Global I/O Smartphones

Memory to continue to weigh in on Smartphones in 2027

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Smartphone unit Sell-In -3% YoY in '27E; initial '28E forecasts at +2% YoY

UBS 3Q26 APAC Tech Tour takeaways (link) continue to point towards (1) further downside for Android ex-Samsung smartphone unit builds into 2027, and (2) relative resilience for Apple and Samsung. Memory procurement could turn out to be incrementally more challenging for smartphone OEMs in 2027 than in 2026. Memory makers continue to prioritise hyperscale and AI customers. Hence memory supply could be even more of a bottleneck next year. **As such, we further de-risk our '27E smartphone unit Sell-In forecasts to 1.11bn (-3% YoY) from 1.16bn (+2% YoY) prior and roll out initial '28E forecasts at 1.13bn (+2% YoY). We leave our '26E forecasts unchanged at 1.14bn (-10% YoY).**

Memory costs continue to go higher

We now estimate memory to account for 35% of the bill of material (BOM) costs of flagship/premium smartphones and 56% of those of low-end smartphones by 4Q26E (from 13%/29% in 4Q25), based on our current base case scenario of the DRAM/NAND upcycle extending until at least 2Q28E/4Q27E. This is broadly consistent with Xiaomi's commentary that memory now accounts for 40% of average smartphone BOM costs and 50-60% of low-end BOM costs. We believe the current memory cycle will remain a key challenge for OEMs as (1) increasing costs continue to pressure margins, and (2) ASP hikes aiming to offset such pressures are likely to pose incremental downside risk to end demand. Over the long term, we believe cost control will be more manageable for Apple and, to a lesser extent, Samsung, given their premium product portfolio, while more detrimental for others.

Apple & Samsung outperformance likely to continue

Global smartphone unit Sell-Through (source: Counterpoint) is now down 8.4% YoY Jul '26 YTD. Within this, we note Apple (+8.9% YoY) and Samsung (-4.8% YoY; Sell-In up YoY implies some channel inventory build) continue to outperform their Chinese Android peers (Vivo/Xiaomi/Oppo/Transsion: -16.4%/-17.9%/-18.4%/-22.4% YoY). With premium models like to fare better in this downturn, we believe Apple and, to a lesser extent, Samsung will continue to outperform the broader market and gain incremental share. iPhone suppliers continue to expect '27E to be a strong year for Apple, with the iPhone Duo (c.10m units in first 12M) as well as the new launch schedule likely to drive YoY unit growth. Samsung continues to believe it will be able to grow unit and gain market share, though profitability will remain a concern.

Selective on smartphone plays; prefer memory/MLCC suppliers

Within the smartphone supply chain, we continue to prefer MediaTek and Samsung (both APAC Key Call Buy) as well as ASE, Hon Hai, JCET, Micron, Murata, SEMCO, SK Hynix and TSMC (all Buy). We remain cautious on LG Display, Maxscend, Xiaomi (all Neutral) and Largan (Sell). We have Neutral ratings on OEMs Apple and Transsion.



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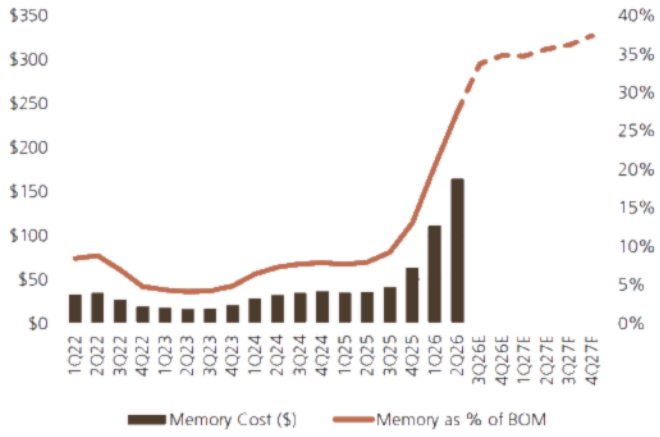
KEY CHARTS

Figure 1: Most/Least Preferred lists

Company	Ticker	Analyst	Rating	Price	PT	'27E PE	'28E PE	'27E P/BV	'28E P/BV
Most preferred									
ASE	3711.TW	Sunny Lin	Buy	NT$638	NT$835	20.5	16.4	5.39	4.66
Hon Hai Precision	2317.TW	Randy Abrams	Buy	NT$250.5	NT$340	14.7	12.8	1.87	1.70
JCET Group	600584.SS	Jimmy Yu	Buy	Rmb73	Rmb135	31.8	23.2	3.76	3.30
MediaTek	2454.TW	Sunny Lin	Buy	NT$4710	NT$6500	26.0	15.6	12.96	9.84
Micron Technology	MU.O	Timothy Arcuri	Buy	US$1015.8	US$1625	5.4	3.7	4.48	3.00
Murata Mfg	JP6981	Shingo Hirata	Buy	¥7763	¥13200	23.9	17.7	4.51	3.92
Samsung Electronics	005930.KS	Nicolas Gaudois	Buy	Won261000	Won535000	3.6	3.1	1.52	1.16
SEMCO	009150.KS	Jimmy Yoon	Buy	Won1388000	Won2700000	24.8	15.6	6.84	4.85
SK Hynix	000660.KS	Nicolas Gaudois	Buy	Won1857000	Won3000000	3.0	2.4	2.27	1.62
TSMC	2330.TW	Sunny Lin	Buy	NT$2460	NT$3650	16.5	12.4	6.08	4.44
Least preferred									
Largan	3008.TW	Randy Abrams	Sell	NT$6430	NT$5000	30.0	25.7	3.96	3.64
LG Display	034220.KS	Jimmy Yoon	Neutral	Won8400	Won11600	7.2	5.2	0.57	0.52
Maxscend	300782.SZ	Jimmy Yu	Neutral	Rmb73.74	Rmb80.2	NM	146.9	3.40	3.32
Xiaomi	1810.HK	Jimmy Yu	Neutral	Rmb26.4	Rmb30.4	19.6	13.5	1.97	1.73

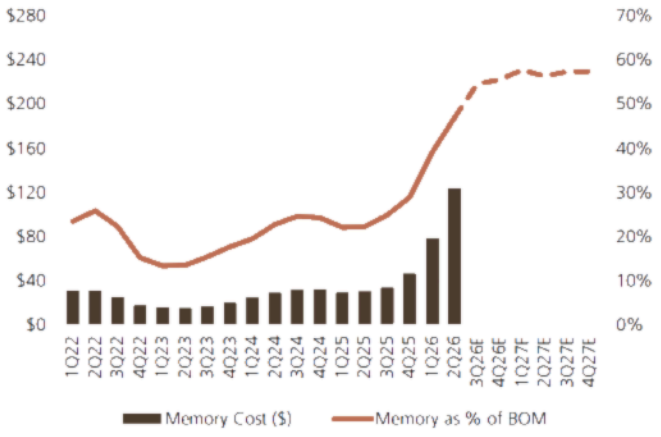
Source: UBS estimates. Prices as of 18 September 2026.

Figure 2: DRAM/NAND as % of flagship smartphone BOM costs



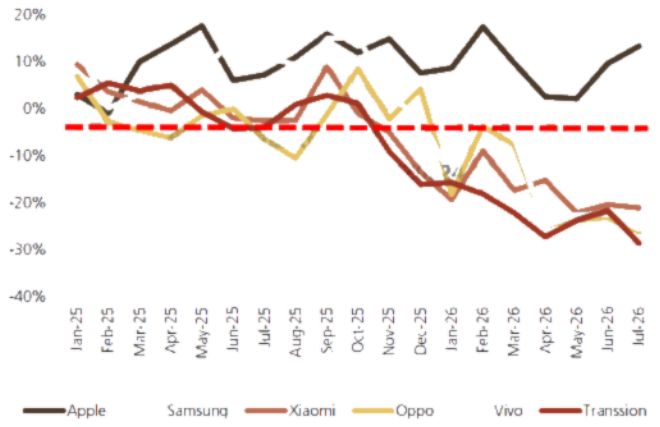
Source: Counterpoint, Fomalhaut, UBS estimates

Figure 3: DRAM/NAND as % of low-end smartphone BOM costs



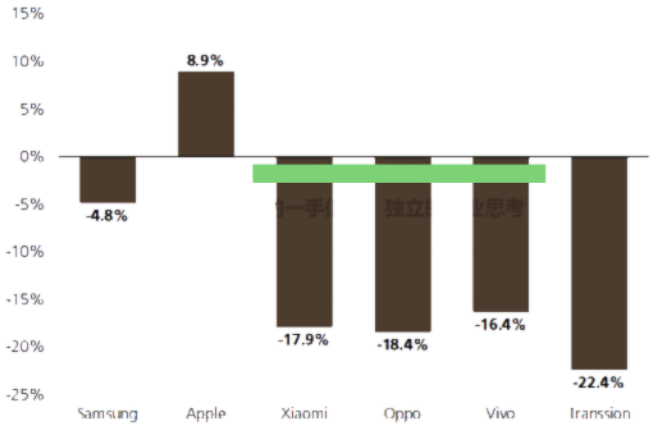
Source: Gartner, UBS estimates

Figure 4: YoY smartphone unit Sell-Through growth by major OEM, Jan '25 - Jul '26



Source: Counterpoint

Figure 5: YoY smartphone unit Sell-Through growth by major OEM, Jul '26 YTD



Source: Counterpoint

Figure 6: UBS smartphone unit Sell-In forecasts

Smartphone volume (m)		2025	1Q26	2Q26	3Q26E	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	1Q28E	2Q28E	3Q28E	4Q28E	2028E
Samsung		**240**	**60**	**65**	**66**	**60**	**250**	**67**	**64**	**66**	**61**	**258**	**67**	**65**	**67**	**62**	**261**
	% YoY	*7%*	*-2%*	*12%*	*8%*	*0%*	*4%*	*12%*	*-1%*	*0%*	*2%*	*3%*	*1%*	*2%*	*2%*	*2%*	*1%*
	% of total	*19%*	*20%*	*23%*	*24%*	*20%*	*22%*	*24%*	*24%*	*25%*	*21%*	*23%*	*24%*	*24%*	*25%*	*20%*	*23%*
Apple		**241**	**60**	**56**	**55**	**90**	**261**	**63**	**59**	**58**	**94**	**273**	**66**	**61**	**60**	**96**	**283**
	% YoY	*9%*	*17%*	*23%*	*3%*	*0%*	*8%*	*5%*	*5%*	*5%*	*4%*	*5%*	*4%*	*4%*	*4%*	*3%*	*4%*
	% of total	*19%*	*20%*	*20%*	*20%*	*30%*	*23%*	*23%*	*22%*	*22%*	*32%*	*25%*	*24%*	*22%*	*22%*	*32%*	*25%*
Huawei		**48**	**14**	**16**	**14**	**13**	**56**	**14**	**16**	**14**	**13**	**57**	**14**	**16**	**14**	**14**	**58**
	% YoY	*0%*	*3%*	*24%*	*27%*	*12%*	*16%*	*4%*	*3%*	*0%*	*0%*	*2%*	*0%*	*0%*	*0%*	*8%*	*2%*
	% of total	*4%*	*5%*	*6%*	*5%*	*4%*	*5%*	*5%*	*6%*	*5%*	*4%*	*5%*	*5%*	*6%*	*5%*	*5%*	*5%*
OPPO*		**102**	**31**	**29**	**21**	**18**	**99**	**22**	**22**	**22**	**22**	**88**	**22**	**22**	**22**	**22**	**88**
	% YoY	*-3%*	*31%*	*20%*	*-24%*	*-33%*	*-3%*	*-28%*	*-24%*	*5%*	*22%*	*-11%*	*0%*	*0%*	*0%*	*0%*	*0%*
	% of total	*8%*	*10%*	*10%*	*8%*	*6%*	*9%*	*8%*	*8%*	*8%*	*7%*	*8%*	*8%*	*8%*	*8%*	*7%*	*8%*
Vivo		**106**	**21**	**21**	**20**	**21**	**83**	**19**	**19**	**19**	**19**	**76**	**19**	**19**	**19**	**19**	**76**
	% YoY	*6%*	*-7%*	*-22%*	*-31%*	*-22%*	*-21%*	*-10%*	*-10%*	*-5%*	*-10%*	*-9%*	*0%*	*0%*	*0%*	*0%*	*0%*
	% of total	*8%*	*7%*	*8%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*6%*	*7%*	*7%*	*7%*	*7%*	*6%*	*7%*
Xiaomi		**165**	**34**	**31**	**29**	**29**	**123**	**29**	**28**	**27**	**27**	**111**	**31**	**30**	**29**	**29**	**119**
	% YoY	*-2%*	*-19%*	*-26%*	*-32%*	*-24%*	*-26%*	*-14%*	*-10%*	*-8%*	*-7%*	*-10%*	*7%*	*7%*	*7%*	*10%*	*8%*
	% of total	*13%*	*12%*	*11%*	*11%*	*10%*	*11%*	*11%*	*10%*	*10%*	*9%*	*10%*	*11%*	*11%*	*11%*	*10%*	*11%*
Transsion		**96**	**19**	**20**	**18**	**17**	**74**	**19**	**20**	**19**	**18**	**75**	**19**	**21**	**20**	**21**	**81**
	% YoY	*-9%*	*-10%*	*-16%*	*-37%*	*-25%*	*-23%*	*0%*	*-3%*	*1%*	*6%*	*1%*	*0%*	*8%*	*8%*	*18%*	*8%*
	% of total	*7%*	*6%*	*7%*	*6%*	*5%*	*6%*	*7%*	*7%*	*6%*	*6%*	*6%*	*6%*	*7%*	*7%*	*6%*	*7%*
Lenovo		**55**	**13**	**13**	**13**	**13**	**51**	**12**	**12**	**14**	**13**	**50**	**12**	**12**	**13**	**13**	**51**
	% YoY	*3%*	*6%*	*-8%*	*-8%*	*-15%*	*-7%*	*-10%*	*-6%*	*3%*	*3%*	*-3%*	*5%*	*6%*	*-2%*	*0%*	*2%*
	% of total	*4%*	*4%*	*5%*	*5%*	*4%*	*5%*	*4%*	*4%*	*5%*	*4%*	*5%*	*4%*	*5%*	*5%*	*4%*	*5%*
Honor		**69**	**19**	**14**	**14**	**14**	**61**	**14**	**14**	**14**	**14**	**56**	**14**	**14**	**14**	**14**	**56**
	% YoY	*8%*	*12%*	*-13%*	*-20%*	*-24%*	*-12%*	*-26%*	*0%*	*0%*	*0%*	*-8%*	*0%*	*0%*	*0%*	*0%*	*0%*
	% of total	*5%*	*6%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Other		**143**	**24**	**12**	**23**	**22**	**80**	**15**	**15**	**16**	**16**	**62**	**13**	**13**	**14**	**14**	**54**
	% YoY	*8%*	*-42%*	*-65%*	*-39%*	*-32%*	*-44%*	*-38%*	*26%*	*-29%*	*-24%*	*-22%*	*-13%*	*-13%*	*-13%*	*-16%*	*-14%*
	% of total	*11%*	*8%*	*4%*	*8%*	*7%*	*7%*	*5%*	*6%*	*6%*	*6%*	*6%*	*5%*	*5%*	*5%*	*5%*	*5%*
Total		**1,265**	**294**	**276**	**273**	**295**	**1,139**	**273**	**268**	**268**	**296**	**1,105**	**277**	**274**	**272**	**304**	**1,127**
	% YoY	*3%*	*-4%*	*-7%*	*-15%*	*-13%*	*-10%*	*-7%*	*-3%*	*-2%*	*0%*	*-3%*	*1%*	*2%*	*2%*	*3%*	*2%*

Source: Gartner, Company data, UBS estimates. *Note: Oppo units include OnePlus but exclude Realme.

Valuation Method and Risk Statement

The handset industry, as part of consumer electronics, is cyclically sensitive to the economy and so upside and downside risks relate to macro drivers. Other downside risks include the rapid loss of market share due to poor product timing, design or distribution. The supply chain companies into the handset industry also operate in a highly cyclical market both from macro concerns and inventory cycles within the supply chain. These companies also operate in a highly competitive environment with product innovation and R&D investments critical to success. Valuation methods across the sector include multiple analysis.