

Samsung unveils \$10 bln share buyback with Q3 profit surge

October 29 2015, by Jung Ha-Won



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South Korea's Samsung Electronics pulled out of an extended earnings dive on Thursday, reporting a nearly 30 percent surge in third-quarter net profit and announcing a \$10 billion share buyback.

Favourable exchange rates and a renewed focus on components were

behind the profit jump, as Samsung sought to shake off the loss of smartphone market share to Apple Inc in the premium segment, and to Chinese rivals at the lower end.

Net profit in the July-September period stood at 5.46 trillion won (\$4.8 billion)—an increase of 29.3 percent on the previous year and snapping a streak of seven consecutive quarterly declines.

The company estimated overall gains from a weakening won against the dollar at 800 billion won for the quarter—generated mostly from the components business which takes in chips, displays and screens.

However, it warned that earnings might shift downwards in the fourth quarter when the exchange rate benefits would be less pronounced.

The cash-rich electronics giant also announced it would buy back and cancel 11.3 trillion won in shares, while also ramping up capital spending.

'Undervalued' stock

"Samsung believes that the current share price and the market value of Samsung Electronics are severely undervalued both in terms of the ability to generate earnings and also in terms of the underlying asset or equity value of the company," it said.

The announcement saw Samsung Electronics shares jump as high as 4.9 percent in early morning trading, before falling back to close up 1.3 percent.

The buyback will be carried out in up to four stages—the first starting on October 30 and lasting for approximately three months.



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The world's top maker of mobile phones has a market capitalisation of almost 200 trillion.

Its cash reserves of 70 trillion won have been the focus of growing calls by investors to offer more dividends and boost its share price.

"Investors have long been unsatisfied with Samsung's shareholders return policy and the time has ripened to soothe angry investors," Lee Seung-Woo, an analyst at IBK Securities Co. in Seoul told Bloomberg News.

"If Samsung had chosen to remain silent again this time, investors would turn even more sour," Lee said.

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Though the size of the third-quarter turnaround was partly due to the company's poor performance last year and a weakening Korean currency, it also showed the payback from the renewed focus on its semiconductor division.

"The memory market saw an increase in demand... driven by an overall increase in capacity in chips and the launch of flagship smartphones and increased demand by data centres," the company said in an earnings statement.

Surging chip profits

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