

iPhone supply chain sends bullish signal on 5G after tepid start

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iPhone suppliers are racing to meet surging demand for Apple Inc.'s 5G handsets after tech-savvy consumers leaped on the first major wireless technology upgrade in a decade.

Robust demand for the devices helped iPhone assembler Hon Hai Precision Industry Co. beat quarterly revenue expectations. British-German chipmaker Dialog Semiconductor Plc increased its revenue forecasts due to stronger-than-expected demand for 5G phones and tablets.

The numbers suggest the world may finally be warming to 5G with its much faster download speeds and more reliable connections. After spending billions of dollars on new infrastructure, carriers have struggled to sell the costly handsets to consumers during an economic crisis.

They were hoping Apple's late arrival to the 5G game would fire up demand, but it's been an uncertain picture for the first few months. Apple shares fell in October after quarterly iPhone sales missed Wall Street estimates and revenue in China slumped, although Chief Executive Officer Tim Cook said the new 5G-ready iPhone 12 line was well received.

"This update confirms continuing strong performance of Apple's hardware line-up, still supported by the need to work from home and to learn from home," said Bryan Garnier analyst Frederic Yoboue. "On top of that it shows that demand for the new iPhones is very buoyant."

Asian countries including South Korea and China have moved fastest in rolling out full 5G services. U.S. phone companies are piling into the technology to sustain profits for the next decade and are racing to offer the broadest, most reliable network.

At an auction of the nation's 5G airwaves on Monday, bids from carriers and pay-TV providers surged past \$76.5 billion, crushing analyst estimates of \$47 billion.

Demand for 5G gear was not a given after several years of sluggish

handset sales that plateaued at around 1.5 billion units in 2019, according to data compiled by Gartner. That's partly because high-end phones have become more expensive: Google, Samsung and Apple have all rolled out several devices costing more than \$1,000.

Europe's less profitable phone industry has avoided a headlong plunge into 5G, wary of rolling out expensive services that consumers won't be ready to pay for. That's left a region that pioneered wireless mobile phones lagging the world in the latest technology, with many countries still lacking full 4G services. In much of the region, 5G signals disappear beyond the limits of big cities.

If European consumers joined the 5G phone rush, it would give a short-term boost to the profits of carriers that make a chunk of their earnings from handset sales, and encourage them to spend more to close gaps in 5G national coverage.

5G Headwinds

Apple's 5G push has been complicated by a shortage of vital chips that manage power consumption in iPhones and other devices.

There's also a turbulent political backdrop. Governments across the globe—led by the U.S.—have banned China's Huawei Technologies Co. and ZTE Corp. from supplying 5G networking equipment, forcing local telecom companies to more expensive alternatives.

Conspiracy theorists have also promoted groundless and widely condemned theories linking 5G to the spread of coronavirus.

That's done little to dent long-term optimism over a technology that allows near-instantaneous video downloads and heralds a wealth of industrial applications from self-driving cars to remote surgery and

connected factories. 5G is expected to generate \$1.15 trillion in revenue by 2025, according to forecasts from the GSMA, an industry body.

"We expect strong consumer demand to continue to filter deeper into the supply chain," said Andrew Gardiner, analyst at Barclays.

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