

Samsung Electronics flags 56% fall in Q3 operating profit

8 October 2019, by Sunghee Hwang



South Korean tech titan Samsung leads the global smartphone market with a 23-percent share of the sector

Samsung Electronics said on Tuesday it expected operating profits to drop more than 50 percent in the third quarter as it struggles with a long-running slump in the global chip market.

Operating [profit](#) for July to September was forecast to reach 7.7 trillion won (\$6.4 billion), down 56.2 percent from a year earlier, the world's largest maker of smartphones and memory chips said in a statement.

It marks the fourth consecutive quarter in which the South Korean tech company has recorded a profit drop in the face of falling semiconductor prices and weakened demand for its [mobile devices](#).

Sales for the third quarter were expected to reach around 62 trillion won, down 5.3 percent from the same period last year.

Samsung withholds [net profit](#) and sector-by-sector business performance until it releases its final earnings report, which is expected later this month.

Samsung shares closed up 2.4 percent in Seoul as the operating profit forecast beat expectations.

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 11th-largest economy, and crucial to South Korea's economic health.

Analysts voiced optimism for the coming months, noting that falling inventory levels for semiconductors—which account for more than half of Samsung's profit—will help stabilise chip prices after double-digit drops this year.

'Competitor in crisis'

The estimates for the third quarter showed a slight rise from the April to June period, which analysts attributed mainly to improvements in the mobile business.

The firm rolled out its flagship Note 10 devices that connect to superfast 5G network in August that analysts say have sold far better than its previous models to give Samsung a much-needed boost.

"The Note device is usually released in August or September and sells well until December, so I expect the demand to continue until the fourth quarter," said Tom Kang, research director at Counterpoint Research.

Samsung appealed to high-end users with the launch of its first foldable smartphone last month after faulty screens forced an embarrassing delay in April.

The premium smartphone market has grown fiercely competitive and overall sales have cooled as a lack of major innovation has caused people to wait longer before upgrading to new models.

The South Korean tech titan leads the global

smartphone market with a 23-percent share of the sector, trailed by Chinese competitors Huawei and Oppo, with Apple in fourth place, according to sales tracker IHS Markit.

Samsung also took advantage of the US trade ban against Huawei, "replacing a strong competitor in crisis" with its mid-to-low tier Galaxy A handsets, said Sujeong Lim, an analyst at Counterpoint Research.

Increased demand for Samsung's OLED display panels used in handsets by competitors—including Apple's new iPhone 11—is also expected to help improve the company's quarterly profit.

Samsung has been caught up in a trade war between Japan and South Korea stemming from World War II disputes.

The row saw Tokyo impose tough restrictions on exports crucial to South Korean tech giants in July, and Samsung vice-chairman Lee Jae-yong—who called the situation a "crisis"—has visited Tokyo to secure materials.

Adding to Samsung's woes, Lee is currently facing retrial over his role in a massive corruption scandal that brought down former president Park Geun-hye.

He was initially jailed for five years in 2017 on multiple convictions including bribery, which was reduced to a suspended sentence on appeal, only for the Supreme Court in August to order a retrial.

The first hearings in the case are expected later this month.

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