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UPDATE

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Samsung Electronics | Asia Pacific

2Q26 – Clean Beat, Share Gains and HBM Leadership

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AlphaSignals Earnings Reaction

Unchanged	— In-line	— Largely unchanged
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- Record 2Q revenue accelerated 130% YoY (28% QoQ) to W172tr, driven by semiconductor sales +357% YoY with memory +471%.
- Meaningful share gain in DRAM and higher supply shortages into 2027 with LTAs allocation potentially reaching ~60-70% of total memory capacity.
- Management confirmed sizable up-front payments from customers, with continued requests for additional LT contracts.
- HBM shipment up 3x in 3Q26, HBM4 to contribute ~60% of total HBM sales next year and HBM4E samples already shipped to major customers.
- Capex in 2026 likely W60-70tr range based on W110tr total capex less R&D, mainly DRAM and foundry.

Quick take. The key investor debate was around how LTAs, HBM leadership, capex and sustained pricing power can drive numbers higher. Despite a moderation in consumer end markets in 2H26, management expects AI demand (server, HBM, SSD, foundry) and smartphone 'Flagship-First' strategy to drive premium market share to more than offset. We think Samsung memory narrative is materially different now for several reasons: 1) Technology leadership is back: HBM4/4e first to market and advanced node wins in foundry; 2) high level of binding memory LTA commitments drive significantly tighter capacity constraints in 2027; 3) leading to sustained FCF growth and capital returns; and 4) stock mispriced on valuation at 3.9x 2026e P/E, 2.1x P/B despite 5x higher ROE relative to past peak levels.

Samsung Electronics (005930.KS, 005930 KP)
Top Pick

S. Korea Technology | S. Korea

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	W381,000
Up/downside to price target (%)	83
Shr price, close (Jul 29, 2026)	W208,500
52-Week Range	W374,500-67,500
Sh out, dil, curr (mn)	6,607
Mkt cap, curr (bn)	W1,501,631
EV, curr (bn)	W1,387,302
Avg daily trading value (bn)	W4,395

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (W)**	6,562	53,985	74,381	74,499
Prior EPS (W)**	-	-	-	-
EPS (W)§	6,225	47,438	66,292	68,181
EBITDA (W bn)	89,716	461,966	695,983	725,428
P/E	20.5	4.3	3.1	3.1
P/BV	2.1	2.1	1.3	0.9
ROE (%)	11.1	85.5	65.9	40.9
EV/EBITDA	8.3	2.9	1.7	1.3
Div yld (%)	1.4	2.1	2.4	2.3
FCF yld ratio (%)	2.5	6.1	13.7	20.9

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology

§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

Valuation Methodology and Risks

Samsung Electronics (005930.KS)

Our base case price target is derived from our residual income valuation model. At our price target, the 2027e P/B multiple would be c.2x, in line with the stock's commodity cycle peak of 2.0x. We assume an 11.5% cost of equity, based on a beta of 1.0, and our terminal growth rate assumption is 3%.

Risks to Upside

- New technological developments, especially in memory and foldable displays
- Longer-lasting memory up-cycle from AI and hyperscale data center growth

Risks to Downside

- Product and memory cycle, including Apple and new Chinese smartphone competition
- Earnings growth concentration in semiconductors

Samsung Electronics (005935.KS)

Our price target for the preferred shares is based on our PT for the common shares and our assumption that the preferred shares' trade at a 20% discount to the common shares, based on the past 2-year average. We assume an 11.5% cost of equity, based on a beta of 1.0, and our terminal growth rate assumption is 3%.

Risks to Upside

- New technology developments, especially in memory and foldable displays
- Longer-lasting memory up-cycle from AI and hyperscale data center growth
- Further narrowing of discount to common shares

Risks to Downside

- Product and memory cycle, including Apple and new Chinese smartphone competition
- Earnings growth concentration in semiconductors
- Deepening of discount to common shares

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(as of June 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1544	42%	453	49%	29%	757	44%
Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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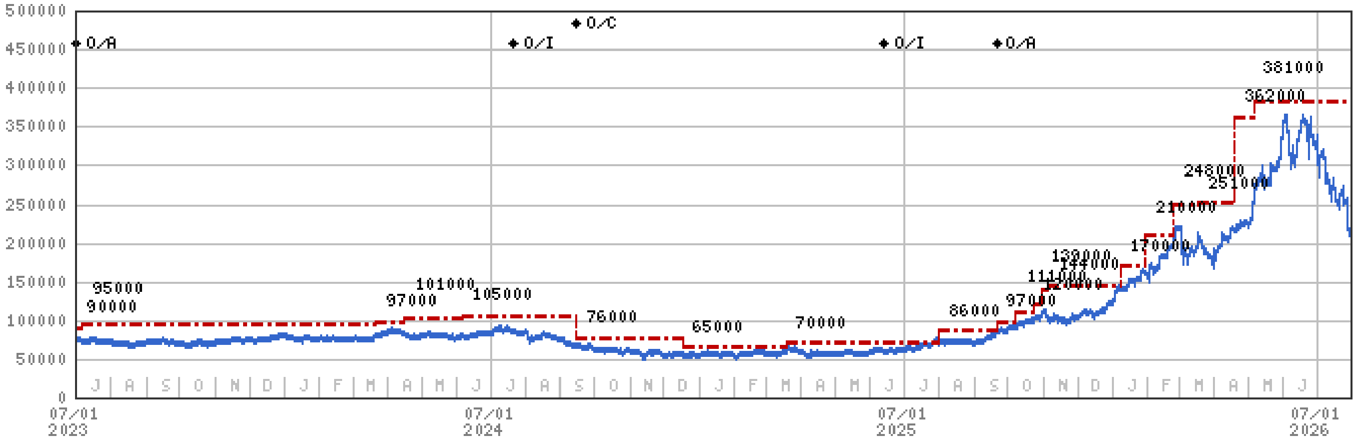
Stock Price, Price Target and Rating History (See Rating Definitions)

Samsung Electronics (005930.KS) - As of 07/30/26 GMT in KRW
Industry : S. Korea Technology



Stock Rating History: 7/1/21 : O/A; 7/19/21 : O/I; 8/12/21 : O/C; 10/4/22 : O/A; 7/21/24 : O/I; 9/15/24 : O/C; 6/13/25 : O/I; 9/21/25 : O/A

Price Target History: 6/8/21 : 98000; 8/12/21 : 89000; 9/15/21 : 95000; 12/3/21 : 97000; 3/18/22 : 95000; 4/28/22 : 85000; 6/10/22 : 80000; 7/5/22 : 75000; 7/22/22 : 70000; 9/17/22 : 68000; 3/21/23 : 70000; 5/30/23 : 90000; 7/7/23 : 95000; 3/22/24 : 97000; 4/16/24 : 101000; 6/6/24 : 105000; 9/15/24 : 76000; 12/18/24 : 65000; 3/19/25 : 70000; 8/1/25 : 86000; 9/21/25 : 97000; 10/8/25 : 111000; 10/23/25 : 120000; 10/30/25 : 139000; 11/5/25 : 144000; 1/8/26 : 170000; 1/30/26 : 210000; 2/24/26 : 248000; 3/18/26 : 251000; 4/19/26 : 362000; 5/6/26 : 381000

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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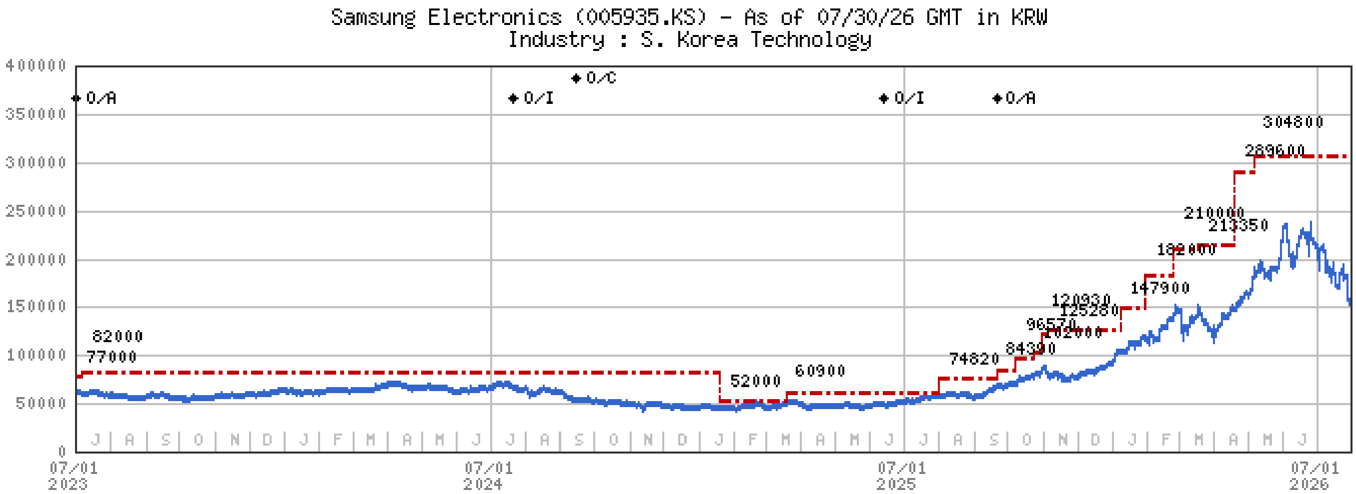

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Price Target History: 6/8/21 : 84000; 8/12/21 : 77000; 9/15/21 : 82000; 12/3/21 : 83000; 3/18/22 : 82000; 4/28/22 : 73000; 6/10/22 : 69000; 7/5/22 : 65000; 7/22/22 : 60000; 9/17/22 : 58000; 3/21/23 : 60000; 5/30/23 : 77000; 7/7/23 : 82000; 1/20/25 : 52000; 3/19/25 : 60900; 8/1/25 : 74820; 9/21/25 : 84390; 10/8/25 : 96570; 10/23/25 : 102000; 10/30/25 : 120930; 11/5/25 : 125280; 1/8/26 : 147900; 1/30/26 : 182000; 2/24/26 : 210000; 3/18/26 : 213350; 4/19/26 : 289600; 5/6/26 : 304800

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INDUSTRY COVERAGE: S. Korea Technology

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/29/2026)
Ryan Kim		
Ecopro BM (247540.KQ)	U (03/20/2023)	W92,600
Fadu Inc (440110.KQ)	O (09/21/2025)	W50,300
Hanmi Semiconductor Co. Ltd. (042700.KS)	E (07/22/2026)	W167,600
HD Hyundai Electric Co Ltd (267260.KS)	O (03/25/2025)	W586,000
Isu Petasys Co. Ltd. (007660.KS)	O (02/03/2025)	W64,000
L&F Co Ltd (066970.KS)	E (04/03/2025)	W65,600
Leeno Industrial Inc. (058470.KQ)	O (04/03/2025)	W58,200
Lotte Energy Materials Corp (020150.KS)	U (04/03/2025)	W24,200
LS Electric (010120.KS)	O (01/22/2026)	W163,800
POSCO FUTURE M (003670.KS)	U (04/03/2025)	W122,100
SK IE Technology (361610.KS)	U (04/03/2025)	W12,540
SK Square Co Ltd. (402340.KS)	O (05/06/2026)	W850,000
Wonik IPS Co Ltd (240810.KQ)	O (08/08/2025)	W83,200
Shawn Kim		
LG Display (034220.KS)	E (06/11/2025)	W8,570
LG Electronics (066570.KS)	E (04/07/2025)	W150,500
LG Innotek (011070.KS)	E (03/12/2025)	W458,000
Samsung Electro-Mechanics (009150.KS)	O (07/31/2025)	W1,029,000
Samsung Electronics (005935.KS)	O (11/18/2019)	[illegible]
Samsung Electronics (005930.KS)	O (11/18/2019)	[illegible]
SK hynix (000660.KS)	O (09/21/2025)	[illegible]

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* Historical prices are not split adjusted.