

Samsung tips record-high profit for 2nd quarter

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Samsung Electronics Co., the world's largest maker of memory chips, mobile phones, flat-screen panels and televisions, said Friday that its preliminary second-quarter operating profit jumped nearly 80 percent from a year ago to a record high. Analysts said the sharp rise was driven by Galaxy smartphone sales.

The operating profit for April to June is estimated between 6.5 trillion won and 6.9 trillion won (\$5.7 billion and \$6.1 billion), a 79 percent jump from a year ago, the company said in an emailed statement without giving further detail. Its revenue is expected to come in between 46 trillion won and 48 trillion won, up around 19 percent from the year-earlier period.

Although Samsung did not break out figures for each division, analysts believe about 4.4 trillion won of its second-quarter profit is from its mobile communications division, accounting for about 65 percent of its [operating profit](#).

The preliminary profit, in line with a median estimate of analysts, beats Samsung's previous record of 5.85 trillion won profit, reported in the first quarter of 2012.

Samsung's guidance of its second-[quarter revenue](#), however, was below the average market forecast of around 50 trillion won.

"It means that [global demand](#) for information and technology products

during the second quarter was weaker than expected," said Song Myung-sub, an analyst at Hi Investment and Securities.

There are fears Europe's persistent [debt crisis](#) will take a toll on global demand in Europe, North America and China, which are key markets for manufacturers of personal computers, televisions, mobile phones and [home appliances](#). Consumers and PC and [TV makers](#) are primary revenue sources for Samsung, which supplies chips and flat-screen panels for global PC and TV makers, in addition to selling its own finished products.

Global television markets shrank from a year ago during the first half of this year, Yoon Boo-keun, Samsung's president of televisions and home appliance division, said at a media event on Wednesday. The South Korean exporter is preparing for a possible crisis with a contingency scenario for each region, Yoon added.

Mobile phone shipments growth this year will be the slowest in three years at just 4 percent because of uncertain economic conditions, market researcher International Data Corp. said last month. Analysts including Lee Sun-tae at NH Securities and Investment analyst said Samsung's low-end smartphone sales in China came in lower than expected in the second quarter due to competition from Chinese handset makers and slowing demand there.

While brisk demand for high-end mobile phones is helping Samsung offset a weaker profit growth in its semiconductor and other consumer electronics businesses, its heavy reliance on smartphones is a source of concern, some say.

Samsung's shares have been under pressure since hitting a historic high in May 2. The company failed to keep up with demand for Galaxy S III smartphones which was released in May 29, causing delays in sales.

Analysts cut estimates of Samsung's Galaxy S III sales in the second quarter to around 6 million units from 7 million.

Shin Jong-kyun, Samsung's president of mobile business, promised last month that Galaxy component shortages will be resolved soon but the remarks failed to boost share prices.

Samsung also lost in two legal bids to lift preliminary sales bans imposed on one of its Galaxy Tab tablet computers and the Galaxy Nexus smartphone. A California court accepted last month Apple's request to block sales of Samsung's mobile devices that are allegedly infringing on the company's intellectual properties. Although the direct impact from the temporary sales ban in the U.S. will be limited because the products are not a big part of Samsung's mobile sales in the U.S., the court decision stoked concerns about the prospects of Galaxy S III [sales](#) in the U.S. market, experts said.

Following the earnings guidance release before the opening of the market, Samsung's shares traded nearly 2 percent lower on the Seoul bourse.

"There are concerns about the macroeconomic situations for the rest of the year as well as views looking at Samsung's lawsuits with Apple as a risk," said Lee Seung-woo, an analyst at IBK Securities.

Samsung is scheduled to announce its full results later this month.

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