

Samsung on a roll as data demand for memory chips soars

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Middle school students experience Samsung Electronics Galaxy S8 smartphones at its shop in Seoul, South Korea, Friday, July 7, 2017. Samsung Electronics Co. said Friday its second-quarter operating profit soared to the highest in its history as massive data growth fueled a boom in the semiconductor sales and helped defy sluggish growth in the smartphone market and a slow recovery in the global economy. (AP Photo/Ahn Young-joon)

Samsung Electronics is on a roll thanks to booming sales of memory chips required by the increasingly data-based economy.

The company, the world's largest supplier of memory chips, said Friday that its operating profit soared 72 percent in the April-June quarter over a year earlier to a record high.

Samsung has the most advanced memory chip production technology.

Robust semiconductor sales amid a massive expansion of data use yielded a record profit in the last quarter even as smartphone market growth slowed, analysts said. The results beat expectations, putting Samsung on track for its highest profit ever in 2017.

The South Korean tech giant put its April-June operating profit at 14 trillion won (\$12.1 billion), compared with 8.1 trillion won a year earlier. Sales rose 18 percent to 60 trillion won (\$51.9 billion). As is typical with Samsung's earnings guidance, the company didn't elaborate on details of its performance. Samsung is due to report full results later this month.

Other milestones may be waiting. Samsung's quarterly profit may have surpassed Apple's for the first time, and Samsung's semiconductor revenue, which had been second to Intel's, likely surpassed the U.S. company's in the second quarter, analysts said.



Employees walk past logos of the Samsung Electronics Co. at its shop in Seoul, South Korea, Friday, July 7, 2017. Samsung Electronics Co. said Friday its second-quarter operating profit soared to the highest in its history as massive data growth fueled a boom in the semiconductor sales and helped defy sluggish growth in the smartphone market and a slow recovery in the global economy. (AP Photo/Ahn Young-joon)

The Suwon, South Korea-headquartered company's financial performance has usually mirrored trends in the global economy or followed cycles in the consumer electronics industry, such as how often users upgrade their televisions or smartphones.

That is no longer the case. Now data is driving its growth.

"To process and analyze big data, data storage comes first and this is the driving force behind Samsung's record-high profit," Hwang Min-sung, an analyst at Samsung Securities, said in a report. "Consumers' data

usage exploded and companies are not saving their money to invest in servers for data storage and data analysis."

Global tech companies like Google, Amazon and Facebook are scurrying to add more servers for their databases to store, analyze and process the massive data generated from connected devices by consumers surfing the internet to stream videos and music, sharing and viewing photos and files online and using mobile applications.



Employees walk by Seoul office of Samsung Electronics Co. in Seoul, South Korea, Friday, July 7, 2017. Samsung Electronics Co. said Friday its second-quarter operating profit soared to the highest in its history as massive data growth fueled a boom in the semiconductor sales and helped defy sluggish growth in the smartphone market and a slow recovery in the global economy.(AP Photo/Ahn Young-joon)

The adoption of artificial intelligence and growth of the "internet of things" that takes vehicles, refrigerators and even mundane objects like toothbrushes online will drive even higher demand for microchips that can handle more data with speed and energy efficiency.

Analysts estimate that Samsung's semiconductor division, which makes DRAM and NAND chips for mobile devices and servers, generated nearly 8 trillion won (\$7 billion) in April-June, or 60 percent of its [quarterly profit](#).

That's close to what Samsung's semiconductor division used to earn in a full year.

Analysts forecast Samsung's quarterly semiconductor profit will continue to rise because none of its rivals are likely to catch up or match its knowhow and investment in memory chip production.



In this Oct. 12, 2016, file photo, the corporate logo of Samsung Electronics Co. is seen at its shop in Seoul, South Korea. Samsung Electronics said Friday, July 7, 2017, its second-quarter operating profit soared 72 percent over a year earlier to the highest in its history as its semiconductor sales helped defy sluggish growth in the smartphone market and a slow recovery in the global economy. (AP Photo/Ahn Young-joon, File)

Samsung said earlier this week it plans to spend 20.4 trillion won (\$18 billion) in the next four years to expand capacities of memory chips in its South Korean plants. It also is considering adding production lines in China.

OLED screens, advanced displays that display crisp, highly saturated colors, are another plus.

Samsung controls more than 90 percent of the global market for mobile OLEDs, and is using the screens for the curved displays of its Galaxy smartphones. Apple is widely expected to adopt OLED screens.

Analysts said smartphones had a mixed impact on Samsung's performance, with higher costs outweighing robust sales of Galaxy S8 smartphones. On Friday, Samsung began limited sales of recycled Galaxy Note 7 smartphones, which were discontinued last year after they overheated and burst into flames.



Visitors experience the Samsung Electronics Galaxy S8 Plus smartphones at its shop in Seoul, South Korea, Friday, July 7, 2017. Samsung Electronics Co. said Friday its second-quarter operating profit soared to the highest in its history as massive data growth fueled a boom in the semiconductor sales and helped defy sluggish growth in the smartphone market and a slow recovery in the global economy. (AP Photo/Ahn Young-joon)

While the company's financial performance has excelled, Samsung's de facto leader and vice chairman, Lee Jae-yong, is in jail in connection with a corruption scandal that topped South Korea's president.

Hearings on charges that Lee engaged in bribery and other offenses are expected to wrap up in August.

Some analysts believe Lee's plight could inhibit other top managers from making the kinds of bold decisions that enabled the company to forge ahead in areas like memory chips and OLED screens.

Both resulted from years-ago investments of money and effort into the technologies.



Visitors past by a Samsung Electronics shop in Seoul, South Korea, Friday, July 7, 2017. Samsung Electronics Co. said Friday its second-quarter operating profit soared to the highest in its history as massive data growth fueled a boom in the semiconductor sales and helped defy sluggish growth in the smartphone market and a slow recovery in the global economy. (AP Photo/Ahn Young-joon)



People use their smartphones near an advertisement of the Samsung Electronics Galaxy S8 smartphone at its shop in Seoul, South Korea, Friday, July 7, 2017. Samsung Electronics Co. said Friday its second-quarter operating profit soared to the highest in its history as massive data growth fueled a boom in the semiconductor sales and helped defy sluggish growth in the smartphone market and a slow recovery in the global economy. (AP Photo/Ahn Young-joon)

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