Smartphones fuel Samsung profit to record

YOUKYUNG LEE - AP Technology Writer - Associated Press

A surge in Galaxy smartphone sales fueled earnings at Samsung Electronics to a record high in the first quarter, usually a tough season for the global consumer electronics industry, outshining handset rivals such as Nokia Corp.

Samsung sold more smartphones in the first three months of the year than Apple Inc. and raked in more than 70 percent of its operating profit from mobile businesses. Shares of Samsung Electronics Co. shot up nearly 3 percent.

Net profit nearly doubled from a year earlier to a record 5.05 trillion won ($4.46 billion) for the fiscal quarter ended March 31.

Operating profit also logged a record high: 5.85 trillion won, which was in line with the company's guidance provided earlier this month. Sales rose 22 percent from a year earlier to 45.3 trillion won.

Strong demand for high-end smartphones, such as the Galaxy Note and the Galaxy S2 introduced last year, helped mask lower profit from memory chips, another Samsung flagship business.

"It was a shock for semiconductor, a surprise for handset," said Lee Ka-keun, a Seoul-based analyst at Hana Daetoo Securities.

The Suwon, Korea-based company expects to outdo its record profit in the coming quarters. It will announce a new version of the Galaxy phone next week and global demand for personal computers is picking up, bringing more cash to memory chipmakers.

"We cautiously expect our earnings momentum to continue going forward, as competitiveness in our major businesses is enhanced," Robert Yi, head of investor relations, said on a conference call.

Samsung's mobile communications division, which includes smartphones, pocketed 4.27 trillion won of operating profit in the quarter after seeing significant sales growth of high-end smartphones in developing markets including China, a key battlefield for mobile phone makers.

After narrowly beating Apple last year, Samsung's smartphone sales exceeded Apple's by a large margin in the first quarter. Strategy Analytics said Samsung became the world's top smartphone maker, selling 44.5 million handsets in the January-March period, followed by Apple's 35.1 million.

Yet Apple's iPhone and iPad business remains more lucrative. The Cupertino, California-based company earned $11.6 billion in the January-March quarter, more

than twice as much as Samsung, even though its revenue was about 10 percent less.

Once regarded as a laggard in smartphones, Samsung moved rapidly to take on Apple with Google Inc.'s Android operating system.

Samsung's rise came largely at the expense of Nokia. The Finish handset giant, which had been the world's biggest handset maker since 1998, reported a dismal loss in the latest quarter and fell behind Samsung in shipments. According to Strategy Analytics data, Nokia sold about 10 million fewer handsets than Samsung in the quarter.

Samsung's mobile business president, Shin Jong-kyun, told reporters in February that it eyes 380 million handset sales this year, including 200 million smartphones. The company shipped 330 million handsets in 2011, including 97 million smartphones.

While Samsung fights Apple in the smartphone and tablet markets and in bitter patent lawsuits on four continents, its first-quarter results also owed something to brisk sales of Apple's iPhone and iPad.

Apple, which is Samsung's key customer in its semiconductor and display screen businesses, was credited for helping turn around Samsung's display panel division into profit.

Samsung's display panel business posted a 280 billion won profit as increased sales of lucrative 3-D TV panels and high-resolution tablet PC panels propped up the bottom line.

Samsung, which is the world's biggest supplier of memory chips, said its operating profit from its semiconductor business in the first quarter reached 760 billion won, less than half from a year earlier. Weak demand for personal computers sapped memory chip prices and forced Tokyo-based Elpida Memory Inc. to file for bankruptcy in February.

The division that makes TVs and home appliances posted 530 billion won in operating profit. Samsung is the world's largest maker of flat-panel TVs, a sector that it competes with LG Electronics Inc. of South Korea and Sony Corp. of Japan.

Source URL (retrieved on *11/22/2014 - 8:14pm*):
http://www.ecnmag.com/news/2012/04/smartphones-fuel-samsung-profit-record