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IDEA

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Samsung Electronics | Asia Pacific

More Than Memory

AI is seen maintaining the entire memory complex with tighter supply conditions seen for 2027-28, LTAs are locking in 60–70% of capacity with higher HBM price reset ahead. The investor debate shifts to supply/capex response against a well understood memory cycle, and the capital-return framework.

Key Takeaways

- We see tighter supply into 2027 vs. 2026, with only ~60% of demand met. New P5 wafer output is expected from mid-2028.
- Further meaningful price increases are not realistic, in our view, with the exception of HBM; hence the focus on LTAs duration.
- We lower our 2026 EPS estimate by 5%, mainly on 3Q26 currency headwinds.
- The next catalysts we see are 3Q preliminary results (Oct 8) and earnings (Oct 29) and a new shareholder return policy in January.

What's new? (1) A sustainable **turnaround in foundry** is underway, backed by leading edge project wins and execution. (2) the memory inflation situation brings opportunity for the **mobile business to drive market share** and transform into software and AI applications. (3) **LTAs with 5-year rolling annually provide visibility** on capex decisions. (4) **HBM could become the biggest profitability swing** on production mix and pricing in 2027.

What's well understood? (1) Everything memory: The extended supply/demand imbalance is well understood with only ~60% of demand fulfillments, but further meaningful price increases may not be realistic. Conventional DRAM bit growth could slow in 2027 as HBM absorbs wafers and a gap before P5 wafer output by mid-2028. **(2) Capital returns:** Samsung's W90-110tr capital returns in 2026 were in line with its 50% FCF policy, with as W30tr already paid and excluding LTA deposits. We think everything is on the table for higher buybacks/cancellations, especially of preference shares, and dividends in the January 2027 announcement.

Estimate changes: We expect 3Q26 to come in lower at W103tr on a stronger USD/KRW, and reduce our 2026 EPS estimate by 5%. We make only slight changes to 2027–28e EPS, with higher HBM pricing offset by smartphone losses. Our residual income-based PT remains W381,000, implying 38% upside and 2.2x 2027e P/B.

Bottom line. With the stock still relatively inexpensive at 3.8x 2027e EPS, we see an opportunity for multiple expansion if enthusiasm capital returns. We think multiple expansion would not be required as non-memory numbers could rise into 2028. Samsung remains our preferred play within memory, and we remain OW.

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S. Korea Technology | S. Korea

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	W381,000
Up/downside to price target (%)	38
Shr price, close (Oct 2, 2026)	W276,000
52-Week Range	W374,500-90,200
Sh out, dil, curr (mn)	6,607
Mkt cap, curr (bn)	W1,986,102
EV, curr (bn)	W1,719,958
Avg daily trading value (bn)	W5,426

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (W)**	6,562	46,377	73,569	74,450
Prior EPS (W)**	-	48,652	72,528	74,583
EPS (W)§	6,225	47,390	69,433	69,187
EBITDA (W bn)	90,528	415,667	677,918	680,776
P/E	20.2	6.7	4.2	4.2
P/BV	2.1	3.0	1.8	1.3
ROE (%)	11.3	72.2	70.9	43.7
EV/EBITDA	8.0	4.0	2.0	1.4
Div yld (%)	1.4	2.8	2.2	2.1
FCF yld ratio (%)	4.0	10.8	17.7	22.6

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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AlphaSignals Earnings Preview

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
Samsung Electronics 005930.KS		
3Q26 prelim earnings	— In-line	↓ Modest revision lower

• We expect Samsung to report 3Q26 operating profit of around W103tn.

*Likely impact to consensus EPS is for the next 12 months
Source: Company data, Morgan Stanley Research

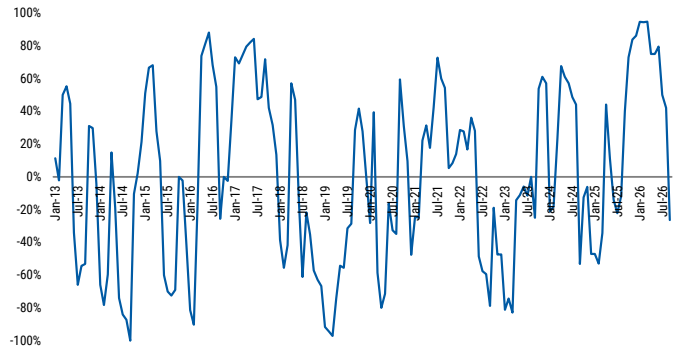
Key Discussions

The meeting with the executive team at Samsung showed high confidence in an accelerating and diversifying growth story that should show appeal to value as well as growth investors: Investors' key debates were mainly focused on (1) HBM pricing and mix in 2027, (2) quality of Samsung's LTA structure, (3) supply/capex and (4) capital returns. Samsung's top strategy is entirely focused on maintaining its technology leadership, with R&D spending continuing at a record pace every quarter, and its second R&D only dedicated fab, which management thinks the market under-appreciates (a perception that may take time to change).

3Q26 preview: We expect 3Q26 operating profit of W103tr, 6% below FactSet consensus of W109.8tr, on revenue of W198.7tr (consensus W204tr). The differences are driven mainly by currency headwinds, with the USD/KRW appreciating by 6% in the quarter. We see the October 8 preliminary results likely showing modest downside on numbers. In our view, the focus will be on capital returns, 2027 HBM contract resets and LTA commentary rather than the quarter itself.

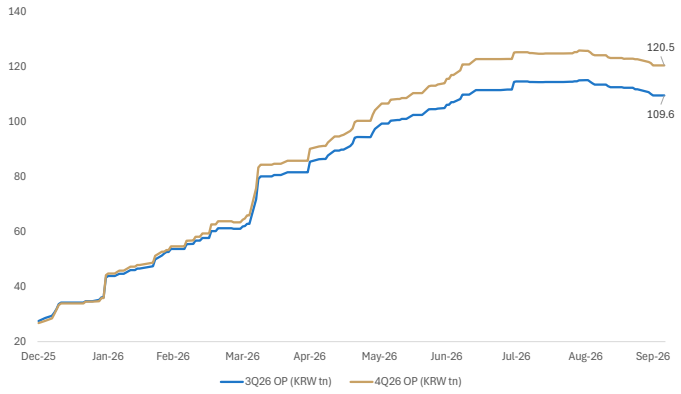
We will be watching the January shareholder return policy, 3Q26 results on Oct 29, 2027 HBM contract pricing, HBM4 yields, and P5 allocation decisions. We understand that there is more leverage in other parts of the supply chain (AI computing) – which was our reason for rotating our Top Pick on Samsung in mid-2026 – but we now view Samsung as the best value in the memory group.

Exhibit 1: Samsung: 12M forward earnings revision breadth



Source: Factset, Morgan Stanley Research estimates

Exhibit 2: Samsung: Consensus OP for 3Q26e and 4Q26e



Source: Factset, Morgan Stanley Research estimates

Memory - recent developments

Calling memory a "cycle" may be misleading, as previous cycles were mainly driven by mobile and PC whereas the AI revolution appears long-lasting and still at an early stage. Memory is required across every AI phase (training, inference, agentic and physical AI), and if AI demand persists, current memory conditions will likely continue as well. In our view, cyclicality is the nature of the memory business, and the lesson from past cycles is to watch inventory at both Samsung and customers; there is almost none today (ex-module makers), and the rate of pricing changes is not coming off but is nevertheless decelerating.

Supply and demand – no sign of excess: The ~60% fulfilment rate is unchanged after

filtering orders against power and component constraints. Management said new capacity should begin coming online in 2028 to drive higher supply growth, but "not too significantly." Bit supply growth increase is diluted by HBM wafer penalties, and capacity additions do not translate one-for-one into supply. On production maturity, HBM dies are much larger than conventional DRAM dies, and maximum yields typically top out at around 75–80%. Reaching that level this year appears to be achievable and to represent commercial maturity for HBM.

China competition: We estimate Chinese DRAM output at below 60% of stated capacity, with more than a two-year gap at the high end, while China NAND (YMTC) is already competitive with global peers. However, HBM and high-density DRAM require capital, technology and yield barriers that cannot be replicated quickly, and customer relationships also matter. In China, Samsung supplies to customers and has extended its DDR4 production by one year as they also want to diversify from local suppliers.

Pricing upside – more measured: Memory pricing is a concern for both Samsung and the market, and continued increases are not realistic, in our view. We think there needs to be more reasonable pricing to support AI adoption. Blended ASP depends on product mix as well as like-for-like pricing, and we expect Samsung to have a significant HBM ASP increase in 2027 and grow HBM volume to meaningfully lift blended ASP. HBM is priced under annual contracts that start at the beginning of the year, and pricing is not tied to generation product launches. With current prices reflecting contracts signed in 2H25, the upward reset to narrow the margin gap with conventional DRAM should be significant, but not necessarily close the gap. In 3Q26, Samsung's HBM revenue should rise 3x from 2Q, HBM4 should account for 60% of total HBM revenue by year-end, and Samsung's HBM market share should be close to its overall memory market share near 40%.

zHBM and custom HBM roadmap: HBM co-development is underway, with mass production targeted for 2028 or 2029. Custom HBM begins with HBM4E and becomes mainstream by HBM5. Custom HBM customers can pair Samsung memory with either Samsung foundry or other leading edge foundries under the *TSMC OIP 3DFabric Alliance and direct engineering agreements*. The company is technically prepared across its next generation HBM offering, zHBM and custom HBM roadmaps for whichever architecture the market adopts.

NAND – not much interest: KV cache off-load is supporting enterprise SSD, which is ~60% of NAND sales and driven by QLC shipments that appear likely to double in 2H26 vs. 1H26. KV cache off-load demand remains strong despite some HBM de-spec. ASICs are ~30% of AI accelerators today, and we expect at least 50% in 2027.

LTA – what's different?

LTAs are mainly capacity-based, with a floor price: Three key differences from other memory competitors are: 1) Samsung's LTAs are capacity-based rather than revenue-based; (2) they run for five years rather than three; and (3) LTAs can now roll forward each year beyond the five year initial term, an important gauge of true long-term commitments and hence demand. As each new year is added to the rolling agreements, it is priced differently from the prior five-year terms, so Samsung can still capture price increases.

Samsung has signed five hyperscaler and five AI/HPC customers on five-year rolling

terms. Every contract differs depending on terms, each year is price-negotiated with a floor protecting the downside and volume commitment within a price range can be adjusted. However, even at the floor price, margins would still support significant capex. The longer visibility allows for better-informed decisions on capacity expansion and improves capex discipline, although the structure is untested through a downturn. HBM is not part of Samsung LTAs and stays on annual contracts.

A "significant portion" of LTAs involve prepayments, but the amount is undisclosed. Deposits will be deducted from the FCF calculation for shareholder returns as related revenues have not yet been generated. If a customer cancels its LTA, Samsung keeps the deposit and works like a standard rental deposit.

Exhibit 3: Memory LTAs – multiple versions, not created the same

Dimension	Samsung	SK hynix	Micron	SanDisk	Kioxia
Allocation	60–70% of capacity; capacity-based (not revenue-based)	Not disclosed ("appropriate level")	>35% of revenue through 2030 (est.)	>50% of FY27 bits, ~⅔ of FY28 bits	50% of volume by CY2028 (target)
Duration	5-yr (vs. peers' 3-yr); rolls forward annually beyond initial term	~5-yr (varies)	Multi-yr through 2030; some into 2031 + 1-yr extensions to 2031 for 2 SCAs; 3-yr auto	Up to 5-yr	CY27–28 focus; some longer
Reported customers	Big techs (hyperscalers + AI/HPC)	Big techs	4 large + 3 mid *(unnamed)* ; Auto: Qualcomm, Visteon, HARMAN, JOYNEXT, DENSO, Astemo, Hyundai Mobis; Ford, GM	Not named (datacenter + edge)	Hyperscale + enterprise (not named)
Progress	5 hyperscalers + 5 AI/HPC customers	~10 concluded	26 SCAs (16 at FQ3)	10 NBMs / 8 customers (5 April + 5 new)	On track to 50% by 2028
Collateral / pricing	Floor price; each added rolling year re-priced to market (captures upside); advance payments (~25% received); LTA deposits excl. from W90–110tr 2026 capital return	Deposits; non-uniform, volatility-responsive pricing	$32bn commitments (mostly cash deposits; $12.7bn on B/S); take-or-pay; ¾ defined pricing (mostly floor/ceiling bands), ¼ market-based; new SCAs priced higher; ~$150bn RPO	$93.9bn min. rev at floor; RPO $59.8bn ($91.1bn incl. post-Q); $16.5bn guarantees; fixed + variable (floors/ceilings)	Deposits n/d; "price & profit first"

Source: Company data, Morgan Stanley Research.

Capex progressing toward P5

Capex acceleration is progressing as planned and should not pose a near-term risk if AI demand continues to grow and tight supply-demand conditions are sustained. Samsung maintained capex through the downturn while competitors cut, and has visibility on competitors' capex plans for the next 3–5 years. The biggest source of new capacity will likely be P5 (P4 fabrication shell has two floors while P5 has three), to be built in Phase 1 and Phase 2 (previously called P6). The company will be evaluating clean room conversion and capacity allocation among DRAM, HBM and foundry for capital efficiency, rather than blindly adding supply.

Supply constrained for near term; capacity decisions still open: P4 has four phases, and is currently ramping the final two gradually into 2H27. Conventional DRAM bit growth should slow in 2027 as HBM absorbs wafers. P5 wafer output is not expected to start before mid-2028, and its allocation across memory and foundry remain undecided.

Exhibit 4: Samsung DRAM wafer expansion forecast

			2026				2027				2028			
Wafer Starts by Facility (Kwpm)		Start	Q1	Q2	Q3e	Q4e	Q1e	Q2e	Q3e	Q4e	Q1e	Q2e	Q3e	Q4e
Samsung														
Line13	Korea	2003/3Q	0	0	0	0	0	0	0	0	0	0	0	0
Line15	Korea	2006/4Q	180	190	210	220	235	235	235	235	235	235	235	235
Line17	Korea	2015/1Q	95	90	85	85	85	85	85	85	85	85	85	85
P1L	Korea	2018/2Q	120	120	120	120	130	120	120	120	120	120	120	120
P2L	Korea	2020/3Q	140	140	140	140	140	135	135	135	135	135	135	135
P3L	Korea	2023/1Q	95	105	120	120	130	130	130	130	130	130	130	130
P4L	Korea	2025/3Q	10	25	45	65	85	110	130	150	160	160	160	160
P5L	Korea	2027/2Q (MSe)	0	0	0	0	0	5	15	30	60	90	120	150
	Total		**640**	**670**	**720**	**750**	**805**	**820**	**850**	**885**	**925**	**955**	**985**	**1,015**

Source: Morgan Stanley Research (e) estimates

Foundry – sustainable turnaround

Foundry finally appears on the right track on both customers and technology: TSMC

may be well ahead on scale, technology and execution, but the market needs a strong number two player to fullfil AI demand, and Samsung offers customers dual-sourcing optionality. Management believes its past difficulties in supporting customer needs were self-inflicted, which has changed recently. Advanced nodes are currently fully utilized, the company is now very competitive at 4nm fully matured yield, and 2nm is on pace to reach yield maturity. Taylor Fab 1 is to start mass production for its US customer and Samsung might announce Fab 2 by year-end. Taylor fab depreciation starts in 2H27 and should weigh on earnings, with improvement expected in 2028.

What about mature nodes? Utilization is lower on 8-inch nodes, but that capacity is fully depreciated, which eases cost pressure. Advanced-node utilization is essentially full, which improves the overall cost structure. Some legacy capacity is being converted to advanced nodes, advanced packaging or R&D. HPC projects carry better pricing and margins than mobile logic, where margins are slim.

DX shift to market share

MX has shifted from profitability-first to market share because of BoM inflation: Every other business has also shifted strategy because of memory price increases. Internal businesses pay the same market price as external customers within the same application, with no discounts but relatively easier access. Their only edge is access to supply. Continued price increases are not considered realistic, and Samsung wants prices to be more reasonable. Management sees an opportunity to transform the entire sector through deeper integration into the human experience, and the process is speeding up.

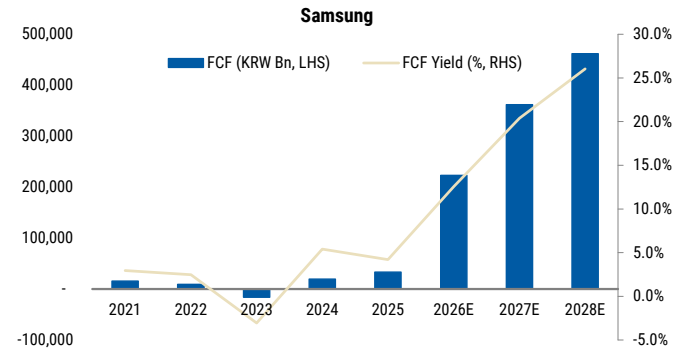
Shareholder returns

Samsung continues to target 50% of three-year FCF alongside its W9.8tr annual regular dividend commitment. It returned W29.3tr during 2024-25 and a W30tr in cash dividend was announced for 3Q26; adding W90-110tr in 2026 would bring cumulative 2024-26 shareholder returns to roughly W120-150tr. The remaining W60-80tr of the indicated 2026 return is likely to be allocated in the form of buybacks/cancellations, in our view. A meaningful buyback could provide a more structural EPS/share-count benefit, while a dividend-heavy package would emphasize near-term cash yield.

Buyback vs. dividend considerations: In Korea, shareholders receive a tax credit when a company's payout ratio exceeds 25%. Samsung has ~8.5m retail shareholders and significant interest among retail investors.

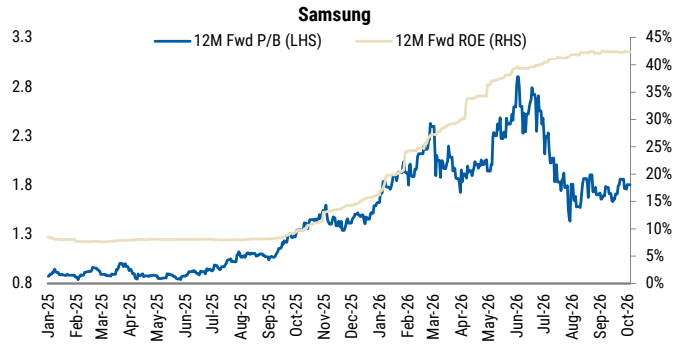
ADR listing considerations? We do not expect Samsung to announce an ADR anytime soon, although it has discussed this for many years. Korean market reforms mean US investors can now access Korean shares directly; the top reason for an ADR listing would be funding, and Samsung is not short of money. We think the more immediate issue is Korea's potential reclassification from MSCI EM to DM in 2027.

Exhibit 5: Samsung: FCF yield



Source: Factset, Morgan Stanley Research (E) estimates

Exhibit 6: P/B vs. ROE



Source: Factset, Morgan Stanley Research



Estimate Changes

We incorporate 2Q26 actuals and update FX and our latest pricing outlook into our model. As a result, our 2026 EPS estimate falls 5%, 2027 rises 1% and 2028e EPS declines fractionally. Our residual income-based PT is unchanged at W381,000, implying 38% upside, 5.2x 2027e P/E and 2.2x 2027e P/B. Our PT for the preferred shares remains W304,800, a mean reversion to the 20% discount to the common shares.

- **3Q26:** We lower memory and non-memory margin assumptions, bringing 3Q26e OP to W103.3tr (from W113tr).
- **FX:** We use the 3Q26 average USD/KRW of 1,418 and the MS house view for 4Q26–4Q27 (1,380/1,390/1,400), with 2028 unchanged.
- **Memory:** We raise our 4Q26 DRAM and NAND ASP assumptions to +10% and +12% QoQ respectively. We now model HBM ASP rising 80% QoQ in 1Q27 as annual contracts reset, then staying flat through the rest of 2027. F27 HBM bits are seen at 21.2bn Gb, in line with our HBM sufficiency analysis.
- **Mobile/Network:** We cut MX/Network revenue assumptions by 8% in 2027 and 7% in 2028 on component cost-driven demand weakness. We now model OP losses of W1.3tr in 2026 and W9.3tr in 2027, recovering to a W2.5tr profit in 2028.
- **Capital returns**: We include the 3Q26 dividend of W4,045 per share and the W15tr employee-compensation buyback (W6.3tr in 3Q26 and W8.7tr in 4Q26), with no change to share count. We assume a 20% payout in 4Q26 and 25% from 4Q27.

Exhibit 7: Estimate revisions

	FY26E			FY27E			FY28E		
(W bn)	Previous	Revised	Change	Previous	Revised	Change	Previous	Revised	Change
Sales	**729,325**	**716,264**	**-2%**	**1,059,408**	**1,074,801**	**1%**	**1,141,164**	**1,139,996**	**0%**
Semiconductor (DS)	541,158	530,449	-2%	838,510	868,128	4%	883,037	893,505	1%
Memory	511,081	500,839	-2%	788,314	823,130	4%	830,093	842,292	1%
Non-Memory	30,077	29,609	-2%	50,195	44,998	-10%	52,944	51,214	-3%
Display	30,564	30,091	-2%	32,137	32,541	1%	32,992	32,992	0%
Mobile/Network	139,174	137,296	-1%	164,901	152,517	-8%	194,040	181,325	-7%
Harman	18,018	18,018	0%	21,029	18,783	-11%	21,660	19,944	-8%
Operating Profit	**388,668**	**369,568**	**-5%**	**628,963**	**632,368**	**1%**	**648,203**	**629,830**	**-3%**
Semiconductor (DS)	383,841	368,249	-4%	619,742	639,620	3%	624,934	621,529	-1%
Memory	387,623	372,998	-4%	619,757	639,637	3%	623,479	620,122	-1%
Display	1,846	1,823	-1%	1,607	1,627	1%	1,650	1,650	0%
Mobile/Network	1,107	-1,279	NM	3,206	-9,275	NM	15,742	2,526	-84%
Harman	1,562	1,345	-14%	2,103	1,531	-27%	2,166	1,994	-8%
OP Margin	**53.3%**	**51.6%**	**-1.7ppt**	**59.4%**	**58.8%**	**-0.5ppt**	**56.8%**	**55.2%**	**-1.6ppt**
Semiconductor (DS)	70.9%	69.4%	-1.5ppt	73.9%	73.7%	-0.2ppt	70.8%	69.6%	-1.2ppt
Memory	75.8%	74.5%	-1.4ppt	78.6%	77.7%	-0.9ppt	75.1%	73.6%	-1.5ppt
Display	6.0%	6.1%	0.0ppt	5.0%	5.0%	0.0ppt	5.0%	5.0%	0.0ppt
Mobile/Network	0.8%	-0.9%	-1.7ppt	1.9%	-6.1%	-8.0ppt	8.1%	1.4%	-6.7ppt
Harman	8.7%	7.5%	-1.2ppt	10.0%	8.1%	-1.9ppt	10.0%	10.0%	0.0ppt
Net Profit	**326,239**	**310,932**	**-5%**	**488,811**	**495,819**	**1%**	**504,847**	**503,949**	**0%**
EPS for consensus	48,652.0	46,377.0	-5%	72,527.9	73,569.0	1%	74,582.5	74,449.9	0%

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 8: Key assumptions

	FY26E			FY27E			FY28E		
	Previous	Revised	Change	Previous	Revised	Change	Previous	Revised	Change
Mobile shipment (mn)	335	**335**	0.0%	375	**340**	(9.4%)	386	**350**	(9.4%)
Mobile blended ASP (US$)	258	**258**	0.0%	304	**304**	0.0%	349	**349**	0.0%
OPM	0.8%	**(0.9%)**	-2.2ppt	1.9%	**(6.1%)**	-4.1ppt	8.1%	**1.4%**	-0.8ppt
DRAM OP	259,472	**254,365**	(2.0%)	409,263	**449,701**	9.9%	430,495	**453,109**	5.3%
DRAM OPM	79.8%	**79.1%**	(0.9%)	82.4%	**82.4%**	0.1%	79.8%	**79.3%**	(0.7%)
DRAM Bit (1Gb Eq, mn)	144,937	**144,937**	0.0%	181,617	**181,617**	(0.0%)	220,780	**222,403**	0.7%
DRAM Bit Growth	28.0%	**28.0%**	0.0%	25.3%	**25.3%**	(0.0%)	21.6%	**22.5%**	0.9%
DRAM ASP (1Gb eq; US$)	1.55	**1.61**	3.9%	2.04	**2.15**	5.1%	1.86	**1.96**	5.2%
DRAM ASP Growth	297.5%	**313.2%**	15.6%	31.9%	**33.4%**	1.5%	(8.7%)	**(8.7%)**	0.1%
HBM OP	20,350	**16,778**	(17.6%)	68,461	**87,830**	28.3%	90,472	**96,894**	7.1%
HBM OPM	69.5%	**62.8%**	(9.7%)	79.8%	**80.7%**	1.0%	82.7%	**79.9%**	(3.4%)
HBM Bit (1Gb Eq, mn)	9,696.5	**9,696**	0.00%	21,239.0	**21,239**	(0.00%)	21,749.1	**23,373**	7.47%
HBM Bit Growth	85.14%	**85.14%**	0.00%	119.04%	**119.03%**	(0.00%)	2.40%	**10.05%**	7.65%
HBM ASP (1Gb eq; US$)	2.08	**2.00**	(4.09%)	3.01	**3.66**	21.61%	3.83	**3.95**	3.18%
HBM ASP Growth YoY	23.44%	**18.39%**	(5.05%)	44.65%	**83.41%**	38.76%	27.27%	**7.99%**	(19.29%)
NAND OP	128,150	**118,633**	(7.4%)	210,493	**189,936**	(9.8%)	192,984	**167,013**	(13.5%)
NAND OPM	66.9%	**64.2%**	(4.1%)	72.2%	**68.4%**	(5.3%)	66.4%	**61.7%**	(7.0%)
NAND Bit (1GB, mn)	395,888	**393,962**	(0.5%)	488,027	**466,426**	(4.4%)	580,634	**549,110**	(5.4%)
NAND Bit Growth	23.9%	**23.3%**	(0.6%)	23.3%	**18.4%**	(4.9%)	19.0%	**17.7%**	(1.2%)
NAND ASP (1GB eq; US$)	0.33	**0.34**	1.9%	0.45	**0.43**	(4.5%)	0.38	**0.38**	(1.6%)
NAND ASP Growth	286.0%	**293.2%**	7.3%	33.5%	**25.1%**	(8.4%)	(14.3%)	**(11.7%)**	2.6%
USD/KRW rate	1,450	**1,380**	(4.8%)	1,341	**1,400**	4.4%	1,312	**1,312**	0.0%
Number of Shares (mn)	6,607	**6,607**	0.0%	6,607	**6,607**	0.0%	6,607	**6,607**	0.0%

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 9: Residual Income Model

RIM												
Fiscal period	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**	**FY31E**	**FY32E**	**FY33E**	**FY34E**	**FY35E**	**FY36E**	**Terminal**
Forecast year	**0**	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**value**
Shareholders' Equity (Parent)	685,499	1,125,853	1,574,536	1,874,963	2,136,597	2,364,665	2,585,431	2,861,534	3,188,097	3,585,317	4,042,317	4,163,586
Residual Income		381,907	336,607	219,270	133,026	58,210	22,250	70,604	106,092	162,694	196,675	182,482
Net Profit (Parent)	306,406	486,060	491,879	417,616	363,691	317,033	306,881	383,805	453,946	552,166	635,263	654,321
ROE		**53.7%**	**36.4%**	**24.2%**	**18.1%**	**14.1%**	**12.4%**	**14.1%**	**15.0%**	**16.3%**	**16.7%**	**15.9%**
Discount period		1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	
Discount factor		0.90	0.80	0.72	0.65	0.58	0.52	0.47	0.42	0.38	0.34	0.34
PV of Equity Capital		**342,517**	**270,753**	**158,181**	**86,067**	**33,777**	**11,579**	**32,954**	**44,410**	**61,080**	**66,222**	**722,857**

Beginning Equity Capital	685,499
PV of Residual Income (FY27-36E)	1,107,541
PV of Continuing Value	722,857
Total Equity Value	**2,515,898**
FD shares outstanding ('000)	6,606,854
Per share value	**381,000**
Current Price	276,000
Upside Potential	38%

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 10: Financial Summary

Income Statement

(W bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	300,871	333,606	716,237	1,074,801	1,139,996
Gross Profit	114,309	131,370	518,591	879,648	891,758
SG&A	-81,583	-87,769	-148,987	-247,204	-262,199
EBITDA	75,357	90,528	415,667	677,918	680,776
Operating profit/loss	32,726	43,601	369,604	632,443	629,559
Financial Income	3,718	4,507	9,080	11,477	24,920
Pretax profit	37,530	49,548	379,247	643,921	654,479
Net Profit	34,451	45,207	310,932	495,819	503,949
Margins					
Gross Margin	38.0%	39.4%	72.4%	81.8%	78.2%
EBITDA Margin	25.0%	27.1%	58.0%	63.1%	59.7%
Operating Margin	10.9%	13.1%	51.6%	58.8%	55.2%
Net Income	11.5%	13.6%	43.4%	46.1%	44.2%
Growth Rates					
Sales		10.9%	114.7%	50.1%	6.1%
EBITDA		20.1%	359.2%	63.1%	0.4%
Operating Income		33.2%	747.7%	71.1%	-0.5%
Net Income		31.2%	587.8%	59.5%	1.6%

Cash Flow Statement

(W bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Net Income (Loss)	**34,451**	**45,207**	**310,932**	**495,819**	**503,949**
Add: Depreciation & Amortization	42,631	46,927	46,063	45,475	51,217
Less: Changes in Working Capital	1,568	(16,758)	(134,355)	(98,235)	(7,315)
Less: Net tax expense	(43,913)	(18,508)	(6,127)	0	0
Less: Net interest expense	25,308	9,835	1,820	0	0
Cash flows from operating activities	**72,983**	**85,315**	**296,848**	**443,058**	**547,851**
Acquisition of PP&E	(51,250)	(47,372)	(72,168)	(81,065)	(85,750)
Other Operating cashflows	12,939	18,613	78,517	0	0
Cash flows from Investing activities	**(85,382)**	**(68,512)**	**(131,936)**	**(81,065)**	**(85,750)**
Changes in LT Borrowings	405	(46)	100	0	0
Changes in Short term Borrowing	5,871	4,655	(3,989)	0	0
Dividend Payout	0	0	0	0	0
Other Investing Cashflows	(1,373)	(1)	0	0	0
Cash flows from Financing activities	**(7,797)**	**(13,478)**	**(90,941)**	**(45,707)**	**(43,196)**
Cash and cash equivalents - closing	53,706	57,856	135,723	452,010	870,914
Increase(decrease) in cash & cash equivalents	(20,196)	3,325	73,971	316,287	418,905
FX impact	4,821	826	3,895	0	0

Balance Sheet

(W bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash & Cash Equivalents	53,706	57,856	135,723	452,010	870,914
Trade and other receivables	53,246	58,609	145,312	221,748	226,365
Inventory	51,755	52,637	60,387	83,940	99,259
Other current assets	9,446	10,617	13,775	13,775	13,775
Current Assets	**227,062**	**247,685**	**452,234**	**868,509**	**1,307,350**
Tangible Assets	205,945	215,305	242,407	273,876	304,410
Intangible Assets	23,739	29,481	31,749	35,870	39,869
Other non-current assets	31,793	41,859	98,398	98,398	98,398
Total Assets	**514,532**	**566,942**	**852,399**	**1,304,265**	**1,777,639**
Trade and other payables	61,523	68,114	40,456	42,209	54,831
Short term Borrowings	15,380	18,752	14,916	14,916	14,916
Other current liabilities	6,366	9,920	33,363	33,363	33,363
Current Liabilities	**93,326**	**106,411**	**102,627**	**104,380**	**117,002**
Borrowings	3,936	6,487	7,493	7,493	7,493
Long-term other payables	5,510	5,602	4,804	4,804	4,804
Other Nont-current liabilities	9,039	11,413	28,796	28,796	28,796
Total Liabilities	**112,340**	**130,622**	**148,609**	**150,362**	**162,983**
Capital Stock	898	898	898	898	898
Retained Earnings	370,513	402,136	629,532	1,069,885	1,518,569
Total Shareholders' Equity	**402,192**	**436,320**	**703,791**	**1,153,903**	**1,614,656**
Total Liabilities & SE	**514,532**	**566,942**	**852,399**	**1,304,265**	**1,777,639**
Net Debt	(93,299)	(100,582)	(210,351)	(526,637)	(945,542)

Ratio Analysis

(W bn)	FY24A	FY25A	FY26E	FY27E	FY28E
ROE (AOY)	8.8%	10.6%	53.8%	52.3%	35.5%
ROE (EOY)	8.4%	10.1%	43.5%	42.1%	30.5%
ROA	6.9%	8.2%	43.2%	45.1%	31.9%
ROIC (AOY)	7.6%	9.1%	54.3%	67.1%	59.0%
Asset Turnover	1	1	1	1	1
Days sales outstanding	65	64	74	75	73
Days inventory outstanding	71	66	64	69	71
Days payable outstanding	105	109	58	47	50
Current Ratio	2.4	2.3	4.4	8.3	11.2
Debt to Equity	0.3	0.3	0.2	0.1	0.1
Net Debt to Equity	(0.2)	(0.2)	(0.3)	(0.5)	(0.6)
EPS, for consensus	4,956	6,562	46,377	73,569	74,450
BVPS (MW)	57,742	63,731	103,756	170,407	238,319
DPS	1,446	1,662	7,853	6,163	5,825
EBITDA	75,357	90,528	415,667	677,918	680,776
P/E	16	18	6	4	4
P/BV	1.41	1.88	2.66	1.62	1.16
EV/EBITDA	6	8	4	2	1
EV/Sales	1.53	2.09	2.25	1.21	0.77
Dividend Yield (%)	1.77	1.39	2.85	2.23	2.11
FCF	19,413	33,325	222,956	361,993	462,101
Share Price (KRW)	81,500	119,900	276,000	276,000	276,000
Shares Outstanding (000 AOY)	6,783,369	6,657,842	6,606,854	6,606,854	6,606,854

Source: Company data, Morgan Stanley Research (E) estimates

Risk Reward – Samsung Electronics (005930.KS)

HBM reset + non-memory turnaround

PRICE TARGET W381,000

Base case, derived from our residual income valuation model. At our price target, the stock would trade at 5.2x 2027e P/E and c.2.2x 2027e P/B, compared with its commodity-cycle peak of 2.0x. We assume an 11.5% cost of equity, based on a beta of 1.0, and our terminal growth rate assumption is 3%.

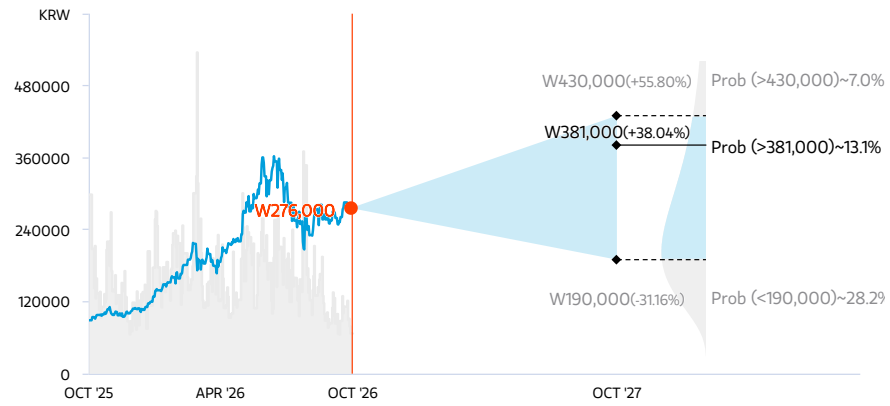
Consensus Price Target Distribution W120,000.00 W467,148 W725,000.00

MS PT

Mean Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 2 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- Memory supply should remain tight into 2027, with only ~60% of demand met. Five-year rolling LTAs covering 60–70% of capacity improve visibility on capex.
- HBM could be the biggest profitability swing in 2027 as annual contracts reset; we model HBM ASP rising ~80% QoQ in 1Q27.
- Non-memory is turning: foundry is back on track with advanced nodes fully utilized, and mobile is pivoting to market share. Together these should support earnings upside into 2028.
- At 5.2x 2027e P/E on our PT, multiple expansion is upside rather than a requirement.

Consensus Rating Distribution

97%	Overweight
3%	Equal-weight
0%	Underweight

MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth:	*Positive*
Self-help:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE W430,000

HPC drives sustained memory pricing

High-performance computing drives sustained memory pricing strength and capital returns exceed expectations: We assume continued robust demand growth for memory and OLED with stabilization in the macro environment and China's failure to successfully enter the memory semiconductor industry. Our bull case valuation is based on 14x HBM, 5x conventional memory and 10x P/E for the rest of the group profitability.

BASE CASE W381,000

Commodity cycle recovery

We expect favorable commodity pricing trends to bode well for Samsung's share price with improving HBM market share and new product execution. Our base case reflects our relatively conservative view on HBM progress this year, but sequential improvement in 2026 and beyond support Samsung's earnings growth and stock re-rating amid low expectations. 2027e implied P/B at c.2x.

BEAR CASE W190,000

Slower memory consumption, competition from China

We assume a period of AI computing digestion in 2028, leading to more aggressive margin erosion for the HBM segment owing to competitors' aggressive capacity expansion and pricing competition, as well as faster DRAM pricing drops with muted demand recovery. Our bear case valuation implies 1x 2027e P/B.

Risk Reward – Samsung Electronics (005930.KS)

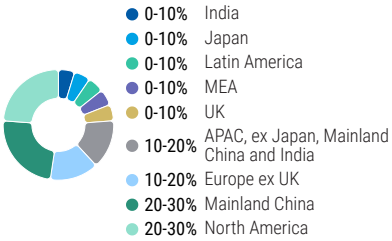
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Revenue Growth (%)	10.9	114.7	50.1	6.1
OPM (%)	13.1	51.6	58.8	55.2
CAPEX	(47,372.4)	(72,167.9)	(81,064.9)	(85,749.9)

INVESTMENT DRIVERS

- Supply-demand outlook for memory and OLED
- Smartphone market share and margins
- Capital returns of 50% FCF

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

1/5 MOST — 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- New technological developments, especially in memory and foldable displays
- Longer-lasting memory up-cycle from AI and hyperscale data center growth

RISKS TO DOWNSIDE

- Product and memory cycle, including Apple and new Chinese smartphone competition
- Earnings growth concentration in semiconductors

OWNERSHIP POSITIONING

Inst. Owners, % Active 83.8%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (W, bn)	691,283	716,237 / 721,025	765,216
EBITDA (W, bn)	406,022	415,667 / 425,397	447,216
EBIT (W, bn)	320,729	369,604 / 373,880	395,109
EPS (W)	40,609	46,377 / 47,390	60,367

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward – Samsung Electronics (005935.KS)

HBM reset + non-memory turnaround

PRICE TARGET W304,800

Based on our price target for the common shares and our assumption that the preferred shares trade at a 20% discount to the common shares, based on the past two-year average. We assume an 11.5% cost of equity, based on a beta of 1.0, and our terminal growth rate assumption is 3%.

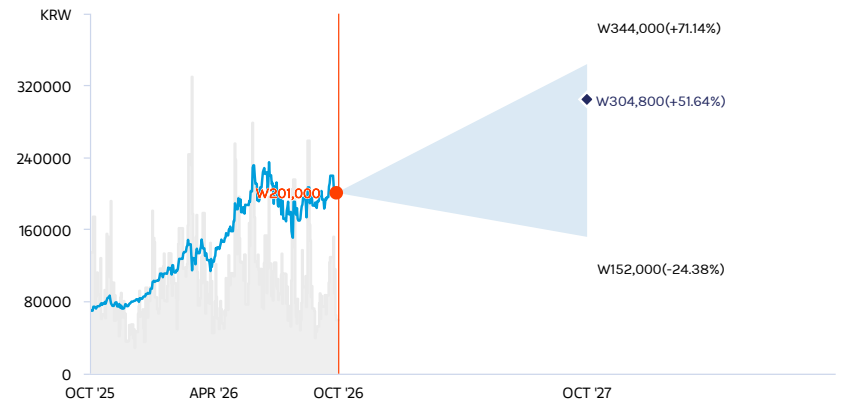
Consensus Price Target Distribution W191,250.00 — W299,013 — W360,000.00

MS PT

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- Memory supply should remain tight into 2027, with only ~60% of demand met. Five-year rolling LTAs covering 60–70% of capacity improve visibility on capex.
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- At 5.2x 2027e P/E on our PT, multiple expansion is upside rather than a requirement.

Consensus Rating Distribution

100%	Overweight
0%	Equal-weight
0%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth:	*Positive*
Self-help:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE W344,000

20% discount to bull case value for common shares

High-performance computing drives sustained memory pricing strength and capital returns exceed expectations: We assume continued robust demand growth for memory and OLED with stabilization in the macro environment and China's failure to successfully enter the memory semiconductor industry.

BASE CASE W304,800

20% discount to base case value for common shares

We expect favorable commodity pricing trends to bode well for Samsung's share price with improving HBM market share and new product execution. Our base case reflects our optimistic view on commodity upcycle and stock re-rating with LTA to potentially smooth the cyclicality of memory sector.

BEAR CASE W152,000

20% discount to bear case value for common shares

We assume a period of AI computing digestion in 2028, leading to more aggressive margin erosion for the HBM segment owing to competitors' aggressive capacity expansion and pricing competition, as well as faster DRAM pricing drops with muted demand recovery. Our bear case valuation implies 1x 2027e P/B.

Risk Reward – Samsung Electronics (005935.KS)

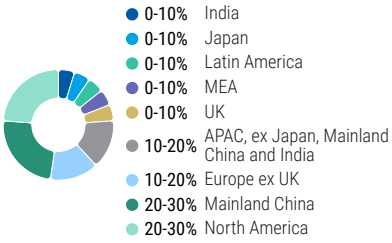
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OPM (%)	13.1	51.6	58.8	55.2
CAPEX	(47,372.4)	(72,167.9)	(81,064.9)	(85,749.9)

INVESTMENT DRIVERS

- Supply-demand outlook for memory and OLED
- Smartphone market share and margins
- Capital returns of 50% FCF

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

1/5 MOST — 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- New technology developments, especially in memory and foldable displays
- Longer-lasting memory up-cycle from AI and hyperscale data center growth
- Further narrowing of discount to common shares

RISKS TO DOWNSIDE

- Product and memory cycle, including Apple and new Chinese smartphone competition
- Earnings growth concentration in semiconductors
- Deepening of discount to common shares

OWNERSHIP POSITIONING

Inst. Owners, % Active 74.5%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

EPS (W)

◆ 46,377

Note: There are not sufficient brokers supplying consensus data for this metric

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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Within the last 12 months, Morgan Stanley has received compensation for investment banking services from LG Electronics.

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(as of September 30, 2026)

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For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated

and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

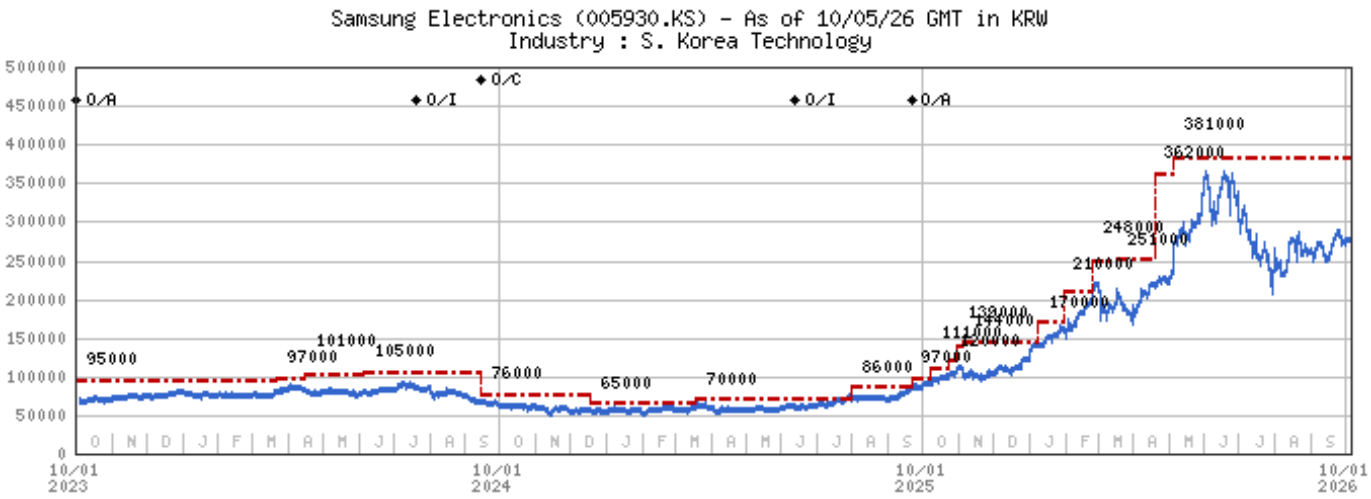
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)



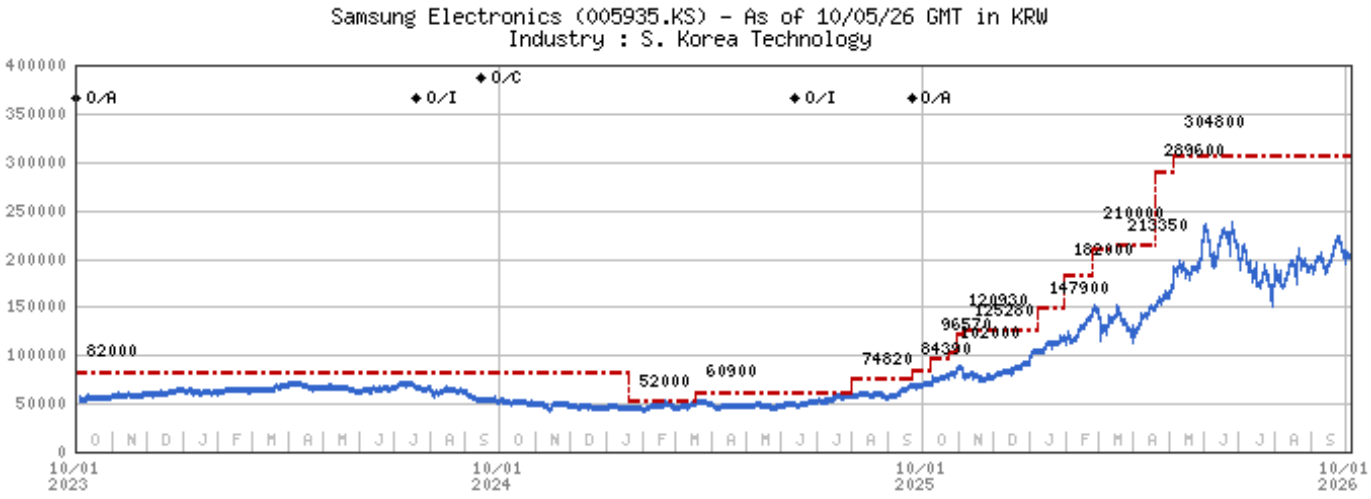
Stock Rating History: 10/1/21 : O/C; 10/4/22 : O/A; 7/21/24 : O/I; 9/15/24 : O/C; 6/13/25 : O/I; 9/21/25 : O/A

Price Target History: 9/15/21 : 95000; 12/3/21 : 97000; 3/18/22 : 95000; 4/28/22 : 85000; 6/10/22 : 80000; 7/5/22 : 75000; 7/22/22 : 70000; 9/17/22 : 68000; 3/21/23 : 70000; 5/30/23 : 90000; 7/7/23 : 95000; 3/22/24 : 97000; 4/16/24 : 101000; 6/6/24 : 105000; 9/15/24 : 76000; 12/18/24 : 65000; 3/19/25 : 70000; 8/1/25 : 86000; 9/21/25 : 97000; 10/8/25 : 111000; 10/23/25 : 120000; 10/30/25 : 139000; 11/5/25 : 144000; 1/8/26 : 170000; 1/30/26 : 210000; 2/24/26 : 248000; 3/18/26 : 251000; 4/19/26 : 362000; 5/6/26 : 381000

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

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Stock Rating History: 10/1/21 : O/C; 10/4/22 : O/A; 7/21/24 : O/I; 9/15/24 : O/C; 6/13/25 : O/I; 9/21/25 : O/A

Price Target History: 9/15/21 : 82000; 12/3/21 : 83000; 3/18/22 : 82000; 4/28/22 : 73000; 6/10/22 : 69000; 7/5/22 : 65000; 7/22/22 : 60000; 9/17/22 : 58000; 3/21/23 : 60000; 5/30/23 : 77000; 7/7/23 : 82000; 1/20/25 : 52000; 3/19/25 : 60900; 8/1/25 : 74820; 9/21/25 : 84390; 10/8/25 : 96570; 10/23/25 : 102000; 10/30/25 : 120930; 11/5/25 : 125280; 1/8/26 : 147900; 1/30/26 : 182000; 2/24/26 : 210000; 3/18/26 : 213350; 4/19/26 : 289600; 5/6/26 : 304800

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: S. Korea Technology

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/02/2026)
Ryan Kim		
Fadu Inc (440110.KQ)	O (09/21/2025)	W85,900
Hanmi Semiconductor Co. Ltd. (042700.KS)	E (07/22/2026)	W272,000
HD Hyundai Electric Co Ltd (267260.KS)	O (03/25/2025)	W678,000
Isu Petasys Co. Ltd. (007660.KS)	O (02/03/2025)	W121,200
Leeno Industrial Inc. (058470.KQ)	O (04/03/2025)	W84,300
LG Display (034220.KS)	E (06/11/2025)	W8,570
LG Electronics (066570.KS)	O (08/11/2026)	W216,000
LG Innotek (011070.KS)	O (08/11/2026)	W574,000
Lotte Energy Materials Corp (020150.KS)	U (04/03/2025)	W50,800
LS Electric (010120.KS)	O (01/22/2026)	W209,500
SK Square Co Ltd. (402340.KS)	O (05/06/2026)	W1,160,000
Wonik IPS Co Ltd (240810.KQ)	O (08/08/2025)	W138,200
Shawn Kim		
Samsung Electro-Mechanics (009150.KS)	O (07/31/2025)	W1,581,000
Samsung Electronics (005935.KS)	O (11/18/2019)	W201,000
Samsung Electronics (005930.KS)	O (11/18/2019)	W276,000
SK hynix (000660.KS)	O (09/21/2025)	W1,841,000

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* Historical prices are not split adjusted.

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