

Samsung profits up 49,7% for June quarter

SEOUL, SOUTH KOREA: Samsung Electronics, described as the world's largest technology firm by revenue, last week posted another record quarterly net profit, but weakening earnings momentum has fuelled fears over sagging demand for high-end smartphones.



The South Korean company said its April to June net profit was up 49.7% year-on-year to 7.77trn won (US\$6.96bn) thanks to robust shipments of its Galaxy S smartphones and higher chip prices.

Second-quarter operating profit climbed 47.5% year-on-year to 9.53trn won in the same period as sales grew 20.7% year-on-year to 57.46trn won.

The figures are in line with the firm's forecast at the start of the month, although they were well short of expectations, which had been for an operating profit of 10trn won.

"Entering into a typically strong season for the IT industry, we expect earnings to continue to increase," said Robert Yi, senior vice president and head of investor relations.

But he warned: "We cannot overlook delayed economic recovery in Europe and risks from increased competition for smartphone and other products."

Share price falls

Despite the record earnings, however, Samsung's share price has been falling - wiping about US\$30bn off the firm's value - since late April when the flagship Galaxy S4 hit stores, as sales have not been as high as hoped.

This is despite the company spending billions of dollars on a global marketing campaign, squeezing margins, after launching the latest gadget at a lavish New York event in late March.

"Expectations had been too high for high-end smartphone sales. Many investors now think the Galaxy S4 has not been selling so well," Oh Young-Bo, of Hanmag Securities, told AFP.

He added that investors are growing concerned as Samsung relies heavily on sales of smartphones to drive growth.

With an expected drop-off in demand for high-end phones, brokerages began cutting their forecasts for earnings and sales in June.

While Samsung did not reveal smartphone shipments it is thought to have sold about 75m units in the past quarter, including around 20m Galaxy S4s.

But while that helped Samsung maintain its status as the world's largest handset maker, the figure is only slightly up from the estimated 70m shipped in the previous three months, suggesting a slowdown in growth.

Marketing costs

The IT and mobile sector contributed most of the operating profit, producing 6.28trn won, up 52% from a year earlier.

However, it was down 3.5% from the previous quarter because of higher marketing costs and investments in sales networks and research and development, Samsung said.

Semiconductors brought 1.76trn won in operating profit, up 71% from a year earlier.

Operating profit from displays climbed 58% year-on-year to 1.12trn won.

Other sectors' contributions including consumer electronics were mediocre.

Samsung's record earnings come after US company Apple unveiled its fiscal third-quarter results, which showed net profit had fallen 22% year-on-year.

But while sales of Apple's iPhone beat expectations, there are still fears for the high-end smartphone market as cheaper Android devices from China become more attractive options.

Samsung, Nokia and HTC are launching more affordable devices to diversify their products, although analysts have warned that such a move could hit their profit margins in the longer term.

Hanmag Securities' Oh Young-Bo forecast Samsung's operating profit would rise to 10.5trn won in the third quarter to the end of September, although he said this would mainly be thanks to sales of displays, semiconductors, and tablet computers.

Source: AFP via I-Net Bridge

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