

LG Electronics reports 45 percent plunge in 2Q earnings

July 29 2015, by Youkyung Lee

LG Electronics said Wednesday its second quarter earnings sank 45 percent over a year earlier as losses widened in its TV business and mobile phones earned little income.

The company reported a net profit of 226.4 billion won (\$195 million) for the April-June quarter, compared with 411.8 billion won a year earlier. A FactSet survey of analysts forecast 204.8 billion won profit.

Sales fell 8 percent to 13.9 trillion won and operating income declined 60 percent to 244 billion won.

The company's two pillars, TVs and mobile phones, were both weak. Most of its income came from the home appliance business that manufactures refrigerators, air conditioners and washing machines.

LG's TV business, the world's second-largest, reported a second straight quarterly loss as weak currencies in Europe and Russia hurt demand for TVs and profitability. The operating loss widened to 82.7 billion won during the quarter from 6.2 billion won in the previous three months.

LG's mobile business produced a tiny profit as it spent heavily to promote the G4 flagship smartphone in the face of Apple's iPhone and Samsung's Galaxy smartphones. The company had significant growth in North America for smartphones and tablets. But revenue dropped in South Korea, which is traditionally a major source of high-end phone sales for LG.

Overall, LG sold 14.1 million phones during the three month period, slightly lower than a year earlier, but produced just 200 million won of [operating income](#), or less than \$200,000.

LG has been in an uphill battle in the premium smartphone market dominated by Apple and Samsung, which together account for more than 90 percent of global profits from smartphones. Its efforts to improve brand recognition and advance in the high-end phone market have not paid off.

The company plans to unveil a new flagship smartphone in the fall, a departure from its usual practice of releasing just one flagship phone a year.

On the TV front, LG is continuing its lone bet on advanced displays called OLED, or organic light-emitting diode, believing that consumers will be willing to pay a premium for TVs that can display sharper and more saturated color than televisions using LCD technology.

The multibillion dollar bet, however, is not gaining much traction as other TV industry players have adopted a technology called 4K, or Ultra HD, which contains four times more pixels than regular HD TVs. LG said the sky-high price of OLED TVs has come down in the past few years and it increased the number of models. But OLED TVs are still more expensive, sometimes five times more, than 4K TVs.

The company said it is confident that it will see an improvement in the third quarter with new product launches.

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Citation: LG Electronics reports 45 percent plunge in 2Q earnings (2015, July 29) retrieved 25 April 2024 from <https://phys.org/news/2015-07-lg-electronics-percent-plunge-2q.html>

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