

Huawei profit sinks in 2022 amid sanctions, but sales higher

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A staff member stands at a booth for Chinese technology firm Huawei at the China International Fair for Trade in Services (CIFTS) in Beijing, Friday, Sept. 3, 2021. Huawei on Friday, March 31, 2023 reported a nearly 70% decline in profit last year amid sanctions and pandemic challenges, but its enterprise sales rose as the Chinese technology giant sought to pivot into digital industries and reduce its vulnerabilities to U.S. sanctions. Credit: AP Photo/Mark Schiefelbein

Huawei on Friday reported a nearly 70% decline in profit last year amid sanctions and pandemic challenges, but its enterprise sales rose as the Chinese technology giant sought to pivot into digital industries and reduce its vulnerabilities to U.S. sanctions.

"While it's true that we have considerable pressures ahead of us, we still see opportunities to grow a resilient business portfolio, a unique competitive edge, the trust of our customers and partners and have the courage to invest heavily in R&D," Eric Xu, the outgoing rotating chairman of Huawei, said at a news conference.

Huawei its revenue in 2022 reached 642.3 billion yuan (\$93.5 billion), a 0.9% gain from the year before.

Its net profit for the year was 35.6 billion yuan (\$5.2 billion), down 68.7% from 2021 amid pressures from the pandemic, U.S. sanctions, an increase in commodity prices and R&D spending, as well as a decline in the company's consumer business, which mostly sells smartphones. Huawei reported a higher-than-usual 113.7 billion yuan (\$16.6 billion) in profit in 2021 due to the sale of Honor, its budget smartphone business.

"The year 2022 is a year where Huawei pulled ourselves out of a crisis mode. U.S. restrictions are now our new normal and we're back to business as usual," said Sabrina Meng, Huawei's chief financial officer.

Also known as Meng Wanzhou, she is the daughter of Huawei's founder and will become its rotating chairwoman from April 1, a role that allows her to oversee Huawei's businesses for six months.

Meng was detained in Canada for nearly three years after her arrest on U.S. charges of lying to Hong Kong banks about dealings with Iran in violation of trade sanctions. She was released under a deal with the U.S. Justice Department that dismissed the charges in exchange for her

accepting responsibility for misrepresenting Huawei's dealings with Iran.

Huawei, one of China's first global tech brands, has been caught up in China-U.S. tensions over technology and security. American officials say the company is a security risk and might enable Chinese spying, an accusation Huawei denies.

The U.S. has banned U.S. companies from doing business with Huawei, cutting off its access to chips and software such as Google services for its smartphones and preventing it from selling its telecommunications gear to U.S. customers.

The Shenzhen-headquartered telecommunications company shifted its focus in 2022 to growing its corporate business by selling network equipment and services to industries such as healthcare, manufacturing, transportation and mining to help them become more digital.

For now, those efforts seem to have paid off. Huawei's enterprise business revenues in 2022 grew 30% from a year earlier to 133.2 billion yuan (\$19.4 billion). Its growth in 2021 was just 2.1%.

Revenue from its company's consumer business, which sells smartphones, tablets and other devices, continued to decline, falling 11.9%. Huawei was the world's largest smartphone maker in 2020 but has since seen its global market share plunge after losing its Android license and Google services.

Huawei is one of the world's biggest spenders on research and development, devoting a record 161.5 billion yuan (\$23.5 billion) in 2022, representing 25% of its total revenue.

Just over half of Huawei's workforce of 207,000 employees work in R&D. The company's R&D efforts have helped it replace components

that it lost access to when Huawei was hit by U.S. sanctions, Meng said.

Rotating chairman Xu said Friday that Huawei had achieved breakthroughs in electronic design automation tools for chips at 14 nanometers and above together with its partners, and that the breakthrough would allow it to use the tools for its chip design efforts.

The breakthrough comes as the Chinese government is pushing for self-reliance in technology as tensions with the U.S. rise.

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