

Samsung Electronics says Q4 net profit slumps 38%

January 30 2020



Samsung is pinning its hopes on increasing availability of 5G telecom services driving sales of its handsets

The world's biggest smartphone maker, Samsung Electronics, reported a slump in fourth-quarter net profits on Thursday, blaming weakening

demand in key products and falling chip prices.

Net profit in the October-to-December period was 5.23 trillion won (\$4.4 billion), down 38 percent from a year ago, it said in a statement.

"Fourth-quarter profit dropped from a year earlier due to the continued fall in memory [chip prices](#) and weakness in display panels," Samsung said in a statement.

The firm is the flagship subsidiary of the giant Samsung Group, by far the largest of the family-controlled conglomerates known as "chaebols" that dominate business in the world's 12th-largest economy.

But it suffered a series of difficulties in 2019, with the global memory chip market—which has driven profits in recent years—hit by rising supply and falling demand.

The premium smartphone market has also grown fiercely competitive, with buyers waiting longer before upgrading to new models.

Samsung said it expects "weak sales from seasonality in memory chips, OLED and [consumer electronics](#)" in the first quarter of 2020 as the firm navigates "continued uncertainties in the global business environment".

Operating profit dropped more than 30 percent year-on-year to 7.2 trillion won, while sales in the fourth quarter stood at 59.9 trillion won.

For full-year 2019, the firm reported [net profit](#) of 21.7 trillion won, down 51 percent from a year ago.

Samsung shares closed down 3.2 percent in Seoul.

Samsung has been strained by a trade war between China and the US and

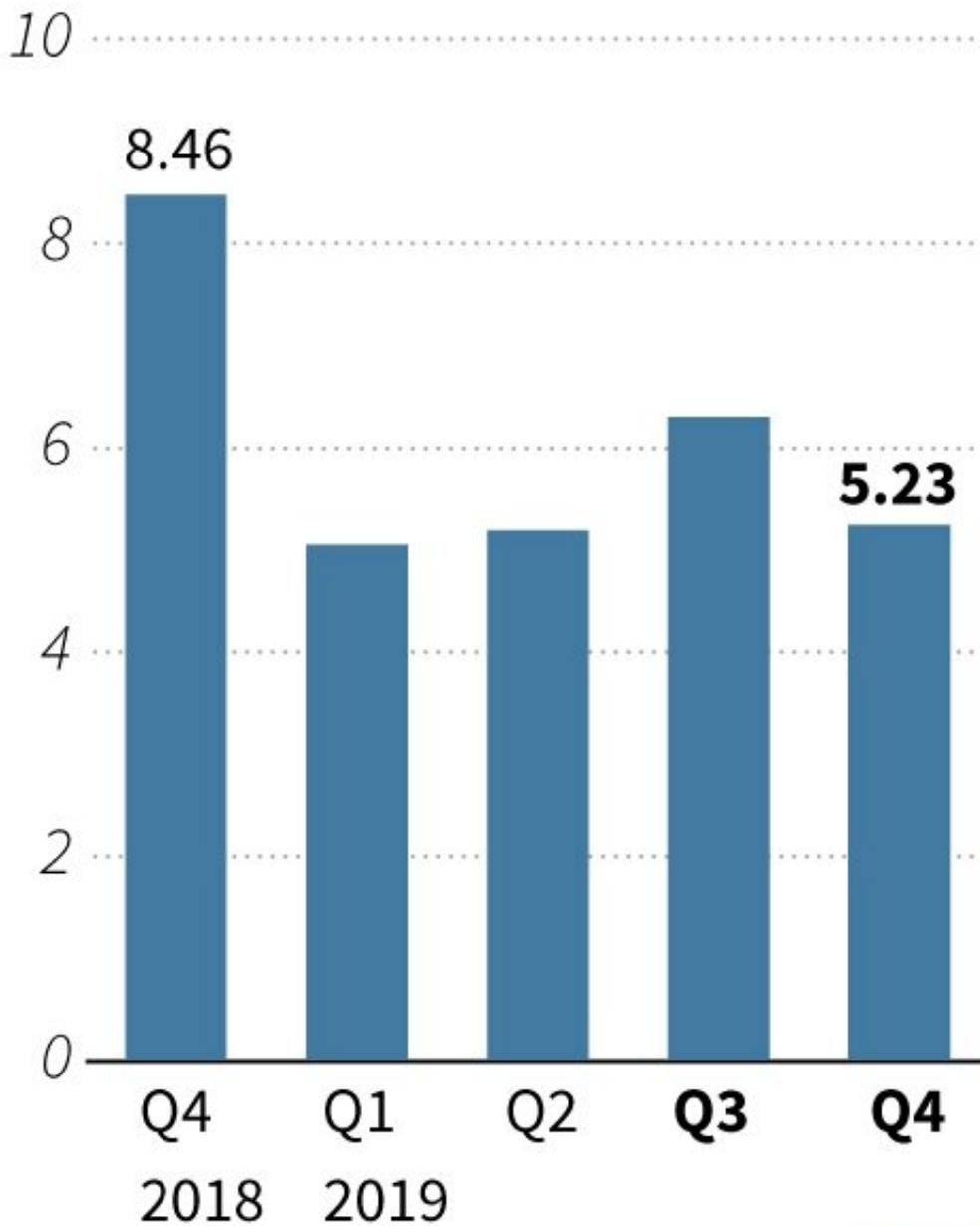
caught in a diplomatic row between Seoul and Tokyo over wartime history, with Japan imposing tough restrictions on exports crucial to South Korean tech giants in July.

In another shadow hanging over the firm, its vice chairman and de-facto leader Lee Jae-yong is on trial for the second time over a sprawling corruption scandal that led to the impeachment of South Korea's former president Park Geun-hye.

Samsung Electronics

Quarterly net profit

Trillion won



Source: Samsung

© AFP

Graphic showing quarterly net profits for Samsung Electronics, as of Q4 2019.

A guilty verdict and long prison sentence would deprive the firm of its top decision maker.

Lee was initially jailed for five years in 2017 on multiple charges including bribery, then released after several of his convictions were quashed, only for the Supreme Court in August to order a retrial.

'Enhanced' 5G devices

In the mobile business, strong demand for Samsung's mid-range A-series handsets gave the firm a much-needed boost over the last few quarters, said Gerrit Schneemann, a senior analyst at IHS Markit.

The premium devices, such as the latest Galaxy Note that was widely available in the fourth quarter, faced competition from Apple—which reported its best-ever quarter powered by the new iPhone 11 and iPhone 11 Pro models.

"A strong quarter from Apple in key markets will have had an impact on Samsung," Schneemann told AFP.

In 2020, Samsung is pinning its hopes on increasing availability of 5G telecom services driving sales of its handsets—it is a world leader in the technology—and said it will roll out an "enhanced" 5G lineup.

Global demand for the superfast 5G handsets in 2019 was higher than expected, with nearly 19 million units shipped worldwide, according to the latest data from market researcher Strategy Analytics.

Samsung held 36 percent of market share, it said, closely trailing Huawei, which was leading the tight race with 37 percent, although most of its shipments were in China, where US sanctions made relatively less impact.

"Samsung's 5G smartphone shipments are international and span a wide spread of countries, from South Korea to the UK to the United States," said Ville-Petteri Ukonaho, associate director at Strategy Analytics.

Schneemann of IHS Markit added Samsung will see more competition in 2020 with rivals releasing devices in "diverse pricing segments", but said its "broad portfolio and global reach" will keep the firm in the lead.

Samsung is due to unveil new Galaxy devices next month in San Francisco that it said—without offering details—will "shape the next decade of mobile experiences".

© 2020 AFP

Citation: Samsung Electronics says Q4 net profit slumps 38% (2020, January 30) retrieved 25 April 2024 from <https://techxplore.com/news/2020-01-samsung-electronics-q4-net-profit.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.