

Samsung Electronics reports record Q4 and full year profits

January 31 2018



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Samsung Electronics reported a 73 percent jump in its fourth quarter net profit on Wednesday, setting a record for any three-month period, mainly driven by demand for its memory chips and display panels.

Net profit for the October to December period hit 12.26 trillion won (\$11.4 billion), the South Korean tech giant said in a statement, on sales up 23.7 percent to 65.98 trillion won.

Samsung Electronics, the flagship subsidiary of the giant Samsung Group, has had to overcome a humiliating recall of the Galaxy Note 7 device and the jailing of its vice-chairman Lee Jae-Yong on corruption charges, but its financial performance has gone from strength to strength.

Its shares have more than doubled in the past two years on the back of its results, reaching levels of more than 2.5 million won apiece, putting them out of reach of many small investors.

The firm announced a 50-for-1 stock split, sending the shares up 6.4 percent in mid-morning trade, but they gave up most of the gains to heavy profit-taking to close just 0.2 percent higher at 2,495,000 won.

"The stock split signals Samsung will stay on its course bolstering returns to shareholders," said Cho Ik-Jae at Hi Investment and Securities.

"It will take further shareholder-friendly steps including larger dividends and buybacks," he added.

Operating profit came to 15.15 trillion won in the fourth quarter, up 64.3 percent won from a year earlier, Samsung Electronics said, in line with the indication it issued earlier in January.

Fourth quarter earnings were driven by the components business, with the largest contribution coming from the memory business that manufactures DRAM and NAND chips, the company said.

"Orders for high-performance memory products for servers and mobile

storage were strong," it said, and the display panel business, which manufactures OLED and LCD screens, saw increased shipments of OLED panels for premium smartphones.

But seasonal factors impacted growth for the System LSI and Foundry businesses, it said, and profitability for LCD panels.



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Operating profits were also undercut by approximately 660 billion won due to the won's appreciation against the dollar and other major currencies, it added.

Bumper payout

For the full year, net profit was also a record at 42.19 trillion won, up 85.6 percent on 2016, on sales of 239.58 trillion won.

It is paying out 5.8 trillion won in dividends to its shareholders for 2018, up 46 percent year-on-year.

Kim Kyung-Min at Daeshin Securities said the fourth quarter results were slightly lower than market expectations, with sales projected to be 66 trillion won and operating profit at 15.8 trillion won.

Looking ahead, the first quarter, despite being a traditionally slow season, is expected to show strong demand for memory products used in data centres, Samsung Electronics said.

Analysts expect the firm's full-year operating profit to rise beyond 60 trillion won this year, again boosted by its semiconductor business.

Greg Roh of HMC Investment and Securities Co. forecast full-year 2018 operating profit at 66-67 trillion won.

"Performance in the last quarter fell slightly short of expectations. However, it will start perking up in the first quarter, with memory chip prices remaining high," Roh said.

But Lee Jong-Woo at IBK Investment Securities was more bearish, noting DRAM prices had been falling recently, adding to uncertainties over the future of the semiconductor business.

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