COMPANY UPDATE

2026. 7. 30

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SK Hynix (000660)

Value intact

- SK Hynix reported a 2Q operating profit of KRW60.5t. We forecast full-year operating profit at KRW272t for 2026.
- While some investors question the sustainability of customer investments, uncertainty surrounding the business models of AI labs and cloud service providers is diminishing. Future shareholder-return announcements should also provide downside support for the stock.
- We trim our target price to KRW3,000,000 but maintain our BUY rating.

▶ AT A GLANCE

BUY

Target price	**KRW3,000,000**	**114.1%**
Current price	**KRW1,401,000**	
Market cap	KRW1,023.4t/USD707.4b	
Shares (float)	730,492,365 (78.7%)	
52-week high/low	KRW2,919,000/KRW245,000	
Avg daily trading value (60-day)	KRW12,729.3b/ USD8,798.9m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
SK Hynix (%)	-46.7	62.7	433.7
Vs Kospi (%pts)	-21.0	50.0	204.5

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	3,000,000	3,500,000	-14.3%
2026E EPS	371,075	284,437	30.5%
2027E EPS	488,494	464,786	5.1%

▶ SAMSUNG vs THE STREET

No of estimates	23
Target price	3,626,087
Recommendation	4.0

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

WHAT'S THE STORY?

Investment strategy: We believe the recent decline in SK Hynix's share price reflects concerns over the sustainability of data center investments and the global market's excessive concentration in memory stocks. Contrary to these concerns, however, we believe AI labs' token economics and data center ROI are becoming increasingly robust. Meanwhile, the recent correction is unwinding the concentration. First, the AI data center supply chain continues to point to strong growth and expanding investment. Second, enterprise adoption of AI models is accelerating sharply. Third, server DRAM demand forecasts have been revised upward. Fourth, supply growth is likely to slow in 2027. Once the excess optimism embedded in the concentration trade has been fully priced out, investors should recognize that the underlying trajectory remains unchanged. With shareholder returns providing downside support, we believe the market will once again view the company's risk-reward profile as highly attractive. Reflecting the shift in investor risk appetite, we trim our target price to KRW3,000,000 but maintain our BUY rating.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	97,147	357,605	606,269	672,269
Operating profit	47,206	272,485	452,065	470,756
Net profit (adj)	42,948	268,344	357,079	375,111
EPS (adj) (KRW)	58,955	371,075	488,494	513,163
EPS (adj) growth (% y-y)	116.9	529.4	31.6	5.0
EBITDA margin (%)	62.9	82.0	79.7	75.9
ROE (%)	44.2	105.8	65.3	43.9
P/E (adj) (x)	11.0	3.8	2.9	2.7
P/B (x)	3.8	2.6	1.4	1.0
EV/EBITDA (x)	7.8	2.9	1.4	0.8
Dividend yield (%)	0.5	3.6	7.9	10.1

Source: Company data, Samsung Securities estimates

Samsung Securities

2Q operating profit reaches KRW60.5t: Hynix reported 2Q sales of KRW79.3t (up 51% q-q and 257% y-y) and operating profit of KRW60.5t (up 61% q-q and 557% y-y). Both operating profit and operating margin, at 76%, reached record quarterly highs. DRAM operating margin rose to 82%.

2026 and 2027 operating profit forecasts at KRW272t and KRW452t: We forecast Hynix's operating profit at KRW272t in 2026 and KRW452t in 2027. Although the stock has fallen to 1x 2028 P/B, we see no fundamental reason to revise our earnings forecasts. Our core thesis remains intact: supply should tighten further y-y in 2027, underpinned by sustained strong capex from cloud service providers. We continue to view our 2027 pricing and margin assumptions as conservative. We lower our target price to KRW3,000,000, based on 3x 2027 P/B—in line with the historical ROE-P/B regression and adjusted for today's more risk-averse investor sentiment. While we still expect the memory cycle to extend beyond 2028, increasingly risk-averse investors are likely to prioritize confirmation of 2027 fundamentals over longer-term projections.

- **Comparison with consensus:** The chipmaker's 2Q operating profit of KRW60.5t was 5.9% below FnGuide consensus. The miss reflected changes in shipment mix and the impact of options embedded in long-term agreements (LTAs), which caused realized ASPs to diverge from market expectations. More fundamentally, however, the company is prioritizing earnings stability over short-term profit maximization. Rather than pursuing aggressive price hikes, Hynix is focusing on long-term partnerships, co-development, and other collaborative opportunities with key customers. Although earnings surprises and earnings stability are inherently difficult to reconcile, the evolving structure of LTAs provides greater flexibility to reflect market conditions. From 2H26, the company's server DRAM ASPs should track spot prices more closely.
- **High-bandwidth memory (HBM) progress remains on track:** The company has resolved previous HBM4 quality issues and began full-scale production in June. HBM4E, based on the 1c nm process, has completed customer sampling. We expect Hynix to maintain a solid share of Nvidia's HBM demand through 2027. HBM4 and HBM4E are forecast to account for 70% of total DRAM shipments in 2027, up from 20% in 2026, with their ASPs expected to rise more than 80% y-y next year.
- **Strengthening server demand:** Contrary to financial-market concerns over data center profitability and capex, cloud service providers (CSPs) continue to revise up their demand forecasts for HBM and server DRAM. This reflects growing confidence in AI investment as uncertainty surrounding token-based AI business models diminishes. Demand for AI tokens remains in the early stages of an S-curve, suggesting substantial upside ahead.
- **"Select & focus" strategy:** Allocating limited resources has become central to the company's strategy. Memory suppliers, including Hynix, have sharply reduced allocations to mobile and PC customers and redirected capacity toward server customers. Even within the server segment, prioritizing strategic partners has become unavoidable. From this perspective, CXMT is a beneficiary at the margin of memory suppliers' selective allocation, rather than the root cause of memory oversupply.

- **Investment expansion:** Additional supply is unlikely to undermine CSP capex. To the contrary: the greater risk is that an excessively prolonged supply shortage constrains the total addressable market. Memory suppliers' competitiveness increasingly depends on how quickly and how much additional capacity they can bring online. In addition to accelerating existing expansion plans, companies are pursuing various strategies—including leveraging existing power and water infrastructure and leasing or acquiring completed fabs—to secure capacity and support growth. Crucially, even these efforts offer no viable path to meaningfully increase supply in 2027. Pulling capacity additions forward into 2026 would inevitably result in a y-y decline in bit growth in 2027, a fact that underpins our view that the supply shortage will extend through 2027.
- **The outlook for ADRs:** The company confirmed a firm 2.5% cap, equivalent to 17.79m shares, on the conversion of its Seoul-listed common shares into US-traded ADRs. As the quota is already fully utilized, further conversions are effectively impossible. The scarcity created by this cap should continue to support a valuation premium. ADRs should therefore be viewed not primarily through the lens of fungibility, but as a means of broadening the investor base. Once business conditions and the share price stabilize, the company may consider additional ADR issuance, subject to its strategic priorities and market conditions.
- **Rising shareholder-return expectations:** Concerns over an approaching cycle peak are likely to persist throughout the cycle, making shareholder returns the primary buffer against downward pressure on the share price. The company did not announce a new return policy during the conference call because of restrictions related to the ADR offering process, but it has committed to unveiling one by year-end, making such an announcement highly likely. We expect Hynix to allocate 50% of free cash flow—forecast at KRW57t in 2026 and KRW120t in 2027—to shareholder returns. The KRW63.3t in proceeds from the sale of its stake in Japanese NAND flash company Kioxia could provide an additional source for returns. Although we initially assumed that a substantial portion would be distributed as dividends, we will revisit this assumption once the year-end return policy is formally detailed. The current share price implies dividend yields of 3.6% for 2026 and 7.9% for 2027.

SK Hynix: 2Q results

(KRWb)	2Q26	2Q25	1Q26	Diff	
				(% y-y)	(% q-q)
Sales	**79.3**	22.2	52.6	256.8	50.9
Operating profit	**60.5**	9.21	37.61	557.2	61.0
Pre-tax profit	**122.7**	8.72	51.62	1,306.8	137.7
Net profit	**93.9**	7.00	40.35	1,242.5	132.8
Margins (%)					
Operating profit	**76.3**	41.4	71.5		
Pre-tax profit	**154.7**	39.2	98.2		
Net profit	**118.4**	31.5	76.7		

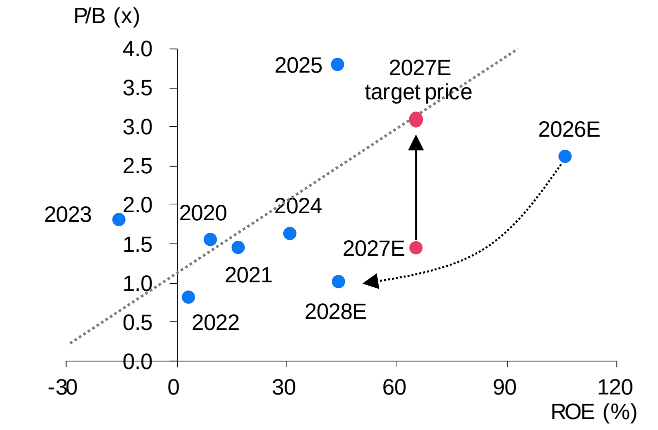
Source: Company data, Samsung Securities

SK Hynix: Target-price calculation

(KRW)		Notes
BVPS	1,016,149	2027E
Target P/B (x)	3.0	12-month forward P/B corresponding to 63.5% ROE
Fair price per share	3,048,446	
Target price	3,000,000	
Current price	1,401,000	
Upside (%)	114.1	

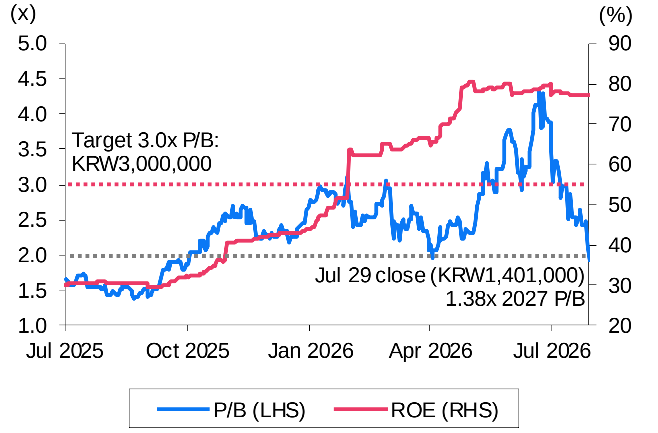
Source: Samsung Securities estimates

SK Hynix: Forward P/B vs ROE



Source: QuantiWise, Samsung Securities

SK Hynix: Forward P/B vs ROE



Source: QuantiWise, Samsung Securities

SK Hynix: Revisions to earnings forecasts

(KRWb)	Old		New		Diff (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Sales	360,684	605,136	357,605	606,269	-0.9	0.2
Operating profit	259,384	419,781	272,485	452,065	5.1	7.7
Pre-tax profit	260,058	424,960	344,031	458,109	32.3	7.8
Net profit	202,846	331,469	268,344	357,325	32.3	7.8

Source: Samsung Securities estimates

SK Hynix: Results and forecasts

(KRWb)	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	1Q28E	2Q28E	3Q28E	4Q28E	2026E	2027E	2028E
Sales	**52,576**	**79,319**	**102,778**	**122,932**	**135,633**	**148,011**	**155,689**	**166,935**	**170,649**	**171,719**	**168,630**	**161,271**	**357,605**	**606,269**	**672,269**
Chg (% y-y)	198.1	256.8	320.4	274.5	158.0	86.6	51.5	35.8	25.8	16.0	8.3	-3.4	108.3	259.5	316.9
DRAM	40,634	58,131	74,009	87,786	99,052	7,081	6,917	9,808	127,066	14,114	12,625	23,297	260,559	447,308	509,207
NAND and other	11,942	21,188	28,769	35,146	36,581	140,930	148,773	157,127	43,583	157,605	156,005	137,974	97,046	158,961	163,061
Operating profit	**37,610**	**60,543**	**79,181**	**95,151**	**104,228**	**112,054**	**115,274**	**120,510**	**121,260**	**120,840**	**118,397**	**110,259**	**272,485**	**452,065**	**470,756**
DRAM	30,972	47,883	61,399	73,065	80,905	88,699	94,361	100,953	102,145	103,242	105,124	100,242	213,319	364,918	410,753
NAND and other	6,639	12,660	17,782	22,086	23,323	23,354	20,912	19,557	19,115	17,598	13,273	10,017	59,166	87,147	60,004
Operating margin (%)	**71.5**	**76.3**	**77.0**	**77.4**	**76.8**	**75.7**	**74.0**	**72.2**	**71.1**	**70.4**	**70.2**	**68.4**	**76.2**	**74.6**	**70.0**
DRAM	76.2	82.4	83.0	83.2	81.7	80.9	81.8	81.9	80.4	80.2	81.2	80.8	81.9	81.6	80.7
NAND and other	55.6	59.7	61.8	62.8	63.8	60.8	51.8	44.9	43.9	40.9	33.9	26.9	61.0	54.8	36.8
Assumptions for bit growth and ASP change (%)															
DRAM bit growth	0.0	7.1	10.4	8.4	-1.1	1.4	1.9	5.7	2.5	5.1	6.3	6.4	23.7	15.7	17.7
DRAM ASP change	62.8	30.2	14.8	10.1	14.0	9.2	3.3	1.2	0.5	-3.6	-5.3	-10.0	167.2	48.2	-3.3
NAND bit growth	-15.0	18.0	2.5	7.0	-1.0	3.0	4.0	7.0	-2.0	4.0	7.0	8.0	15.1	16.2	15.2
NAND ASP change	75.0	55.0	32.0	15.0	5.0	2.0	1.0	1.0	2.0	-5.0	-15.0	-12.0	285.5	41.8	-10.9

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**66,193**	**97,147**	**357,605**	**606,269**	**672,269**
Cost of goods sold	34,365	38,456	70,983	140,352	187,689
Gross profit	**31,828**	**58,691**	**286,622**	**465,917**	**484,580**
Gross margin (%)	48.1	60.4	80.2	76.8	72.1
SG&A expenses	8,361	11,484	14,137	13,852	13,824
Operating profit	**23,467**	**47,206**	**272,485**	**452,065**	**470,756**
Operating margin (%)	35.5	48.6	76.2	74.6	70.0
Non-operating gains (losses)	**418**	**3,259**	**71,546**	**5,729**	**10,156**
Financial profit	4,855	16,373	18,648	14,945	21,372
Financial costs	5,708	12,505	7,125	8,167	9,351
Equity-method gains (losses)	-38	-565	-50	-50	-50
Other	1,309	-45	60,073	-999	-1,815
Pre-tax profit	**23,885**	**50,466**	**344,031**	**457,794**	**480,912**
Taxes	4,088	7,518	75,687	100,715	105,801
Effective tax rate (%)	17.1	14.9	22.0	22.0	22.0
Profit from continuing operations	19,797	42,948	268,344	357,079	375,111
Profit from discontinued operations	0	0	0	0	0
Net profit	**19,797**	**42,948**	**268,344**	**357,079**	**375,111**
Net margin (%)	29.9	44.2	75.0	58.9	55.8
Net profit (controlling interests)	19,789	42,919	268,165	356,841	374,861
Net profit (non-controlling interests)	8	29	179	238	250
EBITDA	36,049	61,136	293,220	483,307	510,458
EBITDA margin (%)	54.5	62.9	82.0	79.7	75.9
EPS (parent-based) (KRW)	27,182	58,955	371,075	488,494	513,163
EPS (consolidated) (KRW)	27,193	58,994	371,322	488,820	513,505
Adjusted EPS (KRW)*	27,182	58,955	371,075	488,494	513,163

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**42,279**	**69,458**	**302,229**	**586,168**	**849,277**
Cash & equivalents	11,205	14,924	135,081	306,505	539,750
Accounts receivable	13,019	18,199	49,504	83,927	93,064
Inventories	13,314	14,289	50,805	86,133	95,509
Other current assets	4,741	22,046	66,839	109,604	120,954
Fixed assets	**77,576**	**106,650**	**141,792**	**191,918**	**228,649**
Investment assets	6,522	17,172	24,209	30,927	32,710
Tangible assets	60,157	77,503	105,871	149,887	185,319
Intangible assets	4,019	4,049	3,786	3,178	2,695
Other long-term assets	6,878	7,926	7,926	7,926	7,926
Total assets	**119,855**	**176,108**	**444,020**	**778,086**	**1,077,926**
Current liabilities	**24,965**	**37,379**	**34,811**	**42,550**	**46,808**
Accounts payable	2,277	2,848	7,465	12,656	14,033
Short-term debt	1,283	2,396	2,250	2,104	1,958
Other current liabilities	21,405	32,135	25,096	27,791	30,816
Long-term liabilities	**20,974**	**18,062**	**22,334**	**28,702**	**29,862**
Bonds & long-term debt	17,431	14,086	14,086	16,086	16,086
Other long-term liabilities	3,543	3,976	8,247	12,616	13,775
Total liabilities	**45,940**	**55,441**	**57,144**	**71,253**	**76,669**
Owners of parent equity	**73,903**	**120,516**	**386,547**	**706,266**	**1,000,440**
Capital stock	3,658	3,658	3,658	3,658	3,658
Capital surplus	4,487	8,954	8,954	8,954	8,954
Retained earnings	65,418	106,577	372,607	692,327	986,500
Other	341	1,328	1,328	1,328	1,328
Non-controlling interests' equity	**12**	**151**	**329**	**567**	**817**
Total equity	**73,916**	**120,667**	**386,876**	**706,833**	**1,001,257**
Net debt	13,554	-242	-166,234	-370,193	-612,711

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**29,796**	**53,373**	**214,781**	**322,266**	**399,521**
Net profit	19,797	42,948	268,344	357,079	375,111
Non-cash profit and expenses	17,054	18,838	84,804	125,683	134,874
Depreciation	11,985	13,099	19,972	30,634	39,218
Amortization	596	831	763	608	484
Other	4,472	4,907	64,069	94,441	95,172
Changes in A/L from operating activities	-5,600	-2,881	-65,075	-65,872	-15,174
Cash flow from investments	**-18,005**	**-48,054**	**-83,835**	**-116,829**	**-86,009**
Change in tangible assets	-15,898	-27,374	-48,340	-74,650	-74,650
Change in financial assets	-2,073	-13,315	-43,692	-41,713	-11,071
Other	-33	-7,365	8,196	-465	-288
Cash flow from financing	**-8,704**	**-1,445**	**-7,774**	**-31,280**	**-79,775**
Change in debt	-6,781	2,475	-5,639	5,841	912
Change in equity	115	4,467	0	0	0
Dividends	-826	-1,681	-2,135	-37,122	-80,688
Other	-1,211	-6,705	0	-0	-0
Change in cash	3,618	3,719	120,157	171,424	233,245
Cash at beginning of year	7,587	11,205	14,924	135,081	306,505
Cash at end of year	11,205	14,924	135,081	306,505	539,750
Gross cash flow	**36,851**	**61,785**	**353,148**	**482,763**	**509,985**
Free cash flow	**13,850**	**25,854**	**166,441**	**247,616**	**324,871**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	102.0	46.8	268.1	69.5	10.9
Operating profit	nm	101.2	477.2	65.9	4.1
Net profit	nm	116.9	524.8	33.1	5.0
Adjusted EPS**	nm	116.9	529.4	31.6	5.0
Per-share data (KRW)					
EPS (parent-based)	27,182	58,955	371,075	488,494	513,163
EPS (consolidated)	27,193	58,994	371,322	488,820	513,505
Adjusted EPS**	27,182	58,955	371,075	488,494	513,163
BVPS	107,256	171,751	532,360	972,685	1,377,827
DPS (common)	2,204	3,000	51,125	111,125	141,125
Valuations (x)					
P/E***	6.4	11.0	3.8	2.9	2.7
P/B***	1.6	3.8	2.6	1.4	1.0
EV/EBITDA	3.9	7.8	2.9	1.4	0.8
Ratios (%)					
ROE	31.1	44.2	105.8	65.3	43.9
ROA	18.0	29.0	86.5	58.4	40.4
ROIC	25.4	45.7	146.3	140.4	110.0
Payout ratio	7.7	4.9	13.8	22.6	27.3
Dividend yield (common)	1.3	0.5	3.6	7.9	10.1
Net debt to equity	18.3	-0.2	-43.0	-52.4	-61.2
Interest coverage (x)	17.4	51.1	312.4	516.3	477.8

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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- As of 7/29 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 7/29 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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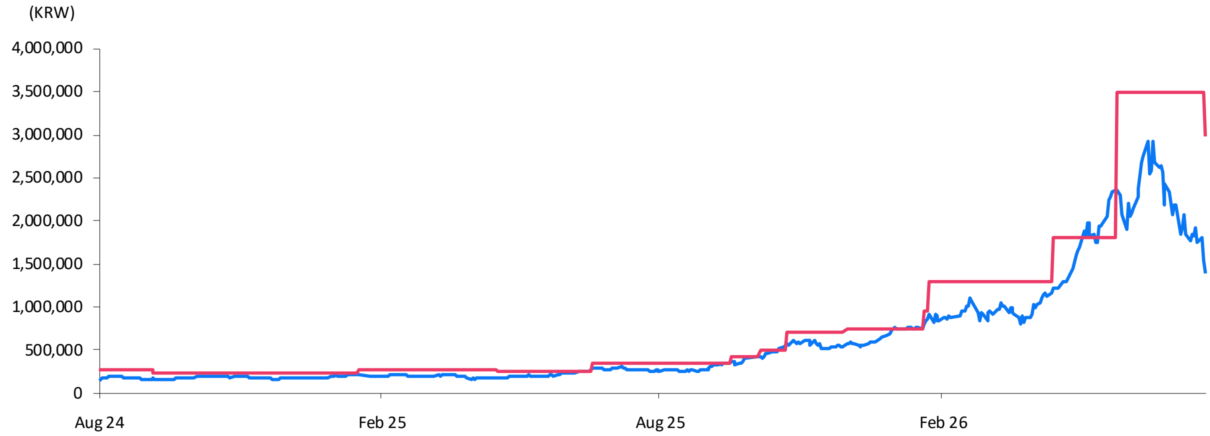
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/7/12	9/12	2025/1/24	4/24	6/25	9/23	10/13	10/30	12/8	2026/1/27	1/30	4/21
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	280000	240000	280000	250000	340000	430000	500000	700000	750000	950000	1300000	1800000
Gap* (average)	-34.15	-23.78	-30.26	-14.53	-17.52	-14.81	-3.33	-19.05	-11.48	-10.42	-26.68	-3.42
(max or min)**	-16.79	-6.04	-21.96	11.40	3.82	-0.47	11.60	-11.43	2.27	-9.37	-10.31	31.28

Date	6/2	7/30
Recommendation	BUY	BUY
Target price (KRW)	3500000	3000000
Gap* (average)	-36.95	
(max or min)**	-16.60	

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%)

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General

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