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UPDATE

October 8, 2026 01:16 AM GMT

Samsung Electronics | Asia Pacific

3Q26 In-Line Prelims, Strong Underlying Earnings

AlphaSignals Earnings Reaction

Unchanged	— In-line	— Largely unchanged
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- Revenue growth accelerated to 127% YoY on strong memory pricing (W195tr, 14% QoQ), with OP of W107.4tr (+783% YoY, +20% QoQ), in line with consensus.
- Memory profits likely near W110tr led by strong commodity DRAM/NAND pricing while foundry/LSI losses narrowed to below W2tr, in our view.
- Mobile and appliances likely posted losses as expected of around W2tr in total, while display also recorded losses of W700bn.
- The ~6% appreciation in KRW/USD was a headwind to revenues and we estimate an impact of about W10tr on OP. Employee bonus provisions were around 9% of OP.
- Overall, the debate is not on these prelims (backward-looking), but rather capital returns, 2027 HBM contract resets, and LTA commentary at the earnings call.

Samsung still is in the midst of a sharp profit recovery cycle. We had flagged currency as the main swing factor this quarter (*Samsung Electronics: More Than Memory (5 Oct 2026)*, and the prelim results came in slightly ahead of that view. Assuming 3Q26 DRAM ASP estimate of 15%, we estimate memory profits will increase by more than 1,000% YoY in 2026, approaching the W373tr profit mark. In our view, the focus at the October 29 earnings call will be on 2027 HBM contract price resets, LTA commentary, and capital returns, rather than the quarter itself.

Stock implications: A 55% operating margin (with memory at ~75%) despite a ~6% stronger won and bonus provisions, highlights the robustness of Samsung's underlying earnings power. The memory story is well understood; what is less appreciated, in our view, is the non-memory turnaround, which could drive earnings higher into 2028. At 3.8x 2027e EPS, we don't think a re-rating is required for the stock to work. Stay OW, PT W381,000.

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Samsung Electronics (005930.KS, 005930 KP)

S. Korea Technology | S. Korea

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	W381,000
Up/downside to price target (%)	42
Shr price, close (Oct 7, 2026)	W268,500
52-Week Range	W374,500-90,200
Sh out, dil, curr (mn)	6,607
Mkt cap, curr (bn)	W1,934,124
EV, curr (bn)	W1,667,979
Avg daily trading value (bn)	W5,421

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (W)**	6,562	46,377	73,569	74,450
Prior EPS (W)**	-	-	-	-
EPS (W)§	6,225	46,985	69,612	68,942
EBITDA (W bn)	90,528	415,667	677,918	680,776
P/E	20.2	6.5	4.1	4.0
P/BV	2.1	2.9	1.8	1.3
ROE (%)	11.3	72.2	70.9	43.7
EV/EBITDA	8.0	3.9	2.0	1.3
Div yld (%)	1.4	2.9	2.3	2.2
FCF yld ratio (%)	4.0	11.1	18.2	23.2

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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Valuation Methodology and Risks

Samsung Electronics (005930.KS)

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%.

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

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(as of September 30, 2026)

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	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.

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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.

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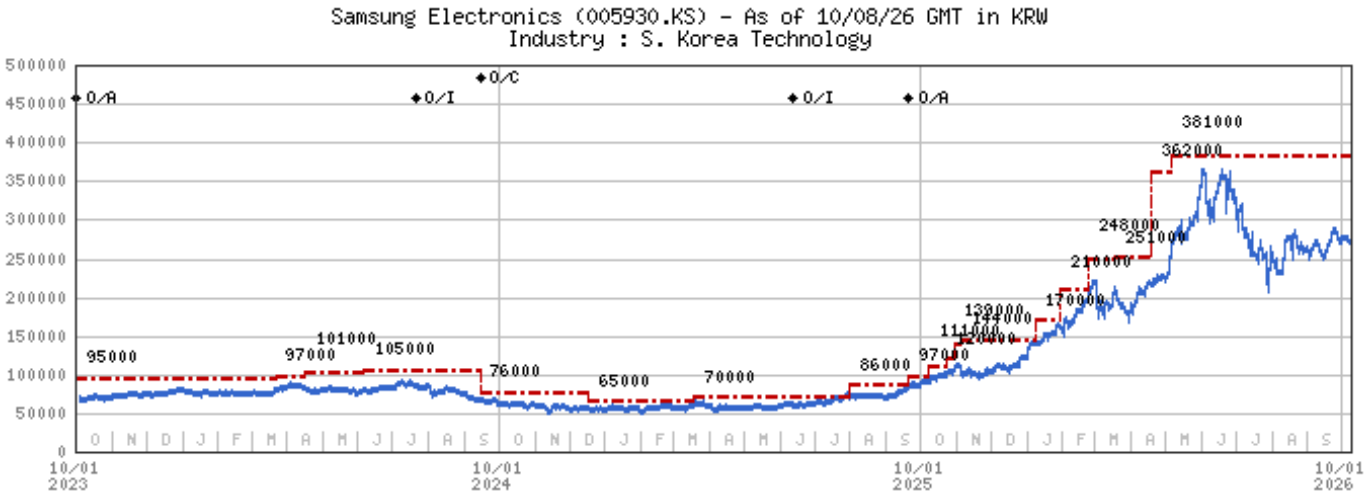
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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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 : 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)

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INDUSTRY COVERAGE: S. Korea Technology

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/07/2026)
Ryan Kim		
Fadu Inc (440110.KQ)	O (09/21/2025)	W82,300
Hanmi Semiconductor Co. Ltd. (042700.KS)	E (07/22/2026)	W264,500
HD Hyundai Electric Co Ltd (267260.KS)	O (03/25/2025)	W628,000
Isu Petasys Co. Ltd. (007660.KS)	O (02/03/2025)	W122,000
Leeno Industrial Inc. (058470.KQ)	O (04/03/2025)	W85,200
LG Display (034220.KS)	E (06/11/2025)	W8,250
LG Electronics (066570.KS)	O (08/11/2026)	W208,000
LG Innotek (011070.KS)	O (08/11/2026)	W591,000
Lotte Energy Materials Corp (020150.KS)	U (04/03/2025)	W53,700
LS Electric (010120.KS)	O (01/22/2026)	W205,500
SK Square Co Ltd. (402340.KS)	O (05/06/2026)	W1,142,000
Wonik IPS Co Ltd (240810.KQ)	O (08/08/2025)	W131,100
Shawn Kim		
Samsung Electro-Mechanics (009150.KS)	O (07/31/2025)	W1,604,000
Samsung Electronics (005935.KS)	O (11/18/2019)	W198,000
Samsung Electronics (005930.KS)	O (11/18/2019)	W268,500
SK hynix (000660.KS)	O (09/21/2025)	W1,723,000

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* Historical prices are not split adjusted.

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