

# Samsung Electronics forecasts 25.7% jump in Q4 operating profit

January 8 2021

---



Samsung Electronics, the world's biggest smartphone and memory chip maker, is crucial to South Korea's economic health

South Korean tech giant Samsung Electronics flagged a jump of more than 25 percent in fourth-quarter operating profit Friday, with pandemic-

induced working from home driving demand for devices powered by its chips.

The world's biggest manufacturer of smartphones and memory chips said in an earnings estimate that it expected operating profit of 9 trillion won (\$8.23 billion) for October to December, up from 7.16 trillion won a year earlier.

The prediction was slightly short of analyst forecasts of 9.34 trillion won, compiled by market researcher FnGuide, but Samsung shares jumped on the news, closing 7.12 percent higher in Seoul.

The coronavirus pandemic has wreaked havoc with the [world economy](#), but has also seen many tech companies boom.

LG Electronics, South Korea's second-largest appliance firm after Samsung, forecast its highest-ever fourth-quarter operating profit on Friday, projecting it would soar more than five-fold year-on-year to 647 billion won.

And South Korea as a whole saw a return to quarter-on-quarter growth in Q3 last year, driven by a better-than-expected exports performance.

Samsung Electronics is crucial to the country's economic health—its overall turnover is equivalent to a fifth of the national gross domestic product.

It 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.

Samsung's operating profit and 61-trillion-won sales forecast were both lower than its third-quarter figures, when its mobile and chip businesses

were boosted by US sanctions against Chinese tech giant Huawei.

Analysts say a stronger won, and rival Apple's October launch of its flagship iPhone 12, were among the factors behind the quarter-on-quarter decline in profits.

"Samsung's midrange and value smartphones account for about 80 percent of its mobile sales," said Jusy Hong, a director at market researcher Omdia.

"But Chinese firms—such as Xiaomi, Vivo and Oppo—have also been expanding their share in the midrange phone market, in regions including India and Southeast Asia."

## **Leader's retrial**

Looking forward, analysts said the company's outlook for 2021 was fairly stable, driven by continued demand for memory, and growth in the consumer electronics and chip-manufacturing businesses.

They also expected Samsung's mobile business to improve, with the firm unveiling its latest lineup of flagship Galaxy phones next week.

Meanwhile, 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.

"2021 will be a year for the growth of Samsung foundry (chip-manufacturing) business," Sujeong Lim, an analyst at market observer Counterpoint, told AFP.

"Demand for semiconductors such as 5G, IoT (Internet of Things), and

high-performance smartphones is exploding."

The Q4 figures come about two months after the burial of late chairman Lee Kun-hee, who turned Samsung Electronics into a global powerhouse.

But his son, and the firm's de facto leader, Lee Jae-yong, is awaiting the verdict in his retrial over a sprawling corruption scandal, which could see him return to prison.

The ruling is due later this month and a conviction could deprive the firm of its top decision-maker after prosecutors requested a nine-year jail term.

© 2021 AFP

Citation: Samsung Electronics forecasts 25.7% jump in Q4 operating profit (2021, January 8) retrieved 20 April 2024 from

<https://techxplore.com/news/2021-01-samsung-electronics-q4-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.