Samsung Electronics says operating profits up 12.18 percent in Q2

July 28 2022, by Cat BARTON, Kang Jin-kyu

Samsung Electronics saw its Q2 profits jump by $994 million from the prior quarter.

South Korean chip powerhouse Samsung Electronics said Thursday that second-quarter operating profits were up 12.18 percent, with record profits in its system semiconductor division despite global supply chain

woes.

The company's "system semiconductor businesses... achieved a record high quarterly profit," Samsung said in a statement, adding it had both expanded its product line-up and increased the supply of chips to global customers.

"Earnings in the Memory Business improved both year-on-year and quarter-on-quarter as the Company focused on meeting solid demand for servers," Samsung said.

In June, the company became the first chipmaker in the world to mass-produce 3-nanometre microchips as it sought to match and eventually outpace Taiwan's TSMC in the race to manufacture the world's most advanced chips.

The new chips will be smaller, more powerful and efficient, and will be used in high-performance computing applications before being put into gadgets such as mobile phones.

The vast majority of the world's most advanced microchips are made by just two companies—Samsung and TSMC—both of which are running at full capacity to alleviate a global shortage.

Samsung is the market leader in memory chips, but it has been scrambling to catch up with TSMC in its advanced foundry division, which makes high-tech microchips for other companies.

Samsung, which is also a world leader in handset production, said demand and profits from its smartphone division were down from the first quarter.

"Overall market demand declined from the previous quarter amid

geopolitical issues and concerns over inflation on top of continued weak seasonality," it said.

"Profitability decreased from the previous quarter at some degree due to rising costs of components and logistics as well as negative effects of foreign exchange movement," it added.

But overall, the weakness of the Korean won against the US dollar benefited the company, it said in the statement, "resulting in an approximately 1.3 trillion won ($994 million) company-wide gain in operating profit compared to the previous quarter."

Weak chip market

Samsung's mobile business is "expected to improve in the second half of the year from the second quarter, which was heavily affected by external elements such as the war in Ukraine," Park Sung-soon, an analyst at Cape Investment & Securities, told AFP.

But decreased market demand for memory chips due to concerns over a possible global recession will hamper the company's profit outlook, he said.

"What determines Samsung's overall profit is its semiconductor business. With what's expected to be faltering demand for memory chips down the road, sales could weaken in the second half of the year."

Global demand for chips is "entering a period of weakness, which will persist through 2023," Richard Gordon, an analyst at research company Gartner, said in a report, according to Bloomberg.

"We are already seeing weakness in semiconductor end markets, especially those exposed to consumer spending."

The supply of memory chips has become an issue of global geopolitical significance recently, with leading governments scrambling to secure advanced chip supplies.

That was demonstrated in May when US President Joe Biden kicked off a South Korea tour by visiting Samsung's sprawling Pyeongtaek chip plant.

Russia's invasion of Ukraine has "further spotlighted the need to secure our critical supply chains", Biden said at the plant, underscoring the importance of bolstering technology partnerships among "close partners who do share our values".

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