

LG Electronics' profit plunges on slow TV sales (Update)

April 24 2013, by Youkyung Lee

LG Electronics Inc. said Wednesday its first quarter earnings shrank to less than one tenth of the year-earlier quarter as its TV business languished, masking a recovery in mobile phone sales.

It forecast higher profit for the current quarter as new smartphone models and a revamped lineup of TVs hit shelves in global markets. But it expected worldwide demand for TVs to remain muted due to the slow economic recovery in developed countries.

The South Korean company's January-March net profit fell to 22.1 billion won (\$19.7 million) from 247.5 billion won a year earlier.

Sales rose 7 percent to 14.1 trillion won. Operating profit slipped 13 percent to 349.5 billion won.

LG blamed the poor result on lower profit from its TV sales, which offset an improvement in its mobile phone business.

Profit from its flagship Home Entertainment division sank more than 80 percent as it had to sell televisions at lower prices and had higher marketing costs due to heightened competition. LG competes with Samsung Electronics Co., Toshiba Corp., Sharp Corp. and Sony Corp. in the TV market worldwide.

"Since the third quarter of last year, market demand for TVs slowed, intensifying competition and driving down prices as a result," LG's Chief

Financial Officer Jung Do-hyun told investors. "We expect that profitability will recover in the second quarter as new models help recover prices."

LG's profit from its handset business more than quadrupled from a year earlier, showing the success of efforts to revive its mobile communications business after two years of massive losses.

In the first quarter, its smartphone sales more than doubled to a record high, putting the company on track to meet its annual sales target. The company's CFO said LG now expects to sell 45 million smartphones by the end of this year, higher than its 40 million forecast given two months earlier.

LG shipped 10.3 million smartphones in the quarter thanks to strong demand for its mid- and low-end phones and increased market share in Europe and Latin America.

But it still lags Samsung Electronics Co. and Apple Inc. especially in the premium smartphone market. Raising its market share in the U.S., which is a crucial market, also remains a challenge as Samsung begins rolling out the Galaxy S4 in the U.S. later this week and the new iteration of the iPhone will be released later this year.

LG must compete for attention for its Optimus brand, which has yet to build as strong a reputation as Samsung's Galaxy or Apple's iPhone.

"The reason for our weak market share in the U.S. is that we could not lock mobile operators during the first quarter," Jung said of the deals that smartphone manufacturers forge with mobile carriers to offer their phones. "But from the second quarter when we release the new Optimus G, we will see an improvement in U.S. handset revenues."

In the second quarter, the company is set to expand the availability of its flagship Optimus G Pro smartphones in more countries and roll out high-end TV models, including the TVs that use advanced displays called OLED and ultra-definition TVs.

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