COMPANY UPDATE

2026. 4. 24

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SK Hynix (000660)

Entering a prolonged upturn

- SK Hynix has additional upside in our view—the memory cycle should remain in an upswing through at least end-2027 and the firm is expected to follow through on its shareholder return policy.
- The chipmaker reported a 1Q operating profit of KRW37.6t. With ASPs for both DRAM and NAND rising, we lift our 2026 operating profit estimate to KRW228t. Our BUY rating and KRW1.8m target price remain unchanged.

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WHAT'S THE STORY?

Investment strategy—memory cycle remains strong: The memory market remains undersupplied, despite no recent changes in either supply or demand dynamics. We expect the current uptrend to extend through at least end-2027. As more concrete evidence emerges over time, SK Hynix is likely to price in stronger-than-expected earnings growth next year. The chipmaker's clear commitment to shareholder returns further limits downside. Given the company's 86% ROE, we expect book value growth to outpace any decline in its valuation multiple. We maintain BUY and our KRW1.8m target price.

1Q operating profit hits KRW37.6t: SK Hynix logged 1Q26 sales of KRW52.6t (up 60.2% q-q and 198.1% y-y) and an operating profit of KRW37.6t, for an operating margin of 71.5%. The remarkable results owed much to strong demand from server customers, which clients pushed up DRAM and NAND prices. We estimate the firm's blended ASP rose 63% q-q for DRAM and 73% q-q for NAND. Yet, its operating profit came in 6.5% shy of our forecast, which we attribute to lower-than-expected NAND shipments, weighed down by: 1) the high base (associated with Solidigm's production); and 2) delays in the ramp-up schedule.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025	2026E	2027E
Revenue (KRWb)	66,193	97,147	323,895	431,384
Operating profit (KRWb)	23,467	47,206	228,032	284,320
Net profit (adj) (KRWb)	19,797	42,948	178,758	225,077
EPS (adj) (KRW)	27,182	58,955	250,076	315,598
EPS (adj) growth (% y-y)	nm	116.9	324.2	26.2
EBITDA margin (%)	54.5	62.9	76.4	71.8
ROE (%)	31.1	44.2	85.6	55.3
P/E (adj) (x)	6.4	11.0	4.9	3.9
P/B (x)	1.6	3.7	2.8	1.6
EV/EBITDA (x)	3.9	7.8	3.2	2.0
Dividend yield (%)	1.3	0.5	0.7	0.7

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW1,800,000	47.2%
Current price	KRW1,223,000	
Market cap	KRW871.6t/USD590.5b	
Shares (float)	712,702,365 (76.2%)	
52-week high/low	KRW1,224,000/KRW173,800	
Avg daily trading value (60-day)	KRW4,347.2b/ USD2,945.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SK Hynix (%)	21.4	154.0	603.7
Vs Kospi (%pts)	9.4	53.7	172.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	1,800,000	1,800,000	0.0%
2026E EPS	250,076	225,285	11.0%
2027E EPS	315,598	257,916	22.4%

SAMSUNG vs THE STREET

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

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

Hike 2Q earnings forecasts; 2H earnings to stabilize: We estimate that price increases for both DRAM and NAND will contribute more significantly to SK Hynix's 2Q results than previously anticipated, raising our server DRAM operating profit forecast for 2H as a result. We also raise our long-term outlook, now predicting that a sustained cyclical upswing will be seen. As a result, we hike our 2027 blended ASP growth forecast for DRAM from 9% to 12%. In light of these revisions, we increase our 2026 and 2027 operating profit estimates to KRW228t and KRW284t, respectively.

Cyclical upturn to be prolonged: While supply constraints remain unresolved, demand shows no signs of meaningfully abating. Although we recognize the inherent risks of expecting a prolonged upswing for a cyclical industry, the current cycle shows no signs of breaking down anytime soon.

- **Supply constraints persist:** The issue is not merely the current supply shortage, but the absence of credible plans to alleviate it anytime soon. While capex continues to be revised up, actual supply growth in the memory market still falls short of demand expectations. Notably, this year's capex increases are focused primarily on infrastructure rather than equipment, suggesting that the current shortages are unlikely to ease in 2026. With limited cleanroom space, manufacturers must simultaneously accommodate the production of HBM, whose manufacturing complexity reduces wafer-level productivity. As HBM technology advances, the bit productivity gap between commodity DRAM and HBM will likely widen further. This dynamic incentivizes DRAM investments, which yield higher profit per cleanroom, while NAND investments are likely to shift towards conversion-driven capacity adjustments. During conversion, equipment utilization declines, and post-conversion, the new capacity must overcome natural attrition. We estimate SK Hynix's DRAM and NAND bit growth at only around 20% (each) in 2026 and 12% for DRAM and 18% for NAND in 2027.
- **Will demand exhibit price resistance?** When supply constraints are difficult to resolve, demand becomes the more critical variable. So far, AI demand has proven the least price-elastic among all memory types—price resistance is unlikely to emerge. As long as: 1) AI models continue to demand greater KV cache offloading and higher memory capacity/bandwidth; and 2) performance leadership and first-mover advantages remain prioritized over cost reductions, AI demand is unlikely to weaken.

Is LTA beneficial for the company? We see the adoption of LTAs as strong evidence that the market is likely to remain strong. Yet investors must acknowledge that LTAs' benefits and costs have different durations: The positives (enhanced earnings stability and improved investment visibility) will take years to be reflected in the stock price, while the negatives (capped profit and widening profit gap with its rivals) can pressure its share price right away. If the company makes a deliberate, proactive move to adopt LTAs, investors should recalibrate their thinking to focus on the long-term upside.

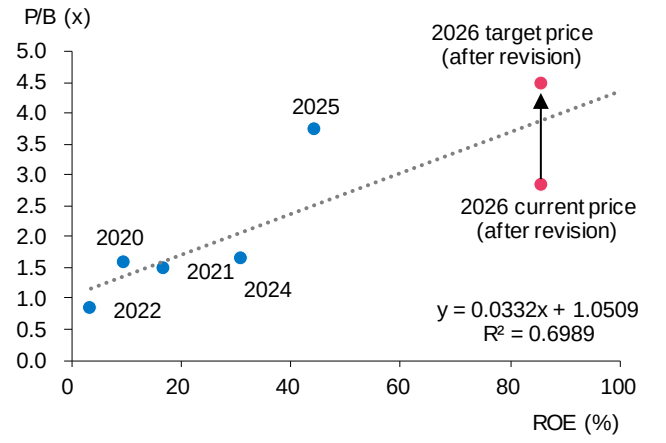
Clarification of shareholder return policy needed: The current business environment is clearer than SK Hynix's shareholder return policy. Investor focus is shifting from earnings generation to distribution plans. The company has committed to providing clear guidance this year with regards to: 1) how much of the projected KRW99t in 2026 FCF will be allocated to shareholder returns; 2) what form of shareholder returns is preferred; 3) whether ADR issuances will impact share count; and 4) how proceeds from the disposal of the Kioxia investment will be utilized. We believe it is highly likely that up to 50% of its FCF—approximately KRW48t—will be directed towards shareholder returns, providing meaningful downside support for the stock price.

SK Hynix: 1Q results

(KRWb)	1Q26	4Q25	1Q25	Diff	
				(% q-q)	(% y-y)
Sales	**52.6**	17.6	32.8	198.1	60.2
Operating profit	**37.6**	7.44	19.17	405.5	96.2
Pre-tax profit	**51.6**	9.30	17.65	455.1	192.4
Net profit	**40.3**	8.11	15.25	397.4	164.5
Margins (%)					
Operating profit	**71.5**	42.2	58.4		
Pre-tax profit	**98.2**	52.7	53.8		
Net profit	**76.7**	46.0	46.4		

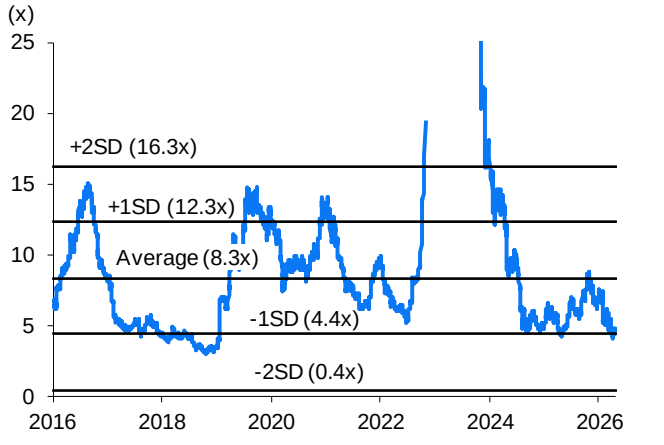
Source: Company data, Samsung Securities

SK Hynix: Forward P/B vs ROE



Source: QuantiWise, Samsung Securities

SK Hynix: Forward P/E



Source: QuantiWise, Samsung Securities

SK Hynix: Revisions to earnings forecasts

(KRWb)	Old		New		Diff (%)	
	1Q26E	2026E	1Q26E	2026E	1Q26E	2026E
Sales	53,662	296,646	52,576	323,895	-2.0	9.2
Operating profit	40,209	205,395	37,610	228,032	-6.5	11.0
Pre-tax profit	40,265	206,457	51,617	229,176	28.2	11.0
Net profit	31,407	161,036	40,346	178,758	28.5	11.0

Source: Samsung Securities estimates

SK Hynix: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	**17,639**	**22,232**	**24,449**	**32,827**	**52,576**	**77,719**	**91,184**	**102,416**	**108,496**	**113,673**	**108,489**
Chg (% y-y)	41.9	35.4	39.1	66.1	198.1	249.6	273.0	212.0	106.4	46.3	19.0
DRAM	13,980	16,903	19,037	24,897	40,669	55,673	61,967	67,512	70,015	72,076	71,338
NAND and other	3,659	5,329	5,411	7,930	11,907	22,046	29,217	34,905	38,480	41,596	37,152
Operating profit	**7,441**	**9,213**	**11,383**	**19,170**	**37,610**	**55,346**	**63,919**	**71,157**	**74,919**	**76,579**	**70,169**
DRAM	7,412	9,212	11,255	17,208	31,307	42,675	46,509	49,988	51,216	52,185	51,718
NAND and other	29	1	128	1,962	6,303	12,671	17,410	21,170	23,703	24,394	18,451
OPM (%)	**42.2**	**41.4**	**46.6**	**58.4**	**71.5**	**71.2**	**70.1**	**69.5**	**69.1**	**67.4**	**64.7**
DRAM	53.0	54.5	59.1	69.1	77.0	76.7	75.1	74.0	73.2	72.4	72.5
NAND and other	0.8	0.0	2.4	24.7	52.9	57.5	59.6	60.7	61.6	58.6	49.7
Assumptions for B/G and ASP change											
DRAM bit growth	-7.5	26.0	6.9	0.4	0.0	8.8	4.1	2.5	0.4	2.6	3.0
DRAM ASP change	0.5	1.0	4.8	23.5	62.9	27.6	7.6	6.3	3.3	0.3	-3.9
NAND bit growth	-19.0	70.0	-6.0	9.4	-10.8	15.0	7.0	4.0	2.0	3.0	5.0
NAND ASP change	-22.0	-9.0	11.0	31.0	73.0	65.0	25.0	15.0	8.0	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**	**323,895**	**431,384**
Cost of goods sold	33,299	34,365	38,456	85,063	136,265
Gross profit	**-533**	**31,828**	**58,691**	**238,832**	**295,120**
Gross margin (%)	-1.6	48.1	60.4	73.7	68.4
SG&A expenses	7,197	8,361	11,484	10,800	10,800
Operating profit	**-7,730**	**23,467**	**47,206**	**228,032**	**284,320**
Operating margin (%)	-23.6	35.5	48.6	70.4	65.9
Non-operating gains (losses)	**-3,928**	**418**	**3,259**	**1,144**	**4,241**
Financial profit	2,262	4,855	16,373	9,035	13,375
Financial costs	6,093	5,708	12,505	7,125	8,134
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**	**229,176**	**288,561**
Taxes	-2,520	4,088	7,518	50,419	63,483
Effective tax rate (%)	21.6	17.1	14.9	22.0	22.0
Profit from continuing operations	-9,138	19,797	42,948	178,758	225,077
Profit from discontinued operations	0	0	0	0	0
Net profit	**-9,138**	**19,797**	**42,948**	**178,758**	**225,077**
Net margin (%)	-27.9	29.9	44.2	55.2	52.2
Net profit (controlling interests)	-9,112	19,789	42,919	178,639	224,927
Net profit (non-controlling interests)	-25	8	29	119	150
EBITDA	5,943	36,049	61,136	247,597	309,521
EBITDA margin (%)	18.1	54.5	62.9	76.4	71.8
EPS (parent-based) (KRW)	-12,517	27,182	58,955	250,076	315,598
EPS (consolidated) (KRW)	-12,552	27,193	58,994	250,243	315,808
Adjusted EPS (KRW)*	-12,517	27,182	58,955	250,076	315,598

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**30,468**	**42,279**	**69,458**	**217,132**	**416,923**
Cash & equivalents	9,021	14,215	35,255	120,563	288,305
Accounts receivable	6,600	13,019	18,199	44,838	59,718
Inventories	13,481	13,314	14,289	46,016	61,287
Other current assets	2,800	4,741	22,046	61,042	79,527
Fixed assets	**69,862**	**77,576**	**106,650**	**136,051**	**162,254**
Investment assets	5,809	6,522	17,172	23,298	26,202
Tangible assets	52,705	60,157	77,503	101,041	124,948
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**	**353,183**	**579,177**
Current liabilities	**21,008**	**24,965**	**37,379**	**34,081**	**36,626**
Accounts payable	1,846	2,277	2,848	6,761	9,005
Short-term debt	4,146	1,283	2,396	2,250	2,104
Other current liabilities	15,017	21,405	32,135	25,070	25,517
Long-term liabilities	**25,819**	**20,974**	**18,062**	**21,773**	**25,672**
Bonds & long-term debt	19,611	17,431	14,086	14,086	16,086
Other long-term liabilities	6,207	3,543	3,976	7,687	9,586
Total liabilities	**46,826**	**45,940**	**55,441**	**55,854**	**62,298**
Owners of parent equity	**53,504**	**73,903**	**120,516**	**297,060**	**516,460**
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	283,120	502,520
Other	-1,255	341	1,328	1,328	1,328
Non-controlling interests' equity	**-1**	**12**	**151**	**270**	**420**
Total equity	**53,504**	**73,916**	**120,667**	**297,329**	**516,879**
Net debt	25,821	13,554	-242	-91,189	-255,174

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**4,278**	**29,796**	**53,373**	**141,648**	**220,384**
Net profit	-9,138	19,797	42,948	178,758	225,077
Non-cash profit and expenses	15,033	17,054	18,838	67,978	83,947
Depreciation	13,121	11,985	13,099	18,802	24,593
Amortization	553	596	831	763	608
Other	1,359	4,472	4,907	48,413	58,746
Changes in A/L from operating activities	794	-5,600	-2,881	-56,315	-29,361
Cash flow from investments	**-7,335**	**-18,005**	**-48,054**	**-81,043**	**-66,646**
Change in tangible assets	-6,785	-15,898	-27,374	-42,340	-48,500
Change in financial assets	-82	-2,073	-13,315	-38,037	-18,031
Other	-468	-33	-7,365	-666	-115
Cash flow from financing	**5,697**	**-8,704**	**-1,445**	**-7,734**	**-1,770**
Change in debt	9,184	-6,781	2,475	-5,639	3,757
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	2,598	5,194	21,040	85,308	167,743
Cash at beginning of year	6,423	9,021	14,215	35,255	120,563
Cash at end of year	9,021	14,215	35,255	120,563	288,305
Gross cash flow	**5,895**	**36,851**	**61,785**	**246,736**	**309,024**
Free cash flow	**-4,047**	**13,850**	**25,854**	**99,308**	**171,884**

Financial ratios

Year-end Dec 31	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	-26.6	102.0	46.8	233.4	33.2
Operating profit	nm	nm	101.2	383.1	24.7
Net profit	nm	nm	116.9	316.2	25.9
Adjusted EPS**	nm	nm	116.9	324.2	26.2
Per-share data (KRW)					
EPS (parent-based)	-12,517	27,182	58,955	250,076	315,598
EPS (consolidated)	-12,552	27,193	58,994	250,243	315,808
Adjusted EPS**	-12,517	27,182	58,955	250,076	315,598
BVPS	77,752	107,256	174,539	429,953	747,505
DPS (common)	1,200	2,204	3,000	8,000	8,000
Valuations (x)					
P/E***	n/a	6.4	11.0	4.9	3.9
P/B***	1.8	1.6	3.7	2.8	1.6
EV/EBITDA	21.7	3.9	7.8	3.2	2.0
Ratios (%)					
ROE	-15.6	31.1	44.2	85.6	55.3
ROA	-8.9	18.0	29.0	67.5	48.3
ROIC	-8.0	25.4	45.7	128.7	107.0
Payout ratio	-9.1	7.7	4.9	3.1	2.5
Dividend yield (common)	0.8	1.3	0.5	0.7	0.7
Net debt to equity	48.3	18.3	-0.2	-30.7	-49.4
Interest coverage (x)	-5.3	17.4	51.1	261.4	337.8

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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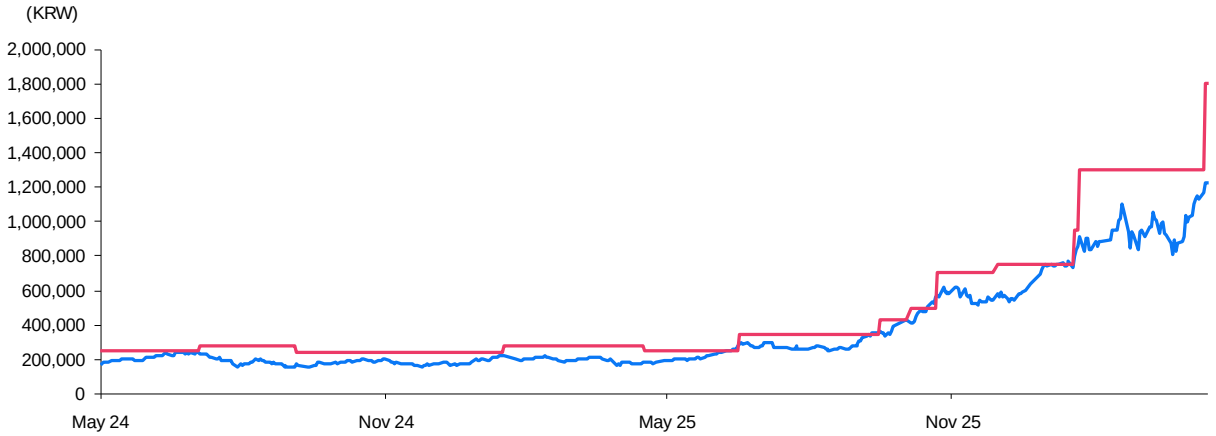
Target price changes in past two years



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

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%)

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