COMPANY UPDATE

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Samsung Electronics (005930)

DRAM rally: Take a longer view

- On Apr 7, Samsung Electronics (SEC) reported preliminary 1Q sales of KRW133t and an operating profit of KRW57.2t, with both figures hitting all-time highs. We maintain BUY and increase our target price to KRW270,000.
- Both chip demand & supply are in the early acceleration phase of an S-curve. After DRAM prices stabilize, we expect shares in SEC to move higher.

WHAT'S THE STORY?

Investment strategy—DRAM rally is structural, not cyclical: The recent surge in DRAM prices and Samsung Electronics' (SEC) share-price rally has prompted profit-taking as DRAM price momentum has shown signs of cooling. But this cycle is not about the speed of price hikes—in our opinion it is about the durability of demand and structural supply shortages.

Major cloud service providers continue to signal that AI infrastructure spending will not peak anytime soon. Demand for AI infrastructure has proven remarkably inelastic to price, and physical limits in terms of cleanroom capacity are capping supply growth. More importantly, both demand and supply remain in the early acceleration phase of an S-curve. This does not appear to be a late-cycle rally but rather only the first half of the story.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW270,000	37.4%
Current price	**KRW196,500**	
Market cap	KRW1,163.2t/USD773.3b	
Shares (float)	5,846,278,608 (78.0%)	
52-week high/low	KRW218,000/KRW53,000	
Avg daily trading value (60-day)	KRW5,429.5b/ USD3,609.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Samsung Electronics (%)	4.4	120.8	269.4
Vs Kospi (%pts)	6.1	42.6	56.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	270,000	230,000	17.4%
2026E EPS	33,811	29,981	12.8%
2027E EPS	39,189	36,274	8.0%

SAMSUNG vs THE STREET

No of estimates	25
Target price	258,320
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

	2024	2025	2026E	2027E
Revenue (KRWb)	300,871	333,606	650,558	800,958
Operating profit (KRWb)	32,726	43,601	297,591	348,530
Net profit (adj) (KRWb)	34,451	45,207	230,347	266,124
EPS (adj) (KRW)	4,950	6,564	33,811	39,189
EPS (adj) growth (% y-y)	132.3	32.6	415.1	15.9
EBITDA margin (%)	25.0	27.1	53.9	50.9
ROE (%)	9.0	10.8	42.2	33.8
P/E (adj) (x)	10.7	18.3	5.8	5.0
P/B (x)	0.9	1.9	2.0	1.4
EV/EBITDA (x)	3.6	7.7	3.1	2.1
Dividend yield (%)	2.7	1.4	0.8	0.8

Source: Company data, Samsung Securities estimates

Looking ahead, sustained DRAM demand beyond 3Q, rising adoption of AI agents, improving earnings momentum at the foundry business, and a more aggressive shareholder return policy should fuel further upside for SEC's shares. Reduced volatility after the share-price surge may draw in long-term investors (who seek stability). We see this as the beginning of a multi-year structural upcycle, and these strong operating results as the beginning of SEC's second leg of an upwards trajectory. We maintain BUY and raise our 12-month target price to KRW270,000.

Historic 1Q results: SEC reported preliminary 1Q sales of KRW133t (up 41.7% q-q and 79.1% y-y) and an operating profit of KRW57.2t—both record highs—for an operating margin of 43%. The remarkable results owed much to: 1) stronger-than-expected blended ASPs for DRAM and NAND; 2) favorable forex rates; and 3) stable earnings at the Device eXperience (DX) business, contrary to fears.

Raising 2026 earnings estimates and target price to KRW270,000: We revise up our 2026 operating profit forecast to KRW298t. We now expect commodity DRAM's blended ASP to jump 237% y-y, contributing an estimated KRW213t in operating profit. Our KRW270,000 target price reflects a P/B of 2.7x, which is based on an ROE of 42.2%. Given the ongoing upward revision in ROE forecasts, we see no reason to doubt further P/B expansion.

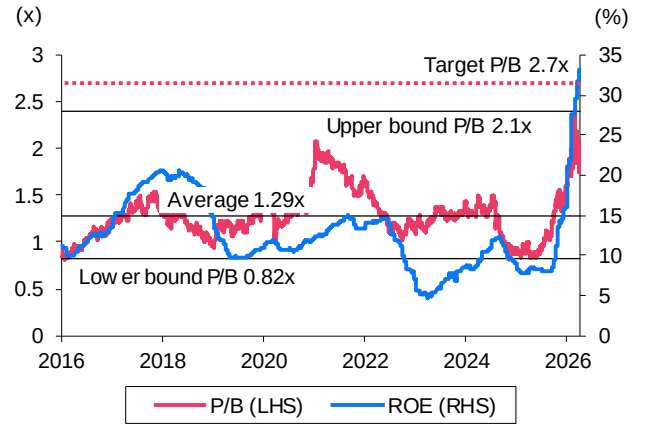
- **Memory ASPs beat expectations:** In 1Q, commodity DRAM and NAND ASPs leapt a respective 102% and 84% q-q—well above market forecasts. Aggressive pricing strategies, amid steep monthly contract price increases, likely drove the strong growth. We expect another 29% ASP gain for its blended ASP in 2Q, possibly making this the first time in history that DRAM prices have risen over 20% q-q for three consecutive quarters.
- **NAND demand rebounds:** Strong recovery in TLC NAND demand is directly boosting SEC's margins. While NAND prices are rising rapidly, DRAM still delivers high ROIC within the same cleanroom infrastructure.
- **Foundry losses shrink significantly:** SEC's foundry operating loss in 1Q narrowed by KRW1.9t y-y to KRW376.9b. Utilization exceeded 80%, and 2 nm mobile-grade yields have stabilized above 80%. With wafer prices continuing to rise, the operation should break even in 3Q. Supply shortages for advanced nodes (5 nm and below) are deepening, reinforcing SEC's upside potential.
- **Capex growth still lags demand:** We estimate SEC's 2026 capex at KRW71t (up 45%), with KRW48t allocated to memory. The increased investment should primarily go to: 1) cleanrooms for P4 plant; and 2) infrastructure and DRAM equipment for P5 plant. Yet, 2026 bit growth should be capped at 20%—most of SEC's investments target higher output in 2027. Even with 20% bit growth projected in 2027, supply should still fall short of demand.
- **Smartphone margins hold firm:** While rising chip costs threaten smartphone profitability, SEC's MX division likely delivered a solid operating margin of 9.8% in 1Q, supported by better-than-expected smartphone shipments (57.6m units) and disciplined cost management. Going forwards, rising production costs should weigh on the division's margins, but: 1) its Chinese rivals are scaling back production due to their own cost pressures; and 2) consumer preference for premium smartphones should continue to positively effect SEC's product mix. These positives should moderate the pace of margin erosion at the division, though some declines look unavoidable.

Samsung Electronics: Target-price calculation

(KRW)		Notes
BVPS	99,258	2026E
Target P/B (x)	2.7	Based on 2026E ROE 40.4% assumption
Fair price per share	267,997	
Target price	**270,000**	
Current price	196,500	
Upside (%)	37.4	

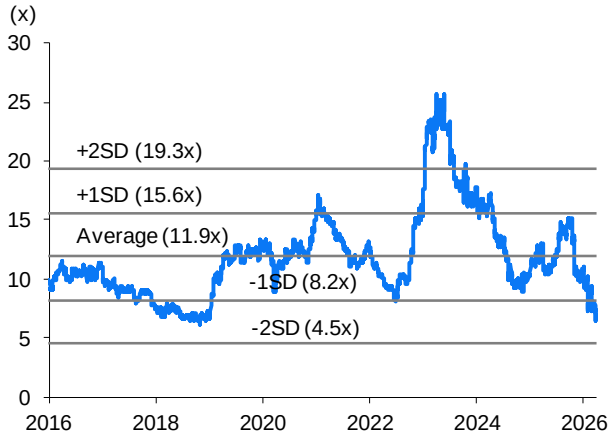
Source: Samsung Securities estimates

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)	1Q26P			2026		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**110,802**	**132,969**	**20.0**	**522,573**	**650,558**	**24.5**
Semiconductor	58,816	81,836	39.1	304,973	436,931	43.3
DRAM	38,533	53,976	40.1	199,770	293,260	46.8
NAND	13,538	19,666	45.3	75,145	113,370	50.9
LSI	6,744	8,194	21.5	29,663	29,663	-0.0
Display	5,605	6,200	10.6	29,302	29,302	0.0
Telecom	33,734	33,244	-1.5	138,074	134,680	-2.5
Handset	33,034	32,494	-1.6	134,824	131,380	-2.6
CE and Harman	18,648	17,689	-5.1	74,618	74,282	-0.4
Operating profit	**29,431**	**57,242**	**94.5**	**161,040**	**297,591**	**84.8**
Semiconductor	27,220	52,842	94.1	151,430	286,382	89.1
DRAM	24,504	42,304	72.6	134,346	226,014	68.2
NAND	3,114	10,915	250.5	19,112	61,777	223.2
LSI	-398	-377	-5.3	-2,028	-1,409	-30.5
Display	439	708	61.5	3,678	3,569	-3.0
Telecom	1,406	3,185	126.5	4,917	6,431	30.8
Handset	1,389	3,193	129.8	4,699	6,233	32.6
CE and Harman	366	507	38.6	1,014	1,209	19.2

Source: Company data, Samsung Securities estimates

Samsung Electronics: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26P	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**79,048**	**74,598**	**86,128**	**93,809**	**132,969**	**156,108**	**175,065**	**186,415**	**333,606**	**650,558**	**800,958**
Chg (% y-y)	9.9	0.7	8.9	23.8	68.2	109.3	103.3	98.7	10.9	95.0	23.1
Semiconductor	25,125	27,888	33,121	44,083	81,836	104,284	119,095	131,079	129,990	436,931	554,044
DRAM	13,168	14,215	17,979	27,270	53,976	70,947	80,155	88,182	72,632	293,260	383,838
NAND	5,936	6,990	8,339	9,835	19,666	26,226	31,473	36,005	31,100	113,370	139,060
Foundry & LSI	6,021	6,682	6,803	6,978	8,194	7,110	7,467	6,892	26,485	29,663	31,146
Display	5,900	6,400	8,100	9,500	6,200	6,711	7,938	8,453	29,900	29,302	30,767
Telecom & Handset	36,938	29,228	34,107	29,330	33,244	32,830	35,632	32,975	129,603	134,680	161,551
CE and Harman	17,923	17,882	17,900	19,397	17,689	18,284	18,400	19,909	73,101	74,282	78,596
Operating profit	**6,685**	**4,726**	**12,214**	**20,074**	**57,242**	**70,761**	**80,396**	**89,192**	**43,601**	**297,591**	**348,530**
Semiconductor	1,122	411	6,998	16,400	52,842	68,917	78,279	86,344	24,931	286,382	347,291
DRAM	3,675	3,242	7,147	15,096	42,304	54,962	61,702	67,046	29,161	226,014	290,679
NAND	-265	-249	334	1,869	10,915	14,424	16,995	19,443	1,688	61,777	56,166
Foundry & LSI	-2,288	-2,582	-483	-565	-377	-469	-418	-145	-5,918	-1,409	445
Display	483	506	1,231	1,995	708	329	968	1,564	4,214	3,569	3,266
Telecom & Handset	4,324	3,106	3,598	1,930	3,185	1,001	904	1,341	12,958	6,431	-2,589
CE and Harman	671	703	387	-251	507	514	244	-56	1,511	1,209	561
Operating margin (%)	**8.5**	**6.3**	**14.2**	**21.4**	**43.0**	**45.3**	**45.9**	**47.8**	**13.1**	**45.7**	**43.5**
Semiconductor	4.5	1.5	21.1	37.2	64.6	66.1	65.7	65.9	19.2	65.5	62.7
DRAM	27.9	22.8	39.8	55.4	78.4	77.5	77.0	76.0	40.1	77.1	75.7
NAND	-4.9	-3.9	4.0	19.0	55.5	55.0	54.0	54.0	5.4	54.5	40.5
Foundry & LSI	-38.0	-38.6	-7.1	-8.1	-4.6	-6.6	-5.6	-2.1	-22.3	-4.8	1.4
Display	8.2	7.9	15.2	21.0	11.4	4.9	12.2	18.5	14.1	12.2	10.6
Telecom & Handset	11.7	10.6	10.5	6.6	9.6	3.0	2.5	4.1	10.0	4.8	-1.6
CE and Harman	3.7	3.9	2.2	-1.3	2.9	2.8	1.3	-0.3	2.1	1.6	0.7
Assumptions for bit growth and ASP changes											
DRAM bit growth (% q-q)	1.5	11.5	14.1	3.1	0.3	3.2	4.2	3.7	8.5	18.2	19.1
DRAM ASP chg (% q-q)	-19.5	1.9	10.3	39.6	96.8	29.2	9.1	6.1	18.4	237.0	10.5
NAND bit growth (% q-q)	-12.4	27.7	10.2	-10.5	8.7	4.0	6.0	4.0	-0.3	18.8	16.4
NAND ASP chg (% q-q)	-13.2	-2.9	7.7	25.0	83.5	30.0	14.0	10.0	-3.3	202.1	6.0

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Sales	**258,935**	**300,871**	**333,606**	**650,558**	**800,958**
Cost of goods sold	180,389	186,562	202,236	173,579	232,167
Gross profit	**78,547**	**114,309**	**131,370**	**476,979**	**568,791**
Gross margin (%)	30.3	38.0	39.4	73.3	71.0
SG&A expenses	71,980	81,583	87,769	179,387	220,261
Operating profit	**6,567**	**32,726**	**43,601**	**297,591**	**348,530**
Operating margin (%)	2.5	10.9	13.1	45.7	43.5
Non-operating gains (losses)	**4,439**	**4,804**	**5,880**	**9,539**	**6,303**
Financial profit	16,100	16,703	16,240	19,449	15,720
Financial costs	12,646	12,986	11,734	11,285	10,884
Equity-method gains (losses)	888	751	683	1,000	1,000
Other	97	335	691	374	467
Pre-tax profit	**11,006**	**37,530**	**49,481**	**307,130**	**354,832**
Taxes	-4,481	3,078	4,275	76,782	88,708
Effective tax rate (%)	-40.7	8.2	8.6	25.0	25.0
Profit from continuing operations	15,487	34,451	45,207	230,347	266,124
Profit from discontinued operations	0	0	0	0	0
Net profit	**15,487**	**34,451**	**45,207**	**230,347**	**266,124**
Net margin (%)	6.0	11.5	13.6	35.4	33.2
Net profit (controlling interests)	14,473	33,621	44,261	225,528	260,556
Net profit (non-controlling interests)	1,014	830	946	4,819	5,568
EBITDA	45,234	75,357	90,528	350,548	407,923
EBITDA margin (%)	17.5	25.0	27.1	53.9	50.9
EPS (parent-based) (KRW)	2,131	4,950	6,564	33,811	39,189
EPS (consolidated) (KRW)	2,280	5,072	6,704	34,533	40,027
Adjusted EPS (KRW)*	2,131	4,950	6,564	33,811	39,189

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**195,937**	**227,062**	**247,685**	**499,767**	**766,888**
Cash & equivalents	69,081	53,706	57,856	147,639	360,769
Accounts receivable	36,647	43,623	51,128	99,703	122,753
Inventories	51,626	51,755	52,637	137,437	141,800
Other current assets	38,582	77,979	86,064	114,989	141,566
Fixed assets	**259,969**	**287,470**	**319,257**	**353,074**	**380,279**
Investment assets	20,680	24,349	31,348	45,121	51,489
Tangible assets	187,256	205,945	215,305	236,467	259,945
Intangible assets	22,742	23,739	29,481	28,362	25,721
Other long-term assets	29,291	33,437	43,125	43,125	43,125
Total assets	**455,906**	**514,532**	**566,942**	**852,841**	**1,147,167**
Current liabilities	**75,719**	**93,326**	**106,411**	**159,854**	**193,209**
Accounts payable	11,320	12,370	13,039	17,169	21,138
Short-term debt	7,115	13,173	17,575	15,575	15,575
Other current liabilities	57,285	67,784	75,797	127,110	156,496
Long-term liabilities	**16,509**	**19,014**	**24,210**	**31,086**	**36,773**
Bonds & long-term debt	538	21	2,813	2,813	2,813
Other long-term liabilities	15,971	18,993	21,397	28,273	33,959
Total liabilities	**92,228**	**112,340**	**130,622**	**190,940**	**229,982**
Owners of parent equity	**353,234**	**391,688**	**424,313**	**645,075**	**894,790**
Capital stock	898	898	898	898	898
Capital surplus	4,404	4,404	4,404	4,404	4,404
Retained earnings	346,652	370,513	402,136	616,748	866,463
Other	1,280	15,873	16,876	23,026	23,026
Non-controlling interests' equity	**10,444**	**10,504**	**12,007**	**16,827**	**22,395**
Total equity	**363,678**	**402,192**	**436,320**	**661,902**	**917,185**
Net debt	-79,086	-93,285	-100,582	-215,067	-448,886

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**44,137**	**72,983**	**85,315**	**204,162**	**339,695**
Net profit	15,487	34,451	45,207	230,347	266,124
Non-cash profit and expenses	36,520	42,947	52,396	121,276	143,248
Depreciation	35,532	39,650	43,606	49,838	56,752
Amortization	3,134	2,981	3,321	3,119	2,641
Other	-2,147	316	5,469	68,320	83,855
Changes in A/L from operating activities	-5,459	-1,568	-9,614	-77,281	5,740
Cash flow from investments	**-16,923**	**-85,382**	**-68,512**	**-93,674**	**-110,365**
Change in tangible assets	-57,513	-51,250	-47,372	-71,000	-80,230
Change in financial assets	42,412	-36,218	-9,056	-21,524	-20,689
Other	-1,822	2,087	-12,084	-1,150	-9,446
Cash flow from financing	**-8,593**	**-7,797**	**-13,478**	**-14,093**	**-10,841**
Change in debt	2,353	6,644	5,909	-3,178	0
Change in equity	0	0	0	0	0
Dividends	-9,864	-10,889	-9,897	-10,915	-10,841
Other	-1,081	-3,553	-9,490	0	0
Change in cash	19,400	-15,375	4,151	89,783	213,130
Cash at beginning of year	49,681	69,081	53,706	57,856	147,639
Cash at end of year	69,081	53,706	57,856	147,639	360,769
Gross cash flow	**52,007**	**77,398**	**97,602**	**351,624**	**409,372**
Free cash flow	**-13,474**	**21,576**	**37,793**	**133,162**	**259,465**

Financial ratios

Year-end Dec 31	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	-14.3	16.2	10.9	95.0	23.1
Operating profit	-84.9	398.3	33.2	582.5	17.1
Net profit	-72.2	122.5	31.2	409.5	15.5
Adjusted EPS**	-73.6	132.3	32.6	415.1	15.9
Per-share data (KRW)					
EPS (parent-based)	2,131	4,950	6,564	33,811	39,189
EPS (consolidated)	2,280	5,072	6,704	34,533	40,027
Adjusted EPS**	2,131	4,950	6,564	33,811	39,189
BVPS	52,002	57,981	63,997	99,258	137,682
DPS (common)	1,444	1,446	1,668	1,668	1,668
Valuations (x)					
P/E***	36.8	10.7	18.3	5.8	5.0
P/B***	1.5	0.9	1.9	2.0	1.4
EV/EBITDA	10.0	3.6	7.7	3.1	2.1
Ratios (%)					
ROE	4.1	9.0	10.8	42.2	33.8
ROA	3.4	7.1	8.4	32.4	26.6
ROIC	3.6	10.6	13.2	61.3	60.9
Payout ratio	59.6	25.6	22.1	4.2	3.7
Dividend yield (common)	1.8	2.7	1.4	0.8	0.8
Net debt to equity	-21.7	-23.2	-23.1	-32.5	-48.9
Interest coverage (x)	7.1	36.2	72.0	462.9	581.2

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

Source: Company data, Samsung Securities estimates

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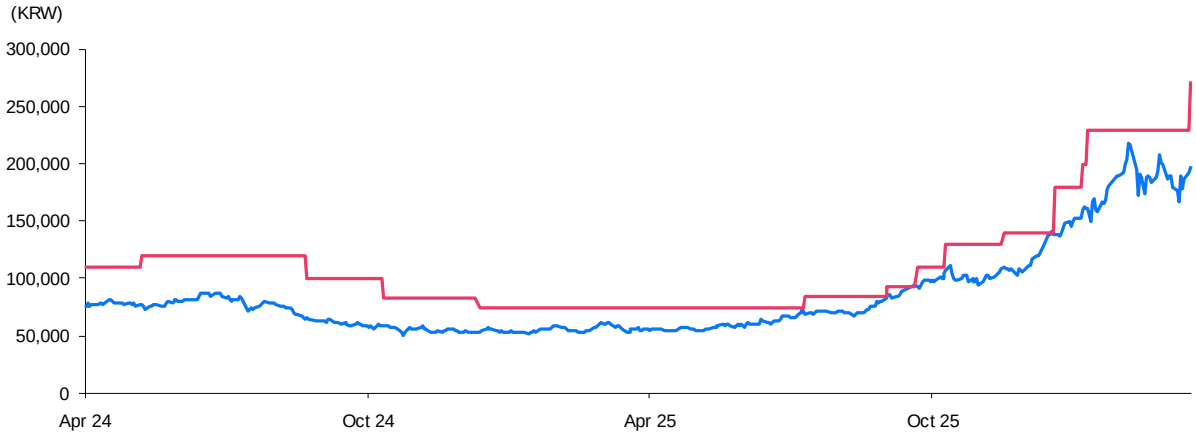
Target price changes in past two years



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	-18.69
(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	-15.39

Date	1/27	1/30	4/7
Recommendation	BUY	BUY	BUY
Target price (KRW)	200000	230000	270000
Gap* (average)	-19.23	-19.75	
(max or min)**	-18.80	-5.22	

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 2026.03.31

BUY (85.2%)·HOLD (14.8%)·SELL (0%)

Global Disclosures & Disclaimers

General

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