

Samsung Signals Progress With Nvidia on AI Memory Chips

- Samsung says has made progress in getting Nvidia certification
- Samsung's missed out on most lucrative piece of AI memory boom

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[Samsung Electronics Co.](#) declared progress in supplying its most advanced AI memory chips to [Nvidia Corp.](#), seeking to reassure to investors who fear the company is falling further behind [SK Hynix Inc.](#) in a red-hot market.



Here's Why Company Earnings Are So Difficult to Forecast

10:48

Samsung has made “meaningful” progress during key stages of the qualification process with a major customer, a senior executive told analysts, referring to Nvidia. The Korean company now expects to sell its most advanced HBM3E memory chips in the fourth quarter, Jaejune Kim, executive vice president of Samsung’s memory business, said on an earnings call Thursday. SK Hynix’s shares fell 4.5% in Seoul, while Samsung ended largely unchanged after climbing as much as 3.6% on Kim’s comments.

Investors remain cautious about Samsung’s ability to claw its way back into the market for high-bandwidth memory chips, designed to work with Nvidia’s AI accelerators. South Korea’s largest company has struggled to get its latest products certified by Nvidia – providing an unusually long window for SK Hynix and US rival [Micron Technology Inc.](#) to carve out commanding leads in a lucrative arena.



Samsung Electronics Co. signage outside the company's semiconductor plant in Yongin, South Korea. *Photographer: SeongJoon Cho/Bloomberg*

That means Samsung has so far missed the lion's share of profits stemming from surging artificial intelligence-related demand. It also remains exposed to weak mobile chip sales, while grappling with the rising supply of legacy chips in China. Demand for its smartphone chips is expected to stay weak next year, executives said.

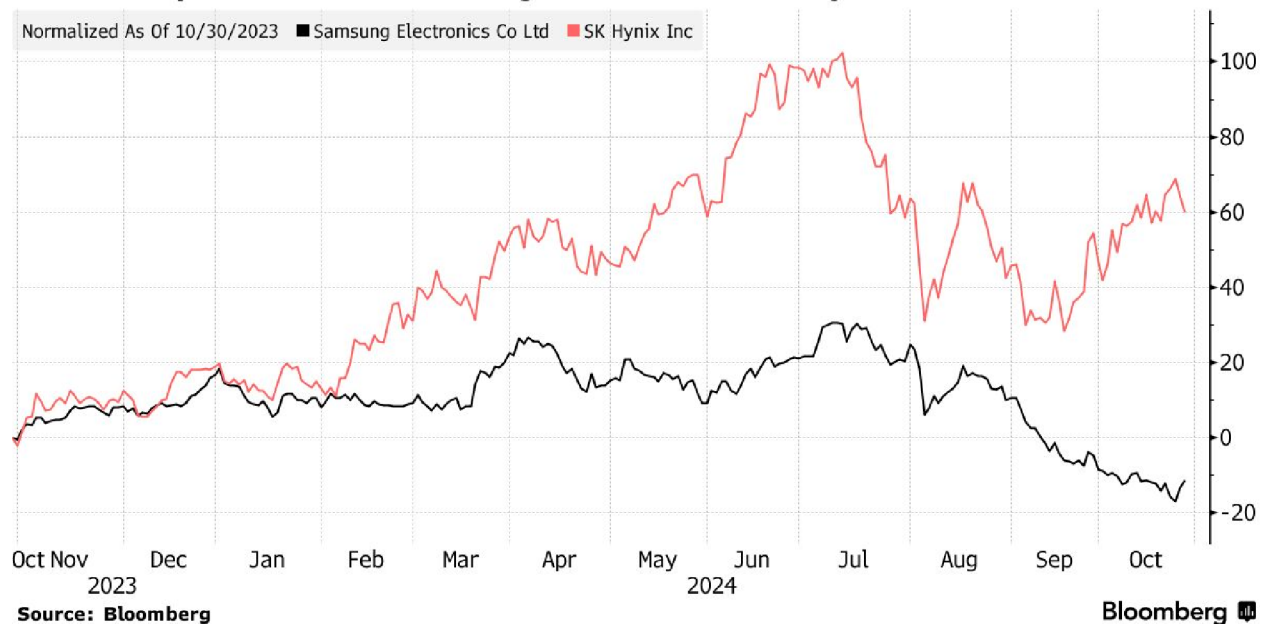
“The key question is whether Samsung will be able to secure a meaningful market share from Nvidia even if it becomes another vendor after SK Hynix,” said Greg Roh, an analyst at Hyundai Motor Securities Co. “We have to wait and see.”

Profit at Samsung's mainstay semiconductor operations missed market expectations, reflecting the Korean tech leader's struggles to catch up in HBM and turn around its foundry business. Its semiconductor division – typically the biggest profit contributor – earned just 3.86 trillion won (\$2.8 billion) in operating profit in the September quarter, shy of a 6.66 trillion won estimate.

That comes as SK Hynix posted a record operating profit of 7.03 trillion won last week with plans to supply its 12-layer HMB3E in the current quarter.

Samsung Shares Lag AI Memory Leader SK Hynix

Smaller chipmaker dominates in high-bandwidth memory



Samsung is now cutting production of its legacy memory in an effort to speed up conversion to cutting-edge manufacturing processes, Kim said. Its memory-related capital expenditures will prioritize high-end products, he said. Chip-related capital expenditures are expected to total 47.9 trillion won this year, and Samsung now expects to mass produce next-generation HBM4 chips in the second half of next year.

Samsung, which has lost about a quarter of its value this year, still reported net income of 9.78 trillion won, beating the analysts' average estimate of 9.14 trillion won, as other parts of the company's sprawling business helped offset its chip operations.

The earnings emerged three weeks after Jun Young-hyun, head of Samsung's chip business, apologized for disappointing results and acknowledged delays in winning certification for its most advanced lineup of chips. Samsung had predicted in July they would go into mass-production by the third quarter.

Samsung must now review its organizational culture and processes, Jun had said – echoing previous comments about the need for fundamental change at one of Korea's oldest companies. It's begun laying off workers in Southeast Asia, Australia and New Zealand as part of a plan to reduce global headcount by thousands of jobs, Bloomberg News reported.

What Bloomberg Intelligence Says

Samsung Electronics' 2% sequential sales growth for 3Q, announced today, suggests that 4Q's sales growth could fall behind that of SK Hynix, which achieved 7% sequential sales growth in 3Q. SK Hynix could maintain its lead for a while, although Samsung will try to catch up on high-bandwidth memory (HBM) chips for artificial intelligence servers.

- Masahiro Wakasugi and Takumi Okano, analysts

Click [here](#) for the research.

Apart from lagging SK Hynix in HBM, Samsung's also shown little progress against [Taiwan Semiconductor Manufacturing Co.](#) in the outsourced production of custom-made chips. Full-year foundry capex is expected to decline from last year, the company said, although it has plans to update its mature production lines. Chipmakers are fighting to secure capacity at TSMC, the main chipmaker to both [Apple Inc.](#) and Nvidia.

The global foundry market is expected to grow by double-digits next year, Samsung said. The company aims to boost revenue by improving yields on its advanced lines, it said.

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Despite difficulties at its semiconductor unit, Samsung's net income got a boost from the launch of its new smartphones, tablets and wearables, where its profitability rose despite high material costs. Samsung said it expects the overall smartphone market to grow sequentially in the current quarter and boost sales of its top-line products, although it expects growing competition in the mid-range segment to weigh on smartphone shipments and average selling price.

But the company sees more competition in the TV market, even as it attempts to reposition TVs as AI hubs in homes.

– *With assistance from Shinhye Kang and Vlad Savov*

(Updates with share moves in the second paragraph)

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