Technology
Thundersoft: A Peek at the Mobile Platform Market in China

Key Takeaway
We hosted an investor meeting with Mr. Rock Yang, VP of Thundersoft, the largest mobile platform software developer in China. We believe emerging software specialists like Thundersoft will enhance the competitiveness of domestic mobile device ecosystem. Our top pick remains SMIC.

Introduction to Thundersoft. The company is the largest mobile platform software developer serving smartphone makers, chipset vendors, wireless operators and Internet service providers. It counts Qualcomm, Sony, Spreadtrum and TCL as its largest customers. Qualcomm and Spreadtrum, together with ARM, are among the shareholders of Thundersoft. The company has approximately 1,500 employees with R&D staff accounting for 90%. Sales grew from RMB106mn in 2011 to RMB336mn in 2013, while net profit surged from RMB6.5mn in 2011 to RMB96.7mn in 2013. The company has filed an application to list on ChiNext in China.

Android implementation. Android source codes are not immediately ready for implementation in devices. Thundersoft bridges the link by building board support package including driver development, enhancing core functions such as multi-language support, customizing user interface, integrating third-party applications and supporting operator certification. It is particularly strong in camera optimization. While focusing on Android, Thundersoft has also expanded services to Windows and Firefox. Mr. Yang indicates that after Microsoft dropped Windows license fees for smartphones, it had encouraged more device makers to give it a try.

For chipset vendors. Thundersoft develops software for its reference designs, with Qualcomm and Spreadtrum as the key customers. It has been working for Qualcomm Reference Design (QRD) since the first generation. In addition to software development, Thundersoft also certifies QRD components, manages the QRD service center, and provides support to device makers in China. Thundersoft has recently added Intel as a customer on Android tablet development. While Intel has cut CPU prices to be on par with ARM equivalents, given peripheral components still being more expensive, there is room for Intel to gain more traction.

Qualcomm versus Mediatek. While Qualcomm focused on the high end, Mediatek targeted the mass market with a broader customer base. Thundersoft has over 100 engineers in helping Qualcomm support customers. Adding Qualcomm’s own team, the total number is about 300, which is less than Mediatek’s 1,000+ support workforce. QRD currently covers 200-300 component suppliers, which is also narrower than Mediatek. However, Qualcomm is more aggressive in LTE when it is having a lead over Mediatek. At the low end, Mr. Yang is positive on the recently announced Snapdragon 210 which offers good features. At the high end, we believe Qualcomm is accelerating 20nm product development.

Latest on Spreadtrum. Since privatization, Spreadtrum has been focusing on developing WCDMA and LTE smartphone chipsets. Once its LTE SoC is ready in 2H15, the Chinese government will likely encourage domestic smartphone makers to adopt the solution. Compared to Mediatek, Spreadtrum is particularly weak in connectivity, especially Wi-Fi, thus the idea of merging with RDA. Pricing its 4-in-1 combo connectivity chip 30% below market does offer Mediatek an advantage in platform sales. We note that Chinese government-supported South Silicon Valley Microelectronics has recently taken a Wi-Fi team from Mediatek.
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- Intel Corporation (INTC: $34.54, BUY)
- Semiconductor Manufacturing International Corporation (981 HK: HK$0.77, BUY)
- Sony Corp (6758 JP: ¥2,163, BUY)
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Ken Hui, Equity Analyst, +852 3743 8061, khui@jefferies.com