COMPANY UPDATE

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SK Hynix (000660)

After DRAM price upswing, focus shifts to earnings quality

- In the DRAM industry, performance is now top priority and clients are no longer price sensitive. Even if chip price hikes lose some steam in 2H, we still expect investor confidence in the sustainability of earnings to deepen further.
- We raise our target price for SK Hynix to KRW1,800,000 (based on a 4.5x 2026 P/B), believing operating profit will reach KRW40t in 1Q26 and KRW205t in 2026.

WHAT'S THE STORY?

Investment view—Age of quality: Although we expect growth in SK Hynix's blended ASP to gradually slow from 3Q, this would not be a sign of industry conditions peaking. Rather, it would increase market confidence in the sustainability of earnings. While market attention has recently lighted on events such as long-term agreement (LTA) signings or American depository receipt (ADR) listings, these are short-term factors. The more fundamental shift is that the DRAM industry is transforming from a price-sensitive, cyclical business into a quality-driven, infrastructure business.

That said, it would be an overstatement to say DRAM is no longer cyclical. Nevertheless, this cycle is different: structural conditions now support a longer-lasting upswing compared to past cycles. Reflecting this structural change and the potential for earnings growth through 2027, we raise our target price to KRW1,800,000, based on a P/B multiple of 4.5x.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW1,800,000	47.1%
Current price	KRW1,224,000	
Market cap	KRW831.0t/USD562.6b	
Shares (float)	712,702,365 (76.2%)	
52-week high/low	KRW1,166,000/KRW173,800	
Avg daily trading value (60-day)	KRW4,325.5b/ USD2,928.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SK Hynix (%)	15.8	140.2	566.3
Vs Kospi (%pts)	7.6	47.3	166.1

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	1,800,000	1,300,000	38.5%
2026E EPS	225,285	148,858	51.3%
2027E EPS	257,916	-	-

SAMSUNG vs THE STREET

No of estimates	25
Target price	1,470,000
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025	2026E	2027E
Revenue	66,193	97,147	296,646	374,756
Operating profit	23,467	47,206	205,395	232,065
Net profit (adj)	19,797	42,948	161,036	183,940
EPS (adj) (KRW)	27,182	58,955	225,285	257,916
EPS (adj) growth (% y-y)	nm	116.9	282.1	14.5
EBITDA margin (%)	54.5	62.9	75.7	68.5
ROE (%)	31.1	44.2	80.5	49.9
P/E (adj) (x)	6.4	11.0	5.2	4.5
P/B (x)	1.6	3.7	2.9	1.8
EV/EBITDA (x)	3.9	7.8	3.3	2.4
Dividend yield (%)	1.3	0.5	0.7	0.7

Source: Company data, Samsung Securities estimates

1Q preview: We believe Hynix will report 1Q sales of KRW53.6t and an operating profit of KRW40.2t, for an operating margin of 74.9%—the highest in its history. This would constitute an earnings surprise and would owe much to a stronger-than-expected surge in commodity DRAM prices, especially for servers. Hynix likely hiked its commodity DRAM prices by 95% in 1Q, lifting its blended ASP by 60%. Meanwhile, NAND market conditions began to align with DRAM trends in 4Q25, suggesting NAND businesses—including Solidigm—also made meaningful contributions to earnings in 1Q.

Demand no longer price-sensitive; memory is capex, not cost: The most structural shift in this cycle is the dramatic decline in demand price elasticity. Unlike smartphone and PC manufacturers, hyperscale cloud service providers (CSPs) treat DRAM not as a material cost, but as a long-term capital investment. DRAM is depreciated over roughly five years; assuming memory accounted for 15% of CSPs' total capex in 2025, its annual cost equated to less than 1% of revenue. For mobile manufacturers, however, memory remains a major item, often exceeding 15%. Thus, the same DRAM chip carries starkly different price sensitivity depending on the end-use industry. For CSPs, DRAM pricing is not a deciding factor in whether to invest in AI infrastructure. AI infrastructure deployment is a strategic imperative—performance and market leadership take precedence over marginal cost fluctuations. As a result, even steep DRAM price increases are unlikely to dampen demand. This dynamic is now extending to NAND. Once a classic price-sensitive commodity, NAND is beginning to follow DRAM's path: CSPs are making upfront investments in KV cache storage to support AI workloads, signaling a shift from transactional buying to strategic procurement.

Structural shift in DRAM: We do not see LTAs as the main driver of Hynix's earnings or share-price performance. Rather, the signing of LTAs signals a broader industry consensus: this cycle is not only stronger but also far more sustainable than prior ones. The more meaningful shift, however, is the evolution of competition—from price to performance. Competition now centers on technical excellence: higher bandwidth, lower latency, and superior power efficiency. DRAM is no longer treated as a commodity component: it has become a foundational element of system performance. This transition reduces earnings volatility and enhances long-term earnings visibility. We view this as the industry's transformation from a cyclical commodity business into a solutions-driven, infrastructure-based business.

Concerns over HBM4 overblown: Some in the market have recently expressed concerns over Hynix's HBM4. Although initial HBM4 products may run into certain technical challenges—*eg*, thermal management, yield stability, and power characteristics—that can affect customer certification and mass-production timelines, these issues should be resolved through close collaboration with key customers, with sufficient adjustments and optimizations likely achieved by mid-year. Thus, such concerns should prove temporary. The transition to HBM4E in 2026, combined with the full-scale adoption of the 1c node and TSMC's 3 nm-based logic dies, should rapidly improve power efficiency and thermal performance, thus enhancing technical stability. In the medium-to-long term, the risk of sustained erosion to Hynix's HBM competitiveness remains limited.

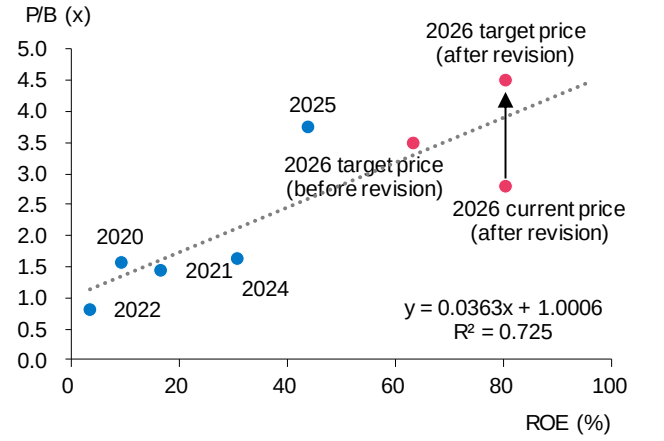
Operating profit to reach KRW205t in 2026; raising target price: On prospect of profits improving h-h in 2H, we increase our full-year operating profit forecast to KRW205t. And given the durability of this earnings trajectory, we expect operating profit to hit KRW232t in 2027. Our new target price of KRW1,800,000 is based on 4.5x 2026 P/B. Given a projected 2026 ROE of 81%, this multiple seems fair. If earnings continue to grow through 2027, the current 4.5x P/B would equate to 2.8x P/B at end-2027.

SK Hynix: Target-price calculation

(KRW)		Note
BVPS	404,321	2026E
Target P/B (x)	4.5	12-month forward P/B corresponding to 81% ROE
Fair price per share	1,819,446	
Target price	1,800,000	
Current price	1,224,000	
Upside (%)	47.1	

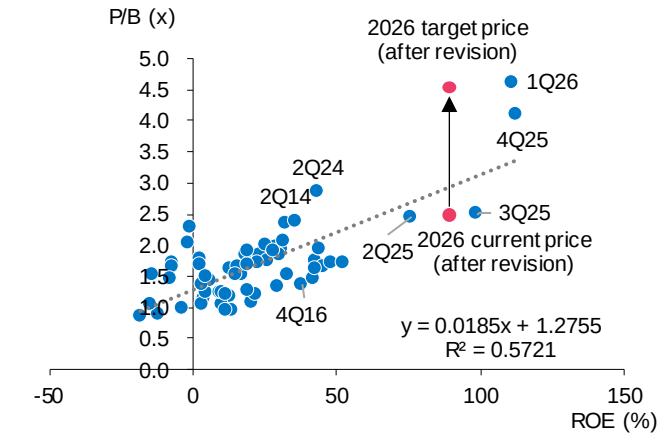
Source: Samsung Securities estimates

SK Hynix: Forward P/B vs ROE



Source: QuantiWise, Samsung Securities

SK Hynix: Quarterly forward P/B vs ROE



Source: QuantiWise, Samsung Securities

SK Hynix: Revisions to forecasts

(KRWb)	Old		New		Diff (%)	
	1Q26E	2026E	1Q26E	2026E	2025	2026E
Sales	40,694	208,731	53,662	296,646	31.9	42.1
Operating profit	25,168	134,989	40,209	205,395	59.8	52.2
Pre-tax profit	25,870	136,383	40,265	206,457	55.6	51.4
Net profit	22,068	106,379	31,407	161,036	42.3	51.4

Source: Samsung Securities estimates

SK Hynix: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25P	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E
Sales	**17,639**	**22,232**	**24,449**	**32,827**	**53,662**	**70,817**	**81,976**	**90,191**	**93,133**	**96,201**	**94,781**
Chg (% y-y)	41.9	35.4	39.1	66.1	204.2	218.5	235.3	174.7	73.6	35.8	15.6
DRAM	13,980	16,903	19,037	24,897	39,893	53,060	61,311	66,361	68,110	71,711	72,484
NAND and other	3,659	5,329	5,411	7,930	13,768	17,757	20,665	23,829	25,023	24,490	22,296
Operating profit	**7,441**	**9,213**	**11,383**	**19,170**	**40,209**	**50,869**	**55,695**	**58,622**	**59,825**	**59,437**	**57,005**
DRAM	7,412	9,212	11,255	17,182	32,098	40,540	43,854	45,182	45,457	46,105	46,864
NAND and other	29	1	128	1,988	8,111	10,329	11,841	13,440	14,368	13,332	10,141
OPM (%)	**42.2**	**41.4**	**46.6**	**58.4**	**74.9**	**71.8**	**67.9**	**65.0**	**64.2**	**61.8**	**60.1**
DRAM	53.0	54.5	59.1	69.0	80.5	76.4	71.5	68.1	66.7	64.3	64.7
NAND and other	0.8	0.0	2.4	25.1	58.9	58.2	57.3	56.4	57.4	54.4	45.5
Bit growth and ASP assumptions											
DRAM bit growth	-7.5	26.0	6.9	0.4	0.0	7.9	6.0	2.3	1.0	4.9	6.6
DRAM ASP change	0.5	1.0	4.8	23.5	60.0	24.9	9.8	5.8	1.6	0.4	-5.1
NAND bit growth	-19.0	70.0	-6.0	10.0	-2.0	1.0	3.0	5.0	2.0	3.0	7.0
NAND ASP change	-22.0	-9.0	11.0	32.0	80.0	30.0	14.0	10.0	3.0	-5.0	-15.0

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Sales	**32,766**	**66,193**	**97,147**	**296,646**	**374,756**
Cost of goods sold	33,299	34,365	38,456	80,451	131,891
Gross profit	**-533**	**31,828**	**58,691**	**216,195**	**242,865**
Gross margin (%)	-1.6	48.1	60.4	72.9	64.8
SG&A expenses	7,197	8,361	11,484	10,800	10,800
Operating profit	**-7,730**	**23,467**	**47,206**	**205,395**	**232,065**
Operating margin (%)	-23.6	35.5	48.6	69.2	61.9
Non-operating gains (losses)	**-3,928**	**418**	**3,259**	**1,062**	**3,755**
Financial profit	2,262	4,855	16,373	8,952	12,883
Financial costs	6,093	5,708	12,505	7,125	8,127
Equity-method gains (losses)	15	-38	-565	50	50
Other	-111	1,309	-45	-816	-1,050
Pre-tax profit	**-11,658**	**23,885**	**50,466**	**206,457**	**235,820**
Taxes	-2,520	4,088	7,518	45,421	51,880
Effective tax rate (%)	21.6	17.1	14.9	22.0	22.0
Profit from continuing operations	-9,138	19,797	42,948	161,036	183,940
Profit from discontinued operations	0	0	0	0	0
Net profit	**-9,138**	**19,797**	**42,948**	**161,036**	**183,940**
Net margin (%)	-27.9	29.9	44.2	54.3	49.1
Net profit (controlling interests)	-9,112	19,789	42,919	160,929	183,817
Net profit (non-controlling interests)	-25	8	29	107	123
EBITDA	5,943	36,049	61,136	224,570	256,758
EBITDA margin (%)	18.1	54.5	62.9	75.7	68.5
EPS (parent-based) (KRW)	-12,517	27,182	58,955	225,285	257,916
EPS (consolidated) (KRW)	-12,552	27,193	58,994	225,435	258,087
Adjusted EPS (KRW)*	-12,517	27,182	58,955	225,285	257,916

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**30,468**	**42,279**	**69,458**	**200,714**	**359,095**
Cash & equivalents	7,587	11,205	14,924	61,149	184,187
Accounts receivable	6,600	13,019	18,199	41,065	51,878
Inventories	13,481	13,314	14,289	42,145	53,242
Other current assets	2,800	4,741	22,046	56,355	69,788
Fixed assets	**69,862**	**77,576**	**106,650**	**133,705**	**158,630**
Investment assets	5,809	6,522	17,172	22,562	24,672
Tangible assets	52,705	60,157	77,503	99,431	122,854
Intangible assets	3,835	4,019	4,049	3,786	3,178
Other long-term assets	7,514	6,878	7,926	7,926	7,926
Total assets	**100,330**	**119,855**	**176,108**	**334,419**	**517,725**
Current liabilities	**21,008**	**24,965**	**37,379**	**33,491**	**34,997**
Accounts payable	1,846	2,277	2,848	6,192	7,823
Short-term debt	4,146	1,283	2,396	2,250	2,104
Other current liabilities	15,017	21,405	32,135	25,049	25,070
Long-term liabilities	**25,819**	**20,974**	**18,062**	**21,320**	**24,707**
Bonds & long-term debt	19,611	17,431	14,086	14,086	16,086
Other long-term liabilities	6,207	3,543	3,976	7,234	8,621
Total liabilities	**46,826**	**45,940**	**55,441**	**54,811**	**59,704**
Owners of parent equity	**53,504**	**73,903**	**120,516**	**279,350**	**457,640**
Capital stock	3,658	3,658	3,658	3,658	3,658
Capital surplus	4,373	4,487	8,954	8,954	8,954
Retained earnings	46,729	65,418	106,577	265,410	443,700
Other	-1,255	341	1,328	1,328	1,328
Non-controlling interests' equity	**-1**	**12**	**151**	**258**	**380**
Total equity	**53,504**	**73,916**	**120,667**	**279,608**	**458,020**
Net debt	25,821	13,554	-242	-82,895	-214,623

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**4,278**	**29,796**	**53,373**	**130,618**	**186,341**
Net profit	-9,138	19,797	42,948	161,036	183,940
Non-cash profit and expenses	15,033	17,054	18,838	62,673	72,322
Depreciation	13,121	11,985	13,099	18,412	24,086
Amortization	553	596	831	763	608
Other	1,359	4,472	4,907	43,498	47,628
Changes in A/L from operating activities	794	-5,600	-2,881	-49,233	-21,759
Cash flow from investments	**-7,335**	**-18,005**	**-48,054**	**-74,472**	**-60,726**
Change in tangible assets	-6,785	-15,898	-27,374	-40,340	-47,508
Change in financial assets	-82	-2,073	-13,315	-33,466	-13,103
Other	-468	-33	-7,365	-666	-115
Cash flow from financing	**5,697**	**-8,704**	**-1,445**	**-7,734**	**-2,163**
Change in debt	9,184	-6,781	2,475	-5,639	3,364
Change in equity	36	115	4,467	0	0
Dividends	-826	-826	-1,681	-2,095	-5,527
Other	-2,698	-1,211	-6,705	0	0
Change in cash	2,610	3,618	3,719	46,225	123,037
Cash at beginning of year	4,977	7,587	11,205	14,924	61,149
Cash at end of year	7,587	11,205	14,924	61,149	184,187
Gross cash flow	**5,895**	**36,851**	**61,785**	**223,709**	**256,261**
Free cash flow	**-4,047**	**13,850**	**25,854**	**90,278**	**138,833**

Financial ratios

Year-end Dec 31	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	-26.6	102.0	46.8	205.4	26.3
Operating profit	nm	nm	101.2	335.1	13.0
Net profit	nm	nm	116.9	275.0	14.2
Adjusted EPS**	nm	nm	116.9	282.1	14.5
Per-share data (KRW)					
EPS (parent-based)	-12,517	27,182	58,955	225,285	257,916
EPS (consolidated)	-12,552	27,193	58,994	225,435	258,087
Adjusted EPS**	-12,517	27,182	58,955	225,285	257,916
BVPS	77,752	107,256	174,539	404,321	662,372
DPS (common)	1,200	2,204	3,000	8,000	8,000
Valuations (x)					
P/E***	n/a	6.4	11.0	5.2	4.5
P/B***	1.8	1.6	3.7	2.9	1.8
EV/EBITDA	21.7	3.9	7.8	3.3	2.4
Ratios (%)					
ROE	-15.6	31.1	44.2	80.5	49.9
ROA	-8.9	18.0	29.0	63.1	43.2
ROIC	-8.0	25.4	45.7	119.9	93.4
Payout ratio	-9.1	7.7	4.9	3.4	3.0
Dividend yield (common)	0.8	1.3	0.5	0.7	0.7
Net debt to equity	48.3	18.3	-0.2	-29.6	-46.9
Interest coverage (x)	-5.3	17.4	51.1	235.5	277.8

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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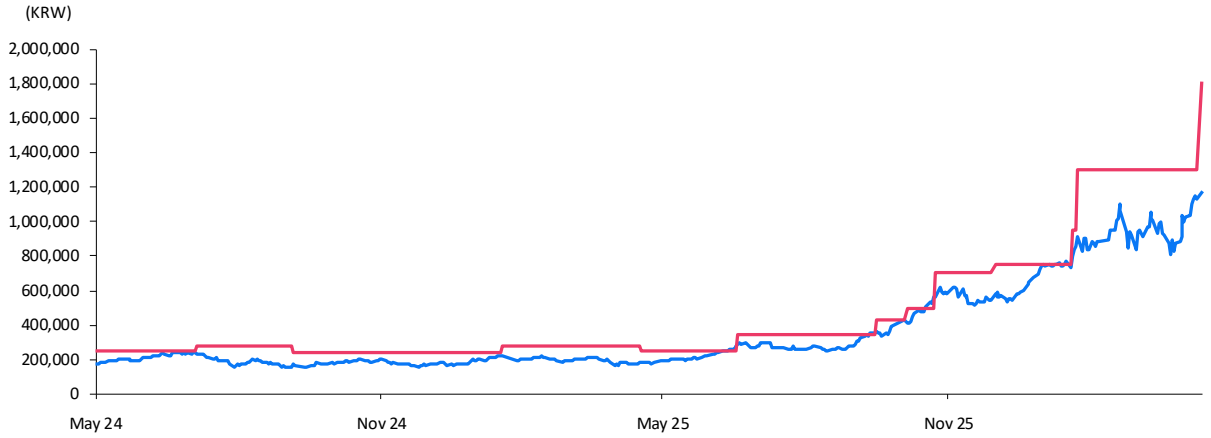
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/4/8	7/12	9/12	2025/1/24	4/24	6/25	9/23	10/13	10/30	12/8	2026/1/27	1/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	250000	280000	240000	280000	250000	340000	430000	500000	700000	750000	950000	1300000
Gap* (average)	-18.91	-34.15	-23.78	-30.26	-14.53	-17.52	-14.81	-3.33	-19.05	-11.48	-10.42	-26.68
(max or min)**	-3.60	-16.79	-6.04	-21.96	11.40	3.82	-0.47	11.60	-11.43	2.27	-9.37	-10.31

Date	4/21
Recommendation	BUY
Target price (KRW)	1800000
Gap* (average)	
(max or min)**	

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

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BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
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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

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