19 Oct 2026 07:13:21 ET | 13 pages

SK Hynix (000660.KS)

3Q26 Preview: Expect Solid 3Q Earnings despite FX Headwinds

CITI'S TAKE

We expect SK Hynix to report 3Q26E OP of W81.3tr (+34% QoQ/+614% YoY), 8% above the market consensus of W75.5tr, despite FX headwinds and HBM4 noises. Looking beyond 3Q, we expect growing AI inference demand and the adoption of continual learning to further drive HBM and eSSD demand, persisting memory supply tightness through 2028E. We believe the current valuation of 2.7x 12M forward P/E and 1.4x P/B does not fully reflect the potential for a prolonged memory upcycle, thus reiterate Buy with an unchanged TP of W3mn.

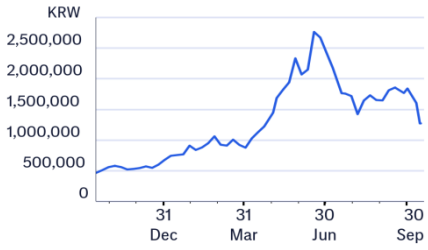
Expect 3Q26E OP of W81.3tr — We expect SK Hynix to record 3Q26E sales of W101.2tr (+28% QoQ/+314% YoY) and OP of W81.3tr (+34% QoQ/+614% YoY), 8% above the market consensus of W75.5tr despite unfavorable FX and HBM4 noises. We forecast Hynix's 3Q26E DRAM ASP to have grown 28% QoQ and 3Q26E NAND ASP to have risen 24% QoQ, supported by strong AI inference demand growing memory requirements for KV-cache workloads.

eSSD Demand to Rise Sharply in 2027E on AI Continual Learning — We expect AI inference demand to continue expanding as continual learning adoption grows, driving eSSD demand growth of +52.9% YoY in 2027E. In addition, we expect QLC-based near-GPU storage solutions to gain traction as AI systems require larger storage pools closer to accelerators to support efficient data retention and retrieval. SK Hynix specializes in high-density QLC NAND technology and is enhancing TLC NAND performance with AI-tailored solutions, positioning the company as a prime beneficiary of surging eSSD demand.

Attractive Valuation Despite AI Financing Concerns — SK Hynix now trades at 2.7x 12M forward P/E and 1.4x P/B amid growing concerns over AI financing. However, we believe the current valuation does not fully reflect the potential for HBM and eSSD demand to accelerate as continual learning gains traction from 2027E onward, prolonging memory supply shortages through 2028E. Reiterate Buy and maintain our TP of W3mn.

Buy	
Price (16 Oct 26 15:45)	W1,272,000
Target price	W3,000,000
Expected share price return	135.8%
Expected dividend yield	1.3%
Expected total return	137.2%
Market Cap	W929,186,288M US$696,223M

Price Performance
(RIC: 000660.KS, BB: 000660 KS)



Peter Lee [AC]

Jayden Oh

Earnings Summary

Year to 31 Dec	Net Profit (WB)	Diluted EPS (W)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	19,789	27,182	314.9	46.8	12.7	31.3	0.2
2025A	42,919	58,955	116.9	21.6	8.1	45.7	0.2
2026E	265,517	364,720	518.6	3.5	2.4	107.8	1.1
2027E	307,172	421,938	15.7	3.0	1.4	58.3	1.3
2028E	364,695	500,953	18.7	2.5	0.9	42.8	1.5

Source: Powered by dataCentral

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



000660.KS: Fiscal year end 31-Dec

Price: W1,272,000; TP: W3,000,000; Market Cap: W929,186,288m; Recomm: Buy

Profit & Loss (Wb)	2024	2025	2026E	2027E	2028E
Sales revenue	66,193	97,147	343,043	511,592	629,997
Cost of sales	-34,365	-38,456	-51,440	-78,903	-117,440
Gross profit	31,828	58,691	291,602	432,689	512,557
Gross Margin (%)	48.1	60.4	85.0	84.6	81.4
EBITDA (Adj)	**36,601**	**61,774**	**285,521**	**423,596**	**501,014**
EBITDA Margin (Adj) (%)	55.3	63.6	83.2	82.8	79.5
Depreciation	-12,582	-14,015	-15,720	-17,292	-19,021
Amortisation	-553	-553	-553	-553	-553
EBIT (Adj)	**23,467**	**47,206**	**269,248**	**405,751**	**481,440**
EBIT Margin (Adj) (%)	35.5	48.6	78.5	79.3	76.4
Net interest	-1,000	-429	-228	-1,000	-1,000
Associates	-38	-565	-36	22	22
Non-Op/Except/Other Adj	1,457	4,253	75,947	-600	-600
Pre-tax profit	**23,885**	**50,466**	**344,931**	**404,173**	**479,862**
Tax	-4,088	-7,518	-79,296	-97,002	-115,167
Extraord./Min.Int./Pref.div.	-8	-29	-118	0	0
Reported net profit	**19,789**	**42,919**	**265,517**	**307,172**	**364,695**
Net Margin (%)	29.9	44.2	77.4	60.0	57.9
Core NPAT	19,789	42,919	265,517	307,172	364,695

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS (W)	27,182	58,955	364,720	421,938	500,953
Core EPS (W)	27,182	58,955	364,720	421,938	500,953
DPS (W)	2,070	2,999	14,228	17,013	19,192
CFPS (W)	39,314	73,824	328,165	413,789	512,861
FCFPS (W)	17,411	36,023	260,720	316,262	359,839
BVPS (W)	100,367	157,362	519,238	927,373	1,411,823
Wtd avg ord shares (m)	728	728	728	728	728
Wtd avg diluted shares (m)	728	728	728	728	728

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	105.9	46.8	253.1	49.1	23.1
EBIT (Adj) (%)	399.9	101.2	470.4	50.7	18.7
Core NPAT (%)	314.9	116.9	518.6	15.7	18.7
Core EPS (%)	314.9	116.9	518.6	15.7	18.7

Balance Sheet (Wb)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	19,007	23,538	212,554	433,045	683,294
Accounts receivables	12,232	16,157	51,347	68,918	76,382
Inventory	12,722	12,813	15,425	21,294	28,525
Net fixed & other tangibles	56,069	69,573	102,953	156,660	249,039
Goodwill & intangibles	5,977	25,964	25,412	24,859	24,307
Financial & other assets	13,346	14,616	23,304	27,642	29,484
Total assets	**119,352**	**162,660**	**430,994**	**732,418**	**1,091,030**
Accounts payable	2,129	2,620	3,856	6,505	10,651
Short-term debt	9,757	9,657	9,557	9,457	9,357
Long-term debt	20,011	20,411	21,911	22,311	22,711
Provisions & other liab	14,388	15,412	17,664	19,015	20,501
Total liabilities	**46,286**	**48,101**	**52,988**	**57,289**	**63,220**
Shareholders' equity	73,067	114,560	378,006	675,130	1,027,810
Minority interests	-1	-1	-1	-1	-1
Total equity	**73,067**	**114,560**	**378,006**	**675,130**	**1,027,810**
Net debt (Adj)	**10,761**	**6,531**	**-181,085**	**-401,276**	**-651,225**
Net debt to equity (Adj) (%)	14.7	5.7	-47.9	-59.4	-63.4

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	46.8	21.6	3.5	3.0	2.5
PB (x)	12.7	8.1	2.4	1.4	0.9
EV/EBITDA (x)	25.5	15.0	2.9	1.5	0.8
FCF yield (%)	1.4	2.8	20.5	24.9	28.3
Dividend yield (%)	0.2	0.2	1.1	1.3	1.5
Payout ratio (%)	8	5	4	4	4
ROE (%)	31.3	45.7	107.8	58.3	42.8

Cashflow (Wb)	2024	2025	2026E	2027E	2028E
EBITDA	36,601	61,774	285,521	423,596	501,014
Working capital	-4,910	-3,771	-43,003	-23,777	-10,905
Other	-3,070	-4,258	-3,613	-98,580	-116,745
Operating cashflow	**28,621**	**53,744**	**238,905**	**301,239**	**373,364**
Capex	-15,946	-27,519	-49,100	-71,000	-111,400
Net acq/disposals	0	0	0	0	0
Other	-2,059	-20,535	0	0	0
Investing cashflow	**-18,005**	**-48,054**	**-49,100**	**-71,000**	**-111,400**
Dividends paid	-826	-1,426	-2,071	-10,048	-12,015
Financing cashflow	**-526**	**-1,126**	**-671**	**-9,748**	**-11,715**
Net change in cash	**10,090**	**4,564**	**189,134**	**220,491**	**250,249**
Free cashflow to s/holders	**12,675**	**26,225**	**189,805**	**230,239**	**261,964**

For definitions of the items in this table, please click here.

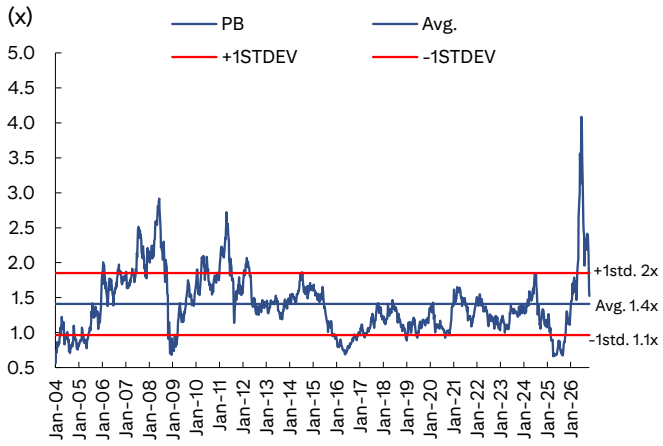
Figure 1. SK Hynix - Quarterly Earnings Forecasts

Wbn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E
Total Sales	**17,639**	**22,232**	**24,449**	**32,827**	**52,576**	**79,319**	**101,233**	**109,914**	**66,193**	**97,147**	**343,043**	**511,592**
DRAM	13,673	16,614	18,849	25,133	41,759	59,048	76,500	82,089	44,746	74,268	259,396	379,849
NAND	3,083	4,777	5,013	7,529	12,014	21,494	25,968	29,085	19,021	20,402	88,561	136,455
Operating Profit	**7,441**	**9,213**	**11,383**	**19,170**	**37,610**	**60,543**	**81,308**	**89,787**	**23,467**	**47,206**	**269,248**	**405,751**
DRAM	7,506	9,039	11,397	17,263	31,793	46,108	63,011	68,290	21,033	45,204	209,202	306,305
NAND	(18)	(186)	(145)	2,654	6,146	13,655	18,254	21,497	2,634	2,305	59,552	99,436
OP Margin (%)	**42%**	**41%**	**47%**	**58%**	**72%**	**76%**	**80%**	**82%**	**35%**	**49%**	**78%**	**79%**
DRAM	55%	54%	60%	69%	76%	78%	82%	83%	47%	61%	81%	81%
NAND	-1%	-4%	-3%	35%	51%	64%	70%	74%	14%	11%	67%	73%
Sequential % Chg												
Bit Growth												
DRAM (1Gb eq.)	-9%	27%	9%	2%	0%	8%	7%	4%	16%	24%	24%	19%
NAND (8Gb eq.)	-16%	79%	-5%	10%	-10%	15%	3%	1%	-5%	16%	20%	19%
ASP Changes												
DRAM (1Gb eq.)	0%	1%	4%	25%	64%	30%	28%	7%	81%	29%	183%	25%
NAND (8Gb eq.)	-23%	-9%	10%	30%	75%	54%	24%	15%	86%	-11%	258%	33%

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Source: Company Reports, Citi Research

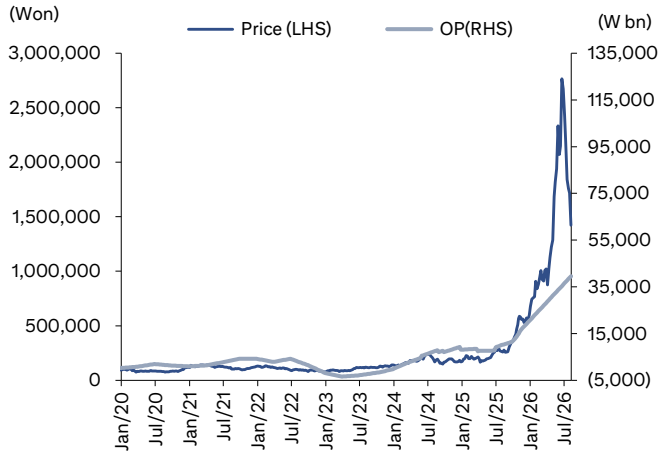
Figure 2. SK Hynix — 12-Month Forward P/B



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Source: Citi Research Estimates, Datacentral

Figure 3. SK Hynix — Quarterly OP & Stock Price



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Source: Citi Research Estimates, Datacentral

Bull/Bear: SK Hynix (000660.KS)

W 3,800,000	W 3,000,000	W 1,000,000
▲199% Upside	▲136% Upside	▼21% Downside



Spread 220pp
Current Price and expected returns (upside/downside) as of 16 Oct 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 +183%
- 2026E NAND ASP Chg. YoY +262%
- 2026E EV/EBITDA SOTP (HBM: 7.9x 12MF EBITDA; Commodity: 6.9x 12MF 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%
- 1.2x P/B on DRAM market share loss & unexpected termination of memory upcycle