31 Aug 2026 08:46:42 ET | 15 pages

Samsung Electronics (005930.KS)

3Q26E Preview: FX and Bonus Provisions Weigh on OP; Memory Upcycle Remains Intact

CITI'S TAKE

We project Samsung Electronics (SEC) to report 3Q26E OP of W104.1tr, 9% below market consensus of W114.4tr, reflecting ~W5tr each of unfavorable FX impact and additional bonus provision in the quarter. Despite these near-term earnings headwinds, we remain constructive on SEC, as the memory upcycle remains intact, supported by multi-year LTAs and continued HBM momentum. Reiterate Buy.

Lower Our 3Q26E OP Estimate from W115.5tr to W104.1tr on FX and Bonus provision — We cut our 3Q26E OP estimate by 10% to W104.1tr, reflecting a W5tr negative impact from unfavorable FX and an additional W5tr from bonus provisions. We expect an additional W5tr bonus impact in 3Q, as manufacturing-related bonuses capitalized into inventory in 2Q26 are recognized through COGS as the inventory is sold this quarter. In addition, we estimate weaker mobile and consumer electronics divisions based on softer consumer sentiments and rising costs driven by memory prices hikes. By division, we expect 3Q26E OP at: Semi W105.1 tr, Display W1.4tr, Mobile -W1.7tr, CE -W0.6tr.

Memory Upcycle Remains Intact Despite Near-term Earnings Headwinds — That said, we continue to expect the memory market upcycle to persist, underpinned by multi-year LTAs and limited memory supply. Furthermore, we project its semiconductor division to account for 101% of consolidated OP in 3Q26E, up from 58% in 3Q25, highlighting robust memory-driven earnings growth. Based on HBM4 leadership, we also expect SEC to secure its HBM m/s further in 2H26E, providing an additional earnings growth driver.

Implication — Despite lowering our 3Q26E OP estimate, we maintain our constructive view on SEC, supported by sustained memory market fundamentals and attractive shareholder returns. Based on our assumptions of W30tr quarterly dividend, we estimated the annualized dividend of ~W120tr, implying a dividend yield of 7.0% for common shares and 9.8% for preferred shares, based on the closing price on 31 Aug, in our view (See our previous report, Samsung Electronics (005930.KS) - Unveiled ~W100tr Shareholder Return Plan for 2026E). Reflecting our 3Q26E revision, we lower our 26E OP estimate by 7.1% and TP to W430k (from W450k); Reiterate Buy rating on Samsung Electronics.

Earnings Summary

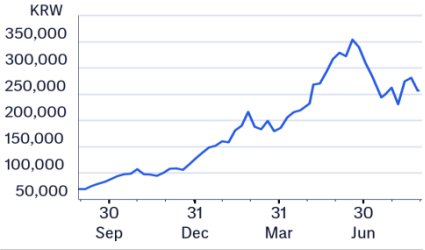
Year to 31 Dec	Net Profit (WB)	Diluted EPS (W)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	33,621	4,950	132.3	52.5	4.5	9.0	0.6
2025A	44,261	6,580	32.9	39.5	4.1	10.9	0.6
2026E	277,249	41,963	537.8	6.2	2.7	52.2	3.8
2027E	333,999	50,969	21.5	5.1	2.0	44.8	7.0
2028E	340,506	51,962	1.9	5.0	1.6	35.3	7.0

Source: Powered by dataCentral

Buy

Price (31 Aug 26 15:45)	W260,000
Target price	W430,000↓
from W450,000	
Expected share price return	65.4%
Expected dividend yield	3.8%
Expected total return	69.2%
Market Cap	W1,520,032,438M
	US$1,103,616M

Price Performance
(RIC: 005930.KS, BB: 005930 KS)



Peter Lee AC

Jayden Oh

005930.KS: Fiscal year end 31-Dec

Price: W260,000; TP: W430,000; Market Cap: W1,520,032,438m; Recomm: Buy

Profit & Loss (Wb)	2024	2025	2026E	2027E	2028E
Sales revenue	300,871	333,606	735,063	935,023	1,040,990
Cost of sales	-186,562	-202,236	-249,985	-331,783	-412,777
Gross profit	114,309	131,370	485,078	603,241	628,214
Gross Margin (%)	38.0	39.4	66.0	64.5	60.3
EBITDA (Adj)	**75,357**	**90,528**	**416,348**	**519,955**	**540,723**
EBITDA Margin (Adj) (%)	25.0	27.1	56.6	55.6	51.9
Depreciation	-42,631	-46,927	-49,612	-57,398	-69,137
Amortisation	0	0	0	0	0
EBIT (Adj)	**32,726**	**43,601**	**366,736**	**462,557**	**471,586**
EBIT Margin (Adj) (%)	10.9	13.1	49.9	49.5	45.3
Net interest	3,915	3,987	950	0	0
Associates	751	683	868	868	868
Non-Op/Except/Other Adj	138	1,210	5,790	1,400	1,400
Pre-tax profit	**37,530**	**49,481**	**374,345**	**464,825**	**473,854**
Tax	-3,078	-4,275	-96,172	-129,826	-132,348
Extraord./Min.Int./Pref.div.	-830	-946	-924	-1,000	-1,000
Reported net profit	**33,621**	**44,261**	**277,249**	**333,999**	**340,506**
Net Margin (%)	11.2	13.3	37.7	35.7	32.7
Core NPAT	33,621	44,261	277,249	333,999	340,506

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS (W)	4,950	6,580	41,963	50,969	51,962
Core EPS (W)	4,950	6,580	41,963	50,969	51,962
DPS (W)	1,444	1,668	9,893	18,290	18,290
CFPS (W)	10,744	12,683	43,809	57,419	62,306
FCFPS (W)	3,176	5,618	32,654	43,578	44,017
BVPS (W)	57,646	63,682	97,290	130,122	163,947
Wtd avg ord shares (m)	6,793	6,727	6,607	6,553	6,553
Wtd avg diluted shares (m)	6,793	6,727	6,607	6,553	6,553

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	16.2	10.9	120.3	27.2	11.3
EBIT (Adj) (%)	398.3	33.2	741.1	26.1	2.0
Core NPAT (%)	132.3	31.6	526.4	20.5	1.9
Core EPS (%)	132.3	32.9	537.8	21.5	1.9

Balance Sheet (Wb)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	112,615	125,821	294,732	468,134	639,656
Accounts receivables	43,538	51,085	101,305	115,976	116,208
Inventory	51,755	52,637	58,558	69,947	78,320
Net fixed & other tangibles	205,945	215,305	240,393	274,695	326,408
Goodwill & intangibles	37,975	48,321	51,269	54,512	58,079
Financial & other assets	62,704	73,773	74,993	76,469	77,973
Total assets	**514,532**	**566,942**	**821,250**	**1,059,734**	**1,296,646**
Accounts payable	12,370	13,039	28,731	36,546	40,688
Short-term debt	15,380	18,752	19,631	20,554	21,523
Long-term debt	3,950	6,487	5,838	5,255	4,730
Provisions & other liab	80,640	92,343	111,272	120,291	124,614
Total liabilities	**112,340**	**130,622**	**165,472**	**182,646**	**191,554**
Shareholders' equity	391,688	424,313	637,657	852,802	1,074,454
Minority interests	10,504	12,007	18,121	24,286	30,637
Total equity	**402,192**	**436,320**	**655,777**	**877,088**	**1,105,091**
Net debt (Adj)	**-93,285**	**-100,582**	**-269,262**	**-442,325**	**-613,404**
Net debt to equity (Adj) (%)	-23.2	-23.1	-41.1	-50.4	-55.5

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	52.5	39.5	6.2	5.1	5.0
PB (x)	4.5	4.1	2.7	2.0	1.6
EV/EBITDA (x)	18.6	15.3	3.1	2.2	1.8
FCF yield (%)	1.2	2.2	12.6	16.8	16.9
Dividend yield (%)	0.6	0.6	3.8	7.0	7.0
Payout ratio (%)	29	25	24	36	35
ROE (%)	9.0	10.9	52.2	44.8	35.3

Cashflow (Wb)	2024	2025	2026E	2027E	2028E
EBITDA	75,357	90,528	416,348	519,955	540,723
Working capital	-1,568	-9,614	-40,949	-18,745	-4,963
Other	-807	4,401	-85,953	-124,948	-127,469
Operating cashflow	**72,983**	**85,315**	**289,446**	**376,263**	**408,291**
Capex	-51,406	-47,522	-73,700	-90,700	-119,850
Net acq/disposals	178	-169	297	41	14
Other	-34,153	-20,821	88,594	10,923	6,417
Investing cashflow	**-85,382**	**-68,512**	**15,191**	**-79,736**	**-113,419**
Dividends paid	-10,889	-9,897	-51,400	-106,098	-119,854
Financing cashflow	**-7,797**	**-13,478**	**-51,169**	**-105,758**	**-119,410**
Net change in cash	**-15,375**	**4,151**	**254,291**	**191,584**	**176,273**
Free cashflow to s/holders	**21,576**	**37,793**	**215,746**	**285,563**	**288,441**

For definitions of the items in this table, please click here.

Figure 1. SEC – Quarterly Earnings Forecasts (Consolidated)

(KRWbn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E
Total Sales	**79,141**	**74,566**	**86,062**	**93,837**	**133,873**	**171,500**	**207,470**	**216,921**	**300,871**	**333,606**	**735,063**	**935,023**
Semiconductor	24,855	27,922	33,123	44,014	81,712	127,512	152,437	165,877	111,094	129,915	532,837	712,705
Memory	19,102	21,210	26,707	37,136	74,814	120,821	144,722	158,704	84,512	104,155	504,360	676,970
DRAM	12,695	14,350	18,515	27,712	54,744	91,510	102,449	110,842	53,686	73,272	359,545	493,634
NAND	5,987	7,172	8,168	9,401	19,771	34,585	42,250	47,838	31,661	30,728	144,443	183,237
System LSI	5,665	6,006	6,716	7,309	7,189	7,657	7,985	7,441	27,288	25,695	30,271	36,652
Display Panel	5,658	6,426	8,109	9,519	6,700	7,519	9,953	8,299	29,189	29,713	32,470	30,895
Mobile	35,576	29,265	34,139	29,317	38,103	33,212	33,273	30,834	117,236	128,298	135,422	141,746
Consumer Electronics	14,502	14,104	13,910	14,829	14,306	14,504	14,890	15,214	56,445	57,345	58,914	61,688
Total OP	**6,685**	**4,676**	**12,166**	**20,074**	**57,233**	**89,492**	**104,136**	**115,875**	**32,726**	**43,601**	**366,736**	**462,557**
Semiconductor	1,101	402	7,017	16,401	53,710	89,213	105,051	116,871	15,231	24,920	364,845	463,849
Memory	3,104	2,822	7,763	17,616	54,784	93,500	108,411	119,704	19,383	31,306	376,397	473,235
DRAM	3,809	3,157	6,907	15,701	43,091	71,359	79,818	86,936	15,729	29,575	281,204	365,825
NAND	(789)	(304)	853	1,912	11,663	22,138	28,590	32,765	3,737	1,672	95,156	107,399
System LSI	(2,283)	(2,372)	(504)	(1,213)	(1,078)	(2,833)	(3,354)	(2,827)	(4,875)	(6,372)	(10,093)	(9,367)
Display Panel	285	425	1,125	2,015	354	662	1,371	455	3,569	3,850	2,842	893
Mobile	4,118	3,114	3,601	1,918	2,817	(726)	(1,678)	(994)	10,665	12,751	(580)	(2,017)
Consumer Electronics	310	229	(100)	(609)	203	10	(609)	(456)	1,758	(171)	(851)	(168)
OP margin	**8.4%**	**6.3%**	**14.1%**	**21.4%**	**42.8%**	**52.2%**	**50.2%**	**53.4%**	**10.9%**	**13.1%**	**49.9%**	**49.5%**
Semiconductor	4.4%	1.4%	21.2%	37.3%	65.7%	70.0%	68.9%	70.5%	13.7%	19.2%	68.5%	65.1%
Memory	16.3%	13.3%	29.1%	47.4%	73.2%	77.4%	74.9%	75.4%	22.9%	30.1%	74.6%	69.9%
DRAM	30.0%	22.0%	37.3%	56.7%	78.7%	78.0%	77.9%	78.4%	29.3%	40.4%	78.2%	74.1%
NAND	-13.2%	-4.2%	10.4%	20.3%	59.0%	64.0%	67.7%	68.5%	11.8%	5.4%	65.9%	58.6%
System LSI	-40.3%	-39.5%	-7.5%	-16.6%	-15.0%	-37.0%	-42.0%	-38.0%	-17.9%	-24.8%	-33.3%	-25.6%
Display Panel	5.0%	6.6%	13.9%	21.2%	5.3%	8.8%	13.8%	5.5%	12.2%	13.0%	8.8%	2.9%
Mobile	11.6%	10.6%	10.5%	6.5%	7.4%	-2.2%	-5.0%	-3.2%	9.1%	9.9%	-0.4%	-1.4%
Consumer Electronics	2.1%	1.6%	-0.7%	-4.1%	1.4%	0.1%	-4.1%	-3.0%	3.1%	-0.3%	-1.4%	-0.3%

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Source: Company Reports and Citi Research Estimates

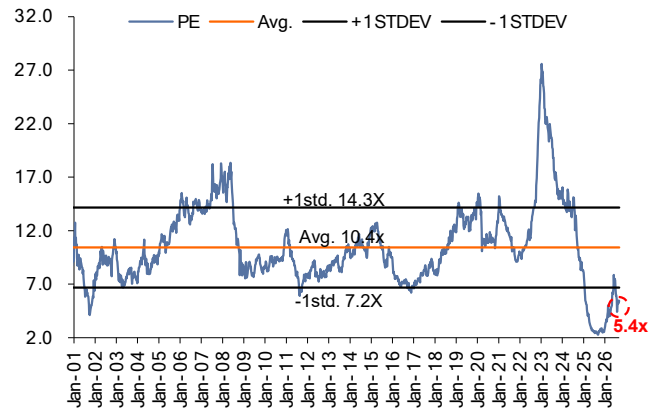
Figure 2. SEC — Key Assumptions

		1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E
DRAM	Shipment growth % (qoq)	2%	10%	14%	3%	1%	12%	5%	2%	13%	8%	26%	18%
	ASP chg (1Gb eq.) (qoq)	-20%	3%	14%	40%	91%	45%	15%	10%	59%	23%	285%	18%
	OP Margin (%)	30.0%	22.0%	37.3%	56.7%	78.7%	78.0%	77.9%	78.4%	29.3%	40.4%	78.2%	74.1%
NAND	Shipment growth % (qoq)	-10%	27%	10%	-11%	9%	3%	8%	3%	12%	3%	18%	17%
	ASP chg (1GB eq.) (qoq)	-15%	-5%	4%	24%	89%	65%	22%	14%	64%	-8%	292%	10%
	OP Margin (%)	-13.2%	-4.2%	10.4%	20.3%	59.0%	64.0%	67.7%	68.5%	11.8%	5.4%	65.9%	58.6%
Handset	Total Shipment (mn)	62	59	62	55	60	63	63	59	232	239	246	235
	Smartphone	61	58	61	54	59	62	62	58	226	234	242	232
	Blended ASP (US$)	336	273	287	241	357	304	332	335	293	285	332	377
	OP Margin (%)	11.7%	10.8%	10.6%	6.6%	7.4%	-2.2%	-5.3%	-3.4%	9.2%	10.1%	-0.5%	-1.7%
Display panel	Shipment growth % (qoq)	-22%	13%	34%	-5%	-15%	10%	22%	-11%	0%	8%	11%	3%
	ASP Chg (US$/sqm) (qoq)	-10%	1%	-6%	19%	-18%	-1%	17%	-2%	-11%	-8%	-3%	-6%
	OP Margin (%)	5.0%	6.6%	13.9%	21.2%	5.3%	8.8%	13.8%	5.5%	12.2%	13.0%	8.8%	2.9%
Sales (Wbn)	**Total**	**79,141**	**74,566**	**86,062**	**93,837**	**133,873**	**171,500**	**207,470**	**216,921**	**300,871**	**333,606**	**735,063**	**935,023**
	Semiconductor	24,855	27,922	33,123	44,014	81,712	127,512	152,437	165,877	111,094	129,915	532,837	712,705
	Display Panel	5,658	6,426	8,109	9,519	6,700	7,519	9,953	8,299	29,189	29,713	32,470	30,895
	Mobile	35,576	29,265	34,139	29,317	38,103	33,212	33,273	30,834	117,236	128,298	135,422	141,746
	Consumer Electronics	14,502	14,104	13,910	14,829	14,306	14,504	14,890	15,214	56,445	57,345	58,914	61,688
EBIT (Wbn)	**Total**	**6,685**	**4,676**	**12,166**	**20,074**	**57,233**	**89,492**	**104,136**	**115,875**	**32,726**	**43,601**	**366,736**	**462,557**
	Semiconductor	1,101	402	7,017	16,401	53,710	89,213	105,051	116,871	15,231	24,920	364,845	463,849
	Display Panel	285	425	1,125	2,015	354	662	1,371	455	3,569	3,850	2,842	893
	Mobile	4,118	3,114	3,601	1,918	2,817	-726	-1,678	-994	10,665	12,751	-580	-2,017
	Consumer Electronics	310	229	-100	-609	203	10	-609	-456	1,758	-171	-851	-168

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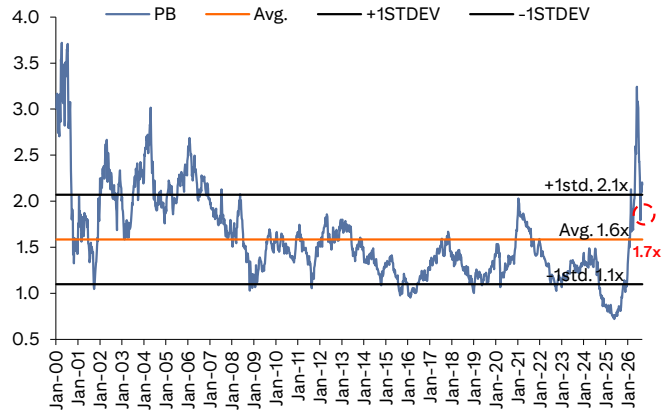
Source: Company Reports and Citi Research Estimates

Figure 3. SEC — 12-Month Forward P/E



Source: Citi Research estimates, Datacentral

Figure 4. SEC — 12-Month Forward P/B



Source: Citi Research estimates, Datacentral

Bull/Bear: Samsung Electronics (005930.KS)

W 550,000	W 430,000	W 150,000
▲112% Upside	▲65% Upside	▼42% Downside



Spread 154pp
Current Price and expected returns (upside/downside) as of 31 Aug 2026

BULL Assumptions

- DRAM/NAND ASP +350%/+350% in 2026E
- Smartphone ASP +25% in 2026E

BASE Assumptions

- DRAM/NAND ASP +285%/+292% in 2026E
- Smartphone ASP +13% in 2026E

BEAR Assumptions

- DRAM/NAND ASP +200%/+200% in 2026E
- Smartphone ASP +5% in 2026E

Samsung Electronics

Company description

Samsung Electronics (SEC) is a global leader in semiconductors, telecommunications, and digital convergence technology. The company is the world's leading producer of memory semiconductors, display panels, mobile phones, monitors and TVs. SEC has four main business units: 1) Semiconductor; 2) Display Panel; 3) IM Mobile; and 4) Consumer Electronics.

Investment strategy

We rate Samsung Electronics shares as Buy. We believe semiconductor chip technology is gradually evolving towards an integration of logic and memory chips, similar to the way the human brain functions. Given Samsung's technology leadership in both memory and chip foundry, we view it as a leading beneficiary of this long-term logic and memory integration trend. We also forecast revenue momentum from 3D architecture and custom chip orders in foundry. Samsung should further enjoy tailwinds from the anticipated memory market recovery in 2025E, as well as from potential AI-related chip demand. And an organizational and management reshuffle announced in 2021 should continue to help sharpen strategic focus and enhance synergies. Given its high cash holdings and abundant free cash flow generation, we believe Samsung has scope for higher capital returns, which could be another positive catalyst.

Valuation

Our 12-month target price for Samsung of W430,000 is derived using a sum-of-the-parts (SOTP) methodology, based on 2026E EBITDA. In calculating total operating value, we reference global peers in assigning fair-value EV/EBITDA multiples for the five main divisions (6.3x for Memory, 1.0x for Foundry, 0.5x for Display Panel, 4.0x for Mobile and 2.0x for Consumer Electronics), in line with trading multiples of relevant peer companies.

Risks

Downside risks that could prevent the shares from reaching our target price include: 1) Longer-than-expected approval delay in HBM shipment to its key customers; 2) PC sales weaken more than our forecast and NAND demand fails to meet our expectations; 3) aggressive investment by competitors in memory semiconductor/foundry could have a negative impact on prices; 4) competition in the handset market intensifies, reducing SEC's handset margins; 5) any major appreciation of the won would impact SEC's earnings.

