

# Samsung Electronics profit dips as phone sales fall

July 31 2018, by Park Chan-Kyong

---



A sluggish market for premium mobile phones contributed to a decline in Samsung's smartphone shipments and revenue

Samsung Electronics said Tuesday its second-quarter net profit dipped slightly from a year earlier, with a fall in smartphone sales mitigated by

strong demand for its memory chips.

A sluggish market for premium mobile phones and stiff competition contributed to a decline in Samsung's smartphone shipments and revenue compared to the previous quarter, denting demand for its flagship Galaxy device, the South Korean company said.

Samsung, the world's biggest maker of [memory chips](#), has weathered a series of setbacks, including an embarrassing global recall of its Galaxy Note 7 due to exploding batteries in 2016.

Adding to its troubles, its vice-chairman Lee Jae-yong, scion of the founding family, was jailed last year for his part in the corruption scandal that brought down former president Park Geun-hye.

Lee has since been released after some of his convictions were quashed on appeal, and the company has posted record profits in recent quarters, until now.

Net profit for April-June was 11.04 trillion won (\$9.9 billion), the company said in a regulatory filing—slightly lower than the 11.05 trillion won in the same period in 2017, and missing the 11.6 trillion won average of estimates compiled by Bloomberg News.

While total sales fell 4.1 percent year-on-year to 58.48 trillion won, the company's mobile division was particularly hard hit, with revenues plunging 22 percent in the same period.

"Second-quarter revenue fell due to softer sales of smartphones and display panels," Samsung said in a statement.

Weak sales of its flagship smartphone, the Galaxy S9, drove down earnings but robust demand for premium TVs—thanks to soaring

interest in the World Cup—and memory chips helped boost [operating profit](#) nearly six percent.

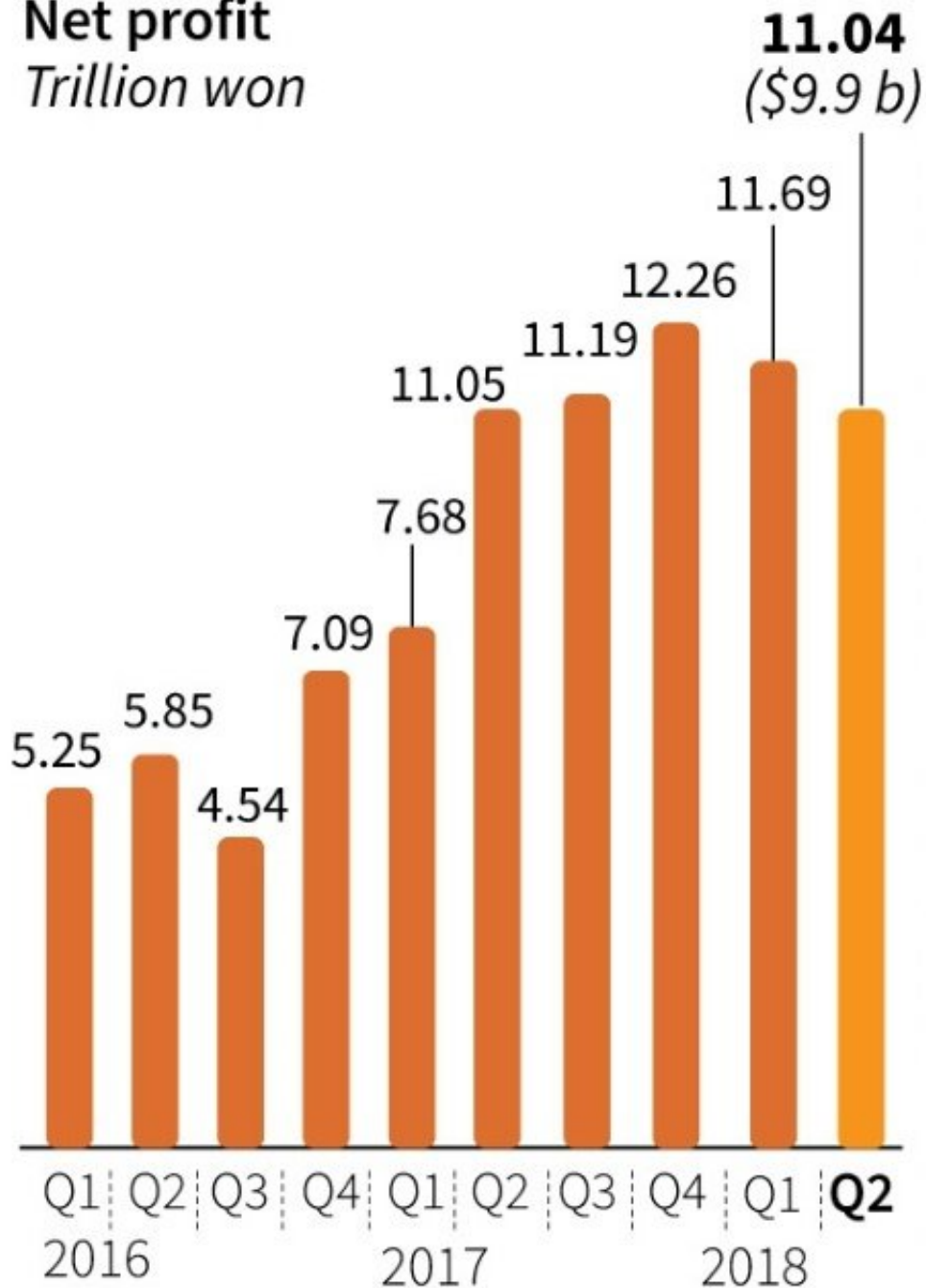
Samsung's chipmaking unit, which dominates the global market, provides chips for the company's own devices as well as those of competitors including Apple.

Although its semiconductor business was a bright spot, achieving record operating profits of 11.6 trillion won, the earnings were lower than expected—with market forecasts averaging 12 trillion won.

"The semiconductor sector fell short of expectations but its outlook for the second half of this year is rather positive as demand for DRAM chips is solid... Therefore, [chip](#) prices are expected to remain strong," a Samsung official told AFP on condition of anonymity.

# Samsung Electronics

Net profit  
Trillion won



Source : Samsung.com

© AFP

Quarterly net profit for Samsung Electronics.

## **Push for cheaper smartphones**

The company said it expected "growing demand for flexible OLED panels to drive earnings higher in the second half" of the year.

But "mobile market conditions will likely remain challenging in the second half amid pricing competition and new product launches," it said, adding that it would respond by launching its Galaxy Note 9 smartphone earlier than expected.

The company said it would bolster its flagship lineup by marketing the new phone "at a reasonable price" and packing its middle-and-low end products with updated features to fend off competition.

The move comes as the global market for premium smartphones hits a wall.

"Consumers are losing the belief that the next version of a [smartphone](#) is actually smarter," Paul Swiercz, a management professor at George Washington University, told Bloomberg News.

"Even those wanting to own the latest and greatest are having difficulties paying high-margin prices for performance and features that have topped out," he added.

Despite its difficulties in the mobile sector, the company is expected to post record profits in the next quarter thanks to its semiconductor division, analysts told AFP.

"Operating profit in the semiconductor sector is likely to hit the largest-ever 13.7 trillion won in the next quarter, due to the high DRAM chip

prices and increasing shipments of NAND flash memory products", said Park Yoo-ak, an analyst with Kiwoom Securities.

Overall operating profit was 14.87 trillion won, in line with the estimate of 14.8 trillion won suggested in a preliminary guidance report earlier this month.

"In the third quarter, Samsung Electronics is likely to benefit from a weak Korean won, solid demand for DRAM chips and recovery in OLED displays. Its third-quarter operating [profit](#) is expected to hit 16.8 trillion won," said Lee Seung-woo at Eugene Investment & Securities.

Disappointment over the latest figures was reflected in Tuesday's trade, with Samsung Electronics shares closing down 0.5 percent at 46,250 won.

© 2018 AFP

Citation: Samsung Electronics profit dips as phone sales fall (2018, July 31) retrieved 3 May 2024 from <https://phys.org/news/2018-07-samsung-electronics-profit-dips-sales.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.