

# Moody's downgrades LG's outlook to negative

October 13 2011

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Credit ratings agency Moody's on Thursday downgraded its outlook on South Korea's LG Electronics to negative, saying its position in the mobile phone business has weakened considerably.

Moody's Investors Service said in a statement that the outlook for LG's Baa2 issuer and senior unsecured debt ratings has been revised from stable to negative.

[LG Electronics](#) (LGE), the world's third-largest handset maker, is battling to turn around its loss-making handset operations, where it lags [Samsung Electronics](#) and Apple in offering high-margin smartphones packed with features.

LGE's mobile unit posted a record loss in the second quarter of 2010 due to a falling share of the booming global smartphone market.

Moody's said it expects LGE to face "a major challenge in significantly turning around the operating performances of its different business segments in the near term, given an uncertain [global economy](#)."

"We expect continued volatility in operating profits at LGE, reflecting partly the ongoing weakness in its handset unit and the intense level of competition," said Moody's senior analyst Annalisa DiChiara.

On Monday the company launched a new 4G smartphone with ultra-high-speed network technology based on Long-Term Evolution (LTE).

LGE will rely on the adoption of LTE smartphones and further gains in its [3D TV](#) market share to restore profitability, but the achievement of both carries "significant execution risk", she said.

Despite some progress in the second quarter of this year, delayed launches for subsequent versions of its Optimus One model may hurt LGE's competitiveness in the third quarter and adversely impact earnings, Moody's said.

A recovery of its mobile division next year depends on the successful adoption of LTE and whether it can capture significant market share, the agency said.

"This will require aggressive action in view of the uncertainties surrounding the company's competitive positioning," it said.

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Citation: Moody's downgrades LG's outlook to negative (2011, October 13) retrieved 20 April 2024 from <https://phys.org/news/2011-10-moody-downgrades-lg-outlook-negative.html>

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