

# Samsung's profit exceeds expectations thanks to memory chips

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In this April 6, 2018 file photo, An employee walks past logos of the Samsung Electronics Co. at its office in Seoul, South Korea. Samsung Electronics said Thursday, April 26, 2018 its first-quarter earnings jumped 52 percent over a year earlier thanks to its mainstay memory chips that posted another record-high quarterly profit. (AP Photo/Ahn Young-joon, File)

Samsung Electronics Co. reported better-than-expected financial results Thursday as robust demand from global data centers for its mainstay

memory chips earned it another record-high quarterly profit.

The company also forecast the brisk earnings streak from its [chip](#) sector will continue through the second quarter as expansion of global data centers in the U.S. and China will keep demand for chips strong.

Despite being one of the most profitable tech companies in history, neither Samsung nor South Koreans are in a celebratory mood. Samsung's reputation is in tatters even after a Seoul high court released its leader Lee Jae-yong in February, suspending his sentence in a corruption scandal involving a former president.

Samsung is facing another probe over a graft case involving former President Lee Myung-bak. Authorities also are investigating allegations that Samsung tried to break up a labor union at one of its affiliates. The company faces heightened pressure from the government to simplify a complicated ownership structure that has allowed its founding family, the Lees, to control the giant business while keeping only a minority stake.

Meanwhile, an independent committee investigating Samsung's handling of workers health issues and chemicals at its chip plants is stepping up pressure on the company to be more transparent about the chemicals it uses in production, for the sake of public safety.

In its latest earnings statement, the South Korean tech giant said it recorded 11.7 trillion won (\$10.8 billion) in January-March net income, up 52 percent from 7.7 trillion won a year earlier.

The result slightly exceeded expectations of a 11.3 trillion won net profit, according to financial data provider FactSet.

Sales rose 20 percent to 60.6 trillion won (\$56.1 billion) while operating

income surged 58 percent to 15.6 trillion won (\$14.5 billion) during the period.

Demand for consumer electronics products usually is slack in the first quarter of the year. But Samsung has been immune to seasonally shifting demand in the consumer electronics market thanks to its perennially lucrative [memory chips](#) business.

The lion's share, more than 70 percent or 11.55 trillion won (\$10.7 billion), of its latest quarterly operating income was generated by the semiconductor division. Revenue was just 20.78 trillion won (\$19.25 billion), a profit margin almost unheard of in the manufacturing industry.

Samsung said its semiconductor division benefited from strong demand for server chips from global data center operators and chips that handle graphics and crypto-currency mining cards.

Memory chips used to be a cutthroat market with multiple players with wide swings between gluts and shortages due to volatile demand. That changed with an industry restructuring that has left only a handful of global companies to meet tight supplies. Samsung and a few other memory chipmakers are benefiting from hefty investments by global internet companies to expand data centers and higher demand for chips that can handle more complex programs in mobile handsets.

Samsung's mobile phone division also helped its profitability, posting 3.77 trillion won (\$3.49 billion) in quarterly operating income. Strong sales of the Galaxy S8 smartphone from last year despite the early release of its flagship Galaxy S9 smartphone showed that consumers are not enthusiastic about upgrading their phones to the latest products.

Those two divisions helped Samsung offset weak performance in the

display business, which counts Apple Inc. among its clients, and its home appliance division, which saw seasonally low demand for television sets. The display division logged lower profits for advanced panels called OLED and for LCD products.

Going forward, Samsung forecast that that the memory chip business will likely stay strong, but increasing overall earnings will be a challenge given the weakness in its display business and lower profits in the mobile business.

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