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LG.Philips Reports Bad Q3 Results

Negative impact on shares

LG.Philips LCD, the world's second-largest maker of liquid-crystal displays, fell after the company forecast earnings that missed analysts' estimates because of lower television panel prices. The stock fell 5.9 percent to 28,600 won as of 10:47 a.m. in Seoul, on course for the biggest drop since June 13. The Seoul-based company's American depository receipts fell 7 percent, the largest decline in almost five months, in New York yesterday, reports Bloomberg. Earnings before interest, taxes, depreciation and amortization as a percentage of sales would be in the "low teens" this quarter. That compares with the median estimate for an 18 percent margin in a Bloomberg survey of 10 analysts. The company's shares lost 29 percent this year before today on profit concerns. "Fourth-quarter guidance was disappointing and it is going to have a negative impact on the shares for a while. The problems facing LG.Philips don't look like they are going to be resolved soon", said Bae Seung Chul, an analyst at Samsung Securities Co. in Seoul. Merrill Lynch & Co. today cut its rating on LG.Philips shares to "neutral" from "buy", citing lower earnings prospects. Analysts at Lehman Brothers Holdings Inc. and Goldman Sachs Group Inc. reduced their price targets for stock. The company may generate less profit than competitors such as Samsung Electronics Co. as it focuses on television panels, where prices have slid more than for computer screens. The company earlier reported a third-quarter loss of 321 billion won (\$335 million). The company's third-quarter panel prices fell 33 percent to \$1,430 a square meter from a year ago, declared LG.Philips. Fourth-quarter TV panel prices will probably slip about 5 percent from the third quarter, while computer panel prices may rise about 5 percent, said LG.Philips. "During the third quarter, our business did not perform at the level we expected, primarily due to higher than anticipated price declines mainly for LCD TVs. As such, the Company continues to take the necessary steps to correct the issues that have limited our progress in recent quarters. Our ability to effectively reduce costs and improve efficiencies will be crucial in restoring profitability as we prepare for what we believe will be a difficult first half of 2007. We have made some inroads in these areas, and will take more substantial steps going forward", said Bon Joon Koo, CEO of LG.Philips LCD. Mr. Koo continued, "As part of our ongoing efforts to restore value for our shareholders, we have initiated a number of actions to improve customer alignment and ensure that our operations support their future needs. Toshiba's equity participation in our new Poland module plant and our focus on Gen 5.5 to accommodate increasing demand for large and wide format notebooks and high-end monitors, are two such example."