

COMPANY UPDATE

2026. 7. 6

Tech Team

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▶ AT A GLANCE

BUY

Target price **KRW500,000** 61.6%

Current price **KRW309,500**

Market cap	KRW1,809.4t/USD1,186.0b
Shares (float)	5,846,278,608 (78.9%)
52-week high/low	KRW362,500/KRW60,400
Avg daily trading value (60-day)	KRW8,844.5b/ USD5,797.4m

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Samsung Electronics (%)	-14.1	140.9	385.1
Vs Kospi (%pts)	-6.6	28.3	86.9

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	500,000	500,000	0.0%
2026E EPS	42,027	42,027	0.0%
2027E EPS	64,464	64,464	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	24
Target price	505,625
Recommendation	4.0

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



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Samsung Electronics (005930)

Beyond the volatility is a cycle

- We believe Samsung Electronics' 2Q operating profit reached KRW86t on stronger-than-expected DRAM prices and KRW16.3t in bonus provisioning.
- Near-term catalysts include its long-term agreement strategy, 2027 HBM pricing momentum, and a more aggressive shareholder return policy. We recommend using current market concerns as a buying opportunity, keeping our BUY rating with an unchanged target price.

WHAT'S THE STORY?

Use market concerns to increase exposure: We expect elevated DRAM prices to be perceived by investors as the new normal, driving up shares in Samsung Electronics (SEC). Amid strong demand and stable DRAM pricing, a virtuous cycle [investment expansion → production growth → profit improvement → more shareholder returns] is expected. Near-term catalysts include: 1) clarification of long-term agreement (LTA) details during its 2Q earnings call (July); 2) pricing finalization for HBM in 2027; and 3) more aggressive shareholder return policy announcements. Viewing the recent share-price action as noise rather than a reaction to any *bona fide* deterioration in the firm's fundamentals, a compelling buying opportunity appears to have emerged. We maintain our BUY rating for SEC with an unchanged target price of KRW500,000.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	333,606	784,448	1,167,843	1,305,863
Operating profit (KRWb)	43,601	371,952	565,102	592,001
Net profit (adj) (KRWb)	45,207	286,326	437,756	466,686
EPS (adj) (KRW)	6,564	42,027	64,464	68,724
EPS (adj) growth (% y-y)	32.6	540.3	53.4	6.6
EBITDA margin (%)	27.1	54.6	53.9	51.2
ROE (%)	10.8	49.9	49.0	37.7
P/E (adj) (x)	18.3	7.4	4.8	4.5
P/B (x)	1.9	2.9	1.9	1.5
EV/EBITDA (x)	7.7	4.1	2.4	1.8
Dividend yield (%)	1.4	3.9	6.3	6.7

Source: Company data, Samsung Securities estimates

To report 2Q operating profit of KRW86t: We believe SEC’s 2Q sales came in at KRW182t and its operating profit at KRW86t (in line with consensus of KRW85t; includes bonus provisioning for the semiconductor division of KRW16.3t in). We raise our 2Q memory operating profit forecast from KRW80t to KRW84t, driven by: 1) an upward revision in our assumption for commodity DRAM ASP growth (from +50% q-q to +55% q-q given stronger-than-expected ASP increases for server DRAM since June); and 2) improved profitability assumptions for NAND. The increase in bonus provisioning reflects a shift in our accounting assumption—rather than spreading 1Q’s bonus provisioning across 2Q-3Q, we now assume that the 1Q provisioning figure will be fully recognized in 2Q—thus we raise our bonus provisioning estimate from KRW9.5t to KRW16.3t. While profitability at the device solutions (DX) business (which including smartphones) likely slowed further, sales-mix improvements (a higher sales portion of premium models) combined with price hikes likely helped moderate the pace at which the business’s profitability declined. The foundry business likely saw its operating loss narrow to KRW0.5t, increasing the probability that it will return to the black (quarterly basis) in 2H.

Cycle remains in an early phase: Concerns—such as hyperscalers’ excess expansions, debates over AI model efficiency, domestic labor strike risks, and the burden of rapid investment growth—expanded after DRAM prices surged and semiconductor operating profit ballooned, though such fears have now mostly faded. Meanwhile, demand for agentic AI, Anthropic’s annual recurring revenue (ARR), and cloud providers’ AI-related revenue has continued to grow without interruption. Customers still demand higher-performance HBM and higher-capacity server DRAM. While the pace of DRAM price increases may slow in 2H, suppliers have yet to start expanding capacity in earnest. SEC’s recent announcement of a KRW2,100t (USD1.4t) memory investment plan through 2040, along with the early ramp-up of Pyeongtaek P5 and P5-2, signals the scale of demand that suppliers are factoring into their planning.

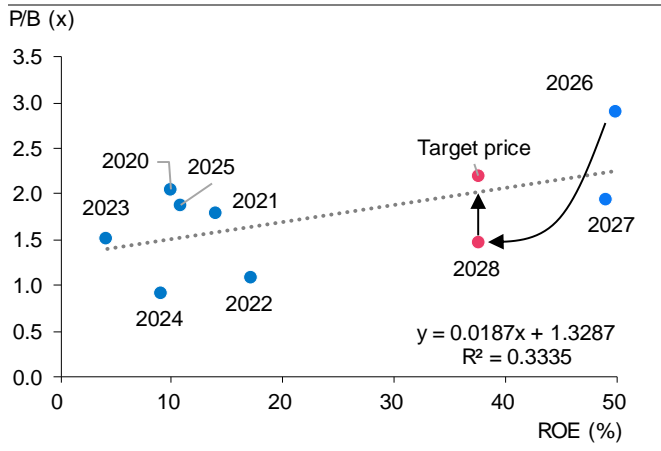
Forecasting 2026 operating profit of KRW372t: We estimate SEC’s operating profit will reach KRW372t in 2026 and KRW565t in 2027. Rising DRAM and NAND ASPs should drive up the firm’s earnings in 3Q26, while volume growth is expected to be the main contributor to its earnings growth in 4Q26. We expect its quarterly operating profit to exceed KRW100t in 2027, as bit growth should moderate for both DRAM and NAND, sustaining tight supply-demand dynamics. Our target price is based on a 2028 P/B of 2.2x and assumes that the semiconductor uptrend remains intact.

SEC: Target-price calculation

(KRW)		Notes
BVPS	209,757	2028E
Target P/B (x)	2.2	Based on 2028E ROE 33% assumption
Fair price per share	461,466	
Target price	500,000	
Current price	309,500	
Upside (%)	61.6	

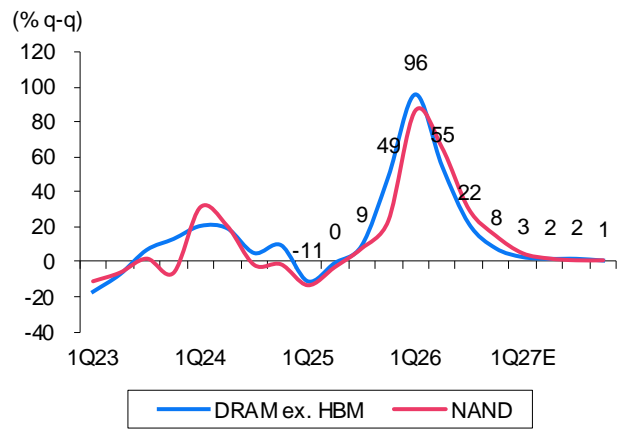
Source: Samsung Securities estimates

SEC: Forward P/B vs ROE



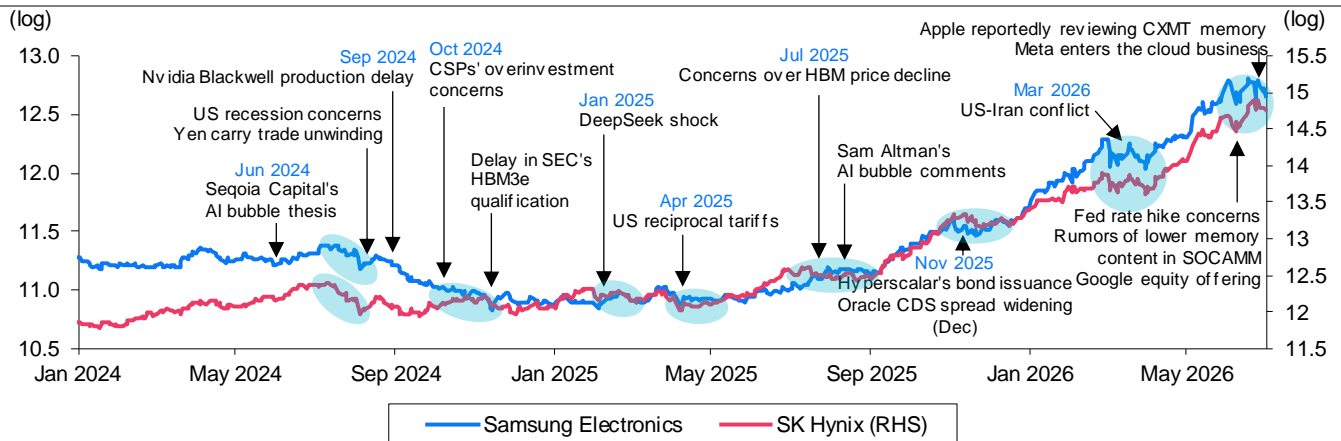
Source: QuantiWise, Samsung Securities estimates

SEC: Quarterly DRAM and NAND ASP changes



Source: Samsung Securities estimates

SEC vs SK Hynix: Stock performance since 2024



Source: QuantiWise, Samsung Securities

Samsung Electronics: Revisions to full-year forecasts

(KRWb)	2Q26			2026		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	178,355	181,764	1.9	717,866	784,448	9.3
Semiconductor	125,806	129,105	2.6	504,717	565,499	12.0
DRAM	84,041	87,224	3.8	319,506	376,928	18.0
NAND	34,656	34,771	0.3	154,392	159,677	3.4
LSI	7,110	7,110	0.0	29,625	29,640	0.1
Display	6,147	6,147	0.0	29,302	29,302	0.0
Telecom	34,118	34,229	0.3	139,110	142,971	2.8
Handset	33,268	33,379	0.3	135,910	139,771	2.8
CE and Harman	18,284	18,284	0.0	74,282	74,282	0.0
Operating profit	81,281	85,676	5.4	341,295	371,952	9.0
Semiconductor	79,420	83,821	5.5	332,523	363,685	9.4
DRAM	63,197	63,826	1.0	250,833	272,384	8.6
NAND	17,155	20,570	19.9	84,006	92,558	10.2
LSI	-931	-576	-38.2	-2,316	-1,258	-45.7
Display	301	609	102.0	3,227	3,681	14.1
Telecom	1,046	732	-30.0	4,459	3,410	-23.5
Handset	1,007	693	-31.2	4,217	3,159	-25.1
CE and Harman	514	514	0.0	1,087	1,176	8.2

Source: Company data, Samsung Securities estimates

Samsung Electronics: Results and forecasts

(KRWb)	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2026E	2027E	2028E
Sales	133,843	181,764	222,449	246,392	267,558	284,125	302,741	313,418	784,448	1,167,843	1,305,863
Chg (% y-y)	69.3	143.7	158.3	162.8	99.9	56.3	36.1	27.2	135.2	48.9	11.8
Semiconductor	81,677	129,105	165,328	190,135	208,502	224,068	236,479	247,825	565,499	916,873	1,012,079
DRAM	54,857	87,224	109,883	124,964	139,616	152,209	160,111	165,183	376,928	617,119	697,912
NAND	19,927	34,771	47,978	57,001	61,647	64,766	68,685	73,534	159,677	268,632	281,490
Foundry & LSI	6,894	7,110	7,467	8,169	7,239	7,092	7,684	9,108	29,640	31,122	32,678
Display	6,693	6,147	7,938	8,524	6,359	6,906	8,335	9,168	29,302	30,767	32,305
Telecom & Handset	38,136	34,229	36,783	33,824	39,911	39,976	44,532	41,187	142,971	165,606	202,156
CE and Harman	17,689	18,284	18,400	19,909	18,786	19,176	19,395	21,239	74,282	78,596	83,323
Operating profit	57,233	85,676	108,955	120,088	129,886	139,494	145,592	150,130	371,952	565,102	592,001
Semiconductor	53,709	83,821	107,239	118,915	129,849	139,804	146,126	150,314	363,685	566,093	591,706
DRAM	43,415	63,826	79,175	85,968	95,344	102,828	107,091	110,187	272,384	415,451	461,119
NAND	11,059	20,570	28,259	32,670	34,099	36,472	38,336	39,571	92,558	148,479	127,441
Foundry & LSI	-765	-576	-194	278	405	504	699	556	-1,258	2,164	3,146
Display	363	609	1,048	1,662	281	753	850	1,559	3,681	3,442	3,174
Telecom & Handset	2,763	732	424	-510	-459	-1,392	-1,603	-1,821	3,410	-5,274	-4,650
CE and Harman	398	514	244	20	214	330	218	79	1,176	841	1,771
Operating margin (%)	42.8	47.1	49.0	48.7	48.5	49.1	48.1	47.9	47.4	48.4	45.3
Semiconductor	65.8	64.9	64.9	62.5	62.3	62.4	61.8	60.7	64.3	61.7	58.5
DRAM	79.1	73.2	72.1	68.8	68.3	67.6	66.9	66.7	72.3	67.3	66.1
NAND	55.5	59.2	58.9	57.3	58.1	55.4	0.0	0.0	58.0	55.4	51.8
Foundry & LSI	-11.1	-8.1	-2.6	3.4	5.6	7.1	9.1	6.1	-4.2	7.0	9.6
Display	5.4	9.9	13.2	19.5	4.4	10.9	10.2	17.0	12.6	11.2	9.8
Telecom & Handset	7.2	2.1	1.2	-1.5	-1.1	-3.5	-3.6	-4.4	2.4	-3.2	-2.3
CE and Harman	2.2	2.8	1.3	0.1	1.1	1.7	1.1	0.4	1.6	1.1	2.1
Assumptions for bit growth and ASP changes											
DRAM bit growth (% q-q)	1.0	4.1	4.7	6.6	2.5	3.7	1.8	1.3	21.0	15.6	20.6
DRAM ASP chg (% q-q)	90.8	50.3	20.1	7.4	9.0	5.1	3.3	1.8	302.5	41.9	-6.2
NAND bit growth (% q-q)	9.2	4.0	6.0	4.0	3.0	3.0	5.0	6.0	18.9	17.2	17.4
NAND ASP chg (% q-q)	86.0	65.0	30.0	15.0	5.0	2.0	1.0	1.0	310.3	43.7	-10.7

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	300,871	333,606	784,448	1,167,843	1,305,863
Cost of goods sold	186,562	202,236	196,189	281,587	353,080
Gross profit	114,309	131,370	588,259	886,256	952,783
Gross margin (%)	38.0	39.4	75.0	75.9	73.0
SG&A expenses	81,583	87,769	216,307	321,154	360,781
Operating profit	32,726	43,601	371,952	565,102	592,001
Operating margin (%)	10.9	13.1	47.4	48.4	45.3
Non-operating gains (losses)	4,804	5,880	9,816	18,573	30,246
Financial profit	16,703	16,240	19,826	28,013	38,938
Financial costs	12,986	11,734	11,285	10,856	10,203
Equity-method gains (losses)	751	683	900	950	1,000
Other	335	691	374	467	511
Pre-tax profit	37,530	49,481	381,768	583,675	622,248
Taxes	3,078	4,275	95,442	145,919	155,562
Effective tax rate (%)	8.2	8.6	25.0	25.0	25.0
Profit from continuing operations	34,451	45,207	286,326	437,756	466,686
Profit from discontinued operations	0	0	0	0	0
Net profit	34,451	45,207	286,326	437,756	466,686
Net margin (%)	11.5	13.6	36.5	37.5	35.7
Net profit (controlling interests)	33,621	44,261	280,335	428,597	456,921
Net profit (non-controlling interests)	830	946	5,991	9,159	9,764
EBITDA	75,357	90,528	428,118	629,274	668,357
EBITDA margin (%)	25.0	27.1	54.6	53.9	51.2
EPS (parent-based) (KRW)	4,950	6,564	42,027	64,464	68,724
EPS (consolidated) (KRW)	5,072	6,704	42,925	65,841	70,193
Adjusted EPS (KRW)*	4,950	6,564	42,027	64,464	68,724

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	72,983	85,315	238,339	468,959	516,696
Net profit	34,451	45,207	286,326	437,756	466,686
Non-cash profit and expenses	42,947	52,396	142,867	192,967	203,507
Depreciation	39,650	43,606	53,047	61,225	73,553
Amortization	2,981	3,321	3,119	2,947	2,802
Other	316	5,469	86,702	128,795	127,151
Changes in A/L from operating activities	-1,568	-9,614	-102,390	-30,843	-23,641
Cash flow from investments	-85,382	-68,512	-111,566	-137,188	-124,493
Change in tangible assets	-51,250	-47,372	-79,800	-88,175	-106,826
Change in financial assets	-36,218	-9,056	-30,616	-48,181	-17,345
Other	2,087	-12,084	-1,150	-832	-322
Cash flow from financing	-7,797	-13,478	-14,259	-81,271	-130,580
Change in debt	6,644	5,909	-3,178	-2,000	-2,000
Change in equity	0	0	0	0	0
Dividends	-10,889	-9,897	-11,082	-79,271	-128,580
Other	-3,553	-9,490	0	0	0
Change in cash	-15,375	4,151	100,274	233,641	254,090
Cash at beginning of year	69,081	53,706	57,856	158,131	391,772
Cash at end of year	53,706	57,856	158,131	391,772	645,862
Gross cash flow	77,398	97,602	429,193	630,723	670,193
Free cash flow	21,576	37,793	158,539	380,784	409,869

Note: *Excluding one-off items

**Fully diluted, excluding one-off items

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	227,062	247,685	571,283	963,336	1,286,350
Cash & equivalents	53,706	57,856	158,131	391,772	645,862
Accounts receivable	43,623	51,128	120,223	178,981	200,133
Inventories	51,755	52,637	165,722	206,752	233,559
Other current assets	77,979	86,064	127,207	185,831	206,796
Fixed assets	287,470	319,257	364,193	408,013	449,043
Investment assets	24,349	31,348	50,648	68,466	77,025
Tangible assets	205,945	215,305	242,058	269,008	302,282
Intangible assets	23,739	29,481	28,362	27,414	26,612
Other long-term assets	33,437	43,125	43,125	43,125	43,125
Total assets	514,532	566,942	935,476	1,371,349	1,735,393
Current liabilities	93,326	106,411	183,772	247,717	268,817
Accounts payable	12,370	13,039	18,913	21,995	22,861
Short-term debt	13,173	17,575	15,575	13,575	11,575
Other current liabilities	67,784	75,797	149,284	212,148	234,381
Long-term liabilities	19,014	24,210	33,990	47,432	52,271
Bonds & long-term debt	21	2,813	2,813	2,813	2,813
Other long-term liabilities	18,993	21,397	31,177	44,619	49,458
Total liabilities	112,340	130,622	217,762	295,149	321,088
Owners of parent equity	391,688	424,313	699,716	1,049,043	1,377,384
Capital stock	898	898	898	898	898
Capital surplus	4,404	4,404	4,404	4,404	4,404
Retained earnings	370,513	402,136	671,389	1,020,716	1,349,057
Other	15,873	16,876	23,026	23,026	23,026
Non-controlling interests' equity	10,504	12,007	17,998	27,157	36,921
Total equity	402,192	436,320	717,714	1,076,199	1,414,305
Net debt	-93,285	-100,582	-234,651	-518,473	-791,908

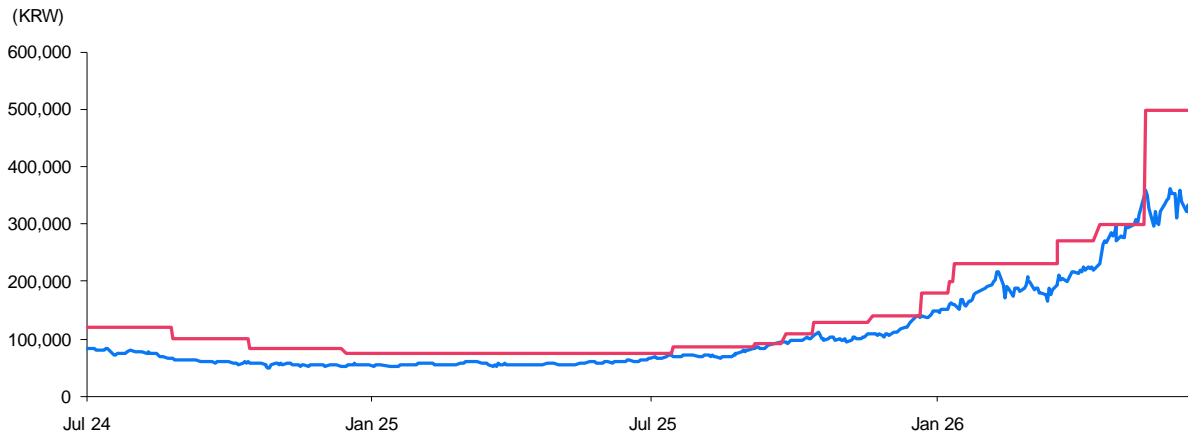
Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	16.2	10.9	135.1	48.9	11.8
Operating profit	398.3	33.2	753.1	51.9	4.8
Net profit	122.5	31.2	533.4	52.9	6.6
Adjusted EPS**	132.3	32.6	540.3	53.4	6.6
Per-share data (KRW)					
EPS (parent-based)	4,950	6,564	42,027	64,464	68,724
EPS (consolidated)	5,072	6,704	42,925	65,841	70,193
Adjusted EPS**	4,950	6,564	42,027	64,464	68,724
BVPS	57,981	63,997	106,557	159,755	209,757
DPS (common)	1,446	1,668	12,072	19,581	20,875
Valuations (x)					
P/E***	10.7	18.3	7.4	4.8	4.5
P/B***	0.9	1.9	2.9	1.9	1.5
EV/EBITDA	3.6	7.7	4.1	2.4	1.8
Ratios (%)					
ROE	9.0	10.8	49.9	49.0	37.7
ROA	7.1	8.4	38.1	38.0	30.0
ROIC	10.6	13.2	73.1	86.5	79.4
Payout ratio	25.6	22.1	24.8	26.3	26.3
Dividend yield (common)	2.7	1.4	3.9	6.3	6.7
Net debt to equity	-23.2	-23.1	-32.7	-48.2	-56.0
Interest coverage (x)	36.2	72.0	578.5	987.0	1,142.5

Compliance notice

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- As of 7/3 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	2024/5/28	9/12	11/1	2025/1/2	8/1	9/23	10/13	10/31	12/8	2026/1/9	1/27	1/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	120000	100000	83000	74000	85000	93000	110000	130000	140000	180000	200000	230000
Gap* (average)	-34.45	-39.49	-33.92	-21.93	-15.05	-6.95	-10.64	-21.96	-16.54	-18.69	-19.23	-19.75
(max or min)**	-26.83	-35.30	-29.28	-1.89	-1.76	1.51	-5.36	-14.54	0.71	-15.39	-18.80	-5.22

Date	4/7	5/4	6/2
Recommendation	BUY	BUY	BUY
Target price (KRW)	270000	300000	500000
Gap* (average)	-20.25	-3.39	
(max or min)**	-16.30	16.33	

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 2026.06.30

BUY (85.5%)-HOLD (14.5%)-SELL (0%)

Global Disclosures & Disclaimers

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