COMPANY UPDATE

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Samsung Electronics (005930)

Supply constraints tighten

- At this stage, earnings sustainability matters more than scale. Long-term agreements and high-bandwidth memory expansion are tightening supply while reinforcing earnings stability.
- We raise our target price to KRW300,000, expect Samsung Electronics' operating profit to reach KRW81.2t in 2Q26 and KRW341t in 2026.

WHAT'S THE STORY?

Investment strategy—Focus shifting from earnings sustainability to scale: The core of the investment case for Samsung Electronics (SEC) is no longer the absolute size of earnings, but their durability through the memory cycle. If earnings remain elevated despite DRAM price momentum moderating, investor confidence in sustainability should strengthen. This credibility should be the primary driver of the stock's valuation premium during the current industry upturn.

SEC's 1Q26 results demonstrated strong absorption of the recent DRAM price surge by AI customers. In the race to secure AI infrastructure capacity, customers are prioritizing volume over price—driving the price elasticity of DRAM demand down to historically low levels. At the same time, the expansion of long-term agreements (LTAs) and increased investment in high-bandwidth memory (HBM) have constrained near-term supply while enhancing pricing power. SEC's aggressive pricing and HBM strategy should support stronger earnings momentum relative to peers.

We forecast SEC's 2026 operating profit at KRW341t. Based on a projected 2026 ROE of 47% and a P/B multiple of 2.9x, we raise our target price to KRW300,000 and maintain our BUY rating on the stock.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW300,000	36.1%
Current price	**KRW220,500**	
Market cap	KRW1,289.1t/USD869.1b	
Shares (float)	5,846,278,608 (78.9%)	
52-week high/low	KRW226,000/KRW53,900	
Avg daily trading value (60-day)	KRW5,627.9b/ USD3,794.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Samsung Electronics (%)	25.1	111.8	297.3
Vs Kospi (%pts)	0.0	31.2	53.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	300,000	270,000	11.1%
2026E EPS	38,659	33,811	14.3%
2027E EPS	46,469	39,189	18.6%

SAMSUNG vs THE STREET

No of estimates	24
Target price	296,667
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025	2026E	2027E
Revenue	300,871	333,606	717,866	913,631
Operating profit	32,726	43,601	341,295	412,922
Net profit (adj)	34,451	45,207	263,379	315,560
EPS (adj) (KRW)	4,950	6,564	38,659	46,469
EPS (adj) growth (% y-y)	132.3	32.6	489.0	20.2
EBITDA margin (%)	25.0	27.1	54.9	51.7
ROE (%)	9.0	10.8	46.8	37.4
P/E (adj) (x)	10.7	18.3	5.7	4.7
P/B (x)	0.9	1.9	2.1	1.5
EV/EBITDA (x)	3.6	7.7	3.0	2.0
Dividend yield (%)	2.7	1.4	0.8	0.8

Source: Company data, Samsung Securities estimates

1Q results highlight the unrelenting strength of the memory cycle

SEC delivered record 1Q results, with revenue of KRW133.9t and operating profit of KRW57.2t. The Device Solutions (DS) division generated operating profit of KRW53.7t (representing almost 94% of the total), underscoring the strength of the memory market. The remarkable results were driven largely by broad-based increases in commodity DRAM prices, with rising contributions from HBM and NAND. The Mobile eXperience (MX)/Network division reported a solid KRW2.8t in operating profit, while the foundry business suffered an estimated operating loss of around KRW700b, slightly worse than expected. Yet, excluding memory, other segments remain limited contributors to overall profits.

Memory cycle shows no signs of abating

Supply-demand imbalances are deepening rather than easing. The rise of agentic AI, increasing demand for long-context processing, and growing reliance on KV cache offload are driving structural growth in memory consumption. AI customers remain firmly committed to securing capacity, prioritizing volume over cost. Even at current elevated price levels, demand shows little sign of meaningful contraction.

On the supply side, shipment targets and capex plans for 2026 have been revised upward. In 2027, major cleanroom expansions by the top three memory suppliers could further accelerate equipment investments. Even so, supply is likely to remain below AI customers' long-term demand. Key structural constraints persist: 1) slowing productivity gains in advanced nodes; 2) DRAM capacity erosion as production shifts toward HBM; and 3) extended equipment lead times.

LTAs reduce volume volatility but create a price premium

SEC has highlighted its expansion of LTAs. For memory chipmakers, LTAs are a trade-off: on the one hand, they bring much-needed demand visibility and operational stability in a high-capital, high-risk environment. On the other hand, by locking in volume and price, they cap chipmakers' ability to extract maximum value from price spikes during an upturn.

Early LTAs are therefore likely to incorporate a volume premium, with customers accepting higher prices for guaranteed supply. Meanwhile, buyers without LTAs must compete for shrinking spot-market inventory, often paying even higher premiums.

In effect, while LTAs were intended to damped price volatility, they are now acting as a floor under pricing—supporting higher industry-wide levels. SEC's more aggressive stance on server DRAM pricing compared to peers suggests its blended ASP growth could outpace the industry average in this cycle.

How much should SEC expand HBM production?

With commodity DRAM currently more profitable than HBM, expanding HBM production presents a trade-off for SEC. Increasing HBM output implies foregoing near-term profit opportunities from producing more commodity DRAM. However, insufficient HBM supply would constrain AI accelerators and AI servers, potentially weakening long-term customer relationships and, in turn, slowing demand for server DRAM.

HBM expansion is therefore a strategic decision aimed at strengthening customer relationships and securing SEC's position in the AI memory market, rather than maximizing near-term profitability. In its 1Q earnings call, SEC indicated that HBM expansion is unavoidable. We expect HBM bit shipments to jump 120% in 2026 and a further 84% in 2027, lifting its market share from 30% in 2026 to 36% in 2027—nearly matching its server DRAM share of 37%. As SEC prioritizes HBM, its commodity DRAM shipment growth may lag that of competitors—exacerbating the broader industry supply shortage.

SEC expects HBM4 to account for more than half of its total HBM sales from 3Q26, and the profitability gap between HBM and server DRAM to narrow by 2027. The company aims to enhance HBM profitability through product-mix improvement and HBM price increases. Combined with its more aggressive server DRAM pricing versus peers, SEC could deliver stronger profit growth during the upturn.

Foundry: Reference wins matter more than losses

We estimate operating losses from the foundry and LSI businesses in 1Q at KRW765b, below our prior expectations, primarily due to a weaker Galaxy S-series sales mix and underutilization at legacy nodes. Our longer-term view for foundry remains unchanged. We expect wafer ASPs to continue rising this year, while growth in HBM4 production should drive sales of base dies.

At this stage, the key issue is not the magnitude of losses, but whether SEC can validate its advanced process technology by securing marquee customers. The company stated during its earnings call that it has secured co-packaged optics (CPO) customers and plans mass-production in 2H. Even though near-term revenue contribution will be limited, this represents a major milestone, validating SEC's advanced process and cutting-edge packaging technologies. Additional AI-related chip order wins this year will be a key driver of foundry valuation.

Smartphones and TVs: Time to protect profits

Rising semiconductor prices are weighing on Mobile eXperience (MX) profitability. Despite strong 1Q results, we expect operating profit to tumble 76% q-q to KRW669b in 2Q, with further pressure likely unavoidable in 2H as component costs rise. In TVs, demand remains flat, but SEC is focused on defending the premium segment through Micro RGB TVs, while supporting profitability by expanding revenue from Tizen OS and services.

The Device eXperience (DX) division is not a primary earnings driver but offers longer-term growth potential in AI devices, robotics, and adjacent areas. At a time when earnings durability is increasingly valued, having a diversified profit portfolio supports valuation. The stronger the memory market conditions, the less likely short-term underperformance at the non-memory and DX businesses stand out.

Profit forecasts keep rising, but sustainability matters more than pace of improvement

We raise our 2026 operating profit forecast by 14.7% to KRW341t. For 2Q, we forecast an operating profit of KRW81.2t, assuming ASP increases of 45% for DRAM and 65% for NAND.

In 2027, quarterly operating profit could surpass the KRW100t mark. However, the market's excitement will not be sustained by higher numbers alone. Investors are now interested less in the raw magnitude of earnings and more in their durability.

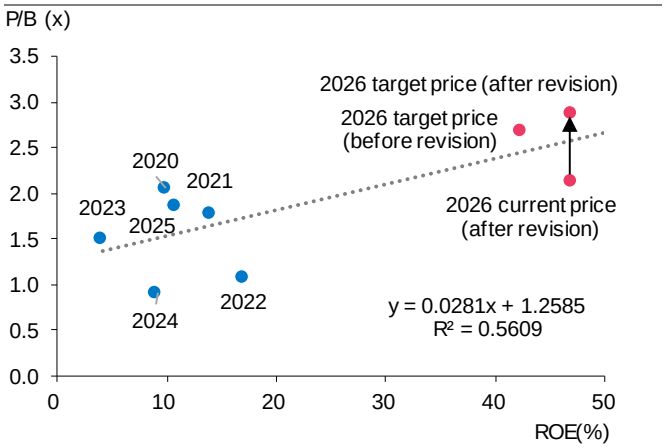
SEC is trading at just 5.7x 2026 P/E and 4.7x 2027 P/E. At these levels, demonstrating sustained profitability—rather than further profit forecast hikes—may be sufficient to push shares higher. The investment focus for SEC has shifted from 'how much more can it earn?' to 'how long can it sustain earnings?'

Samsung Electronics: Target-price calculation

(KRW)		Notes
BVPS	99,258	2026E
Target P/B (x)	2.7	Based on projected 2026E ROE of 46.8%
Fair price per share	267,997	
Target price	**270,000**	
Current price	196,500	
Upside (%)	37.4	

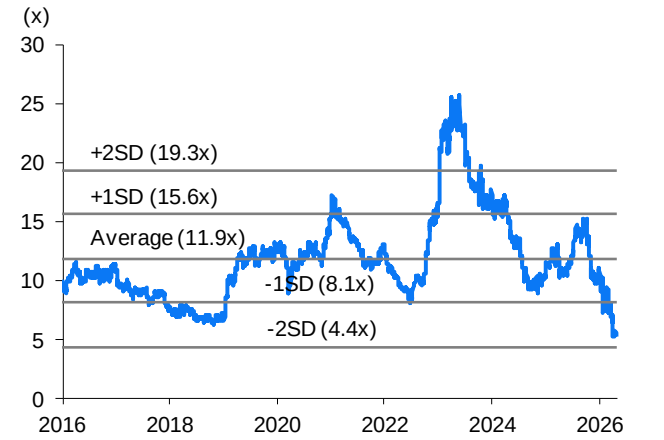
Source: Samsung Securities estimates

Samsung Electronics: Forward P/B vs ROE



Source: QuantiWise, Samsung Securities

Samsung Electronics: Forward P/E



Source: QuantiWise, Samsung Securities

Samsung Electronics: Revisions to forecasts

(KRWb)	1Q26			2026		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**132,969**	**133,870**	**0.7**	**650,558**	**717,866**	**10.3**
Semiconductor	81,836	81,698	-0.2	436,931	504,717	15.5
DRAM	53,976	54,877	1.7	293,260	319,506	8.9
NAND	19,666	19,927	1.3	113,370	154,392	36.2
LSI	8,194	6,894	-15.9	29,663	29,625	-0.1
Display	6,200	6,700	8.1	29,302	29,302	0.0
Telecom	33,244	38,136	14.7	134,680	139,110	3.3
Handset	32,494	37,486	15.4	131,380	135,910	3.4
CE and Harman	17,689	17,689	0.0	74,282	74,282	0.0
Operating profit	**57,242**	**57,239**	**-0.0**	**297,591**	**341,295**	**14.7**
Semiconductor	52,842	53,709	1.6	286,382	332,523	16.1
DRAM	42,304	43,415	2.6	226,014	250,833	11.0
NAND	10,915	11,059	1.3	61,777	84,006	36.0
LSI	-377	-765	103.0	-1,409	-2,316	64.4
Display	708	382	-46.1	3,569	3,227	-9.6
Telecom	3,185	2,763	-13.3	6,431	4,459	-30.7
Handset	3,193	2,752	-13.8	6,233	4,217	-32.3
CE and Harman	507	385	-24.0	1,209	1,087	-10.1

Source: Company data, Samsung Securities estimates

Samsung Electronics: Results and forecasts

(KRWb)	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
Sales	**138,222**	**170,619**	**197,567**	**215,810**	**230,646**	**234,163**	**231,625**	**217,197**	**333,606**	**722,218**	**913,631**
Chg (% y-y)	74.9	128.7	129.4	130.2	66.9	37.2	17.2	0.6	10.9	116.5	26.5
Semiconductor	81,698	119,111	141,969	160,746	172,995	175,513	166,936	153,062	130,153	504,717	668,506
DRAM	54,877	78,429	88,557	97,643	107,461	111,933	108,836	96,942	72,989	319,506	425,172
NAND	19,927	33,572	45,944	54,949	58,296	56,489	50,416	47,028	30,778	154,392	212,229
Foundry & LSI	6,894	7,110	7,467	8,154	7,239	7,092	7,684	9,092	26,451	29,625	31,106
Display	6,700	6,147	7,938	8,517	6,365	6,906	8,335	9,162	29,900	29,302	30,767
Telecom & Handset	38,136	33,078	35,260	32,637	38,500	38,568	42,959	39,735	129,554	139,110	159,761
CE and Harman	17,689	18,284	18,400	19,909	18,786	19,176	19,395	21,239	73,101	74,282	78,596
Operating profit	**57,239**	**81,209**	**95,647**	**107,200**	**114,394**	**111,975**	**100,550**	**86,003**	**43,601**	**341,295**	**412,922**
Semiconductor	53,709	79,689	93,864	105,261	114,227	113,304	102,200	85,168	25,149	332,523	414,900
DRAM	43,415	62,155	69,585	75,678	83,251	87,700	84,201	73,266	29,437	250,833	328,418
NAND	11,059	18,465	24,810	29,673	30,897	25,420	17,646	11,757	1,627	84,006	85,719
Foundry & LSI	-765	-931	-530	-90	80	184	353	145	-5,916	-2,316	763
Display	382	301	968	1,576	299	407	767	1,466	4,214	3,227	2,939
Telecom & Handset	2,763	706	570	420	-83	-2,067	-2,559	-632	12,955	4,459	-5,340
CE and Harman	385	514	244	-56	-50	330	143	0	1,511	1,087	422
Operating margin (%)	**41.4**	**47.6**	**48.4**	**49.7**	**49.6**	**47.8**	**43.4**	**39.6**	**13.1**	**47.3**	**45.2**
Semiconductor	65.7	66.9	66.1	65.5	66.0	64.6	61.2	55.6	19.3	65.9	62.1
DRAM	79.1	79.3	78.6	77.5	77.5	78.4	77.4	75.6	40.3	78.5	77.2
NAND	55.5	55.0	54.0	54.0	54.5	40.5	0.0	0.0	5.3	54.4	40.5
Foundry & LSI	-11.1	-13.1	-7.1	-1.1	1.1	2.6	4.6	1.6	-22.4	-7.8	2.5
Display	5.7	4.9	12.2	18.5	4.7	5.9	9.2	16.0	14.1	11.0	9.6
Telecom & Handset	7.2	2.1	1.6	1.3	-0.2	-5.4	-6.0	-1.6	10.0	3.2	-3.3
CE and Harman	2.2	2.8	1.3	-0.3	-0.3	1.7	0.7	0.0	2.1	1.5	0.5
Assumptions for bit growth and ASP changes											
DRAM bit growth (% q-q)	0.3	3.2	4.2	3.7	7.3	4.1	2.6	2.5	8.5	18.2	19.1
DRAM ASP chg (% q-q)	92.0	41.1	9.1	6.4	2.6	0.1	-5.2	-13.1	19.7	260.4	12.4
NAND bit growth (% q-q)	9.2	4.0	6.0	4.0	3.0	2.0	5.0	6.0	-0.4	18.9	16.4
NAND ASP chg (% q-q)	86.0	65.0	30.0	15.0	3.0	-5.0	-15.0	-12.0	-3.6	310.3	18.7

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**	**717,866**	**913,631**
Cost of goods sold	180,389	186,562	202,236	178,623	249,464
Gross profit	**78,547**	**114,309**	**131,370**	**539,243**	**664,168**
Gross margin (%)	30.3	38.0	39.4	75.1	72.7
SG&A expenses	71,980	81,583	87,769	197,947	251,246
Operating profit	**6,567**	**32,726**	**43,601**	**341,295**	**412,922**
Operating margin (%)	2.5	10.9	13.1	47.5	45.2
Non-operating gains (losses)	**4,439**	**4,804**	**5,880**	**9,877**	**7,825**
Financial profit	16,100	16,703	16,240	19,787	17,242
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**	**351,172**	**420,747**
Taxes	-4,481	3,078	4,275	87,793	105,187
Effective tax rate (%)	-40.7	8.2	8.6	25.0	25.0
Profit from continuing operations	15,487	34,451	45,207	263,379	315,560
Profit from discontinued operations	0	0	0	0	0
Net profit	**15,487**	**34,451**	**45,207**	**263,379**	**315,560**
Net margin (%)	6.0	11.5	13.6	36.7	34.5
Net profit (controlling interests)	14,473	33,621	44,261	257,868	308,958
Net profit (non-controlling interests)	1,014	830	946	5,511	6,602
EBITDA	45,234	75,357	90,528	394,252	472,315
EBITDA margin (%)	17.5	25.0	27.1	54.9	51.7
EPS (parent-based) (KRW)	2,131	4,950	6,564	38,659	46,469
EPS (consolidated) (KRW)	2,280	5,072	6,704	39,485	47,462
Adjusted EPS (KRW)*	2,131	4,950	6,564	38,659	46,469

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**195,937**	**227,062**	**247,685**	**543,430**	**868,661**
Cash & equivalents	69,081	53,706	57,856	160,624	412,736
Accounts receivable	36,647	43,623	51,128	110,018	140,021
Inventories	51,626	51,755	52,637	151,656	161,747
Other current assets	38,582	77,979	86,064	121,131	154,157
Fixed assets	**259,969**	**287,470**	**319,257**	**355,853**	**384,959**
Investment assets	20,680	24,349	31,348	47,899	56,169
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**	**899,282**	**1,253,620**
Current liabilities	**75,719**	**93,326**	**106,411**	**171,878**	**214,502**
Accounts payable	11,320	12,370	13,039	18,046	22,967
Short-term debt	7,115	13,173	17,575	15,575	15,575
Other current liabilities	57,285	67,784	75,797	138,257	175,960
Long-term liabilities	**16,509**	**19,014**	**24,210**	**32,546**	**39,652**
Bonds & long-term debt	538	21	2,813	2,813	2,813
Other long-term liabilities	15,971	18,993	21,397	29,733	36,839
Total liabilities	**92,228**	**112,340**	**130,622**	**204,423**	**254,154**
Owners of parent equity	**353,234**	**391,688**	**424,313**	**677,341**	**975,345**
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	649,014	947,018
Other	1,280	15,873	16,876	23,026	23,026
Non-controlling interests' equity	**10,444**	**10,504**	**12,007**	**17,518**	**24,120**
Total equity	**363,678**	**402,192**	**436,320**	**694,859**	**999,465**
Net debt	-79,086	-93,285	-100,582	-232,622	-510,385

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**44,137**	**72,983**	**85,315**	**224,570**	**385,653**
Net profit	15,487	34,451	45,207	263,379	315,560
Non-cash profit and expenses	36,520	42,947	52,396	131,949	158,204
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	78,992	98,811
Changes in A/L from operating activities	-5,459	-1,568	-9,614	-89,903	2,262
Cash flow from investments	**-16,923**	**-85,382**	**-68,512**	**-98,245**	**-115,327**
Change in tangible assets	-57,513	-51,250	-47,372	-71,000	-80,230
Change in financial assets	42,412	-36,218	-9,056	-26,095	-25,651
Other	-1,822	2,087	-12,084	-1,150	-9,446
Cash flow from financing	**-8,593**	**-7,797**	**-13,478**	**-14,167**	**-10,954**
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	-10,990	-10,954
Other	-1,081	-3,553	-9,490	0	0
Change in cash	19,400	-15,375	4,151	102,768	252,112
Cash at beginning of year	49,681	69,081	53,706	57,856	160,624
Cash at end of year	69,081	53,706	57,856	160,624	412,736
Gross cash flow	**52,007**	**77,398**	**97,602**	**395,328**	**473,764**
Free cash flow	**-13,474**	**21,576**	**37,793**	**153,570**	**305,423**

Financial ratios

Year-end Dec 31	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	-14.3	16.2	10.9	115.2	27.3
Operating profit	-84.9	398.3	33.2	682.8	21.0
Net profit	-72.2	122.5	31.2	482.6	19.8
Adjusted EPS**	-73.6	132.3	32.6	489.0	20.2
Per-share data (KRW)					
EPS (parent-based)	2,131	4,950	6,564	38,659	46,469
EPS (consolidated)	2,280	5,072	6,704	39,485	47,462
Adjusted EPS**	2,131	4,950	6,564	38,659	46,469
BVPS	52,002	57,981	63,997	103,150	148,532
DPS (common)	1,444	1,446	1,668	1,668	1,668
Valuations (x)					
P/E***	36.8	10.7	18.3	5.7	4.7
P/B***	1.5	0.9	1.9	2.1	1.5
EV/EBITDA	10.0	3.6	7.7	3.0	2.0
Ratios (%)					
ROE	4.1	9.0	10.8	46.8	37.4
ROA	3.4	7.1	8.4	35.9	29.3
ROIC	3.6	10.6	13.2	68.9	69.4
Payout ratio	59.6	25.6	22.1	3.7	3.1
Dividend yield (common)	1.8	2.7	1.4	0.8	0.8
Net debt to equity	-21.7	-23.2	-23.1	-33.5	-51.1
Interest coverage (x)	7.1	36.2	72.0	530.9	688.5

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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- As of 4/30 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 4/30 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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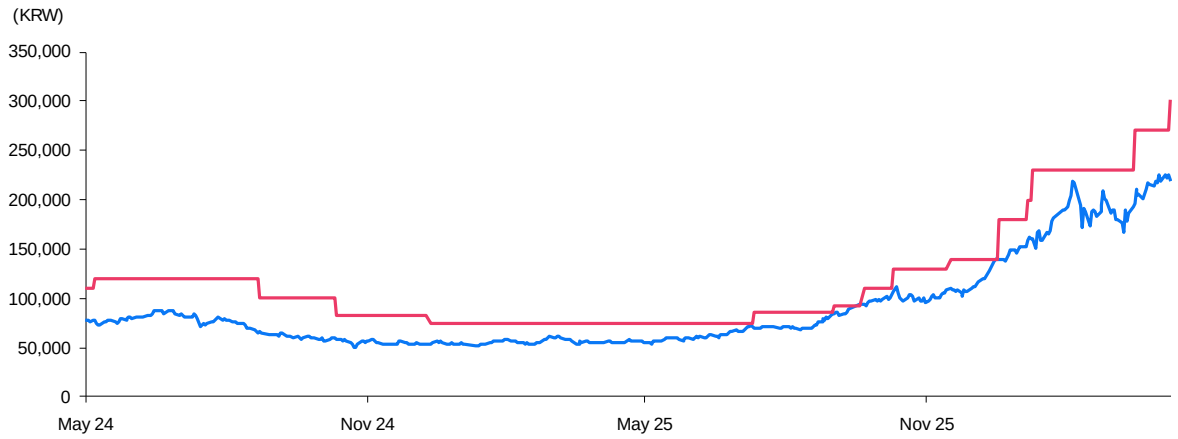
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/4/8	5/28	9/12	11/1	2025/1/2	8/1	9/23	10/13	10/31	12/8	2026/1/9	1/27
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	110000	120000	100000	83000	74000	85000	93000	110000	130000	140000	180000	200000
Gap* (average)	-28.36	-34.45	-39.49	-33.92	-21.93	-15.05	-6.95	-10.64	-21.96	-16.54	-18.69	-19.23
(max or min)**	-23.55	-26.83	-35.30	-29.28	-1.89	-1.76	1.51	-5.36	-14.54	0.71	-15.39	-18.80

Date	1/30	4/7	5/4
Recommendation	BUY	BUY	BUY
Target price (KRW)	230000	270000	300000
Gap* (average)	-19.75	-20.25	
(max or min)**	-5.22	-16.30	

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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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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