

Samsung Electronics profit spikes on pandemic-driven demand

January 28 2021, by Sunghee Hwang



The pandemic has seen many tech companies boom, including Samsung

Samsung Electronics, the world's biggest smartphone and memory chip maker reported fourth-quarter net profits up by more than a quarter year-on-year Thursday, with coronavirus-driven working from home boosting

demand for devices powered by its chips.

But the figures were below market expectations according to Bloomberg News, and the company warned of persisting uncertainties over the pandemic, and lower profits in Q1 2021 due to falling prices.

Samsung Electronics is the flagship subsidiary of the giant Samsung group, by far the largest of the family-controlled empires known as chaebols that dominate business in South Korea, the world's 12th-largest economy.

The conglomerate is crucial to the South's economic health—its overall turnover is equivalent to a fifth of the national gross domestic product.

Samsung Electronics said profits rose 26.4 percent in October to December on a year earlier to 6.61 trillion won (\$5.97 billion), led by display and memory chip businesses.

"Although challenges from the COVID-19 pandemic continue, company-wide efforts to ensure a stable supply of products and services globally helped Samsung's fourth-quarter results," the firm said in an earnings report.

The coronavirus has wreaked havoc with the world economy, with lockdowns and travel bans imposed around the globe for many months.

But the pandemic—which has killed more than two million people worldwide—has also seen many tech companies boom, including Samsung.

"It's true that Samsung's sales increased year-on-year due to the spread of the so-called 'new normal', which led to a surge in demand for electronics," said Jene Park, an analyst at market observer Counterpoint

Research.

Operating profit rose 26.4 percent to 9.05 trillion won, while sales were also up 2.8 percent at 61.55 trillion won.

Even so, Samsung noted that profits fell from the previous quarter due to weaker memory prices and sluggish consumer product sales, as well as higher marketing costs and appreciation by the Korean won.

The trend was likely to continue, it said, with profitability in the memory business affected by won strength "and costs associated with new production lines, despite solid demand from mobile products and data centres".

It expected a recovery in overall global demand in 2021, but warned that "uncertainties persist over the possibility of recurring COVID-19 waves".

For the full year, net profit jumped 21.5 percent to 26.41 trillion won, on sales of 236.81 trillion won, up 2.8 percent.

Samsung Electronics shares closed down 2.22 percent on Thursday.

Jailed boss

The global chip-manufacturing industry is expected to see record revenue this year, with the stay-at-home economy persisting because of the pandemic, according to Taipei-based market tracker TrendForce.

Samsung has aggressively stepped up its investments in semiconductors in recent years.

As its latest investment, the tech giant is considering spending as much

as \$17 billion to build a chip plant in Arizona, Texas or New York, the Wall Street Journal reported last week.

If confirmed, it would be the biggest investment by Samsung in the absence of its de facto leader Lee Jae-yong.

Lee was sentenced last week to two and a half years in jail in a retrial over a sprawling corruption scandal that brought down former president Park Geun-hye.

That ruling cast further uncertainty over Samsung after the burial of late chairman Lee Kun-hee, who turned Samsung Electronics into a global powerhouse, in October.

Experts say a leadership vacuum could hamper the firm's decision-making on future large-scale investments, which have been key to its rise.

Kim Dae-jong, a business professor at Sejong University, said: "Samsung is a very important company for South Korea and the imprisonment of its leader is disadvantageous."

© 2021 AFP

Citation: Samsung Electronics profit spikes on pandemic-driven demand (2021, January 28) retrieved 23 April 2024 from

<https://techxplore.com/news/2021-01-samsung-profit-driven-strong-chip.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.