

# Display Space 2015: Five Scenarios You Should Consider



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# Scenarios— Stories we tell ourselves about the future

- Companies seeking capital may tell one kind of story.
- Companies providing capital may prefer a different story.
- “If you don’t test your strategy, your competitor will.”
- Five stories about the future you should consider...
  - LCD Legacy — display prices in 2015 will be 71% less
  - Blurry Edges — market segments will converge
  - No Goods — hardware value will depend on services
  - Bottom Down — growth will be greatest at the bottom
  - Brand News — OEM/ODM will become brands in your market
- “So, what’s my budget?”

# LCD Legacy— New AMLCD makers use old technology

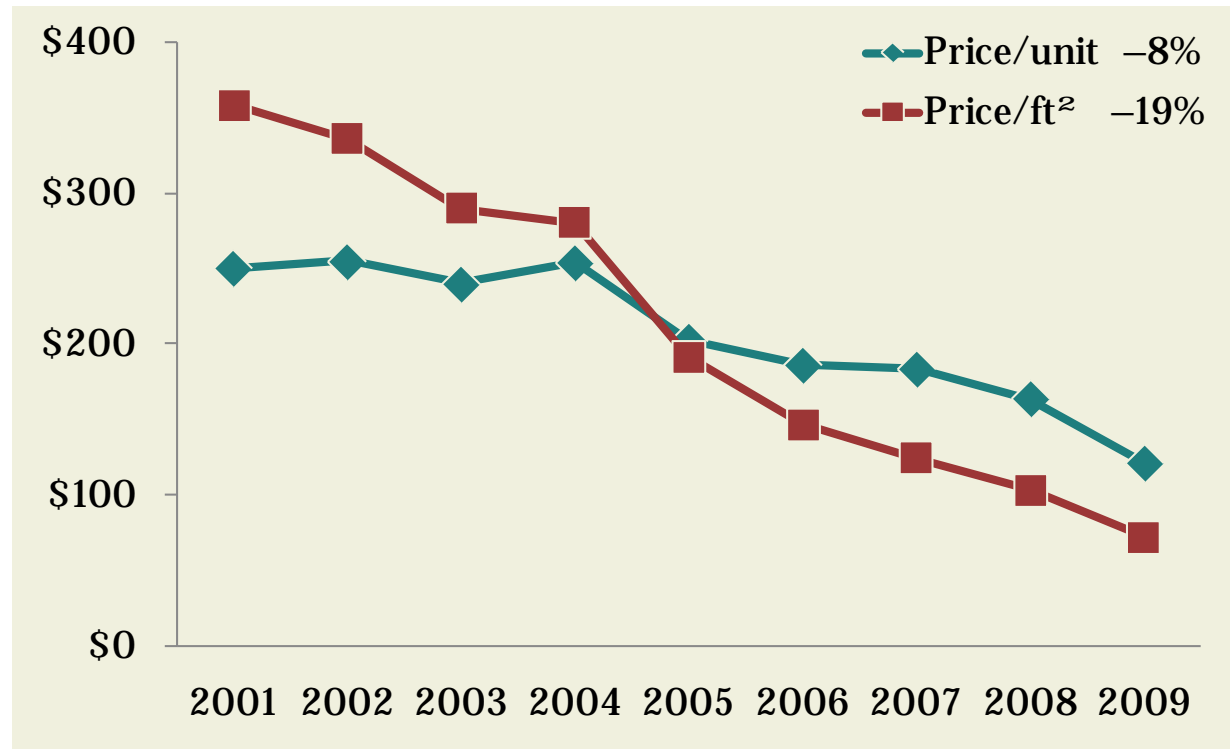
Transfer of AMLCD know-how to China perpetuates the historical rate of price development.

Areal price declines of 19% a year continue. Per unit prices remain misleading. By 2015, a typical panel may sell for 29% of what it did in 2009.

What does that imply for your cost target?

How might that affect your stakeholders?

## Large AMLCD Price Trends



Source: BizWitz analysis of DisplaySearch data

# Blurry Edges— Market segments converge; niches disappear

Distinct market segments we see today blur together.

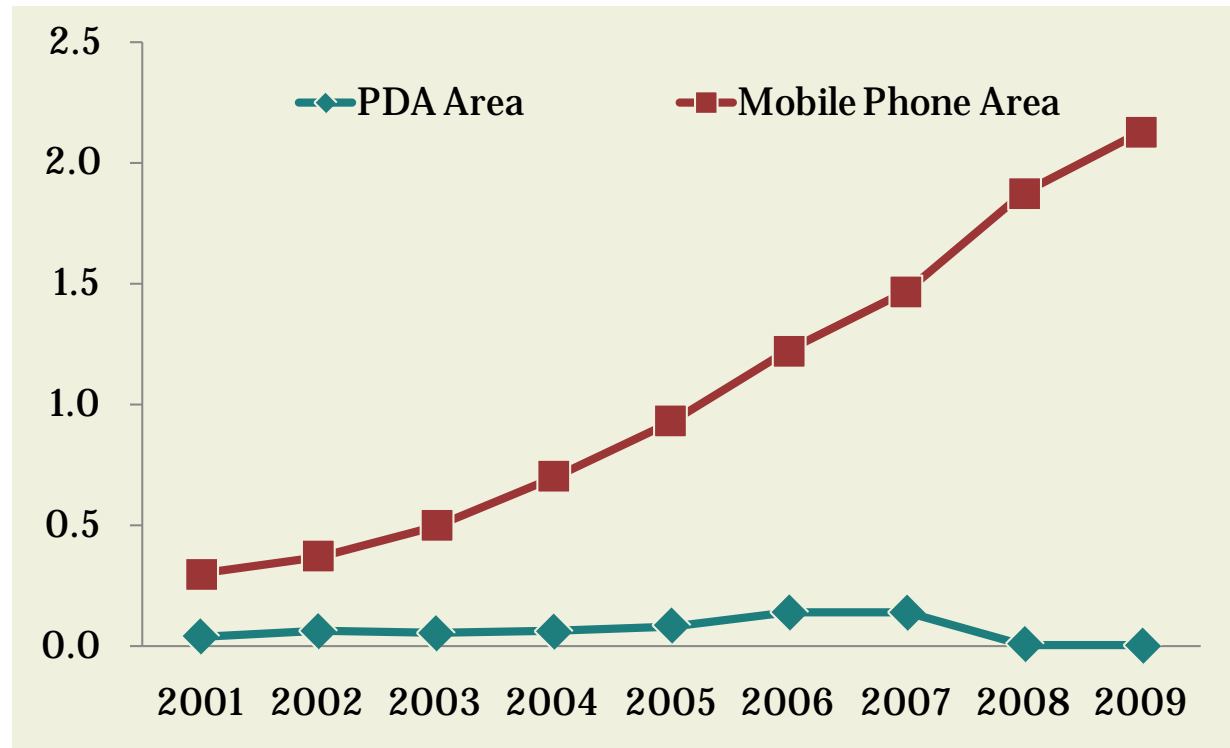
Convergence continues. Single purpose products such as eBooks fade away much like PDA did.

What if smart phone chips make all devices alike?

What if PC tablets and netbooks morph into large hand sets?

How will your products be differentiated?

Millions of Square Meters of Handheld Display



Source: BizWitz analysis of DisplaySearch data

# No Goods— Great hardware isn't good enough anymore

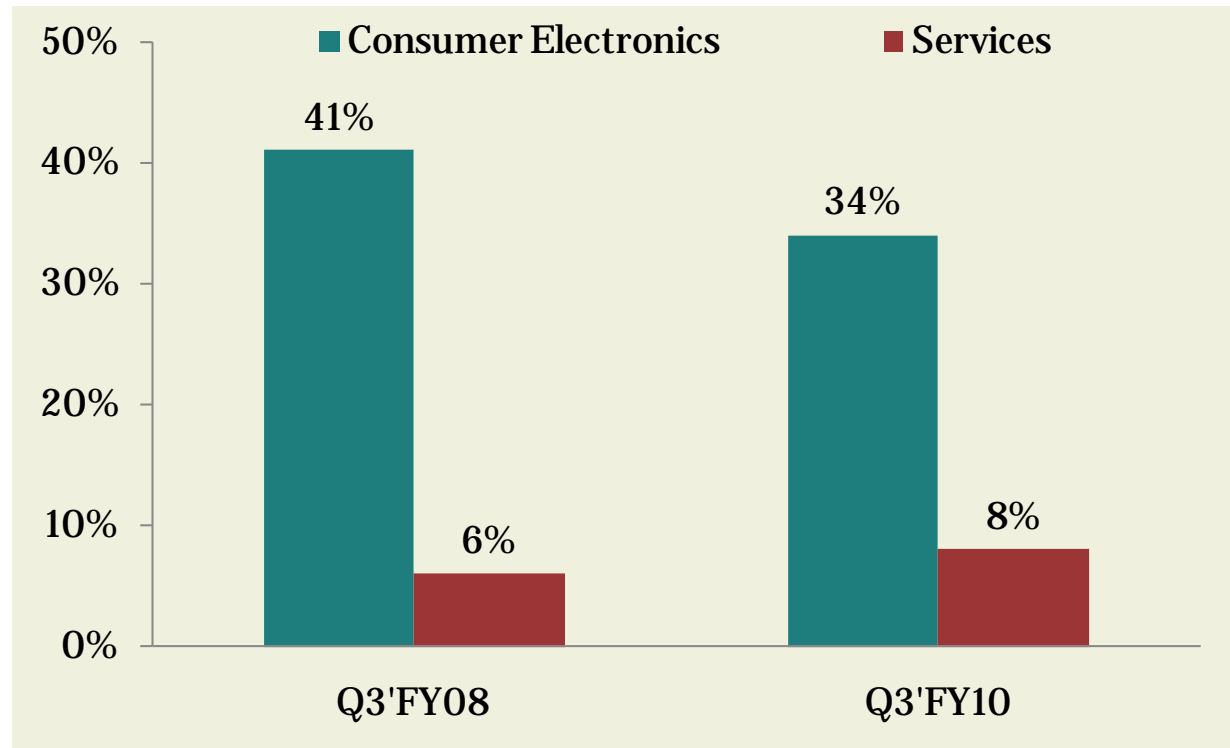
Services affect consumer experience as much as electronics do, already.

Cloud computing will make hardware goods differentiation more difficult, which will accelerate the shift from goods to commodities.

What services will create value for your goods?

Who will subsidize your hardware with services or with subscription sales?

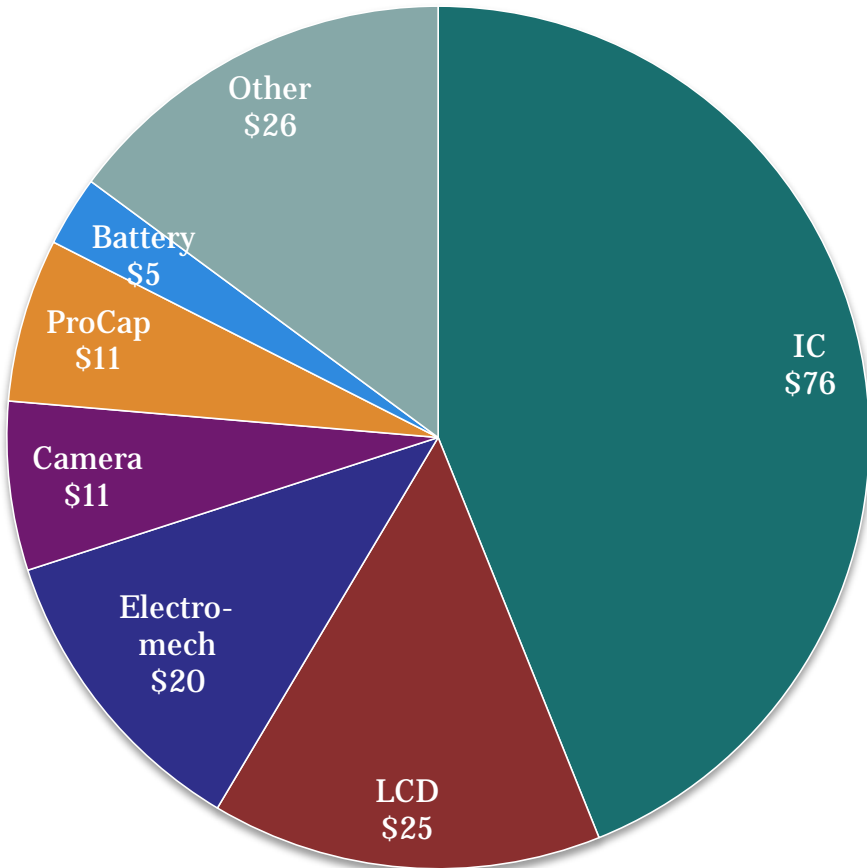
### Best Buy Sales Contributions



Source: BizWitz analysis BBY disclosures for quarters ending in November

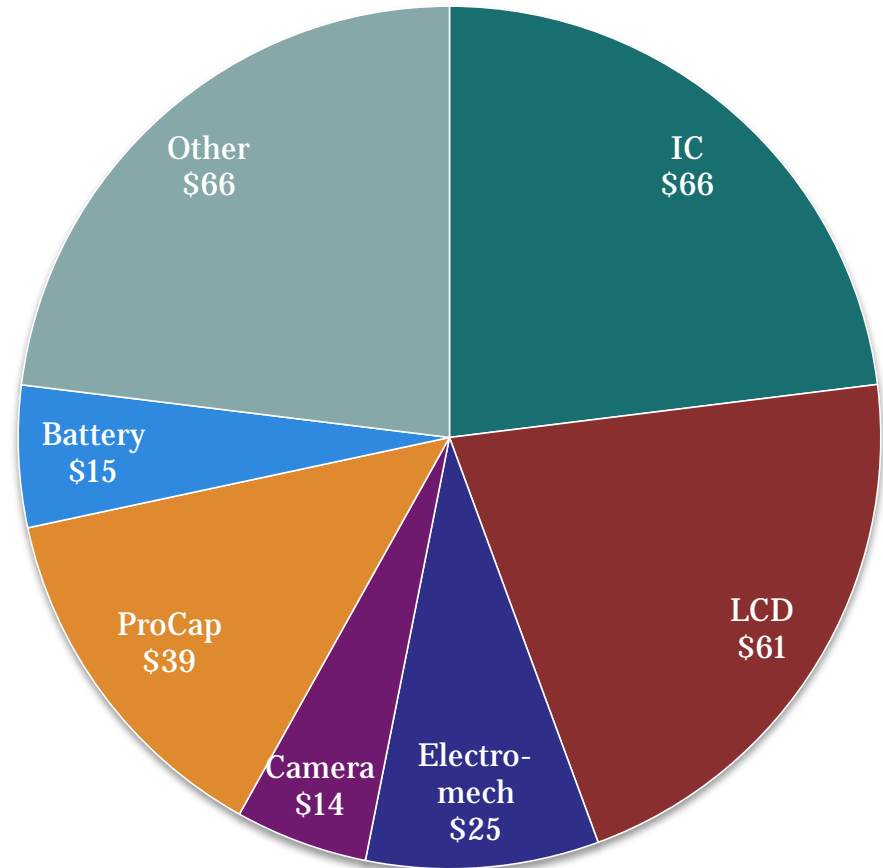
# iPhone LCD Cost: 9% Subsidized, 5% Unlocked iPad LCD Cost: 8% Unlocked

Smartphone BOM: \$173



Source: BizWiz analysis, iSupply via the Economist

iPad BOM: \$287



Source: BizWiz analysis, BroadPoint AmTech via ComputerWorld

# Bottom Down— Poor countries provide poor profit potential

Races for market share will take brands to poor markets and force cost reductions.

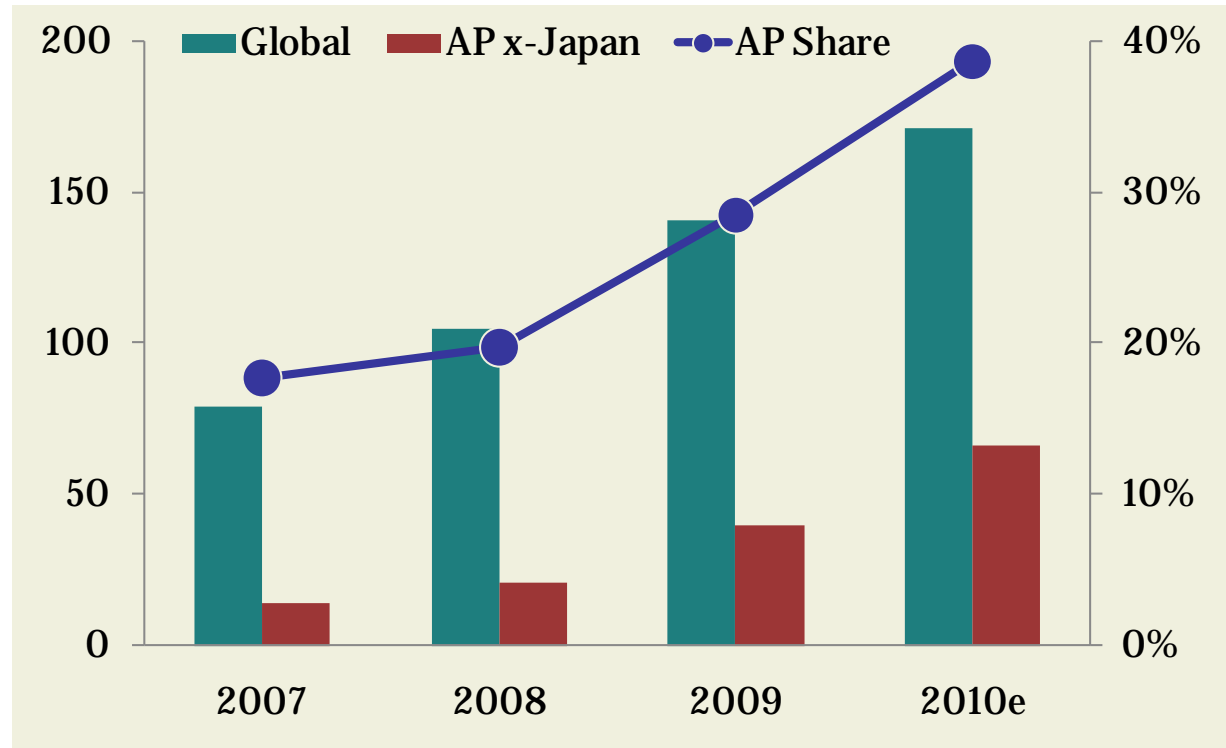
More activities will be outsourced to ODM/EMS with global reach.

The importance of trade barriers will decline.

Who will be your direct customer?

How will demand in rich countries support your product plan?

Millions of LCD TV Sets



BizWitz analysis



# Brand News— Offshore assemblers to onshore competitors

Today's supplier will become tomorrow's competitor.

Regional brands will become global brands. If you can't beat'em, join'em: joint ventures might reduce risk of IP loss.

How will this affect your supply chain?

Where will discounters change the ground rules?

What will happen to your value proposition?

From Assemblers to Competitors



BizWitz analysis

# Closing Thoughts— “So, what’s my budget?”

- **\$50B more may be invested in AMLCD by 2015.**
  - Aim at where the cost-price will be, not at where it was.
  - Enable distinct, recognizable service-based value propositions .
- **R2R processing implies demand for lots of surface area.**
  - Much of product cost is unit driven, however.
  - Sheet-fed plastic may be a viable alternative.
    - Less dependency, more flexibility
    - More cost effective in moderate volumes
- **Compare past stories to histories and test your assumptions.**