



Smartphone 'Saturation' Fears for Apple, Samsung

APPLE INC, HTC CORP, ZTE CORP, SAMSUNG C&T CORP, BUSINESS NEWS

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Depressing numbers from [Samsung](#) and [HTC](#) on Friday flagged concerns that the market for smartphone makers, including [Apple](#), could be reaching saturation.

"Apple and Samsung have been dominating the high-end of the market and that's the part of the market that is getting saturated," Francisco Jeronimo, a research director for IDC, told CNBC.

"The new vendors like Huawei and [ZTE](#), and other vendors, particularly from China, are challenging the main vendors because they are improving their experience on their devices at a lower price."

(Read More: [What Happened to Unstoppable Samsung?](#))

Shares of Samsung closed 3.8 percent lower on Friday, after the South Korean electronics giant releasing pre-earnings guidance that missed analysts' expectations. Samsung forecast operating profit rose 47 percent in the second quarter from a year earlier to a record 9.5 trillion won (\$8.3 billion). However, this missed forecasts for a rise to 10.16 trillion won.

"I think there is a lot of concern about the company going forward," Mykola Golovko, global consumer electronics industry analyst at Euromonitor International, told CNBC on Friday.

Samsung is ramping up its low-end smartphone business in order to increase its foothold in emerging markets, to which analysts attributes its narrowing margins.

(Read More: [Samsung Estimates Q2 Record Profit, Misses Forecast](#))

However, Golovko warned that Samsung had few businesses lines to fall back on other than mobiles, and added that competition is increasing, with Apple renewing its product line this year.

"A lot of people are talking about this market reality, where, if we are talking about the smartphone demand... they are really shifting towards the emerging markets, and what that means is lower margins. They are not really selling the Galaxy S4s," Golovko said.

HTC – which makes the award-winning HTC One smartphone – published updated revenues for June, showing a continued slide. Top-line has now fallen 26.43 percent year-on-year.

Year-to-date, HTC's stock has fallen by a third, while Samsung shares have plunged almost 17 percent during the same period. Apple's shares have fallen 21 percent.

(Read More: [Are Markets Pricing in Hard Landing for Smartphones?](#))

However, Chris Tinker, the founder of Libra Investment Services, is still bullish on Samsung's stock, and sees upside in the near-term.

"Like the Apple story, the focus on the key name is something that drives sentiment, often to the detriment of the detailed analysis," Tinker told CNBC.

—By *CNBC.com's Matt Clinch*. Follow him on Twitter [@mattclinch81](#).

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