

Samsung Electronics flags 5.2% rise in Q2 profit

July 6 2018, by Park Chan-Kyong



Samsung's forecast indicates an end to the firm's record-setting run in increasing operating profits

South Korean telecom giant Samsung Electronics on Friday flagged a 5.2 percent rise in its second quarter operating profit from a year earlier,

missing analyst estimates.

Samsung's operating profit is expected to come to 14.8 trillion won (\$13.2 billion) for the April-June period, higher than the 14.07 trillion won in the same period in 2017, but down from the record 15.64 trillion won of the previous quarter.

The forecast came in at the low end of the market consensus, which averaged 15.3 trillion won.

"It's a bit disappointing," Ko Gyeong-beom at Yuanta Securities Korea told AFP, noting the company had posted expectation-beating operating profits in several previous quarters.

Sales are estimated at 58 trillion won, down 4.9 percent from 61 trillion won a year earlier.

Industry sources said smartphone sales were weaker in the face of mounting competition from rivals and increasing marketing costs for new mobile products.

Weak LCD display prices and a slow display screens sector are also blamed for the disappointing results, they said.

"The shipment and prices of the flagship smart phone Galaxy 9, rolled out in the first quarter, fell shy of expectations", said Yoo Jong-woo, an analyst with Korea Investment & Securities.

The company's strong semiconductor business filled the gap as robust sales of TV sets also helped, analysts said.

Samsung's chipmaking unit—currently dominating the global market after the firm invested tens of billions of dollars to build and expand

factories—provides chips for Samsung devices as well as those of competitors including Apple.

The semiconductor sector will remain strong in the third quarter with DRAM chip prices maintaining an upward swing due to strong demand for servers, analysts said.

But IT and mobile business is expected to remain slow due to rising competition from Apple and Chinese rivals, they said.

"With semiconductor and display sectors taking the lead, Samsung will see a drastic improvement in results in the third quarter", Greg Roh of HMC Investment & Securities told AFP.

"We expect the third quarter operating profit to hit 17 trillion won", a new all-time record, he added.

Park Won-jae of Mirae Asset Daewoo was also optimistic, citing solid semiconductor prices and stable demand for display screens.

Regardless of the 5.2 percent on-year increase, the second quarter operating profit fell far short of the all-time record high of 15.6 trillion won tallied for the first quarter this year.

It thus failed to stretch on-quarter operating profit growth into the seventh consecutive quarter.

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

Samsung Electronics shares were down 1.96 percent in mid-morning trade, reflecting the let-down.

Samsung Electronics' stock value has fallen more than 13 percent following a 50-1 stock split two months ago aimed at allowing smaller investors to buy into the giant company.

Adding to this stress, regulators pressed Samsung Life Insurance Co., a financial arm of the Samsung Group, to sell a large portion of its 8.23 percent stake in Samsung Electronics as the government attempts to cut back the influence of the country's family-controlled conglomerates.

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 49-year-old scion was released after spending nearly a year in prison.

South Korean President Moon Jae-in plans to attend the opening ceremony of a new Samsung Electronics \$650 million smartphone plant in Noida, India, next week, where he is expected to meet with Lee Jae-yong for the first time since he took power in May last year.

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