

Samsung warns fourth-quarter profit to miss forecasts

AFP – South Korea's Samsung Electronics said Wednesday it expected fourth-quarter profits to fall sharply from the previous quarter and miss forecasts as it struggled to meet robust demand for chips used in artificial intelligence servers.

The announcement comes after the world's largest memory-chip maker issued a rare apology in October acknowledging it was facing a "crisis" and that questions had arisen about its "fundamental technological competitiveness and the future of the company".

It said in a regulatory filing that October-December operating profits were expected to come in at 6.5 trillion won (\$4.5 billion), up 130.5 percent from a year earlier.

But that is down nearly 30 percent from 9.18 trillion won in the previous three months and 16 percent below the average estimate, according to the Yonhap news agency, which cited its own financial data firm.

Sales were seen increasing 10.7 percent on-year to approximately 75 trillion won, which was also lower than the previous quarter.

"In light of the preliminary fourth-quarter 2024 results significantly falling short of market expectations, we aim to mitigate confusion among the market and investors until the final results are announced," Samsung's management said in an explanation page.

It noted that Samsung's Device Solutions division, which is in charge of memory and foundry business units, among others, "reported declines in sales and profits due to worsening market conditions, particularly for IT-related products".

“Despite achieving record-high quarterly revenue in the fourth quarter, driven by strong sales of high-capacity products, weak demand for conventional PC and mobile products weighed on overall performance,” it said.

– ‘Largely flat’ –

Non-Memory Business performance also declined because of “weak demand from key applications” and “increased R&D spending”.

Samsung’s consumer electronics division, which includes mobile phones, also experienced a decline owing to “reduced impact from new mobile product launches and intensified competition”.

The firm’s Seoul-listed shares rose 0.72 percent Wednesday despite the report.

The firm is the flagship subsidiary of South Korean giant Samsung Group, by far the largest of the family-controlled conglomerates that dominate business in Asia’s fourth-largest economy.

It is expected to release its final earnings report at the end of this month.

Last year, Samsung Foundry faced multiple challenges, including “order losses from key customers in advanced processes, the gradual end-of-life of certain products, and a slow recovery in mature process segments”, TrendForce analyst Eden Chung told AFP.

“Consequently, the company’s annual revenue is expected to remain largely flat compared to 2023.”

Observers predict the electronics industry will typically face seasonal production slowdowns in the current quarter.

“We expect further declines in contract prices for both conventional DRAM and NAND Flash,” TrendForce analyst Tom Hsu told AFP.

Those will “continue to exert downward pressure on Samsung’s consolidated revenue and operating profit on a quarterly basis,” he said.

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