

23 Apr 2026 02:31:25 ET | 14 pages

SK Hynix (000660.KS)

1Q26 Review: Strengthening New Memory Products and LTAs to Align with AI Memory Cycle

CITI'S TAKE

SK Hynix reported record-high 1Q26 OP of W37.6tr (+96 QoQ/+405% YoY), driven by unprecedented commodity memory ASP strength. Amid robust AI demand, SK Hynix is pursuing multi-year LTAs and diversifying memory products to extend the AI memory cycle and maintain leadership. As AI is driving memory tiering and increasingly requires customized solutions, Hynix aims to keep pushing for new product developments, eg, LPDDR6, SoCMM2, HBF and CXL to address customer demand. Reiterate Buy.

1Q26 Review — SK Hynix' 1Q26 DRAM B/G came in flat QoQ, which was in line with prior guidance. 1Q26 DRAM ASP increased +mid-60% QoQ on robust commodity DRAM pricing growth as well as a favorable mix concentrated on HBM and high-capacity server modules of 128GB density or more. Hynix's 1Q26 NAND B/G turned out to be approx. -10% QoQ due to a high base, a product mix shift to high-value-added products, and longer production lead times. 1Q26 NAND ASP jumped +mid-70% QoQ on commodity NAND pricing growth across the board.

2Q26E Outlook — Hynix forecasts 2Q26E DRAM B/G to be +HSD% QoQ on strong high-capacity server DRAM module and NAND B/G to increase mid-teen% QoQ on strong KV Cache demand. Upon the rising KV Cache demand, the co. will accelerate its NAND migration into 321L to increase bit production, aiming to migrate 50% of total domestic NAND capacity into 321L production lines within 2026E. In terms of capex, SK Hynix guided for its 2026E investment to increase significantly YoY for 1) M15x ramp-up, 2) Yong-in fab construction, 3) purchasing critical tools such as EUV.

Memory Market Direction: LTA and New Products — SK Hynix stated that there is a significant increase in customers' requests for multi-year memory LTAs, as memory procurement is emerging as a critical risk for customers. However, due to the current memory supply constraint, Hynix sees limitations in terms of accommodating all LTA requests. Moreover, as AI is driving memory tiering upon KV Cache offloading, Hynix will diversify and develop new memory products such as LPDDR6, SoCMM2, HBF, and CXL solutions to maintain leadership.

Implication — We project SK Hynix's earnings visibility to improve further driven by customized memory and LTAs as noted in our recent report: [Global Semiconductors: Drilling Down into Memory LTA\(Long Term Agreement\)](#). Reflecting the 1Q result, we raise our 26E earnings by 6% and maintain our TP of W1,700k and Buy rating.

Earnings Summary

Year to 31 Dec	Net Profit (WB)	Diluted EPS (W)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	19,789	27,182	314.9	45.0	12.2	31.3	0.2
2025A	42,919	58,955	116.9	20.7	7.8	45.7	0.2
2026E	190,274	261,365	343.3	4.7	2.9	91.2	0.8
2027E	225,823	310,196	18.7	3.9	1.7	54.8	1.1
2028E	261,350	358,996	15.7	3.4	1.2	40.4	1.1

Source: Powered by dataCentral

Buy

Price (22 Apr 26 15:45)	W1,223,000
Target price	W1,700,000
Expected share price return	39.0%
Expected dividend yield	0.1%
Expected total return	39.1%
Market Cap	W871,635,035M US\$589,448M

Price Performance

(RIC: 000660.KS, BB: 000660 KS)


 Peter Lee^{AC}

Jayden Oh

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

000660.KS: Fiscal year end 31-Dec						Price: W1,223,000; TP: W1,700,000; Market Cap: W871,635,035m; Recomm: Buy					
Profit & Loss (Wb)	2024	2025	2026E	2027E	2028E	Valuation ratios	2024	2025	2026E	2027E	2028E
Sales revenue	66,193	97,147	304,452	390,223	467,330	PE (x)	45.0	20.7	4.7	3.9	3.4
Cost of sales	-34,365	-38,456	-52,530	-69,740	-96,724	PB (x)	12.2	7.8	2.9	1.7	1.2
Gross profit	31,828	58,691	251,921	320,483	370,605	EV/EBITDA (x)	24.0	14.1	3.2	2.1	1.3
Gross Margin (%)	48.1	60.4	82.7	82.1	79.3	FCF yield (%)	1.4	2.9	14.3	19.5	20.7
EBITDA (Adj)	36,601	61,774	249,090	316,274	364,721	Dividend yield (%)	0.2	0.2	0.8	1.1	1.1
EBITDA Margin (Adj) (%)	55.3	63.6	81.8	81.0	78.0	Payout ratio (%)	8	5	4	4	4
Depreciation	-12,582	-14,015	-15,462	-17,008	-18,709	ROE (%)	31.3	45.7	91.2	54.8	40.4
Amortisation	-553	-553	-553	-553	-553	Cashflow (Wb)	2024	2025	2026E	2027E	2028E
EBIT (Adj)	23,467	47,206	233,076	298,714	345,459	EBITDA	36,601	61,774	249,090	316,274	364,721
EBIT Margin (Adj) (%)	35.5	48.6	76.6	76.5	73.9	Working capital	-4,910	-3,771	-36,046	-8,631	-5,265
Net interest	-1,000	-429	-14,780	-1,000	-1,000	Other	-3,070	-4,258	-42,786	-72,891	-84,109
Associates	-38	-565	64	22	22	Operating cashflow	28,621	53,744	170,259	234,753	275,346
Non-Op/Except/Other Adj	1,457	4,253	27,990	-600	-600	Capex	-15,946	-27,519	-43,100	-61,000	-91,400
Pre-tax profit	23,885	50,466	246,349	297,136	343,881	Net acq/disposals	0	0	0	0	0
Tax	-4,088	-7,518	-56,059	-71,313	-82,531	Other	-2,059	-20,535	0	0	0
Extraord./Min.Int./Pref.div.	-8	-29	-16	0	0	Investing cashflow	-18,005	-48,054	-43,100	-61,000	-91,400
Reported net profit	19,789	42,919	190,274	225,823	261,350	Dividends paid	-826	-1,426	-2,071	-7,014	-9,275
Net Margin (%)	29.9	44.2	62.5	57.9	55.9	Financing cashflow	-526	-1,126	-671	-6,714	-8,975
Core NPAT	19,789	42,919	190,274	225,823	261,350	Net change in cash	10,090	4,564	126,488	167,039	174,971
Per share data	2024	2025	2026E	2027E	2028E	Free cashflow to s/holders	12,675	26,225	127,159	173,753	183,946
Reported EPS (W)	27,182	58,955	261,365	310,196	358,996						
Core EPS (W)	27,182	58,955	261,365	310,196	358,996						
DPS (W)	2,070	2,999	9,932	13,134	13,834						
CFPS (W)	39,314	73,824	233,871	322,462	378,221						
FCFPS (W)	17,411	36,023	174,668	238,671	252,672						
BVPS (W)	100,367	157,362	415,882	716,443	1,062,698						
Wtd avg ord shares (m)	728	728	728	728	728						
Wtd avg diluted shares (m)	728	728	728	728	728						
Growth rates	2024	2025	2026E	2027E	2028E						
Sales revenue (%)	105.9	46.8	213.4	28.2	19.8						
EBIT (Adj) (%)	399.9	101.2	393.7	28.2	15.6						
Core NPAT (%)	314.9	116.9	343.3	18.7	15.7						
Core EPS (%)	314.9	116.9	343.3	18.7	15.7						
Balance Sheet (Wb)	2024	2025	2026E	2027E	2028E						
Cash & cash equiv.	19,007	23,538	150,009	317,048	492,019						
Accounts receivables	12,232	16,157	45,571	52,568	56,660						
Inventory	12,722	12,813	15,752	18,821	23,493						
Net fixed & other tangibles	56,069	69,573	97,211	141,203	213,894						
Goodwill & intangibles	5,977	25,964	25,412	24,859	24,307						
Financial & other assets	13,346	14,616	21,878	23,605	24,616						
Total assets	119,352	162,660	355,832	578,105	834,988						
Accounts payable	2,129	2,620	3,937	5,750	8,772						
Short-term debt	9,757	9,657	9,557	9,457	9,357						
Long-term debt	20,011	20,411	21,911	22,311	22,711						
Provisions & other liab	14,388	15,412	17,664	19,015	20,501						
Total liabilities	46,286	48,101	53,070	56,533	61,342						
Shareholders' equity	73,067	114,560	302,763	521,572	773,647						
Minority interests	-1	-1	-1	-1	-1						
Total equity	73,067	114,560	302,763	521,572	773,646						
Net debt (Adj)	10,761	6,531	-118,541	-285,280	-459,950						
Net debt to equity (Adj) (%)	14.7	5.7	-39.2	-54.7	-59.5						

For definitions of the items in this table, please click [here](#).

Figure 1. SK Hynix – Earnings Revisions

(Wbn)	2Q26E			3Q26E			2026E			2027E		
	New	Old	Chg	New	Old	Chg	New	Old	Chg	New	Old	Chg
Sales	74,561	70,257	6.1%	85,612	81,222	5.4%	304,452	289,194	5.3%	390,223	370,194	5.4%
OP	57,067	56,679	0.7%	67,172	66,843	0.5%	233,076	233,403	-0.1%	298,714	298,726	0.0%
NP	43,754	43,455	0.7%	51,533	51,280	0.5%	190,274	178,967	6.3%	225,823	225,832	0.0%
DRAM Shipment Growth	8%	8%	0.0% p	7%	8%	-1.0% p	23.6%	17%	6.5% p	19.0%	20%	-0.5% p
ASP Change (1Gb)	27%	27%	0.0% p	9%	9%	0.0% p	150%	148%	1.4% p	10%	9%	0.1% p
OP Margin (%)	81%	84%	-3.3% p	82%	85%	-3.1% p	80%	84%	-3.3% p	79%	83%	-3.5% p
NAND Shipment Growth	15%	4%	11.0% p	2%	2%	0.0% p	20%	21%	-0.9% p	18%	15%	2.7% p
ASP Change (8Gb)	41%	41%	0.0% p	11%	11%	0.0% p	202%	191%	10.6% p	11%	11%	-0.7% p
OP Margin (%)	65%	72%	-6.8% p	69%	75%	-6.1% p	65%	72%	-6.6% p	68%	74%	-6.2% p

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Source: Company Reports and Citi Research Estimates

Figure 2. SK Hynix - Quarterly Earnings Estimates

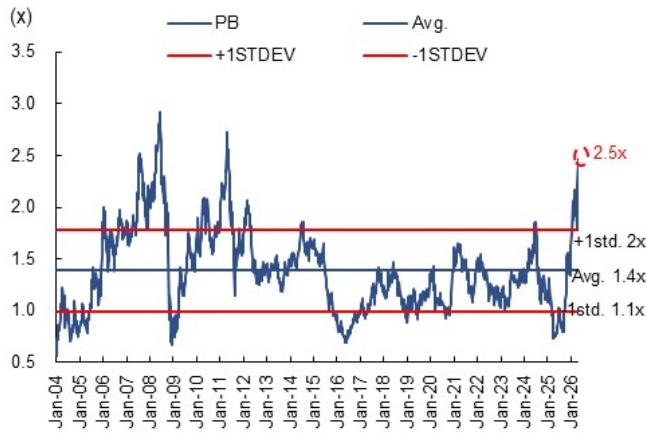
Wbn	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Total Sales	17,639	22,232	24,449	32,827	52,576	74,561	85,612	90,353	66,193	97,147	304,452	390,223
DRAM	13,673	16,614	18,849	25,133	41,759	55,517	64,294	68,306	44,746	74,268	229,877	294,609
NAND	3,083	4,777	5,013	7,529	12,014	18,901	21,161	21,882	19,021	20,402	73,957	94,996
Operating Profit	7,441	9,213	11,383	19,170	37,610	57,067	67,172	71,227	23,467	47,206	233,076	298,714
DRAM	7,506	9,039	11,397	17,263	31,793	44,772	52,535	55,921	21,033	45,204	185,020	233,910
NAND	(18)	(186)	(145)	2,654	6,146	12,295	14,537	15,306	2,634	2,305	48,285	64,804
OP Margin (%)	42%	41%	47%	58%	72%	77%	78%	79%	35%	49%	77%	77%
DRAM	55%	54%	60%	69%	76%	81%	82%	82%	47%	61%	80%	79%
NAND	-1%	-4%	-3%	35%	51%	65%	69%	70%	14%	11%	65%	68%
Shipments (Units in mn)												
DRAM (1Gb eq.)	18,343	23,259	25,422	25,879	25,879	27,950	29,906	31,102	74,918	92,903	114,838	136,684
NAND (8Gb eq.)	32,257	57,837	55,176	60,832	54,748	62,961	64,220	64,862	177,335	206,101	246,791	291,270
Blended ASP (US\$)												
DRAM (1Gb eq.)	0.51	0.52	0.54	0.67	1.10	1.40	1.52	1.57	0.44	0.57	1.41	1.55
NAND (8Gb eq.)	0.07	0.06	0.07	0.09	0.15	0.21	0.23	0.24	0.08	0.07	0.21	0.23
Fully Loaded Cost (US\$)												
DRAM (1Gb eq.)	0.23	0.24	0.21	0.21	0.26	0.27	0.28	0.28	0.23	0.22	0.27	0.32
NAND (8Gb eq.)	0.07	0.06	0.07	0.06	0.07	0.07	0.07	0.07	0.07	0.06	0.07	0.07
Sequential % Chg												
Bit Growth												
DRAM (1Gb eq.)	-9%	27%	9%	2%	0%	8%	7%	4%	16%	24%	24%	19%
NAND (8Gb eq.)	-16%	79%	-5%	10%	-10%	15%	2%	1%	-5%	16%	20%	18%
ASP Changes												
DRAM (1Gb eq.)	0%	1%	4%	25%	64%	27%	9%	3%	81%	29%	150%	10%
NAND (8Gb eq.)	-23%	-9%	10%	30%	75%	41%	11%	3%	86%	-11%	201%	11%

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Source: Company Reports and Citi Research Estimates

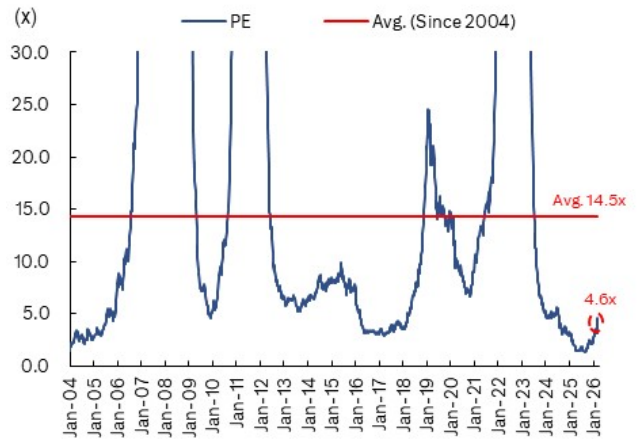


Figure 3. SK Hynix — 12-Month Forward P/B



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Source: Citi Research estimates, dataCentral

Figure 4. SK Hynix — 12-Month Forward P/E



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Source: Citi Research estimates, dataCentral

Bull/Bear: SK Hynix (000660.KS)

W 1,900,000
▲ 55% Upside

W 1,700,000
▲ 39% Upside

W 800,000
▼ 35% Downside



Spread 90pp
Current Price and expected returns (upside/downside) as of 22 Apr 2026

BULL Assumptions

- 2026E DRAM ASP Chg. YoY +170%
- 2026E NAND ASP Chg. YoY +220%
- Accelerated customization of memory products; continued upcycle of memory market supported by better-than-expected commodity memory pricing.

BASE Assumptions

- 2026E DRAM ASP Chg. YoY +148%
- 2026E NAND ASP Chg. YoY +190%
- 2026E EV/EBITDA SOTP (HBM: 7.2x 26E Ebitda; Commodity: 4.2x 26E Ebitda) on maintained HBM leadership & the initiation of commodity market upcycle

BEAR Assumptions

- 2026E DRAM ASP Chg. YoY +80%
- 2026E NAND ASP Chg. YoY +100%
- 1.6x P/B on DRAM market share loss & unexpected termination of memory upcycle

SK Hynix

Company description

SK Hynix manufactures semiconductors such as DRAM, NAND flash memory and SRAM chips.

Investment strategy

We rate SK Hynix shares as Buy. We believe SK Hynix is well positioned to benefit from the DRAM market recovery driven by limited supply growth. In particular, we see SK Hynix's technology leadership in DRAM, coupled with the high exposure to fast-growing server applications, supporting the company's long-term earnings growth. Additionally, we think SK Hynix's acquisition of Intel's NAND business should produce synergies with the company's existing NAND business and strengthen its product portfolio.

Valuation

Our 12-month target price for SK Hynix of W1,700,000 is derived using a sum-of-the-parts (SOTP) methodology, based on 2026E EBITDA. In calculating total operating value, we break down SK Hynix's operating businesses into HBM and commodity/others business to reflect a structural change in next-gen memory market. We reference a global peer (TSMC) in assigning a fair-value EV/EBITDA multiple for HBM business, as we project the memory market is evolving from a traditional commodity market into a highly customized & customer-specific market much closer to the foundry business. For commodity memory business, we apply a historical average of 12m fwd EV/EBITDA during the beginning or early stage of memory upcycles in the past. We apply 7.2x EV/EBITDA to HBM segment and 4.2x to commodity segment to derive the target price.

Risks

Downside risks that could prevent the shares from reaching our target price include: 1) a downturn in DRAM demand; 2) weaker NAND demand than our forecasts; and 3) weakness in global consumption.

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Appendix A-1

ANALYST CERTIFICATION

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report