28 Oct 2026 02:37:23 ET | 13 pages

SK Hynix (000660.KS)

3Q26 Review: Robust Earnings and Attractive Shareholder Returns

CITI'S TAKE

SK Hynix reported robust 3Q26 OP of W83.3tr (+38% QoQ/+632% YoY/OPM: 80%) driven by rising memory ASPs and increased sales of high-value products despite FX headwinds. Hynix announced a ~W100tr FY26 shareholder return, including ~W14tr in 3Q dividends and an additional W20tr buyback. Reiterate Buy.

3Q26 Review — Hynix's 3Q26 DRAM B/G came in at +10% QoQ, with server DDR5 shipments growing >40% QoQ, while DRAM ASP at +high-20% QoQ, supported by conventional DRAM price increases and a higher HBM4 mix. Hynix 3Q26 NAND B/G declined slightly QoQ amid a shift toward higher-value 321L TLC and eSSD products, while NAND ASP rose +mid-20% QoQ on stronger pricing and a higher SSD mix.

4Q26E & 2027E Outlook — Hynix expects 4Q26E DRAM B/G to increase +mid-20% QoQ on 1cnm expansion and M15X HBM4 ramp-up, and NAND B/G to grow +MSD% QoQ, supported by increased 321L eSSD shipments. For 2027E, the company projects achievable DRAM/NAND B/G at +mid-20%/+high-teen% YoY. With LTAs covering >50% of 27-28E capacity, Hynix views DRAM/HBM as effectively sold out through 2029Em including customer volumes under discussion. Hynix is seeing robust customer requests exceeding 2x available supply despite HBM spec issues, whose impact could be largely offset by higher capacity per die.

FY26 Shareholder Return Plan Unveiled — Hynix announced a ~W100tr shareholder return plan for FY26, comprising ~W30tr in cash dividends and ~W60tr in share buybacks/cancellations, including the previous W40tr buyback. For 3Q26, Hynix declared ~W14tr in dividends (DPS: W20K), including a W10k special dividend from Kioxia investment gains. Additional W20tr buyback was announced, with W10tr earmarked for cancellation and the remainder for employee compensation excluded from shareholder returns. Management plans to continue quarterly buybacks, viewing the current share price as undervalued relative to its robust earnings and cash generations.

Implication — Reflecting robust 3Q results and a constructive memory outlook, we lift 4Q26E OP to W107tr from W89.8tr and raise our 26E/27E OP estimates by 7%/12%. Under the ~W100tr FY26 shareholder return, we forecast ~W35tr in shareholder returns for 4Q26E, comprising ~W15tr in buyback and ~W20tr in dividend. Thus, we reiterate our Buy rating with an unchanged TP of W3mn.

Earnings Summary

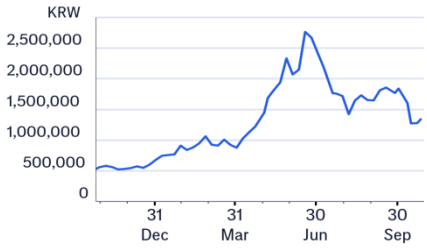
Year to 31 Dec	Net Profit (WB)	Diluted EPS (W)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	19,789	27,182	314.9	49.3	13.4	31.3	0.2
2025A	42,919	58,955	116.9	22.7	8.5	45.7	0.2
2026E	256,143	351,844	496.8	3.8	2.6	106.0	1.0
2027E	344,148	472,729	34.4	2.8	1.4	64.2	1.4
2028E	395,794	543,672	15.0	2.5	0.9	44.2	1.6

Source: Powered by dataCentral

Buy

Price (27 Oct 26 15:45)	W1,341,000
Target price	W3,000,000
Expected share price return	123.7%
Expected dividend yield	1.2%
Expected total return	124.9%
Market Cap	W979,590,261M US$738,500M

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



Peter Lee [AC]

Jayden Oh



000660.KS: Fiscal year end 31-Dec

Price: W1,341,000; TP: W3,000,000; Market Cap: W979,590,261m; Recomm: Buy

Profit & Loss (Wb)	2024	2025	2026E	2027E	2028E
Sales revenue	66,193	97,147	367,952	578,881	694,475
Cost of sales	-34,365	-38,456	-56,394	-96,074	-139,307
Gross profit	31,828	58,691	311,557	482,807	555,169
Gross Margin (%)	48.1	60.4	84.7	83.4	79.9
EBITDA (Adj)	**36,601**	**61,774**	**305,197**	**472,710**	**542,441**
EBITDA Margin (Adj) (%)	55.3	63.6	82.9	81.7	78.1
Depreciation	-12,582	-14,015	-16,139	-17,753	-19,528
Amortisation	-553	-553	-553	-553	-553
EBIT (Adj)	**23,467**	**47,206**	**288,505**	**454,404**	**522,360**
EBIT Margin (Adj) (%)	35.5	48.6	78.4	78.5	75.2
Net interest	-1,000	-429	1,897	-1,000	-1,000
Associates	-38	-565	-40	22	22
Non-Op/Except/Other Adj	1,457	4,253	41,447	-600	-600
Pre-tax profit	**23,885**	**50,466**	**331,809**	**452,826**	**520,782**
Tax	-4,088	-7,518	-75,548	-108,678	-124,988
Extraord./Min.Int./Pref.div.	-8	-29	-118	0	0
Reported net profit	**19,789**	**42,919**	**256,143**	**344,148**	**395,794**
Net Margin (%)	29.9	44.2	69.6	59.5	57.0
Core NPAT	19,789	42,919	256,143	344,148	395,794

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS (W)	27,182	58,955	351,844	472,729	543,672
Core EPS (W)	27,182	58,955	351,844	472,729	543,672
DPS (W)	2,070	2,999	13,217	18,983	21,462
CFPS (W)	39,314	73,824	307,949	453,184	558,261
FCFPS (W)	17,411	36,023	240,504	355,656	405,240
BVPS (W)	100,367	157,362	506,362	966,270	1,491,527
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	278.8	57.3	20.0
EBIT (Adj) (%)	399.9	101.2	511.2	57.5	15.0
Core NPAT (%)	314.9	116.9	496.8	34.4	15.0
Core EPS (%)	314.9	116.9	496.8	34.4	15.0

Balance Sheet (Wb)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	19,007	23,538	197,836	447,721	729,630
Accounts receivables	12,232	16,157	55,075	77,983	84,199
Inventory	12,722	12,813	16,910	25,928	33,836
Net fixed & other tangibles	56,069	69,573	102,534	155,780	247,652
Goodwill & intangibles	5,977	25,964	25,412	24,859	24,307
Financial & other assets	13,346	14,616	24,224	29,880	31,414
Total assets	**119,352**	**162,660**	**421,991**	**762,151**	**1,151,038**
Accounts payable	2,129	2,620	4,227	7,921	12,634
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**	**53,359**	**58,704**	**65,204**
Shareholders' equity	73,067	114,560	368,633	703,447	1,085,835
Minority interests	-1	-1	-1	-1	-1
Total equity	**73,067**	**114,560**	**368,632**	**703,446**	**1,085,835**
Net debt (Adj)	**10,761**	**6,531**	**-166,367**	**-415,952**	**-697,562**
Net debt to equity (Adj) (%)	14.7	5.7	-45.1	-59.1	-64.2

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	49.3	22.7	3.8	2.8	2.5
PB (x)	13.4	8.5	2.6	1.4	0.9
EV/EBITDA (x)	26.9	15.8	2.9	1.4	0.8
FCF yield (%)	1.3	2.7	17.9	26.5	30.2
Dividend yield (%)	0.2	0.2	1.0	1.4	1.6
Payout ratio (%)	8	5	4	4	4
ROE (%)	31.3	45.7	106.0	64.2	44.2

Cashflow (Wb)	2024	2025	2026E	2027E	2028E
EBITDA	36,601	61,774	305,197	472,710	542,441
Working capital	-4,910	-3,771	-48,766	-32,535	-9,460
Other	-3,070	-4,258	-32,244	-110,256	-126,566
Operating cashflow	**28,621**	**53,744**	**224,187**	**329,919**	**406,415**
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	-9,334	-13,406
Financing cashflow	**-526**	**-1,126**	**-671**	**-9,034**	**-13,106**
Net change in cash	**10,090**	**4,564**	**174,416**	**249,885**	**281,909**
Free cashflow to s/holders	**12,675**	**26,225**	**175,087**	**258,919**	**295,015**

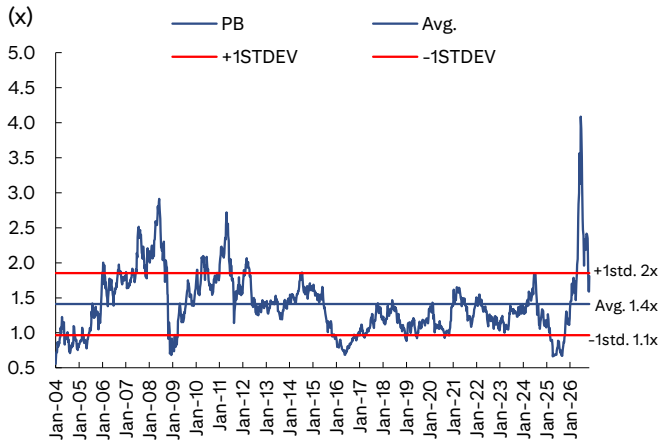
For definitions of the items in this table, please click here.

Figure 1. SK Hynix - Quarterly Earnings Forecasts

Wbn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26E	2024	2025	2026E	2027E
Total Sales	**17,639**	**22,232**	**24,449**	**32,827**	**52,576**	**79,319**	**104,615**	**131,441**	**66,193**	**97,147**	**367,952**	**578,881**
DRAM	13,642	16,538	18,679	24,916	41,326	57,313	77,959	100,983	44,746	73,776	277,580	436,778
NAND	3,083	4,777	5,013	7,529	12,054	21,603	25,806	29,624	19,021	20,402	89,087	138,985
Operating Profit	**7,441**	**9,213**	**11,383**	**19,170**	**37,610**	**60,543**	**83,334**	**107,018**	**23,467**	**47,206**	**288,505**	**454,404**
DRAM	7,489	8,997	11,308	17,148	31,518	44,861	64,543	84,561	21,033	44,943	225,483	353,622
NAND	(18)	(186)	(145)	2,654	6,167	13,724	18,201	21,957	2,634	2,305	60,049	100,772
OP Margin (%)	**42%**	**41%**	**47%**	**58%**	**72%**	**76%**	**80%**	**81%**	**35%**	**49%**	**78%**	**78%**
DRAM	55%	54%	61%	69%	76%	78%	83%	84%	47%	61%	81%	81%
NAND	-1%	-4%	-3%	35%	51%	64%	71%	74%	14%	11%	67%	73%
Sequential % Chg												
Bit Growth												
DRAM (1Gb eq.)	-9%	27%	9%	2%	0%	6%	10%	25%	16%	23%	29%	28%
NAND (8Gb eq.)	-16%	79%	-5%	10%	-10%	15%	0%	5%	-5%	16%	20%	20%
ASP Changes												
DRAM (1Gb eq.)	0%	1%	4%	25%	64%	30%	29%	9%	81%	29%	193%	25%
NAND (8Gb eq.)	-23%	-9%	10%	30%	75%	54%	25%	15%	86%	-11%	260%	33%

Source: Company Reports, Citi Research

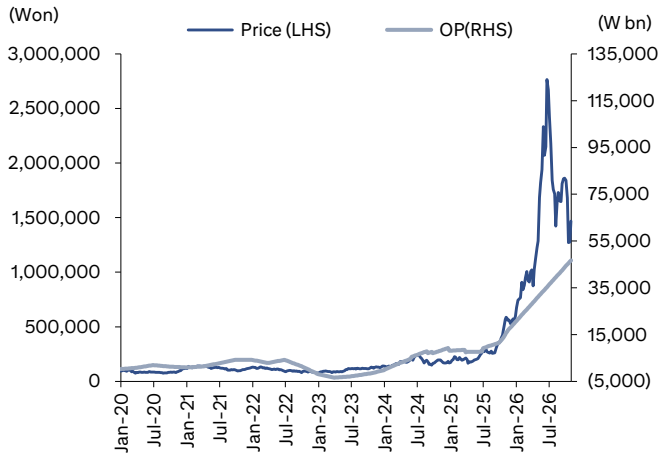
Figure 2. SK Hynix — 12-Month Forward P/B



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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)

₩3,800,000	₩3,000,000	₩1,000,000
▲183% Upside	▲124% Upside	▼25% Downside



Spread 209pp
Current Price and expected returns (upside/downside) as of 27 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: 6.3x 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