

Samsung Electronics Q3 net profit leaps after Huawei boost

October 29 2020



Samsung's mobile and chip businesses were boosted by US sanctions against its Chinese rival Huawei

Samsung Electronics' net profit jumped by almost half in the third quarter, it reported Thursday, as the South Korean giant's mobile and chip businesses were boosted by US sanctions against Chinese rival

Huawei.

The world's biggest memory chip maker said profits in July-September climbed 48.8 percent year-on-year to 9.36 trillion won (\$8.3 billion), beating expectations according to Bloomberg News.

But the company warned that profits in the current quarter are projected to decline, with chip demand weakening and competition intensifying in the smartphone and [consumer electronics market](#).

The firm is the flagship subsidiary of the giant Samsung Group, by far the biggest of the family-controlled conglomerates that dominate business in the world's 12th largest economy, and it is crucial to South Korea's economic health.

The figures come a day after the burial of late chairman Lee Kun-hee—who turned the firm into a global powerhouse—and as the coronavirus wreaks havoc with the [world economy](#).

But despite the pandemic hammering many economies, South Korea returned to growth in the third quarter, driven by a better-than-expected exports performance.

The country is now widely expected to be among the least affected in the OECD group of developed economies in 2020 in terms of economic performance.

Analysts say Samsung's rollout in August of its latest premium smartphones—the Galaxy Note 20 and the Galaxy Z Fold 2—coupled with strong sales of mid-range phones led the firm's third-quarter performance.

A US ban on foreign companies providing Huawei with US-origin

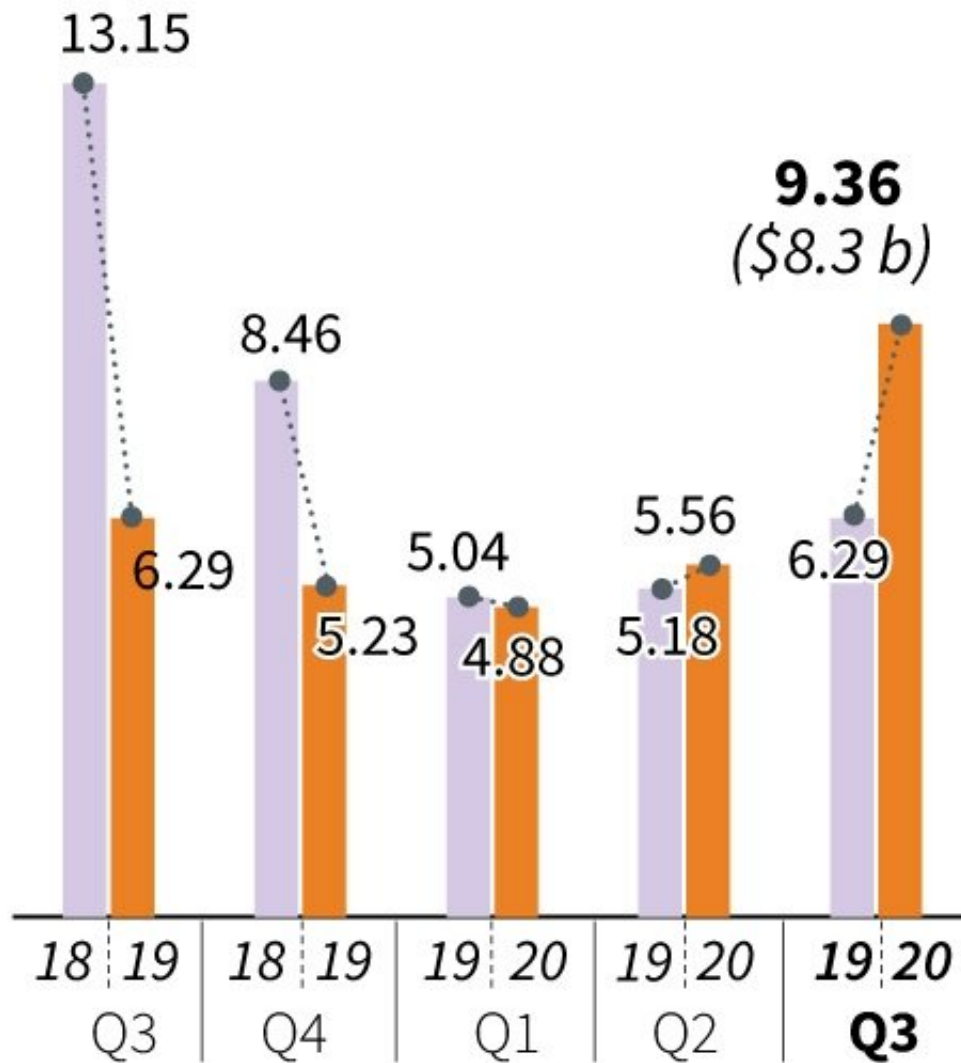
technology, which came into effect on September 15—cutting off essential supplies of semiconductors and software needed for making smartphones and 5G equipment—also provided a boost.

Samsung Electronics

Net profit

Compares quarterly changes, year-on-year

Trillion won



Source: Samsung.com



Chart showing quarterly net profit for Samsung.

"Samsung has been quite aggressive in new launches as well as channel strategies, riding on the ongoing anti-China sentiment," Prachir Singh, a senior analyst at market observer Counterpoint, told AFP.

A reduction in marketing costs due to the pandemic was "also helpful in terms of operating profit" for Samsung, said Sujeong Lim, another analyst at Counterpoint.

The firm's memory business also benefited from the feud after Huawei rushed to stock up on Samsung-made semiconductors before the US restrictions kicked in.

That segment "posted solid earnings as healthy demand for mobile and PC products led to higher-than-expected shipments, outweighing the impact of lower memory chip prices", the firm said in a statement.

Operating profit rose 58.7 percent to 12.35 trillion won. Sales rose 8 percent to 66.96 trillion won—a record for any quarter.

'Significant oversupply'

But the firm's immediate prospects may not be quite so rosy.

Samsung warned its smartphone sales for October-December were expected to decline because of "subsiding effects from new flagship model launches", while higher marketing spending in the face of intensifying competition "is also likely to weigh down profit".

Earlier this year, the firm was dethroned by Huawei from its long-held

position as the world's biggest smartphone maker as the Chinese economy recovered from the coronavirus.



Chairman Lee Kun-hee, who transformed Samsung into a global power, died on Sunday

Samsung Electronics still leads the global DRAM chip market, with a 43.5 percent share in April-June according to market researcher TrendForce.

Server DRAM chips enjoyed a boost as the pandemic prompted working from home and online classes—but were now experiencing "significant oversupply", it said in a report.

"Therefore, contract prices of server DRAM products continue to descend to new lows," it went on, forecasting a 13-18 percent drop in the fourth quarter.

Lim at Counterpoint said: "The situation in the semiconductor market including servers market is likely not so good, thus there is a lot of uncertainty. Server demand is also decreasing.

"Also, as the supply for Huawei has been suspended, it may take some time for Samsung to find another client to make up for the lost business."

Samsung Electronics' chairman Lee Kun-hee died on Sunday, six years after being left bedridden by a heart attack, when his son and heir Lee Jae-yong took over as de facto leader, although officially he has remained vice-chairman.

The family face the prospect of paying billions of dollars in inheritance taxes.

Complicating the firm's succession plans, the son is currently being retried over a sprawling corruption scandal that could see him return to prison.

He is not being held in custody during the proceedings but a guilty verdict could deprive the firm of its top decision-maker.

Samsung Electronics shares closed down 1.53 percent in Seoul.

© 2020 AFP

Citation: Samsung Electronics Q3 net profit leaps after Huawei boost (2020, October 29)
retrieved 3 February 2023 from

<https://techxplore.com/news/2020-10-samsung-electronicq3-net-profit-huawei.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.