and Samsung clearly saw phenomenal performances, many other vendors have struggled. The full impact of this difficult quarter on hardware and software vendors will become clearer over the next week, when final results from the likes HTC, LG, Huawei and ZTE are announced, and Canalys publishes its full Q4 2011 worldwide country-level databases."

Canalys analysts in Asia Pacific, the Americas and EMEA are available for press interviews on topics related to all mobile devices and the growing ecosystem for mobile applications and services. There will also be a significant Canalys analyst presence at Mobile World Congress in Barcelona from 26 to 29 February 2012. To arrange an interview or meeting, please send a request to press@canalys.com. Photos and bios of analysts are available from the Canalys web site.

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