

Samsung Group plans record \$41 bln investment in 2012

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Samsung Group, which includes Samsung Electronics Co, said on Tuesday it is raising its 2012 investment to a record \$41.4 billion, as the South Korean conglomerate seeks to consolidate its leading position in mobile chips and flat screens.

Best known for making massive investments in new technologies ahead of rivals, Samsung is now banking on logic chips and OLED displays to repeat its roaring success in flash chips, computer memory chips and LCD flat-screens, even as a gloomy global economic and IT spending outlook make its peers stick to conservative plans.

Samsung Group, South Korea's biggest business group, did not provide a breakdown of the 47.8 trillion won investment. But analysts have widely expected it to raise investment in mobile chips and next-generation OLED (organic light emitting diode) flat-screen displays.

"Samsung's got strong cash flow to make bold bets in new technologies. No other IT company can beat it in terms of investment and that's how Samsung finds new revenue sources ahead of rivals and widen its gap," Lee Sun-tae, an analyst at NH Investment & Securities.

Of the total investment, capital spending will amount to 31 trillion won, up 11 percent from a year ago, Samsung said in a statement.

Analysts expect some 25 trillion won, or 80 percent of the capital spending, will be from Samsung Electronics, the world's biggest technology firm by revenue, and its display unit, mainly to boost capacity of system chips and OLEDs.

Investment in system chips such as mobile processors and sensors used in smartphones, tablets, and cameras is likely to exceed spending on its bread-and-butter memory chips for the first time, reaching 7.5 trillion won, or some 1 trillion won higher than investment in memory chips, according to analysts.

Investment in OLED is likely to rise to 7 trillion won from last year's some 5 trillion won, and the

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rest will be spent on LCDs, rechargeable batteries and LEDs, analysts said.

Samsung Electronics makes mobile processors to power Apple's (AAPL.O) iPhone and iPad as well as its own Galaxy line of mobile products. Its display unit, Samsung Mobile Display, is also a near monopolistic supplier of OLED displays, which are mainly used in high-end mobile gadgets and are set to become dominant in TV screens to replace LCD.

OLED display revenues are expected to exceed \$20 billion by 2018 to account for 16 percent of the total display industry, up from the current 4 percent, according to research firm DisplaySearch.

DIVERGES FROM KEY RIVAL

The record spending, which is up 12 percent from last year's 42.8 trillion won, comes as its key home rival, LG Group, which owns LG Electronics Inc (066570.KS) and LG Display (034220.KS), cuts its 2012 investment by some \$3 billion amid uncertain global business outlook.

Samsung is South Korea's biggest business conglomerate and has around 80 companies. Its total revenues account for some 20 percent of South Korea's annual gross domestic product which is valued at 1,200 trillion won.

With this year's investment, Samsung's spending since 2009 will total 148 trillion won.

By 0230 GMT, shares in Samsung Electronics, Asia's biggest technology firm by market value, rose 0.6 percent, lagging a 1.4 percent rise in the broader market. Samsung Elec has a market value of about \$144 billion.

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