SK hynix ADR

The magic of SK hynix continues in the US; Initiate at OW with a PT of US$245

Initiation
Overweight

SKHY, SKHY US
Price (08 Sep 26):$185.55
Price Target (Jun-27):$245.00

We initiate coverage of SK hynix ADR (SKHY) with an OW rating and a Jun-27 PT of US$245 based on a 20% ADR premium to the local share price target (7x FY26-27E average EPS). We expect the AI-driven memory upturn cycle to last for 5+ years and model SKH to print a +34% EPS CAGR over the next two years. SKH has locked in 50%+ of capacity through LTA and lifted the shareholder return pool to >50% FCF, which we view as a strong re-rate factor. While the fungibility issue and ADR issuance may narrow the premium, we are positive on the memory valuation re-rate story and recommend investors accumulate.

- **AI cycle durability and SKH as a key value-chain partner.** We believe the AI cycle is far from over, as evidenced by accelerating AI revenue and the strong component demand outlook. Memory is a fundamental necessity for enabling higher token generation and we believe SKHY is positioned as a critical value chain partner supporting multiple levels of AI evolution across training, inferencing, and ultimately the agentic AI era. We believe the memory cycle is still in the mid-cycle (ten quarters of ASP upward trend vs 20 Q+ of positive ASP growth trajectory from 1Q24-4Q28+) and expect the higher-for-longer upcycle to benefit further as memory content and value share continue to rise in next-generation AI architecture.
- **Attractive TSR yield protected by LTA.** We believe SK hynix offers an attractive and resilient yield profile, underpinned by a 'higher-for -longer' memory cycle and a growing share of long-term agreements (LTA) that provide earnings visibility and stability. With earnings expected to remain solid over the next three years, management's 'over 50% of FCF payout' commitment to shareholders supports a forecast TSR yield of nearly 42% from 2026-28E. We believe this elevated TSR, protected by LTA-driven revenue durability, positions SK hynix as a compelling choice for investors seeking both growth and reliable capital returns in the AI hardware value chain.
- **30%+ ADR premium vs local listing, but still a ~20% discount to US peers.** SKHY ADR currently trades at a 30%+ premium to the local share, yet still reflects a ~20% discount to its US peer, Micron. This gap persists even though SKHY is not behind on fundamentals – delivering comparable or superior memory margins, absolute scale, and HBM execution. While inherent differences in corporate structure and governance remain a structural discount factor, we believe the current valuation is still very inexpensive relative to SKHY's global leadership and earnings power, and see significant room for a re-rating as these structural gaps narrow.
- **Key catalysts and risks.** Key catalysts include further LTA disclosures, shareholder return updates (3Q26 results briefing in late-October), ongoing AI/datacenter investment pipeline updates, and next-gen server platform memory spec updates. Key risks include China competition, ADR fungibility/ premium compression, and macro/AI capex volatility. We expect SKHY's valuation to re-rate as these catalysts play out and investor confidence in longer-cycle earnings grows.

Technology - Semiconductors

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Quarterly Forecasts (FYE Dec)

Adj. EPS (W)

	2025A	2026E	2027E
Q1	11,136.25	56,602.80A	101,864.80
Q2	9,609.00	133,542.10A	112,724.30
Q3	17,302.17	76,215.51	118,003.10
Q4	20,939.65	94,393.60	125,943.50
FY	58,987.08	359,929.80	457,885.50

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 58 for analyst certification and important disclosures, including non-US analyst disclosures.

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Price Performance



	YTD	1m	3m	12m
Abs	-	34.5%	-	-
Rel	-	37.0%	-	-

Company Data

Shares O/S (mn)	728
52-week range ($)	194.80-124.80
Market cap ($ mn)	135,097.10
Exchange rate	1.00
Free float (%)	-
3M ADV (mn)	-
3M ADV ($ mn)	-
Volatility (90 Day)	-
Index	RUSSELL 2000
BBG ANR (Buy | Hold | Sell)	-

Key Metrics (FYE Dec)

W in billions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	97,147	338,830	511,166	666,675
Adj. EBIT	47,206	255,389	395,125	507,846
Adj. EBITDA	61,136	273,000	421,930	548,074
Adj. net income	42,948	255,220	304,591	392,646
Adj. EPS	58,987.08	359,929.80	457,885.50	647,789.00
BBG EPS	-	-	-	-
Cashflow from operations	59,989	243,923	304,115	397,469
FCFF	29,079	194,609	241,008	312,467
Margins and Growth				
Revenue Growth Y/Y (%)	46.8%	248.8%	50.9%	30.4%
EBIT margin	48.6%	75.4%	77.3%	76.2%
EBIT Growth Y/Y (%)	101.2%	441.0%	54.7%	28.5%
EBITDA margin	62.9%	80.6%	82.5%	82.2%
EBITDA Growth Y/Y (%)	69.6%	346.5%	54.6%	29.9%
Net margin	44.2%	75.3%	59.6%	58.9%
Adj. EPS growth	116.9%	510.2%	27.2%	41.5%
Ratios				
Adj. tax rate	14.9%	23.2%	23.5%	23.5%
Interest cover	142.4	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROE	44.1%	101.4%	64.0%	57.3%
Valuation				
FCFF yield	16.0%	110.0%	145.1%	206.5%
Dividend yield	1.2%	13.6%	20.8%	30.0%
EV/Revenue	1.2	NM	NM	NM
EV/EBITDA	1.9	NM	NM	NM
Adj. P/E	4.2	0.7	0.5	0.4

Summary Investment Thesis and Valuation

Investment Thesis

Our OW rating on SK hynix ADR is based on the company's solid AI solution execution capability, which has substantially improved its earnings generation capability. We expect a 'higher-for-longer' memory up-cycle, and improving conventional fundamentals put SKH in a positive position, as the pure memory business carries a higher beta.

Valuation

Our Jun-27 PT of US$245 is based on 7x average FY26-27E EPS of the local-share (000660 KS) with a 20% valuation premium to derive the FVPS for the ADR (consistent with TSMC ADR over local listing premium since 2024 when the AI capex-driven hardware sector trade began). Our 7x average FY26-27E EPS reflects a stronger and longer memory upcycle view, which we believe provides durability and sustainability to SKH's substantially improved earnings capability over the next three years.

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

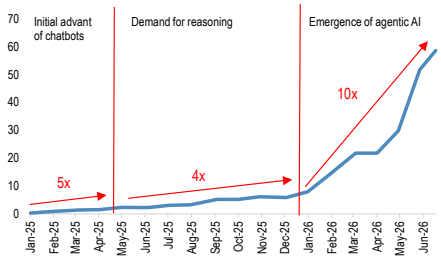
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Killer charts

Figure 1: Stages of token demand acceleration

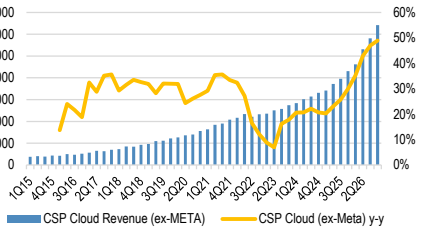
1-week volume (trillion tokens)



Source: OpenRouter, J.P. Morgan estimates.

Figure 2: Cloud CSP quarterly revenue and y-y trend

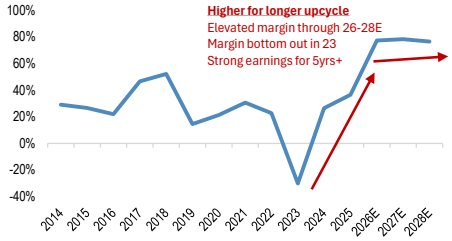
US$M, % - RHS



Source: Bloomberg Finance L.P.
Note: Companies included are Google, Microsoft, Amazon.

Figure 3: Memory Industry OPM

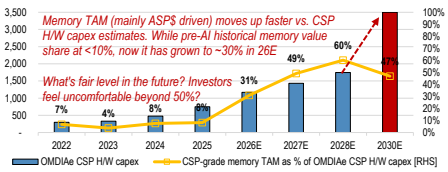
%



Source: Company data, J.P. Morgan estimates.

Figure 4: CSP capex and AI memory % share

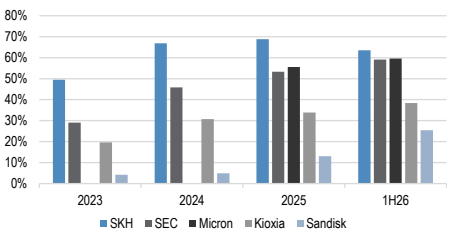
US$bn, % - RHS



Source: Company data, OMDIA, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 5: Memory server revenue mix comparison

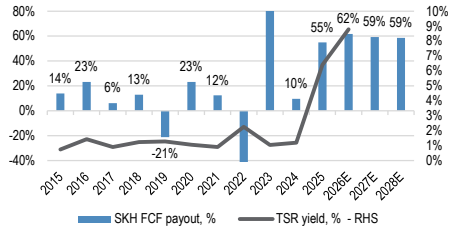
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Source: Company data.
Note: MU server mix not available in 2023/2023.

Figure 6: SKH FCF payout and TSR yield

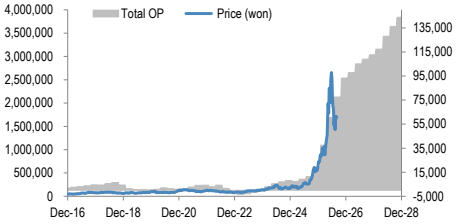
%



Source: Company data, J.P. Morgan estimates.
Note: 2022/23 FCF payout not meaningful.

Figure 7: Share price vs quarterly OP trend

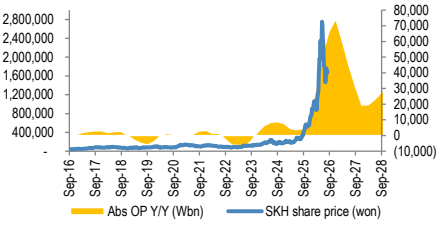
Won, Wbn - RHS



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 8: Share price vs absolute total OP Y/Y trend

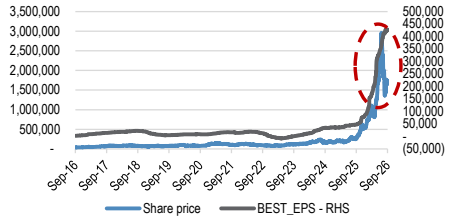
Won, Wbn - RHS



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 9: SKH: share price vs consensus EPS estimates (1yr forward blended average)

Won



Source: Bloomberg Finance L.P.

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Investment summary

Initiate coverage of SK Hynix ADR (SKHY.US) at Overweight with a June 2027 price target of US$245 implying 32% potential upside

We remain bullish on the multi-year memory up-cycle under our 'higher-for-longer' thesis driven by the AI infrastructure capex cycle. Since the beginning of the AI capex cycle, SKHY has demonstrated strong technology leadership and presented strong value share gains compared to the pre-AI era, and we expect the company to continue delivering a strong product portfolio to key end customers enabling the AI compute ecosystem.

Where are we in the memory cycle and why own SKHY now?

Historically, the memory cycle has repeated multiple cyclical cycles with high EPS volatility, and many investors continue to view the industry and stocks as cyclical. This remains a key reason why stocks trade at sub-4x FTM P/E.

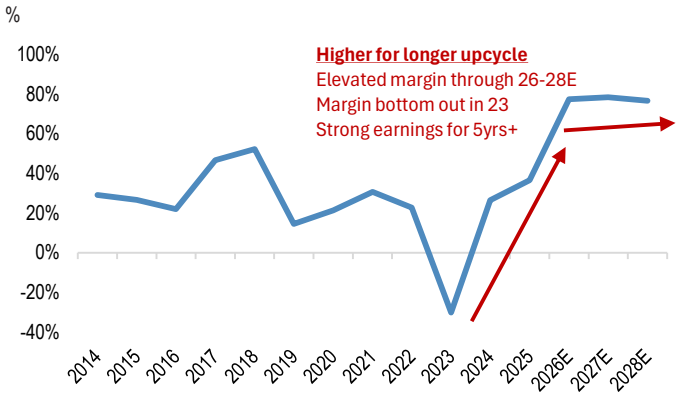
The period of stiff EPS upgrades (4Q25-2Q26) is largely behind us as memory prices have risen to extremely high levels where customers are considering content optimization to resolve supply availability. Looking at past cycles, the stock de-rating is explained by extreme bearish sentiment on the EPS trajectory (i.e., as if 2H27 EPS will be down y-y). We view the concern as exaggerated and maintain our multi-year bullish view (S-D shortage and EPS growth continuing through 2028E) and believe the stock could be attractive with favourable risk-reward from a 12-month investment horizon.

The leveraged ETF and liquidity-driven price overshoot during 2Q26 is largely behind us and the stock is going through an expectation reset quarter, in our view. We expect SKH's stock to move up gradually as investors gain greater confidence in the LTA contract details and more visibility surrounding capital allocation and shareholder returns.

After an unprecedented 521% EPS y-y growth this year, we expect SKHY to continue to deliver a 25% EPS CAGR through 2028E supported by: 1) an increase in strategic long-term supply agreements (i.e., LTA mix coverage to cover the majority of volume), 2) continued product mix improvement towards value-add products (higher server mix), and 3) an increase in customized memory solutions (i.e. cHBM, stacked DRAM, HBF, and others), which are shaping the industry into a secular business model.

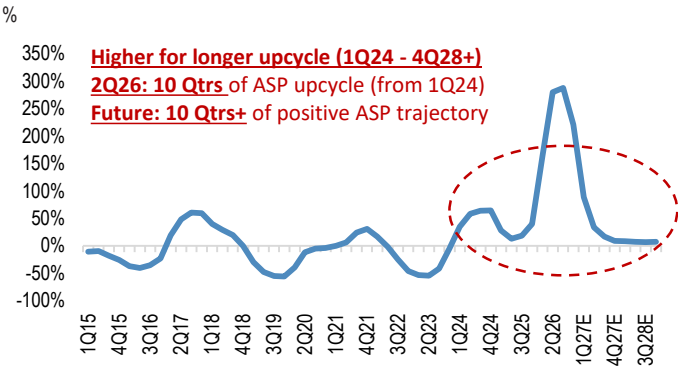
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Figure 10: Memory Industry OPM



Source: Company data, J.P. Morgan estimates.

Figure 11: DRAM ASP y-y



Source: Company data, WSTS, J.P. Morgan estimates.

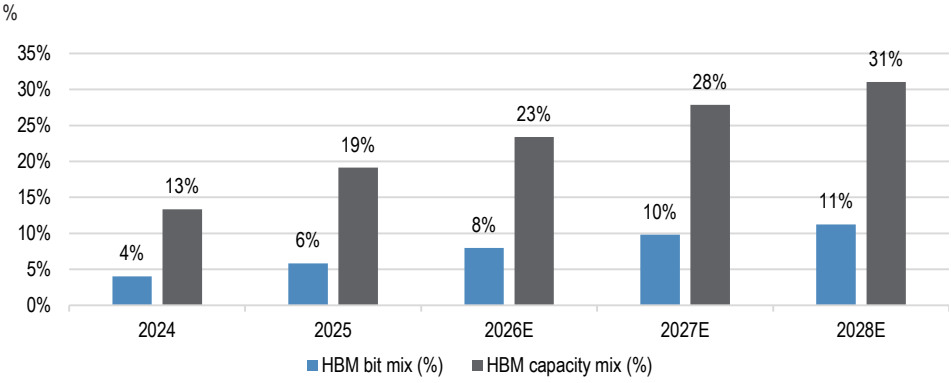
First-ever memory up-cycle duration over four years

Rules are meant to be broken, memory up-cycle can last longer

Memory cycles have repeated 2-3 year up-cycles and 1-2 year down-cycles multiple times in the past few decades, and industry participants tend to accept the industry's nature as extremely cyclical. The fact that memory prices themselves have moved up by 280+% from last year's low bottom indicates that it still carries a cyclical industry nature. On the other hand, drivers behind the S-D shortage point to the greater value contribution of memory to the overall compute system and there appear to be various supply constraint factors that detach the cycle from the past (e.g. HBM emergence and wafer-to-die penalty).

Previous cycles were largely driven by B2C applications and required product specs were largely commodity and standardized products. In addition, suppliers' bit per wafer productivity continued to rise, resulting in higher-than-expected bit supply increases at the end of the cycle. Instead, the AI capex cycle is largely driven by B2B applications and we are witnessing various different product specs with greater manufacturing challenges. The increase in wafer allocation towards high-bandwidth memory (HBM) and slowing bit productivity dynamics limit the amount of supply increase amidst physical constraints on adding new wafer producible capacity.

Figure 12: HBM bit and capacity contribution to DRAM

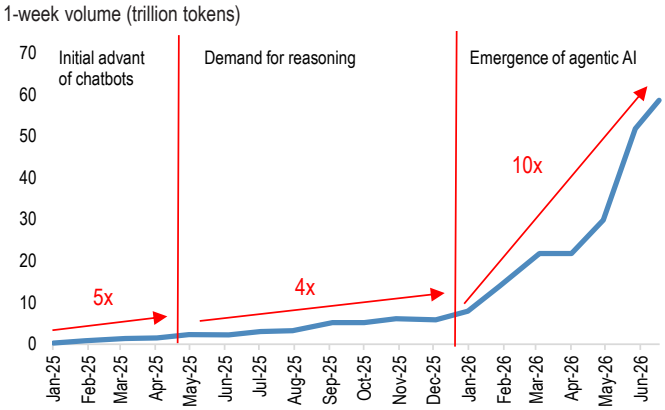


Source: Company data, J.P. Morgan estimates.

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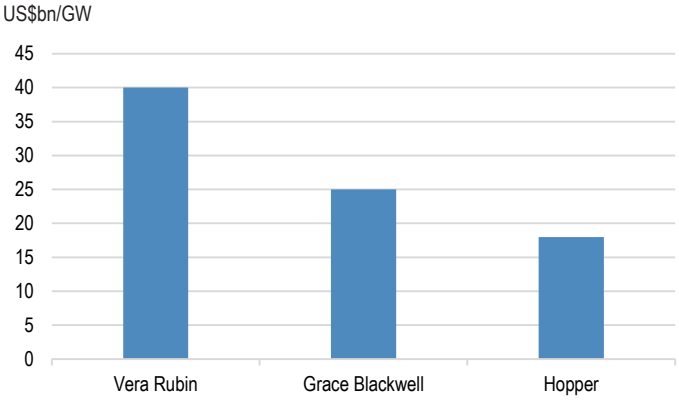
On the demand side, token consumption growth (the underlying driver for strong server-grade DRAM/NAND bit demand) continues to accelerate with the proliferation of inference and major front-tier AI model lab companies are showing strong revenue growth momentum. Cloud service provider (CSP) customers also started to deliver accelerating revenue growth from late-2025. This is consistent with NVDA's recent commentary about rising revenue opportunity per GW over every new graphics processing unit (GPU) generation. Memory industry executives claim supply fulfillment for DRAM/NAND ranges from 60-80% today vs the previous peak of 90% during the pandemic and is likely to worsen next year, which we agree with on demand growth well outpacing the supply growth.

Figure 13: Stages of token demand acceleration



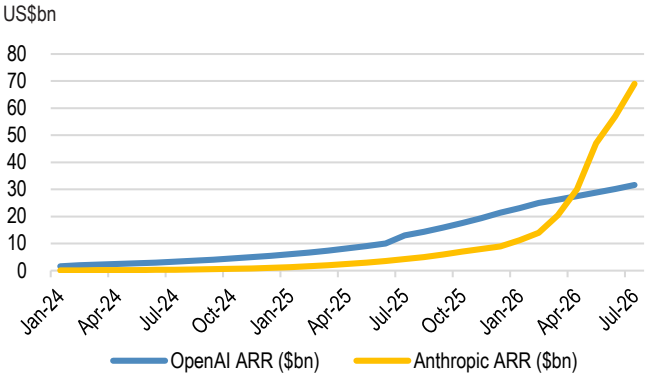
Source: OpenRouter, J.P. Morgan estimates. Note: OpenRouter is a directional indicator, rather than total volume given it doesn't capture large parts of proprietary AI Model token consumption

Figure 14: NVDA GPU revenue per 1GW comparison chart



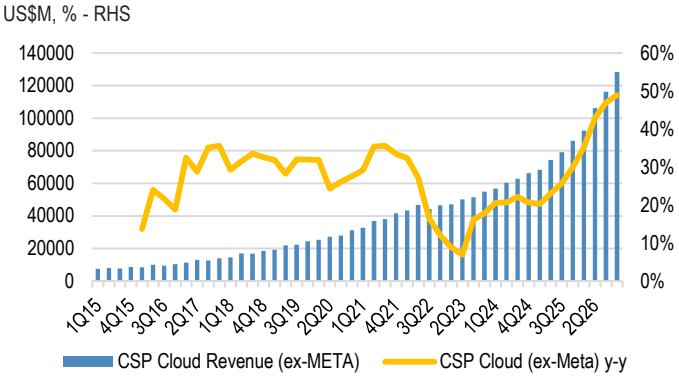
Source: J.P. Morgan estimates.

Figure 15: Open AI / Anthropic ARR trend



Source: OpenAI, Anthropic, news media.

Figure 16: Cloud CSP quarterly revenue and y-y trend



Source: Bloomberg Finance L.P., Note: Companies included are Google, Microsoft, Amazon

The aforementioned supply and demand drivers are the key forces behind the longer up-cycle, and industry participants are heavily shifting the discussion from 'momentum and growth' to 'durability and sustainability'. Pricing and margin were key parameters for suppliers in the past as cycles were cyclical and they seldom played the market-share gain game during down-cycles. However, the greater challenge now is how to make sure the industry shapes the cyclical industry into a secular industry with greater order visibility. Trillion dollars of LTA contracts and discussions are the outcome, and this is a collective initiative from both supply and demand-side industry stakeholders.

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As it is first time for both industry stakeholders and investors to witness such a long-term contract commitment, many investors have expressed skepticism surrounding the contracts. We believe the key to giving credit to a long-term strategic supply agreement is the clear capital allocation policy and subsequent shareholder return program disclosure. SK Hynix has disclosed a new shareholder return policy to distribute over 50% of FCF (OCF-CAPEX) to investors starting August 2026 and a new capital allocation plan (part of value-up plan) is also under review. Over the time, we believe investors' 'EPS' predictions and the quality of 'EPS predictions' will improve with structural industry developments.

JPM FY26E-28E EPS estimates vs consensus

Our revised SK hynix EPS estimates (link) are largely consistent with consensus for FY26E-27E, and we are ahead of consensus for FY28E. Compared to consensus, we are taking a more conservative approach (a +48% y-y increase) on 2027E HBM pricing outlook (wide range of expectations: 50-100% y-y increase, per buyside feedback). This indicates that we are slightly more constructive on the conventional memory pricing outlook for FY27E (both DRAM and NAND). Our slightly more optimistic FY28E estimates are mainly related to a server memory sales mix-driven ASP increase assumptions, in our view.

Figure 17: SK hynix – J.P. Morgan estimates vs Street consensus

Won in billions, year-end December

	JPM estimates				Market consensus				Difference			
	3Q26E	2026E	2027E	2028E	3Q26E	2026E	2027E	2028E	3Q26E	2026E	2027E	2028E
Sales	94,522	338,830	511,166	666,675	98,564	345,555	542,597	643,998	-4%	-2%	-6%	4%
OP	71,578	255,389	395,125	507,846	77,328	266,363	429,518	498,760	-7%	-4%	-8%	2%
NP	54,960	255,101	304,591	392,646	57,845	253,226	346,790	400,073	-5%	1%	-12%	-2%

Source: Bloomberg Finance L.P., J.P. Morgan estimates. Note: Market consensus based on the last 28 days' Bloomberg estimates.

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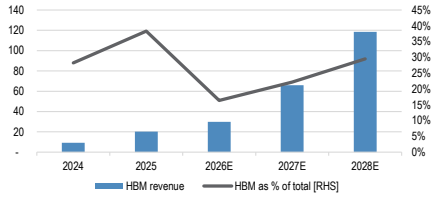
Investment positives

Key positive #1: HBM leadership and strategic partnership

SKH is the largest HBM producer (by revenue and bit supply share) and has been the dominant supplier to the largest GPU customer (NVDA). Relative to the total amount of DRAM wafer starts per month (WSPM), SKH allocates the largest amount of capacity to HBM and also operates the largest HBM wafers annually. The company also shows the highest HBM margin profile thanks to industry-leading stacking yield. SKH is also involved in multiple new bespoke HBM (custom HBM) projects with key customers and is reinforcing its logic die design capability while maintaining a close foundry partnership with TSMC. The US$750bn partnership (link) with NVDA (incl. DRAM/ HBM/NAND) clearly indicates the firm's strategic direction. While the last 12M EPS upward revision came mostly from commodity memory price inflation, we continue to view memory suppliers' core competitiveness as coming from HBM business operations. The gap between the followers has been reduced; we view SKH as likely to sustain its market leadership throughout our forecast period..

Figure 18: SKH – HBM sales and a % of total

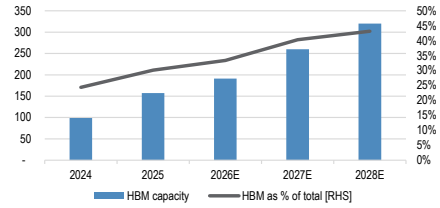
US$bn, % - RHS



Source: Company data, J.P. Morgan estimates.

Figure 19: SKH – HBM capacity and a % of total

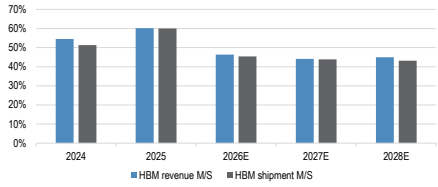
Kwfpm, % - RHS



Source: Company data, J.P. Morgan estimates.

Figure 20: SKH – HBM revenue and bit share

%



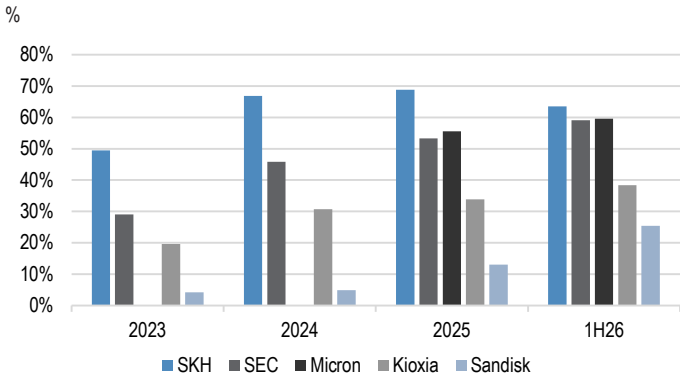
Source: Company data, J.P. Morgan estimates.

Key positive #2: Industry-leading server compute sales exposure

SK hynix stands out as the leading barometer for AI infrastructure investment, maintaining the highest server revenue mix among global memory makers. This leadership in server compute exposure positions SK hynix at the center of the AI-driven demand cycle, with memory increasingly recognized as a strategic asset within the broader AI ecosystem. Memory operating profit margin (OPM) has shown improving momentum, and while competitors are also benefiting from the cycle, we believe SK hynix's superior server mix and product positioning provide a structural advantage. We expect SK hynix to continue to benefit disproportionately from ongoing AI investment and datacenter buildout, as memory content and value share rise further in next-generation AI architectures.

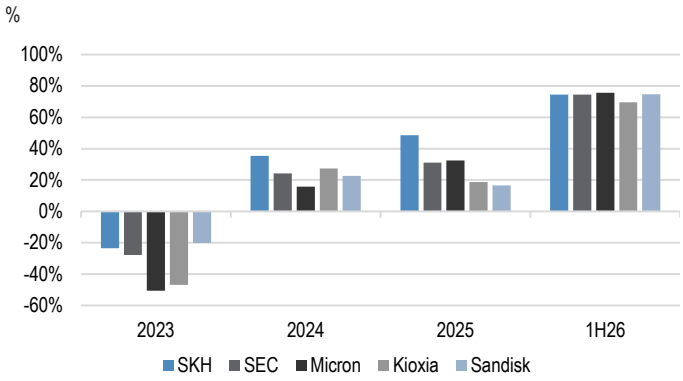
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Figure 21: Memory server revenue mix comparison



Source: Company data. Note: MU server mix not available in 2023/2023.

Figure 22: Memory OPM comparison

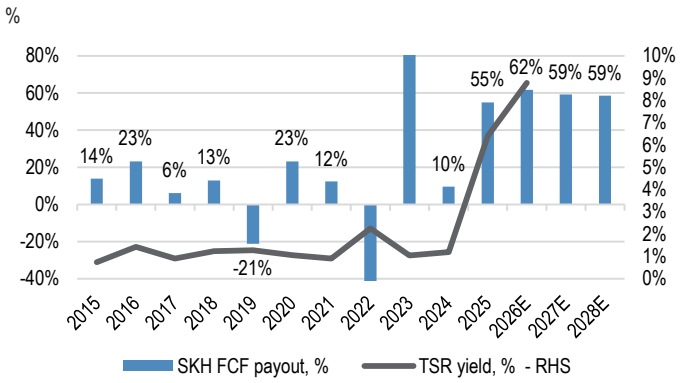


Source: Company data.

Key positive #3: Favorable total shareholder return trend

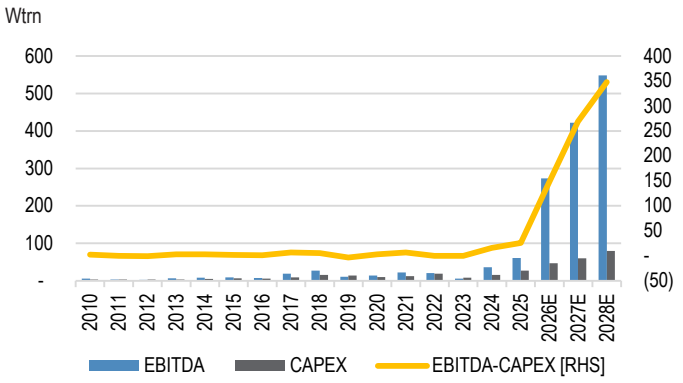
SK hynix is now benefiting from a 'higher-for-longer' memory cycle, and management has demonstrated a clear commitment to returning excess earnings to shareholders. This is evidenced by the recent policy shift, lifting the shareholder return pool from 'within 50%' to 'above 50%' of cumulative free cash flow (FCF), alongside a substantial buyback and cancellation program. As a result, both payout ratios and total shareholder return (TSR) yields are expected to remain extremely attractive in the coming years, providing investors with greater visibility and confidence in capital returns. We view this progressive approach to shareholder distributions as a key catalyst for a valuation re-rating, aligning SK hynix with global best practices and reinforcing the company's conviction in the durability of its earnings cycle.

Figure 23: SKH FCF payout and TSR yield



Source: Company data, J.P. Morgan estimates. Note: 2022/23 FCF payout not meaningful

Figure 24: SKH EBITDA-capex trend



Source: Company data, J.P. Morgan estimates.

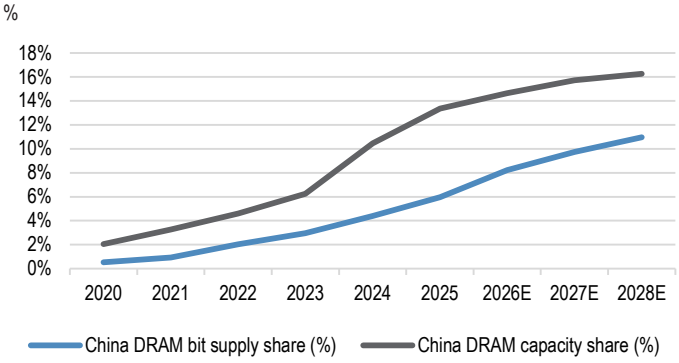
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Investment negatives

Key negative #1: Rising China competition

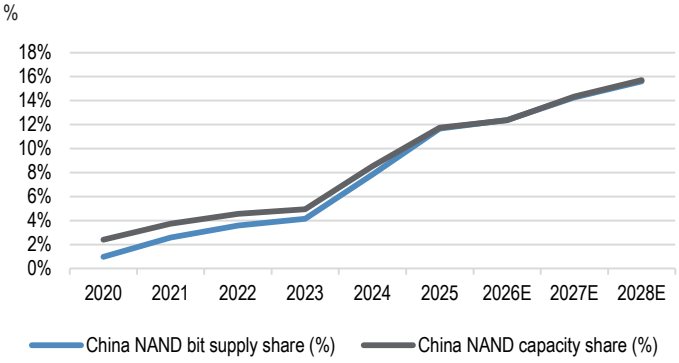
In the past memory up-cycle, China competitors' bit supply share was very low and it barely had an impact on S-D as well as pricing dynamics. During the 2022-23 down-cycle, CHN memory suppliers continued to add capex and their above industry capacity add has resulted in them taking 8%/12% bit supply share each in NAND/DRAM as of today. Due to technology gaps and customer access, we see CHN suppliers as mainly addressing the B2C market and the broader China server compute market. However, faster-than-expected product qualification improvements could result in unexpected competition, in our view. We believe CHN DRAM producers' key focus lies in developing HBM products for the local China AI chips ecosystem, and higher wafer loading to HBM could help sustain conventional DRAM S-D tightness for a longer period.

Figure 25: China DRAM bit and capacity share



Source: Company data, J.P. Morgan estimates.

Figure 26: China NAND bit and capacity share



Source: Company data, J.P. Morgan estimates.

Key negative #2: Limited visibility surrounding fungibility

We expect further ADR issuance and fungibility to narrow the ADR premium given our view that the scarce ADR liquidity (SKH ADR 30%+ premium with 2.5% of ADR float) has created a segmented market where incremental US demand has moved the ADR price disproportionately. For reference, the TSMC ADR has traded at a ~9% premium to the local line over the past decade, supported by a materially larger ADR presence (~20%+ ADR float), which enables tighter arbitrage and more efficient price discovery.

SK hynix management has indicated an intent to open up additional shares for ADR listing over the long term, and we expect the company to broadly follow this playbook, targeting a DD% ADR mix over time. We expect an update on the ADR listing roadmap at the 3Q26 earnings conference (late October); as fungibility impro
increases, we anticipate the ADR premium to compress, which coul
negative catalyst for SKHY's relative performance versus the local
we remain constructive on SKHY in absolute terms: we expect the u
appreciate on fundamental strength and an LTA/shareholder-return-
rating, lifting the ADR even if the premium narrows.

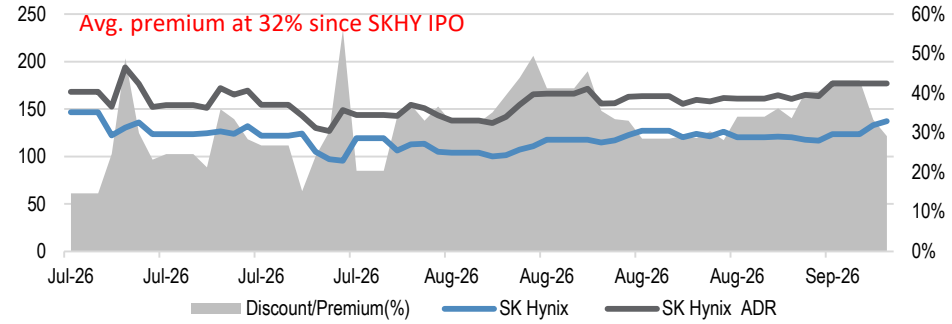
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Figure 27: SKH ADR premium/discount to local share

US$, % - RHS



Source: Bloomberg Finance L.P.

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Valuation

Price target of US$245 by June-end 2027

Our price target methodology for SK Hynix is based on a P/E multiple as we argue for a stable earnings cycle under the higher-for-longer thesis. Compared to the local line, ADR shares currently trade at a ~30% premium (vs 32% on average since the listing). As the basis of our SKHY PT is based on SK Hynix (000660.KS) local line shares, we apply a 20% valuation premium to derive the ADR shares' fair value per share. A 20% premium is consistent with TSMC ADR over local listing premiums since 2024 when the AI capex-driven hardware sector trade began.

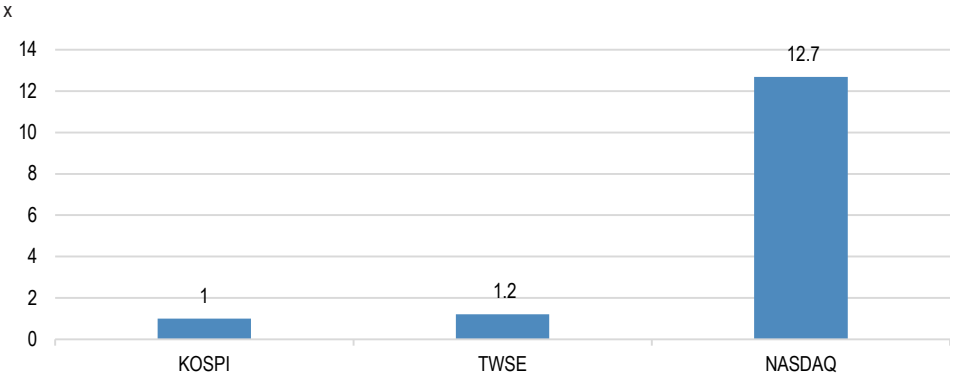
Over the long-term (3-5 year horizon), we anticipate the ADR premium to compress eventually with rising fungibility visibility between local line shares. However, in the near term, we note limited fungibility and global tech investors' preference to own ADR over locally listed shares (regulatory and currency) to keep the ADR share premium at a highly skewed level in the next six to 12 months.

ADR listing opens the door to being traded at a global valuation

We believe SK hynix's ADR listing meaningfully reduces investor friction and opens the door for the stock to be traded at a global standard valuation, similar to how Micron has historically been able to sustain a premium. Out of the multiple benefits that SKH will enjoy from NASDAQ listing, we expect passive/index flows to have a granular impact. Using the KOSPI market cap as a benchmark (US$3.9trn as of Sep-26), the market cap of NASDAQ is 13x of KOSPI (slightly lower than the GDP difference of 16x+ in 2025 - link).

We believe other benefits include : 1) Liquidity (US mega-liquidity plus deep options, lending/borrowing, and relative-value infrastructure makes it easier for investors to express views and for mispricings to be arbitraged quickly); 2) Disclosure cadence (SEC/NASDAQ disclosure ecosystem mandates high frequency, event-driven updates, and broad English language coverage that reduces information friction for global investors and supports higher multiples); and 3) wider investor base (NASDAQ large-cap tech has a deep pool of US growth, quality, and tech-specialist capital).

Figure 28: KOSPI vs TWSE/NASDAQ index market capitalization difference



Source: Bloomberg Finance L.P.

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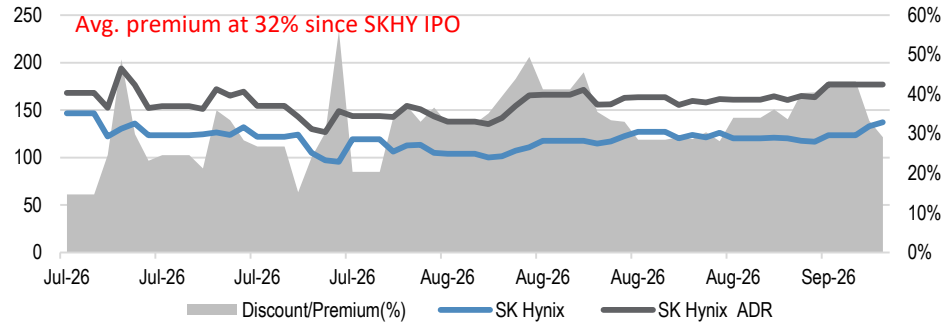
ADR vs Local Share Comparison

Plotting local shares vs ADRs across five different countries/markets, we observe that average premiums/discounts run in the single-digits at most, which highlights the efficient arbitrage that keeps ADR prices closely aligned with underlying local shares. We believe an ADR is likely to trade at a premium or discount to its underlying local shares whenever the normal price-convergence mechanism is disrupted or when S/D for the ADR diverges from the local market. A case in point being TSMC, with the ADR trading at a 16% premium on average since the turn of the year as global investors funnel heavy AI-driven demand into US markets. In addition, the regulatory conversion hurdles, distinct investor bases, and limits to arbitrage prevent the price gap from instantly closing, keeping the premium intact.

SK Hynix launched its ADR offering in July 2026 to tap deep US capital pools to fund aggressive expansion in high-bandwidth memory (HBM) chip factories and to satisfy intense global investor demand driven by the artificial intelligence boom. Following the recent listing, SKH's ADR trades at a ~30% premium to the local shares, which highlights the strong appetite for the AI-driven memory chip maker's shares by global investors. In addition, conversions of local Korean shares into U. ADRs face strict structural and regulatory limits (capped at 2.5% of total outstanding shares), limiting the ability to move shares back and forth to profit from and erase the price gap. Finally, we believe easier access for global investors through US markets will likely keep SKH's ADRs' premium intact.

Figure 29: SKH ADR premium/discount to local share

US$, % - RHS



Source: Bloomberg Finance L.P.

Table 1: Average premium/discount of ADRs vs local shares on a yearly basis since 2017

%

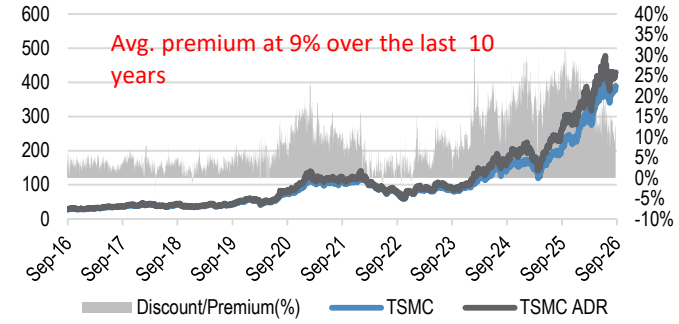
	TSMC	ASE Tech	Infosys	Wipro	Alibaba	Baidu	Sony	Tokyo Electron	Posco Holding	KT Corp	SK Hynix
2017	4%	0%	2%	28%	0%	0%	1%	0%	0%	14%	n.a
2018	3%	-1%	1%	18%	0%	0%	1%	0%	0%	7%	n.a
2019	4%	-1%	1%	8%	0%	0%	1%	0%	0%	2%	n.a
2020	8%	-1%	0%	13%	0%	0%	1%	0%	0%	-1%	n.a
2021	11%	1%	0%	7%	-1%	0%	1%	0%	0%	-1%	n.a
2022	3%	2%	-1%	-1%	-1%	0%	1%	0%	0%	-1%	n.a
2023	7%	7%	0%	-1%	0%	0%	1%	0%	0%	0%	n.a
2024	17%	7%	0%	0%	0%	0%	1%	0%	0%	1%	n.a
2025	22%	1%	0%	-1%	0%	0%	1%	0%	0%	5%	n.a
26 YTD	16%	1%	0%	2%	0%	0%	0%	0%	0%	4%	32%

Source: Bloomberg Finance L.P.

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Figure 30: TSMC ADR premium/discount to local share

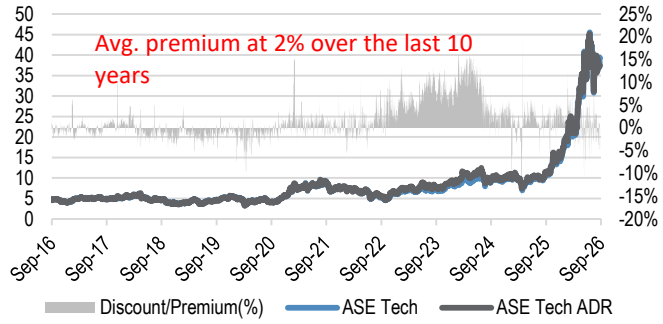
US$, % - RHS



Source: Bloomberg Finance L.P.

Figure 31: ASE Tech ADR premium/discount to local share

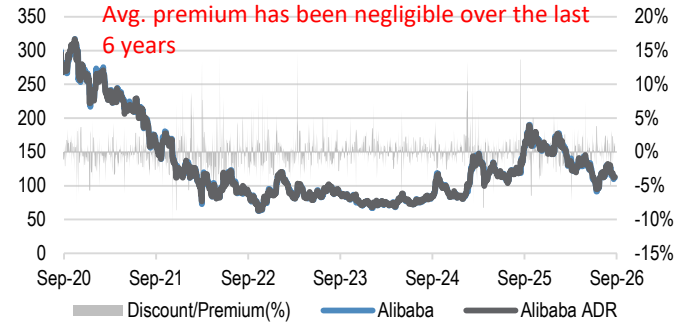
US$, % - RHS



Source: Bloomberg Finance L.P.

Figure 32: Alibaba ADR premium/discount to local share

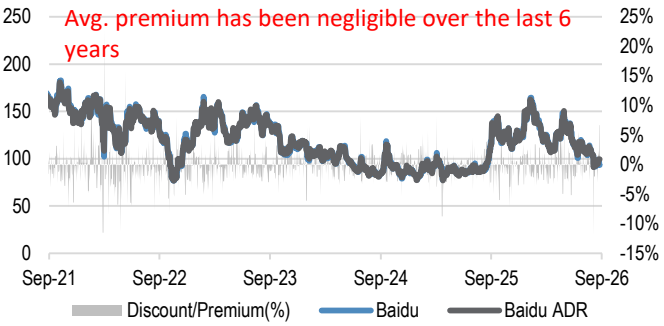
US$, % - RHS



Source: Bloomberg Finance L.P.

Figure 33: Baidu ADR premium/discount to local share

US$, % - RHS



Source: Bloomberg Finance L.P.

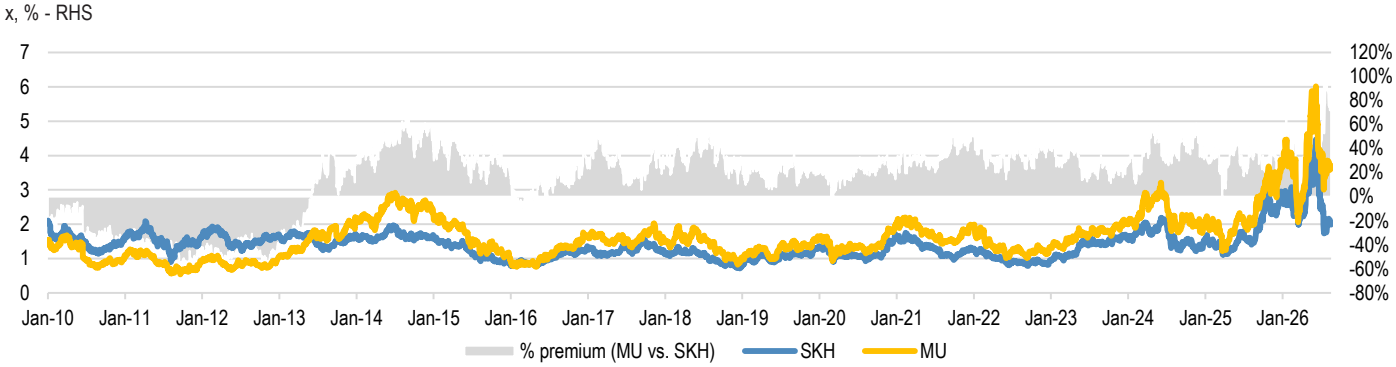
Peer valuation

Micron has often traded at a valuation premium to SK hynix despite broadly comparable exposure to the same structural memory cycle (17% premium since 2010). We believe the premium is more explained by the market structure (i.e., US-centric investor base and passive flows, deeper liquidity/derivatives, and a faster disclosure/price-discovery cadence) than by through-cycle earnings power or shareholder return policies.

We note incremental positive evidence of SKH improving shareholder returns (lifting shareholder return pool from <50% FCF to >50% of accumulated FCF), and we expect longer-cycle earnings durability to drive a valuation re-rate. We expect SKHY's valuation to re-rate as return visibility improves and investor frictions decline. Today, SKHY trades at 5.8x FTM P/E vs MU at 6.5x (an 11% discount). Comparing SKHY vs the local line, we expect the premium to narrow over time as fungibility/linkage improves (29% as of today vs TSMC ADR trading at a 9% premium over the local line in the past 10Y).

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Figure 34: SKH vs MU FTM P/B trend and % difference

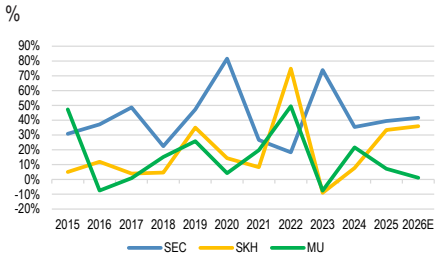


Source: Bloomberg Finance L.P.

Memory TSR yield comparison

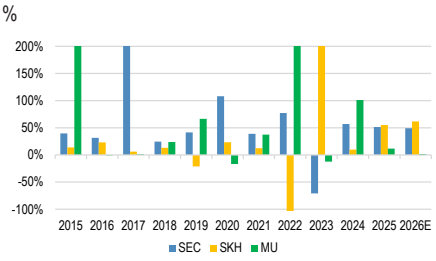
The TSR history highlights how inherently volatile memory-sector cash returns have been on an annual basis: TSR yield has typically swung in a relatively modest ~1-6% range year-to-year, with frequent step-ups/step-downs that largely mirror the cyclicality and timing mismatch of memory earnings and cash generation (dividends/ buybacks tend to lag peak/trough profitability). Within the peer set, SEC has generally delivered the highest TSR yield over time (with the notable exception of 2021-2023, when the payout comparison was distorted by the sector's downturn dynamics and earnings compression), thanks to the diversified and defensive business nature and consistent with the company's 3-yr shareholder return policy that started in 2015.

Figure 35: Big 3 NI payout ratio



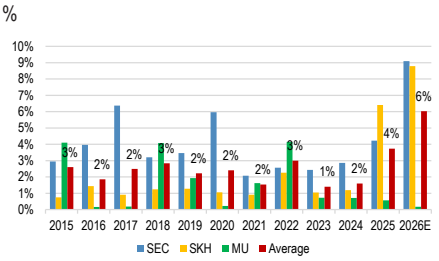
Source: Company data, J.P. Morgan estimates.

Figure 36: Big 3 FCF payout ratio



Source: Company data, J.P. Morgan estimates.

Figure 37: Big 3 TSR yield ratio



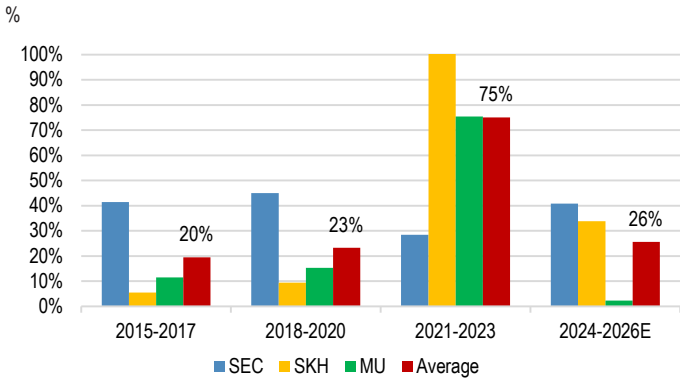
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: TSR yield calculated by annual TSR over average market cap.

Looking at the figures on a 3-year 'regime' basis (2015-17/2018-20/2021-23/2024-26E) and the trailing 3Y/5Y/10Y summaries, we see a broadly consistent message: memory capital returns are highly cycle-dependent, but the direction of policy ambition has shifted materially. SK hynix's payout behavior (both NI and FCF) has been meaningfully more shareholder-friendly, and we read the recent trajectory as SK hynix explicitly trying to converge towards a 'global standard of capital returns (i.e., structurally higher and more predictable dividends/buybacks through the cycle rather than purely residual, late-cycle distributions).

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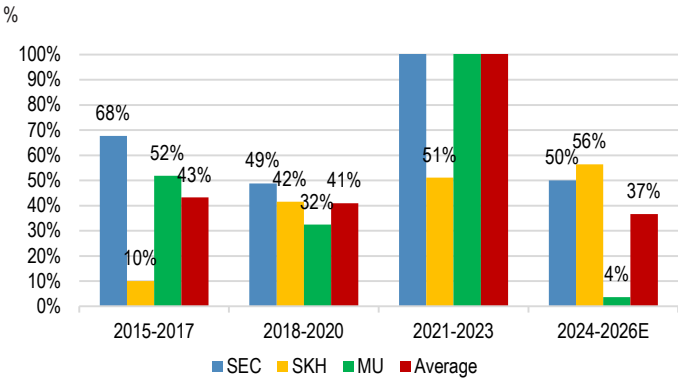
SK hynix's latest shareholder return update is a clear signal of increased policy ambition: management lifted the shareholder return pool from 'within/under 50%' of accumulated FCF to above 50% alongside a large near-term buyback/cancellation action, which we view as a key catalyst that can help re-rate SK hynix from an historically compressed, cycle-skeptical multiple towards a higher valuation regime, as investors gain confidence that earnings durability is being translated into visible, repeatable cash returns.

Figure 38: Big 3 NI payout ratio segmented in three years



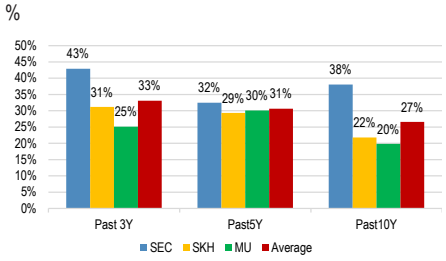
Source: Company data, J.P. Morgan estimates.

Figure 39: Big 3 FCF payout ratio segmented in three years



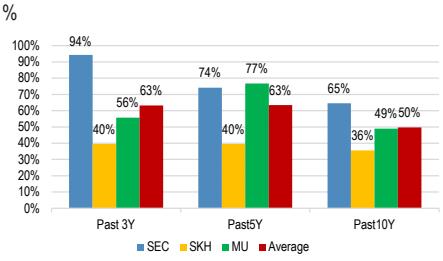
Source: Company data, J.P. Morgan estimates.

Figure 40: Big 3 NI payout ratio in the past 3Y/5Y/10Y



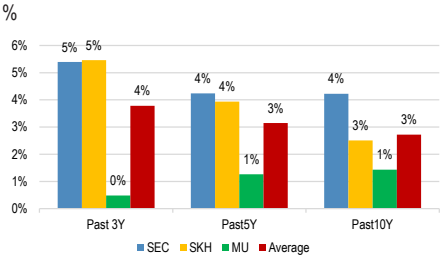
Source: Company data, J.P. Morgan estimates. Note: Past 3Y = 2023-25, Past 5Y = 2021-2025, Past 10Y = 2016-25

Figure 41: Big 3 FCF payout ratio in the past 3Y/5Y/10Y



Source: Company data, J.P. Morgan estimates. Note: Past 3Y = 2023-25, Past 5Y = 2021-2025, Past 10Y = 2016-25

Figure 42: Big 3 TSR yield ratio in the past 3Y/5Y/10Y



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: (1) Past 3Y = 2023-25, Past 5Y = 2021-2025, Past 10Y = 2016-25; (2) Average of TSR in respective years

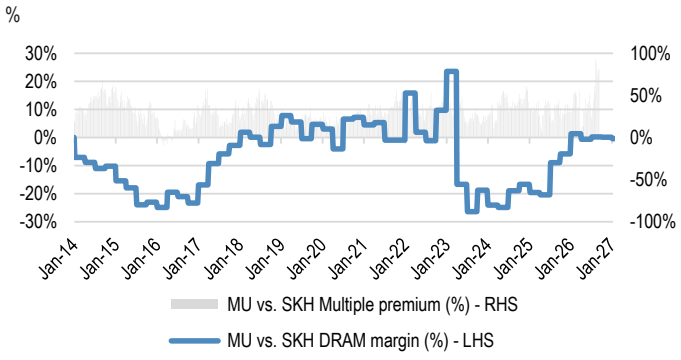
SKH vs MU fundamentals vs valuation

Micron has historically traded at a valuation premium to SK hynix (~17% since 2010), and that premium has widened materially in recent months (70%+ over the past ~3 months), a gap we view as difficult to reconcile with fundamentals alone. SK hynix has delivered stronger profitability metrics in the current cycle (including better DRAM margin in 2024–26), yet still screened at a discount; similarly, even as SK hynix printed higher absolute operating profit, the valuation further widened rather than narrowed.

With SKHY now listed, we expect incremental global access, improved liquidity, and better peer comparability to help compress the valuation gap versus Micron over time. We do not assume SKHY will immediately converge to MU's multiple given structural differences (corporate governance, inherent differences between a Korea-based vs US-based company, investor base, etc.), but we believe the current ~20% dislocation should narrow.

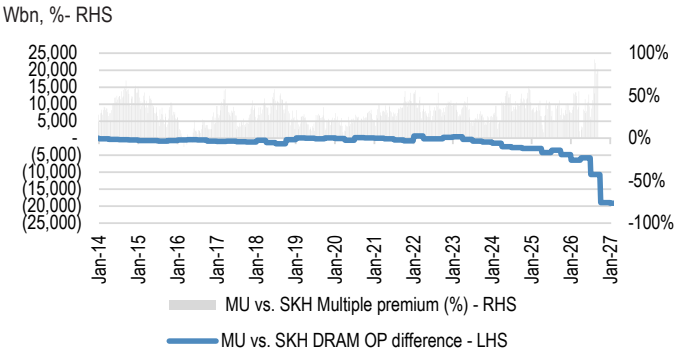
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Figure 43: MU vs SKH: DRAM margin vs multiple premium



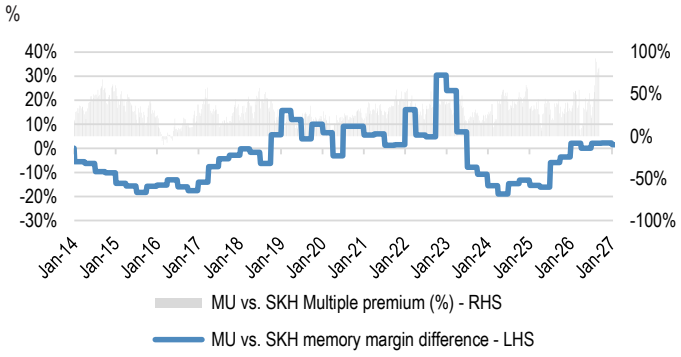
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 44: MU vs SKH: DRAM OP vs multiple premium



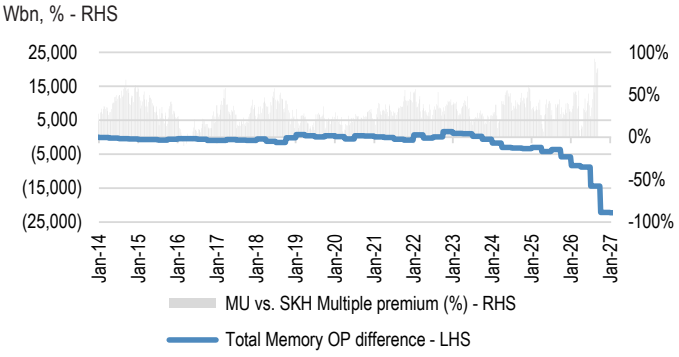
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 45: MU vs SKH: Memory margin vs multiple premium



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 46: MU vs SKH: Total OP vs multiple premium



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

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Valuation Comparison Table

Table 2: Valuation comparison table for the memory ecosystem

Company	Ticker	Price (LC)	Market Cap (US$ M)	Revenue			Revenue growth Y/Y			P/E(x)			EPS growth Y/Y			P/B(x)			ROE (%)			YTD perf. (%)
				FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	
Pure DRAM																						
Nanya Technology Corp	2408 TT	531	58,092	1,986	11,277	17,546	87%	468%	56%	666.2	8.1	5.1	-151%	8083%	59%	9.9	4.5	2.5	2%	73%	61%	175.1
Winbond Electronics Corp	2344 TT	188	26,826	2,803	8,872	15,538	10%	216%	75%	216.1	7.3	3.6	301%	2879%	103%	8.4	3.6	1.9	4%	64%	70%	127.6
Average										**441.2**	**7.7**	**4.4**	**75%**	**5481%**	**81%**	**9.2**	**4.1**	**2.2**				**151.4**
Pure NAND																						
Sandisk Corp	SNDK US	1,740	254,769	7,271	19,978	48,826	9%	175%	144%	644.7	26.3	8.2	n.a	2355%	220%	27.6	13.7	7.2	3%	61%	97%	633.0
Kioxia Holdings Corp	285A JP	57,550	205,250	14,385	64,217	83,945	93%	346%	31%	60.6	5.6	4.1	n.a	983%	37%	24.5	4.9	2.6	53%	140%	87%	451.5
Average										**352.7**	**15.9**	**6.2**	**n.a**	**1669%**	**128%**	**26.1**	**9.3**	**4.9**				**542.3**
Memory																						
Samsung Electronics Co Ltd	005930 KS	269,500	1,171,420	72,063	114,772	138,286	16%	59%	20%	42.5	5.6	3.8	29%	656%	48%	4.3	2.5	1.6	10%	53%	49%	123.8
SK hynix Inc	000660 KS	1,792,000	973,258	66,548	259,026	402,767	37%	289%	55%	31.3	5.1	3.8	132%	509%	34%	11.3	3.4	1.8	44%	101%	63%	174.8
Micron Technology Inc	MU US	1,017	1,148,130	37,177	129,338	249,259	48%	248%	93%	126.0	14.0	6.7	558%	803%	109%	21.7	8.6	3.9	17%	74%	71%	256.2
Average										**66.6**	**8.2**	**4.8**	**345%**	**656%**	**72%**	**12.5**	**4.8**	**2.5**				**185.0**
HDD																						
Western Digital Corp	WDC US	467	161,125	9,380	12,928	19,125	48%	38%	48%	89.0	47.1	23.4	-1041%	89%	101%	29.2	16.5	13.5	25%	50%	73%	171.4
Seagate Technology Holdings PL	STX US	849	192,487	9,073	12,040	18,739	38%	33%	56%	106.9	57.0	23.8	693%	88%	140%	n.a	102.4	22.9	n.a	339%	144%	208.4
Average										**97.9**	**52.0**	**23.6**	**-174%**	**88%**	**120%**	**29.2**	**59.5**	**18.2**				**189.9**
Controllers																						
Phison Electronics Corp	8299 TT	2,085	14,622	2,297	8,558	11,261	25%	273%	32%	54.5	5.2	6.4	22%	938%	-18%	8.2	3.3	2.5	16%	83%	40%	43.8
Marvell Technology Inc	MRVL US	224	196,031	5,753	8,178	11,924	4%	42%	46%	143.1	78.8	53.6	3%	82%	47%	14.3	13.3	10.9	-1%	3%	18%	163.1
Silicon Motion Technology Corp	SIMO US	256	8,688	866	1,870	2,378	8%	116%	27%	71.4	23.0	17.4	10%	211%	32%	10.0	6.9	4.9	14%	38%	35%	176.4
WFE/SPE										**89.7**	**35.7**	**25.8**	**6%**	**146%**	**40%**	**10.9**	**7.9**	**6.1**				**127.7**
Applied Materials Inc	AMAT US	455	360,857	28,240	34,458	46,804	4%	22%	36%	48.6	35.0	24.6	10%	39%	42%	18.9	13.8	10.9	38%	43%	50%	76.9
KLA Corp	KLAC US	186	242,495	12,058	13,524	18,193	23%	12%	35%	57.1	50.1	33.9	40%	14%	48%	59.9	40.0	23.0	110%	91%	87%	52.7
Lam Research Corp	LRCX US	308	384,969	18,262	23,200	34,780	23%	27%	50%	76.6	54.1	32.4	35%	42%	67%	38.5	32.9	19.3	54%	67%	79%	79.7
Tokyo Electron Ltd	8035 JT	54,290	165,233	15,199	21,054	26,175	20%	39%	24%	45.3	32.5	23.8	3%	39%	37%	12.0	10.3	8.6	28%	35%	40%	58.2
ASM International NV	ASM NA	862	49,438	3,750	4,818	6,194	18%	28%	29%	58.7	37.2	28.7	11%	58%	30%	10.4	8.6	6.9	18%	24%	25%	66.6
Teradyne Inc	TER US	357	55,818	3,075	5,052	6,237	9%	64%	23%	101.1	40.5	31.2	11%	150%	30%	19.1	15.0	12.2	19%	42%	42%	84.5
Advantest Corp	6857 JT	33,880	161,270	5,260	6,745	11,059	56%	28%	64%	144.4	73.6	37.3	162%	96%	98%	47.7	34.4	19.6	36%	55%	61%	72.5
Average										**60.8**	**46.4**	**30.3**	**87%**	**123%**	**64%**	**39.1**	**28.9**	**17.7**				**70.2**

Source: Bloomberg Finance L.P. Note: Share price as of 8th of Sep 2026.

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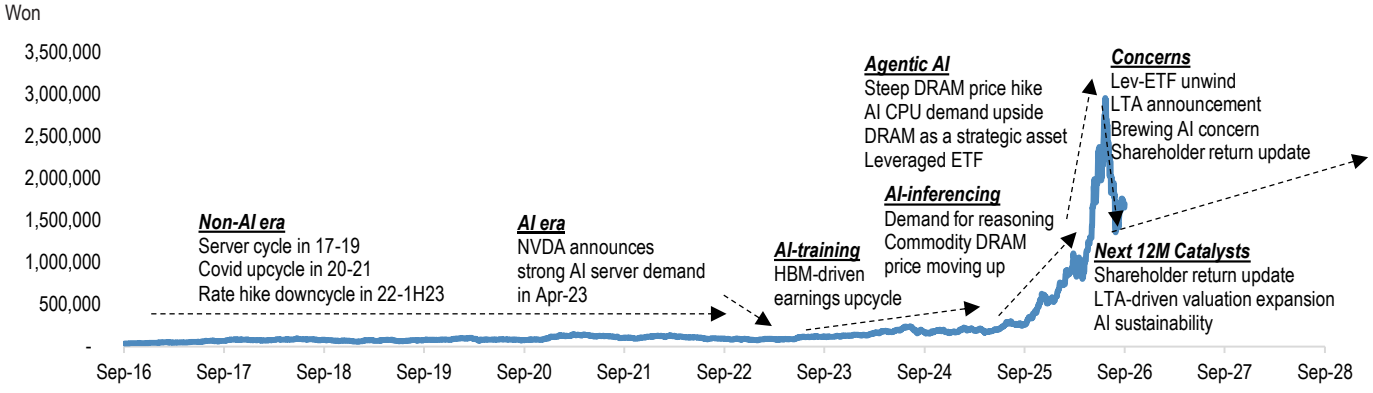
Share price analysis

Share price history analysis

During the pre-AI era, SK Hynix traded through the ASP cycles which can be summarized through the traditional server cycle (17-19), the Covid cycle (2020-2021), and the rate hike downcycle (2022-1H23). In retrospect, during the pre-AI era, the share price seemed to trade in a relatively range-bound manner, but the volatility was as intense as we see in the AI-era, in our view. The first clear inflection occurred in 2023 ('AI era'), when the market began to price a structurally different demand regime tied to AI servers and accelerated memory intensity, moving the stock into a new uptrend. As the cycle progressed into 2024–2025 ('AI-training'), the stock's slope steepened materially as HBM became the centerpiece of the earnings upcycle and investors increasingly treated the name as a 'pure play' on AI hardware scarcity rather than a late-cycle memory beta. SK Hynix's monopoly share in HBM3 and the technology leadership in HBM3E helped the stock outperform relative to peers along with the memory upcycle lasting longer than the previous cycles (typically upcycles have lasted 7-8 quarters).

In 2025–mid-2026 ('Agentic AI era'), SK Hynix shares demonstrated a near-parabolic leg as the debate broadened from GPUs to include AI CPU demand upside and framing 'DRAM as a strategic asset', reinforced by a rising leveraged/ETF participation backdrop – conditions that typically amplify both upside momentum and subsequent drawdowns, due largely to the short gamma exposure. The reversal in mid-2026 is equally notable, which we attribute to the leveraged-ETF unwind, the LTA announcement interpretation, broader AI sustainability worries, and focus on shareholder return timing. In the contemporaneous narrative, the stock was down roughly half from the June peak at one point, with additional air pockets driven by negative headline clusters (i.e. HBM content adjustment and pricing uncertainty, capital allocation questions, and large infrastructure capex). The late-August pivot comes from capital return credibility – most visibly the announced W40trn buyback/cancellation – shifting the next 12 months' framing toward shareholder-return updates, LTA-driven earnings conviction and valuation support, and proving AI capex durability rather than re-litigating near-term HBM spec changes.

Figure 47: SKH: Share price and event history



Source: Bloomberg Finance L.P., J.P. Morgan estimates

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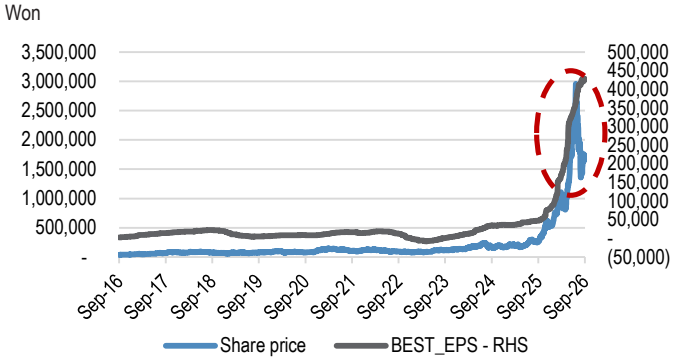
Share price vs BBG EPS consensus

Historically, SK hynix's shares have tracked the consensus EPS revision cycle, which is largely a function of the memory ASP trend: when DRAM/NAND pricing inflects higher (lower), earnings estimates rise (fall), and the stock typically anticipates that change ~1-2 quarters ahead of the eventual EPS peak or trough. Zooming into the pre-AI era, the linkage is visually tight – share price swings lead the earnings revision curve as the market discounts the next turn in pricing and margins before it is fully captured in reported EPS.

In the current cycle, however, we see a clear detachment: consensus forward EPS has remained elevated/continued to be revised, while the share price has corrected sharply and has been slower to re-rate. We attribute this gap to several overlapping forces: 1) Investors are debating whether rising LTA penetration smooths cyclicality but caps near-term upside, de-sloping earnings 'torque'; 2) The market likely discounting 27E memory earnings durability more aggressively than in prior cycles due to the brewing AI and macro concerns that may impact AI capex deployment; and 3) Limited room for another meaningful EPS upward revision given margins are already at historical highs (80%+), pointing to ASP deceleration or a peak-out.

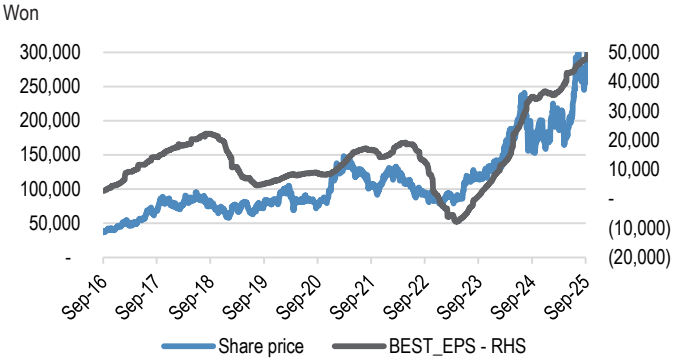
We agree that the magnitude of EPS upward revisions will likely be more modest going forward (compared to the past 1 year) as earnings expectations have already been raised meaningfully. Our differentiated view is that valuation can still expand as LTAs improve the market's confidence in through-cycle earnings, and shareholder return policy provides tangible support; once investors regain conviction in 27E earnings durability, we expect the share price to appreciate accordingly.

Figure 48: SKH: share price vs consensus EPS estimates (1yr forward blended average)



Source: Bloomberg Finance L.P.

Figure 49: SKH: share price vs consensus EPS estimates (1yr forward blended average - from Sep-15 - Sep-25)



Source: Bloomberg Finance L.P.

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Key share price drivers and catalysts

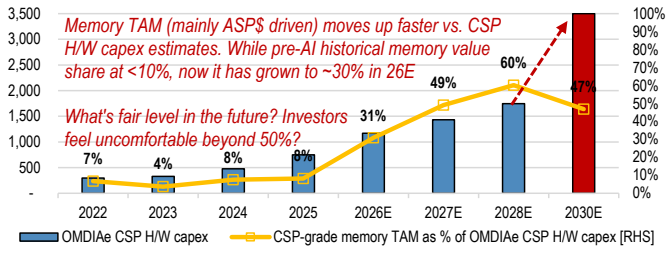
Industry driver (1): Datacenter infrastructure capex trends and memory value share

Memory industry used to earn <10% of datacenter hardware capex spending in the pre-AI era, and we forecast the value share to rise to 30% this year following robust price inflation. Thanks to rising demand (we estimate DRAM/NAND bit demand to CSP will grow at 60%/58% y-y next year) and a solid pricing environment (steady pricing trend continuing from 2026 year-end), we expect another value share gain next year.

While investors acknowledge the ongoing S-D shortage and greater value share gain potential, investors express concerns on the concentration risk. We believe current CSP hardware capex spending consensus estimates do not properly reflect memory inflation and the value share % will eventually be reset around 40%. While there is no fair value share consensus among investors, the fact that the AI memory % share in CSP capex is nearing 50% makes the memory long-term thesis less compelling, in our view. Therefore, value share % normalization to a more realistic level would be taken positively to the share price, in our view.

Figure 50: CSP capex and AI memory % share

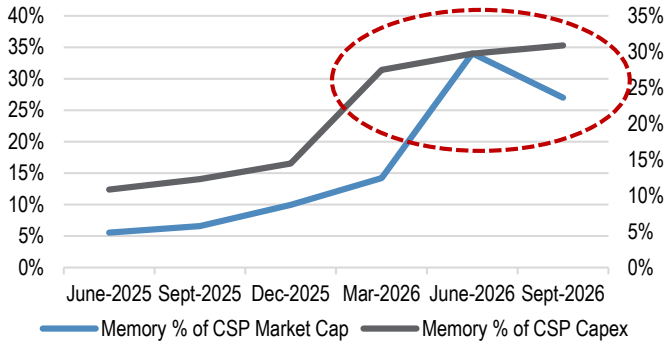
US$bn, % - RHS



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 51: Memory as a % of CSP capex/mkt cap

%



Source: OMDIA, Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

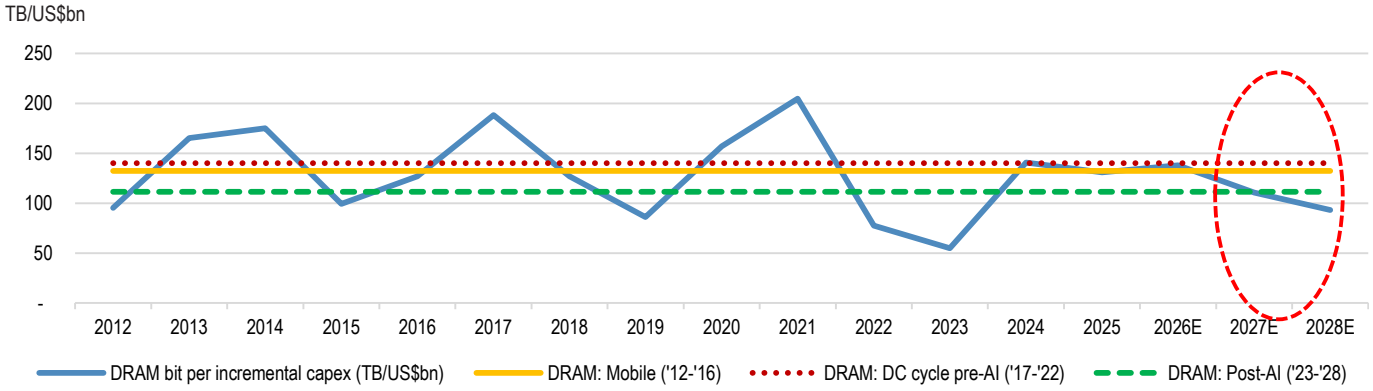
Industry driver (2): Memory suppliers' capex spending trends

During a downturn (6-12 months prior to the trough point), capex cuts and production controls are usually taken as positive to memory stocks. From the trough to the beginning of price appreciation, capex spending barely impacts stock sentiment of investors. At the mid-point of the up-cycle, capex spending for new technology and share gains are welcome news; however, simple capacity expansion is slightly negative to the share price. Capex spending matters the most as we enter the peak of the up-cycle as investors turn nervous about the end demand visibility (i.e. whether strong demand continues or not and memory makers historically have made multiple poor judgment on their capacity expansion).

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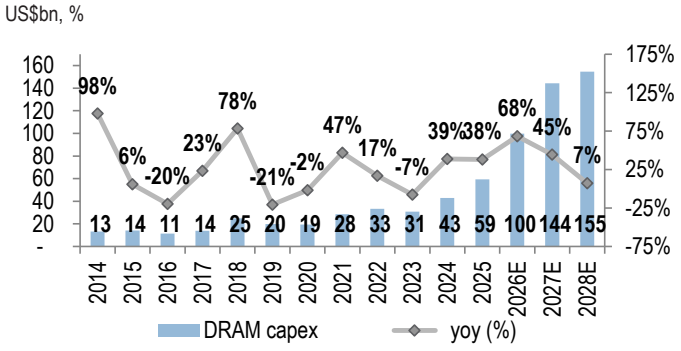
This is also deeply related to how investors perceive the cycle – whether cyclical or secular. A series of capex spending increase announcements from memory makers were taken as a negative sign of a lack of supply discipline, despite the worsening S&D outlook into 27E-28E. This is a classic expectation vs reality mismatch view of the dispersion in the market and we believe it will take time for the market to realize the capex spending is a necessary tool to address the unprecedented shortage. In our recent Global Memory Market report (Link), we highlighted that bit per wafer productivity is deteriorating for every new US$1bn of capex spent on DRAM. This will significantly reduce the risk of bit oversupply vs the past. Therefore, we view the capex spending increase to be a more neutral signal to the share price rather than a negative narrative.

Figure 52: DRAM bit per incremental capex trend



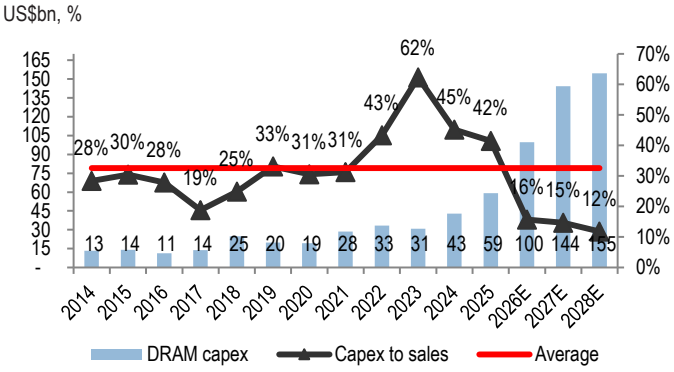
Source: Company data, WSTS, J.P. Morgan estimates.

Figure 53: DRAM capex and Y/Y trend



Source: Company data, J.P. Morgan estimates.

Figure 54: DRAM capital intensity

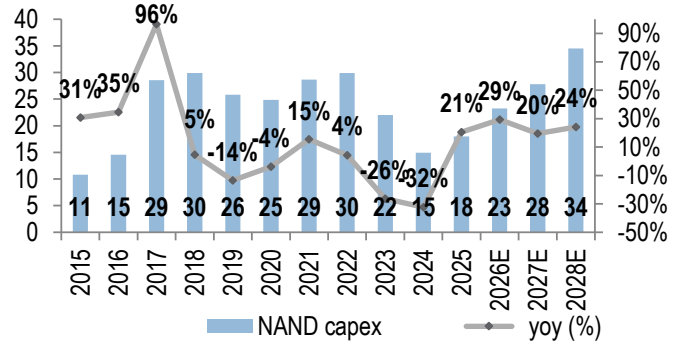


Source: Company data, J.P. Morgan estimates.

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Figure 55: NAND capex and Y/Y trend

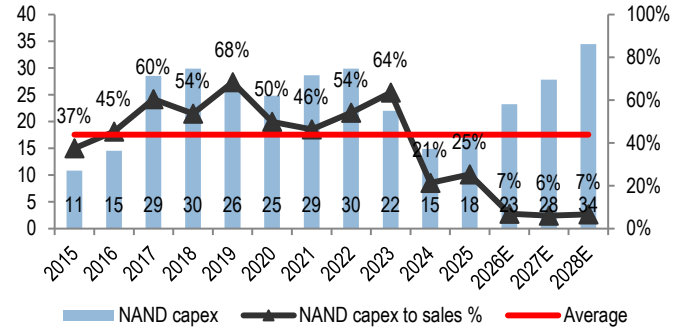
US$bn, %



Source: Company data, J.P. Morgan estimates.

Figure 56: NAND capital intensity

US$bn, %



Source: Company data, J.P. Morgan estimates. Note: Average from 2011-25.

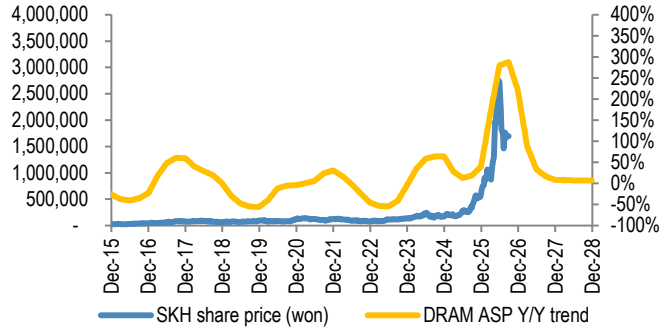
Industry driver (3): Memory spot and contract prices vs. share price

Although the majority (high-90%) of total memory products are under 'contract-based' transactions, investors continue to follow spot prices (available on Bloomberg or third party research) to gauge memory stock sentiment. Spot pricing trends or spreads over publicly available contract prices indicate the memory pricing direction and are reflected in memory stocks.

Going forward, due to the rise in LTA mix, we expect to see a lower correlation between spot/contract pricing and memory stocks. Nevertheless, we believe investors are likely to follow the pricing trend.

Figure 57: SKH share price vs DRAM ASP trend (From Sep-16 - YTD)

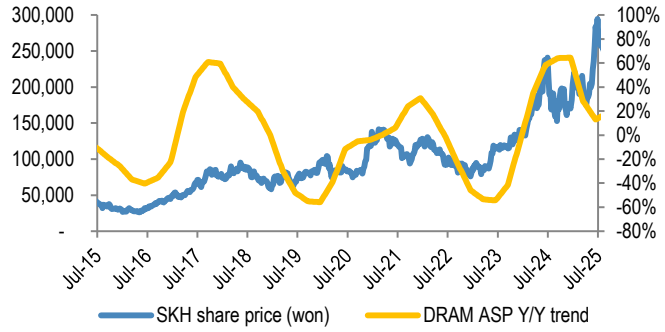
Won, % - RHS



Source: Bloomberg Finance L.P., WSTS, J.P. Morgan estimates; Note: Industry blended DRAM ASP.

Figure 58: SKH share price vs DRAM ASP trend (from Sep-15 - Sep-25)

Won, % - RHS

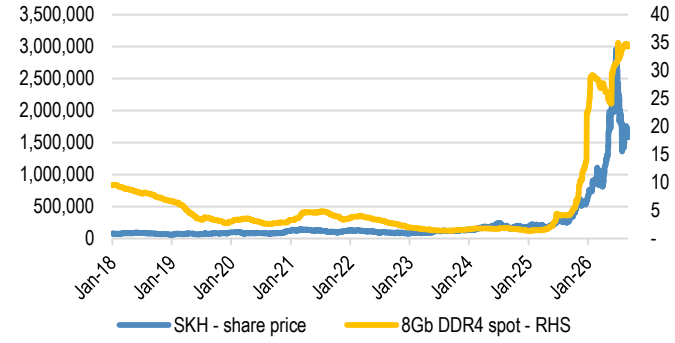


Source: Bloomberg Finance L.P., WSTS, J.P. Morgan estimates; Note: Industry blended DRAM ASP.

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Figure 59: SKH share price vs DRAM spot price

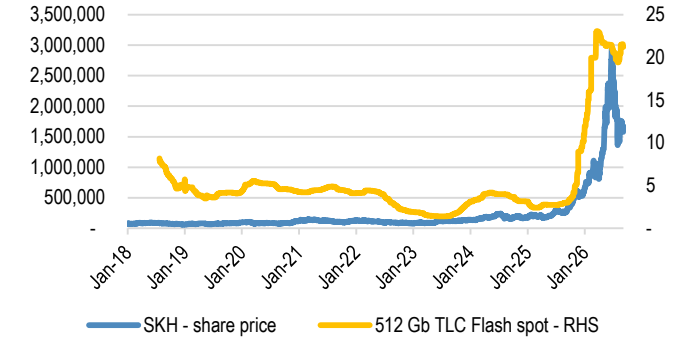
Won, US$ - RHS



Source: Bloomberg Finance L.P.

Figure 60: SKH share price vs NAND spot price

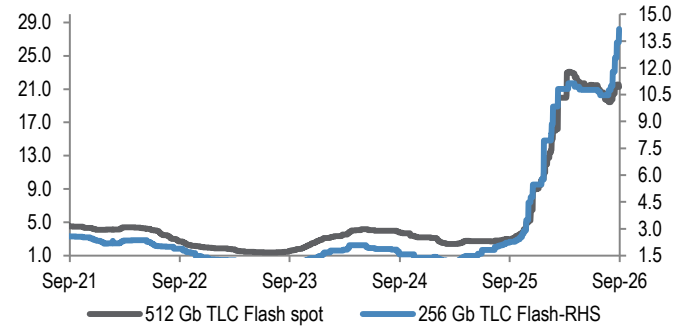
Won, US$ - RHS



Source: Bloomberg Finance L.P.

Figure 61: NAND spot price trend

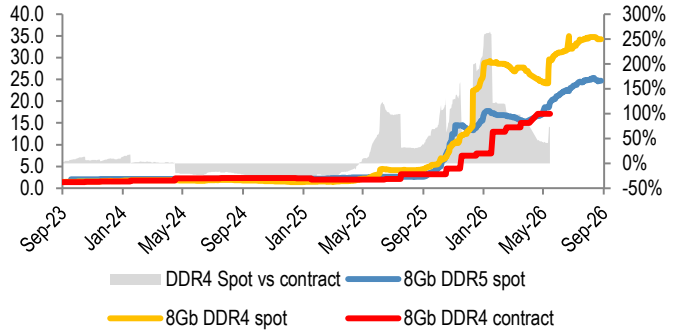
US$



Source: Bloomberg Finance L.P.

Figure 62: 8Gb DDR4 spot vs contract price trend

US$/8Gb, % - RHS



Source: Bloomberg Finance L.P. Note: Inspectrum 8Gb DDR4 contract n.a. from Jun-26.

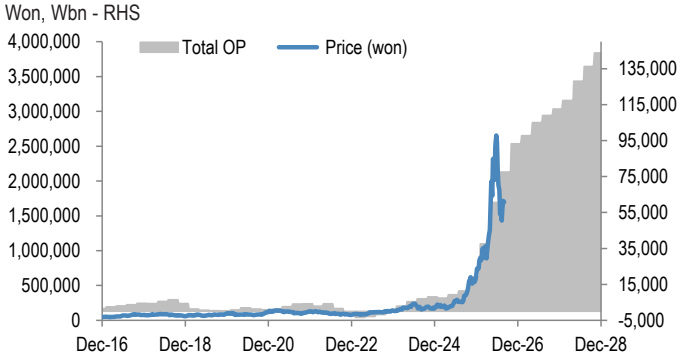
Company-specific driver (1): Quarterly absolute OP vs OP Y-Y trend vs share price

Memory stocks show a high correlation between quarterly OP y-y trend (output of the memory price y-y changes). Sequential (m-m or q-q) and relative EPS beats against consensus are also perceived as relevant drivers; however, the stock tends to show a higher correlation with y-y momentum. During past cycles when memory was largely viewed to be a cyclical stock, y-y momentum peak-out had a very high implication to when stocks would peak out.

While SKH's share price has fallen 38% from the recent peak in June (vs. Kospi -22%) for multiple reasons, many investors also pointed to slowing y-y momentum as one of the reasons behind the correction. However, we would argue that the memory industry is entering into a higher-for-longer up-cycle and the durability of the cycle matters more to the stock. Therefore, we recommend investors focus on absolute quarterly earnings (or revenue) as the more relevant share price driver, going forward.

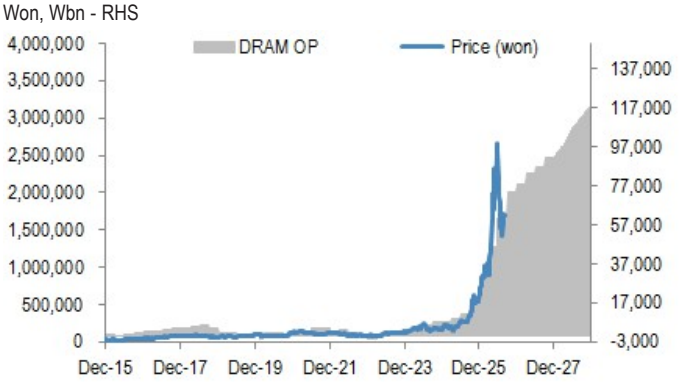
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Figure 63: Share price vs quarterly OP trend



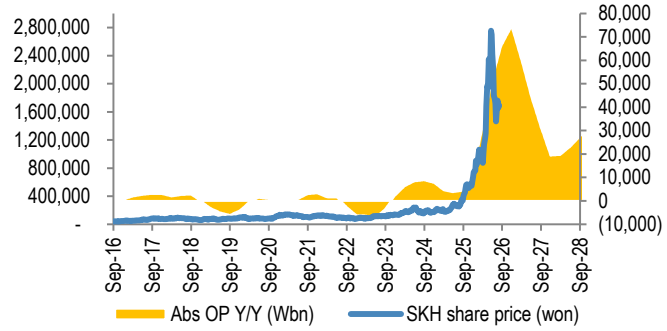
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 64: Share price vs quarterly DRAM OP trend



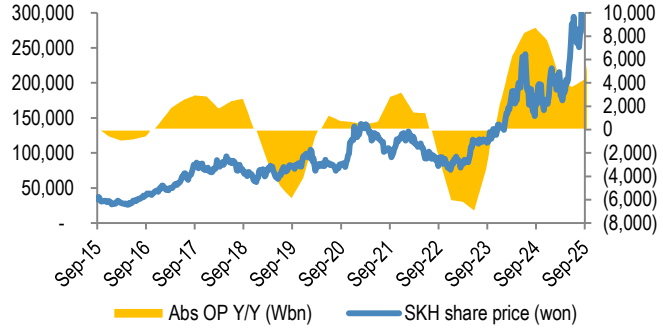
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 65: Share price vs absolute total OP Y/Y trend (From Sep-16 - YTD)



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 66: Share price vs absolute total OP Y/Y trend (From Sep-15 - Sep-25)



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Co-specific driver (2): New technology development: custom HBM and HBF

Frontier model lab's new AI model cadence and GPU producers' new AI chip H/W platform cadence move very fast. From a training-intensive platform (more compute-bound), the key focus has now shifted to an inference/agentic-AI-intensive platform (more bandwidth-bound). This impacts the required memory product specs (across HBM, DIMM, and eSSD) and it influences stock sentiment quite considerably (e.g. content de-spec narrative). As a result, investors are again focusing on the secular element within memory and looking into the tech leadership of related products.

Different memory suppliers are involved with key customers on various custom (bespoke) HBM product line-ups for the next 2-3 years and are strengthening their logic die design capability. SKH believes its strong partnerships with TSMC and NVDA give it an edge over competitors from a product engagement perspective. In parallel, the company is also discussing various configurations for ASIC customers and new products from 2028E are likely to be based on a custom HBM solution. The company also released its plans to work on HBF industry standard together with SNDK and Google, and such a development will be an important milestone to watch, in our view.

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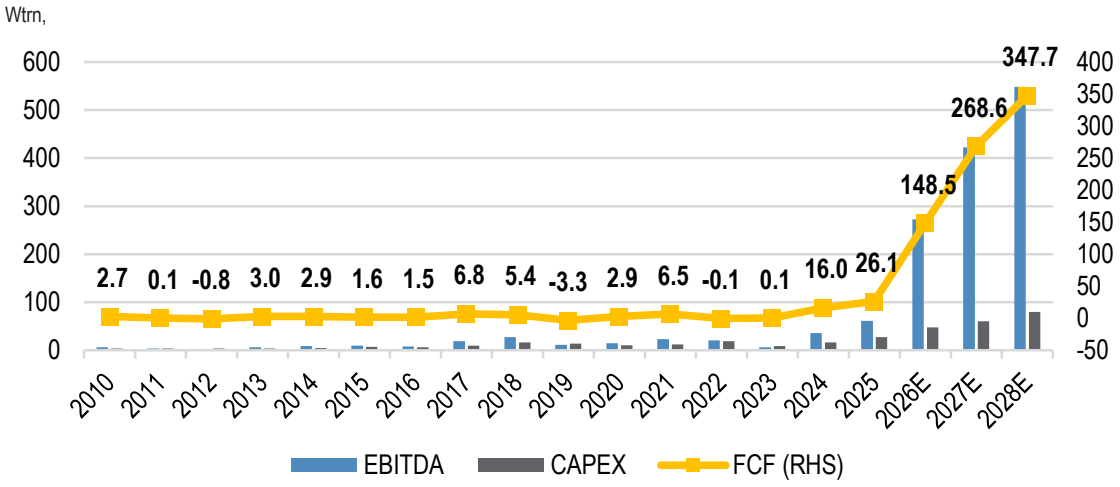
Co-specific driver (3): Shareholder returns and capital allocation policy update

SKH renewed its shareholder return policy from the previous up to 50% of FCF redistribution to 50% or more of FCF payout via an official filing on Aug 20 (link) and announced a W40T share buyback followed by cancellation. Compared to US memory makers' policy (100% of excess cash), many investors view Asian memory (incl. SKH) shareholder returns to be somewhat less favorable and point to it as a key reason for the underperformance in the last two months.

We would like to note that the definition of excess cash is opaque and there are indeed many moving variables such as preserved capex requirements, working capital, and other variables (e.g. M&A). Therefore, simply comparing 100% excess cash vs SKH's policy might not be a fair comparison. The company does not limit its shareholder return solely to 50% and has clearly communicated that it could be well above 50%. Of note, SKH's W40T buyback is equivalent to 63% of 1H26 FCF generation.

We point out that the capital allocation policy update is likely to be more relevant to value-biased investors approaching the company and stock from a multi-year perspective. SKH's official value-up plan disclosure from Nov-2024 (link) indicates capital intensity could be as high as 35%. Considering the significant rise in revenue post price inflation, we note that the required capital intensity is substantially lower than in the past (JPMe: 15-20%). SKH management's official policy update of realistic capital intensity would be a welcome signal to investors, in our view.

Figure 67: SKH – FCF trend



Source: Company data, J.P. Morgan estimates.

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Table 3: SKH - Total shareholder return analysis

Won bn	2024	2025	2026E	2027E	2028E
SKH FCF	16,015	26,100	148,546	268,578	347,735
Theoretical payout at 50%	50%	50%	50%	50%	50%
Theoretical TSR	8,007	13,050	74,273	134,289	173,867
SKH NP	19,797	42,920	255,101	304,591	392,646
NP payout, %	8%	33%	36%	52%	52%
			0.594187644		
Actual TSR payout, %	10%	55%	62%	59%	59%
Actual TSR	**1,547**	**14,345**	**91,722**	**158,939**	**203,808**
Dividend	1,547	2,105	23,170	32,659	41,448
Buyback	-	12,240	68,552	126,280	162,360
TSR mix, %					
Dividend	100%	15%	25%	21%	20%
Buyback	0%	85%	75%	79%	80%
TSR per share	**2,124**	**20,128**	**134,272**	**252,410**	**367,709**
Dividend (ordinary)	2,204	3,000	**34,000**	52,000	**75,000**
Buyback (ordinary)	-	17,444	100,593	201,064	293,792
Total number # of shares	**728**	**713**	**683**	**630**	**554**
Outstanding shares	702	702	681	628	553
Treasury shares	26	11	2	2	2
			697	697,481,520	
TSR yield, %	**1.2%**	**6.5%**	**7.4%**	**14.0%**	**20.4%**
Share price	179,000	309,000	1,804,000	1,804,000	1,804,000
Buyback amount (mn)			**38**	**70**	**90**
Buyback amount, %			5.3%	10.2%	14.3%

Source: Company data, J.P. Morgan estimates.

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Earnings sensitivity

Memory price earnings sensitivity

Our memory price y-y change base case assumptions are: DRAM/NAND +274%/ +230% up for 2026E. Per every 10% additional price increase, there is W2,132/W5,350 EPS upside (with NAND sensitivity higher than DRAM). For 2027E, our memory price y-y change base case is: DRAM/NAND +26%/+22%. Per every 10% additional price increase, EPS upside are: W24,859 (DRAM) and W8,593 (NAND).

Between the two fiscal years, EPS sensitivity is far higher for next year (2027E) given the base difference between the two. In % terms, it remains at 60bps-140bps impact for 2026E vs 170-490bps impact for 2027E.

Table 4: SKH - EPS sensitivity table based on memory pricing (2026)

Won, %

			NAND ASP						
			+30%	+20%	+10%	Base	-10%	-20%	-30%
			260%	250%	240%	230%	220%	210%	200%
DRAM ASP	+30%	305%	**409,212**	407,080	404,948	402,816	400,685	398,553	396,421
	+20%	295%	403,862	401,730	399,599	397,467	395,335	393,203	391,071
	+10%	285%	398,513	396,381	394,249	392,117	389,985	387,853	385,721
	Base	275%	393,163	391,031	388,899	**386,767**	384,635	382,503	380,371
	-10%	265%	387,813	385,681	383,549	381,417	379,285	377,154	375,022
	-20%	255%	382,463	380,331	378,200	376,068	373,936	371,804	369,672
	-30%	245%	377,114	374,982	372,850	370,718	368,586	366,454	**364,322**

Source: J.P. Morgan estimates.

Figure 68: SKH - EPS sensitivity table based on memory pricing (2027)

Won, %

			NAND ASP						
			+30%	+20%	+10%	Base	-10%	-20%	-30%
			52%	42%	32%	22%	12%	2%	-8%
DRAM ASP	+30%	56%	**602,728**	594,135	585,542	576,949	568,356	559,764	551,171
	+20%	46%	577,869	569,276	560,683	552,091	543,498	534,905	526,312
	+10%	36%	553,010	544,417	535,825	527,232	518,639	510,046	501,453
	Base	26%	528,152	519,559	510,966	**502,373**	493,780	485,187	476,595
	-10%	16%	503,293	494,700	486,107	477,514	468,922	460,329	451,736
	-20%	6%	478,434	469,841	461,248	452,656	444,063	435,470	426,877
	-30%	-4%	453,575	444,983	436,390	427,797	419,204	410,611	**402,018**

Source: J.P. Morgan estimates.

FX earnings sensitivity

Compared to our base case modeling of W1,436 per 1 USD currency assumption, we see that every W10 move (70bps of FX changes) would result in a W1.9T OP change assuming all other variables are unchanged. Per every 10% FX move, the OP impact would be close to W27T on a full-year basis for FY26E. The Korean Won over the USD currency has appreciated from W1,440 at the end of July to W1,367 at the end of August. Memory makers usually show sales concentration at the end of every quarter due to the contract business nature and sharp FX moves could result in unexpected short-term earnings volatility.

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Table 5: SKH – FX sensitivity table

Wbn

	USDKRW (%)			USDKRW (W)		
(Wbn)	2025	2026E	2027E	2025	2026E	2027E
Modelled FX rate	**1,418**	**1,436**	**1,340**	**1,418**	**1,436**	**1,340**
Change in FX	***10%***	***10%***	***10%***	***1%***	***1%***	***1%***
Total Sales	97,147	338,830	511,166	97,147	338,830	511,166
Total Export Sales	87,432	304,947	460,049	87,432	304,947	460,049
FX based Exports	**87,432**	**304,947**	**460,049**	**87,432**	**304,947**	**460,049**
Total COGS	38,456	58,313	77,193	38,456	58,313	77,193
FX based Raw materials import	**15,382**	**23,325**	**30,877**	**15,382**	**23,325**	**30,877**
Other Cost	11,484	25,127	38,849	11,484	25,127	38,849
FX based Other cost	**4,594**	**10,051**	**15,539**	**4,594**	**10,051**	**15,539**
Operating Exposure	**67,456**	**271,570**	**413,633**	**67,456**	**271,570**	**413,633**
After Won Depreciation/Appreciation	74,201	298,728	454,996	67,931	273,461	416,720
Chg in Operating Exposure	**6,746**	**27,157**	**41,363**	**476**	**1,891**	**3,087**
EBIT	**47,206**	**255,389**	**395,125**	**47,206**	**255,389**	**395,125**
OP Impact	**14.3%**	**10.6%**	**10.5%**	**1.0%**	**0.7%**	**0.8%**
FX based asset	7,204	7,204	7,204	7,204	7,204	7,204
FX based debt	3,856	3,856	3,856	3,856	3,856	3,856
Net exposure	**70,804**	**274,919**	**416,981**	**70,804**	**274,919**	**416,981**
After Won Depreciation/Appreciation	77,884	302,411	458,679	71,303	276,833	420,093
Chg in Net Exposure	**7,080**	**27,492**	**41,698**	**499**	**1,914**	**3,112**
Net Profit	**42,920**	**255,101**	**304,591**	**42,920**	**255,101**	**304,591**
Net Profit Impact	**16.5%**	**10.8%**	**13.7%**	**1.2%**	**0.8%**	**1.0%**
EPS	**58,949**	**359,763**	**457,886**	**58,949**	**359,763**	**457,886**
EPS Impact	**16.5%**	**10.8%**	**13.7%**	**1.2%**	**0.8%**	**1.0%**

Source: Company data, J.P. Morgan estimates.

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Industry analysis

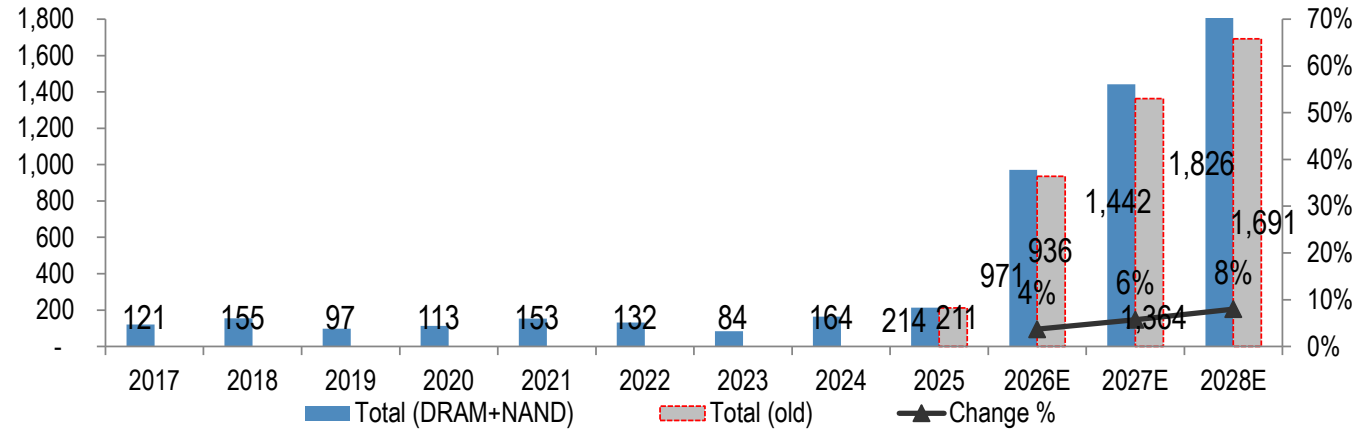
Memory Industry TAM

The memory industry has undergone multiple periods of boom and bust driven by the sector's commodity-like pricing, long and lumpy multi-year fab investment cycles that repeatedly cause supply to overshoot or undershoot demand, and volatile end-market demand, amplified by inventory double-ordering and high fixed costs that keep producers running through downturns. After reaching a record US$214bn level in 2025, we believe the global memory market (DRAM+NAND) is poised for an unprecedented expansion, with total TAM projected to surge to $971bn in 2026E (354% Y/Y), US $1,442bn in 2027E (+49%), and US$1,826bn in 2028E (+27%)– a dramatic acceleration from the sub-US$220bn levels that characterized the market through 2025.

This boom is being driven overwhelmingly by DRAM, which we expect to show unprecedented growth rates of 343% Y/Y in 2026E before moderating to 55% in 2027E and 33% in 2028E. NAND follows a similar, though more measured trajectory, with growth rates of 374% in 2026E, 36% in 2027E, and 12% in 2028E, respectively. The scale of this projected upcycle stands in stark contrast to the prior decade, which was marked by significant volatility, including the downturns of 2019 (US$97bn) and 2023 (US$84bn), which underscores the cyclical nature of the memory market even as the current AI-driven demand and infrastructure buildout points to a boom of historic proportions.

Figure 69: Global memory market (DRAM+NAND) size and % change

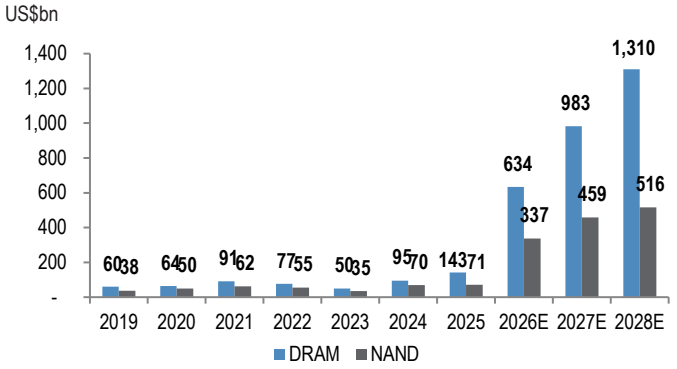
US$bn, % - RHS



Source: WSTS, J.P. Morgan estimates.

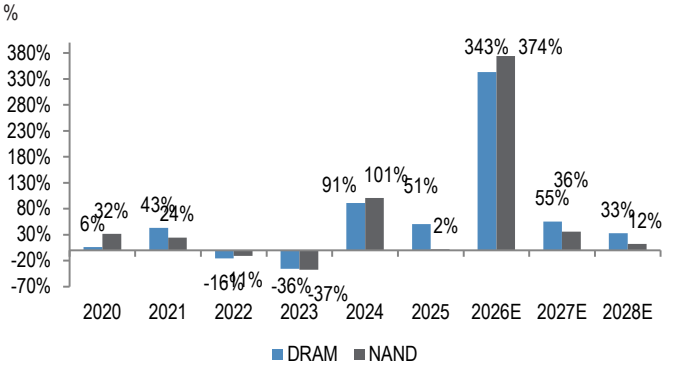
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Figure 70: DRAM and NAND market size



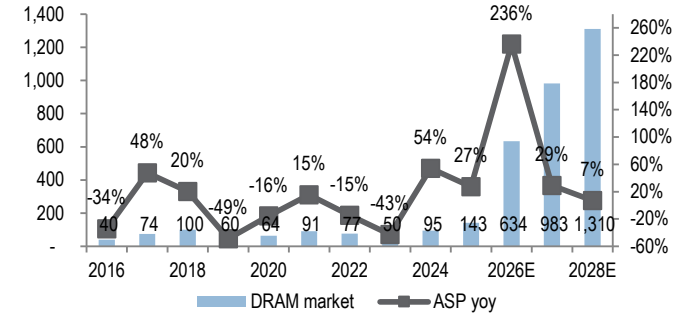
Source: WSTS, J.P. Morgan estimates.

Figure 71: DRAM and NAND market growth rates



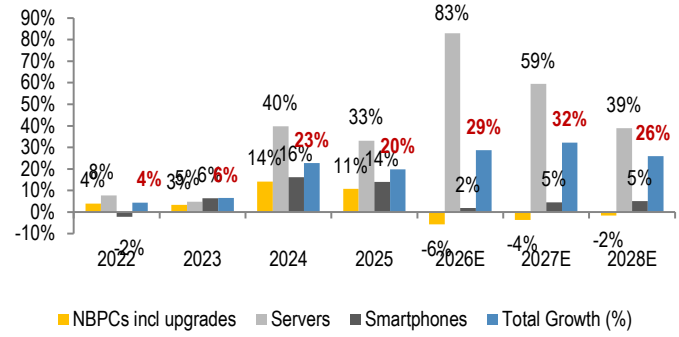
Source: WSTS, J.P. Morgan estimates.

Figure 72: DRAM market revenue and ASP YoY change



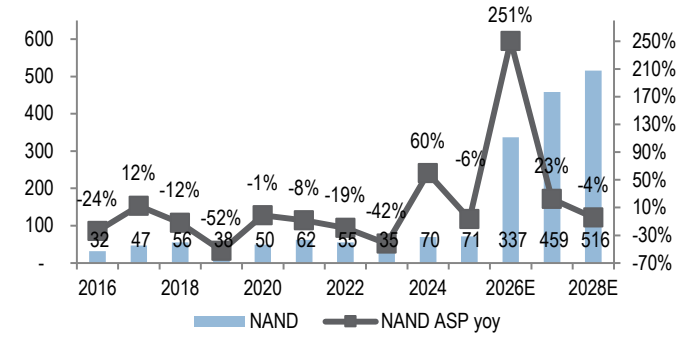
Source: WSTS, J.P. Morgan estimates

Figure 73: DRAM bit demand growth Y/Y by key applications



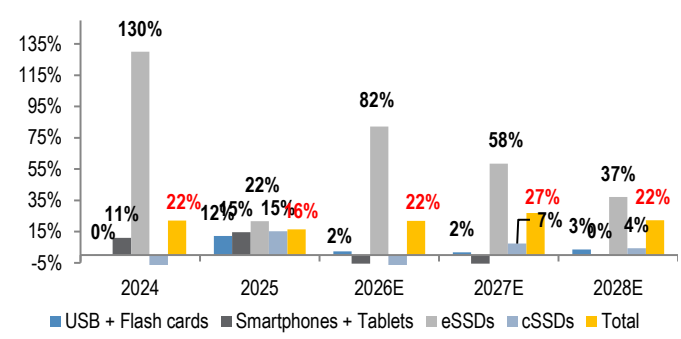
Source: Gartner®, IDC, OMDIA, J.P. Morgan estimates. Note: Server includes HBM.

Figure 74: NAND market revenue and ASP YoY change



Source: WSTS, J.P. Morgan estimates.

Figure 75: NAND demand growth Y/Y by key application



Source: OMDIA, WSTS, J.P. Morgan estimates.

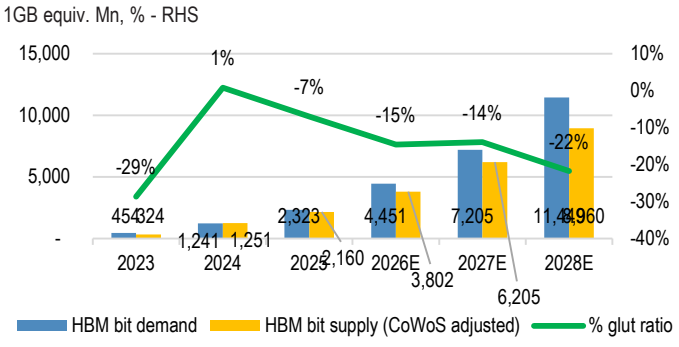
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HBM

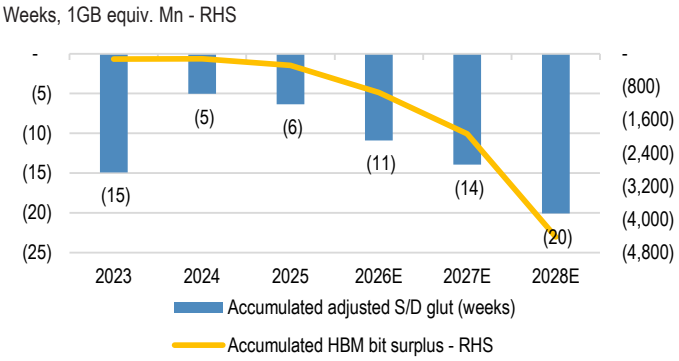
On HBM, we expect the recent de-spec/content adjustments (e.g., 16-Hi to 12-Hi/8-Hi mix shifts) to be largely a supply-availability coping mechanism rather than a structural demand break: even after these trims, the HBM market continues to grow strongly (HBM bit demand growing by 76%/63% y-y in 26/27E and expect 44% growth in 28E) and remains in shortage, with procurement demand still above supply across the next several years (implying the degree of shortage has eased versus prior assumptions but not disappeared). As a result, we anticipate HBM pricing to remain firm, with blended HBM ASP still expected to rise meaningfully next year (JPMe: ~+42% y/y in 2027E), supported by tight supply, product-mix progression, and performance-driven pricing dispersion across suppliers. With the HBM market still in a tight situation, we see upside risk to our conservative ASP assumptions and expect the market to continue growing strongly.

Figure 76: HBM S/D ratio (CoWoS adjusted)



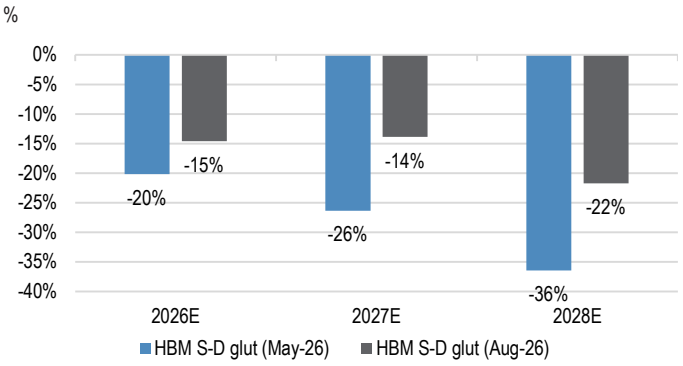
Source: Company data, J.P. Morgan estimates.

Figure 77: Accumulated HBM bit surplus and glut ratio (weeks)



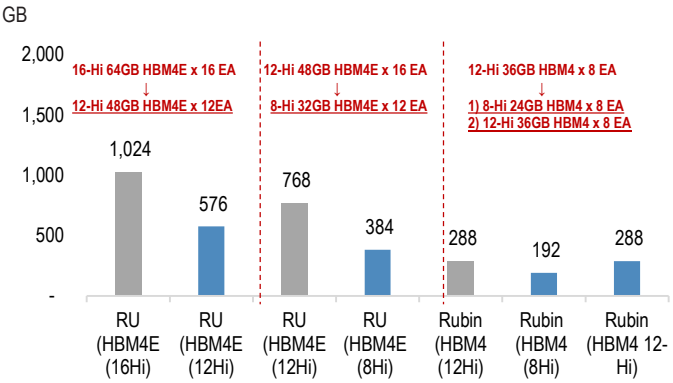
Source: Company data, J.P. Morgan estimates.

Figure 78: HBM S-D glut vs May-26



Source: J.P. Morgan estimates.

Figure 79: HBM content assumption changes for NVDA grade GPU

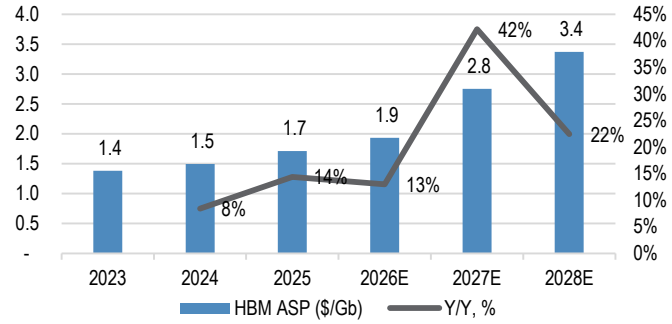


Source: J.P. Morgan estimates.

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Figure 80: HBM ASP and Y/Y% trend

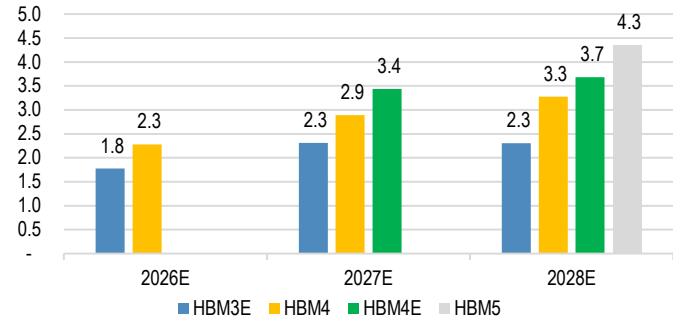
US$/Gb, % - RHS



Source: Company data, J.P. Morgan estimates.

Figure 81: HBM ASP by generation

%



Source: Company data, J.P. Morgan estimates.

HBM wallet share update

From SK hynix's perspective, we see the HBM wallet-share story in two phases: 1) leadership built on HBM3/3E scale, culminating in ~60% HBM share by sales in 2025, with dominant NVIDIA concentration (~74% wallet share in 2025); then 2) a changed competitive dynamic from 2026E onward as Samsung Electronics' execution improves – reflected in a step-down of SK hynix's HBM sales share to the mid-40%s (and ~low-40%s thereafter) alongside a notable NVIDIA wallet share reset to the low-50%s, while Samsung gains share and positions for broader ASIC attach.

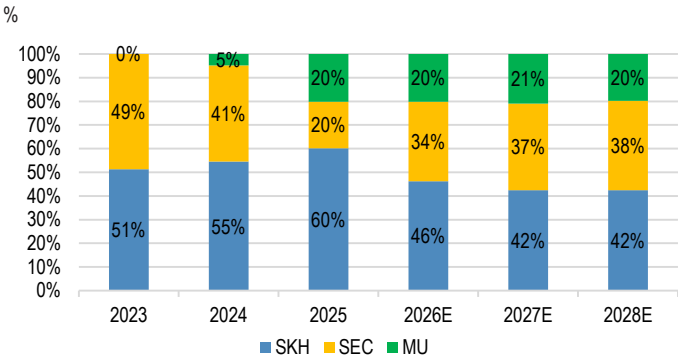
We expect HBM to become increasingly customized (performance/thermal/packaging differentiation), and while 'who wins' will depend on roadmap execution, we view Samsung's vertically integrated approach and visible roadmap/thermal innovations as incrementally supportive of share gains; nonetheless, we still expect SK hynix to defend an above 40% HBM share over the medium term, with the remainder split between Samsung Electronics and Micron, with Samsung taking the larger portion of incremental share.

For HBM5, likely to be introduced in late-28E, we see memory makers taking a differentiated approach:

- **SEC:** Introduced HPB (Heat Path Block) architecture, a thermal management system that improves heat dissipation, and announced to adopt 2nm GAA base die for 50% faster speed vs. HBM4E (link). While distant, we expect SEC to simultaneously develop 16-HBM5 using TCB and HCB, finding the optimal solution between performance and economics.
- **SKH:** Introduced iHBM as an optimal solution for thermal management (link) and likely candidate for HBM5 product design. During the 2Q26 earnings conference, management highlighted HCB as the potential packaging solution for HBM5.
- **MU:** While uncertain, we note limited signals from MU considering HCB as the next packaging technology for HBM5. Instead, local sources (link) highlight MU considering the trench cooling solution (etching microscopic grooves into the silicon die and circulating cooling fluid in these channels) to improve thermal management.

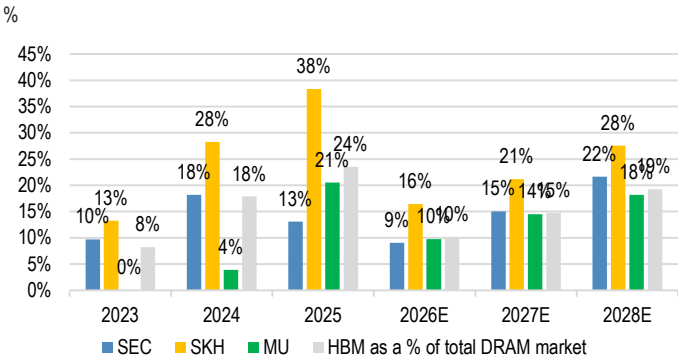
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Figure 82: HBM market share by sales



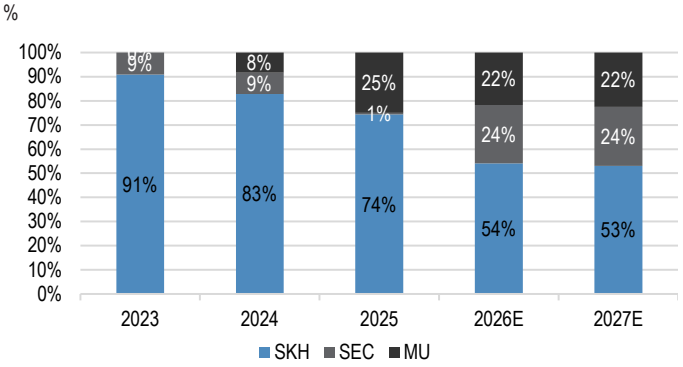
Source: Company data, J.P. Morgan estimates.

Figure 83: HBM sales mix by major players



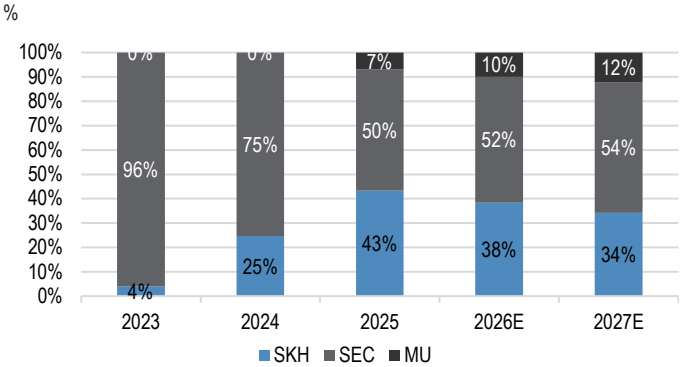
Source: Company data, J.P. Morgan estimates.

Figure 84: HBM wallet share within NVDA



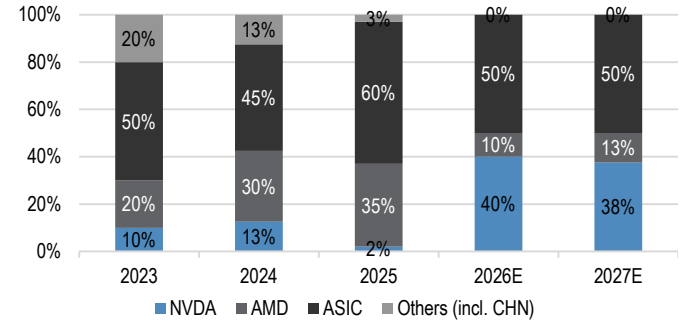
Source: Company data, J.P. Morgan estimates.

Figure 85: HBM wallet share within ASIC



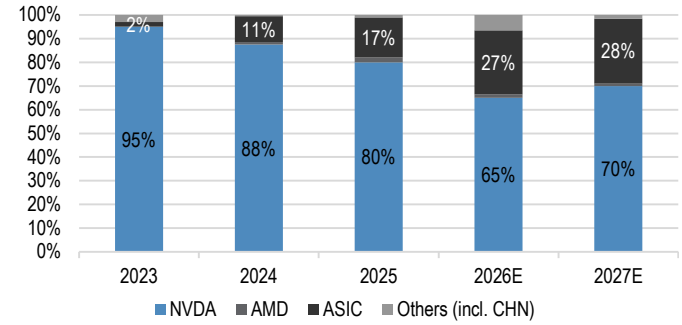
Source: Company data, J.P. Morgan estimates.

Figure 86: SEC – HBM sales mix by customer



Source: Company data, J.P. Morgan estimates.

Figure 87: SKH – HBM sales mix by customer



Source: Company data, J.P. Morgan estimates.

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LTA structures

Long-term agreements (LTA) have been a central investor focus, and we believe the 2QCY26 results revealed the LTA details, volume/revenue coverage, and protective mechanisms favoring memory makers. While pricing was only vaguely guided, we came away convinced that the contracts were structured significantly in memory makers' favour, with the prepayment mix of (20-25% of LTA value per MU and SEC) evidencing where the bargaining power sat. The key unknowns for 2H26 and 2027 are LTAs' impact on pricing trends (how much it de-slopes the curve) and end-customers' willingness to commit, especially in a down-cycle – although this remains too early to quantify.

An underappreciated element is pricing resilience: with CSP and AI-related demand comprising the majority of contracts (over 70% of bit demand, 85+% of revenue) and server memory commanding a significant price premium, we see the LTA mix increasing as pricing/margin accretive over the mid-to-long term.

Absent hard metrics, we point to memory makers' shareholder return policies as an indirect signal supporting: 1) a multi-year memory upcycle, 2) memory's growing role in the AI value chain, and 3) a durable re-rating on elevated earnings – reinforcing our view that LTAs and shareholder returns are closely linked, making visible return policies (on top of DD% cash yield) a reason to accumulate the stock.

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Table 6: LTA details announced across major memory makers in 2QCY26 earnings conference

As of 2QCY26	MU	SEC	SKH	US NAND maker	Kioxia
Number of Agreements	- 16 SCAs - (4 large + 3 medium customers + smaller auto)	- Finalized with top 5 global DC customers; - Final stages with 5 additional major accounts	- ~10 agreements (with key customers)	- 8 NBMs	- ~10 LTAs concluded
Volume coverage	- ~20% of DRAM volume - ~1/3 of NAND volume	- 60%-70% of total plant capacity	n.a.	- >50% of bits in FY2027; - ~2/3 of bits in FY2028	- Targeting 50% LTA volume coverage for CY2028
Revenue Coverage (when complete)	- ~50%+ of total revenue	n.a.	- Maintain an appropriate level based on market conditions - (not quantified)	- Minimum US$93.9bn total NBM revenue at floor pricing (actual expected above minimum)	n.a.
Term Length	- 5 years (DC/Consumer), 3 years (Auto)	- 5-year term, subject to annual negotiations - (rolling basis, can add additional year)	- 5 years on average - (specific conditions vary by customer/product)	Up to 5 years; Weighted average duration 4+ years	n.a.
Agreement Structure	- Take-or-pay, binding volume commitments	- Mutually binding contractual conditions; - Committed demand assurance; rolling contract-based	- Strategic partnerships beyond volume supply; - long-term volume commitments + deposits	- S-D commitments defined by year and by quarter; - Financial guarantees release toward end of each agreement	- Multiyear supply agreements; - Mutually binding contractual conditions
Price Band - Ceiling	- Current CQ2 2026 market price (existing products)	- Differentiated pricing models by customer and product	- Pricing structure will also not be uniform	Variable portion subject to ceilings (fixed + variable pricing blend)	n.a.
Price Band - Floor	- Guarantees GM above any prior cycle peak	- Minimum price floors established for mainstream products (sufficient to mitigate future investment risk)	- Range of pricing mechanisms to respond to price volatility	- Variable portion subject to floors; - Attractive (~80%) margins even at floor pricing	n.a.
Cash Deposits & Commitments	- US$22bn total ($18B cash)	- Substantial advance payments over multiyear period;	- Deposits incorporated to support contract fulfillment	- US$16.5bn financial guarantees (cash deposits + financial instruments); - mostly held by/through third-party institutions	- Financial mechanisms (e.g. deposits) incorporated
RPO/Prepayment	- US$400mn in 3QFY26; US$$10bn expected in 4QFY26	- Already received significant portion; - ~One-fourth of total received; balance expected to grow	n.a.	- US$59.8bn at quarter-end; - US$91.1bn incl. deals signed after quarter-end	n.a.
End Markets	- Data Center, Consumer, Automotive	- DRAM & NAND (AI/server-focused)	- Server DRAM, HBM, enterprise SSD (AI-focused)	- Datacenter and Edge (hyperscale/AI infrastructure)	- Data center/enterprise & hyperscale customers

Source: Company data.

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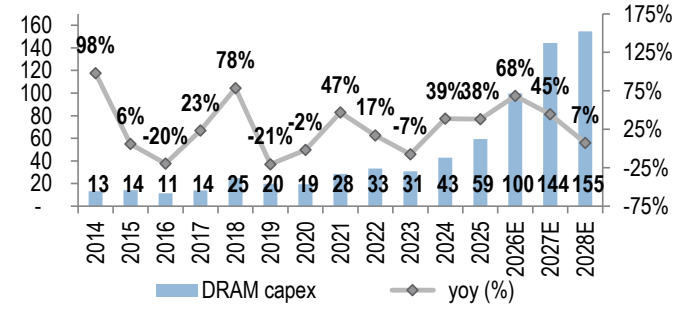
Memory Industry Fundamentals / Key Operating Metrics

Capital investment across the memory industry is entering a pronounced up-cycle after several years of restraint. Following a 34% Y/Y acceleration in total memory capex in 2025 (US$58bn in 2024 to US$77bn in 2025), both DRAM and NAND capex are expected to rise significantly over the next 3 years (35% CAGR over 25-28E) as demand for AI-driven HBM and advanced DRAM continues to outweigh supply, forcing memory makers to aggressively invest billions of dollars into new fabrication facilities. However, given the lead time of 2-2.5 years from ground breaking to wafer output, we expect supply to come online gradually and the S/D imbalance will likely persist over the next 3 years.

Interestingly, though the spending ramp in 2025 pushed DRAM capital intensity near its long-run average of ~37%, it is expected to normalize toward the low-to-mid teens level (12-16%) by 2026E-28E as the revenue base expands faster than investment. NAND follows a similar but more muted trajectory. After peaking at US$30bn in 2018 and again in 2022, NAND capex experienced negative growth for 2 consecutive years in 2023 and 2024, driven by an unprecedented inventory destocking downturn, before recovering to US$18bn in 2025. Nonetheless, as AI demand drives NAND revenue growth to outpace capex, we expect capital intensity to ease toward single-digit levels (67%) by the end of the forecast horizon, comfortably below its ~40% historical avg.

Figure 88: DRAM capex and Y/Y trend

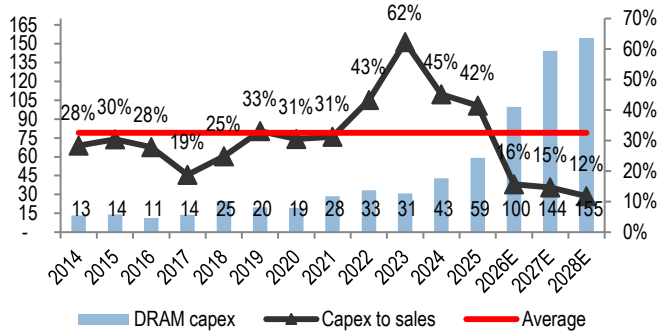
US$bn, %



Source: Company data, J.P. Morgan estimates.

Figure 89: DRAM capital intensity

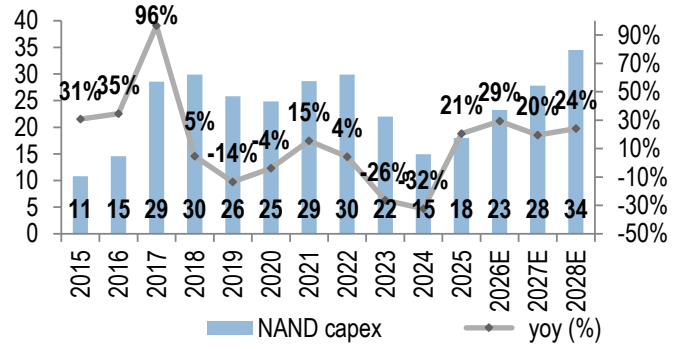
US$bn, %



Source: Company data, J.P. Morgan estimates.

Figure 90: NAND capex and Y/Y trend

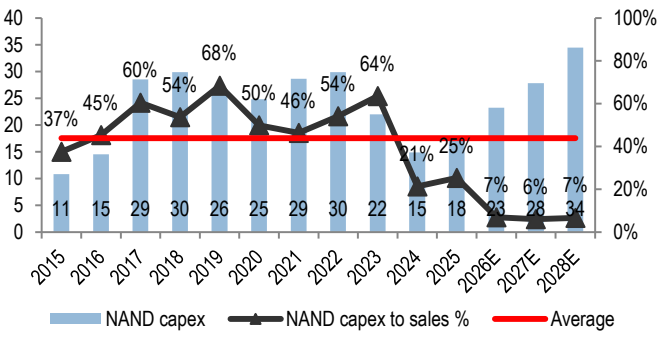
US$bn, %



Source: Company data, J.P. Morgan estimates.

Figure 91: NAND capital intensity

US$bn, %



Source: Company data, J.P. Morgan estimates. Note: Average from 2011-25.

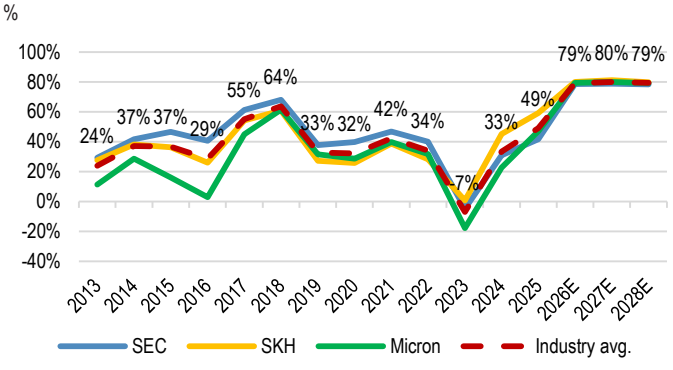
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Memory Peer Comparison

SK Hynix has been a formidable player in both DRAM and NAND, driven by its technological competitiveness and stellar execution capabilities. In DRAM, SK Hynix's gains are driven by both share and capacity expansion, with particularly strong bit-growth leadership from 2025 onwards. However, its relative softness in bit/capacity efficiency versus peers is the one area where SEC and Micron appear to hold a modest edge (due mainly to SKH's focus on wafer allocation toward HBM).

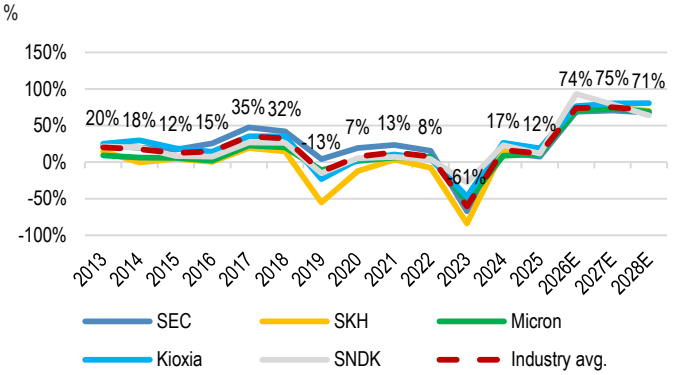
In NAND, SK Hynix is a solid, technologically efficient mid-tier-to-upper player rather than the front-runner it is in DRAM. Its share and capacity are stable but modest, its bit growth is steady, and its per-capacity productivity is extremely strong compared to peers. However, Yangtze Memory Technologies Corp.'s (YMTC, not listed) rapid share, capacity, and bit-growth expansion has been the primary disruptive force pressuring all established NAND players, SK Hynix included.

Figure 92: DRAM OPM trend



Source: OMDIA, company data, J.P. Morgan estimates.

Figure 93: NAND OPM trend



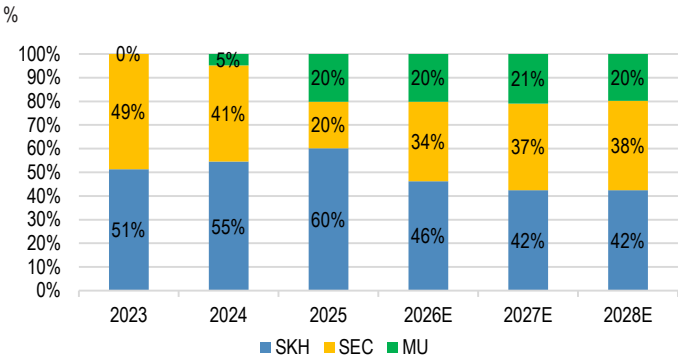
Source: OMDIA, company data, J.P. Morgan estimates.

Within DRAM, HBM has become a defining growth vector. The HBM market remains highly consolidated, with SK Hynix (SKH) leading at a 51-60% share in 2023-2025 before Samsung and Micron gain ground to bring the market toward a more balanced split by 2028E. HBM's rising strategic importance is underscored by its growing contribution to the total DRAM market (HBM as % of total DRAM capacity), expanding from single-digit levels in 2023 to roughly above 30% by 2028E, reinforcing DRAM's more consolidated and disciplined structure relative to the more fragmented and competitive NAND segment.

On the supply side, we expect DRAM industry wafer output to expand steadily, with wafer output growth reaccelerating to double digits (14-18%) and industry bit shipment growth reaching 25-26% by 2026E-2028E, following a sharp -13% wafer output contraction in 2023. On the other hand, NAND wafer output shows a modest recovery vs DRAM, rebounding from a -29% trough in 2022 to show MSD% positive growth over the next 3 years, while bit shipment growth normalizes to the ~20% range.

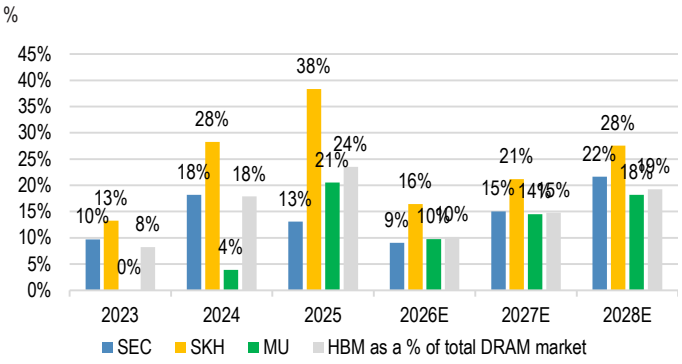
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Figure 94: HBM market share by sales



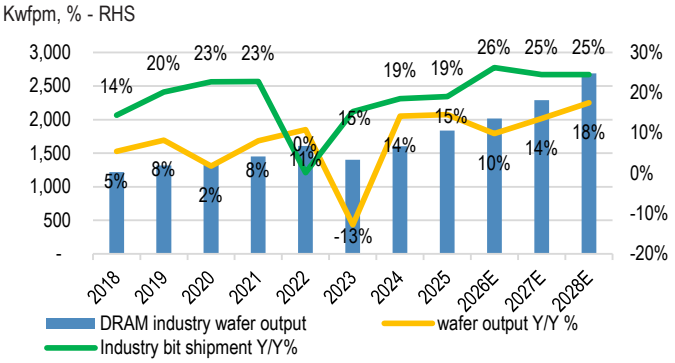
Source: Company data, J.P. Morgan estimates.; Note: Based on Aug-26 published data.

Figure 95: HBM sales mix by major players



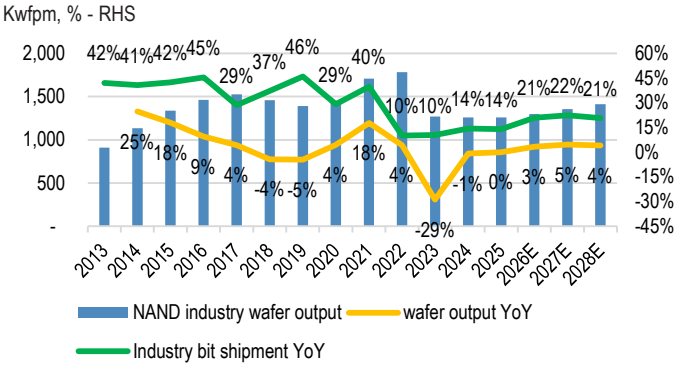
Source: Company data, J.P. Morgan estimates.; Note: Based on Aug-26 published data.

Figure 96: DRAM WSPM and bit shipment Y/Y% trend



Source: Company data, OMDIA, J.P. Morgan estimates.

Figure 97: NAND WSPM and bit shipment Y/Y% trend



Source: Company data, OMDIA, J.P. Morgan estimates.

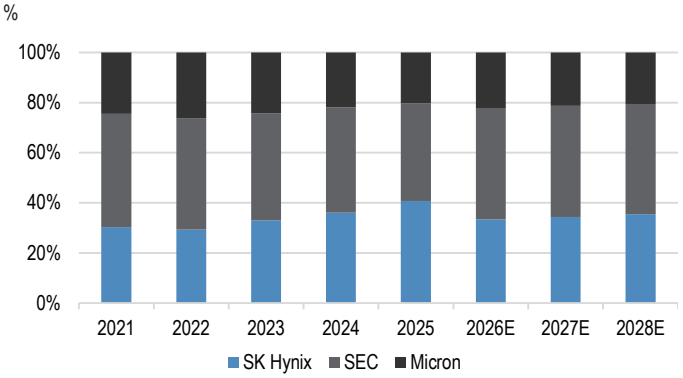
DRAM – more consolidated and oligopolistic

SK Hynix has steadily strengthened its revenue-based DRAM market share over time, climbing from roughly 30% in 2021-22 to a peak of about 41% in 2025, before settling around mid-30% levels through the 2026E-2028E forecast period. This trajectory reflects meaningful share gains, particularly during the 2024-2025 window, where SK Hynix appears to have benefited disproportionately relative to peers. SEC remains the largest single player by revenue share, but its lead has compressed as SK Hynix has advanced with its HBM leadership. Micron holds the smallest revenue share of the three and remains relatively stable across the period.

On bit-shipment growth, the three players move broadly in the cycle together, but the leadership rotates year to year. In the early ramp (2023-2024), Micron posted the strongest Y/Y bit growth (~22%), outpacing both SK Hynix and SEC. However, SK Hynix took the lead in 2025 (~24%), a trend we expect to continue over the next 2 years, signaling aggressive supply expansion during that stretch. By 2028E, growth rates converge again, with all three clustered in the low-to-mid 20% range. Notably, SEC showed the only negative bit-growth in 2022 (-3%), while SK Hynix stayed positive throughout our forecast period.

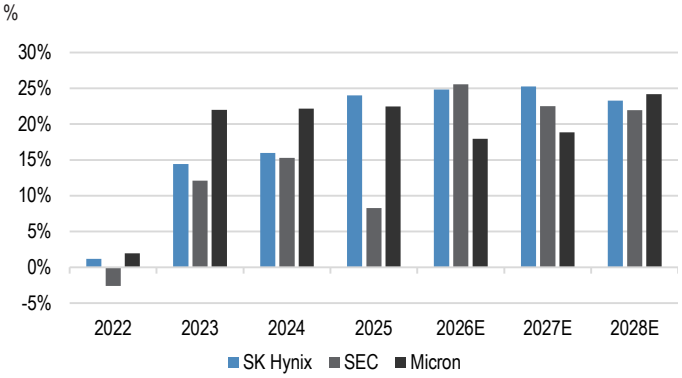
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Figure 98: Market share trend for DRAM players (sales basis)



Source: J.P. Morgan estimates, Company data.

Figure 99: YoY bit growth trend for DRAM players

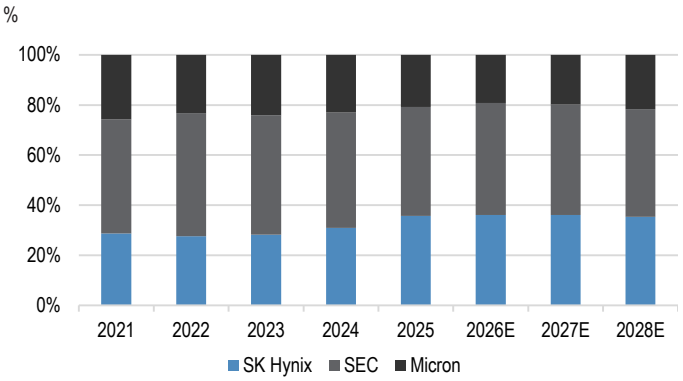


Source: J.P. Morgan estimates, Company data.

In terms of wafer capacity share, SK Hynix expanded from roughly 28% in 2021-2023 to about 35-36% by 2025 and is expected to hold that level through 2028E, highlighting a steady, structural gain in its capacity footprint. While SEC continues to command the largest capacity share, its relative share edges down as SK Hynix grows at a faster pace. Micron maintains the smallest capacity share of the trio. Interestingly, the pattern closely mirrors the sales-based share trend, suggesting SK Hynix's revenue gains are underpinned by genuine capacity additions (capacity growth at 11% CAGR over 2022-28E vs 5%/6% for SEC/Micron, respectively) rather than pricing effects alone.

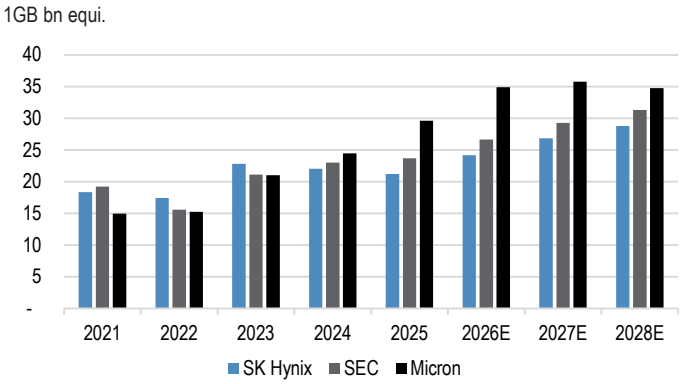
On bit output per unit of capacity, a proxy for technology migration and productivity, all three players show a consistent upward march from ~mid-high teens in 2021 to the ~28–35 range by 2028E, reflecting ongoing node shrinks and efficiency gains. Interestingly, SK Hynix generally tracks at or slightly below its peers such as Micron and SEC, which tend to show marginally higher bit/capacity output in several forecast years (e.g., 2026E-28E), implying bit/wafer difference, based mainly upon HBM wafer allocation mix.

Figure 100: Wafer capacity market share trend for DRAM players



Source: J.P. Morgan estimates, Company data.

Figure 101: Bit/capacity trend for DRAM players



Source: J.P. Morgan estimates, Company data.

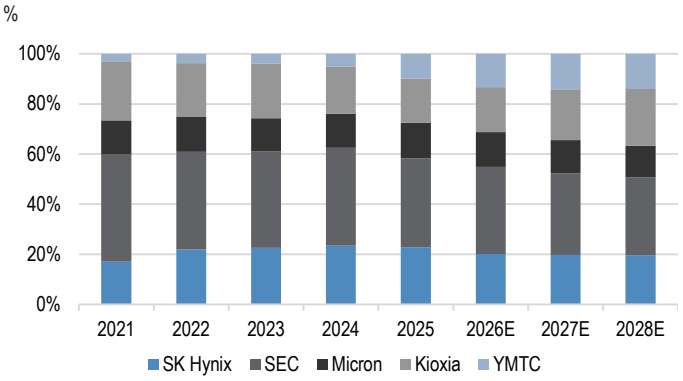
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NAND – more fragmented and competitive

SK Hynix holds a relatively stable revenue-based NAND share, hovering around 18-24% across the period, with a slight peak near 2024. However, given the rising competitive intensity, we expect it to ease back towards ~20% over the next 3 years. Unlike its dominant position in DRAM, in NAND, SK Hynix is one of several sizeable players rather than a clear leader. SEC remains the largest by revenue share, though its lead has compressed over time. Micron and Kioxia occupy meaningful middle positions, while YMTC, the Chinese entrant, has steadily expanded its share over time, gradually squeezing the established players. Overall, given the commodity nature of the products, the NAND market is more fragmented and competitive compared to DRAM.

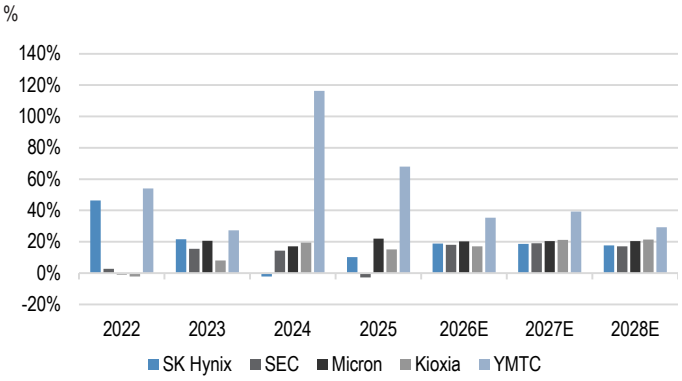
On the bit growth front, SK Hynix has shown strong early growth (59%/46% Y/Y in 2021/22), with the rate of the growth decelerating as the NAND market entered an unprecedented downcycle. While all the major players have grown in the 10-20% Y/Y range over the years, NAND B/G is dominated by YMTC's remarkable expansion, which posted extraordinary spikes of ~120% in 2024 and ~70% in 2025, far outstripping every incumbent, which reflects its aggressive capacity ramp and a lower base. However, from 2026E onward, growth rates for the established four converge in the ~20% band, while YMTC decelerates but still runs ahead of its peers.

Figure 102: Market share trend for NAND players (sales basis)



Source: J.P. Morgan estimates, Company data.
Note: YMTC (unlisted) next 3 years are estimated based on OMDIA and industry research.

Figure 103: YoY bit growth trend for NAND players



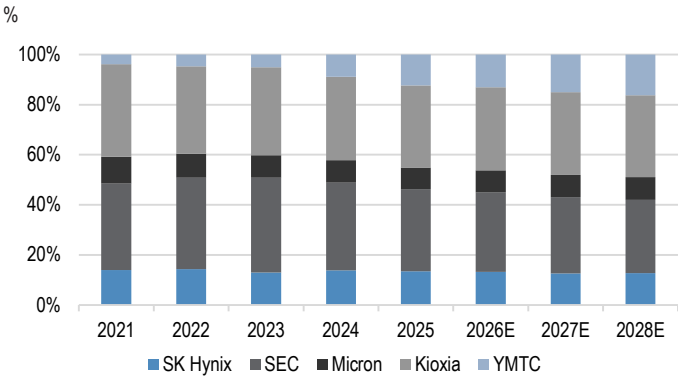
Source: J.P. Morgan estimates, Company data.
Note: YMTC (unlisted) next 3 years are estimated based on OMDIA and industry research

SK Hynix's NAND wafer capacity share has been fairly stable at mid-teens% over the years, notably smaller than its DRAM capacity footprint. SEC again holds the largest share of capacity, although it has trended down over the last 3 years. Kioxia commands a substantial capacity share as well, driven by deep government backing alongside continuous architectural scaling like BiCS FLASH. However, the most striking dynamic is YMTC's steady capacity expansion, which reflects structural capacity gains at the expense of incumbents. SK Hynix's relatively modest and stable capacity share underscores that NAND is a lower-priority scale battleground for it versus DRAM.

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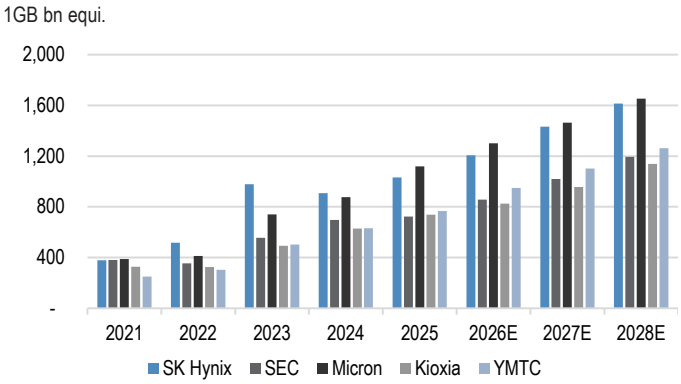
On bit output per unit of capacity, a proxy for technology migration and layer-stacking productivity in the NAND industry, all players have climbed steadily from roughly 350-400 in 2021 towards the 1,200-1,600 range by 2028E, reflecting ongoing 3D NAND layer progression. SK Hynix and Micron track near the top of the pack, ending above 1600 by 2028E, slightly ahead of the leader, SEC, over the next 3 years. Interestingly, YMTC shows the lowest bit/capacity output for much of the period despite its aggressive raw-capacity additions, implying it relies more on adding wafers than on best-in-class per-wafer productivity. This suggests that SK Hynix is technologically efficient in NAND even if its capacity scale is smaller vs other larger players. Additionally, SKH is the only supplier in the market with both charge-trap and floating-gate based NAND solutions. This makes the company the strongest quad-level cell (QLC) NAND supplier in the market, supporting the highest e-SSD sales mix profile.

Figure 104: Wafer capacity market share trend for NAND players



Source: J.P. Morgan estimates, Company data.
Note: YMTC (unlisted) next 3 years are estimated based on OMDIA and industry research

Figure 105: Bit/capacity trend for NAND players



Source: J.P. Morgan estimates, Company data.
Note: YMTC (unlisted) next 3 years are estimated based on OMDIA and industry research

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TSR analysis

Shareholder return

SK Hynix's 2025-2027 shareholder return policy initially committed up to 50% of 3-yr cumulative FCF to shareholder distributions, contingent on meeting core financial goals (such as achieving a net cash position), alongside a 25% increase in the fixed dividend per share. However, on 19 Aug, SK Hynix announced that it would acquire treasury stock worth W40trn and cancel it in full (report). Additionally, it plans to allocate over 50% of its cumulative FCF to shareholder returns by next year – an improvement from the 'within 50% of cumulative FCF' announcement made on 27 Nov 2024.

The acquisition period will span approximately three months from 20 August 2026, with the company planning to cancel all acquired shares afterwards. Additionally, SKH announced to pursue additional shareholder returns through a combination of treasury stock acquisitions, cancellations, and dividends, considering cash flow, market conditions, and distributable profits. SKH mentioned to update its shareholder return actions during its 3Q26 earnings conference (Oct-end) and we believe a clear and progressive shareholder return policy would be well received by the market. We believe SKH's shareholder return framework anchored using FCF is a more transparent definition than the 'excess cash' definition that other US memory peers use as a their frameworks.

We estimate SKH's cumulative cash yield from 2026-28E at approximately 41.8%.

Table 7: SKH - Total shareholder return analysis

Won bn	2024	2025	2026E	2027E	2028E
SKH FCF	16,015	26,100	148,546	268,578	347,735
Theoretical payout at 50%	50%	50%	50%	50%	50%
Theoretical TSR	8,007	13,050	74,273	134,289	173,867
SKH NP	19,797	42,920	255,101	304,591	392,646
NP payout, %	8%	33%	36%	52%	52%
			0.594187644		
Actual TSR payout, %	10%	55%	62%	59%	59%
Actual TSR	**1,547**	**14,345**	**91,722**	**158,939**	**203,808**
Dividend	1,547	2,105	23,170	32,659	41,448
Buyback	-	12,240	68,552	126,280	162,360
TSR mix, %					
Dividend	100%	15%	25%	21%	20%
Buyback	0%	85%	75%	79%	80%
TSR per share	**2,124**	**20,128**	**134,272**	**252,410**	**367,709**
Dividend (ordinary)	2,204	3,000	**34,000**	52,000	**75,000**
Buyback (ordinary)	-	17,444	100,593	201,064	293,792
Total number # of shares	**728**	**713**	**683**	**630**	**554**
Outstanding shares	702	702	681	628	553
Treasury shares	26	11	2	2	2
			697	697,481,520	
TSR yield, %	**1.2%**	**6.5%**	**7.4%**	**14.0%**	**20.4%**
Share price	179,000	309,000	1,804,000	1,804,000	1,804,000
Buyback amount (mn)			**38**	**70**	**90**
Buyback amount, %			5.3%	10.2%	14.3%

Source: Company data, J.P. Morgan estimates.

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Company Analysis

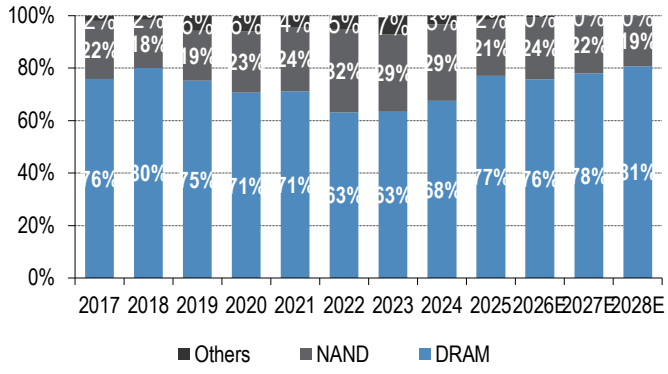
Business overview

SK hynix is a leading memory supplier with earnings power dominated by DRAM (including HBM) and a growing, AI-relevant NAND/eSSD franchise. DRAM accounts for the majority of earnings (76% of sales in 26E, rising to 80% by 28E, amidst DRAM OP accounting for 79% in 26E, rising to 83% by 28E), underscoring that DRAM/HBM is the key driver of both growth and profitability.

Strategically, we view the bigger growth engine as DRAM/HBM (AI/server intensity, tightness, and mix), with LTAs increasingly centered on higher-value server-compute products. NAND is the second contributor and with improving quality: management commentary points to eSSD at ~70-80% of NAND sales, positioning NAND as an AI storage beneficiary.

Figure 106: SK hynix – Revenue breakdown

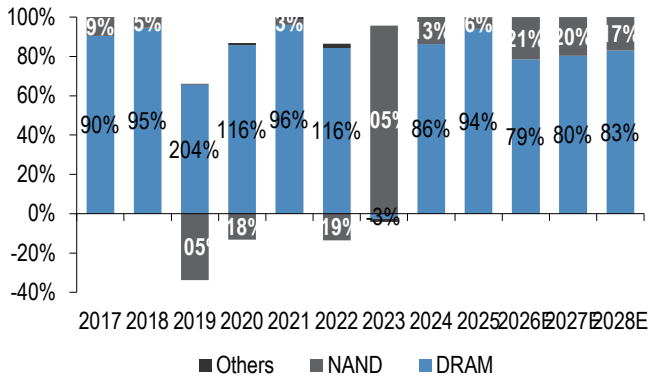
%



Source: Company data, J.P. Morgan estimates.

Figure 107: SK hynix – Operating profit contribution

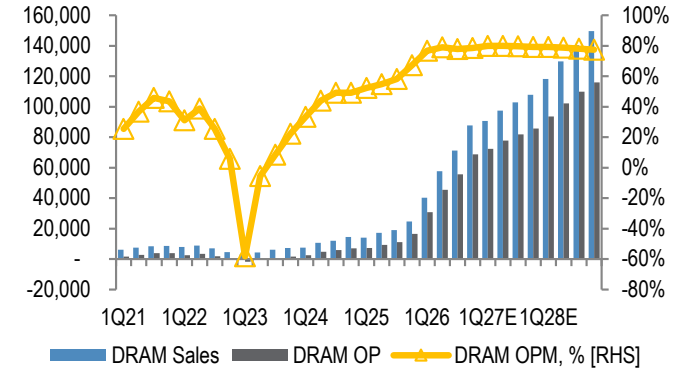
%



Source: Company data, J.P. Morgan estimates. Note: Negative earnings in FY23.

Figure 108: SK hynix – DRAM quarterly sales/OP/OPM trend

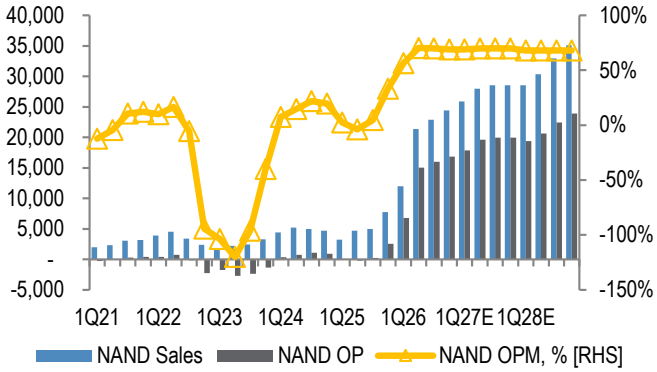
Won in billions, OPM (%)



Source: Company data, J.P. Morgan estimates.

Figure 109: SK hynix – NAND quarterly sales/OP/OPM trend

Won in billions, OPM (%)



Source: Company data, J.P. Morgan estimates.

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Table 8: SK hynix: Key assumptions for DRAM business

Units in 8Gb eq., W in billions; year-end Dec

US$ millions, US$, 8Gb equiv, K/month	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2024	2025	2026E	2027E	2028E
ASP (US$)	4.3	4.4	4.6	5.6	9.1	11.8	14.2	16.1	16.3	17.1	17.4	17.7	3.7	4.8	13.1	17.1	18.7
Seq. change, %	*0.7*	*1.5*	*4.3*	*23.1*	*62.5*	*29.7*	*20.3*	*12.7*	*1.3*	*4.8*	*2.1*	*1.8*	*79.1*	*30.1*	*175.7*	*30.7*	*9.3*
Operating cost (US$)	2.1	2.0	1.9	1.8	2.1	2.5	3.1	3.5	3.3	3.4	3.6	3.7	2.0	1.9	2.8	3.5	4.1
Cash Cost (US$)	1.5	1.5	1.4	1.3	1.6	1.9	2.5	2.7	2.5	2.5	2.6	2.6	1.5	1.4	2.2	2.6	2.9
Cost change, %	*-5%*	*-4%*	*-4%*	*-3%*	*16%*	*17%*	*26%*	*10%*	*-5%*	*5%*	*4%*	*3%*	*-1%*	*-4%*	*46%*	*23%*	*17%*
Cash cost chg. %	*-10%*	*-1%*	*-5%*	*-5%*	*19%*	*22%*	*28%*	*11%*	*-10%*	*3%*	*2%*	*1%*	*7%*	*-3%*	*56%*	*16%*	*13%*
Shipments (mn)	2,242	2,795	3,013	3,028	3,014	3,240	3,575	4,070	4,160	4,259	4,401	4,538	8,933	11,077	13,900	17,357	21,439
Seq. change, %	*-7.1*	*24.7*	*7.8*	*0.5*	*-0.4*	*7.5*	*10.3*	*13.9*	*2.2*	*2.4*	*3.3*	*3.1*	*16.0*	*24.0*	*25.5*	*24.9*	*23.5*
Sales	**14,037**	**17,124**	**19,084**	**24,659**	**40,195**	**57,578**	**71,241**	**87,616**	**90,690**	**97,349**	**######**	**######**	**44,732**	**74,904**	**256,631**	**398,647**	**538,125**
OP	7,337	9,378	11,124	16,574	30,819	45,491	55,533	68,797	72,452	77,821	81,787	85,567	20,259	44,413	200,639	317,627	421,407
OP margin (%)	*52*	*55*	*58*	*67*	*77*	*79*	*78*	*79*	*80*	*80*	*80*	*79*	*45*	*59*	*78*	*80*	*78*
Revenue per wafer (US$)	**8,829**	**11,023**	**12,071**	**14,546**	**22,659**	**30,465**	**38,151**	**47,380**	**55,703**	**57,657**	**57,432**	**58,333**	**8,035**	**11,669**	**34,707**	**57,321**	**77,377**
HBM Sales (US$M)	**4,093**	**4,871**	**5,367**	**5,855**	**5,698**	**6,077**	**7,771**	**10,277**	**11,129**	**14,962**	**18,349**	**21,536**	**9,232**	**20,186**	**29,824**	**65,976**	**118,492**
HBM Sales mix (%)	*29*	*28*	*28*	*24*	*14*	*11*	*11*	*12*	*12*	*15*	*18*	*20*	*21*	*27*	*12*	*17*	*22*
HBM bit shipment (mn)	**311**	**354**	**380**	**423**	**405**	**425**	**492**	**556**	**592**	**656**	**761**	**862**	**726**	**1,468**	**1,877**	**2,872**	**4,024**
HBM bit mix (%)	*14*	*13*	*13*	*14*	*13*	*13*	*14*	*14*	*14*	*15*	*17*	*19*	*8*	*13*	*14*	*17*	*19*
HBM ASP (US$)	**1.6**	**1.7**	**1.8**	**1.7**	**1.8**	**1.8**	**2.0**	**2.3**	**2.3**	**2.9**	**3.0**	**3.1**	**1.6**	**1.7**	**2.0**	**2.9**	**3.7**
HBM ASP premium (%) vs. non-HBM	*5*	*5*	*4*	*3*	*2*	*1*	*1*	*1*	*1*	*1*	*2*	*2*	*4*	*4*	*1*	*1*	*2*
HBM capacity (TSV equivalent, K/month	**145**	**155**	**160**	**170**	**180**	**200**	**220**	**220**	**230**	**240**	**275**	**300**	**99**	**158**	**205**	**261**	**335**

Source: Company data, J.P. Morgan estimates.

Table 9: SK hynix – Key assumptions in the NAND business

Units in 256Gb. equivalent, Won in billions, year-end December

64Gb equiv.	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2024	2025	2026E	2027E	2028E
ASP US$ (64Gb equiv.)	0.7	0.6	0.6	0.9	1.5	2.3	2.6	2.7	2.8	2.9	2.8	2.8	0.7	0.7	2.3	2.8	2.7
Q/Q ASP, %	*-19.5*	*-10.4*	*11.0*	*33.4*	*72.5*	*53.0*	*12.0*	*6.0*	*2.0*	*4.0*	*-2.0*	*-2.0*	*96.4*	*-6.6*	*229.9*	*22.3*	*-2.7*
Operating cost (US$)	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.8	0.9	0.9	0.8	0.8	0.6	0.6	0.7	0.8	0.9
Cash Cost (US$)	0.4	0.5	0.5	0.4	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.4	0.4	0.6	0.7	0.7
Cost change, %	*-2%*	*-4%*	*2%*	*-7%*	*13%*	*4%*	*13%*	*10%*	*2%*	*1%*	*-2%*	*-2%*	*-11%*	*-3%*	*21%*	*16%*	*3%*
Cash cost chg. %	*-14%*	*19%*	*1%*	*-1%*	*13%*	*9%*	*12%*	*17%*	*2%*	*0%*	*-3%*	*-3%*	*-7%*	*4%*	*38%*	*21%*	*2%*
Shipments (64Gb equiv.)	3,415	5,789	5,554	6,187	5,507	6,250	6,406	6,726	6,996	7,275	7,566	7,718	18,995	20,945	24,889	29,555	34,781
Q/Q or Y/Y change, %	*-17.6*	*69.5*	*-4.1*	*11.4*	*-11.0*	*13.5*	*2.5*	*5.0*	*4.0*	*4.0*	*4.0*	*2.0*	*-1.8*	*10.3*	*18.8*	*18.7*	*17.7*
Sales	**3,229**	**4,728**	**4,989**	**7,744**	**11,980**	**21,374**	**22,881**	**24,397**	**25,880**	**27,992**	**28,529**	**28,518**	**19,274**	**20,690**	**80,631**	**110,919**	**126,950**
OP	81	-189	234	2,579	6,769	15,026	16,017	16,834	17,857	19,594	19,971	19,963	3,115	2,705	54,645	77,385	86,326
OP margin (%)	*3*	*-4*	*5*	*33*	*57*	*70*	*70*	*69*	*69*	*70*	*70*	*70*	*16*	*13*	*68*	*70*	*68*
Revenue per wafer (US$)	**2,648**	**4,022**	**4,283**	**6,363**	**9,768**	**16,963**	**19,474**	**21,674**	**22,992**	**24,868**	**25,346**	**25,336**	**4,204**	**4,331**	**16,844**	**24,636**	**28,196**

Source: Company data, J.P. Morgan estimates.

Share ownership history

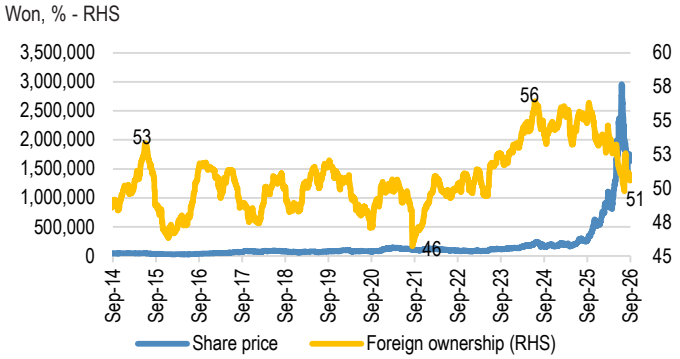
As a globally critical AI hardware supplier, SK Hynix (SKH) has become a core proxy for the global artificial intelligence (AI) trade, drawing sustained interest from international funds. Consequently, foreign investors hold the majority of the company's shares, with 50.8% ownership as of early August 2026.

The ownership structure is further shaped by the SK Group hierarchy, with parent company SK Inc. holding a 32.03% stake in SK Square, which in turn maintains a 20.5% exposure to SK Hynix, making it the second-largest shareholder in SKH. Relative to other SK affiliates, SK Hynix carries a notably high proportion of foreign institutional ownership, leaving the company particularly sensitive to shareholder activism and mounting pressure for enhanced shareholder returns.

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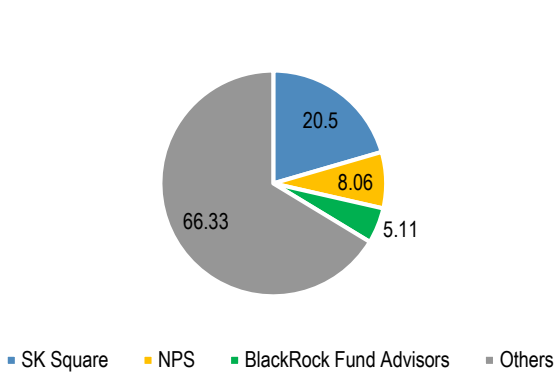
On the domestic side, aside from South Korea's National Pension Service (NPS), which holds an influential stake of over 8%, individual investors own a larger share than domestic institutions. This unusual dynamic underscores the elevated retail participation and speculative trading activity that has surrounded SKH over the past three months.

Figure 110: Foreign ownership in SK Hynix



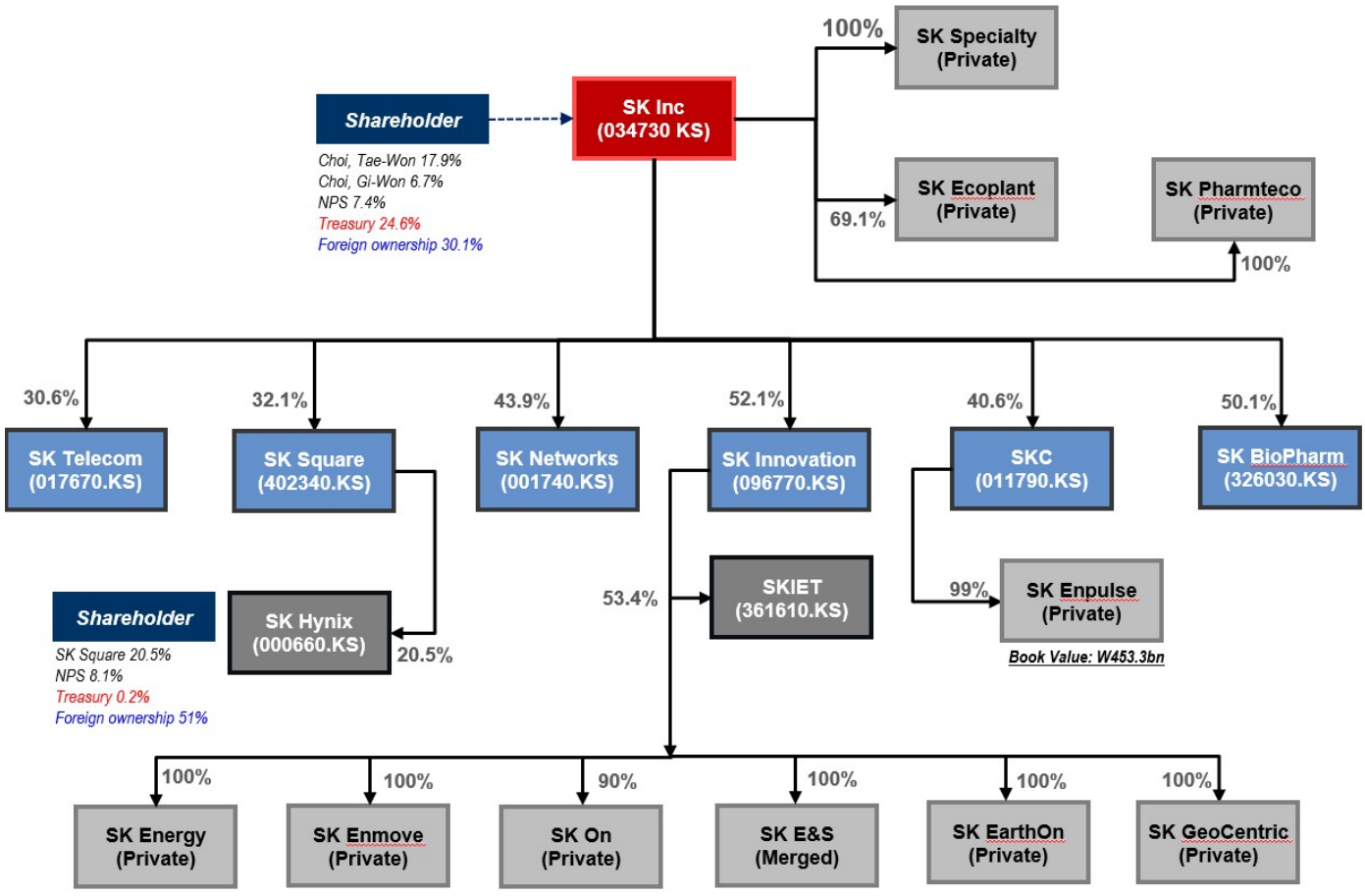
Source: Bloomberg Finance L.P.

Figure 111: Share ownership history (as of 2Q26 end)



Source: Company reports.

Figure 112: SK group structure



Source: Company data, J.P. Morgan estimates.

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Table 10: SK Hynix key management personnel

Name	Title	Experience	Tenure
Mr. Kwak, Noh-Jung	Chief Executive Officier	Senior Managing Directior at SK Hynix Ph.D. Korea University Materials Engineering	32 years with SK Hynix
Mr. Cha, Sun-Yong	Chief Technology Officier	Senior Managing Directior at SK Hynix Ph.D. KAIST Electrical and Electronic Engineering	31 years with SK Hynix
Mr. Kim, Woo-Hyun	Chief Financial Officier	Previously at SK Broadband, SK Telecom Kyungpook National University Economics	4+ years with SK Hynix
Mr. Ahn, Hyun	Chief Development Officier	Senior Managing Directior at SK Hynix Ph.D. Seoul National University Nuclear Engineering	26 years with SK Hynix
Mr. Kim, Ju-Seon	Chief Marketing Officier	Director at SK Hynix Sungkyunkwan University Industrial Engineering	35 years with SK Hynix
Mr. Song, Hyeon-Jong	Head of Corporate Center	Previously at SK Telecom Seoul National University Economics	14+ years with SK Telecom

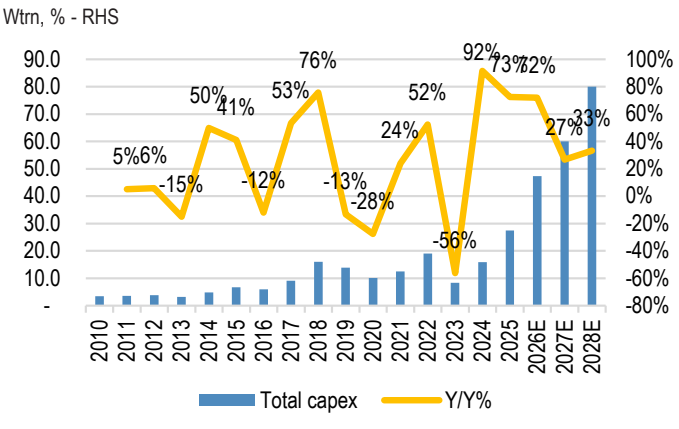
Source: Company data.

Capex trend/fab details

We expect SKH's capex to step up sharply, rising ~72%/27% y/y in FY26/27E with incremental spending primarily directed toward multi-year DRAM fab-space/ infrastructure buildout (Yongin cluster) and DRAM/NAND technology migration, which we anticipate will support long-term AI demand. Based on our estimates, SKH's total capex spending from 26-28E (W187trn) surpasses the past 10Y capex (W139trn), but we expect unconstrained near-term supply (SKH's DRAM/NAND bit growth at 24%/18% CAGR from 26-28E) given long construction lead times (2-2.5 years), rising infrastructure costs, and HBM's structurally higher wafer/bit penalty.

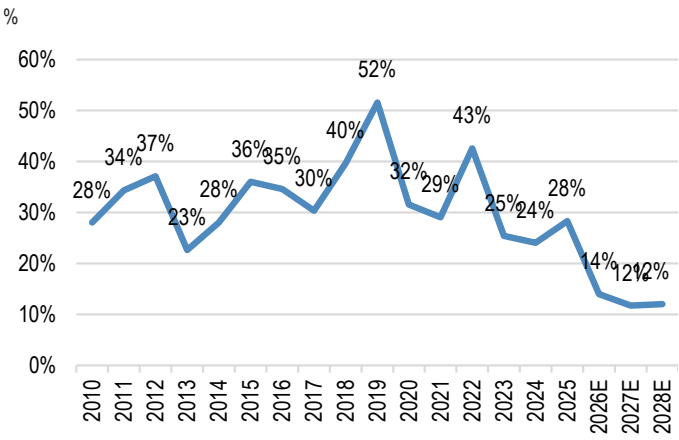
The capex hike trend has been broad-based among memory makers, but we believe that even with this capex hike, industry supply growth is still likely to remain insufficient to fully meet demand in the out-years. We view the company's approach as capex-disciplined in that it prioritizes strategic capacity readiness and high-return, AI-linked output rather than pursuing indiscriminate, cycle-chasing expansion.

Figure 113: SKH – total capex and Y/Y% trend



Source: Company data, J.P. Morgan estimates. Note: Capital intensity = capex / sales

Figure 114: SKH – Capital intensity

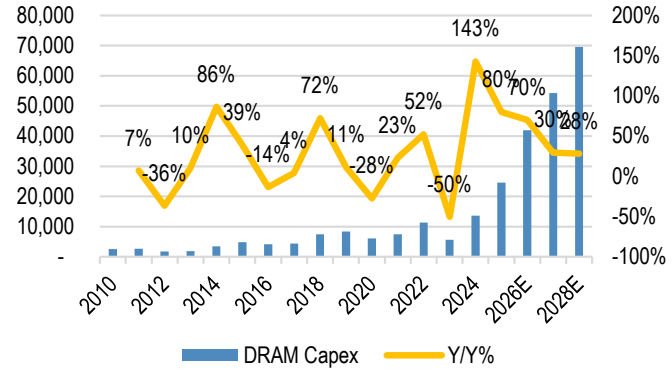


Source: Company data, J.P. Morgan estimates. ; Note: Capital intensity = capex/sales.

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Figure 115: SKH – DRAM capex and Y/Y%

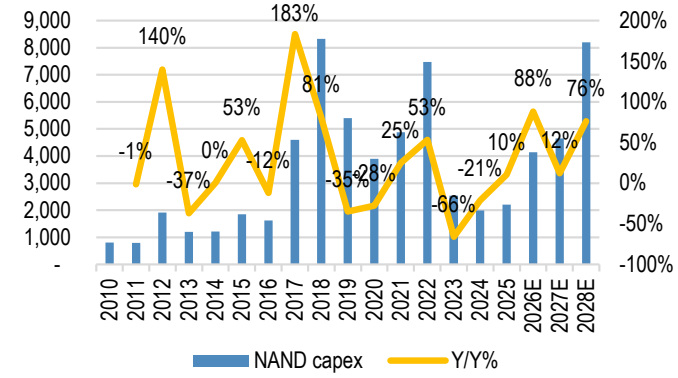
Wbn, % - RHS



Source: Company data, J.P. Morgan estimates.

Figure 116: SKH – NAND capex and Y/Y%

Wbn, % - RHS



Source: Company data, J.P. Morgan estimates.

For DRAM, capacity expansion plans by players are as follows:

- **SKH:** Incremental capacity coming online from M15X (1bnm based, mostly dedicated to HBM) and Yongin cluster 1 with the first phase ramping in March -27 and subsequent fabs coming online throughout 28E and towards the end of the decade. We presume 65-70K wfpm as design capacity per phase and eventually project Hynix capacity doubling by 2030E vs 26E.
- **SEC:** Incremental capacity from P4 (210K wfpm max capacity) and the new greenfield PT5 fab with initial wafer-out from 4Q27E. For future greenfield fabs, we expect SEC to optimize the land in Pyeongtaek (PT) and prioritize finishing cleanroom construction at Yong-in (NRD-K) prior to groundbreaking at Honam (report for details).
- **MU:** Relative to SEC and SKH, we see limited capacity coming online from MU throughout 1H27E. MU's new greenfield fab is expected to rollout from 2Q27E (ID1 fab from Boise Idaho and the PSMC P5 fab). We expect the Hiroshima fab 2 to begin ramping from end-28E with the NY fab contributing to bits towards the end of the decade, largely in-line with management guidance.
- **NYT & China Memory**: From 60K wfpm capacity, the company is accelerating the capacity expansion over the next three years – first new capacity wafer tape-in will begin mid-2027E and additional capacity installation currently anticipated to be 36K/45K by 28/29E-end. According to OMDIA, nearly 300K wfpm is currently installed. We assume the pace of capacity expansion to be largely similar through 28/29E-end.

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Table 11: DRAM - WSPM forecast by player by fab

Kwfpm

12" eq., K wspm	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	1Q28E	2Q28E	3Q28E	4Q28E	2024	2025	2026E	2027E	2028E	2029E	2030E
SK hynix	**560**	**565**	**575**	**590**	**605**	**635**	**660**	**680**	**705**	**725**	**750**	**785**	**405**	**523**	**573**	**645**	**741**	**844**	**988**
M10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
M12																			
Wuxi 1	110	110	110	110	110	110	110	110	110	110	110	110	100	110	110	110	110	110	110
Wuxi 2	90	90	90	100	100	100	100	100	95	95	95	95	55	75	93	100	95	95	95
M14	160	165	175	175	175	170	160	160	160	160	155	155	158	160	169	166	158	153	150
M15X	-	-	10	20	35	65	85	85	85	85	85	85			8	68	85	85	85
M16	200	200	190	185	185	180	175	175	175	175	175	175	93	178	194	179	175	170	165
Y1-1					-	10	30	50	70	70	70	70				23	70	70	70
Y1-2									10	30	50	65					39	65	65
Y1-3									-	-	10	30					10	61	65
Y1-4																		23	65
Y1-5																		10	61
Y1-6																		3	56
Samsung	**670**	**695**	**715**	**755**	**765**	**765**	**790**	**840**	**865**	**885**	**915**	**935**	**604**	**635**	**709**	**790**	**900**	**1,025**	**1,200**
Line 11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Line 12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Line 13	-	-	-	-	-	-	-	-	-	-	-	-	33	-	-	-	-	-	-
Line 15	160	160	160	160	160	160	160	160	155	155	155	155	174	160	160	160	155	155	155
Line 16	70	70	70	70	65	65	65	65	65	65	65	65	65	70	70	65	65	65	65
Line 17	95	90	90	90	90	90	90	90	90	90	90	90	88	100	91	90	90	90	90
PT1	100	100	95	95	95	95	95	95	95	95	95	95	100	100	98	95	95	95	95
PT2	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
PT3	100	100	100	100	100	100	100	100	100	100	100	100	45	95	100	100	100	100	100
PT4	45	75	100	140	155	155	180	210	210	210	210	210		10	90	175	210	210	210
PT5					-	-	-	20	50	70	100	120				5	85	188	250
PT6 (PT5-2)																		11	85
NRG-K																		11	50
Y1																			-
Micron	**305**	**305**	**305**	**305**	**305**	**340**	**375**	**395**	**425**	**440**	**455**	**490**	**301**	**305**	**305**	**354**	**453**	**563**	**650**
Fab 4 (ex-Manassas)	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
Fab 15 (ex-Hiroshima 1)	90	90	90	90	90	90	90	90	90	90	90	90	88	90	90	90	90	90	90
Hiroshima 2									-	-	-	15					4	41	45
Boise fab (Idaho)					-	20	40	60	75	90	90	110				30	91	156	180
PSMC P5 fab					-	15	30	30	45	45	60	60				19	53	60	60
NY fab																			60
Fab 16 (ex-Rexchip)	100	100	100	100	100	100	100	100	100	100	100	100	99	100	100	100	100	100	100
Fab 11 (ex-Inotera)	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**
Fab 1 + Fab 2	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90
Nanya	**62**	**62**	**62**	**62**	**62**	**62**	**67**	**72**	**77**	**82**	**87**	**90**	**60**	**61**	**62**	**66**	**84**	**92**	**105**
Winbond	**28**	**29**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**26**	**26**	**32**	**35**	**35**	**35**	**35**
Powerchip	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**38**	**40**	**40**	**40**	**40**	**40**	**40**
Others (incl. China)	**290**	**290**	**300**	**300**	**330**	**350**	**370**	**390**	**400**	**430**	**450**	**470**	**151**	**253**	**295**	**360**	**438**	**538**	**638**
Global WSPM	**1,955**	**1,986**	**2,032**	**2,087**	**2,142**	**2,227**	**2,337**	**2,452**	**2,547**	**2,637**	**2,732**	**2,845**	**1,585**	**1,842**	**2,015**	**2,290**	**2,690**	**3,136**	**3,655**

Source: Company data, J.P. Morgan estimates.

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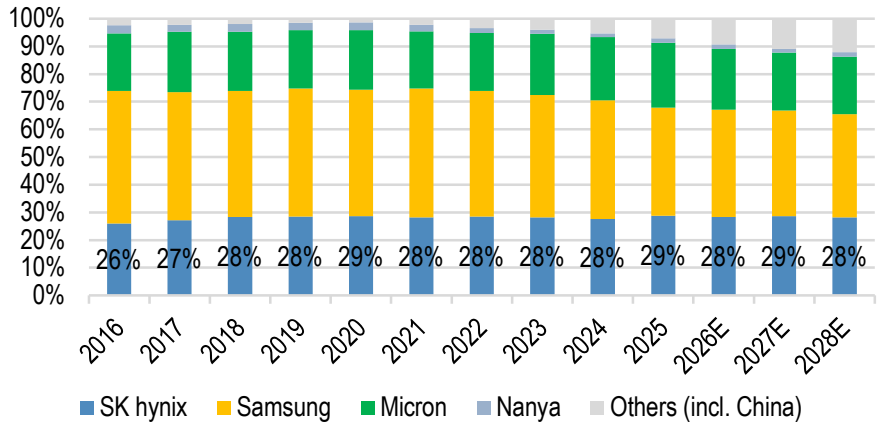
Table 12: NAND – WSPM forecast by player by fab

Kwfpm

	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	1Q28E	2Q28E	3Q28E	4Q28E	2022	2023	2024	2025	2026E	2027E	2028E
SK hynix	165	165	165	165	165	165	165	165	165	165	175	185	248	159	168	163	165	165	173
Samsung	395	395	395	395	395	395	395	395	395	395	395	395	629	463	423	395	395	395	395
Micron	105	105	110	110	115	115	115	115	115	115	125	135	164	110	109	104	108	115	123
Kioxia	400	410	420	420	430	430	430	435	440	440	440	440	601	429	401	395	413	431	440
Intel	55	55	55	55	55	55	55	55	60	60	60	60	59	45	50	52	55	55	60
Others (incl. China)	160	160	160	170	180	190	205	205	205	220	220	235	81	63	108	149	163	195	220
Global WSPM	1,280	1,290	1,305	1,315	1,340	1,350	1,365	1,370	1,380	1,395	1,415	1,450	1,781	1,268	1,258	1,257	1,298	1,356	1,410

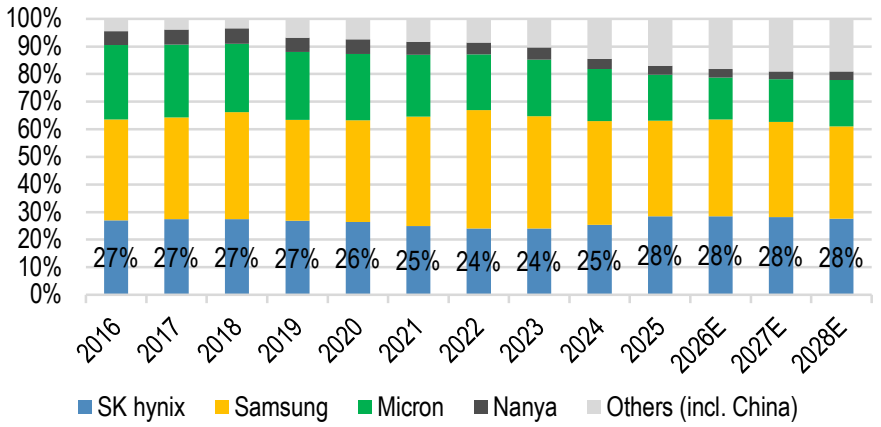
Source: Company data, J.P. Morgan estimates.

Figure 117: SKH – DRAM bit share



Source: Company data, J.P. Morgan estimates.

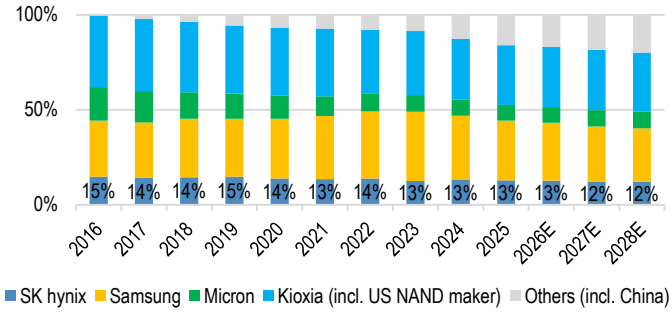
Figure 118: SKH – DRAM capacity share



Source: Company data, J.P. Morgan estimates.

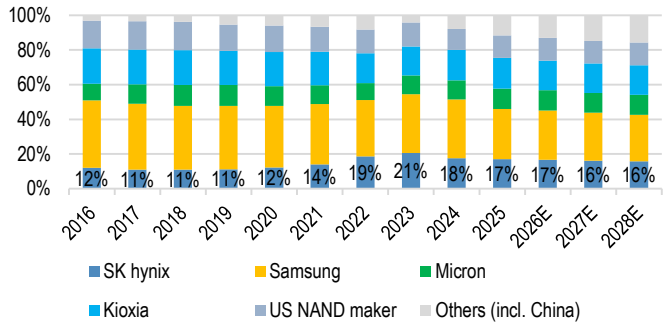
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Figure 119: SKH – NAND bit share



Source: Company data, J.P. Morgan estimates.

Figure 120: SKH – NAND capacity share



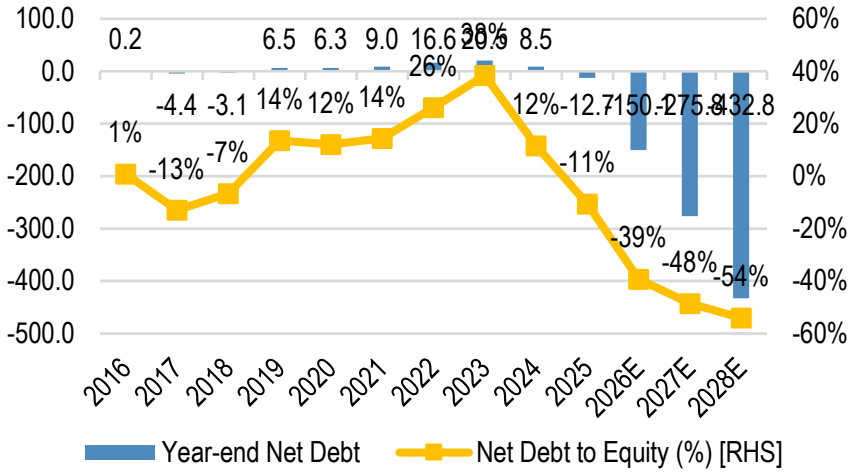
Source: Company data, J.P. Morgan estimates.

Net debt trend

SKH turned net cash from 3Q25A, and we expect SK hynix to sustain this net cash positive position, driving the net gearing ratio (net debt / equity) from +12% in FY24A to negative levels (or net cash position) of -39%/-48% in FY26E/27E. This balance sheet trajectory is supported by strong free cash flow generation of ~W150trn/ W269trn/W348trn in FY26E/27E/28E. We see durability improving as LTAs increase visibility and help smooth cyclicality, while memory's role as a strategic asset in AI systems supports sustained demand. In our base case, margins remain elevated for an extended period, with consolidated EBIT margins of ~78-80% across FY26E–FY28E.

Figure 121: Net debt and gearing ratio trend

Wbn, % - RHS



Source: Company data., J.P. Morgan estimates.

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Key financial metrics

Table 13: SK Hynix – Income Statement

Wbn

Income Statement	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net Sales	**42,998**	**44,622**	**32,766**	**66,193**	**97,147**	**338,830**	**511,166**	**666,675**
Total Cost of Goods Sold	-24,046	-28,994	-33,299	-34,365	-38,456	-58,313	-77,193	-106,829
Gross Profit	**18,952**	**15,628**	**-533**	**31,828**	**58,691**	**280,516**	**433,973**	**559,846**
Total Operating Expenses	-6,542	-8,818	-7,197	-8,361	-11,484	-25,127	-38,849	-52,001
Amortization expense	-796	-780	-283	-257	-484	-475	-475	-475
Research & Development expense	-3,551	-4,475	-3,751	-4,436	-6,466	-12,577	-15,335	-21,334
Other Operating Expenses	-2,195	-3,564	-3,163	-3,668	-4,535	-12,076	-23,038	-30,192
Operating Profit (EBIT)	**12,410**	**6,809**	**-7,730**	**23,467**	**47,206**	**255,389**	**395,125**	**507,846**
Total Non-Operating Income (Expenses)	1,006	-2,807	-3,928	418	3,259	76,957	2,819	5,140
Interest Income	22	90	216	345	494	1,575	3,385	5,671
Interest Expense	-260	-533	-1,468	-1,345	-924	-619	-566	-531
Investment Income (loss)	120	-576	-2,370	0	0	-3,979	0	0
Other Non-operating Income (expense	1,123	-1,787	-305	1,418	3,689	79,979	0	0
Profit Before Taxes	**13,416**	**4,003**	**-11,658**	**23,885**	**50,466**	**332,346**	**397,943**	**512,986**
Income Tax (Expense)/Gain	-3,800	-1,761	2,520	-4,088	-7,518	-77,126	-93,352	-120,340
Net Income Before Extraordinaries	9,616	2,242	-9,138	19,797	42,948	255,220	304,591	392,646
Extraordinaries	0	0	0	0	-28	-118	0	0
Net Income After Extraordinaries	**9,616**	**2,242**	**-9,138**	**19,797**	**42,920**	**255,101**	**304,591**	**392,646**
Dividened on Preferred Capital	-	-	-	-	-	-	-	-
Net income for Common Equity	9,616	2,242	-9,138	19,797	42,920	255,101	304,591	392,646
Dividend on Common Equity	-800	-1,678	-826	-826	-1,036	-2,121	-23,714	-36,269
Retained Income	8,816	564	-9,963	18,971	41,885	252,981	280,877	356,377

Source: J.P. Morgan estimates, Company data.

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Table 14: SK Hynix – Balance Sheet

Wbn

Balance Sheet	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash and Cash Equivalents	8,673	6,409	8,921	14,156	34,942	168,068	292,605	448,653
Account Receivables	8,267	5,186	6,600	13,019	18,199	67,774	82,469	111,660
Inventory	8,917	15,665	13,481	13,314	14,289	25,490	31,017	41,995
Total Other Current Assets	1,014	1,474	1,466	1,790	2,027	3,338	3,945	5,191
Total Current Assets	26,870	28,733	30,468	42,279	69,458	264,670	410,036	607,499
Gross Fixed Assets	134,845	155,864	162,014	182,048	213,323	261,469	321,469	401,469
Accumulated Depreciation	-81,811	-95,635	-109,309	-121,890	-135,821	-152,997	-178,853	-218,013
Acquisition/(Divestures)	-	-	-	-	-	-	-	-
Net Fixed Assets	**53,034**	**60,229**	**52,705**	**60,157**	**77,503**	**108,472**	**142,616**	**183,456**
Other Long Term Assets	5,065	3,512	3,835	4,019	4,049	4,283	4,283	4,283
Long Term Investments and Associates	11,417	11,398	13,323	13,400	25,097	99,534	99,534	99,534
Total Long Term Assets	**69,516**	**75,138**	**69,862**	**77,576**	**106,650**	**212,289**	**246,433**	**287,273**
Total Assets	**96,386**	**103,872**	**100,330**	**119,855**	**176,108**	**476,959**	**656,469**	**894,772**
Accounts Payable	1,359	2,186	1,846	2,277	2,848	3,876	3,429	4,253
Accrued Payable	4,641	5,445	3,293	6,967	6,434	8,578	10,438	14,132
ST Debt	793	4,803	7,845	2,427	3,866	4,610	4,610	4,610
Current portion of LT Debt	2,088	2,620	2,012	2,825	4,296	1,248	1,245	1,243
Other Current Liabilities	5,889	4,789	6,012	10,469	19,935	49,942	42,077	43,568
Total Current Liabilities	**14,769**	**19,844**	**21,008**	**24,965**	**37,379**	**68,254**	**61,799**	**67,807**
Debentures	7,529	9,074	9,490	12,409	11,206	9,921	8,783	7,775
Long Term Debt	7,214	6,498	10,121	5,022	2,880	2,184	2,184	2,184
Other Long Term Liabilities	4,683	5,166	6,207	3,543	3,976	13,717	14,848	16,071
Total Long Term Liabilities	**19,426**	**20,737**	**25,819**	**20,974**	**18,062**	**25,821**	**25,814**	**26,031**
Share Capital	3,658	3,658	3,658	3,658	3,658	3,636	3,367	3,016
Share Premium	4,335	4,336	4,346	4,487	8,954	11,876	11,876	11,876
Other Reserves	34	24	1	12	151	335	604	955
Retained Earnings	55,784	56,685	46,729	65,418	106,577	362,460	548,433	780,512
Others	-1,619	-1,413	-1,230	341	1,328	4,577	4,577	4,577
Total Equity	**62,191**	**63,291**	**53,504**	**73,916**	**120,667**	**382,884**	**568,857**	**800,935**

Source: J.P. Morgan estimates, Company data.

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Table 15: SK Hynix – Cashflow Statement

Wbn

Cash Flow Statement	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net Income	9,616	2,242	-9,138	19,797	42,920	255,101	304,591	392,646
Add Non cash Expenses/(income)								
Depreciation and Amortization	10,333	13,825	13,674	12,582	13,930	17,611	26,805	40,229
Extraordinaries	0	0	0	0	28	118	0	0
Other Non-Cash Items								
Changes in Working Capital:								
(Increase)/Decrease Receivables	-3,336	3,081	-1,414	-6,419	-5,180	-49,575	-14,695	-29,190
(Increase)/Decrease Inventories	-2,780	-6,748	2,184	167	-975	-11,200	-5,527	-10,979
(Increase)/Decrease Other Current As	-459	-459	7	-323	-238	-1,311	-607	-1,247
Increase/(Decrease) Payables	313	827	-341	432	571	1,028	-448	825
Increase/(Decrease) Accured payable	925	805	-2,152	3,674	-533	2,144	1,860	3,695
Increase/(Decrease) Other Current Lia	4,693	-1,100	1,223	4,457	9,466	30,007	-7,865	1,491
Net Cash from Operations	**19,304**	**12,472**	**4,043**	**34,366**	**59,989**	**243,923**	**304,115**	**397,469**
Cash Flow from Investing								
Purchase of Property, Plant & Equipmen	-22,136	-21,019	-6,150	-20,034	-31,275	-48,580	-60,950	-81,068
Acquisitions/Divesture	0	0	0	0	0	0	0	0
Purchase/Sale of Other LT assets	-1,665	1,553	-322	-184	-31	-234	0	0
Purchase/Sale of Investments	-1,445	19	-1,925	-77	-11,697	-74,437	0	0
Net Cash from Investing Activities	**-25,246**	**-19,447**	**-8,398**	**-20,296**	**-43,003**	**-123,250**	**-60,950**	**-81,068**
Cash Flow from Financing								
Issuance/Repayment of Debt	6,372	5,371	6,474	-6,785	-436	-4,286	-1,140	-1,010
Change in other LT liabilities	2,628	483	1,041	-2,665	433	9,741	1,131	1,224
Change in Common Equity - net	1,480	208	193	1,711	5,454	6,149	-269	-351
Payment of Cash Dividends	-800	-1,678	-826	-826	-1,036	-2,121	-23,714	-36,269
Other Financing Charges, Net	-14	328	-16	-270	-616	2,969	-94,635	-123,947
Net Cash from Financing Activities	**9,666**	**4,712**	**6,866**	**-8,834**	**3,801**	**12,453**	**-118,628**	**-160,353**
Net Effect of Exchange Rate Changes								
Net Change in Cash and Cash Equival	**3,724**	**-2,264**	**2,512**	**5,235**	**20,786**	**133,126**	**124,538**	**156,048**

Source: J.P. Morgan estimates, Company data.

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Table 16: SKH - Earnings Model

(W in billion)	2025				2026E				2027E								
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE	2024	2025	2026E	2027E	2028E
Revenue	**17,639**	**22,232**	**24,449**	**32,827**	**52,576**	**79,319**	**94,522**	**112,413**	**116,970**	**125,741**	**131,669**	**136,787**	**66,193**	**97,147**	**338,830**	**511,166**	**666,675**
DRAM	14,037	17,124	19,084	24,659	40,195	57,578	71,241	87,616	90,690	97,349	102,739	107,869	44,732	74,904	256,631	398,647	538,125
NAND Flash	3,229	4,728	4,989	7,744	11,980	21,374	22,881	24,397	25,880	27,992	28,529	28,518	19,274	20,690	80,631	110,919	126,950
Others	373	380	376	423	401	367	400	400	400	400	400	400	2,187	1,552	1,568	1,600	1,600
Depreciation	-3,124	-3,249	-3,360	-3,366	-3,519	-3,822	-4,569	-4,848	-5,484	-6,119	-6,775	-7,477	-12,582	-13,930	-17,611	-26,805	-40,229
COGS	7,537	10,249	10,420	10,250	10,897	13,327	16,328	17,761	17,743	18,741	19,876	20,834	-34,365	-38,456	-58,313	-77,193	-106,829
Gross Profit	**10,102**	**11,983**	**14,029**	**22,576**	**41,679**	**65,991**	**78,194**	**94,652**	**99,227**	**107,000**	**111,793**	**115,953**	**31,828**	**58,691**	**280,516**	**433,973**	**559,846**
SG&A Expenses	2,661	2,770	2,646	3,407	4,069	5,449	6,617	8,993	8,890	9,556	10,007	10,396	8,361	11,484	25,127	38,849	52,001
% of Revenue (%)	*15*	*12*	*11*	*10*	*8*	*7*	*7*	*8*	*8*	*8*	*8*	*8*	*13*	*12*	*7*	*8*	*8*
EBIT	**7,441**	**9,213**	**11,383**	**19,170**	**37,610**	**60,543**	**71,578**	**85,659**	**90,337**	**97,444**	**101,786**	**105,558**	**23,467**	**47,206**	**255,389**	**395,125**	**507,846**
DRAM	7,337	9,378	11,124	16,574	30,819	45,491	55,533	68,797	72,452	77,821	81,787	85,567	20,259	44,413	200,639	317,627	421,407
Margin (%)	*52*	*55*	*58*	*67*	*77*	*79*	*78*	*79*	*80*	*80*	*80*	*79*	*45*	*59*	*78*	*80*	*78*
Flash/SRAM	81	-189	234	2,579	6,769	15,026	16,017	16,834	17,857	19,594	19,971	19,963	3,115	2,705	54,645	77,385	86,326
Margin (%)	*3*	*-4*	*5*	*33*	*57*	*70*	*70*	*69*	*69*	*70*	*70*	*70*	*16*	*13*	*68*	*70*	*68*
Others	23	24	25	16	23	26	28	28	28	28	28	28	94	88	105	113	113
Margin (%)	*6*	*6*	*7*	*4*	*6*	*7*	*7*	*7*	*7*	*7*	*7*	*7*	*4*	*6*	*7*	*7*	*7*
Net Interest Income	-126	-129	-103	-72	22	150	226	558	574	582	698	965	-1,000	-429	956	2,819	5,140
Net Other Income	1,985	-361	3,510	-1,445	13,985	62,016	0	0	0	0	0	0	1,418	3,689	76,000	0	0
Pre Tax Profit	9,299	8,723	14,790	17,653	51,617	122,708	71,804	86,217	90,911	98,026	102,484	106,522	23,885	50,466	332,346	397,943	512,986
Tax	1,191	1,726	2,193	2,407	11,271	28,786	16,844	20,225	21,327	22,996	24,041	24,989	4,088	7,518	77,126	93,352	120,340
Extraordinary gain(loss)	-	1	- 2.34	- 26.17	- 15.73	- 102.36	-	-	-	-	-	-	0	-28	-118	0	0
Net Profit	**8,108**	**6,997**	**12,595**	**15,220**	**40,330**	**93,820**	**54,960**	**65,991**	**69,585**	**75,030**	**78,442**	**81,534**	**19,797**	**42,920**	**255,101**	**304,591**	**392,646**
EPS (W)	**11,136**	**9,610**	**17,299**	**20,904**	**56,581**	**133,397**	**76,216**	**94,394**	**101,865**	**112,724**	**118,003**	**125,943**	**27,190**	**58,987**	**359,930**	**457,886**	**647,789**
Margins (%)																	
Gross Margin	57	54	57	69	79	83	83	84	85	85	85	85	48	60	83	85	84
Operating Margin	42	41	47	58	72	76	76	76	77	77	77	77	35	49	75	77	76
EBITDA Margin	60	56	60	69	78	81	81	81	82	82	82	83	54	63	81	83	82
Net Margin	46	31	52	46	77	118	58	59	59	60	60	60	30	44	75	60	59
Sequential Growth (%)																	
Revenue	-11	26	10	34	60	51	19	19	4	7	5	4	102	47	249	51	30
Gross Profit	-3	19	17	61	85	58	18	21	5	8	4	4	na	84	378	55	29
EBIT	-8	24	24	68	96	61	18	20	5	8	4	4	na	101	441	55	29
Net Profit	1	-14	80	21	165	133	-41	20	5	8	5	4	na	117	494	19	29
EPS	1	-14	80	21	171	136	-43	24	8	11	5	7	na	117	510	27	41
EBITDA	10,565	12,462	14,744	22,536	41,129	64,365	76,146	90,507	95,821	103,562	108,562	113,035	35,453	60,306	272,147	420,980	547,006
CAPEX	-6,284	-4,332	-5,032	-11,871	-7,657	-10,671	-13,000	-16,000	-14,500	-14,500	-15,000	-16,000	-15,946	-27,519	-47,328	-60,000	-80,000

Source: Company data, J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

SK hynix ADR *(Overweight; Price Target: $245.00)*

Investment Thesis
Our OW rating on SK hynix ADR is based on the company's solid AI solution execution capability, which has substantially improved its earnings generation capability. We expect a 'higher-for-longer' memory up-cycle, and improving conventional fundamentals put SKH in a positive position, as the pure memory business carries a higher beta.

Valuation
Our Jun-27 PT of US$245 is based on 7x average FY26-27E EPS of the local-share (000660 KS) with a 20% valuation premium to derive the FVPS for the ADR (consistent with TSMC ADR over local listing premium since 2024 when the AI capex-driven hardware sector trade began). Our 7x average FY26-27E EPS reflects a stronger and longer memory upcycle view, which we believe provides durability and sustainability to SKH's substantially improved earnings capability over the next three years.

Risks to Rating and Price Target
Key downside risks to our rating and price target include lower-than-expected DRAM prices and margins, and uncertainty around end demand/inventories.

Key upside catalysts include further DRAM ASP rallies, led by stronger-than-expected demand.

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SK hynix ADR: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**66,193**	**97,147**	**338,830**	**511,166**	**666,675**
COGS	(21,783)	(24,526)	(40,702)	(50,387)	(66,600)
Gross profit	**31,828**	**58,691**	**280,516**	**433,973**	**559,846**
SG&A	(257)	(484)	(475)	(475)	(475)
Adj. EBITDA	**36,049**	**61,136**	**273,000**	**421,930**	**548,074**
D&A	(12,582)	(13,930)	(17,611)	(26,805)	(40,229)
Adj. EBIT	**23,467**	**47,206**	**255,389**	**395,125**	**507,846**
Net Interest	(1,000)	(429)	956	2,819	5,140
Adj. PBT	**23,885**	**50,466**	**332,346**	**397,943**	**512,986**
Tax	(4,088)	(7,518)	(77,126)	(93,352)	(120,340)
Minority Interest	-	-	-	-	-
Adj. Net Income	**19,797**	**42,948**	**255,220**	**304,591**	**392,646**
Reported EPS	27,190.19	58,987.08	359,929.80	457,885.50	647,789.00
Adj. EPS	**27,190.19**	**58,987.08**	**359,929.80**	**457,885.50**	**647,789.00**
DPS	**2,204.00**	**3,000.00**	**34,000.00**	**52,000.00**	**75,000.00**
Payout ratio	8.1%	5.1%	9.4%	11.4%	11.6%
Shares outstanding	728	728	709	665	606

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	14,156	34,942	168,068	292,605	448,653
Accounts receivable	13,019	18,199	67,774	82,469	111,660
Inventories	13,314	14,289	25,490	31,017	41,995
Other current assets	1,790	2,027	3,338	3,945	5,191
Current assets	**42,279**	**69,458**	**264,670**	**410,036**	**607,499**
PP&E	60,157	77,503	108,472	142,616	183,456
LT investments	13,400	25,097	99,534	99,534	99,534
Other non current assets	4,019	4,049	4,283	4,283	4,283
Total assets	**119,855**	**176,108**	**476,959**	**656,469**	**894,772**
Short term borrowings	5,252	8,162	5,858	5,855	5,853
Payables	2,277	2,848	3,876	3,429	4,253
Other short term liabilities	17,436	26,369	58,520	52,515	57,701
Current liabilities	**24,965**	**37,379**	**68,254**	**61,799**	**67,807**
Long-term debt	17,431	14,086	12,105	10,967	9,959
Other long term liabilities	3,543	3,976	13,717	14,848	16,071
Total liabilities	**45,940**	**55,441**	**94,075**	**87,613**	**93,837**
Shareholders' equity	73,916	120,667	382,884	568,857	800,935
Minority interests	-	-	-	-	-
Total liabilities & equity	**119,855**	**176,108**	**476,959**	**656,469**	**894,772**
BVPS	**101,520.01**	**165,730.54**	**525,874.12**	**832,747.03**	**1,271,560.96**
y/y Growth	-	*63.2%*	*217.3%*	*58.4%*	*52.7%*
Net debt/(cash)	8,527	(12,694)	(150,106)	(275,784)	(432,841)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**34,366**	**59,989**	**243,923**	**304,115**	**397,469**
o/w Depreciation & amortization	12,582	13,930	17,611	26,805	40,229
o/w Changes in working capital	1,987	3,111	(28,907)	(27,281)	(35,405)
Cash flow from investing activities	**(20,296)**	**(43,003)**	**(123,250)**	**(60,950)**	**(81,068)**
o/w Capital expenditure	(20,034)	(31,275)	(48,580)	(60,950)	(81,068)
as % of sales	*30.3%*	*32.2%*	*14.3%*	*11.9%*	*12.2%*
Cash flow from financing activities	**(8,834)**	**3,801**	**12,453**	**(118,628)**	**(160,353)**
o/w Dividends paid	(826)	(1,036)	(2,121)	(23,714)	(36,269)
o/w Shares issued/(repurchased)	1,711	5,454	6,149	(269)	(351)
o/w Net debt issued/(repaid)	(6,785)	(436)	(4,286)	(1,140)	(1,010)
Net change in cash	**5,235**	**20,786**	**133,126**	**124,538**	**156,048**
Adj. Free cash flow to firm	**15,161**	**29,079**	**194,609**	**241,008**	**312,467**
y/y Growth	-	*91.8%*	*569.2%*	*23.8%*	*29.7%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	48.1%	60.4%	82.8%	84.9%	84.0%
EBITDA margin	54.5%	62.9%	80.6%	82.5%	82.2%
EBIT margin	35.5%	48.6%	75.4%	77.3%	76.2%
Net profit margin	29.9%	44.2%	75.3%	59.6%	58.9%
ROE	53.6%	44.1%	101.4%	64.0%	57.3%
ROA	33.0%	29.0%	78.2%	53.7%	50.6%
ROCE	40.3%	33.5%	72.1%	61.3%	55.4%
SG&A/Sales	0.4%	0.5%	0.1%	0.1%	0.1%
Net debt/Equity	0.1	NM	NM	NM	NM
Net debt/EBITDA	0.2	NM	NM	NM	NM
Sales/Assets (x)	1.1	0.7	1.0	0.9	0.9
Assets/Equity (x)	1.6	1.5	1.3	1.2	1.1
Interest cover (x)	36.0	142.4	NM	NM	NM
Operating leverage	-	216.3%	177.3%	107.6%	93.8%
Tax rate	17.1%	14.9%	23.2%	23.5%	23.5%
Revenue y/y Growth	-	46.8%	248.8%	50.9%	30.4%
EBITDA y/y Growth	-	69.6%	346.5%	54.6%	29.9%
EPS y/y Growth	-	116.9%	510.2%	27.2%	41.5%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	9.2	4.2	0.7	0.5	0.4
P/BV (x)	2.5	1.5	0.5	0.3	0.2
EV/EBITDA (x)	3.8	1.9	NM	NM	NM
Dividend Yield	0.9%	1.2%	13.6%	20.8%	30.0%

Source: Company reports and J.P. Morgan estimates.
Note: W in billions (except per-share data).Fiscal year ends Dec. o/w - out of which