

Samsung sees record-high 4Q profit

January 8 2013, by Youkyung Lee



A man holds his mobile phone near an advertisement for Samsung Electronics' Galaxy Note II at Incheon International Airport in Incheon, west of Seoul, South Korea, Tuesday, Jan. 8, 2013. Samsung Electronics Co., the world's largest technology company by revenue, estimated Tuesday that its operating profit for the last quarter of 2012 nearly doubled to a record high, likely driven by continued smartphone momentum. (AP Photo/Lee Jin-man)

Samsung Electronics Co., the world's largest technology company by revenue, expects record earnings for the fourth quarter of 2012 as shoppers continued to snap up its smartphones and tablets.

The company said Tuesday its operating profit for the October-December quarter would be about 8.8 trillion won (\$8.3 billion), up 89 percent from a year earlier and higher than expectations. It will release its full quarterly result including net profit at the end of this month.

The maker of Galaxy smartphones and tablets said fourth [quarter revenue](#) likely rose 18 percent from a year earlier to 56 trillion won.

Analysts said nearly 70 percent of the operating income for the quarter was likely generated by Samsung's mobile division that makes and sells smartphones and tablets.

Samsung's mobile business, which recently overtook Apple in smartphone sales and Nokia in [mobile handsets](#), has driven Samsung's [earnings growth](#) in recent quarters. Samsung's quarterly operating profit has risen steadily since the final quarter of 2011, while rival mobile-phone makers such as Nokia, [Research In Motion](#) and HTC have experienced falling market share and profits.

Samsung shipped at least 60 million smartphones in the last quarter of 2012, according to analysts' estimates, about 10 percent growth from the previous quarter.

The launch in September of the Galaxy Note II, a giant smartphone with a 5.5-inch screen and a [digital pen](#), helped Samsung retain its [market dominance](#) during the Christmas holiday season despite competition from Apple's [iPhone 5](#), analysts said. Samsung's flagship Android device, the Galaxy S III, also sold strongly.

Jin Sung-hye, an analyst at KTB Securities, estimated Samsung shipped 15 million S III smartphones and 7 million of the Note II during the final three months of 2012. The surprise popularity of the Note II device prompted other [handset makers](#) to increase the screen size of their

smartphones as consumers embrace a wider mobile-phone screen to watch videos.

Market watchers speculate that Samsung will introduce a new Galaxy S smartphone, likely to be named the Galaxy S IV, before the end of April. Samsung usually rolls out the latest iteration of its Android-based flagship smartphone before the end of the second quarter, taking advantage of the time when rivals are months away from introducing new smartphone models.

With the early rollouts of the new Galaxy S model and an update to the Note series later in the year, analysts predict Samsung will sell at least 300 million smartphones in 2013, widening its lead over Apple. Samsung's smartphone shipments likely surpassed 200 million for the first time in 2012.

The company plans to act more aggressively to increase its share of the tablet PC market this year, which is still dominated by Apple's iPad, its executives said in an October conference call. The release of mini tablets that are between the size of smartphones and standard tablets also opens up a new growth area for Samsung.

While the mobile phone division has replaced Samsung's semiconductor business as the biggest profit generator, robust demand for smartphones around the world is benefiting Samsung's semiconductor operation as well. The company is the world's largest supplier of TVs and memory chips.

Analysts said Samsung's semiconductor division fared better in the last quarter than the quarter before as higher Samsung phone sales and launches of new mobile products by its customers lifted demand for Samsung's mobile processors.

In the first quarter of this year, market watchers said the strengthening of the South Korean currency against the U.S. dollar and the Japanese yen could hurt Samsung's component businesses, which is facing seasonally weak demand for TVs and display panels. But others predict Samsung will ship more smartphones than the previous quarter, which could outweigh lower TV and panel sales.

The South Korean company has been in global legal battles with Apple, one of its biggest clients, for nearly two years. Last month, Samsung dropped its bid to seek a sales ban against Apple's mobile products in Europe, saying it would like to protect consumer choice. Samsung, which is under investigations by the European Commission over its practice of licensing key mobile patents, is maintaining its lawsuits against the [iPhone](#) maker in other countries.

Shares of [Samsung Electronics](#) fell 1.3 percent in Seoul after earnings release. Samsung's shares, which gained 11 percent in the fourth quarter, hit a record high level earlier this month.

If Samsung's [fourth quarter](#) results are in line with Tuesday's guidance, the company will report 29 trillion won (\$27.3 billion) operating profit on revenue of 201.1 trillion won (\$189 billion) for 2012.

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