

Smartphone maker HTC 2Q profit falls 58 percent as more competition hurts sales

Associated Press

Taiwan smartphone maker HTC Corp. reported Friday a 58 percent drop in second quarter profit year-on-year, its third consecutive quarterly decline as intensifying competition from Apple Inc. and Samsung Electronics Co. hurt sales.

HTC said profit amounted to 7.4 billion New Taiwan dollars (\$248 million) from revenue of NT\$91 billion in the three months through June.

It reported a 70 percent drop in the first quarter and a 26 percent drop in the final quarter last year.

Looking ahead, HTC predicted third quarter revenue of NT\$70-80 billion, down 41-48 percent from the same period last year.

HTC has grown on the strength of the design of its handsets, based on Google's Android operating system. But its sales have declined in a market increasingly dominated by Apple Inc. and Samsung Electronics Co.

The company had hoped to win back some of its market with the launch of "HTC One" series, which offers users a better camera and music experience. But following the huge popularity of Samsung's Galaxy handsets, the model's key U.S. carrier, AT&T, recently slashed the prices of "HTC One" by half, which could hurt HTC revenue.

Describing HTC as a young global company which only began building its own brand in 2006, HTC chief financial officer Chang Chia-lin said it "needed to work harder" to win consumer preference for its handsets in a volatile and competitive market.

Chang said the U.S. will continue to be an important market, but that China "will be a key driving force for our future growth."

He declined to comment on whether the Chinese market's preference for low-end, low-priced handsets would drive down the company's overall revenue.

Last month, HTC announced it was selling half of the 50 percent stake it had bought of U.S. headphone maker, Dr. Dre's Beats Electronics, raising concerns about the soundness of the company's investment policy.

Chang said the sale would create "a win-win situation," giving Beats' managers more flexibility to boost their product value. But he indicated the need for more caution in future investment.

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"We will continue to invest in the future," Chang said. "But we will allocate resources to focus on key growth areas, such as product innovation, sales and marketing."

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