LG Electronics post profit on smartphone sales

The Associated Press

South Korean consumer electronics maker LG Electronics Inc. reported a third straight quarterly profit on Wednesday as sales of smartphones designed for faster wireless networks helped end losses at its mobile phone business.

LG forecast higher smartphone sales for the current quarter but warned lower seasonal demand for home appliances and air conditioners may result in a decline in overall profit. LG's mobile business also faces stiff competition in the premium smartphone market dominated by Apple Inc. and Samsung Electronics.

LG Electronics said its net profit totaled 157 billion won ($142 million) for the three months ended Sept. 30, compared with a 414 billion won loss a year earlier. Sales fell 4 percent to 12.4 trillion won as LG sold fewer low-end cellphones and the weak economy pressured demand for TVs.

The result was better than expected. LG's shares closed up 1.4 percent in Seoul following the earnings announcement.

The maker of Optimus G smartphones lost money in the last two quarters of 2011 before returning to profit in the first quarter of this year when the mobile communications division made a small profit.

Its forecast-beating performance in the third quarter mainly stemmed from a surprise profit at LG's mobile business. Some analysts had forecast its mobile business to continue losing money for a second straight quarter after losing 57 billion won in the April-June period.

But LG's mobile communications division earned 22 billion won and sold more than 7 million smartphones, the highest quarterly sales for the company and a sign that its smartphones are growing in popularity.

LG credited demand for smartphones that run on faster "LTE" networks, which are taking off in South Korea, Japan and the United States. It sold 14.4 million mobile phones during the three months, with smartphone sales accounting for half of the volume. More than 70 percent of its mobile revenue came from smartphone sales.

Although its mobile profit and smartphone sales still pale in comparison to those of Samsung Electronics Co. and Apple Inc., the latest result puts LG among the few global mobile manufacturers that are on track for a recovery. Nokia and Research In Motion are still struggling to pull off a turnaround.

Analysts expect LG's mobile business to report its first annual profit in three years. LG's mobile communications division lost more than 900 billion won in 2010 and 2011 combined as it ceded market share to Apple's iPhone and Samsung's Galaxy

brands.

But they are skeptical that LG's mobile business will be as profitable as those of Samsung or Apple, as growth of high-end smartphone sales could slow in developed countries and Chinese smartphone makers are advancing in low-end smartphone markets.

"Although LG isn't expected to post as high a profit as Samsung, it is on track to report profit in mobile business," said Kwon Sung-ryul, an analyst at Dongbu Securities. Kwon said the Optimus G smartphones and other models in the pipeline will increase its smartphone sales in coming quarters.

The company also needs to have a blockbuster smartphone, like the Galaxy or Apple's iPhone, to strengthen its position in the smartphone market.

Industry watcher says LG is the maker of Google's upcoming Nexus smartphone, expected to be announced next week.

LG reported a quarterly operating profit of 221 billion won compared with a 32 billion won operating loss a year earlier.

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