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SK Hynix (000660.KS)

Potential US Memory Production Partnership with Intel

CITI'S TAKE

Reuters (16 Sep 2026) reported that SK Hynix may be exploring potential cooperation with Intel for memory production in the US, including leasing part of Intel's Ohio facility or forming a JV with Intel and major cloud customers. Hynix clarified that no specific plan or arrangement has been finalized. That said, if the partnership materializes, we believe Intel's Ohio facility would likely be used for front-end memory production, given Hynix is already building an advanced HBM packaging facility in Indiana. We believe using Intel's existing sites could provide a faster path to US capacity by ~4-5 years than building a new greenfield fab.

Buy	
Price (16 Sep 26 15:45)	W1,759,000
Target price	W3,000,000
Expected share price return	70.6%
Expected dividend yield	0.8%
Expected total return	71.3%
Market Cap	W1,284,936,070M
	US$932,966M

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Potential US Memory Production Partnership with Intel — SK Hynix is reportedly considering two potential structures for memory production in the US: [1] leasing part of Intel's semiconductor facility in Ohio, or [2] forming a JV with Intel and major cloud customers seeking to secure memory supply. The discussions are still preliminary, and no structure or memory product has been decided. Hynix also said that there is no confirmed plan for cooperation with any specific company or for memory production in the US (see its newsroom post).

Would Fit Intel's Strategy; Regulatory Approval Would be Key — From Intel's perspective, potential cooperation would be consistent with CEO Lip-Bu Tan's recent comments that Intel cannot build every part of capability internally and intends to partner where others have stronger technology positions (see Citi's note: Intel Corp (INTC.O) – Potential Partnership with SK Hynix). Meanwhile, if US production involves advanced DRAM or HBM technology, approval for technology transfer from the Korean government would become an important consideration. We therefore believe the final product scope and partnership structure would be key factors in determining whether and how the project could move forward.

Implication — If Hynix and Intel proceed with a partnership, we believe Intel's Ohio facility would likely be used for front-end memory production, rather than back-end packaging, given Hynix is already building its advanced HBM packaging facility in Indiana. Using Intel's existing site could shorten the lead time needed to add US production capacity by ~4-5 years versus a new greenfield fab, while offering more flexibility in Hynix's US investment and business structure. That said, as no specific arrangement has been finalized, we believe Hynix could still consider building its own fab in the US, if needed.

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

Bull/Bear: SK Hynix

W 3,800,000
▲116% Upside

W 3,000,000
▲71% Upside

W 1,400,000
▼20% Downside



Spread 136pp
Current Price and expected returns (upside/downside) as of 16 Sep 2026

BULL Assumptions

- 2026E DRAM ASP Chg. YoY +200%
- 2026E NAND ASP Chg. YoY +300%
- Accelerated customization of memory products; continued upcycle of memory market supported by better-than-expected commodity memory pricing.

BASE Assumptions

- 2026E DRAM ASP Chg. YoY +163%
- 2026E NAND ASP Chg. YoY +264%
- 2026E EV/EBITDA SOTP (HBM: 8.6x 26E EBITDA; Commodity: 7.7x 26E EBITDA) on continued HBM leadership & the initiation of commodity market upcycle

BEAR Assumptions

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



SK Hynix

Valuation

Our 12-month target price for SK Hynix of W3,000,000 is derived using a sum-of-the-parts (SOTP) methodology, based on 2026E EBITDA. In calculating total operating value, we break down SK Hynix's operating businesses into HBM and commodity/others business to reflect a structural change in next-gen memory market. We reference a global peer (TSMC) in assigning a fair-value EV/EBITDA multiple for HBM business, as we project the memory market is evolving from a traditional commodity market into a highly customized & customer-specific market much closer to the foundry business. For commodity memory business, we apply a historical average of 12m fwd EV/EBITDA during the beginning or early stage of memory upcycles in the past. We apply 8.6x EV/EBITDA to HBM segment and 7.4x to commodity segment to derive the target price.

Risks

Downside risks that could prevent the shares from reaching our target price include: 1) a downturn in DRAM demand; 2) weaker NAND demand than our forecasts; and 3) weakness in global consumption.