

# TSMC Q2 profit growth slows on weaker sales

July 16 2015

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Taiwan Semiconductor Manufacturing Co. said Thursday its second quarter profit growth slowed to 33 percent year-on-year as sales fell for the second consecutive period on weaker smartphone demand in China and other emerging markets.

The world's biggest contract microchip maker by revenue had posted 65 percent year-on-year growth in the first quarter.

TSMC's slowdown comes as the company faces increased competition from regional rivals such as South Korea's Samsung, and as China's tech industry pushes for the development of domestic smartphone brands and homegrown hardware, including chips.

Chips for communication including smartphones accounted for 62 percent of TSMC's revenue in the second quarter.

"During the second quarter we saw demand for smartphones become weaker than we expected due to slower demand in [emerging markets](#) and in China for mid to low-end smartphones," said Mark Liu, co-chief executive officer of TSMC.

"This weaker demand is probably due to a strong US dollar to emerging market currencies and... regional economic conditions," he added.

Although TSMC forecast an uptick for the third quarter, growth would remain "modest".

"Slower demand in emerging markets and China, macroeconomic uncertainties, and cautious inventory management (are) behind our modest growth outlook in the third quarter," he said.

Sales for the three months until June 30 rose 12.2 percent year-on-year to Tw\$205.44 billion (\$6.6 billion) but slid 7.5 percent when compared with the first quarter.

TSMC expects a slight improvement in the third quarter, forecasting revenue to come in between Tw\$207 billion and Tw\$210 billion.

"We expect customer and market demand will improve in the second half," said Liu.

"Growth is expected to come from industrial and automotive (segments), and new iPhone launches and new Android high-end phones."

Taiwan's exports contracted 7.1 percent in the first half of 2015 due to weak overseas demand for electronic products and falling oil and steel prices. Emergence of Chinese electronics supply chains is also eating into orders from mainland China, according to the government.

TSMC remains tight-lipped about its clients, refusing to officially confirm that it is an Apple chip supplier.

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