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Posted on July 20, 2015 by Paul Withers in Manufacturers, News

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Analysts warn near 50 per cent year-on-year quarterly fall sp trouble for manufacturer

HTC's future in smartphones is in serious doubt after it reported a near 50 per cent drop in year-on-year Q2 revenue and losses of more than £150 million.

That is the view of several industry analysts, who have questioned whether the vendor will still exist over the coming years.

The HTC One M9 flagship smartphone was unveiled at Mobile World Congress in February and released on March 31, with many industry analysts telling Mobile News prior to the annual trade show that the company's future hinged on its success.

However, the device has failed to make a serious dent in the market, with HTC reporting unaudited financial results for the April to June period that revealed revenue had fallen from NT\$65.06 billion (€1.3

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billion) to NT\$33.01 billion (£691.7 million). HTC's loss of NT8.03 billion (£167 million) ended a run of four straight profitable quarters.

According to the latest figures from Kantar Worldpanel ComTech, HTC accounted for five per cent of UK smartphone sales in the three months ending May 31 – down from seven per cent from last year. Figures from IDC show HTC accounted for 1.5 per cent of the global smartphone market in Q1, although this was up marginally from the same quarter in Q1 2014.

Troubled times

CCS Insight chief of research Ben Wood said: "These are extremely troubled times for HTC. The warning signs have been there for a long time and you have to question whether HTC has a viable future in smartphones."

"Some of its rivals are hanging in there but you only have to look at HTC's results to see they have had a desperate quarter."

IDC research director for European mobile devices Francisco Jeronimo agreed, claiming that if HTC continues as it is, the manufacturer could soon disappear from the smartphone space.

He added it doesn't have the luxuries of rivals such as Sony and Microsoft, who have a number of businesses where the smartphone remains a "key component".

"HTC's future in smartphones is in doubt and there is a big question mark over whether they will be around in the next 2-3 years. If the business continues as it is, they don't have the money, businesses or content to hold it up."

"Their alternatives are very limited if there are any alternatives at all. Either they make money or they won't survive. To make money, they need to keep growing the business but that isn't happening at the moment."

Analysts pointed to the M9 as being one of the main causes for HTC's current problems, claiming the manufacturer didn't do enough to differentiate it from last year's flagship, the One M8.

M9 has "flopped"

Kantar Worldpanel ComTech chief of research and head of US business Carolina Milanesi said the M9 had "flopped", adding HTC has failed to learn from past mistakes.



"The M9 hasn't lived up to expectations and has flopped. Previously, its mid-tier range was a little stronger so there was something else to fall back on. They put a lot of emphasis on the One M9, but there is not much else in its portfolio to help with overarching sales."

"This is history repeating itself as far as having a good product but doesn't get people's attention in store. The M8 was a good upgrade from the M7 so they were able to capture consumers that were looking for an update. However, the M9 didn't do that."

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HTC declined to comment.

Microsoft still strong

Microsoft has also revealed it is axing 7,800 jobs as part of a restructure of its smartphone and hardware business.

Most of these are expected to come by the end of this year, with Microsoft predicting the full restructure will be completed by March 30, 2016. They are in addition to last July's announcement of 18,000 layoffs.

In an email to staff, Microsoft CEO Satya Nadella said the US technology giant was looking to "better focus and align resources."

According to sales share from Kantar Worldpanel ComTech for the three months ending May 31, Windows accounted for 10 per cent of the UK OS market – up from 9.2 per cent a year ago. Microsoft was the third biggest B2B smartphone vendor in the UK in Q1 according to Canalys, with 24 per cent share.

Analysts said that unlike HTC, Microsoft's future in smartphones is not in doubt, boosted by the expected launch of Windows 10 later this year.

Ovum principal research analyst Richard Edwards said: "Microsoft has recognised what it wants to do to pull the devices business back up onto its knees having acquired it from Nokia. They are saying we will stand by the customers that have invested in our handsets but let's get ourselves a position we can do well in, and that is particularly evident in the business sector.

"For that reason Microsoft needs to continue with its software,

services and apps and productivity tools on devices, and for that reason it will continue to make handsets, especially with the launch of Windows 10."

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