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UPDATE

October 28, 2026 04:01 PM GMT

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

Source: Company data, Morgan Stanley Research

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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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)

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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



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.



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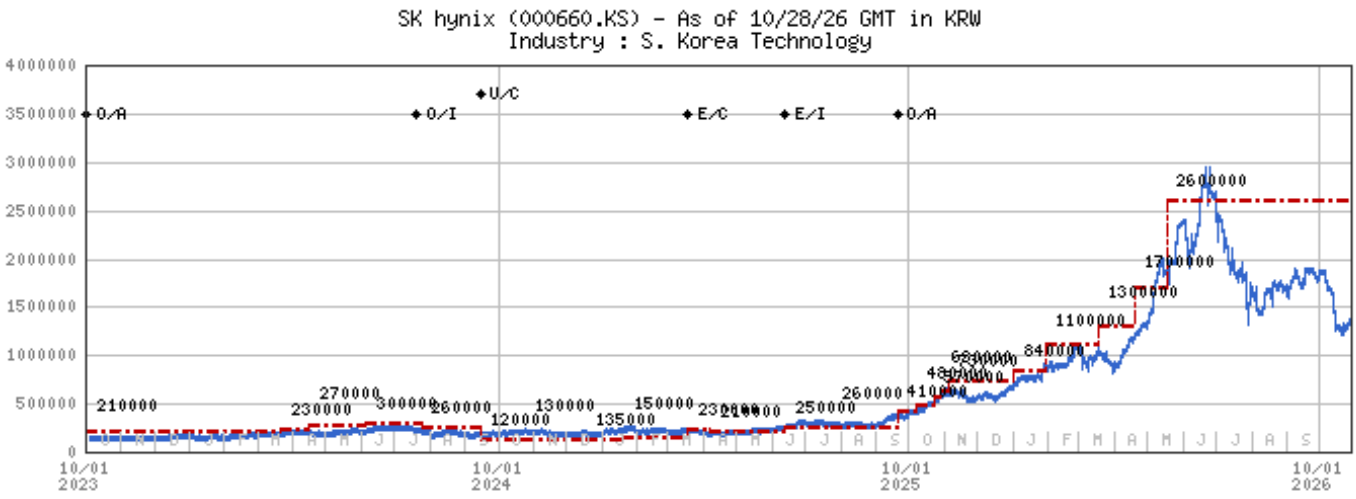
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Price Target History: 9/15/21 : 88000; 12/3/21 : 110000; 12/23/21 : 125000; 1/24/22 : 130000; 1/28/22 : 136000; 2/11/22 : 155000; 3/18/22 : 150000; 4/27/22 : 130000; 6/10/22 : 120000; 7/5/22 : 110000; 7/22/22 : 105000; 10/4/22 : 130000; 12/7/22 : 120000; 3/21/23 : 110000; 5/30/23 : 140000; 7/7/23 : 170000; 9/21/23 : 210000; 3/22/24 : 230000; 4/16/24 : 270000; 6/6/24 : 300000; 7/25/24 : 260000; 9/15/24 : 120000; 10/24/24 : 130000; 12/18/24 : 135000; 1/20/25 : 150000; 3/19/25 : 230000; 4/7/25 : 210000; 6/13/25 : 250000; 7/24/25 : 260000; 9/21/25 : 410000; 10/8/25 : 480000; 10/23/25 : 570000; 10/29/25 : 630000; 11/5/25 : 730000; 1/2/26 : 840000; 1/30/26 : 1100000; 3/18/26 : 1300000; 4/19/26 : 1700000; 5/18/26 : 2600000

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)
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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* (10/28/2026)
Ryan Kim		
Fadu Inc (440110.KQ)	O (09/21/2025)	W51,000
Hanmi Semiconductor Co. Ltd. (042700.KS)	U (10/12/2026)	W203,500
HD Hyundai Electric Co Ltd (267260.KS)	O (03/25/2025)	W462,500
Isu Petasys Co. Ltd. (007660.KS)	O (02/03/2025)	W96,800
Leeno Industrial Inc. (058470.KQ)	O (04/03/2025)	W63,500
LG Display (034220.KS)	U (10/23/2026)	W7,620
LG Electronics (066570.KS)	O (08/11/2026)	W161,700
LG Innotek (011070.KS)	O (08/11/2026)	W368,000
Lotte Energy Materials Corp (020150.KS)	U (04/03/2025)	W45,050
LS Electric (010120.KS)	O (01/22/2026)	W164,600
SK Square Co Ltd. (402340.KS)	O (05/06/2026)	W921,000
Wonik IPS Co Ltd (240810.KQ)	O (08/08/2025)	W99,500
Shawn Kim		
Samsung Electro-Mechanics (009150.KS)	O (07/31/2025)	W1,306,000
Samsung Electronics (005935.KS)	O (11/18/2019)	W190,100
Samsung Electronics (005930.KS)	O (11/18/2019)	W242,000
SK hynix (000660.KS)	O (09/21/2025)	W1,487,000

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* Historical prices are not split adjusted.

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