Asia Pacific Technology: Semiconductors - Memory: Nanya Tech 3Q26 read-across: limited level of DRAM bit supply growth likely for 2027

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On October 12, Taiwanese DRAM producer Nanya Technology (Nanya; Not Covered) reported its 3Q26 earnings (September quarter), and we provide read-across to Samsung Electronics (SEC) and SK Hynix (Hynix). Remain Buy rated on both SEC (on CL) and Hynix.

Key takeaways

- **Strong DRAM ASP growth and OPM improvement; KR players' incremental focus on HBM to drive limited conventional DRAM bit growth:** In 3Q26, Nanya again recorded strong ASP increase of 60%+ qoq and 500%+ yoy, after ASP rose 60%+ qoq in 2Q26. Mainly driven by the pricing growth, OP increased 76% qoq while OPM rose 6.3% to 80%. Nanya explained that several 6-month and 1-year contracts which were signed when DRAM prices were substantially lower were renewed during 3Q26, hence mainly contributed to the strong pricing growth during the quarter. We believe Nanya's positive results were directionally consistent with our estimates on DRAM pricing growth and margin for SEC and Hynix. Management also said HBM contract negotiations for 2027 would be an important variable of 2027 DRAM S/D condition as the outcome of the negotiation would influence how major DRAM suppliers allocate capacity across products. We expect SEC HBM ASP to increase +159% yoy and account for 20% of total DRAM revenue in 2027, while Hynix should also see triple-digit growth yoy, and the increased allocation on HBM to lead to limited bit growth for conventional DRAM.
- **Incremental DRAM supply unlikely until 4Q27:** Nanya expects its bit shipment to remain broadly flattish until new fab wafer output begins in 4Q27, where the equipment move-in would start from 1Q27 and ramp up to 30K WSPM (Wafer Start Per Month) by end-2028. Nanya plans to increase this output to 50K WSPM by end-2030 and noted that plans for new fabs are generally aligned with future AI projects under LTAs. Nanya also believes overall DRAM suppliers face difficulties in increasing output during 2027, hence DRAM market tightness should persist at least throughout 2027.
- **Suppliers likely seeing more favorable LTA terms**: Nanya said its current LTA (contract duration ranges from a quarter to three years) coverage is at a 50-70% range, with three-year agreements accounting for more than 20% of output. Management indicated that they are trying to increase exposure to LTAs as

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customers are very proactive in securing long term supply, while also considering floor prices for upcoming contracts moving forward. We believe Nanya's comments are consistent with our view that LTA terms are moving in a more positive direction for the memory suppliers.

- **Target higher AI revenue contribution :** Nanya's current AI revenue contribution is above 20%, while management targets 40-50% of coverage by 2029-2030. Nanya expects this expansion to occur progressively over the next few years, as increase in capacity through new fab build-out should support a broad range of AI applications.

Price Target Risks and Methodology - Samsung Electronics
Valuation methodology: Our 12m 2026-2027E EV/EBITDA-based SOTP target price for the common share is W500,000. Our 12-month target price for the preference share is W380,000, applying an updated pref-to-common discount of 24%, derived from average between 1) the pref discount of the 2-factor model, and 2) the 1-year historical average discount to common shares. We are 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.

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.