South Korea Tech: Memory: MU 4QFY26 read-across: Expecting 2027 and 2028 memory S/D to be much tighter than 2026; Buy SEC/Hynix

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On September 30 (U.S. time), Micron (MU, covered by James Schneider) reported its 4QFY26 (June-August) earnings results. We provide a read-across to our covered South Korean memory suppliers, Samsung Electronics (SEC) and SK Hynix (Hynix), which include: 1) MU expects CY27 and CY28 S/D to be much tighter compared to CY26, 2) MU DRAM ASP growth inline, while NAND ASP growth higher than our 3Q26 estimates for SEC/Hynix, 3) 10 additional SCAs signed; customers requesting longer duration and larger supply from SCAs, 4) HBM pricing to increase significantly in 2027; in line with our expectations on SEC's substantial HBM pricing growth, and 5) additional capex planned to prepare for beyond 2028. Reiterate Buy on SEC (on APAC CL) and Hynix.

Key Takeaways

- **MU expects CY27 and CY28 S/D to be much tighter compared to CY26:** MU presented a new forecast for 2028 S/D condition and said CY2028 would be much tighter than CY2026, continuing on the significant supply tightness it expects in CY2027. MU expects DRAM industry bit shipment to grow in the mid-20% range for CY2026, while CY2027 and CY2028 are expected to see a slightly moderated growth of low-20% range. Despite ongoing efforts to increase production capacity, MU believes the industry will remain supply constrained in both CY2027 and CY2028 as productivity improvements through node transition weaken and trade ratio of HBM increases by generation. For NAND, MU slightly revised up its CY2026 industry bit shipment forecast to low-20%, and estimates mid-20% bit shipment growth for CY2027 and CY2028, but still expects supply to remain constrained for both years. MU said even with additional industry DRAM cleanroom space plans, it does not have line of sight when S/D will balance, due to robust demand trends including new upside requests from customers.
- **MU DRAM ASP growth inline, while NAND ASP growth higher than our 3Q26 estimates for SEC/Hynix:** Micron reported MSD% qoq increase in DRAM bit shipments for 4QFY26, accompanied by high-teens% qoq increase in ASP. This overall aligns with our 3QCY26 estimates for SEC and Hynix, as we expect DRAM bit shipments and ASP on average to increase by 7% and 17% qoq, respectively. MU's NAND 4QFY26 bit shipments rose by 10% qoq and ASP increased by 30% qoq, which is higher than our estimated average NAND bit shipment growth of

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5% qoq and ASP growth of 17% qoq in 3QCY26 for the Korean suppliers.

- **10 additional SCAs signed; customers requesting longer duration and larger supply from SCAs:** Micron signed 26 SCAs (from prev. 16 SCAs in 3QFY26) which would account for over 35% of estimated revenue through 2030, and confirmed that 75% of this estimated revenue will have a defined pricing framework, majority of which would be comprised of pricing bands with floor and ceiling prices. As for long term SCA coverage target, MU maintained its original guidance of 50% of revenue. Notably, Micron mentioned that SCA customers are demanding more supply and longer duration, and that they have signed SCAs that extend into 2031, as well as one-year extensions to 2031 for two agreements.
- **HBM pricing to increase significantly in 2027; in line with our expectations on SEC's substantial HBM pricing growth:** MU said HBM ASP for CY2027 will be considerably higher than CY2026 level, allowing HBM to catch up with conventional DRAM profitability. Along with the elevated price to be implemented from the beginning of CY2027, Micron mentioned that the vast majority of its HBM bit supply for next year has been booked, implying a strong demand for HBM products. This aligns with our view on SEC's significant HBM pricing growth estimate of +130% yoy for 2027 (link), which we believe will allow the company's HBM profitability to get close to that of conventional DRAM.
- **Additional capex planned to prepare for beyond 2028:** MU updated its ongoing progress on new fab construction and upgrades of existing facilities. According to MU, the New York fab had commenced site construction in July and expects initial wafer output in 2030, while DRAM fab expansions in Japan and Singapore NAND facilities are both expected to begin output in 2H28. MU added that production from new facilities may take a few quarters after the initial output to be able to contribute meaningfully. As several new fabs are coming online in the coming years, MU plans to increase its capex in FY2027 compared to its prior plans, with the increment mainly allocated for construction to help accelerate clean room space availability in late-CY28 and beyond.

Price Target Risks and Methodology - SK Hynix Inc.
Valuation methodology: Our 2026E/27E avg. P/E-based 12m TP is W3,500,000, applying a target P/E multiple of 9.0X.

Key risks: Key risks include 1) major deterioration in memory supply/demand and delay in technology migration, 2) weaker demand for smartphones/PCs/servers which would impact overall conventional memory demand, 3) Samsung's positive HBM business progress which would impact HBM revenue and profit, 4) lower AI-related capex which would impact overall HBM demand, and thus HBM revenue/profit for the company.

Price Target Risks and Methodology - Samsung Electronics
Valuation methodology: Our 12m 2026-2027E EV/EBITDA-based SOT
the common share is W490,000. Our 12-month target price for the pre
W360,000, which is based on our target preferred-to-common shares d
derived from averaging: 1) the preferred discount of the 2-factor mode
average preference share discount to common shares during the past 1



Buy rated on both the common and preference shares.

Key downside risks: 1) major deterioration in memory supply/demand, 2) sharp contraction in smartphone margins, and 3) mobile OLED market share loss.