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# Taiwan notebooks

DIGITIMES Research  
ICT Report – 4Q 2008

Original Chinese: Joanne Chien, DIGITIMES Research, January 2009

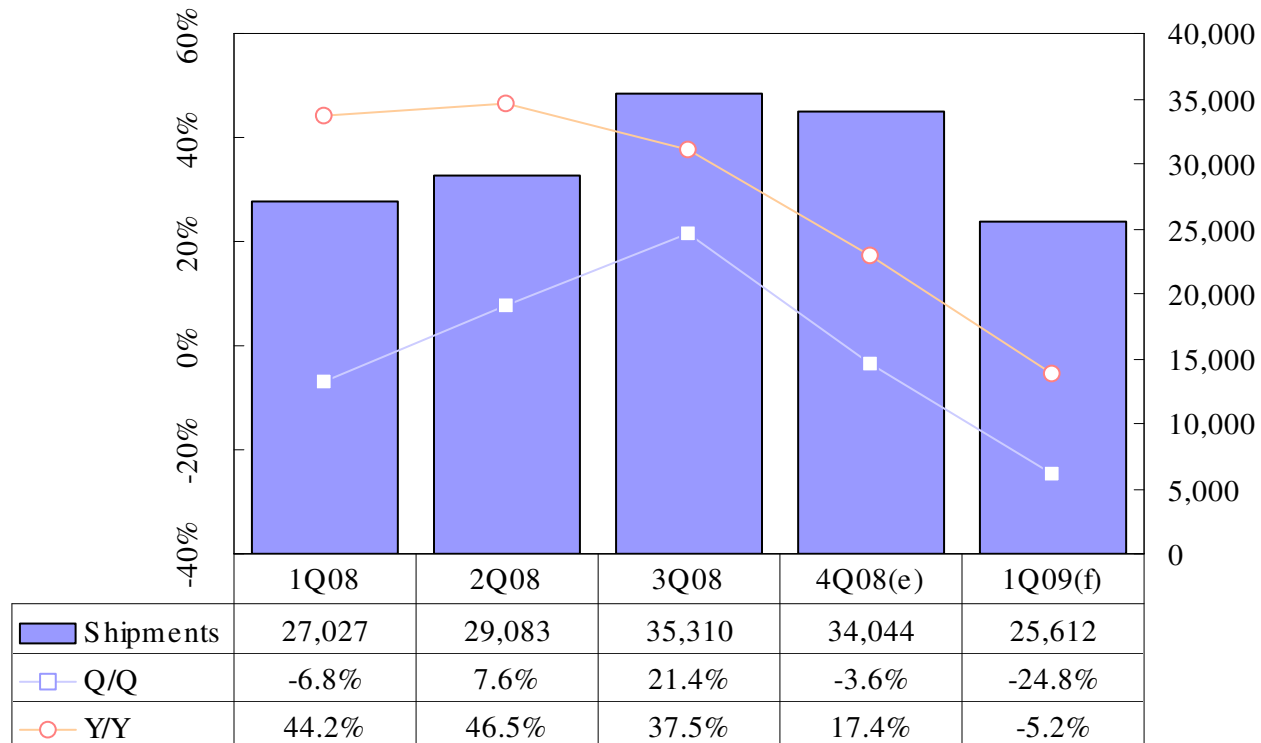
English edition: Joseph Tsai, DIGITIMES, January 2009

# Introduction

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- ✓ Taiwan shipped 34.04 million notebook PCs in the fourth quarter of 2008, down 3.6% sequentially but up 17.4% from the same period one year earlier.
- ✓ In the first quarter of 2009, shipments will decrease about 25% sequentially and 5% on year.
- ✓ Taiwan shipped 125.5 million notebooks in 2008, representing growth of 34.5% from 2007 and surpassing the global growth rate of 31.8%.
- ✓ Taiwan accounted for 91.4% of the global notebook market in 2008 and the share is forecast to increase to 93.5% in 2009.
- ✓ *NOTE: Unless otherwise indicated, all figures and tables in this report refer to output from Taiwan makers.*

# Notebook shipments, 1Q08-1Q09 (k units)



# Industry watch (1)

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- ✓ In 4Q08, Taiwan's notebook industry saw its first ever sequential shipment drop for a fourth quarter. A depressed economy causing global PC vendors to halt their notebook shipments from Taiwan was the main reason for the decline.
- ✓ Netbooks continued to play a key role in the notebook market with shipments of 6.62 million units in 4Q08. The shipments were equivalent to a market share of about 19.5% of notebook shipments, up from 14.8% in 3Q08.
- ✓ The ongoing sluggish global economy, coupled with overstocked inventory and the traditional slow season will cause Taiwan's notebook industry to see a relatively dramatic shipment decline in 1Q09 for both an on-year and on-month basis.
- ✓ Netbook demand will remain at current ratios in 1Q09 with a 19% share of Taiwan's shipments.

## Industry watch (2)

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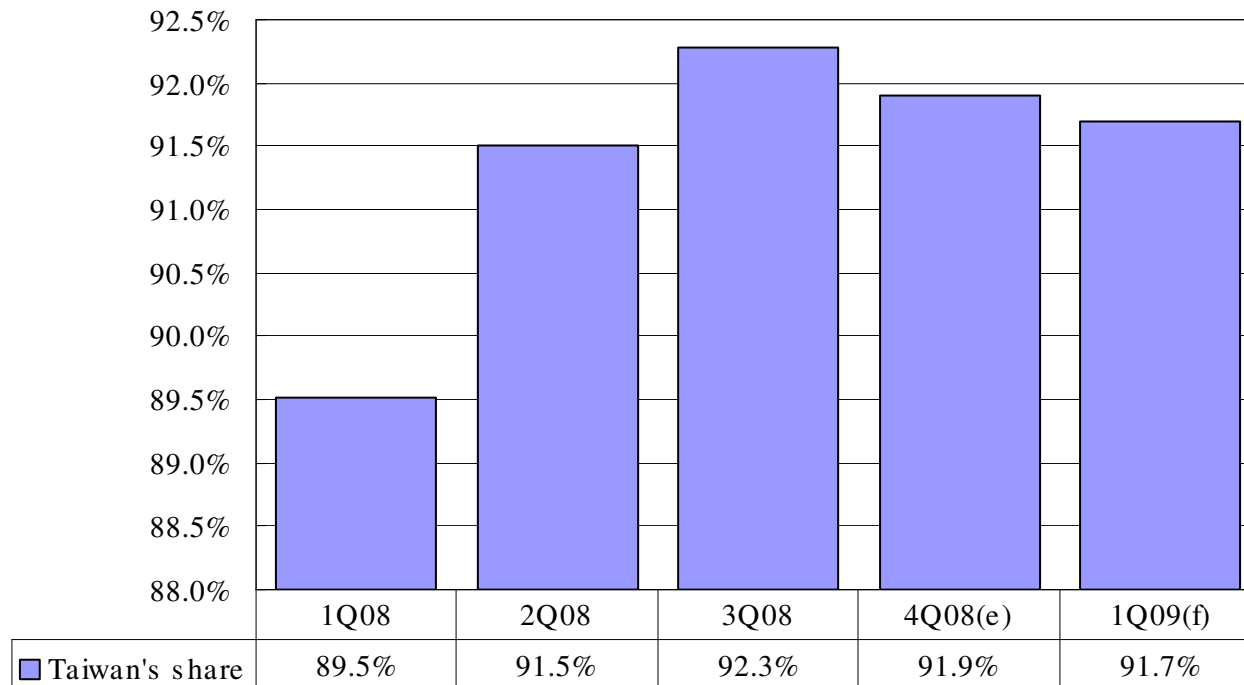
- ✓ AMD recently launched its Yukon and Congo platforms for the ultra-thin notebook market with the related products scheduled to appear in the channel in 2009. AMD is targeting its platforms to 13-inch and larger segments with an average selling price (ASP) below US\$500.
- ✓ Intel has also launched its consumer ultra low voltage (CULV) platform for the ultra-thin notebook market targeting larger than 10-inch segments and is offering an ASP ranged from US\$699-899.
- ✓ AMD's Yukon and Congo and Intel's CULV platform will allow 11- to 13-inch ultra-thin notebook to become more affordable to consumers, but with the notebook's mobility and pricing still unable to match those of netbooks, the product will mainly impact the mainstream notebook market.
- ✓ Both CPU makers and notebook makers are focusing on low price and thinner size, so netbooks and ultra-thin notebooks will be the major shipment contributors for the notebook market in 2009, with the former expanding mature markets as a second PC, while the later will expand the emerging market.

## Industry watch (3)

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- ✓ Surging growth in the netbook market has attracted ARM-based CPU makers and local white-box netbook players in China. Netbooks that pair ARM-based CPU and Linux operation systems will be launched in April this year, while China's white-box netbook makers are going through CPU makers such as VIA and RDC Semiconductor to launch netbook in China.
- ✓ Intel has also recently said to be providing supply and support of its Atom processor to white-box netbook makers in China.
- ✓ Although there are already several China-made white-box netbooks in the market, these China makers are still at the stage of forming a supply chain will still require a lot of improvement over their current industry supply chain networks.
- ✓ Digitimes research estimates that the white-box netbook market will only account for 10% of global netbook sales in 2009, an equivalent to a volume of around 2-3 million units. Therefore the white-box netbook market will only have very small affect on the global notebook market in 2009.
- ✓ However, if the maturity of the white-box netbook industry chain and the quality of China's local white-box netbook can surpass expectations, the low priced products in the segment may have a chance to cut into China's desktop PC market.

# Taiwan's share of worldwide notebook shipments, 1Q08-1Q09



# Notebook shipments by vendor tier, 4Q07-1Q09



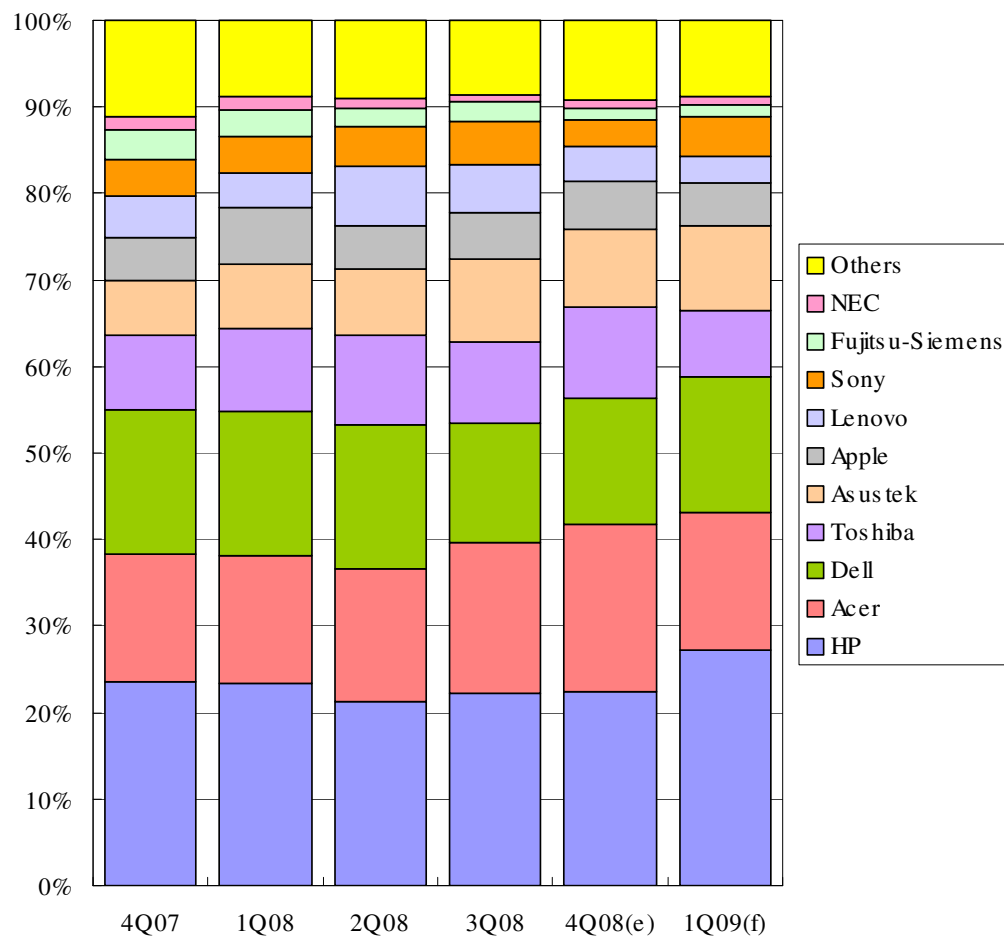


# Notebook shipments by vendor tier, 4Q07-1Q09

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- ✓ With non-top 10 vendors aggressively launching new netbooks after Intel saw an ease in its tight Atom processor supply, plus Intel increasing its Classmate PC orders, non-top 10 vendors were able to increase their shipments a slight 4% and gain share. The fourth quarter holiday season is also the hot season for channel brands and their consumer notebooks.
- ✓ Although non-top 10 vendors' netbook shipments in 1Q09 will drop more than those of top-10 vendors, and despite the first quarter usually affecting smaller vendors more so than larger ones, overstocked inventory at top 10 vendors will prevent that segment from gaining too much market share .

# Shipments to top-10 brands, 4Q07-1Q09 (1)



## Shipments to top-10 brands, 4Q07-1Q09 (2)

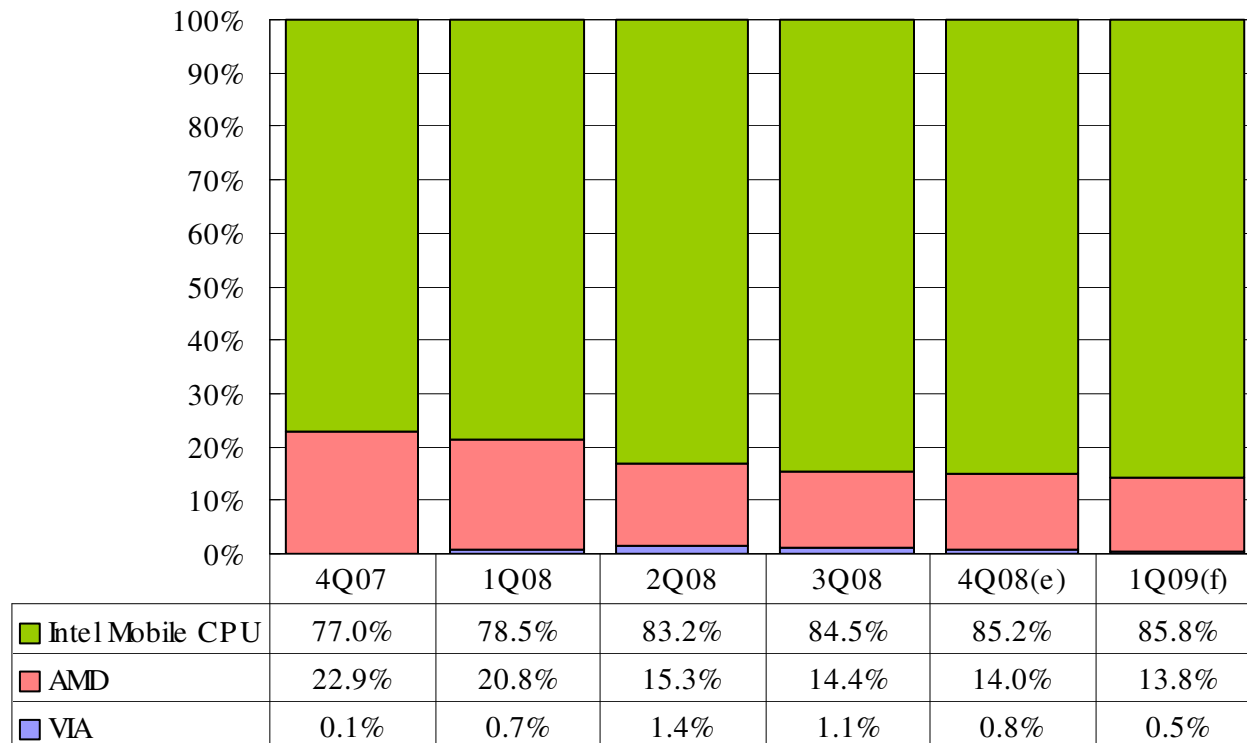
	4Q07	1Q08	2Q08	3Q08	4Q08(e)	1Q09(f)
HP	23.6%	23.4%	21.3%	22.3%	22.5%	27.3%
Acer	14.8%	14.7%	15.3%	17.4%	19.2%	15.9%
Dell	16.7%	16.6%	16.8%	13.7%	14.7%	15.6%
Toshiba	8.6%	9.7%	10.3%	9.4%	10.6%	7.8%
Asustek	6.4%	7.4%	7.5%	9.6%	9.0%	9.8%
Apple	5.0%	6.5%	5.1%	5.4%	5.6%	4.9%
Lenovo	4.8%	4.1%	6.9%	5.5%	4.0%	3.1%
Sony	4.1%	4.2%	4.5%	5.0%	2.9%	4.6%
Fujitsu-Sier	3.6%	3.1%	2.1%	2.2%	1.3%	1.3%
NEC	1.5%	1.5%	1.1%	0.9%	1.1%	1.1%
Others	11.1%	8.7%	9.1%	8.5%	9.2%	8.8%

# Shipments to top-10 brands, 4Q07-1Q09

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- ✓ Due to Sony turning conservative about future market demand, along with the company reducing orders to prepare for its self-made new notebook in 1Q09, shipments to the company in 4Q08 dropped over 40% sequentially.
- ✓ Shipments to Lenovo in 4Q08 dropped around 30% on quarter due to channel inventory pressure.
- ✓ Shipments to Asustek dropped around 10% sequentially due to the company's under-performance in its traditional notebook segment.
- ✓ Problems with Fujitsu-Siemens' enterprise-based software system and market rumors that the company will be sold led to reduced channel confidence and shipments dropped over 40% in 4Q08.
- ✓ In 1Q09, Taiwan's notebook shipments to almost all PC vendors will drop. Sony will be the only top-10 vendor with positive shipment growth.
- ✓ Among the companies that decrease their shipments, HP will have the best results in 1Q09. Its shipments will fall only 9%. All other vendors will see a shipment drop of at least 18%.
- ✓ Shipments to Acer, Toshiba, Apple, Lenovo, Fujitsu-Siemens and NEC will all drop over 24% sequentially in 1Q09. Toshiba will see the worst drop (45%) due to the company's overstock inventory coming from its increased orders in 4Q08, when its orders increased 9%.

# Notebook shipments by CPU, 4Q07-1Q09

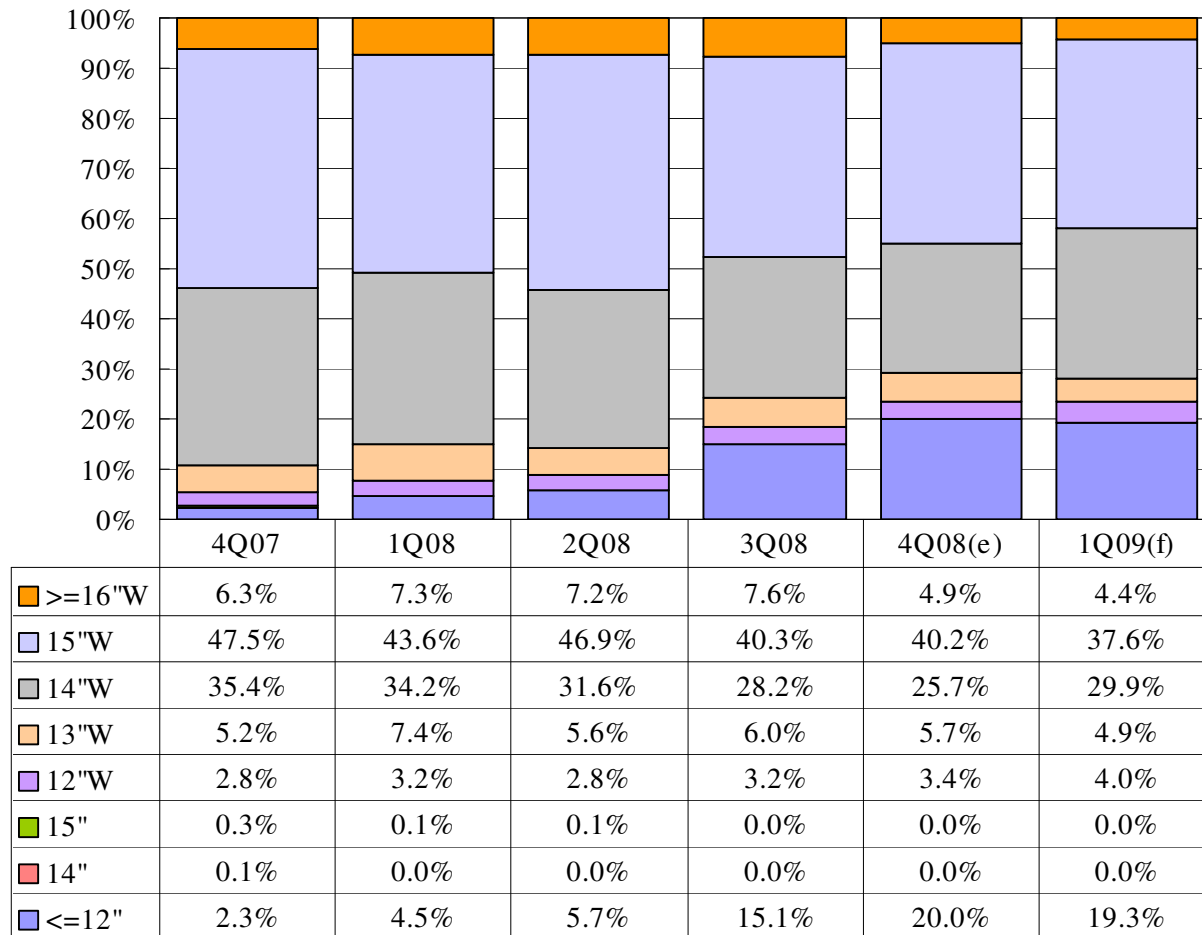


# Notebook shipments by CPU, 4Q07-1Q09

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- ✓ Due to the increased shipments of Intel-based netbooks, the proportions of AMD-based and VIA-based notebook or netbook dropped in 4Q08.
- ✓ Although Hewlett-Packard (HP) will launch a 12-inch notebook using AMD's Yukon platform in 1Q09, the product's shipment volume will be limited during the initial stage and AMD's share will remain flat.
- ✓ HP has recently decided to reduce the order volume of its VIA-based netbook (Mini-Note 2133) and the move will cause shipments of VIA-based notebooks and netbooks to see a further drop in 1Q09.

# Notebook shipments by screen size, 4Q07-1Q09



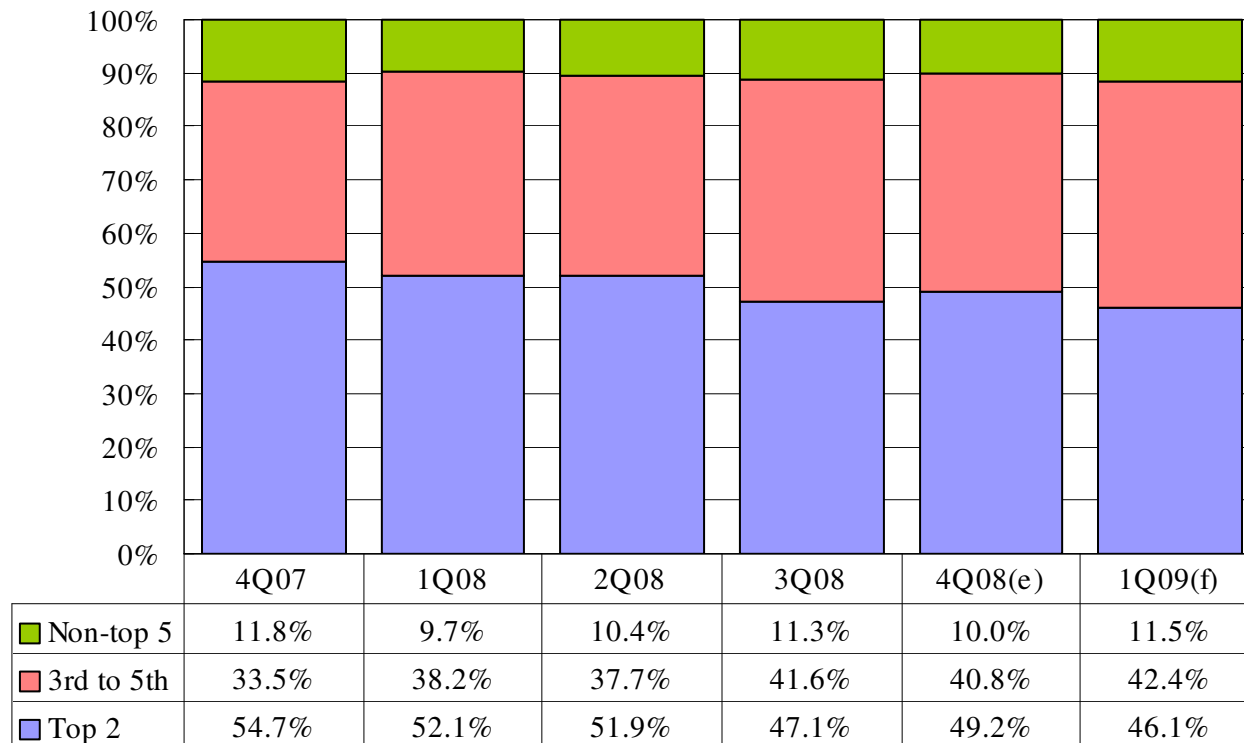
# Notebook shipments by screen size, 4Q07-1Q09

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- ✓ Taiwan's notebook shipments with a panel size of 12-inch and below have seen a strong increase thanks to netbook shipments.
- ✓ The 14-inch segment saw a shipment drop in 4Q08 due to the quarter being the traditional slow season for enterprise notebooks.
- ✓ Among all segments, the 16-inch and above saw the worst sequential shipment drop in 4Q08 due to a slow market for high-end notebooks.
- ✓ Since the first quarter is the traditional slow season for consumer notebooks, segments including the 16-inch and above, 13-inch, 15-inch and 12-inch and below will all take a 30% sequential shipment drop in 1Q09, while the segments of 12-inch and 14-inch, which are more populated by enterprise users, will only drop around 10% sequentially.



# Notebook shipments by maker tier, 4Q07-1Q09

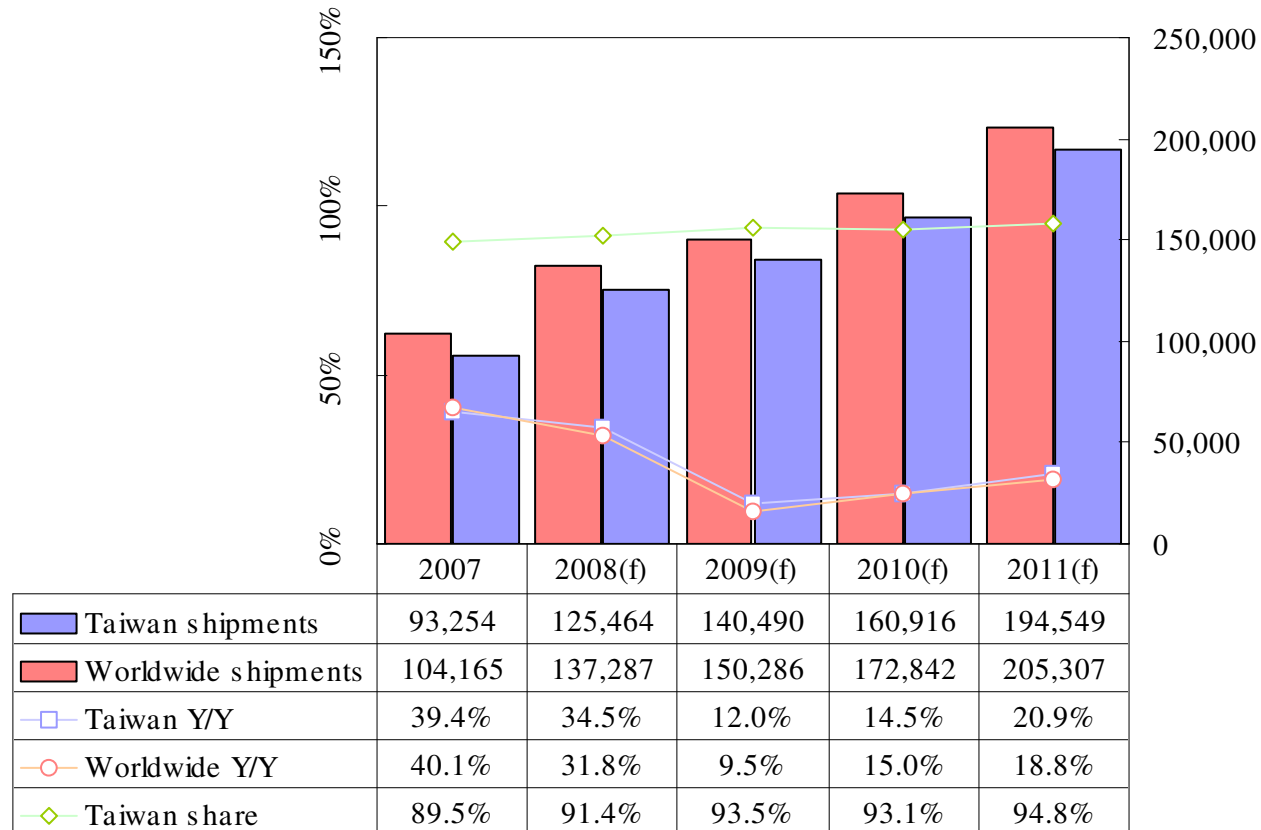


# Notebook shipments by maker tier, 4Q07-1Q09

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- ✓ Wistron took Compal's position and became the second largest Taiwan notebook maker in 4Q08 due to Compal Electronics' suffering order losses from its major clients, while Wistron gained more orders.
- ✓ Quanta Computer remained the top maker in 4Q08 with increased netbook orders from Acer and Dell.
- ✓ Shipments from non-top five makers dropped around 15% sequentially in 4Q08, including Foxconn Electronics (Hon Hai Precision Industry) losing an amount of notebook orders from Sony. However, there were some bright spots. Elitegroup Computer Systems (ECS) had a large amount of netbook shipments.
- ✓ In 1Q09, Compal will regain its position as the second largest notebook maker with renewed orders from its major clients.
- ✓ All the top-five makers will see a quarterly shipment drop around 20-35% in 1Q09 except Compal, which will only have a 2% drop. Quanta's drop will be the worst.
- ✓ Since Foxconn will regain parts of its notebook orders from Sony in 1Q09, shipments from the non-top five makers will drop by only 14%.

# Taiwan and worldwide notebook shipments, 2007-2011 (k units)



# Taiwan and worldwide notebook shipments, 2007-2011 (k units)

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- ✓ In 2009, both Taiwan and global on-year notebook shipment growth will slow down. Although the growth will recover slowly every year, growth will unlikely surpass 30% before 2011.