

Samsung's genius chip pivot could help reverse its worst-in-a-decade slump

Article

The news: Samsung is getting walloped by the economic downturn.

- On Friday, the company said its Q1 profits fell **95.8%** YoY, the biggest dropoff since 2009, per [The Wall Street Journal](#).
- Most of the tech giant's income comes from its semiconductor division, including **memory chips, which have seen plummeting sales**.
- Topline performance was slightly buoyed by strong **Galaxy S23 Ultra** sales. However, [faster depreciation compared with other smartphone brands](#) might affect the S23's staying power.

A big picture problem: Persistent inflation continues to wreak havoc on the tech industry, with Samsung the latest casualty.

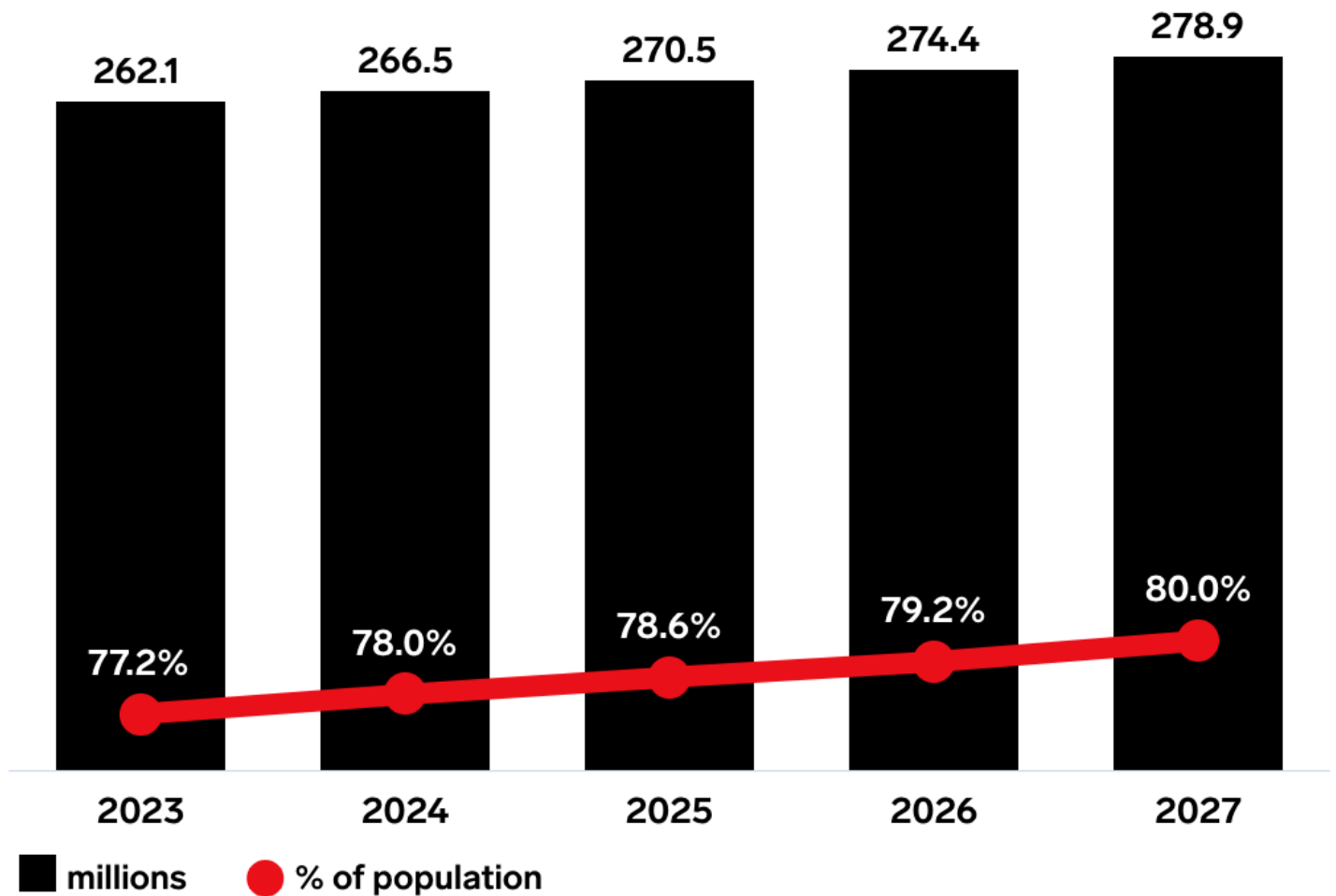
- Higher prices have severely curtailed consumer interest in devices that use memory chips, like PCs and smartphones.
- Samsung isn't alone—other memory chip makers, like **Micron, SK Hynix, Western Digital, and Kioxia Holdings**, are also dealing with a supply glut.
- [Samsung](#), an **Apple** component supplier and the world's biggest smartphone and TV seller, is **an example of the tech industry's broader economic troubles**.
- **The plight makes timing for domestic semiconductor expansions risky**. In addition, high inflation might force the company to [spend an extra \\$8 billion on material](#) and labor costs to get its Texas factory built.

On the right track: Samsung's profit nosedive can largely be attributed to external factors. Despite that, it's making some sensible moves.

- Chip demand for consumer electronics has tanked, but advanced chips for AI model training are a hot commodity.
- Samsung has started mass production for its first-generation neural network processing unit (NPU) called **Warboy**, which could give it a competitive edge if the chip can rival **Nvidia's A100** and [H100](#) on performance, cost, and efficiency.
- On the device front, **Samsung could double-down on efforts to bolster on-device AI capabilities for consumer PCs**.
- Samsung employees recently [leaking confidential company data to ChatGPT](#) underscores a **growing need for enterprise hardware capable of running niche or proprietary generative AI models**—demand that Samsung could help meet.

Smartphone Users

US, 2023-2027



Note: individuals of any age who own at least one smartphone and use the phone(s) at least once per month

Source: eMarketer, March 2023

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