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UPDATE

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SK hynix | Asia Pacific

3Q26 – Solid Print and Shareholder Returns

AlphaSignals Earnings Reaction

Strengthens our thesis	Modest upside	Modest revision higher
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Key Takeaways

- Capital returns in-line with 50%+ FCF at ~W100tr, including W30tr+ dividends and W60tr+ buybacks (W40tr completed).
- DRAM/HBM effectively sold out through 2029, with over 50% of 2027-28 capacity covered by LTAs.
- HBM4 to overtake HBM3E in 4Q26, with 2027 pricing and volume negotiations completed.
- Higher 4Q26 DRAM bit shipment +25% QoQ on earlier 1c migration and M15X ramp-up.
- Capex significantly higher in 2027 and mainly DRAM for Yongin phase 1.

Strong earnings, with DRAM outperforming: Record high W83tr operating profit beat (80% margin), which was up +38% QoQ/+632% YoY, driven by better DRAM pricing mix. We estimate HBM was low-teens % of DRAM revenue in the quarter and expect stable growth into 4Q26.

Supply visibility extends through 2029: HBM demand exceeds supply by over 2x, with 14 LTAs (up from 10 in 2Q) covering over 50% of 2027-28 capacity. HBM4 revenues overtake HBM3E from 4Q26, while 2027 DRAM bit growth could reach ~30%, despite capacity constraints.

Stay OW: The recent sell-off reflected concerns about AI growth/funding and the cycle peaking, not weaker earnings. OP is still rising into 4Q26 (consensus ~W89tr) and supply looks tighter in 2027. With memory price hikes moderating, we do not expect further upside earnings surprises to drive the stock. Instead, we see buybacks, made durable by LTAs, plus de-rated valuations supporting further tactical rebound from oversold conditions. A strong AI cycle and a cyclical YoY memory peak can coexist, and we view near-term risks to consensus as fairly reflected in valuation.

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the 2027 Extel Asia Research Survey. Voting opens 10 November 2026.

SK hynix (000660.KS, 000660 KP)

S. Korea Technology | S. Korea

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	W2,600,000
Up/downside to price target (%)	94
Shr price, close (Oct 27, 2026)	W1,341,000
52-Week Range	W2,987,000-501,000
Sh out, dil, curr (mn)	713
Mkt cap, curr (bn)	W955,726
EV, curr (bn)	W791,313
Avg daily trading value (bn)	W5,883

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (W)**	59,300	361,277	451,280	506,170
Prior EPS (W)**	-	-	-	-
EPS (W)§	56,505	352,191	464,849	513,098
Revenue, net (W bn)	97,147	332,304	508,346	586,397
EBITDA (W bn)	61,137	276,188	443,759	506,375
ModelWare net inc (W bn)	42,944	257,323	321,626	360,746
P/E	11.0	3.7	3.0	2.6
P/BV	3.9	2.5	1.4	0.9
RNOA (%)	49.8	220.4	196.1	149.8
ROE (%)	58.1	213.5	83.8	51.2
EV/EBITDA	7.2	2.7	1.1	0.4
Div yld (%)	0.5	0.4	0.1	0.1
FCF yld ratio (%)**	5.6	6.4	25.7	31.8
Leverage (EOP) (%)	(10.5)	(33.4)	(52.9)	(63.5)

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

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framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates

Valuation Methodology and Risks

SK hynix (000660.KS)

Base case, residual income valuation model. We assume a cost of equity of 11.5% (5% risk-free rate, 6.5% risk premium, 1.0 beta) and a terminal growth rate of 3%.

Risks to Upside

- ASP growth re-acceleration
- Preemptive production cuts or disruption
- Sharp demand improvements
- Significant increase in capital returns

Risks to Downside

- End demand turning weaker than expected
- Rising competition for DDR5, causing overspending on the supply side.
- Inventories remaining elevated at cloud and Chinese smartphone customers.

