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UPDATE

August 21, 2026 11:01 AM GMT

Samsung Electronics | Asia Pacific

W90-110tr Capital Returns, Framework Unchanged

Key Takeaways

- Samsung announced W90-110tr capital returns in 2026 and keeps its 50% of 2024-26 FCF framework.
- ~W30tr 3Q26 cash dividend that include its regular quarterly dividend; remaining ~W60-80tr allocation to be finalized by the board in late October.
- Separate W15tr employee stock buyback to fund employee bonus: 53.3mn common shares (~0.9%) to be bought Aug 24-Nov 21.

Big capital returns, slightly below expectations: A significant step-up in absolute shareholder returns, although largely expected and slightly below buy-side recent >W110tr estimate, with Samsung continuing to target 50% of three-year FCF, alongside its W9.8tr annual regular dividend commitment. It returned W29.3tr during 2024-25; adding W90-110tr in 2026 would bring cumulative 2024-26 shareholder returns to roughly W120-140tr.

Cash first, buyback optionality remains: With around W30tr cash dividend paid in 3Q26, the remaining W60-80tr of the indicated 2026 return is likely to be allocated in the form of buyback/cancellation, in our view. A meaningful buyback would provide a more structural EPS/share-count benefit, while a dividend-heavy package would emphasize near-term cash yield.

Additional W15tr employee-share buyback to fund recently announced employee profit sharing scheme: The filing states the purpose as employee share-based compensation and does not specify an expected holding period. This is to earmark profits from the company directly for employee performance bonuses and unlikely for immediate cancellation purposes, in our view.

What to watch: (1) end-October confirmation of the ~W30tr 3Q dividend; (2) end-January decision on the remaining W60-80tr and dividend/buyback mix; and (3) the 2027+ capital-return framework. We expect the market to shift focus to higher capital returns as the next catalyst, and Samsung to communicate its capital return plans more proactively and demonstrate greater discipline in monetizing significant capex investments to support a market re-rating.

Exhibit 1: Historical buyback and performance (excluding employee buyback)

Announced	Start Date	End Date	Relative Perf. to KOSPI (T+5)	Buyback Announced (Wtn)	Ord:Pref	Mkt.Cap (Wtn)	Buyback % of Mkt.Cap
29-Oct-15	30-Oct-15	29-Jan-16	1.3%	11.30	3:1	219.8	5.1%
24-Jan-17	25-Jan-17	29-Jan-18	3.3%	9.30	3:1	299.6	3.1%
15-Nov-24	18-Nov-24	18-Nov-25	3.6%	10.00	9:1	357.2	2.8%
Average			2.7%	10.20		292.19	4%

Source: Factset, Morgan Stanley Research

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Samsung Electronics (005930.KS, 005930 KP)

S. Korea Technology | S. Korea

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	W381,000
Up/downside to price target (%)	35
Shr price, close (Aug 21, 2026)	W281,500
52-Week Range	W374,500-67,500
Sh out, dil, curr (mn)	6,607
Mkt cap, curr (bn)	W2,027,294
EV, curr (bn)	W1,782,752
Avg daily trading value (bn)	W4,825

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (W)**	6,562	48,652	72,528	74,583
Prior EPS (W)**	-	-	-	-
EPS (W)§	6,225	48,038	69,075	67,676
EBITDA (W bn)	90,528	434,463	682,152	666,590
P/E	20.2	6.5	4.4	4.2
P/BV	2.1	2.8	1.7	1.3
ROE (%)	11.3	75.8	64.1	41.3
EV/EBITDA	8.0	4.1	2.4	2.2
Div yld (%)	1.4	1.5	1.8	1.7
FCF yld ratio (%)	4.0	7.4	8.4	10.0

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

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Valuation Methodology and Risks

Samsung Electronics (005930.KS)

Base case, 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

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(as of July 31, 2026)

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Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1529	42%	442	47%	29%	750	43%
Equal-weight/Hold	1582	43%	396	42%	25%	773	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	560	15%	97	10%	17%	217	12%
Total	3,674		936			1741	

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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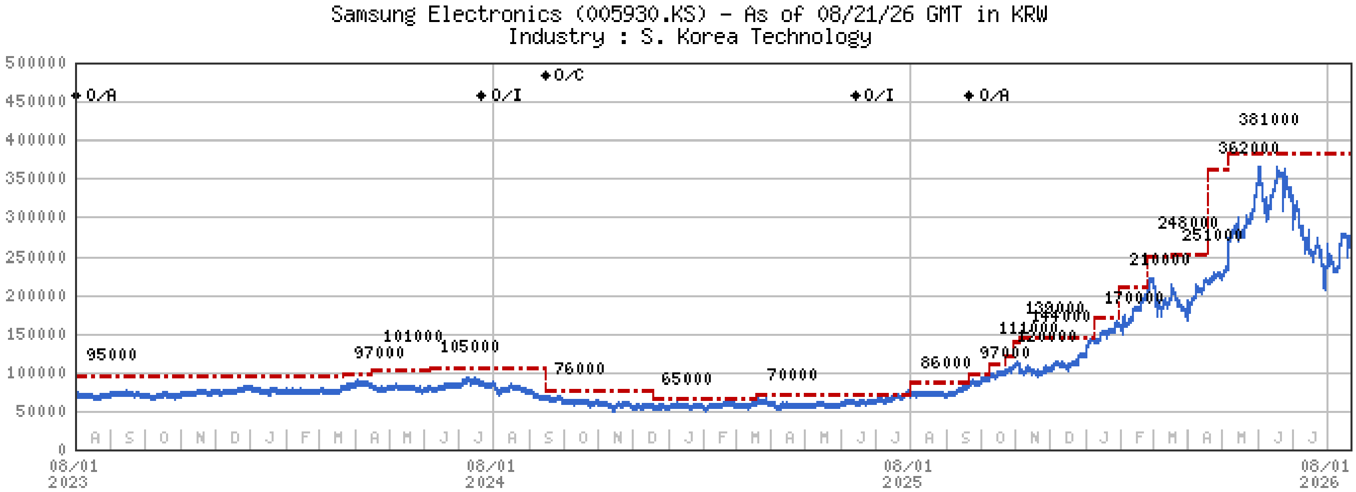

Stock Rating History: 8/1/21 : O/I; 8/12/21 : O/C; 10/4/22 : O/A; 7/21/24 : O/I; 9/15/24 : O/C; 6/13/25 : O/I; 9/21/25 : O/A

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)
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INDUSTRY COVERAGE: S. Korea Technology

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/21/2026)
Ryan Kim		
Fadu Inc (440110.KQ)	O (09/21/2025)	W61,900
Hanmi Semiconductor Co. Ltd. (042700.KS)	E (07/22/2026)	W213,500
HD Hyundai Electric Co Ltd (267260.KS)	O (03/25/2025)	W718,000
Isu Petasys Co. Ltd. (007660.KS)	O (02/03/2025)	W99,300
Leeno Industrial Inc. (058470.KQ)	O (04/03/2025)	W65,700
LG Display (034220.KS)	E (06/11/2025)	W9,500
LG Electronics (066570.KS)	O (08/11/2026)	W194,500
LG Innotek (011070.KS)	O (08/11/2026)	W550,000
Lotte Energy Materials Corp (020150.KS)	U (04/03/2025)	W29,450
LS Electric (010120.KS)	O (01/22/2026)	W187,000
SK Square Co Ltd. (402340.KS)	O (05/06/2026)	W1,123,000
Wonik IPS Co Ltd (240810.KQ)	O (08/08/2025)	W107,900
Shawn Kim		
Samsung Electro-Mechanics (009150.KS)	O (07/31/2025)	W1,316,000
Samsung Electronics (005935.KS)	O (11/18/2019)	W207,000
Samsung Electronics (005930.KS)	O (11/18/2019)	W281,500
SK hynix (000660.KS)	O (09/21/2025)	W1,730,000

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* Historical prices are not split adjusted.

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