

[Sign into the Guardian using your Facebook account](#)

**theguardian**

# HTC warns of third-quarter losses

Taiwanese smartphone maker hit by competition from Samsung and Apple, as well as failed venture with AT&T and Facebook

Follow Charles Arthur by email

BETA

**Charles Arthur**

theguardian.com, Tuesday 30 July 2013 16.38 BST



HTC One: flagship smartphone has been under pressure from Samsung and Apple. Photograph: AP

Taiwanese smartphone maker HTC has warned that it expects to slide to its first-ever loss during the third quarter, as its second-quarter profits slumped 83% year on year.

HTC announced profits of just NT\$1.2bn (£26.3m) on revenues of NT\$70.7bn, down 22%.

Amid signs that the top-end smartphone business is becoming saturated, and with its HTC One flagship phone being pressured by its larger rivals Samsung and Apple, the company warned that revenue could drop to between NT\$50bn and NT\$60bn in the current quarter to the end of September, with operating losses "in the range of 0% to 8%" – which could be up to NT\$4.8bn.

The company hinted that some of the losses will be from excess inventory from the HTC First, which used Facebook's Home app as an overlay on Android. AT&T reportedly sold very few and killed the product in May, within weeks of its launch.

"They are definitely in trouble," said Francisco Jeronimo, smartphones analyst for the research company IDC. "For a company that was awarded 'best smartphone in the world' for its HTC One, which is meant to be its flagship, if they can't make a profit from it, that's quite concerning."

He warned that the company was low on cash, and that without profits it could face serious challenges to its survival in the future. HTC's balance sheet shows that it had cash and short-term equivalents worth NT\$51.9bn at the end of the first quarter; the second-quarter figures are not yet available.

That could make it a takeover target for larger Chinese rivals if it is unable to reverse that trend. In the mobile handset business, only LG and Sony have managed to recover from making an operating loss – helped by their larger parent operations. HTC cannot call on the same resources, however. Jeronimo also questioned whether Chinese handset makers would want – or would be allowed by the Taiwanese government – to buy HTC.

The company has recently seen a shakeup of its management in the US and far east, pointing to internal tensions as it struggles with the challenge.

HTC dropped out of the world's top five smartphone makers during 2012, and IDC's forthcoming figures show that it shipped an estimated 5.1m smartphones in the second quarter, down from 9.1m a year ago, even as the smartphone market overall has grown by 45%.

In a statement, HTC insisted that "the new HTC One has performed well in the market, better than that of our hero products for the same period last year ... With the help of [the] HTC One, we have regained superphone market share across major markets including China."

It blamed its impending loss on "relatively higher cost structure, lack of economy of scale, and certain provisions to facilitate the clearing of ancient products in the channel", and that it expects improvements in the fourth quarter.

Once the bigger maker of Android handsets in the world, and in 2010 the largest such supplier to the US market, HTC has been squeezed out of the Android market by Samsung, which has used the combination of its huge economies of scale and marketing budget to dominate the market, taking the crown as the world's leader maker of both mobile handsets and smartphones from Nokia and Apple.

**More from the Guardian** [What's this?](#) **More from around the** [What's this?](#)

---

[Android fragmentation 'worse than ever' - but](#)

[OpenSignal says that's good](#) 30 Jul 2013

---

[GTA 5: new screenshots – in pictures](#) 30 Jul 2013

---

[Boot up: Microsoft's challenge, Google's aims, Apple's \(screen\) independence, and more](#) 30 Jul 2013

---

[OFT forces payday lenders out of market](#) 30 Jul 2013

---

[Justice Department to declassify key Yahoo surveillance orders](#) 30 Jul 2013

---

## web

---

[New Apple iPhone 5S rear pictures tip up, showing mass production has started](#) (Omio)

---

[The new Nexus 7 will cost £200 in the UK, but may not arrive until September](#) (Recombu)

---

[Apple iOS 7 dramatically changed](#) (Omio)

---

[If You Have Gmail... You Must Have This](#) (bijansabet.com)

---

[Buying a home abroad? Avoid these 5 surprisingly common mistakes](#) (Hargreaves Lansdown)

---

© 2013 Guardian News and Media Limited or its affiliated companies. All rights reserved.