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SK Hynix (000660.KS)

What's New from Citi 2026 Korea Conference

CITI'S TAKE
We hosted investor meetings with SK Hynix at the Citi 2026 Korea Conference in Seoul. Key takeaways include: 1) the HBM outlook; 2) memory LTA updates; and 3) structural changes in the memory cycle. Details below.

HBM De-Spec Reflects Supply Constraints; HBM Profitability to Remain High — We reconfirmed our view that HBM de-spec issues reflect constrained supply rather than weaker demand, as customers seek pragmatic ways to maximize limited HBM availability (see our previous note, Global Semiconductors – AI Chipmakers to Pivot from Scale-Up to Scale-Out Amid HBM Shortage). Hynix sees customers as seeking to deploy more systems while balancing HBM availability with the required system performance. On profitability, Hynix emphasized that HBM pricing is not benchmarked to conventional DRAM pricing, with the company aiming to sustain high and stable HBM profitability over the long term. While HBM margins remain below conventional DRAM, Hynix expects the gap to narrow as higher HBM production costs and favorable market conditions are reflected in future pricing.

Memory LTA Update — Hynix sees an LTA coverage baseline of 50% of capacity as reasonable, though it does not intend to lock in 100% to retain supply flexibility. Hynix emphasized that the primary objective of LTAs is not to secure the highest possible pricing, but to improve earnings visibility while reducing volatility, which we believe should support a longer memory upcycle. The company continues to see requests for incremental volumes beyond contracted quantities, with ongoing supply constraints.

Memory Industry Entering a New Game as Memory Becomes a Value-Creating Component — Hynix believes memory makers can no longer play the same game as in prior cycles. Historically, DRAM was a commodity where scale, cost competitiveness, and technology migration drove supplier economics, while global supply-demand dynamics largely determined pricing. Hynix sees two structural changes reshaping this framework: 1) cost reductions from technology migration have slowed compared to historical levels; and 2) memory is becoming a value-creating component in AI systems rather than a cost item in PC/mobile, as higher memory content increasingly enhances system performance and overall value. Hynix believes these changes should support structurally higher profitability and less memory cyclicality than in previous cycles.

Buy	
Price (27 Aug 26 15:45)	W1,730,000
Target price	W3,100,000
Expected share price return	79.2%
Expected dividend yield	0.1%
Expected total return	79.3%
Market Cap	W1,263,751,791M
	US$912,354M

Peter Lee[AC]

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

Bull/Bear: SK Hynix

₩ 3,800,000	₩ 3,100,000	₩ 1,400,000
▲120% Upside	▲79% Upside	▼19% Downside



Spread 139pp
Current Price and expected returns (upside/downside) as of 27 Aug 2026

BULL Assumptions

- 2026E DRAM ASP Chg. YoY +200%
- 2026E NAND ASP Chg. YoY +260%
- 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 +164%
- 2026E NAND ASP Chg. YoY +221%
- 2026E EV/EBITDA SOTP (HBM: 9.5x 26E Ebitda; Commodity: 7.7x 26E Ebitda) on maintained HBM leadership & the initiation of commodity market upcycle

BEAR Assumptions

- 2026E DRAM ASP Chg. YoY +100%
- 2026E NAND ASP Chg. YoY +150%
- 1.6x P/B on DRAM market share loss & unexpected termination of memory upcycle

SK Hynix

Valuation

Our 12-month target price for SK Hynix of W3,100,000 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 8.6x EV/EBITDA to HBM segment and 7.4x 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.

