Goldman Sachs Research

Equity Research

19 August 2026 | 11:41PM SGT

SK Hynix Inc. (000660.KS)

Announces W40tn share buyback/cancellation, with more to come; expect positive impact on EPS and share price; reiterate Buy

000660.KS	12m Price Target: **W3,500,000**	Price: **W1,500,000**	Upside: **133.3%**

After market close on August 19, Hynix announced a W40tn share buyback and cancellation, which implies approximately 3.3% of issued shares based on August 18 closing price. Share buyback is expected to commence from August 20 and will be executed within 3 months with daily purchase volumes undefined.

As for the reason behind today's share buyback announcement, Hynix stated that current share price does not accurately reflect its value, and therefore decided for a share buyback and cancellation for effective capital allocation and shareholder value enhancement. Hynix also updated its shareholder return target from 50% to a minimum 50% of 3-year cumulative FCF, which would be executed through both share buyback and dividends. The company is also considering to expand its dividends including both fixed and special dividends, and plans to update a detailed shareholder return plan including both buybacks and dividends around its 3Q26 earnings call (expected end-October).

Implications from the W40tn buyback and cancellation

- Based on its recent quarterly dividend disclosure on August 7 when it also mentioned that it will announce an additional shareholder return plan within 3Q26, as well as our recent discussion with investors, we believe the general expectation from the market was that Hynix would announce an additional shareholder return plan around end-August to early-September, so we believe this announcement was slightly earlier-than-expected.
- We believe another positive takeaway was that the company implied that this additional shareholder return was not a one-time event, but there would likely be more to come including both buybacks and dividends, with the details likely out around end-October.

BUY

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Key Data

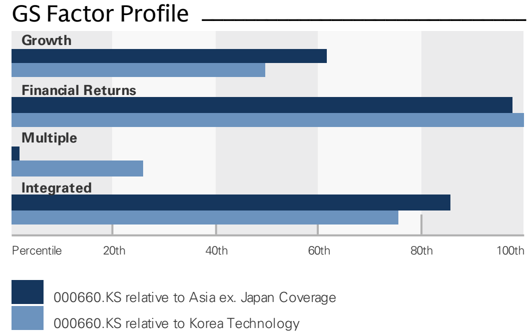
Market cap: W1,059.0tr / $750.2bn
Enterprise value: W1,015.0tr / $719.0bn
3m ADTV: W12.0tr / $8.0bn
South Korea
Korea Technology
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (W bn) New	**97,146.7**	**345,480.8**	**499,591.8**	**592,399.6**
Revenue (W bn) Old	97,146.7	345,480.8	499,591.8	592,399.6
EBITDA (W bn)	61,136.4	281,903.6	412,441.8	473,065.6
EPS (W) New	**62,158**	**399,504**	**491,918**	**560,997**
EPS (W) Old	62,158	385,716	446,813	510,395
P/E (X)	5.0	3.8	3.0	2.7
P/B (X)	1.8	2.9	1.7	1.1
Dividend yield (%)	1.0	2.7	5.3	6.0
CROCI (%)	30.6	72.9	64.6	52.7

	6/26	9/26E	12/26E	3/27E
EPS (W)	135,792	90,629	106,066	107,288

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates. See disclosures for details.

BUY

SK Hynix Inc. (000660.KS)

Rating since Oct 30, 2025

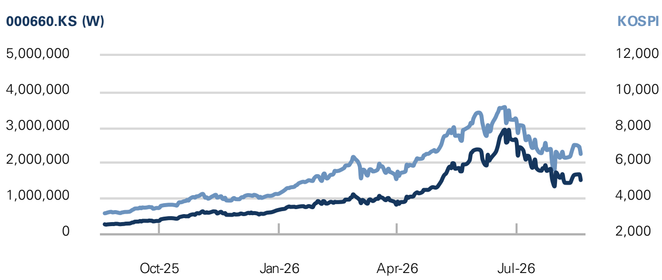
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	5.0	3.8	3.0	2.7
P/B (X)	1.8	2.9	1.7	1.1
FCF yield (%)	11.8	7.5	15.9	17.3
EV/EBITDAR (X)	3.3	3.4	2.0	1.6
EV/EBITDA (excl. leases) (X)	3.3	3.4	2.0	1.5
CROCI (%)	30.6	72.9	64.6	52.7
ROE (%)	44.2	113.5	67.7	49.4
Net debt/equity (%)	(7.6)	(12.7)	(17.0)	(23.7)
Net debt/equity (excl. leases) (%)	(10.5)	(14.1)	(18.2)	(24.8)
Interest cover (X)	58.1	578.6	1,068.3	1,527.0
Days inventory outst, sales	51.9	20.4	19.9	22.3
Receivable days	58.6	52.0	70.5	78.4
Days payable outstanding	24.3	20.3	17.1	14.7
DuPont ROE (%)	35.6	76.3	54.9	40.8
Turnover (X)	0.6	0.8	0.8	0.6
Leverage (X)	1.5	1.2	1.1	1.1
Gross cash invested (ex cash) (W)	207,877.3	329,094.8	448,802.9	584,466.8
Average capital employed (W)	95,218.8	203,828.7	378,983.7	552,596.6
BVPS (W)	174,539	523,020	896,115	1,375,345

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	46.8	255.6	44.6	18.6
EBITDA growth	69.6	361.1	46.3	14.7
EPS growth	116.4	542.7	23.1	14.0
DPS growth	36.1	NM	100.0	12.5
EBIT margin	48.6	76.8	78.4	75.5
EBITDA margin	62.9	81.6	82.6	79.9
Net income margin	44.2	77.1	61.6	59.2

Price Performance



	3m	6m	12m
Absolute	(14.0)%	67.8%	470.3%
Rel. to the KOSPI	(3.4)%	47.2%	177.8%

Source: FactSet. Price as of 19 Aug 2026 close.

Income Statement (W bn)

	12/25	12/26E	12/27E	12/28E
Total revenue	97,146.7	345,480.8	499,591.8	592,399.6
Cost of goods sold	(38,455.9)	(55,527.6)	(70,237.1)	(91,538.3)
SG&A	(5,018.8)	(14,515.0)	(27,275.1)	(42,537.3)
R&D	(6,465.6)	(9,953.9)	(10,358.1)	(10,778.7)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**61,136.4**	**281,903.6**	**412,441.8**	**473,065.6**
Depreciation & amortization	(13,930.1)	(16,419.3)	(20,720.3)	(25,520.3)
EBIT	**47,206.3**	**265,484.3**	**391,721.6**	**447,545.3**
Net interest inc./(exp.)	(429.4)	760.8	1,487.6	3,244.4
Income/(loss) from associates	(564.6)	(26.8)	40.0	40.0
Pre-tax profit	**50,465.6**	**350,670.6**	**410,049.2**	**467,629.7**
Provision for taxes	(7,517.7)	(84,143.1)	(102,512.3)	(116,907.4)
Minority interest	(28.6)	(122.1)	(8.0)	(8.0)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**42,919.3**	**266,405.4**	**307,528.9**	**350,714.3**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**42,919.3**	**266,405.4**	**307,528.9**	**350,714.3**
EPS (basic, pre-except) (W)	**62,158**	**399,504**	**491,918**	**560,997**
EPS (diluted, pre-except) (W)	**60,397**	**387,792**	**476,566**	**543,489**
EPS (basic, post-except) (W)	**62,158**	**399,504**	**491,918**	**560,997**
EPS (diluted, post-except) (W)	**60,397**	**387,792**	**476,566**	**543,489**
DPS (W)	3,000	40,000	80,000	90,000
Div. payout ratio (%)	4.8	10.0	16.3	16.0

Balance Sheet (W bn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	34,942.3	67,875.5	120,719.7	231,709.2
Accounts receivable	18,199.1	80,151.0	112,798.0	141,742.6
Inventory	14,289.4	24,337.2	30,086.2	42,408.8
Other current assets	2,027.4	5,225.7	21,164.2	43,886.1
Total current assets	**69,458.1**	**177,589.4**	**284,768.2**	**459,746.8**
Net PP&E	77,502.7	111,324.5	154,585.7	200,170.0
Net intangibles	4,049.4	4,679.1	5,540.3	6,509.5
Total investments	2,624.7	3,557.5	3,597.5	3,637.5
Other long-term assets	22,472.8	116,142.3	170,044.0	248,961.4
Total assets	**176,107.7**	**413,292.8**	**618,535.6**	**919,025.2**
Accounts payable	2,848.5	3,320.5	3,252.6	4,137.4
Short-term debt	8,161.8	5,890.9	5,890.9	5,890.9
Short-term lease liabilities	758.0	1,088.8	1,511.9	1,957.7
Other current liabilities	25,610.8	30,923.0	30,499.9	30,054.0
Total current liabilities	**37,379.0**	**41,223.2**	**41,155.3**	**42,040.1**
Long-term debt	14,092.7	12,696.7	12,696.7	12,696.7
Long-term lease liabilities	2,808.6	4,034.2	5,602.0	7,253.9
Other long-term liabilities	1,160.7	6,372.4	(1,339.4)	(2,991.3)
Total long-term liabilities	**18,061.9**	**23,103.4**	**16,959.3**	**16,959.3**
Total liabilities	**55,440.9**	**64,326.6**	**58,114.5**	**58,999.4**
Preferred shares	–	–	–	–
Total common equity	120,516.2	348,771.2	560,218.0	859,814.7
Minority interest	**150.6**	**195.1**	**203.1**	**211.1**
Total liabilities & equity	**176,107.7**	**413,292.8**	**618,535.6**	**919,025.2**
Net debt, adjusted	(12,687.8)	(49,287.8)	(102,132.1)	(213,121.6)

Cash Flow (W bn)

	12/25	12/26E	12/27E	12/28E
Net income	42,919.3	266,405.4	307,528.9	350,714.3
D&A add-back	13,930.1	16,419.3	20,720.3	25,520.3
Minority interest add-back	28.6	122.1	8.0	8.0
Net (inc)/dec working capital	(5,584.4)	(71,527.6)	(38,464.0)	(40,382.3)
Other operating cash flow	2,079.5	(86,626.9)	(76,024.2)	(101,679.3)
Cash flow from operations	**53,373.1**	**124,792.3**	**213,768.9**	**234,180.9**
Capital expenditures	(27,518.9)	(48,957.4)	(63,000.0)	(70,000.0)
Acquisitions	(3,079.8)	–	–	–
Divestitures	–	–	–	–
Others	(17,455.5)	(11,931.6)	(2,824.0)	(3,178.4)
Cash flow from investing	**(48,054.3)**	**(60,889.0)**	**(65,824.0)**	**(73,178.4)**
Repayment of lease liabilities	(651.2)	(909.7	[illegible]	[illegible]
Dividends paid (common & pref)	(1,681.2)	(2,065.9	[illegible]	[illegible]
Inc/(dec) in debt	(445.0)	(3,666.8	[illegible]	[illegible]
Other financing cash flows	18,244.4	(24,327.8	[illegible]	[illegible]
Cash flow from financing	**15,467.0**	**(30,970.1)**	[illegible]	[illegible]
Total cash flow	**20,785.9**	**32,933.2**	[illegible]	[illegible]
Free cash flow	25,203.0	74,925.2	[illegible]	[illegible]

Source: Company data, Goldman S

- We believe this buyback and cancellation would be more than offsetting the dilution from the issuance of 17.7mn shares for the company's recent ADR listing, as 24mn shares (based on August 18 closing price) would be canceled.
- With the company raising its 2025-2027 shareholder return target to 50%+ of FCF from 50% previously, we believe it shows the strong confidence level in its business outlook led by the memory upcycle and the cash generation capability resulting from it.
- We expect the company's 2025-2027E cumulative FCF to reach around W252tn, and assume ~55% of its FCF to be paid to shareholders, which is around W140tn. With the company announcing the W40tn buyback, and considering we are currently modeling the company to pay a cumulative dividend of ~W30tn during the current shareholder return policy period, we currently assume another ~W70tn in buyback and cancellation to be done during the remainder of the current policy period.
- At the current market cap, our shareholder return assumptions for Hynix imply roughly a 3.5% shareholder return yield for 2026E and 8% yield for 2027E.
- We raise our 2026E/2027E/2028E EPS estimates by 4%/10%/10% to reflect the buyback and cancellation announcement, as well as our assumption of additional buybacks reducing the number of shares and hence raising EPS estimates.

Exhibit 1: Hynix earnings revisions

	Revised				Previous				%-change			
(W bn)	3Q26E	FY26E	FY27E	FY28E	3Q26E	FY26E	FY27E	FY28E	2Q26	FY26E	FY27E	FY28E
Sales	**99,084**	**345,481**	**499,592**	**592,400**	**99,084**	**345,481**	**499,592**	**592,400**	***0.0%***	***0.0%***	***0.0%***	***0.0%***
DRAM	74,322	260,015	386,123	473,182	74,322	260,015	386,123	473,182	*0.0%*	*0.0%*	*0.0%*	*0.0%*
NAND	24,612	84,913	112,791	118,382	24,612	84,913	112,791	118,382	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Others	151	552	678	836	151	552	678	836	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Operating profit	**77,448**	**265,484**	**391,722**	**447,545**	**77,448**	**265,484**	**391,722**	**447,545**	***0.0%***	***0.0%***	***0.0%***	***0.0%***
DRAM	60,341	207,647	314,087	372,321	60,341	207,647	314,087	372,321	*0.0%*	*0.0%*	*0.0%*	*0.0%*
NAND	17,137	57,957	77,668	75,266	17,137	57,957	77,668	75,266	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Others	(30)	(120)	(34)	(42)	(30)	(120)	(34)	(42)	*n.m.*	*n.m.*	*n.m.*	*n.m.*
EBITDA	**81,678**	**281,904**	**412,442**	**473,066**	**81,678**	**281,904**	**412,442**	**473,066**	***0.0%***	***0.0%***	***0.0%***	***0.0%***
OP Margin (%)	***78.2%***	***76.8%***	***78.4%***	***75.5%***	***78.2%***	***76.8%***	***78.4%***	***75.5%***				
DRAM	*81.2%*	*79.9%*	*81.3%*	*78.7%*	*81.2%*	*79.9%*	*81.3%*	*78.7%*				
NAND	*69.6%*	*68.3%*	*68.9%*	*63.6%*	*69.6%*	*68.3%*	*68.9%*	*63.6%*				
Others	*-20.0%*	*-21.7%*	*-5.0%*	*-5.0%*	*-20.0%*	*-21.7%*	*-5.0%*	*-5.0%*				
EBITDA	*82%*	*82%*	*83%*	*80%*	*82%*	*82%*	*83%*	*80%*				
Pre-tax profit	82,037	350,671	410,049	467,630	82,037	350,791	411,622	470,194	*0.0%*	*0.0%*	*-0.4%*	*-0.5%*
Net profit	**61,526**	**266,405**	**307,529**	**350,714**	**61,526**	**266,495**	**308,708**	**352,638**	***0.0%***	***0.0%***	***-0.4%***	***-0.5%***
EPS (W), basic	90,629	399,504	491,918	560,997	89,050	385,716	446,813	510,395	*1.8%*	*3.6%*	*10.1%*	*9.9%*

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Hynix shareholder return policy history

Hynix Shareholder return policy history		
FY2019-2021	Dividend	Fixed dividend of 1,000 KRW per share 5% of FCF used for additional dividend
FY2022-2024	Policy	Dedicate 50% of 3-year cumulative FCF for shareholder return
	Dividend	Annual dividend raised by 20% (from KRW 1,000 per share to KRW 1,200 per share) 5% of FCF used for additional dividend
FY2025-2027	Policy	Maintained allocation of 50% of the 3-year cumulative FCF for shareholder returns Suspended previous 5% of annual FCF additional return Made additional shareholder return conditional upon achieving financial targets by 2027
	Dividend	Raised annual fixed dividend by 25% from KRW 1,200 to KRW 1,500 per share.

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - SK Hynix Inc.

Valuation methodology: Our 2026E/27E avg. P/E-based 12m TP is W3,500,000, applying a target P/E multiple of 9.0X.

Key risks: Key risks include 1) major deterioration in memory supply/demand and delay in technology migration, 2) weaker demand for smartphones/PCs/servers which would impact overall conventional memory demand, 3) Samsung's positive HBM business progress which would impact HBM revenue and profit, 4) lower AI-related capex which would impact overall HBM demand, and thus HBM revenue/profit for the company.

Investment Thesis - SK Hynix Inc.

SK Hynix (Hynix) is the leader in the HBM market, the second-largest DRAM supplier, and one of the leading NAND suppliers globally. We expect one of the strongest memory upcycles to pan out throughout 2026, as the incrementally higher AI spending mainly from the hyperscalers and their intentions to continue to do so is driving our view that memory demand from servers (server DRAM, SOCAMM, HBM, and eSSD) will significantly outpace supply, hence we are Buy rated on the name.