

SAMSUNG ELECTRONICS

Earnings Presentation:
1Q 2024 Financial Results

SAMSUNG

Disclaimer

The financial information in this document are consolidated earnings results based on K-IFRS.

This document is provided for the convenience of investors only before the external review on our 1Q 2024 financial results is completed.
The Audit outcomes may cause some parts of this document to change.

This document contains "forward-looking statements" - that is statements related to future not past events.
In this context "forward-looking statements" often address our expected future business and financial performance and often contain words such as "expects" "anticipates" "intends" "plans" "believes" "seeks" or "will".
"Forward-looking statements" by their nature address matters that are to different degrees uncertain.
For us particular uncertainties which could adversely or positively affect our future results include:

- The behavior of financial markets including fluctuations in exchange rates interest rates and commodity prices
- Strategic actions including dispositions and acquisitions · Unanticipated dramatic developments in our major businesses including DX (Digital eXperience) DS (Device Solutions)
- Numerous other matters at the national and international levels which could affect our future results

These uncertainties may cause our actual results to be materially different from those expressed in this document.

Index

PRESENTERS

1Q 2024 RESULTS
& FINANCIAL DATA

PERFORMANCE
BY BUSINESS UNIT

RESULTS &
OUTLOOK

APPENDICES

Earnings Presentation: Speakers



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Investor Relations

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Memory

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System LSI

Taejoong Song, VP
Foundry

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Samsung Display Corp

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Mobile eXperience

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Visual Display



Device Solutions



Device eXperience

1Q 2024 Results & Financial Data

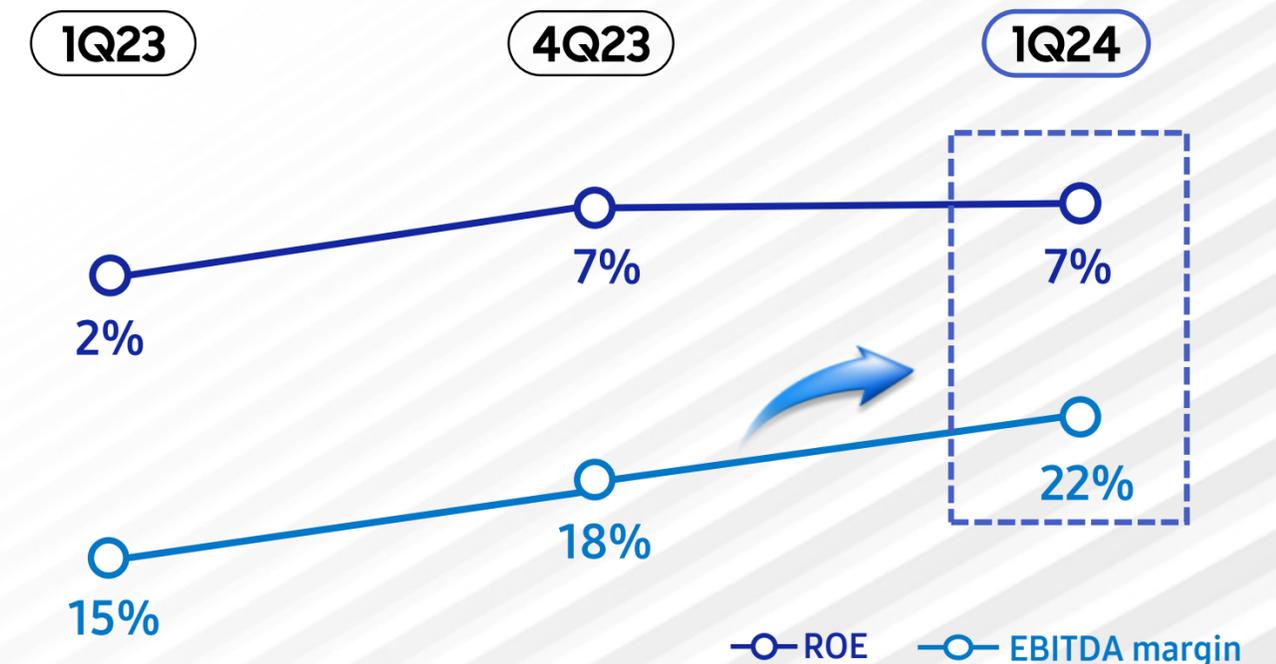
Based on the consolidated financial statement in 1Q 2024

(Unit: KRW trillion)

	1Q24	% of sales	4Q23	% of sales	1Q23
Sales	71.92	100.0%	67.78	100.0%	63.75
Cost of sales	45.89	63.8%	46.12	68.0%	46.01
Gross profit	26.03	36.2%	21.66	32.0%	17.74
SG&A expenses	19.42	27.0%	18.84	27.8%	17.10
R&D expenses	7.82	10.9%	7.55	11.1%	6.58
Operating profit	6.61	9.2%	2.82	4.2%	0.64
Other non-operating income/expenses	0.06	-	(0.27)	-	0.30
Equity method gain/loss	0.21	-	0.21	-	0.21
Finance income/expenses	0.82	-	0.76	-	0.67
Profit before income tax	7.71	10.7%	3.52	5.2%	1.83
Income tax	0.95	-	(2.82)	-	0.25
Net profit	6.75	9.4%	6.34	9.4%	1.57
Profit attributable to owners of the parent	6.62	9.2%	6.02	8.9%	1.40
Earnings per share (KRW)	975		887		206

Key Profitability Indicators

	1Q24	4Q23	1Q23
ROE	7%	7%	2%
Profitability (net profit/sales)	0.09	0.09	0.02
Asset turnover (sales/asset)	0.62	0.60	0.57
Leverage (asset/equity)	1.26	1.26	1.26
EBITDA margin	22%	18%	15%



Results by Business Unit

Sales

(Unit: KRW trillion)

	1Q24	4Q23	1Q23	QoQ	YoY
Total	71.92	67.78	63.75	6%↑	13%↑
DX	47.29	39.55	46.22	20%↑	2%↑
MX / Networks	33.53	25.04	31.82	34%↑	5%↑
MX	32.79	24.03	30.74	36%↑	7%↑
VD / DA	13.48	14.26	14.08	5%↓	4%↓
VD	7.23	8.38	7.43	14%↓	3%↓
DS	23.14	21.69	13.73	7%↑	68%↑
Memory	17.49	15.71	8.92	11%↑	96%↑
SDC	5.39	9.66	6.61	44%↓	19%↓
Harman	3.20	3.92	3.17	18%↓	1%↑

Operating Profit

(Unit: KRW trillion)

	1Q24	4Q23	1Q23	QoQ	YoY
Total	6.61	2.82	0.64	3.78	5.97
DX	4.07	2.62	4.21	1.46	(0.13)
MX / Networks	3.51	2.73	3.94	0.78	(0.44)
VD / DA	0.53	(0.05)	0.19	0.58	0.34
DS	1.91	(2.18)	(4.58)	4.10	6.50
SDC	0.34	2.01	0.78	(1.67)	(0.44)
Harman	0.24	0.34	0.13	(0.10)	0.11

※ Sales and operating profit of each business stated above reflect the organizational structure as of December 2021 and the sales of business units include intersegment sales.
 ※ The DX Division provides earnings call materials based on the business structure before the reorganization to prevent confusion and to improve understanding among investors.
 ※ DX: Device eXperience MX: Mobile eXperience DS: Device Solutions
 ※ Harman's sales and operating profit figures are based on Samsung Electronics' fiscal year and acquisition related expenses are reflected.

Results & Outlooks: Memory

1Q24 Results

- Overall demand was strong and prices continued to rise with solid demand for DDR5 and storage for generative AI.
- The business recorded strong growth and returned to profit by responding to demand for high-value-added products.

2Q24 Outlook

- Expect demand to grow for products used in AI as well as for those for conventional server and storage.
- Expect mobile demand to stay stable thanks to continued sell-in by major customers.
- Allocate production more to server and storage than to PC and mobile to optimize our portfolio.
- Mass produce HBM3E 8H and 12H to respond to demand linked to generative-AI.
- Mass produce and ship 128GB products based on 1b-nm 32Gb DDR5 to bolster leadership in the server market.

2024 Outlook

- Expect business conditions to remain strong, including for server and storage, despite volatility related to macro trends, geopolitical issues, etc.
- Anticipate strong demand for PC/mobile thanks to the expansion of on-device AI.
- Emphasize 128GB products based on 1b-nm-based 32Gb DDR5 to strengthen our leadership in the AI-oriented market.
- Accelerate ramping of HBM3E 12H, which we were the first in the industry to develop, to address the demand for generative AI.
- Start mass production of V9—a first for the industry—to fortify our technological and market leadership.

Results & Outlooks: S.LSI/Foundry

1Q24 Results

S.LSI

- Supply of components—e.g., SoCs and image sensors—increased for major customers' new products, but earnings improvements have taken longer than anticipated as DDI sales were impacted by slowing panel demand.

Foundry

- Losses narrowed slightly thanks to efficient fab operations even though sales have yet to improve due to weak seasonal effects and continued inventory adjustments by customers.
- Foundry's order backlog recorded a new high for the first quarter thanks to its improved competitiveness in advanced technology.

2Q24 Outlook

S.LSI

- Recognize on-device AI as a major growth opportunity while smartphone sell-out is showing signs of a recovery after a slow start.
- Prioritize stable supply of flagship SoCs and expanding capabilities for sensor demand based on a fab-lite* strategy.
* S.LSI internal production for pixel area and outsourcing for logic

Foundry

- Expect sales to rebound and reach double-digit growth as market conditions gradually recover.
- Complete the development of the 2-nano design infrastructure and prepare 4-nano technology applicable to 3D IC to expand competitiveness in advanced technology.

2024 Outlook

S.LSI

- Expect price normalization from component suppliers to increase margin pressure on set makers, likely leading to upgraded specs for on-device AI products and adjustments to others.
- Adjust product mix and prices proactively to effectively manage the above challenges.

Foundry

- Mass produce GAA 3-nanometer second-generation technology and improve the maturity of 2-nano technology to expand orders from high-growth applications such as AI and HPC.

Results & Outlooks: SDC

1Q24 Results

Mobile

- Results declined due to weak seasonality and intensifying sales competition.
- However, we accommodated the launches of a major customer's new high-end smartphones with timely supply of flexible displays. For rigid displays, our utilization rate improved as a result of our widened sales base.

Large

- Losses narrowed with the introduction of new QD-OLED monitors and our strengthened customer base, although demand stayed weak due to seasonal effects.

2Q24 Outlook

Mobile

- Expect sales to increase ahead of the launch of our major customer's new foldable phone and on growing demand for IT products, but intensifying competition among panel makers is likely to limit earnings growth.

Large

- Focus on meeting the demand for TV panels from our major customer and boosting the sales of premium monitors, a segment that is forecast to grow.

2024 Outlook

Mobile

- Anticipate moderate market growth with the OLED penetration rate to keep rising in particular.
- Maintain our competitive edge in flexible displays and expand sales through our differentiated technology related to low-power consumption, enhanced durability, etc.
- Continue to replace LCD in the rigid display smartphone market by accelerating cost reductions.

Large

- Grow revenue by increasing capacity without additional investments but with product efficiency improvements of QD-OLED panels; and by enhancing our product mix around high-value-added products.

Results & Outlooks: MX/Networks

1Q24 Results

MX

- The smartphone market entered the seasonally lower 1Q, leading the premium and mass segments to decrease sequentially in both volume and value.
- Galaxy AI features in the S24—our first AI-enabled phone—have seen continued high usage rates and contributed to sales expansion.
- Overall, MX achieved revenue growth and maintained solid double-digit profitability despite pressure from rising component prices.

Networks

- Sales decreased in domestic and major overseas markets, including North America.

2Q24 Outlook

MX

- Expect overall smartphone demand to decrease due to continued seasonal effects.
- Maintain our flagship-focused sales and up-selling strategies as we apply the S24's AI experience to other flagship models and maximize product competitiveness.
- Strengthen customer communication around S-series' AI functionality and continue investments to advance Galaxy AI.
- Maintain solid profitability by continuing to streamline resources under risks of increased geopolitical instability and price hikes for key components.

Networks

- Expand our business foundation in major overseas markets, including North America and Japan.

2024 Outlook

MX

- Expect smartphone/tablet/wearable markets to grow thanks to stabilizing consumer sentiment, expansion of AI products and services, economic growth in emerging markets etc.
- Increase our annual smartphone sales by applying Galaxy AI beyond the S24 to existing flagship models; and by further improving the user experience of foldables.
- Expand sales of wearables through the innovative Galaxy ring, premium smart watches, and TWS while enhancing the wearables ecosystem.
- Secure solid profitability by realizing operational efficiencies while continuing R&D and proactive AI investments to advance and expand Galaxy AI.

Networks

- Secure stable revenue streams via major overseas contracts by addressing customer needs and promote mid- to long-term sales growth by winning orders, all while reinforcing our technology leadership in 5G core chips and vRAN/ORAN.

Results & Outlooks: VD/DA/Harman

1Q24 Results

VD

- Market demand decreased Q-Q after the year-end peak season, but demand for QLED, OLED, and big TVs above 75 inches and over remained strong.
- Profitability increased Q-Q thanks to expanded sales focusing on premium products, but it decreased Y-Y due to stagnant TV demand overall and an increase in costs.

DA

- Profitability improved thanks to an increased sales portion of high-value-added products, such as premium air-conditioners, and by improving production cost management, including for materials.

Harman

- Earnings decreased slightly due to low seasonality and a slowdown in sales of consumer audio products.

2Q24 Outlook

VD

- Expect overall market demand to decrease due to reduced TV demand in emerging markets, but for VD to achieve sales growth through global sporting events.
- Secure profitability by increasing sales of strategic products with our differentiated launch of 2024 models and by strengthening operational management.

DA

- Sales to grow thanks to successful launches of new BESPOKE AI models (e.g., washer-dryer combo, hybrid refrigerator, and robot vacuum featuring steam cleaning) combined with increased sales of air conditioners under strong seasonality.

Harman

- Results to improve amid continued growth in the automotive business and thanks to increased sales in consumer audio products centering on portable/headset products.

2024 Outlook

VD

- Expect overall TV demand to recover gradually, but macroeconomic and geopolitical uncertainties are likely to remain factors.
- Promote “AI Screen Leadership,” driven by the innovation of premium TVs and Lifestyle screens targeting the demand in various segments and provide differentiated customer experiences through synergies with connected devices.
- Lead market growth by emphasizing advanced features (e.g., in security and sustainability) and boosting competitiveness in core service businesses such as TV Plus.

DA

- Expand sales of premium products by offering differentiated user experiences based on One Samsung Connectivity, BESPOKE AI, and Smart Forward; improve business structure focusing on high value-added products such as system air conditioners, products for builders, and built-in models; and work to streamline costs.

Harman

- Strengthen business capabilities in automotive by increasing orders in new areas such as display/HUD while continuing to increase sales in consumer audio by enhancing businesses in growth areas through the expansion of our TWS line-up, for example.

Appendix 1: Financial Position (Summary)

(Unit: KRW billion)

	31.Mar.24	31.Dec.23	31.Mar.23
Assets	470,899.8	455,906.0	454,091.8
Cash ※	97,392.8	92,407.2	108,182.5
A/R	41,145.4	36,647.4	36,632.2
Inventories	53,347.7	51,625.9	54,419.6
Investments	28,184.0	31,637.1	33,232.1
PP&E	191,155.6	187,256.3	171,857.5
Intangible assets	23,246.6	22,741.9	23,617.7
Other assets	36,427.7	33,590.2	26,150.2
Total assets	470,899.8	455,906.0	454,091.8
Liabilities	98,983.7	92,228.1	94,292.4
Debts	15,504.2	12,686.0	9,942.0
Trade accounts and N/P	12,419.1	11,319.8	12,343.5
Other accounts and N/P & accrued expenses	41,886.0	41,337.4	43,709.7
Current income tax liabilities	4,172.8	3,358.7	3,357.9
Unearned revenue & other advances	2,629.8	2,385.0	2,098.6
Other liabilities	22,371.8	21,141.2	22,840.7
Shareholders' equity	371,916.1	363,677.9	359,799.4
Capital stock	897.5	897.5	897.5
Total liability & Shareholders' equity	470,899.8	455,906.0	454,091.8

	31.Mar.24	31.Dec.23	31.Mar.23
Current ratio*	255%	259%	282%
Liability/equity	27%	25%	26%
Debt/equity	4%	3%	3%
Net debt/equity	(22%)	(22%)	(27%)

※ Current ratio = current assets/current liabilities

Appendix 2: Cash Flow (Summary)

(Unit: KRW trillion)

	1Q24	4Q23	1Q23
Cash (beginning of period) *	92.41	93.10	115.23
Cash flows from operating activities	11.87	19.94	6.29
Net profit	6.75	6.34	1.57
Depreciation	9.23	9.06	8.80
Cash flows from investing activities	(10.68)	(18.87)	(14.73)
Purchase of PP&E	(13.42)	(15.21)	(13.24)
Cash flows from financing activities	1.26	0.13	(0.98)
Increase in debts	2.27	2.62	(0.98)
Acquisition of treasury stock	-	-	-
Payment of dividends	(1.01)	(2.50)	(0.00)
Increase in cash	4.99	(0.70)	(7.04)
Cash (end of period) *	97.39	92.41	108.18

* Cash = Cash and cash equivalents short-term financial instruments short-term financial assets at amortized cost etc.

Current State of Net Cash (Net Cash = Cash * - Debts)

(Unit: KRW trillion)

	31.Mar.24	31.Dec.23	31.Mar.23
Net Cash	81.89	79.72	98.24

* Cash = Cash and cash equivalents short-term financial instruments short-term financial assets at amortized cost etc.

Thank you

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