SK Hynix

Clear 3Q beat and W100trn shareholder return confirms higher-for-longer cycle; Raise PT to W2.9M and OW

Technology - Semiconductors

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

Sangsik Lee
(82-2) 758 5146
sangsik.lee@jpmorgan.com
J.P. Morgan Securities (Far East) Limited, Seoul Branch

3Q earnings were a clear beat to the upper end of buyside estimates, but more surprisingly, we believe SKH's HBM execution, LTA and memory S/D outlook, and shareholder return surprise confirm management's conviction in a higher-for-longer memory upcycle view, which has been put to the test by AI funding concerns. On top of the impeccable earnings, we estimate a c.52% TSR yield in FY27/28E, which puts Hynix stock at an extremely attractive risk/reward, while we simultaneously lament its depressed valuation. Penciling-in higher HBM ASP and raising our margin forecast, we lift FY27-28E EPS by 15-21% and raise our PT to W2.9M (SKHY PT raised to US$260). We recommend investors accumulate.

- **HBM B/G unchanged at 30%+; ASP hike narrows profitability gap.** Management cleared speculation around the HBM4 production hiccup, guiding HBM4 bit/revenue to crossover HBM3E in 4Q with production yield surpassing original expectations and forthcoming HBM profitability to narrow substantially vs conventional DRAM (JPMe: high-70% HBM OPM in 27E vs conventional DRAM at mid-80%). The HBM B/G target for FY26E was unchanged at +30% y-y growth and we expect management to leverage faster M15X ramp to increase HBM bit output amid attractive pricing (JPMe: +86% y-y increase in 27E). Management guided that HBM sufficiency stands at 50% (i.e. supply capability is 50% of customer demand), and we continue to believe that HBM de-spec will have limited impact on the industry. Management guided HBM4E samples were shipped in 2Q26, and we expect first revenue contrbution starting in mid-2027 with a gradual ramp towards 27-end.
- **W100trn shareholder return in FY26E and c. 52% TSR yield in 27-28E.** SKH lifted its FY26 return to ~W100trn (dividends ≥W30trn, buyback/cancellation ≥W60trn) from W40trn (report). In 3Q, management confirmed a W24trn shareholder return split between W10trn buyback/cancellation and the remaining W14trn in dividends (=W20K DPS; 50% from Kioxia stake sales and 50% special dividend). Management framed shareholder returns (mainly buybacks) as a recurring quarterly event and stressed the under-valued share price relative to its earnings power. Refreshing the TSR framework, we expect SKH stock to deliver a 20%/32% TSR yield in 27/28E (JPMe: 35% vs 65% dividend/buyback split). We believe SKH's TSR yield of c. 52% demonstrates an extremely attractive risk/reward, but also indirectly implies how much the shares are under-valued. Our TSR calculation implies a mid-to-high 50% FCF payout in 27-28.

Equity Ratings and Price Targets

Company	Ticker	Mkt Cap ($ mn)	Price CCY	Price	Rating Cur	Rating Prev	Price Target Cur	Price Target End Date	Price Target Prev	Price Target Prev End Date
SK hynix	000660 KS	819,497	KRW	1,489,000	OW	n/c	2,900,000	Jun-27	2,750,000	n/c
SK hynix ADR	SKHY US	105,835.20	USD	145.36	OW	n/c	260.00	Jun-27	245.00	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 28 Oct 26 except for SKHY US [27 Oct 26].

See page 22 for analyst certification and important disclosures, including non-US analyst disclosures.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

- **DRAM/HBM de-facto sold out until 29 with S/D tightness until 2030 backed by LTA.** In light of the AI funding concerns, management noted diversified AI customers (i.e. hyper scalers, Neocloud, frontier model, sovereign AI, B2B) that protects them from sudden AI demand airpockets. On top of 50% HBM sufficiency, management guided that 50% of its wafer capacity is locked by LTA in 27/28 and its HBM/DRAM is de-facto sold-out until 2029 with demand likely surpassing supply until 2030. While we acknowledge the possibility of double/triple order-booking across AI customers, we believe memory S/D should continue its tightness in the foreseeable future against the constrained supply backdrop (SKH's DRAM/NAND B/G capped at mid-20% and high-teens in 27E).
- **Multi-year capex upcycle in accordance to the AI cycle.** Management forecasts that its 27 capex will be substantially higher than in 26 (JPMe: W47.5/W61Trn in 26/27E). We believe the demand environment that management pictures as of today signals potential upside risk to forthcoming capex estimates, but we believe this is justified by LTA (50% of capacity secured) and incrementally stronger memory demand from AI applications. We expect M15X to ramp materially in 4Q26E with Y1-1 fab coming online in 2Q27E with a total design capacity of 85K/70K wfpm respecitvely.
- **Raise FY27-28E estimates by 15-21% and PT to W2.9M.** Contrary to the fundamentals, the share performance leading up to the earnings print indicated a clear down-cycle in 1H27E with shares plunging 50% from the peak in June (vs peers -35% and SOX -22%) and now rebounding 22% from the Oct-lows (vs peers +12% and SOX +7%). We believe SKH's shareholder return surprise (unprecedented W100trn), remarkable HBM earnings, and LTA all point to management's confidence in a higher-for-longer memory cycle, which we largely agree with. Despite the ~10%+ D/D share price move (vs KOSPI+7%), SKH still trades at <3x FY27 P/E and we believe the risk/reward remains extremely attractive. Between the two stock classes, we prefer 000660.KS over SKHY.US on valuation merit.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

Earnings estimate revisions

Table 1: SK hynix – earnings estimate revisions

Won in billions, year-end December

	Revised			Prior			Difference		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
DRAM Shipments (8Gb equiv.)	14,406	17,997	22,091	13,900	17,357	21,439	3.6	3.7	3.0
ASP (US$, 8Gb equiv.)	13.8	19.5	22.2	13.1	17.1	18.7	5.0	13.9	18.3
NAND shipments (256Gb equiv.)	6,139	7,289	8,596	6,222	7,389	8,695	-1.3	-1.3	-1.1
ASP (US$, 256Gb equiv.)	10.1	13.6	13.1	9.2	11.2	10.9	9.8	21.6	20.4
Sales	**367,008**	**596,956**	**796,726**	**338,830**	**511,166**	**666,675**	**8.3**	**16.8**	**19.5**
DRAM sales	278,157	463,879	645,913	256,631	398,647	538,125	8.4	16.4	20.0
NAND (Inc. MCP) sales	88,850	133,077	150,813	82,199	112,519	128,550	8.1	18.3	17.3
Operating profit	**286,102**	**481,302**	**642,614**	**255,389**	**395,125**	**507,846**	**12.0**	**21.8**	**26.5**
OP margin, %	*78.0*	*80.6*	*80.7*	*75.4*	*77.3*	*76.2*	*2.6*	*3.3*	*4.5*
DRAM OP	224,707	387,774	538,898	200,639	317,627	421,407	12.0	22.1	27.9
NAND+MCP OP	61,390	93,527	103,716	54,750	77,497	86,439	12.1	20.7	20.0
Net Income	**251,059**	**356,362**	**477,631**	**255,101**	**304,591**	**392,646**	**-1.6**	**17.0**	**21.6**
EPS (Won)	**354,940**	**527,796**	**785,584**	**359,930**	**457,886**	**647,789**	**-1.4**	**15.3**	**21.3**

Source: Company data, J.P. Morgan estimates.

Table 2: SK hynix – J.P. Morgan estimates vs Street consensus

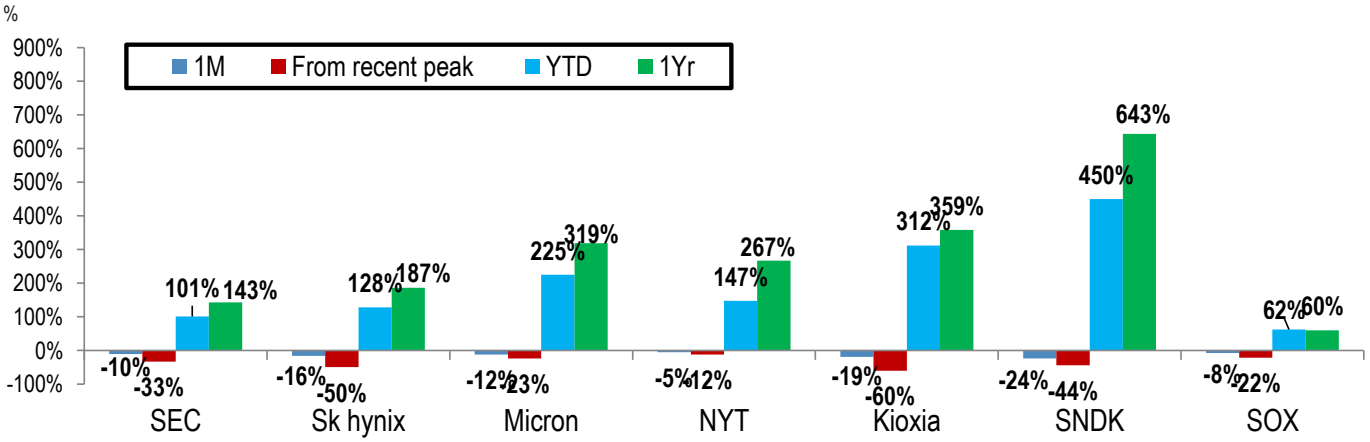
Won in billions, year-end December

	JPM estimates				Market consensus				Difference			
	4Q26E	2026E	2027E	2028E	4Q26E	2026E	2027E	2028E	4Q26E	2026E	2027E	2028E
Sales	130,497	367,008	596,956	796,726	110,281	342,747	536,522	655,483	18%	7%	11%	22%
OP	104,616	286,102	481,302	642,614	87,440	264,864	427,977	507,228	20%	8%	12%	27%
NP	77,379	251,059	356,362	477,631	67,234	259,316	351,470	422,841	15%	-3%	1%	13%

Source: Bloomberg Finance L.P., J.P. Morgan estimates. Note: Market consensus based on the last 28 days' Bloomberg estimates.

Share price related charts

Figure 1: Share price performance vs memory peers



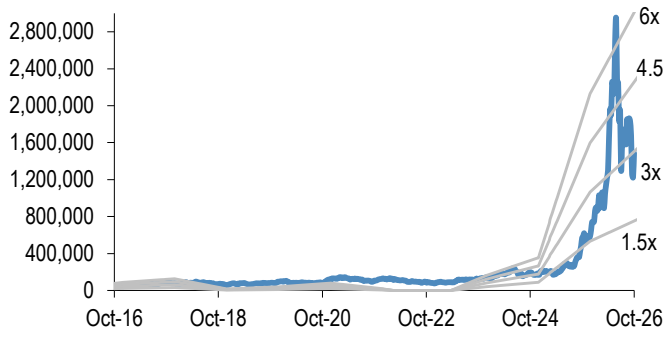
Source: Bloomberg Finance L.P.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

Figure 2: SK hynix – 12M forward P/E bands

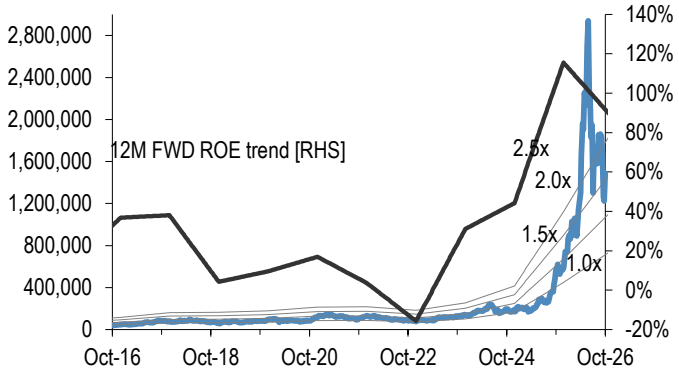
Won, x, %



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 3: SK hynix – 12M forward P/B bands and ROE trend

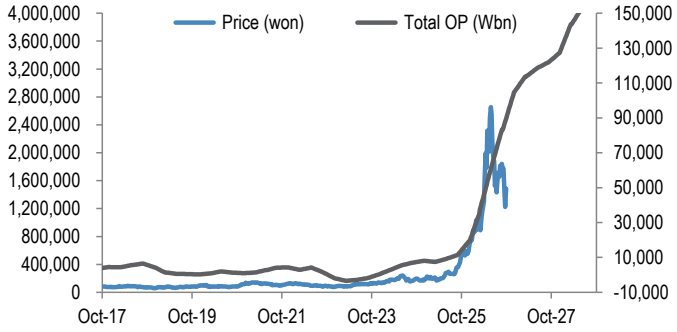
Won, x



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 4: SKH share price vs quarterly OP trend

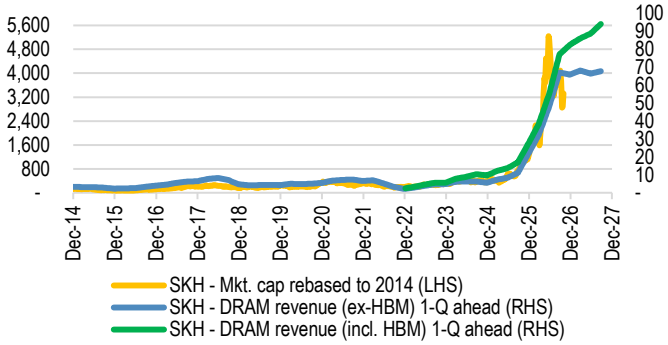
Won, Wbn - RHS



Source: Company data, J.P. Morgan estimates. Company data, Bloomberg Finance L.P., Note: 2Q26 onwards are J.P. Morgan estimates

Figure 5: SKH market cap vs DRAM revenue comparison (1Q ahead)

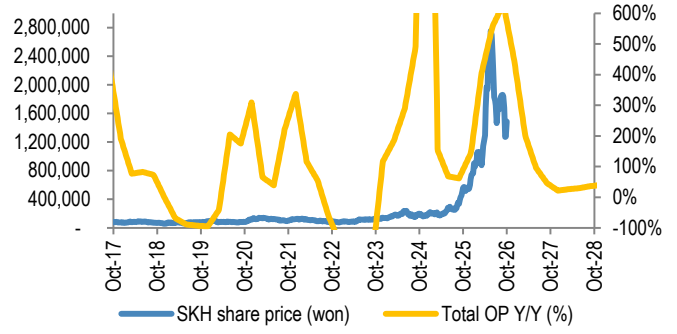
Rebased as of 1/1/2014, US$bn - RHS



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: 2Q26 onwards are J.P. Morgan estimates.

Figure 6: Share price vs total OP Y/Y trend

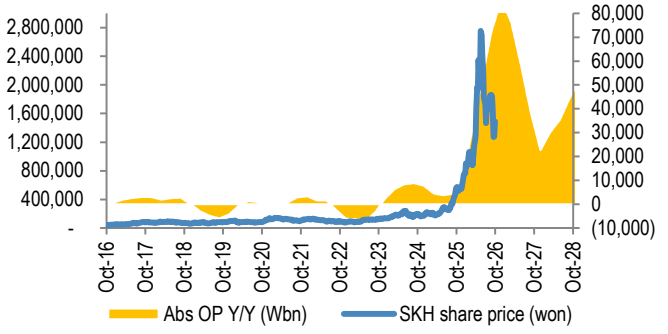
Won, % - RHS



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: 2Q26 onwards are JPM OP estimates.

Figure 7: Share price vs absolute total OP Y/Y trend

Won, Wbn - RHS



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: 2Q26 onwards are JPM OP estimates.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

3Q26 earnings review

Key datapoints

- **DRAM bit growth (B/G):** ~10% up Q/Q
- **DRAM ASP:** high-20% up Q/Q
- **NAND bit growth (B/G):** slightly down Q/Q
- **NAND ASP:** mid-20% up Q/Q

4Q26 bit guidance

- **DRAM:** +Mid-20% Q/Q
- **NAND:** + MSD% Q/Q

Table 3: SK hynix – 3Q26 earnings review

Wbn

	3Q25	2Q26	3Q26 actual	3Q26 JPMe	Diff. (%) vs Prev.	Q/Q (%)	Y/Y (%)
Sales	**24,449**	**79,319**	**104,615**	**94,522**	*10.7*	*31.9*	*327.9*
DRAM	19,084	57,578	78,447	71,241	*10.1*	*36.2*	*311.1*
NAND Flash	4,989	21,374	25,671	22,881	*12.2*	*20.1*	*414.5*
MCP and others	376	367	497	400	*24.2*	*35.6*	*32.2*
COGS	10,420	13,327	14,963	16,328	*-8.4*	*12.3*	*43.6*
Gross profit	**14,029**	**65,991**	**89,652**	**78,194**	*14.7*	*35.9*	*539.0*
GP margin (%)	*57*	*83*	*86*	*83*			
SG&A expenses	2,646	5,449	6,319	6,617	*-4.5*	*16.0*	*138.8*
% of sales	*11*	*7*	*6*	*7*			
Operating profit	**11,383**	**60,538**	**83,334**	**71,578**	*16.4*	*37.7*	*632.1*
OP margin (%)	*47*	*76*	*80*	*76*			
DRAM	11,124	45,486	64,322	55,533	*15.8*	*41.4*	*478.2*
Margin (%)	*58*	*79*	*82*	*78*			
NAND Flash	234	15,026	18,933	16,017	*18.2*	*26.0*	*7973.9*
Margin (%)	*5*	*70*	*74*	*70*			
MCP and others	25	26	79	28	*179.2*	*204.6*	*212.6*
Margin (%)	*7*	*7*	*16*	*7*			
Net Interest Income	-103	150	434	226	*91.7*	*189.1*	*n/a*
Net Other Income	3,510	62,016	-33,059	0	*n/a*	*n/a*	*n/a*
Recurring profit	**14,790**	**122,703**	**50,709**	**71,804**	*-29.4*	***-58.7***	***242.8***
Tax/Minority interest	2,193	28,786	10,933	16,844	*-35.1*	*-62.0*	*398.6*
Net profit	**12,595**	**93,820**	**39,534**	**54,960**	*-28.1*	*-57.9*	*213.9*

Source: Company data, J.P. Morgan estimates.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

Key business charts and tables

Table 4: SK hynix: Key assumptions for DRAM business

Units in 8Gb eq., W in billions; year-end Dec

8Gb equiv.	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2024	2025	2026E	2027E	2028E
ASP (US$)	**4.3**	**4.4**	**4.6**	**5.6**	**9.1**	**11.8**	**15.2**	**17.1**	**18.7**	**19.0**	**19.8**	**20.5**	**3.7**	**4.8**	**13.8**	**19.5**	**22.2**
Seq. change, %	*0.7*	*1.5*	*4.3*	*23.1*	*62.5*	*29.7*	*28.5*	*12.2*	*9.5*	*1.8*	*4.3*	*3.4*	*79.1*	*30.1*	*189.5*	*41.8*	*13.4*
Operating cost (US$)	2.1	2.0	1.9	1.8	2.1	2.5	2.7	3.0	3.0	3.1	3.3	3.4	2.0	1.9	2.6	3.2	3.7
Cash Cost (US$)	1.5	1.5	1.4	1.3	1.6	1.9	2.2	2.3	2.3	2.3	2.3	2.4	1.5	1.4	2.0	2.3	2.5
Cost change, %	*-5%*	*-4%*	*-4%*	*-3%*	*16%*	*17%*	*10%*	*9%*	*1%*	*2%*	*5%*	*4%*	*-1%*	*-4%*	*34%*	*23%*	*15%*
Cash cost chg. %	*-10%*	*-1%*	*-5%*	*-5%*	*19%*	*22%*	*12%*	*8%*	*-3%*	*0%*	*2%*	*2%*	*7%*	*-3%*	*43%*	*14%*	*10%*
Shipments (mn)	**2,242**	**2,795**	**3,013**	**3,028**	**3,014**	**3,240**	**3,629**	**4,522**	**4,413**	**4,525**	**4,471**	**4,588**	**8,933**	**11,077**	**14,406**	**17,997**	**22,091**
Seq. change, %	*-7.1*	*24.7*	*7.8*	*0.5*	*-0.4*	*7.5*	*12.0*	*24.6*	*-2.4*	*2.5*	*-1.2*	*2.6*	*16.0*	*24.0*	*30.1*	*24.9*	*22.7*
Sales	**14,037**	**17,124**	**19,084**	**24,659**	**40,195**	**57,578**	**78,447**	**101,937**	**108,887**	**113,639**	**117,118**	**124,235**	**44,732**	**74,904**	**278,157**	**463,879**	**645,913**
OP	7,337	9,378	11,124	16,574	30,819	45,486	64,322	84,080	91,222	95,094	97,812	103,646	20,259	44,413	224,707	387,774	538,898
OP margin (%)	*52*	*55*	*58*	*67*	*77*	*79*	*82*	*82*	*84*	*84*	*84*	*83*	*45*	*59*	*81*	*84*	*83*
Revenue per wafer (US$)	**8,829**	**11,023**	**12,071**	**14,546**	**22,659**	**30,465**	**41,382**	**55,960**	**67,893**	**68,326**	**66,461**	**68,201**	**8,035**	**11,669**	**37,610**	**67,712**	**94,283**
HBM Sales (US$M)	**4,093**	**4,871**	**5,367**	**5,855**	**5,698**	**6,093**	**6,987**	**10,152**	**16,624**	**17,899**	**22,280**	**26,338**	**9,232**	**20,186**	**28,930**	**83,141**	**155,989**
HBM Sales mix (%)	*29.2*	*28.4*	*28.1*	*23.7*	*14.2*	*10.6*	*8.9*	*10.0*	*15.3*	*15.8*	*19.0*	*21.2*	*20.6*	*26.9*	*10.4*	*17.9*	*24.2*
HBM bit shipment (8Gb equiv., mn)	**311**	**354**	**380**	**423**	**405**	**425**	**444**	**604**	**622**	**658**	**760**	**858**	**726**	**1,468**	**1,879**	**2,899**	**4,097**
HBM bit mix (%)	*13.9*	*12.7*	*12.6*	*14.0*	*13.5*	*13.1*	*12.2*	*13.4*	*14.1*	*14.6*	*17.0*	*18.7*	*8.1*	*13.3*	*13.0*	*16.1*	*18.5*
HBM ASP (1Gb/US$)	**1.6**	**1.7**	**1.8**	**1.7**	**1.8**	**1.8**	**2.0**	**2.1**	**3.3**	**3.4**	**3.7**	**3.8**	**1.6**	**1.7**	**1.9**	**3.6**	**4.8**
HBM ASP premium vs. non-HBM (x)	4.6	4.6	4.4	3.2	1.7	1.3	1.0	1.0	1.5	1.5	1.6	1.7	4.5	4.1	1.1	1.6	2.1
HBM capacity (TSV equivalent, K/month)	145	155	160	170	170	180	200	220	240	250	270	290	99	158	193	263	325

Source: Company data, J.P. Morgan estimates

Table 5: SK hynix – Key assumptions in the NAND business

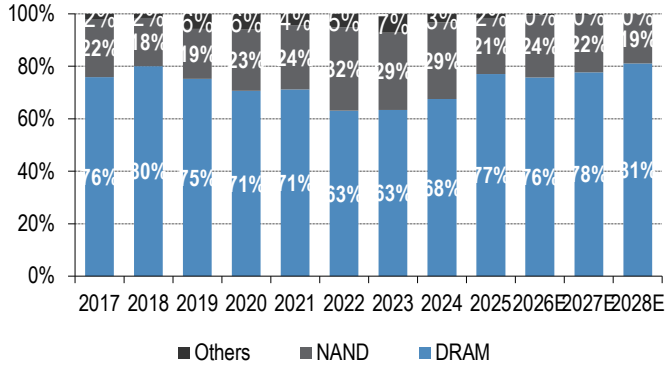
Units in 256Gb. equivalent, Won in billions, year-end December

256Gb equiv.	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2024	2025	2026E	2027E	2028E
ASP US$ (256Gb equiv.)	**2.6**	**2.3**	**2.6**	**3.5**	**6.0**	**9.1**	**11.6**	**13.0**	**13.5**	**13.8**	**13.8**	**13.5**	**3.0**	**2.8**	**10.1**	**13.6**	**13.1**
Q/Q ASP, %	*-19.5*	*-10.4*	*11.0*	*33.4*	*72.5*	*53.0*	*27.0*	*12.0*	*4.0*	*2.0*	*0.0*	*-2.0*	*96.4*	*-6.6*	*262.4*	*35.4*	*-3.7*
Operating cost (US$)	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.9	0.9	1.0	1.0	1.0	0.6	0.6	0.7	1.0	1.0
Cash Cost (US$)	0.4	0.5	0.5	0.4	0.5	0.6	0.6	0.8	0.8	0.8	0.9	0.9	0.4	0.4	0.6	0.9	0.9
Cost change, %	*-2%*	*-4%*	*2%*	*-7%*	*13%*	*4%*	*12%*	*15%*	*4%*	*6%*	*4%*	*5%*	*-11%*	*-3%*	*22%*	*33%*	*2%*
Cash cost chg. %	*-14%*	*19%*	*1%*	*-1%*	*13%*	*9%*	*14%*	*21%*	*4%*	*6%*	*4%*	*5%*	*-7%*	*4%*	*40%*	*40%*	*1%*
Shipments (64Gb equiv.)	**854**	**1,447**	**1,388**	**1,547**	**1,377**	**1,562**	**1,561**	**1,639**	**1,721**	**1,790**	**1,861**	**1,917**	**4,749**	**5,236**	**6,139**	**7,289**	**8,596**
Q/Q or Y/Y change, %	*-17.6*	*69.5*	*-4.1*	*11.4*	*-11.0*	*13.5*	*-0.1*	*5.0*	*5.0*	*4.0*	*4.0*	*3.0*	*-1.8*	*10.3*	*17.2*	*18.7*	*17.9*
Sales	**3,229**	**4,728**	**4,989**	**7,744**	**11,980**	**21,374**	**25,671**	**28,063**	**30,645**	**32,508**	**33,809**	**34,127**	**19,274**	**20,690**	**87,088**	**131,089**	**148,825**
OP	81	-189	234	2,579	6,769	15,026	18,933	20,486	22,371	23,406	24,004	23,547	3,115	2,705	61,213	93,329	103,517
OP margin (%)	*3*	*-4*	*5*	*33*	*57*	*70*	*74*	*73*	*73*	*72*	*71*	*69*	*16*	*13*	*70*	*71*	*70*
Revenue per wafer (US$)	**2,648**	**4,022**	**4,283**	**6,363**	**9,768**	**16,963**	**21,522**	**25,310**	**27,638**	**29,319**	**30,491**	**30,778**	**4,204**	**4,331**	**18,189**	**29,557**	**33,555**

Source: Company data, J.P. Morgan estimates.

Figure 8: SK hynix – Revenue breakdown

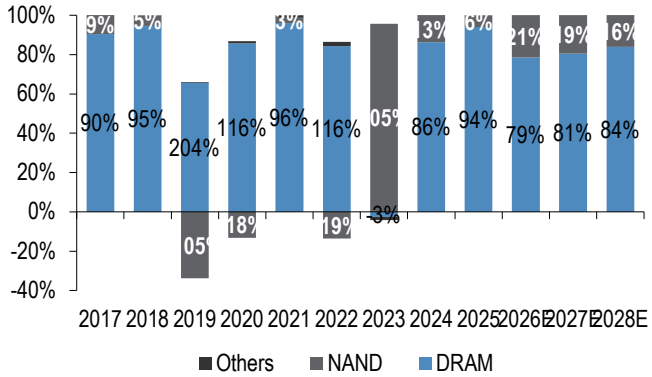
%



Source: Company data, J.P. Morgan estimates.

Figure 9: SK hynix – Operating profit contribution

%

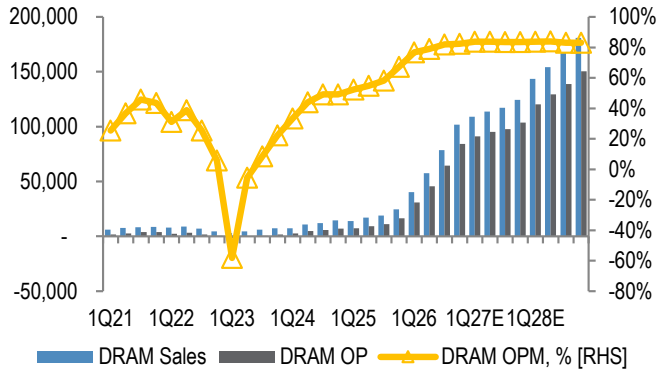


Source: Company data, J.P. Morgan estimates. Note: Negative earnings in FY23.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

Figure 10: SK hynix – DRAM quarterly sales/OP/OPM trend

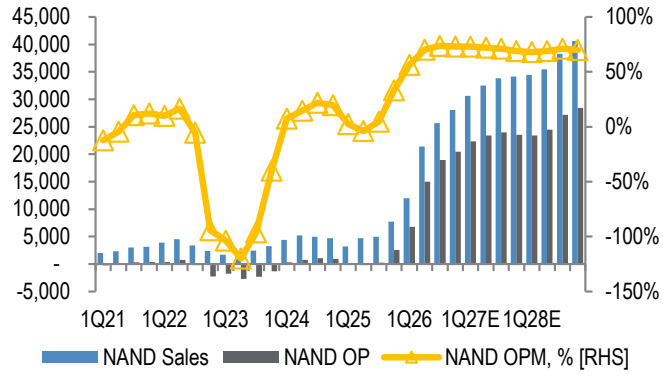
Won in billions, OPM (%)



Source: Company data, J.P. Morgan estimates.

Figure 11: SK hynix – NAND quarterly sales/OP/OPM trend

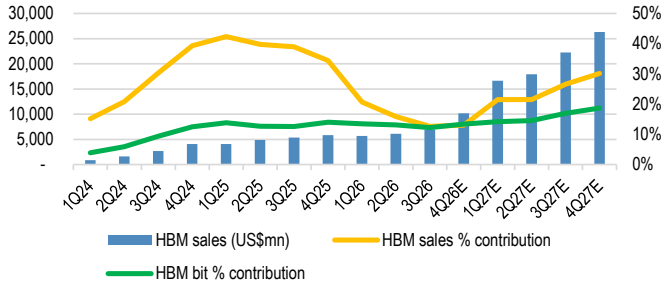
Won in billions, OPM (%)



Source: Company data, J.P. Morgan estimates.

Figure 12: SK hynix HBM sales/bit % contribution to DRAM

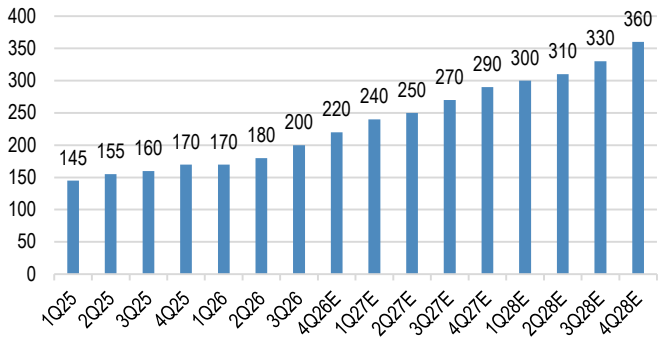
US$mn, % - RHS



Source: Company data, J.P. Morgan estimates.

Figure 13: SK hynix HBM backend capacity trend

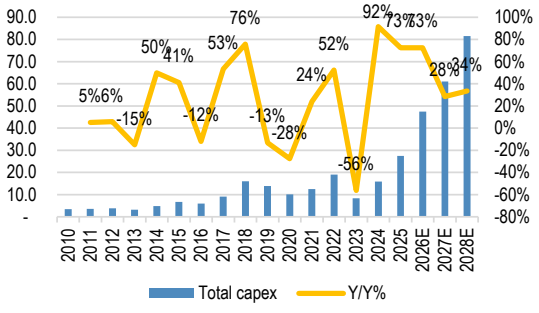
Kwfpm



Source: Company data, J.P. Morgan estimates.

Figure 14: SKH – total capex and Y/Y% trend

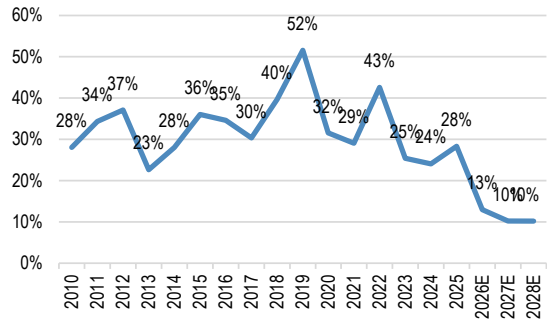
Wtrn, % - RHS



Source: Company data, J.P. Morgan estimates. Note: Capital intensity = capex / sales.

Figure 15: SKH – Capital intensity

%



Source: Company data, J.P. Morgan estimates. ; Note: Capital intensity = capex/sales.

Jay Kwon AC
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

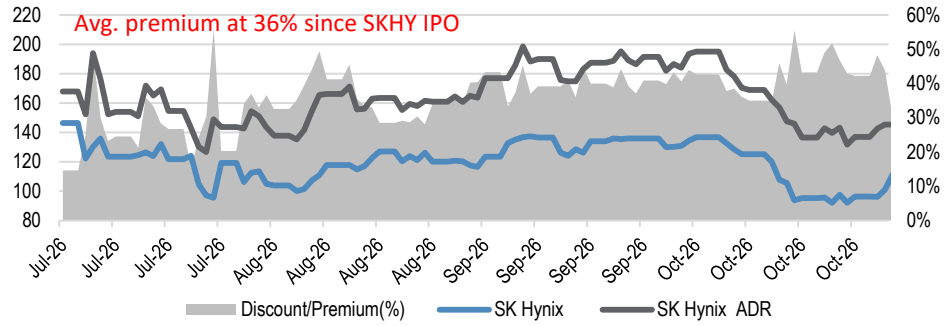
Figure 16: SKH - cash return sensitivity

SK Hynix Cash Return Sensitivity					
Won bn	2024	2025	2026E	2027E	2028E
SKH FCF	16,015	26,100	177,026	319,472	430,187
Theoretical payout at 50%	50%	50%	50%	50%	50%
Theoretical TSR	8,007	13,050	88,513	159,736	215,093
SKH NP	19,797	42,920	251,064	356,362	477,631
NP payout, %	8%	33%	40%	52%	52%
Actual TSR payout, %	10%	55%	57%	57%	58%
Actual TSR	**1,547**	**14,345**	**100,552**	**183,538**	**248,533**
Dividend	1,547	2,105	35,017	64,658	85,073
Buyback	-	12,240	65,535	118,880	163,460
TSR mix, %					
Dividend	100%	15%	35%	35%	34%
Buyback	0%	85%	65%	65%	66%
TSR per share	**2,124**	**20,128**	**147,890**	**297,713**	**476,967**
Dividend (ordinary)	2,204	3,000	**50,750**	**100,000**	**150,000**
Buyback (ordinary)	-	17,444	96,619	193,343	314,683
Total number # of shares	**728**	**713**	**680**	**616**	**521**
Outstanding shares	702	702	678	615	519
Treasury shares	26	11	2	2	2
TSR yield, %	**1.2%**	**6.5%**	**10.0%**	**20.0%**	**32.1%**
Share price	179,000	309,000	1,486,000	1,486,000	1,486,000
Buyback amount (mn)			**41**	**80**	**110**
Buyback amount, %			5.8%	11.8%	17.8%

Source: Company data, J.P. Morgan estimates.

Figure 17: SKH ADR premium/discount to local share

US$, % - RHS



Source: Bloomberg Finance L.P.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

Earnings Call Summary

Market outlook

- **AI capex:** Global CSP capex is expected to grow 60%+ y/y, and secured power capacity should more than double in 2027. SKH sees the AI datacentre infrastructure market growing at a 40% CAGR through 2030.
- **Demand broadening:** Demand is spreading to enterprises and governments (sovereign AI). Enterprise and personal AI drive the next phase; physical AI and robotics add to it in the mid-to-long term.
- **Consumer:** PC and mobile shipments are expected to fall on rising memory prices and the supply shortage, but AI infrastructure demand should more than offset this.
- **Supply:** SKH expects demand to exceed supply through 2030, because leading-edge process complexity and fab construction lead times constrain supply. Achievable 2027 bit growth is similar to this year: mid-20s% for DRAM and high-teens% for NAND

HBM

- 12-Hi HBM4 is on track, and SKH will reach full HBM4 capacity by year-end. HBM4 is expected to pass HBM3E in both shipment and revenue share in 4Q.
- SKH has finalized 2027 volume and price negotiations with customers, reflecting HBM4's higher product value.
- SKH expects the profitability gap between conventional DRAM and HBM to narrow meaningfully.

LTA

- **Coverage:** LTAs with 14 key customers, including major global CSPs. Terms are 5-year, with some existing contracts extended.
- **Pricing:** structures vary, but generally reflect market conditions within a price range agreed with each customer.
- **Safeguards:** Deposits and similar safeguards make sure purchase plans turn into actual orders.
- Over 50% of total capacity is secured under LTAs for 2027 and 2028.

Capex

- 2027 capex will rise significantly vs 2026, as SKH ramps the first Yongin fab and investment in Korea and overseas accelerates.

Shareholder returns

- **FY26 total of W100trn,** up from the W40trn announced at the 2Q call: a cash dividend of W30trn+ and buybacks with cancellation of W60trn+, including the W40trn programme, to be cancelled shortly. The policy of returning 50% of FCF stays in place.
- **3Q BoD resolution:** a cash dividend of W14trn and share purchases of W20trn (W10trn for shareholder return, W10trn for PSUs). The 3Q return totals about W24trn.

- **3Q DPS of W20,000:** W10,000 from earnings and W10,000 from the Kioxia gain. Most of the Kioxia gain goes to shareholders, and the remainder will be included in the year-end dividend.
- **Buybacks:** SKH will buy shares every quarter, with the size set by the BoD based on cash flow, market conditions and share price. The W10trn bought for shareholder returns will be canceled in full. The W10trn for PSUs is excluded from the 2026 return amount.

Q&A summary notes

Q. [AI] AI investment keeps growing, but demand and infrastructure buildout seem slow to materialize. What supports the continued momentum?

SKH sees this as customers checking project feasibility and setting the pace of investment. It gave two reasons for its confidence:

1. **AI is producing results.** Major CSPs reported 30–80% y/y cloud revenue growth, much of it AI. Cloud order backlogs grew 2–5x y/y, and paying users are rising steadily. Customers are also easing constraints through multi-site deployments, smaller datacentres where power is available, and on-site power and cooling.
2. **The investor base is more diverse.** Early AI investment was concentrated in big tech, so one company's cut could swing demand. The base now includes non-tech companies, AI infrastructure players and sovereign AI, so a single company's slowdown can no longer move the needle.

SKH expects AI demand to remain robust and the structural memory supply/demand imbalance to continue for the time being.

Q. [Shareholder returns] How does SKH split dividends and buybacks?

SKH aims to balance the two. Dividends share performance directly, while buybacks raise per-share value by reducing shares outstanding.

- **Dividend first.** SKH first set a sustainable dividend level, based on its improved earnings, its historical yield, peer yields and appropriate cash holdings.
- **Kioxia gain.** Most of the Kioxia return will be paid as a special dividend. Part is paid early, and the rest at year-end once finalized.
- **Buybacks.** The remainder goes to buybacks. SKH believes its shares are undervalued, and the BoD will set the quarterly size based on share price, valuation and cash flow.

Q. [LTA] LTAs cover 50% of 2027-28 capacity. What does that mean for long-term performance?

The aim is to improve demand visibility and stabilize earnings.

- **Sold out for three years.** Combining the secured LTA volume with the demand under discussion, SKH's DRAM and HBM volume for the next three years is effectively sold out. The volume under discussion is highly likely to be finalized.

- SKH plans to keep LTA coverage at a similar level over the mid-to-long term. Non-LTA capacity gives it flexibility for market conditions and next-generation products.

Q. [S/D] SKH keeps building fabs, including at Yongin. What if demand falls short?

More investment does not necessarily mean more supply.

- **Lower bits per investment.** HBM and complex processes require more resources per bit, so bit growth is limited. Today's investment also builds the foundation for technology migration.
- **Staged investment.** Infrastructure is prepared in advance, while equipment move-in and ramp-up follow actual demand. Shell construction at Yongin and M17 is being accelerated, and cleanrooms will open in phases.
- **Demand checks.** SKH does not take customer forecasts at face value. It also assesses supply-chain readiness and customers' financial stability.
- **Financial discipline.** Investment scale will be managed around the net-cash target and appropriate cash holdings.
- Actual capacity will grow only in line with demand and profitability, and capex will be adjusted flexibly to any risk.

Q. [HBM] What is the HBM4 supply progress, and what are the HBM4E and custom HBM plans?

- **HBM4:** crosses HBM3E in 4Q in both bit and revenue share, after a disruption-free mass-production ramp.
- **Yield:** industry-best in both fab and back-end, where back-end yield means the whole process, not single steps like bumping, stacking or KGSD testing. HBM4 beat its planned yield, so the target was raised. HBM3E has passed its planned mature yield.
- **HBM4E:** samples were shipped in 2Q, and qualification is on track with customers' timelines.
- **Custom HBM:** optimized for each customer and workload, and growing in importance. SKH is working closely with customers on related projects.

Q. [HBM] What is the impact of customers lowering HBM stack heights?

SKH said the spec changes show that DRAM demand is overwhelming supply. Customers need more accelerators, and lower stacks mean more cubes.

- **Bit impact is limited.** Moving from 12-Hi HBM4 to 8-Hi HBM4E is largely offset by the higher density per die. The mid-to-long-term outlook is unchanged, and customer demand is more than double SKH's current supply.
- **More back-end work.** More cubes require more base dies and back-end processing, which is already in SKH's plan.
- **Profitability:** depends on pricing, mix, back-end productivity and cost, not stack count alone. A higher HBM4 share and ASP next year mean HBM sales and profit should grow meaningfully y/y. SKH expects profitability to stay well above past cycle peaks.

Q. [4F²] What is SKH's next-gen DRAM preparation?

- **Extend 6F² first.** SKH will use 6F² as far as possible, then move to 4F² or 3D. EUV-based scaling has given it the capability to extend 6F².
- **New cells take time.** A new cell structure needs proven yield, reliability, cost competitiveness and customer qualification, so development timing and commercialization timing differ.
- **Roadmap:** it covers extreme scaling of existing DRAM, 4F² and 3D DRAM, with each technology applied to the right product at the right time.

Q. [NAND] How will KV-cache growth affect NAND demand?

- **Tiered memory.** Agentic AI and long-context use cases make KV caches too large and costly to keep entirely in HBM or DRAM. Tiered architectures across HBM, DRAM and NAND create new demand for storing and reusing data.
- **SKH solutions:**
  - **SALT KV:** software that optimizes data allocation across HBM, DRAM and SSD based on KV-cache reuse value.
  - **CMM hybrid:** CXL-based memory that stores the full KV cache on SSD and pre-loads predicted data into DRAM.
- **Demonstrations.** SKH is running system demonstrations to define eSSD requirements in real inference environments.
- **HBF.** HBF will target a new tier between HBM and SSD, combining high bandwidth with NAND's cost efficiency.

CLOSING REMARKS

- **Track record:** record results for six consecutive quarters, while the business environment is changing.
- **LTAs:** customer trust is turning into LTAs, which give mid-to-long-term visibility and a lasting profitability base. SKH said a new phase of growth, distinct from the past, is emerging.
- **Next task:** turn these changes into lasting competitive advantage by extending HBM leadership to next-generation products and finding new market opportunities.
- **Returns:** as the business grows and investments pay off, the rewards shared with shareholders should increase.

Jay Kwon AC
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

Table 6: SKH: Earnings model

Won in billions

(W in billion)	2025				2026E				2027E								
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE	2024	2025	2026E	2027E	2028E
Revenue	**17,639**	**22,232**	**24,449**	**32,827**	**52,576**	**79,319**	**104,615**	**130,497**	**140,029**	**146,645**	**151,423**	**158,859**	**66,193**	**97,147**	**367,008**	**596,956**	**796,726**
DRAM	14,037	17,124	19,084	24,659	40,195	57,578	78,447	101,937	108,887	113,639	117,118	124,235	44,732	74,904	278,157	463,879	645,913
NAND Flash	3,229	4,728	4,989	7,744	11,980	21,374	25,671	28,063	30,645	32,508	33,809	34,127	19,274	20,690	87,088	131,089	148,825
Others	373	380	376	423	401	367	497	497	497	497	497	497	2,187	1,552	1,762	1,988	1,988
Depreciation	-3,124	-3,249	-3,360	-3,366	-3,519	-3,822	-4,125	-4,856	-5,514	-6,170	-6,849	-7,529	-12,582	-13,930	-17,166	-26,996	-40,397
COGS	7,537	10,249	10,420	10,250	10,897	13,327	14,963	15,442	15,744	16,950	18,049	19,543	-34,365	-38,456	-54,629	-70,286	-91,968
Gross Profit	**10,102**	**11,983**	**14,029**	**22,576**	**41,679**	**65,991**	**89,652**	**115,055**	**124,285**	**129,695**	**133,374**	**139,316**	**31,828**	**58,691**	**312,379**	**526,670**	**704,758**
SG&A Expenses	2,661	2,770	2,646	3,407	4,069	5,449	6,319	10,440	10,642	11,145	11,508	12,073	8,361	11,484	26,276	45,369	62,145
% of Revenue (%)	*15*	*12*	*11*	*10*	*8*	*7*	*6*	*8*	*8*	*8*	*8*	*8*	*13*	*12*	*7*	*8*	*8*
EBIT	**7,441**	**9,213**	**11,383**	**19,170**	**37,610**	**60,538**	**83,334**	**104,616**	**113,643**	**118,550**	**121,866**	**127,243**	**23,467**	**47,206**	**286,102**	**481,302**	**642,614**
DRAM	7,337	9,378	11,124	16,574	30,819	45,486	64,322	84,080	91,222	95,094	97,812	103,646	20,259	44,413	224,707	387,774	538,898
Margin (%)	*52*	*55*	*58*	*67*	*77*	*79*	*82*	*82*	*84*	*84*	*84*	*83*	*45*	*59*	*81*	*84*	*83*
Flash/SRAM	81	-189	234	2,579	6,769	15,026	18,933	20,486	22,371	23,406	24,004	23,547	3,115	2,705	61,213	93,329	103,517
Margin (%)	*3*	*-4*	*5*	*33*	*57*	*70*	*74*	*73*	*73*	*72*	*71*	*69*	*16*	*13*	*70*	*71*	*70*
Others	23	24	25	16	23	26	79	50	50	50	50	50	94	88	177	199	199
Margin (%)	*6*	*6*	*7*	*4*	*6*	*7*	*16*	*10*	*10*	*10*	*10*	*10*	*4*	*6*	*10*	*10*	*10*
Net Interest Income	-126	-129	-103	-72	22	150	434	518	482	602	739	1,064	-1,000	-429	1,124	2,886	6,341
Net Other Income	1,985	-361	3,510	-1,445	13,985	62,016	-33,059	0	0	0	0	0	1,418	3,689	42,941	0	0
Pre Tax Profit	9,299	8,723	14,790	17,653	51,617	122,703	50,709	105,134	114,125	119,152	122,605	128,306	23,885	50,466	330,163	484,188	648,955
Tax	1,191	1,726	2,193	2,407	11,271	28,786	10,933	27,755	30,129	31,456	32,368	33,873	4,088	7,518	78,745	127,826	171,324
Extraordinary gain(loss)	-	1	- 2.34	- 26.17	- 15.73	- 102.36	- 241.20	-	-	-	-	-	0	-28	-359	0	0
Net Profit	**8,108**	**6,997**	**12,595**	**15,220**	**40,330**	**93,820**	**39,534**	**77,379**	**83,996**	**87,696**	**90,237**	**94,434**	**19,797**	**42,920**	**251,059**	**356,362**	**477,631**
EPS (W)	**11,136**	**9,610**	**17,299**	**20,904**	**56,581**	**133,397**	**54,871**	**111,048**	**121,849**	**129,096**	**133,490**	**143,927**	**27,190**	**58,987**	**354,940**	**527,796**	**785,584**
Margins (%)																	
Gross Margin	57	54	57	69	79	83	86	88	89	88	88	88	48	60	85	88	88
Operating Margin	42	41	47	58	72	76	80	80	81	81	80	80	35	49	78	81	81
EBITDA Margin	60	56	60	69	78	81	84	84	85	85	85	85	54	63	83	85	86
Net Margin	46	31	52	46	77	118	38	59	60	60	60	59	30	44	68	60	60
Sequential Growth (%)																	
Revenue	-11	26	10	34	60	51	32	25	7	5	3	5	102	47	278	63	33
Gross Profit	-3	19	17	61	85	58	36	28	8	4	3	4	na	84	432	69	34
EBIT	-8	24	24	68	96	61	38	26	9	4	3	4	na	101	506	68	34
Net Profit	1	-14	80	21	165	133	-58	96	9	4	3	5	na	117	485	42	34
EPS	1	-14	80	21	171	136	-59	102	10	6	3	8	na	117	502	49	49
EBITDA	10,565	12,462	14,744	22,536	41,129	64,360	87,459	109,471	119,157	124,720	128,715	134,772	35,453	60,306	302,419	507,364	681,959
CAPEX	-6,284	-4,332	-5,032	-11,871	-7,657	-10,671	-12,670	-16,500	-15,000	-15,000	-15,500	-15,500	-15,946	-27,519	-47,498	-61,000	-81,500

Source: Company data, J.P. Morgan estimates.



Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

SK hynix

Overweight

000660.KS, 000660 KS
Price (28 Oct 26):W1,489,000

▲**Price Target (Jun-27):W2,900,000**
Prior (Jun-27):W2,750,000

Technology - Semiconductors

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com
J.P. Morgan Securities (Far East) Limited, Seoul Branch

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E (W)	457,886	527,796	15.3%

Quarterly Forecasts (FYE Dec)

Adj. EPS (W)

	2025A	2026E	2027E
Q1	11,136	56,603A	121,849
Q2	9,609	133,542A	129,096
Q3	17,302	55,206A	133,490
Q4	20,940	111,048	143,927
FY	58,987	354,940	527,796

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	5	5	32	63	28
Growth	2	17	84	69	53
Momentum	10	1	7	6	89
Quality	6	15	20	80	54
Low Vol	89	74	70	38	31
ESGQ	10	10	95	89	10

Clear 3Q beat and W100trn shareholder return confirms higher-for-longer cycle; Raise PT and maintain OW

Raise FY27-28E estimates by 15-21% and PT to W2.9M. Contrary to the fundamentals, the share performance leading up to the earnings print indicated a clear down-cycle in 1H27E with shares plunging 50% from the peak in June (vs peers -35% and SOX -22%) and now rebounding 22% from the Oct-lows (vs peers +12% and SOX +7%). We believe SKH's shareholder return surprise (unprecedented W100trn), remarkable HBM earnings, and LTA all point to management's confidence in a higher-for-longer memory cycle, which we largely agree with. Despite the ~10%+ D/D share price move (vs KOSPI+7%), SKH still trades at <3x FY27 P/E and we believe the risk/reward remains extremely attractive. Between the two stock classes, we prefer 000660.KS over SKHY.US on valuation merit.

Our Jun-27 PT of W2.9M is based on 7x average FY26-27E EPS (vs previously W2.75M based on 7x average FY26-27E EPS) to reflect a stronger and longer memory upcycle view, which we think provides durability and sustainability to SKH's substantially improved earnings capability over the next three years.

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

Price Performance



	YTD	1m	3m	12m
Abs	128.4%	-15.8%	-2.4%	186.9%
Rel	94.6%	2.4%	4.0%	146.3%

Company Data

Shares O/S (mn)	730
52-week range (W)	3,002,000-501,000
Market cap ($ mn)	819,497
Exchange rate	1,327.28
Free float (%)	68.3%
3M ADV (mn)	6.69
3M ADV ($ mn)	8,037.0
Volatility (90 Day)	106
Index	KOSPI
BBG ANR (Buy | Hold | Sell)	47|1|0

Key Metrics (FYE Dec)

W in billions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	97,147	367,008	596,956	796,726
Adj. EBIT	47,206	286,102	481,302	642,614
Adj. EBITDA	61,136	303,269	508,298	683,011
Adj. net income	42,948	251,423	356,362	477,631
Adj. EPS	58,987	354,940	527,796	785,584
BBG EPS	57,254	359,287	477,698	566,773
Cashflow from operations	59,989	233,663	357,815	478,005
FCFF	29,079	184,288	293,757	390,786
Margins and Growth				
Revenue Growth Y/Y (%)	46.8%	277.8%	62.7%	33.5%
EBIT margin	48.6%	78.0%	80.6%	80.7%
EBIT Growth Y/Y (%)	101.2%	506.1%	68.2%	33.5%
EBITDA margin	62.9%	82.6%	85.1%	85.7%
EBITDA Growth Y/Y (%)	69.6%	396.1%	67.6%	34.4%
Net margin	44.2%	68.5%	59.7%	59.9%
Adj. EPS growth	116.9%	501.7%	48.7%	48.8%
Ratios				
Adj. tax rate	14.9%	23.8%	26.4%	26.4%
Interest cover	142.4	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROE	44.1%	112.4%	83.9%	72.6%
Valuation				
FCFF yield	2.7%	17.5%	29.2%	43.2%
Dividend yield	0.2%	2.3%	3.5%	5.0%
EV/Revenue	10.0	2.4	1.3	0.7
EV/EBITDA	15.8	2.9	1.5	0.8
Adj. P/E	25.2	4.2	2.8	1.9

Summary Investment Thesis and Valuation

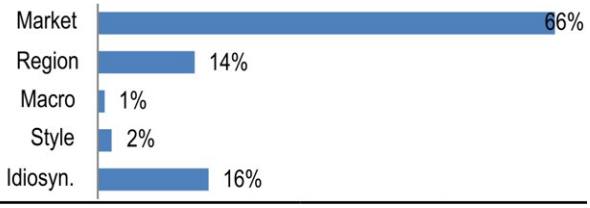
Investment Thesis

Our OW rating on SK hynix is based on the company's solid AI solution execution capability, which has substantially improved its earnings generation capability. We believe we are in the early stages of a memory up-cycle, and improving conventional fundamentals put SKH in a positive position, as the pure memory business carries a higher beta.

Valuation

Our Jun-27 PT of W2.9M is based on 7x average FY26-27E EPS to reflect a stronger and longer memory upcycle view, which we think provides durability and sustainability to SKH's substantially improved earnings capability over the next three years.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.82	0.81
Region: Korea	0.79	0.65
Macro:		
Emerging Economies CPI(YoY)	-0.39	-0.31
HSI Volatility Index	0.30	0.31
JPM Global Equity Sentiment	-0.21	-0.20
Quant Styles:		
Size	0.63	0.46
Momentum	0.45	0.32
Value	-0.34	-0.24

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

Investment Thesis, Valuation and Risks

SK hynix *(Overweight; Price Target: W2,900,000)*

Investment Thesis
Our OW rating on SK hynix is based on the company's solid AI solution execution capability, which has substantially improved its earnings generation capability. We believe we are in the early stages of a memory up-cycle, and improving conventional fundamentals put SKH in a positive position, as the pure memory business carries a higher beta.

Valuation
Our Jun-27 PT of W2.9M is based on 7x average FY26-27E EPS to reflect a stronger and longer memory upcycle view, which we think provides durability and sustainability to SKH's substantially improved earnings capability over the next three years.

Risks to Rating and Price Target
Key downside risks to our rating and price target include lower-than-expected DRAM prices and margins, and uncertainty around end demand/inventories.

Key upside catalysts include further DRAM ASP rallies, led by stronger-than-expected demand.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

SK hynix: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**66,193**	**97,147**	**367,008**	**596,956**	**796,726**
COGS	(21,783)	(24,526)	(37,463)	(43,290)	(51,571)
Gross profit	**31,828**	**58,691**	**312,379**	**526,670**	**704,758**
SG&A	(257)	(484)	(475)	(476)	(476)
Adj. EBITDA	**36,049**	**61,136**	**303,269**	**508,298**	**683,011**
D&A	(12,582)	(13,930)	(17,166)	(26,996)	(40,397)
Adj. EBIT	**23,467**	**47,206**	**286,102**	**481,302**	**642,614**
Net Interest	(1,000)	(429)	1,124	2,886	6,341
Adj. PBT	**23,885**	**50,466**	**330,168**	**484,188**	**648,955**
Tax	(4,088)	(7,518)	(78,745)	(127,826)	(171,324)
Minority Interest	-	-	-	-	-
Adj. Net Income	**19,797**	**42,948**	**251,423**	**356,362**	**477,631**
Reported EPS	27,190	58,987	354,940	527,796	785,584
Adj. EPS	**27,190**	**58,987**	**354,940**	**527,796**	**785,584**
DPS	**2,204**	**3,000**	**34,000**	**52,000**	**75,000**
Payout ratio	8.1%	5.1%	9.6%	9.9%	9.5%
Shares outstanding	728	728	708	675	608

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	14,156	34,942	107,573	243,903	430,208
Accounts receivable	13,019	18,199	73,741	89,768	125,507
Inventories	13,314	14,289	24,145	29,392	41,094
Other current assets	1,790	2,027	3,728	4,412	6,002
Current assets	**42,279**	**69,458**	**209,186**	**367,475**	**602,812**
PP&E	60,157	77,503	108,855	143,793	185,948
LT investments	13,400	25,097	94,373	94,373	94,373
Other non current assets	4,019	4,049	4,274	4,274	4,274
Total assets	**119,855**	**176,108**	**416,689**	**609,915**	**887,406**
Short term borrowings	5,252	8,162	4,553	4,547	4,541
Payables	2,277	2,848	2,554	2,383	2,279
Other short term liabilities	17,436	26,369	58,835	55,421	64,534
Current liabilities	**24,965**	**37,379**	**65,943**	**62,351**	**71,353**
Long-term debt	17,431	14,086	10,955	9,881	8,930
Other long term liabilities	3,543	3,976	13,227	14,318	15,498
Total liabilities	**45,940**	**55,441**	**90,125**	**86,550**	**95,782**
Shareholders' equity	73,916	120,667	326,564	523,365	791,625
Minority interests	-	-	-	-	-
Total liabilities & equity	**119,855**	**176,108**	**416,689**	**609,915**	**887,406**
BVPS	**101,520**	**165,731**	**448,522**	**759,220**	**1,244,457**
y/y Growth	*38.2%*	*63.2%*	*170.6%*	*69.3%*	*63.9%*
Net debt/(cash)	8,527	(12,694)	(92,065)	(229,475)	(416,737)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**34,366**	**59,989**	**233,663**	**357,815**	**478,005**
o/w Depreciation & amortization	12,582	13,930	17,166	26,996	40,397
o/w Changes in working capital	1,987	3,111	(34,926)	(25,543)	(40,023)
Cash flow from investing activities	**(20,296)**	**(43,003)**	**(118,019)**	**(61,933)**	**(82,552)**
o/w Capital expenditure	(20,034)	(31,275)	(48,519)	(61,933)	(82,552)
as % of sales	*30.3%*	*32.2%*	*13.2%*	*10.4%*	*10.4%*
Cash flow from financing activities	**(8,834)**	**3,801**	**(43,014)**	**(159,551)**	**(209,148)**
o/w Dividends paid	(826)	(1,036)	(35,017)	(64,658)	(85,073)
o/w Shares issued/(repurchased)	1,711	5,454	13,218	(212)	(416)
o/w Net debt issued/(repaid)	(6,785)	(436)	(6,740)	(1,080)	(957)
Net change in cash	**5,235**	**20,786**	**72,631**	**136,330**	**186,305**
Adj. Free cash flow to firm	**15,161**	**29,079**	**184,288**	**293,757**	**390,786**
y/y Growth	*-2695.7%*	*91.8%*	*533.8%*	*59.4%*	*33.0%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	48.1%	60.4%	85.1%	88.2%	88.5%
EBITDA margin	54.5%	62.9%	82.6%	85.1%	85.7%
EBIT margin	35.5%	48.6%	78.0%	80.6%	80.7%
Net profit margin	29.9%	44.2%	68.5%	59.7%	59.9%
ROE	31.1%	44.1%	112.4%	83.9%	72.6%
ROA	18.0%	29.0%	84.8%	69.4%	63.8%
ROCE	21.7%	33.5%	89.8%	80.5%	70.4%
SG&A/Sales	0.4%	0.5%	0.1%	0.1%	0.1%
Net debt/Equity	0.1	NM	NM	NM	NM
Net debt/EBITDA	0.2	NM	NM	NM	NM
Sales/Assets (x)	0.6	0.7	1.2	1.2	1.1
Assets/Equity (x)	1.7	1.5	1.3	1.2	1.1
Interest cover (x)	36.0	142.4	NM	NM	NM
Operating leverage	-395.6%	216.3%	182.2%	108.9%	100.2%
Tax rate	17.1%	14.9%	23.8%	26.4%	26.4%
Revenue y/y Growth	102.0%	46.8%	277.8%	62.7%	33.5%
EBITDA y/y Growth	506.5%	69.6%	396.1%	67.6%	34.4%
EPS y/y Growth	-316.7%	116.9%	501.7%	48.7%	48.8%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	54.8	25.2	4.2	2.8	1.9
P/BV (x)	14.7	9.0	3.3	2.0	1.2
EV/EBITDA (x)	27.4	15.8	2.9	1.5	0.8
Dividend Yield	0.1%	0.2%	2.3%	3.5%	5.0%

Source: Company reports and J.P. Morgan estimates.
Note: W in billions (except per-share data).Fiscal year ends Dec. o/w - out of which

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

SK hynix ADR

Overweight

SKHY, SKHY US
Price (27 Oct 26):$145.36

▲**Price Target (Jun-27):$260.00**
Prior (Jun-27):$245.00

Clear 3Q beat and W100trn shareholder return confirms higher-for-longer cycle; Raise PT and maintain OW

Raise FY27-28E estimates by 15-21% and PT to US$260. Contrary to the fundamentals, the share performance leading up to the earnings print indicated a clear down-cycle in 1H27E with shares plunging 50% from the peak in June (vs peers -35% and SOX -22%) and now rebounding 22% from the Oct-lows (vs peers +12% and SOX +7%). We believe SKH's shareholder return surprise (unprecedented W100trn), remarkable HBM earnings, and LTA all point to management's confidence in a higher-for-longer memory cycle, which we largely agree with. Despite the ~10%+ D/D share price move in 000660.KS (vs KOSPI +7%), SKH still trades at <3x FY27 P/E and we believe the risk/reward remains extremely attractive. Between the two stock classes, we prefer 000660.KS over SKHY.US on valuation merit.

Our revised SKHY PT of US$260 is derived based on a 20% ADR premium to the local share price target (consistent with TSMC ADR over local listing premium since 2024 when the AI capex-driven hardware sector trade began).

Technology - Semiconductors

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com
J.P. Morgan Securities (Far East) Limited, Seoul Branch

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E (W)	457,885.50	527,796.30	15.3%

Quarterly Forecasts (FYE Dec)

Adj. EPS (W)

	2025A	2026E	2027E
Q1	11,136.25	56,602.80A	121,849.30
Q2	9,609.00	133,542.10A	129,095.90
Q3	17,302.17	55,205.63A	133,489.60
Q4	20,939.65	111,047.80	143,927.00
FY	58,987.08	354,939.90	527,796.30

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	13				
Growth		77			
Momentum	71				
Quality	43	11	79	94	88
Low Vol					

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

Price Performance



	YTD	1m	3m	12m
Abs	-	-24.1%	1.6%	-
Rel	-	-23.5%	6.0%	-

Company Data

Shares O/S (mn)	728
52-week range ($)	199.87-124.80
Market cap ($ mn)	105,835.20
Exchange rate	1.00
Free float (%)	-
3M ADV (mn)	22.68
3M ADV ($ mn)	3,637.2
Volatility (90 Day)	100
Index	RUSSELL 2000
BBG ANR (Buy | Hold | Sell)	-

Key Metrics (FYE Dec)

W in billions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	97,147	367,008	596,956	796,726
Adj. EBIT	47,206	286,102	481,302	642,614
Adj. EBITDA	61,136	303,269	508,298	683,011
Adj. net income	42,948	251,423	356,362	477,631
Adj. EPS	58,987.08	354,939.90	527,796.30	785,584.00
BBG EPS	-	-	-	-
Cashflow from operations	59,989	233,663	357,815	478,005
FCFF	29,079	184,288	293,757	390,786
Margins and Growth				
Revenue Growth Y/Y (%)	46.8%	277.8%	62.7%	33.5%
EBIT margin	48.6%	78.0%	80.6%	80.7%
EBIT Growth Y/Y (%)	101.2%	506.1%	68.2%	33.5%
EBITDA margin	62.9%	82.6%	85.1%	85.7%
EBITDA Growth Y/Y (%)	69.6%	396.1%	67.6%	34.4%
Net margin	44.2%	68.5%	59.7%	59.9%
Adj. EPS growth	116.9%	501.7%	48.7%	48.8%
Ratios				
Adj. tax rate	14.9%	23.8%	26.4%	26.4%
Interest cover	142.4	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROE	44.1%	112.4%	83.9%	72.6%
Valuation				
FCFF yield	20.7%	134.8%	225.5%	333.1%
Dividend yield	1.6%	17.6%	27.0%	38.9%
EV/Revenue	1.0	0.0	NM	NM
EV/EBITDA	1.5	0.0	NM	NM
Adj. P/E	3.3	0.5	0.4	0.2

Summary Investment Thesis and Valuation

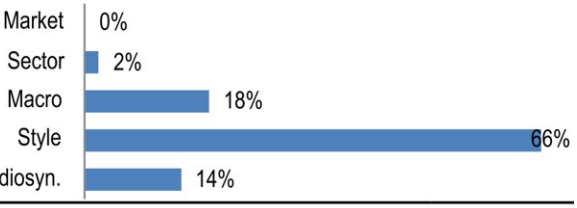
Investment Thesis

Our OW rating on SK hynix ADR is based on the company's solid AI solution execution capability, which has substantially improved its earnings generation capability. We expect a 'higher-for-longer' memory up-cycle, and improving conventional fundamentals put SKH in a positive position, as the pure memory business carries a higher beta.

Valuation

Our Jun-27 PT SKHY PT of US$260 is derived based on 20% ADR premium to the local share price target (consistent with TSMC's ADR over local listing premium since 2024 when the AI capex-driven hardware sector trade began).

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI US	-0.05	-0.05
Sect: Technology	0.18	0.18
Ind: Semicond & S Equip	0.41	0.41
Macro:		
US 10yr Breakeven	0.34	0.34
US 10yr yield	0.34	0.34
Credit Spread	0.33	0.33
Quant Styles:		
LowVol	-0.79	-0.79
DivYld	-0.54	-0.54
Momentum	0.47	0.47

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

Investment Thesis, Valuation and Risks

SK hynix ADR *(Overweight; Price Target: $260.00)*

Investment Thesis
Our OW rating on SK hynix ADR is based on the company's solid AI solution execution capability, which has substantially improved its earnings generation capability. We expect a 'higher-for-longer' memory up-cycle, and improving conventional fundamentals put SKH in a positive position, as the pure memory business carries a higher beta.

Valuation
Our Jun-27 PT SKHY PT of US$260 is derived based on 20% ADR premium to the local share price target (consistent with TSMC's ADR over local listing premium since 2024 when the AI capex-driven hardware sector trade began).

Risks to Rating and Price Target
Key downside risks to our rating and price target include lower-than-expected DRAM prices and margins, and uncertainty around end demand/inventories.

Key upside catalysts include further DRAM ASP rallies, led by stronger-than-expected demand.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

J.P.Morgan

SK hynix ADR: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**66,193**	**97,147**	**367,008**	**596,956**	**796,726**
COGS	(21,783)	(24,526)	(37,463)	(43,290)	(51,571)
Gross profit	**31,828**	**58,691**	**312,379**	**526,670**	**704,758**
SG&A	(257)	(484)	(475)	(476)	(476)
Adj. EBITDA	**36,049**	**61,136**	**303,269**	**508,298**	**683,011**
D&A	(12,582)	(13,930)	(17,166)	(26,996)	(40,397)
Adj. EBIT	**23,467**	**47,206**	**286,102**	**481,302**	**642,614**
Net Interest	(1,000)	(429)	1,124	2,886	6,341
Adj. PBT	**23,885**	**50,466**	**330,168**	**484,188**	**648,955**
Tax	(4,088)	(7,518)	(78,745)	(127,826)	(171,324)
Minority Interest	-	-	-	-	-
Adj. Net Income	**19,797**	**42,948**	**251,423**	**356,362**	**477,631**
Reported EPS	27,190.19	58,987.08	354,939.90	527,796.30	785,584.00
Adj. EPS	**27,190.19**	**58,987.08**	**354,939.90**	**527,796.30**	**785,584.00**
DPS	**2,204.00**	**3,000.00**	**34,000.00**	**52,000.00**	**75,000.00**
Payout ratio	8.1%	5.1%	9.6%	9.9%	9.5%
Shares outstanding	728	728	708	675	608

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	14,156	34,942	107,573	243,903	430,208
Accounts receivable	13,019	18,199	73,741	89,768	125,507
Inventories	13,314	14,289	24,145	29,392	41,094
Other current assets	1,790	2,027	3,728	4,412	6,002
Current assets	**42,279**	**69,458**	**209,186**	**367,475**	**602,812**
PP&E	60,157	77,503	108,855	143,793	185,948
LT investments	13,400	25,097	94,373	94,373	94,373
Other non current assets	4,019	4,049	4,274	4,274	4,274
Total assets	**119,855**	**176,108**	**416,689**	**609,915**	**887,406**
Short term borrowings	5,252	8,162	4,553	4,547	4,541
Payables	2,277	2,848	2,554	2,383	2,279
Other short term liabilities	17,436	26,369	58,835	55,421	64,534
Current liabilities	**24,965**	**37,379**	**65,943**	**62,351**	**71,353**
Long-term debt	17,431	14,086	10,955	9,881	8,930
Other long term liabilities	3,543	3,976	13,227	14,318	15,498
Total liabilities	**45,940**	**55,441**	**90,125**	**86,550**	**95,782**
Shareholders' equity	73,916	120,667	326,564	523,365	791,625
Minority interests	-	-	-	-	-
Total liabilities & equity	**119,855**	**176,108**	**416,689**	**609,915**	**887,406**
BVPS	**101,520.01**	**165,730.54**	**448,521.82**	**759,219.88**	**1,244,456.74**
y/y Growth	-	*63.2%*	*170.6%*	*69.3%*	*63.9%*
Net debt/(cash)	8,527	(12,694)	(92,065)	(229,475)	(416,737)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**34,366**	**59,989**	**233,663**	**357,815**	**478,005**
o/w Depreciation & amortization	12,582	13,930	17,166	26,996	40,397
o/w Changes in working capital	1,987	3,111	(34,926)	(25,543)	(40,023)
Cash flow from investing activities	**(20,296)**	**(43,003)**	**(118,019)**	**(61,933)**	**(82,552)**
o/w Capital expenditure	(20,034)	(31,275)	(48,519)	(61,933)	(82,552)
as % of sales	*30.3%*	*32.2%*	*13.2%*	*10.4%*	*10.4%*
Cash flow from financing activities	**(8,834)**	**3,801**	**(43,014)**	**(159,551)**	**(209,148)**
o/w Dividends paid	(826)	(1,036)	(35,017)	(64,658)	(85,073)
o/w Shares issued/(repurchased)	1,711	5,454	13,218	(212)	(416)
o/w Net debt issued/(repaid)	(6,785)	(436)	(6,740)	(1,080)	(957)
Net change in cash	**5,235**	**20,786**	**72,631**	**136,330**	**186,305**
Adj. Free cash flow to firm	**15,161**	**29,079**	**184,288**	**293,757**	**390,786**
y/y Growth	-	*91.8%*	*533.8%*	*59.4%*	*33.0%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	48.1%	60.4%	85.1%	88.2%	88.5%
EBITDA margin	54.5%	62.9%	82.6%	85.1%	85.7%
EBIT margin	35.5%	48.6%	78.0%	80.6%	80.7%
Net profit margin	29.9%	44.2%	68.5%	59.7%	59.9%
ROE	53.6%	44.1%	112.4%	83.9%	72.6%
ROA	33.0%	29.0%	84.8%	69.4%	63.8%
ROCE	40.3%	33.5%	89.8%	80.5%	70.4%
SG&A/Sales	0.4%	0.5%	0.1%	0.1%	0.1%
Net debt/Equity	0.1	NM	NM	NM	NM
Net debt/EBITDA	0.2	NM	NM	NM	NM
Sales/Assets (x)	1.1	0.7	1.2	1.2	1.1
Assets/Equity (x)	1.6	1.5	1.3	1.2	1.1
Interest cover (x)	36.0	142.4	NM	NM	NM
Operating leverage	-	216.3%	182.2%	108.9%	100.2%
Tax rate	17.1%	14.9%	23.8%	26.4%	26.4%
Revenue y/y Growth	-	46.8%	277.8%	62.7%	33.5%
EBITDA y/y Growth	-	69.6%	396.1%	67.6%	34.4%
EPS y/y Growth	-	116.9%	501.7%	48.7%	48.8%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	7.1	3.3	0.5	0.4	0.2
P/BV (x)	1.9	1.2	0.4	0.3	0.2
EV/EBITDA (x)	3.2	1.5	0.0	NM	NM
Dividend Yield	1.1%	1.6%	17.6%	27.0%	38.9%

Source: Company reports and J.P. Morgan estimates.
Note: W in billions (except per-share data).Fiscal year ends Dec. o/w - out of which