COMPANY UPDATE

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Samsung Electronics (005930)

Memory now at the center of AI growth

- Samsung Electronics (SEC) reported a 4Q preliminary operating profit of KRW20t, topping consensus. We expect its 1Q26 operating profit to climb 30% q-q to KRW26t.
- We revise up our 2026 operating profit forecast 37% to KRW129t and increase our target price to KRW180,000.

WHAT'S THE STORY?

Investment strategy—No reason to miss out on the DRAM rally: Nvidia has emphasized that the key to the inference era is securing KV Cache capacity, and the center of AI infrastructure is shifting to memory. As long as the AI direction (towards Agent AI and Physical AI) remains unchanged, we see few reasons why investors should not increase exposure to the memory sector. Samsung Electronics (SEC) is likely to benefit significantly from market-share gains and operating leverage effects. We maintain our BUY rating on SEC and keep it as our top pick.

4Q preliminary results: SEC has announced 4Q preliminary sales of KRW93t (up 8% q-q and 23% y-y) and an operating profit of KRW20t (up 64.4% q-q and 208% y-y), surpassing both our estimates and consensus (FnGuide). The likely solid performances were largely driven by memory semiconductors, with DRAM and NAND ASPs rising an estimated 55% and 23% q-q, respectively. Bit growth likely remained flat, but the ASP hikes likely topped our expectations. Meanwhile, smartphone earnings likely came in at KRW1.6t (20% lower than our estimate) due to higher semiconductor costs.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW180,000	29.7%
Current price	**KRW138,800**	
Market cap	KRW821.6t/USD566.4b	
Shares (float)	5,919,637,922 (78.6%)	
52-week high/low	KRW141,000/KRW51,000	
Avg daily trading value (60-day)	KRW2,553.8b/ USD1,760.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Samsung Electronics (%)	26.8	126.1	142.2
Vs Kospi (%pts)	15.7	54.7	34.1

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	180,000	140,000	28.6%
2024 EPS	4,950	4,950	0.0%
2025E EPS	5,527	5,527	0.0%

SAMSUNG vs THE STREET

No of estimates	26
Target price	142,654
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY FINANCIAL DATA

	2023	2024	2025E	2026E
Revenue (KRWb)	258,935	300,871	333,854	450,087
Operating profit (KRWb)	6,567	32,726	43,568	128,579
Net profit (adj) (KRWb)	15,487	34,451	38,190	103,749
EPS (adj) (KRW)	2,131	4,950	5,527	15,032
EPS (adj) growth (% y-y)	-73.6	132.3	11.7	172.0
EBITDA margin (%)	17.5	25.0	26.4	39.2
ROE (%)	4.1	9.0	9.2	21.7
P/E (adj) (x)	36.8	10.7	21.7	9.2
P/B (x)	1.5	0.9	1.9	1.8
EV/EBITDA (x)	10.0	3.6	7.8	4.2
Dividend yield (%)	1.8	2.7	1.2	1.0

Source: Company data, Samsung Securities estimates

1Q26 operating profit to reach KRW26t: We forecast SEC's 1Q26 operating profit will climb 30% q-q to KRW26t.

- We predict memory prices will move higher through 1Q26, with DRAM and NAND ASPs climbing 31% and 12% q-q, each. While we anticipate a deceleration in DRAM price growth in 2Q26, there are still no clear factors on the horizon that could enhance supply-demand dynamics.
- The operating leverage from HBM3E and increasing orders for HBM4 should improve HBM profitability, helping SEC lead the memory industry in terms of speed of earnings growth.
- A turnaround at the foundry business is in sight. With the mass-production of Exynos 2600 and the start of 2nm process, foundry visibility is improving.
- Smartphone earnings should moderate in 1Q. We expect the firm's smartphone earnings to decline in 1Q26 due to both the delayed Galaxy S26 launch and higher semiconductor costs.

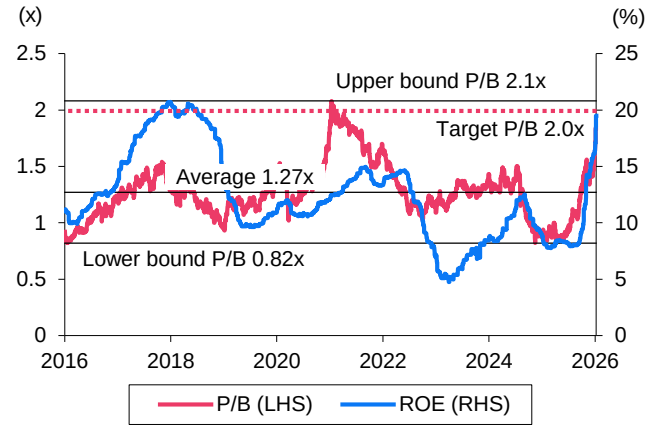
2026 operating profit to reach KRW129t; raising target to KRW180,000: We revise up our 2026 operating profit forecast 37% to KRW129t, with its DRAM and NAND businesses accounting for 86% and 19% of the increase, respectively. We now expect the DRAM ASP to leap 103% y-y (vs our previous forecast of up 78% y-y), reflecting improved visibility for HBM4 mass-production. Due to the increase in one-year purchase orders and the current trend (long-term agreements are being signed based on current DRAM prices), DRAM prices may remain strong in 2027. With its 2026 ROE estimated at 21%, the company could trade above 2x P/B. We increase our target price to KRW180,000 by applying a P/B multiple of 2x to our 2027 BVPS forecast.

Samsung Electronics: Target-price calculation

(KRW)		Notes
BVPS	89,763	2027E ROE 16%
Target P/B (x)	2.0	
Fair price per share	179,526	
Target price	**180,000**	
Current price	138,800	
Upside (%)	29.7	

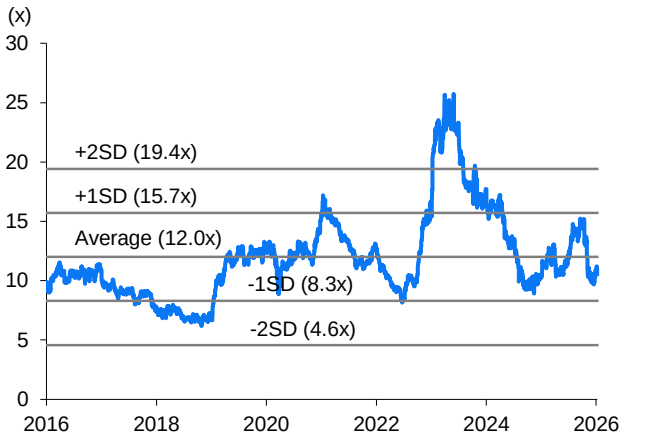
Source: Samsung Securities estimates

Samsung Electronics: Forward P/B vs ROE



Source: QuantiWise, Samsung Securities

Samsung Electronics: Forward P/E



Source: QuantiWise, Samsung Securities

Samsung Electronics: Revisions to full-year forecasts

(KRWb)	2025			2026		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**328,044**	**333,854**	**1.8**	**418,906**	**450,087**	**7.4**
Semiconductor	126,273	130,331	3.2	215,115	245,484	14.1
DRAM	70,164	73,719	5.1	138,667	167,572	20.8
NAND	30,116	30,943	2.7	47,294	48,651	2.9
LSI	25,718	25,908	0.7	28,804	29,017	0.7
Display	30,525	30,525	0.0	32,051	32,051	0.0
Telecom	124,781	126,019	1.0	121,397	122,102	0.6
Handset	119,171	120,410	1.0	118,147	118,852	0.6
CE and Harman	72,378	72,378	0.0	74,694	74,694	0.0
Operating profit	**40,117**	**43,568**	**8.6**	**93,558**	**128,579**	**37.4**
Semiconductor	20,643	25,003	21.1	77,278	114,414	48.1
DRAM	26,175	29,166	11.4	73,385	103,743	41.4
NAND	462	1,782	285.8	6,502	13,014	100.2
LSI	-5,994	-5,945	-0.8	-2,610	-2,343	-10.2
Display	4,244	3,941	-7.2	4,314	4,034	-6.5
Telecom	13,083	12,622	-3.5	9,810	8,124	-17.2
Handset	12,826	12,361	-3.6	9,593	7,904	-17.6
CE and Harman						

Source: Company data, Samsung Securities estimates

Samsung Electronics: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25P	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	**79,048**	**74,598**	**87,202**	**93,006**	**104,759**	**109,578**	**115,962**	**119,788**	**300,866**	**333,854**	**450,087**
Chg (% y-y)	9.9	0.7	10.3	22.7	32.5	46.9	33.0	28.8	12.4	13.4	14.4
Semiconductor	25,125	27,888	32,964	44,592	51,950	59,377	64,718	69,195	111,591	130,331	245,484
DRAM	13,168	14,215	18,277	28,058	34,598	40,433	44,439	48,102	54,227	73,719	167,572
NAND	5,936	6,990	8,339	9,678	10,609	11,834	13,311	12,898	30,958	30,943	48,651
Foundry & LSI	6,021	6,682	6,348	6,856	6,744	7,110	6,968	8,195	26,510	25,908	29,017
Display	5,900	6,400	8,100	10,125	6,815	7,392	8,505	9,340	29,133	30,525	32,051
Telecom & Handset	36,938	29,228	34,107	25,746	33,346	30,525	30,204	28,027	117,233	126,019	122,102
CE and Harman	17,923	17,882	18,031	18,542	18,648	18,284	18,536	19,226	70,678	72,378	74,694
Operating profit	**6,685**	**4,726**	**12,131**	**20,026**	**26,081**	**30,667**	**34,919**	**36,912**	**32,726**	**43,568**	**128,579**
Semiconductor	1,122	411	6,987	16,483	22,279	27,516	31,452	33,167	15,117	25,003	114,414
DRAM	3,675	3,242	7,271	14,978	20,212	24,873	28,017	30,641	16,720	29,166	103,743
NAND	-265	-249	167	2,129	2,546	3,254	3,860	3,354	3,837	1,782	13,014
Foundry & LSI	-2,288	-2,582	-451	-624	-479	-611	-425	-828	-5,440	-5,945	-2,343
Display	483	506	1,231	1,721	806	658	1,123	1,448	3,761	3,941	4,034
Telecom & Handset	4,324	3,106	3,598	1,594	2,325	1,776	2,028	1,995	10,695	12,622	8,124
CE and Harman	671	703	315	228	671	717	317	302	3,058	1,918	2,007
Operating margin (%)	**8.5**	**6.3**	**13.9**	**21.5**	**24.9**	**28.0**	**30.1**	**30.8**	**10.9**	**13.0**	**28.6**
Semiconductor	4.5	1.5	21.2	37.0	42.9	46.3	48.6	47.9	13.5	19.2	46.6
DRAM	27.9	22.8	39.8	53.4	58.4	61.5	63.0	63.7	30.8	39.6	61.9
NAND	-4.9	-3.9	5.0	0.6	4.0	7.0	5.0	-4.4	12.3	5.8	26.7
Foundry & LSI	-38.0	-38.6	-7.1	-9.1	-7.1	-8.6	-6.1	-10.1	-20.5	-22.9	-8.1
Display	8.2	7.9	15.2	17.0	11.8	8.9	13.2	15.5	12.9	12.9	12.6
Telecom & Handset	11.7	10.6	10.5	6.2	7.0	5.8	6.7	7.1	9.1	10.0	6.7
CE and Harman	3.7	3.9	1.7	1.2	3.6	3.9	1.7	1.6	4.3	2.6	2.7
Assumptions for bit growth and ASP changes											
DRAM bit growth (% q-q)	1.5	11.5	14.1	3.0	-0.5	6.6	4.7	2.7	12.8	8.4	20.1
DRAM ASP chg (% q-q)	-19.5	1.9	12.1	41.4	29.2	11.5	5.7	5.4	65.3	20.2	95.6
NAND bit growth (% q-q)	-12.4	27.7	10.2	-10.5	2.0	7.0	10.0	2.0	15.1	-0.3	15.6
NAND ASP chg (% q-q)	-13.7	-2.5	1.5	4.0	2.0	1.0	-1.0	-10.0	43.6	-3.8	41.0

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2022	2023	2024	2025E	2026E
Sales	**302,231**	**258,935**	**300,871**	**333,854**	**450,087**
Cost of goods sold	190,042	180,389	186,562	202,169	197,272
Gross profit	**112,190**	**78,547**	**114,309**	**131,686**	**252,815**
Gross margin (%)	37.1	30.3	38.0	39.4	56.2
SG&A expenses	68,813	71,980	81,583	88,118	124,236
Operating profit	**43,377**	**6,567**	**32,726**	**43,568**	**128,579**
Operating margin (%)	14.4	2.5	10.9	13.0	28.6
Non-operating gains (losses)	**3,064**	**4,439**	**4,804**	**7,352**	**9,753**
Financial profit	20,829	16,100	16,703	20,144	20,612
Financial costs	19,028	12,646	12,986	13,993	12,070
Equity-method gains (losses)	1,091	888	751	1,000	1,000
Other	172	97	335	201	211
Pre-tax profit	**46,440**	**11,006**	**37,530**	**50,920**	**138,332**
Taxes	-9,214	-4,481	3,078	12,730	34,583
Effective tax rate (%)	-19.8	-40.7	8.2	25.0	25.0
Profit from continuing operations	55,654	15,487	34,451	38,190	103,749
Profit from discontinued operations	0	0	0	0	0
Net profit	**55,654**	**15,487**	**34,451**	**38,190**	**103,749**
Net margin (%)	18.4	6.0	11.5	11.4	23.1
Net profit (controlling interests)	54,730	14,473	33,621	37,270	101,249
Net profit (non-controlling interests)	924	1,014	830	920	2,499
EBITDA	82,484	45,234	75,357	88,084	176,479
EBITDA margin (%)	27.3	17.5	25.0	26.4	39.2
EPS (parent-based) (KRW)	8,057	2,131	4,950	5,527	15,032
EPS (consolidated) (KRW)	8,193	2,280	5,072	5,663	15,403
Adjusted EPS (KRW)*	8,057	2,131	4,950	5,527	15,032

Balance sheet

Year-end Dec 31 (KRWb)	2022	2023	2024	2025E	2026E
Current assets	**218,471**	**195,937**	**227,062**	**244,806**	**338,537**
Cash & equivalents	114,784	91,772	112,615	122,721	182,107
Accounts receivable	35,722	36,647	43,623	48,405	65,258
Inventories	52,188	51,626	51,755	52,523	66,959
Other current assets	80,880	38,582	77,979	86,523	97,166
Fixed assets	**229,954**	**259,969**	**287,470**	**295,964**	**313,698**
Investment assets	23,696	20,680	24,349	26,359	32,173
Tangible assets	168,045	187,256	205,945	213,261	225,886
Intangible assets	20,218	22,742	23,739	22,907	22,203
Other long-term assets	17,994	29,291	33,437	33,437	33,437
Total assets	**448,425**	**455,906**	**514,532**	**540,770**	**652,235**
Current liabilities	**78,345**	**75,719**	**93,326**	**89,528**	**104,729**
Accounts payable	10,645	11,320	12,370	13,726	15,319
Short-term debt	5,147	7,115	13,173	11,173	9,173
Other current liabilities	62,553	57,285	67,784	64,629	80,237
Long-term liabilities	**15,330**	**16,509**	**19,014**	**18,381**	**20,527**
Bonds & long-term debt	570	538	21	21	21
Other long-term liabilities	14,760	15,971	18,993	18,360	20,506
Total liabilities	**93,675**	**92,228**	**112,340**	**107,909**	**125,256**
Owners of parent equity	**345,186**	**353,234**	**391,688**	**421,436**	**513,055**
Capital stock	898	898	898	898	898
Capital surplus	4,404	4,404	4,404	4,404	4,404
Retained earnings	337,946	346,652	370,513	398,106	489,725
Other	1,938	1,280	15,873	18,028	18,028
Non-controlling interests' equity	**9,563**	**10,444**	**10,504**	**11,425**	**13,924**
Total equity	**354,750**	**363,678**	**402,192**	**432,860**	**526,979**
Net debt	-104,450	-79,086	-93,285	-107,598	-168,984

Cash flow statement

Year-end Dec 31 (KRWb)	2022	2023	2024	2025E	2026E
Cash flow from operations	**62,181**	**44,137**	**72,983**	**73,066**	**134,554**
Net profit	55,654	15,487	34,451	38,190	103,749
Non-cash profit and expenses	33,073	36,520	42,947	50,638	73,749
Depreciation	35,952	35,532	39,650	41,684	45,195
Amortization	3,156	3,134	2,981	2,831	2,705
Other	-6,034	-2,147	316	6,123	25,850
Changes in A/L from operating activities	-16,999	-5,459	-1,568	-7,860	-14,998
Cash flow from investments	**-31,603**	**-16,923**	**-85,382**	**-56,704**	**-66,310**
Change in tangible assets	-49,213	-57,513	-51,250	-49,000	-57,820
Change in financial assets	16,606	42,412	-36,218	-6,458	-7,586
Other	1,004	-1,822	2,087	-1,246	-904
Cash flow from financing	**-19,390**	**-8,593**	**-7,797**	**-13,884**	**-11,630**
Change in debt	-8,059	2,353	6,644	-4,207	-2,000
Change in equity	0	0	0	0	0
Dividends	-9,814	-9,864	-10,889	-9,677	-9,630
Other	-1,517	-1,081	-3,553	0	0
Change in cash	-5,957	-23,012	20,843	10,106	59,386
Cash at beginning of year	120,740	114,784	91,772	112,615	122,721
Cash at end of year	114,784	91,772	112,615	122,721	182,107
Gross cash flow	**88,728**	**52,007**	**77,398**	**88,829**	**177,498**
Free cash flow	**12,751**	**-13,474**	**21,576**	**24,066**	**76,734**

Financial ratios

Year-end Dec 31	2022	2023	2024	2025E	2026E
Growth (%)					
Sales	8.1	-14.3	16.2	11.0	34.8
Operating profit	-16.0	-84.9	398.3	33.1	195.1
Net profit	39.5	-72.2	122.5	10.9	171.7
Adjusted EPS**	39.5	-73.6	132.3	11.7	172.0
Per-share data (KRW)					
EPS (parent-based)	8,057	2,131	4,950	5,527	15,032
EPS (consolidated)	8,193	2,280	5,072	5,663	15,403
Adjusted EPS**	8,057	2,131	4,950	5,527	15,032
BVPS	50,817	52,002	57,981	63,563	77,382
DPS (common)	1,444	1,444	1,446	1,452	1,452
Valuations (x)					
P/E***	6.9	36.8	10.7	21.7	9.2
P/B***	1.1	1.5	0.9	1.9	1.8
EV/EBITDA	3.4	10.0	3.6	7.8	4.2
Ratios (%)					
ROE	17.1	4.1	9.0	9.2	21.7
ROA	12.7	3.4	7.1	7.2	17.4
ROIC	23.4	3.6	10.6	10.9	29.8
Payout ratio	15.8	59.6	25.6	22.7	8.4
Dividend yield (common)	2.6	1.8	2.7	1.2	1.0
Net debt to equity	-29.4	-21.7	-23.2	-24.9	-32.1
Interest coverage (x)	56.8	7.1	36.2	44.8	161.2

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Compliance notice

- As of 1/8 2026, Samsung Securities shared group affiliation with Samsung Electronics.
- As of 1/8 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
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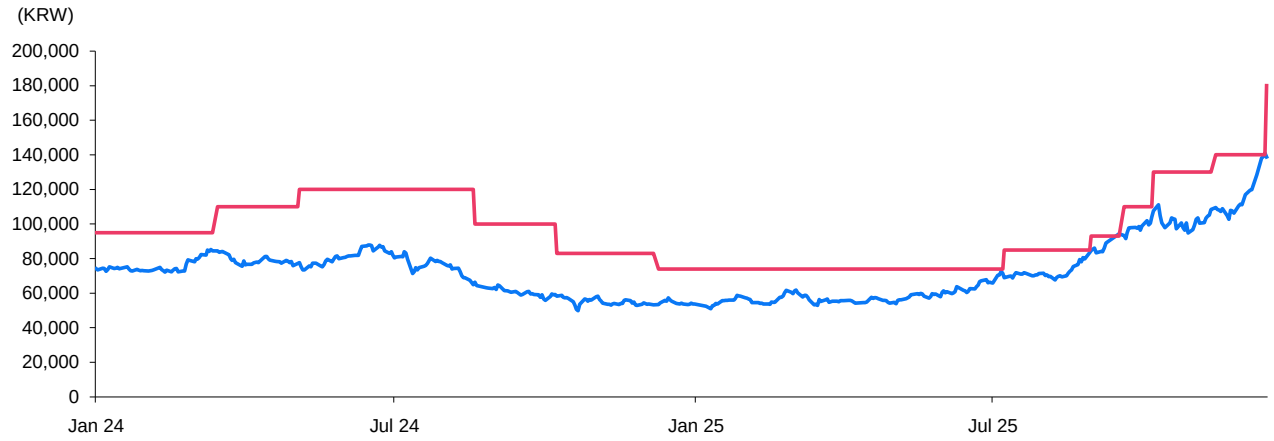
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/2	4/8	5/28	9/12	11/1	2025/1/2	8/1	9/23	10/13	10/31	12/8	2026/1/9
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	95000	110000	120000	100000	83000	74000	85000	93000	110000	130000	140000	180000
Gap* (average)	-20.74	-28.36	-34.45	-39.49	-33.92	-21.93	-15.05	-6.95	-10.64	-21.96	-16.54	
(max or min)**	-10.21	-23.55	-26.83	-35.30	-29.28	-1.89	-1.76	1.51	-5.36	-14.54	0.71	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings*

Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.12.31

BUY (85.8%)·HOLD (14.2%)·SELL (0%)

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