

Samsung Electronics flags record Q3 operating profit

October 5 2018, by Sunghee Hwang



Samsung's Galaxy Note 9 has received favourable reviews and the electronics giant is due to launch a new line up of its flagship devices later this month

Samsung Electronics Friday forecast a record operating profit of 17.5 trillion won (\$15.4 billion) in the third quarter led by solid demand for

its memory chips.

Sales for July to September are expected to reach 65 trillion won, the world's largest maker of smartphones and [memory chips](#) said in a regulatory filing.

The earnings forecast from the South Korean electronics giant beat market consensus of about 17.2 trillion won according to market researcher FnGuide, with analysts expecting a jump in profits on a strong performance by the company's semiconductor unit.

Third-quarter operating profit was up 20.4 percent from a year ago while sales jumped by 4.7 percent.

"Operating profit seems to be at its peak now," Greg Roh, an analyst at Hyundai Motor Securities, told Bloomberg News.

"Early next year might be the right time to buy Samsung before growth picks up again in the bottom half of next year," he added.

Samsung shares rose as much as 1.8 percent in early trading in Seoul.

Samsung withholds net profit and sector-by-sector business performance until it releases its final earnings report, which is expected later this month.

The South Korean tech giant has seen profits soar in recent years largely thanks to solid demand for memory chips for [mobile devices](#) which has helped offset weakening profits from its own mobile production.

Samsung's chipmaking unit—currently dominating the global market after the firm invested tens of billions of dollars each year to build and expand factories—provides chips for its own devices as well as those of

competitors including Apple.

But there are growing concerns over declining chip prices.

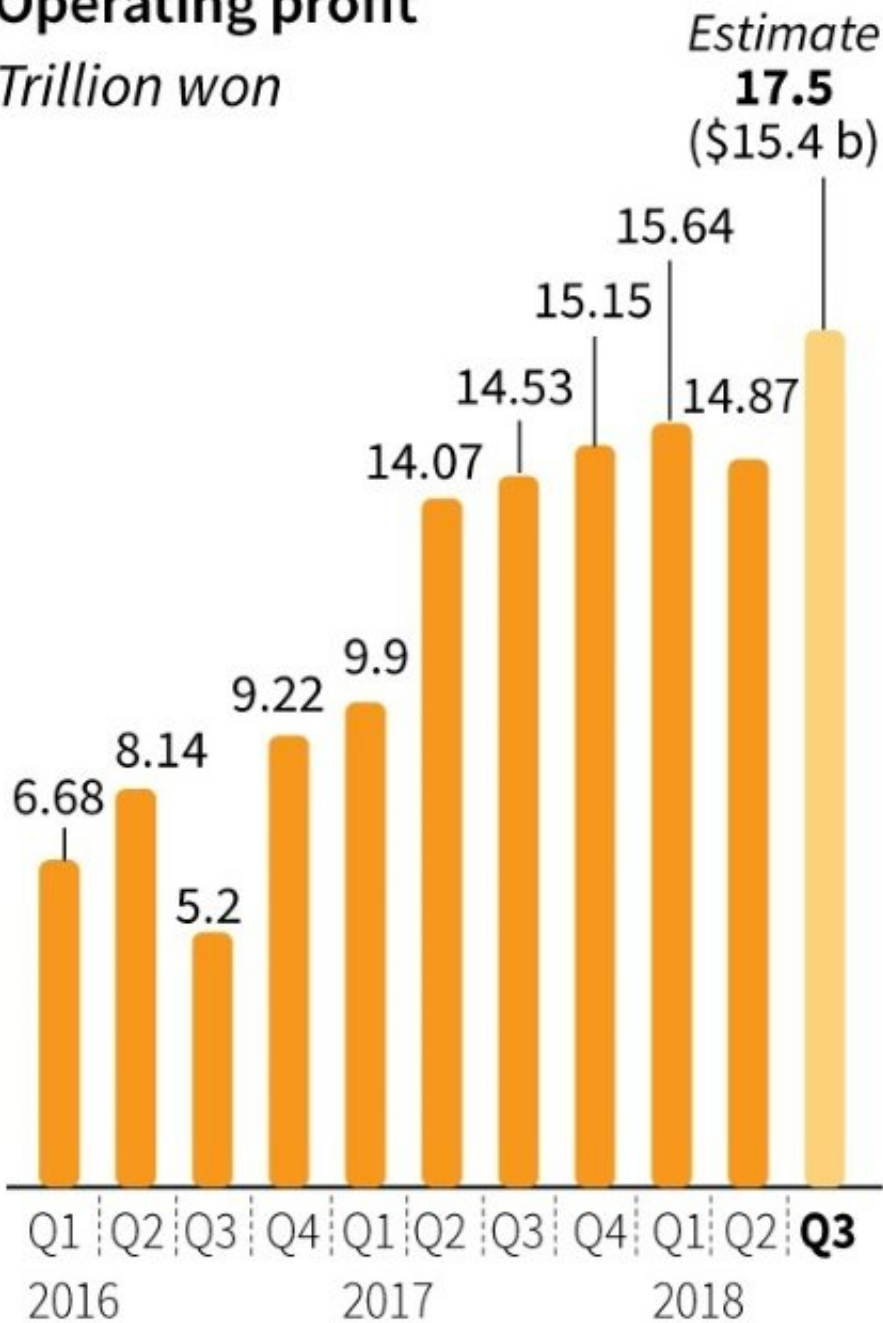
The price of DRAM products—used in mobile devices, servers and PCs—is expected to see a sharp drop of five percent in the fourth quarter from the previous quarter on slowing demand, said TrendForce, a market research firm that tracks memory chip pricing.

"DRAM products have begun to see a weak price trend since 3Q18 after the price growth of nine consecutive quarters," said Avril Wu, a senior research director at DRAMeXchange, a unit of TrendForce.

Samsung Electronics

Operating profit

Trillion won



Estimate
17.5
(\$15.4 b)

Source : Samsung.com

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Chart showing quarterly operating profits for Samsung.

Samsung plans to curtail growth in memory chip output next year to keep supplies tight amid an expected weakening demand, Bloomberg News reported last month.

Chinese competition

Samsung's mobile unit suffered a heavy blow after a damaging worldwide recall of its Galaxy Note 7 devices over exploding batteries in 2016, which cost the firm billions of dollars.

While it retains its leadership position in the global smartphone market, Samsung saw a dismal 22 percent drop in mobile technology sales in the second quarter.

The South Korean firm also faces mounting competition from Chinese rivals like Huawei—which recently surpassed Apple in second place—with quality devices at cheaper prices, adding pressure on Samsung in a segment of the market it used to dominate.

Samsung plans to introduce cutting-edge features to its mid-priced Galaxy A series to attract "millennials who cannot afford the flagship", its mobile division CEO DJ Koh said during an interview with CNBC last month.

Koh added that Samsung was close to concluding the development of a foldable smartphone and would be ready to unveil it this year.

The firm unveiled its latest Galaxy Note 9 model in August and is due to launch a new line up of mobile devices under its Galaxy line next week, fuelling speculation over the world's first bendable smartphone.

Samsung's reputation was dealt a blow by the bribery conviction of Lee Jae-yong—the son and heir of the group's current chairman Lee Kun-hee.

Lee Jae-yong was a key figure in the scandal that ousted former South Korean leader Park Geun-hye following massive nationwide protests, and was sentenced to five years in jail last year.

But the sentence was reduced on appeal in February to a suspended jail term, and the 50-year-old scion was released after spending nearly a year in prison.

After his release, Lee joined South Korean President Moon Jae-in at the opening ceremony of a new Samsung Electronics \$650 million smartphone plant in Noida, India, in July.

Lee was also a member of Moon's entourage when the president travelled to Pyongyang last month for his third summit with North Korean leader Kim Jong Un.

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