SECTOR UPDATE

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Tech (OVERWEIGHT)

iPhone Duo: Start of USD2,000 smartphone era

- A USD1,000 premium is untenable without a transformative user experience. For Apple Duo, Apple has synchronized the aspect ratio across both displays and enhanced computational capabilities.
- The latest foldable smartphone has around USD400 headroom in bill of materials cost. We recommend investors focus on display-related parts suppliers.

WHAT'S THE STORY?

iPhone Duo—the beginning of Apple's foldable phone era

Apple has launched its first foldable device, the iPhone Duo—marking its entry into a market it has long observed since Samsung Electronics (SEC)'s 2019 debut of the Galaxy Fold. The iPhone Duo adopts a 2:1 aspect ratio form factor, aligning with the design language now established by SEC and Xiaomi. When folded, it offers a compact 5.4-inch external display; when unfolded, it transforms into a 7.6-inch wide display resembling a small tablet.

Crucially, Apple has synchronized the aspect ratio across both displays to enable seamless content continuity during transition. It positioned the 5.4-inch outer display as ideal for one-handed use and easy pocketability, while the inner display offers ample space for content consumption, gaming, and multitasking. Starting at USD1,999 for the 256GB model, it sets a new price record in Apple's smartphone history. We are bullish on the wide-fold form factor and project iPhone Duo shipments of 6m units in 2026 and 15m in 2027.

Alongside the iPhone Duo, Apple introduced the iPhone 18 Pro and Pro Max, both powered by the A20 Pro chip and featuring significant upgrades in camera systems, battery efficiency, sustained performance, and on-device AI capabilities. Prices have risen by USD100, starting at USD1,199 and USD1,299 respectively. The launch of standard iPhone model has been delayed to 2027, signaling a strategic pivot: Apple is prioritizing revenue per unit over volume, doubling down on premiumization.

(Continued on the next page)

Why did Apple wait until now to launch a foldable smartphone?

Why did Apple hold off on foldable smartphones for so long—and why enter the market now? Apple's late-mover strategy is well established: rather than being first to adopt emerging technologies, it waits until their maturity, reliability, and user experience are clearly proven.

Early foldable phones were often more about technological spectacle than practical utility. The folding display itself was the main selling point—but at a cost: persistent screen creases, limited durability, increased thickness and weight, and compromised camera and battery performance. Over the past seven years, foldables have never accounted for more than 2% of global smartphone shipments.

The Galaxy Z Flip changed the conversation. It proved that the value of folding wasn't just in the mechanism—but in the design possibilities it unlocked. Yet Apple's answer wasn't a clamshell. It chose the wide-fold design. This isn't merely a different form factor—it's a deliberate redefinition of the foldable experience. While SEC's Galaxy Fold focused on maintaining smartphone-like usability when folded, Apple's iPhone Duo prioritizes maximizing utility when unfolded.

The critical question for iPhone Duo's success is simple: Does it give users a compelling reason to unfold their phone? The iPad succeeded not because its screen was larger than the iPhone's—but because it transformed how people browse the web and consume content on mobile. Similarly, iPhone Duo introduces a new paradigm: by matching the aspect ratio of its external and internal displays, it ensures seamless content continuity when transitioning between modes. For the first time on iPhone, it enables Split View—running two apps side by side on the inner screen. The real opportunity lies in whether this seamless, large-screen transition can create entirely new usage scenarios.

The era of semiconductor inflation—Apple's response

Apple has officially launched the first global flagship smartphone priced above USD2,000 with mass-market scale—a first in industry history. While premium devices exceeding USD2,000 have existed before, none have targeted annual volumes exceeding 10m units at this price point. We expect the USD2,000+ smartphone segment to surpass 1% of global shipments by 2027.

Rising costs for key components—memory, application processors, cameras, and displays—have made higher bill of materials (BOM) unavoidable. With the iPhone's BOM now exceeding USD700, maintaining historical gross margins requires a corresponding structural increase in ASP. A 2.5x markup on BOM implies a baseline ASP of USD1,800. Yet, simply incrementing the price of a traditional bar-style iPhone by USD500–USD1,000—justified by a 20% faster processor or improved camera—is insufficient to justify consumer spend at scale. The USD1,000 premium is untenable without a transformative user experience.

Time to focus more on component suppliers than setmakers

While foldable smartphones currently represent a modest share of total revenue for Apple and SEC, their high ASPs should have limited impact on the setmakers' earnings but create meaningful BOM headroom to absorb higher component costs. We estimate Apple can allocate approximately USD400 per unit in incremental BOM cost for the iPhone Duo, supported by a USD900 ASP premium over its existing flagship devices.

This premium should primarily flow to display-related components and the mechanical parts enabling the form factor. With Samsung Display expected to dominate display production, Fine M-Tec (which manufactures specialized metal support plates for displays) and BH (a provider of FPCBs for displays) stand to benefit from rising panel prices. Although overall momentum in smartphone component stocks remains weak, their valuations remain depressed relative to clear EPS upside—making these names well-positioned to generate alpha.

- **BH:** BH primarily supplies FPCBs to major smartphone customers. The foldable iPhone features a display area approximately 2.8 times larger than that of a standard iPhone, leading to a structural increase in the required FPCB mounting area. Due to this expanded area and enhanced specifications, the per-unit FPCB price for foldable models is expected to be roughly twice that of conventional iPhones. In 2026, BH is projected to generate approximately KRW140b in new revenue from foldable iPhone FPCBs, equivalent to 7.8% of its 2025 annual sales.
- **Fine M-Tec:** Fine M-Tec supplies backplates for foldable displays to major smartphone customers. The backplate serves as a rigid structural component that stabilizes the folding hinge and suppresses creasing. Starting in 2026, the company transitioned from traditional chemical etching to laser drilling technology, enhancing its precision micro-processing capabilities at the fold area. With superior quality compared to competitors, Fine M-Tec maintains a market share advantage of 80–90% across key customers. It is projected to generate approximately KRW180b in new revenue from upcoming customers.

iPhone Foldable: Display module BOM cost

Items	Suppliers	Price
OLED panel	SDC	$150
Inner thin glass	Lens (100%)	$12
Cover glass using UTG	UTI (50%), Lens (50%)	$25
UTG (Gorilla glass)	Corning (100%)	$6
Metal backplate	Fine M-Tec (72%), Lingyi (28%)	$25
FPCB	BH Flex (90%), SI Flex (10%)	$17
Total Module Price		$229

Source: Samsung Securities estimates

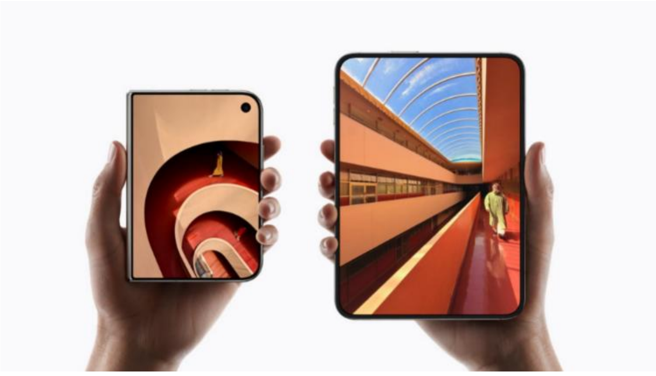
AI: Potential and limitations of foldable smartphones

The potential for foldable smartphones to become a profitable market has increased. However, this does not mean they will serve as a solution to the overall growth stagnation of the smartphone industry. High prices, increased weight and thickness, and questions around functional universality—such as whether all users truly need to carry two displays at all times—create barriers to widespread adoption. Foldable smartphones are likely to remain a niche form factor, sustaining long-term viability primarily within the top 5% of the price premium segment.

The future of smartphones lies in how well we can design a mobile device that best integrates AI. To usher in a new era, changes in semiconductors alone are insufficient—evolution in form factor is essential. One of the key elements of this shift is likely to be the position and function of the camera. AI is evolving from models that simply provide optimal responses to user prompts, toward agent-based systems that understand their environment, adapt to context, and act on behalf of the user. In this transition, the camera becomes the most critical sensor for enabling AI to perceive and interpret the physical world. When the role of the camera expands, the form factor must evolve accordingly. While we cannot predict exactly when, we believe this will eventually become a tipping point for device design. Apple's vision in the iPhone Duo—"Let Siri see what the user sees"—captures precisely the direction we envision for AI-driven devices.

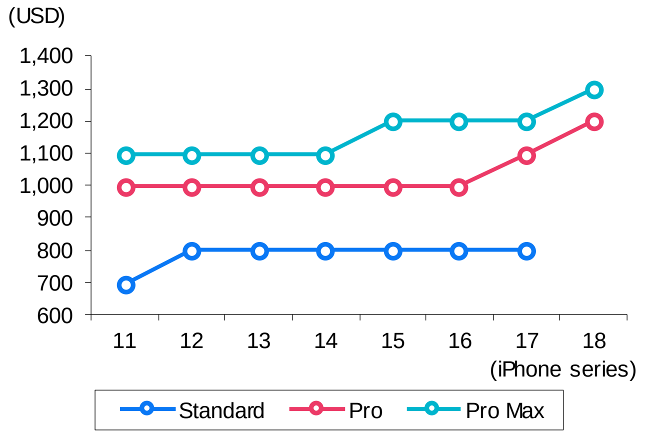
Foldable smartphones could serve as a transitional device in this evolution. The primary challenge for high-performance AI semiconductors lies in power consumption and heat dissipation. Foldable devices, with their larger surface area, are structurally better suited to accommodate larger batteries and expanded thermal dissipation surfaces. Indeed, the iPhone Duo already employs a custom vapor chamber alongside the A20 Pro chip to enhance sustained performance, while distributing batteries across both chassis halves. At the same time, the expanded display when unfolded is ideal for presenting AI-generated content and running multiple apps concurrently. Thus, foldable smartphones have the potential to evolve into mobile platforms delivering significantly higher computational performance—vs remain merely devices with foldable screens.

Apple iPhone Duo



Source: Apple

Apple: Launch price, by iPhone series



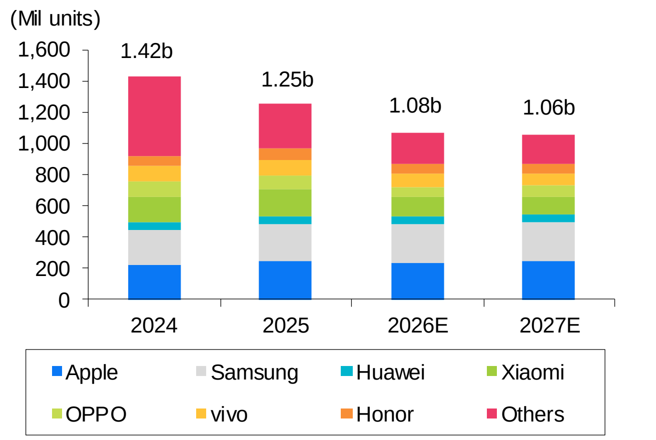
Source: Apple, Samsung Securities

Apple iPhone Duo vs other foldable smartphones

	iPhone Duo	Galaxy Z Fold 8	Xiaomi 18 Fold	Huawei Mate XT2
Release Date	Sep 2026	Jul 2026	Sep 2026	Sep 2026
Semiconductor				
Processor	A20 Pro (TSMC 2nm)	Snapdragon 8 Elite Gen5 for Galaxy Mobile Platform (TSMC N3P)	XRING O3 (TSMC 3nm)	Kirin 9050 Pro
Cores/Clock Speed	6-core	Octa-core	10-core	9-core
GPU	7-core GPU with Neural Accelerators	Adreno 840	G2-Ultra NX	Maleoon GPU
Display				
Main Display	Super Retina XDR OLED	Dynamic AMOLED 2X	OLED	OLED
Cover Display	Super Retina XDR	Dynamic AMOLED 2X	OLED	OLED
Main screen size (in)	7.6	7.6	7.58	10.2
Cover display size (in)	5.4	5.5	5.38	
Resolution (pixels)	2670x 1878	2448 x 1848	2364 x 1672	2232 x 3184
PPI	430	404	382	382
Camera				
Rear Camera (MP)	48 / 48 (Dual)	50 / 50 (Dual)	200 / 50 / 50	50 / 50 / 40 (Triple)
Front Camera (MP)	12	10	16	8
Memory				
Memory (GB)	12	12 / 16	12 / 16	16
Storage (GB)	256 / 512 / 1 / 2 (TB)	256 / 512 / 1 (TB)	256 / 512 / 1 (TB)	256 / 512 / 1 (TB)
Other				
Battery (mAh)	Not disclosed	4800	6000	5600
Thickness (mm) (folded)	11.3	9.7	10.7	12.3
Thickness (mm)	5.2	4.5	5.0	3.5
Weight (g)	254	201	219	299
Size (mm)	164.6 x 117.8 x 5.2	161.4 x 123.9 x 4.5	163.8 x 117.8 x 5.02	219.2 x 157.2 x 3.5
Size (mm) (folded)	84.1 x 117.8 x 11.3	81.9 x 123.9 x 9.7	83.6 x 117.8 x 10.68	77 x 157.2 x 12.3
Ex-works price (USD)	1,999	1,899	1,640	2,979
Key Features	Apple's first foldable Apple Pencil support	Display ratio change (4:3)	16GB RAM First LPDDR6 with CXMT	Tri-fold type Dual in-folding hinge

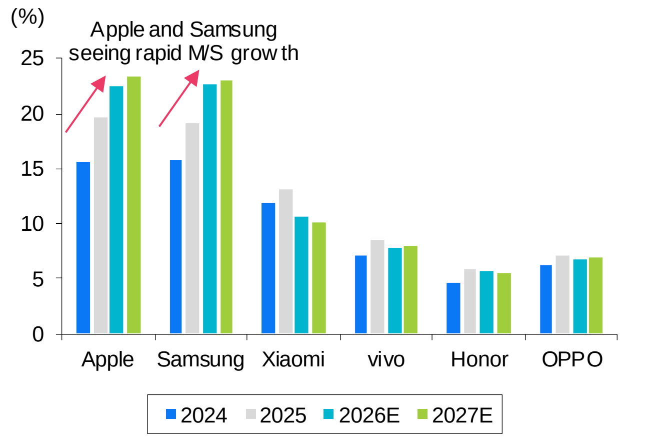
Source: Company data, Samsung Securities

Annual smartphone shipment forecast



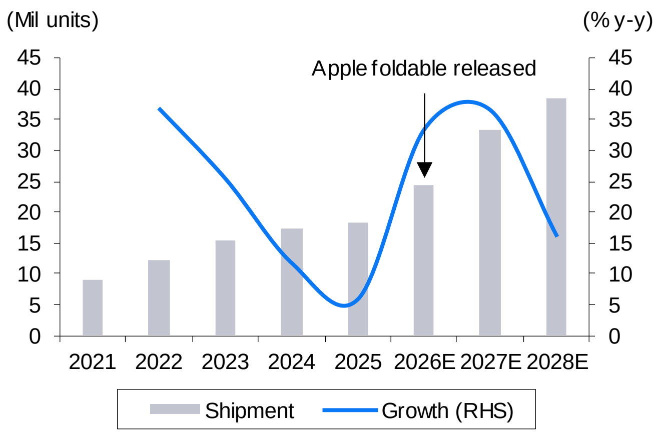
Source: Counterpoint, Samsung Securities estimates

Annual smartphone market share forecast



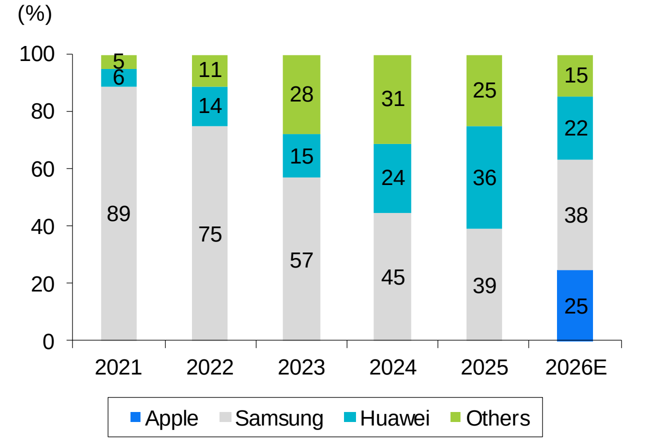
Source: Counterpoint, Samsung Securities estimates

Foldable smartphone shipment outlook



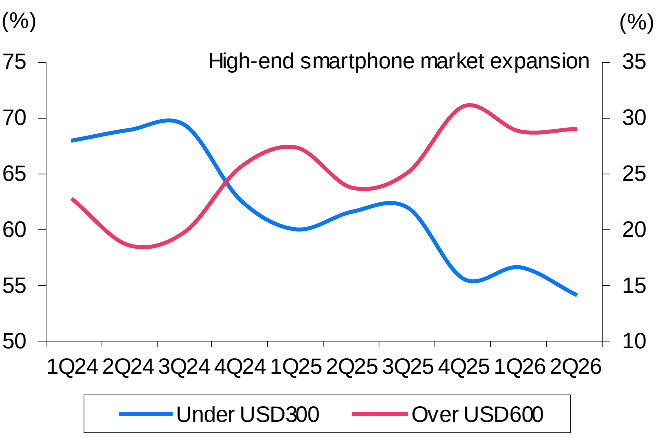
Source: Counterpoint, Samsung Securities estimates

Foldable smartphone market share forecast



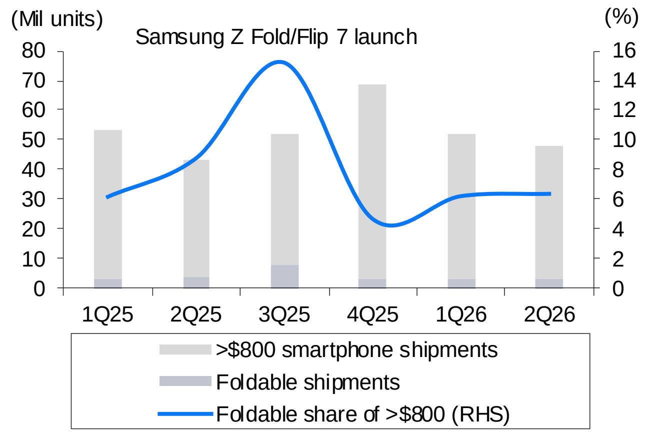
Source: Counterpoint, Omdia, Samsung Securities estimates

Share of smartphone shipments by ASP trend



Source: Counterpoint, Samsung Securities Estimates

Foldables as portion of high-end smartphones (>USD800)



Source: Counterpoint, Samsung Securities Estimates

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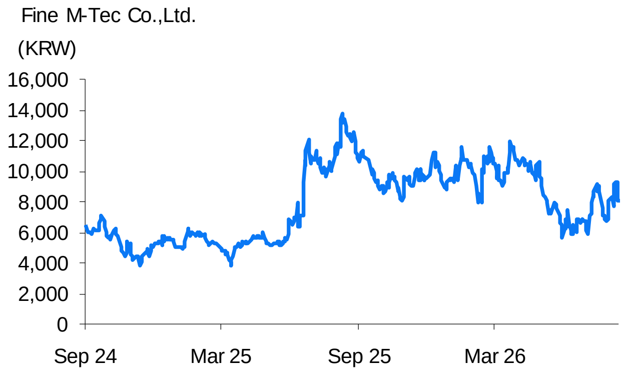

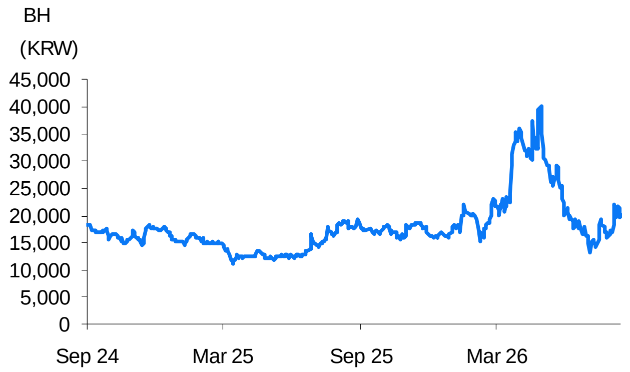

Rating changes over past two years (adjusted share prices)

Fine M-Tec	
Date	2026/9/14
Recommendation	Not Rated
Target price (KRW)	n/a
Gap* (average)	
(max or min)**	

BH	
Date	2026/9/14
Recommendation	Not Rated
Target price (KRW)	n/a
Gap* (average)	
(max or min)**	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

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NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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