Samsung SDI to double ultra thin flat screen output

By Marie-France Han and Rafael Nam

SEOUL (Reuters) - South Korean display screen maker Samsung SDI Co <006400.KS> said on Wednesday it started mass producing ultra thin flat screens and would double capacity by next year, sending its shares surging 14 percent.

The world’s No.3 maker of plasma display panels is increasingly looking at the super thin screens called AM-OLED as a growth driver, as they produce brighter images and use less power.

Samsung SDI said it would double monthly output capacity of active-matrix organic light-emitting diode (AM-OLED) displays to 3 million units by 2008 from 1.5 million now.

The company has been plagued by falling prices and weak margins in both plasma display panels (PDP) and traditional cathode-ray tubes for televisions.

“This is something that is necessary for the firm. They have to invest in a new business,” said Jay Yoo, analyst at Korea Investment and Securities.

Samsung SDI shares jumped to a near one-year high of 74,900 won ($82) in the stock’s biggest daily percentage gain since March 15, 2002, far outpacing the main KOSPI's <.KS11> 1.3 percent gain.

The stock had gained 2.2 percent so far this year as of Tuesday, underperforming the broader market’s 40 percent rise.

Flat screen makers are betting OLED screens will replace the currently dominant LCD panels on multimedia mobile phones and portable media players.

Japan's Sony Corp <6758.T> last week announced the December launch of the first TV set that uses AM-OLED technology. Just 3 mm thick, the TV has an 11-inch screen and sells for 200,000 yen ($1,704). For that price, consumers can find 40-inch LCD models.

"Everybody agrees AM-OLED will be the next-generation display instead of LCD and plasma," said Jeff Kim, analyst at Hyundai Securities. "But we have to be realistic. The LCD and PDP markets are not mature yet and will still grow until 2010-11.

"Even if AM-OLED became popular, manufacturers will not be able to meet the break-even point because of price competition."

Research firm DisplaySearch expects the global OLED TV market to grow 24-fold to $884 million in 2011 from an estimated $37 million in 2008, far outpacing 15 percent growth in LCD TV demand.

However, the 2011 figure for OLED TVs is less than 1 percent of projected LCD TV revenues of $92 billion for the same year.

Samsung SDI dismissed the notion it could enter an AM-OLED TV war with Sony.

"AM-OLEDs are an ideal technology for portable displays," Kim Jea-wook, president of Samsung SDI’s display unit, told a press conference. "Any decision to enter the television business will be made depending on circumstances."

From a technological viewpoint, Kim said Samsung SDI had about a year's advance on Sony.

Regarding the company’s ailing plasma display unit, Kim said the division would reach break-even sometime next year.

Samsung SDI was the world’s top producer of PDPs in 2005, but was overtaken by Japan’s Matsushita Electric Industrial Co <6752.T> and local rival LG Electronics <066570.KS> last year amid production problems and declining sales.

The company posted a bigger-than-expected second-quarter net loss in July, hurt by tumbling prices of its television screens.