SECTOR UPDATE

2026. 1. 27

Tech Team

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▶ **AT A GLANCE**

Samsung Electronics (005930 KS, 152,100)		
Target price	KRW200,000	31.5%
BUY		
SK Hynix (000660 KS, 736,000)		
Target price	KRW950,000	29.1%
BUY		

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Tech (OVERWEIGHT)

Inflection points in memory narrative

- The narrative for memory semiconductors should shift in 2026 from DRAM price-hike momentum in 1H26 to earnings sustainability in 2H26.
- With price hikes set to slow in 2H26, market-share growth in 2026 should be a key indicator of chipmakers' earnings sustainability.
- Given the memory price-hike momentum, we raise our 12-month target price and 2026 operating profit forecasts for SEC to KRW200,000 and KRW144t, respectively, and for SK Hynix to KRW950,000 and KRW120t.

WHAT'S THE STORY?

Two narratives for memory chips in 2026

There are two distinct narratives for memory chip stocks in 2026.

The first is rising DRAM prices. The faster DRAM prices rise, the higher the average selling price and the more optimistic the earnings outlook. Historically, investors buy stocks when the pace of DRAM price hikes accelerates and sell them when the pace of DRAM price hikes slows.

The second narrative is the sustainability of DRAM earnings. AI infrastructure investments are being made to meet long-term demand—described as the strongest in 30 years—and the portion of long-term supply contracts is growing. At the same time, chipmakers have taken a conservative approach to lifting memory capacity.

This suggests that this growth phase may last longer than previous growth phases. The more that investors believe that the earnings cycle will peak and plateau (instead of peaking then falling), the more likely it is that memory stocks will rerate.

We expect these two narratives to be reflected in the market sequentially. In 1H26, rising DRAM prices should drive the rally for chipmakers, and in 2H26, the earnings sustainability narrative should take over. However, it is rare for a shift in the main market narrative to occur without some volatility. Therefore, we expect stock-price volatility to be the highest in 2Q26 as the narrative changes.

Interestingly, these two scenarios center on different time frames, yet they are both serving as investment ideas. In the near term, DRAM prices are rising so rapidly that investors are focused on how much further prices may increase. But ultimately, for stocks to maintain their long-term gains, their earnings sustainability must be proven. While current chip-price hikes may not be sustainable in the long run, we believe there is no way to resolve the memory shortage before 2Q27.

(Continued on the next page)

Samsung Securities

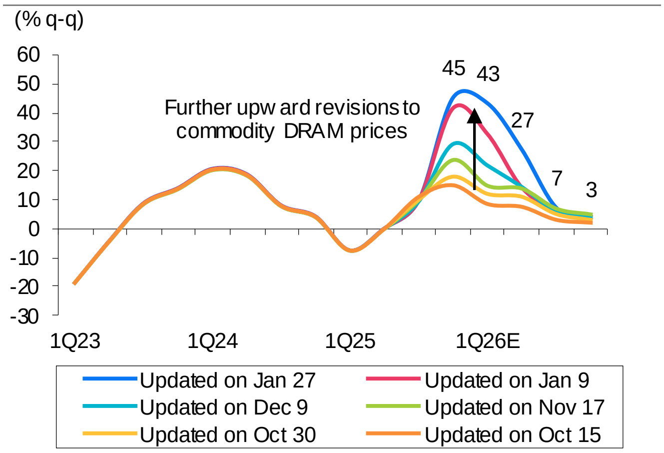
DRAM prices to rise rapidly in 1H, bringing forward the timing of peak prices

Memory chipmakers are now aggressively marking up DRAM prices, with customer relationships and price resistance taking a backseat. This is different from the situation seen in 4Q25. Memory suppliers believe: 1) server customers are willing to buy products even at current prices; 2) delaying contracts will only lead to higher prices later; and 3) if they (memory suppliers) wait too long to raise prices, they may not be able to raise prices later (server customers may be pushed out of the market).

We believe that the faster that chip prices rise in 1H26, the sooner the peak in the rate of price increases will arrive. Rapid price hikes trigger rush orders but accelerate the speed at which demand contracts. After price hikes peak, we expect prices to stabilize at higher levels rather than collapse. We revise up our outlook for DRAM price growth to 43% q-q in 1Q26 and 27% q-q in 2Q26, with the pace of growth likely to slow to less than 10% q-q from 3Q26.

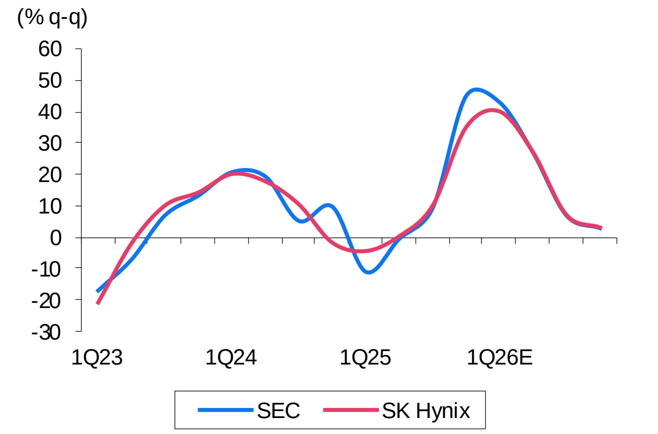
The key indicators of slowing memory price growth should be the breadth of restocking by PC and mobile customers and the improvement in order fulfillment rate for server customers (the percentage of customer orders that are delivered on time). In 1Q26, tier-1 mobile customers' inventories are large enough to cover operations for four weeks (vs three weeks in 4Q25) and the order fulfillment rate for server customers stands at 66% (vs below 60% in 4Q25). However, these improvements are not yet significant enough to curb the pace of DRAM price increases.

DRAM ASP growth (quarterly)



Source: Samsung Securities estimates

SEC and SK Hynix: DRAM ASP growth (quarterly)



Source: Samsung Securities estimates

Long-term supply agreements one factor behind increased volatility in DRAM prices

Many investors believe that long-term supply agreements (LTAs) enhance the stability of DRAM businesses. But for this to be true, two conditions must be met: 1) contract prices must be static even during boom periods; and 2) orders must be guaranteed even during downturns.

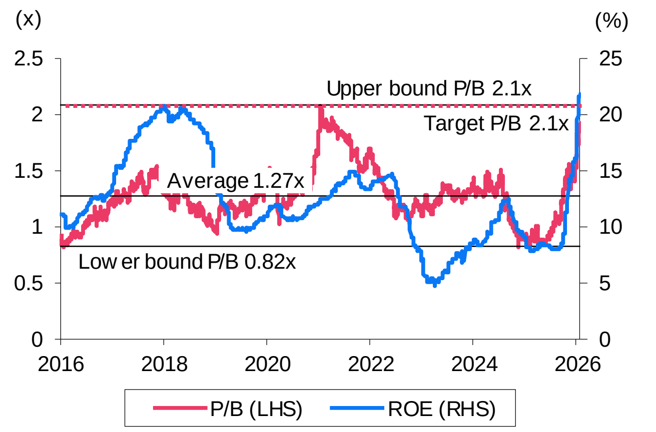
However, in reality, most LTAs do not fix prices at the time they are signed. Similar to how stocks with limited trading volume tend to experience higher price volatility, as the portion of DRAM supply covered by LTAs increases, the remaining available supply becomes more price sensitive. If LTA prices are tied to higher market rates, this can amplify overall market volatility. TSMC charges a premium for urgent orders (hot runs), effectively creating a dual pricing system that is separate from standard LTAs.

Another question is whether LTAs will hold during downturns. When clients attempt to cancel orders, it remains unclear whether memory suppliers can enforce LTA terms through legal action or penalties. The key issue is whether suppliers can raise the switching costs for clients, making it more difficult for them to change suppliers. If not, LTAs may actually increase DRAM price volatility during downturns.

Constraints on production volume to support DRAM profits through 2027

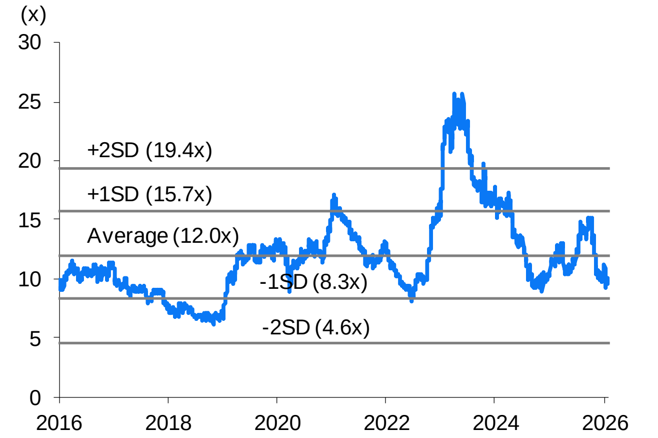
Despite skepticism towards the effectiveness of LTAs, DRAM companies should be able to maintain profits through 2027, given limited bit growth at the top-three memory suppliers (to be capped at around 20% in 2026). When production volume is constrained, companies no longer need to fear strategic shifts by their competitors or worry about demand declining. Given the visibility of earnings growth through 2027, we believe the long-term upside for DRAM stocks remains strong. Even though DRAM stocks are cyclical in nature, the high visibility of earnings growth through 2027 should prevent a derating in 2026. Based on this outlook, we believe it is reasonable to apply a target P/B at the upper end of the firms' historical valuations. We expect downside to multiples through 1H27 to be limited—1H27 is when SK Hynix's first Yongin fab (Y1) and Micron's first Idaho fab (ID1) should come online.

Samsung Electronics: Forward P/B vs ROE



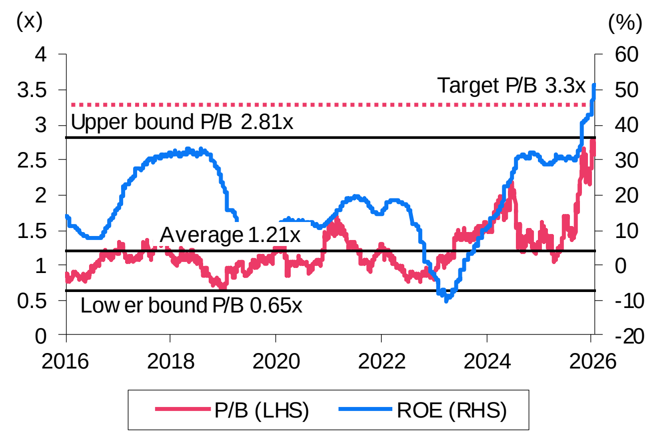
Source: QuantiWise, Samsung Securities

Samsung Electronics: Forward P/E



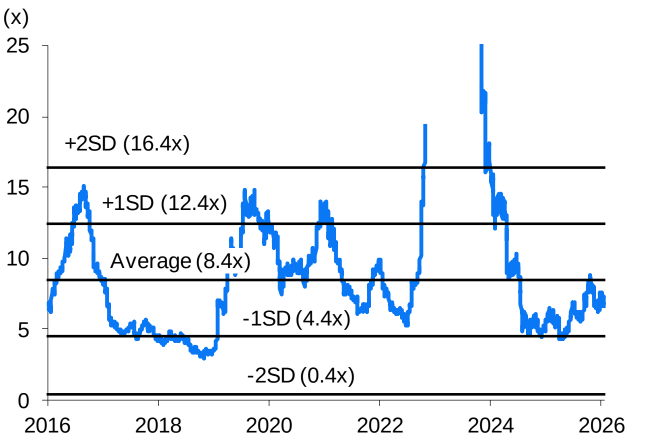
Source: QuantiWise, Samsung Securities

SK Hynix: Forward P/B vs ROE



Source: QuantiWise, Samsung Securities

SK Hynix: Forward P/E



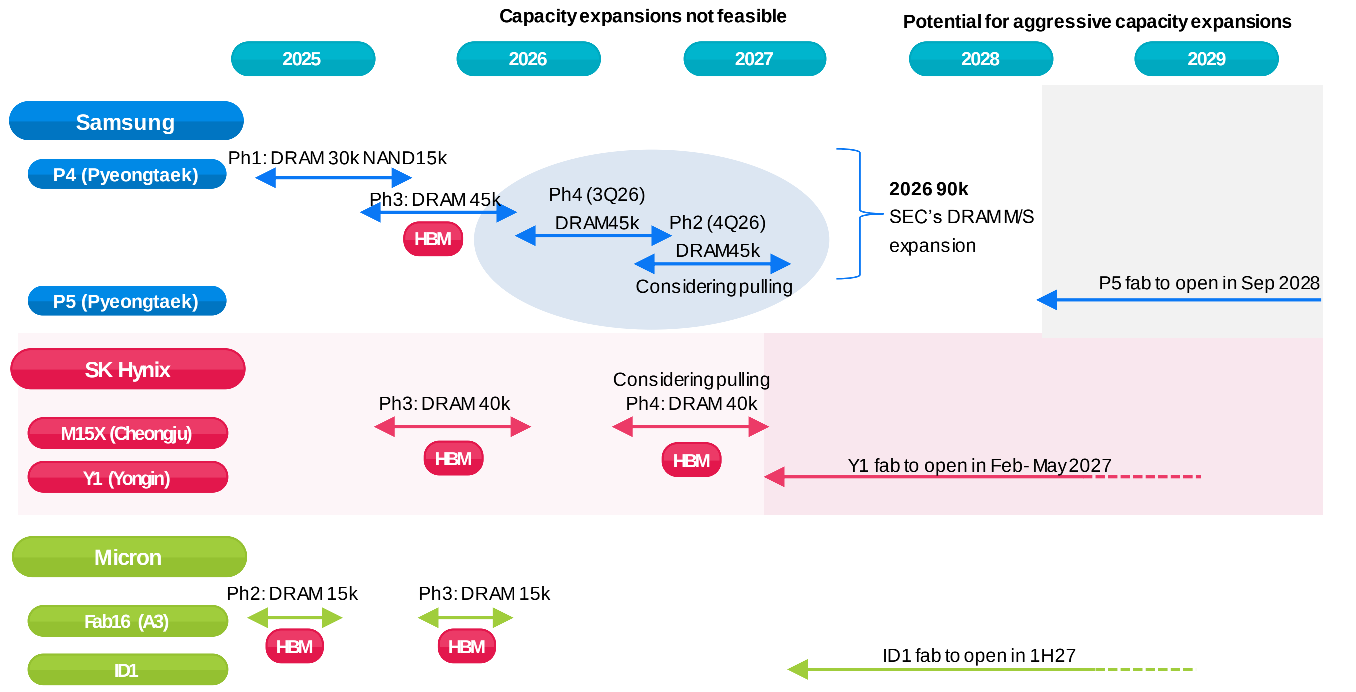
Source: QuantiWise, Samsung Securities

Market share—Key indicator of earnings sustainability

As DRAM prices start plateauing, investor focus should shift from price to volume (bit growth). When the pace of price rises starts slowing, the breadth of earnings growth at companies should depend on who can sell more. With DRAM supply shortages set to last through 2027, market-share growth should be a critical driver of profitability.

In 2H26, Samsung Electronics' (SEC) P4 Phase 4 and Phase 2 DRAM capacity expansions should gain visibility, expansions that we believe will contribute to its bit growth in 2027. Micron recently acquired PSMC's P5 fab site in Taiwan for USD1.8b and plans to begin transition investments in 2Q26, enabling bit contributions in 2027. SK Hynix is expanding its M15X capacity by 40,000 wafers units per month, primarily for HBM production. While all three memory makers should see similar bit growth of around 15% in 2026, SEC should be better positioned in 2027 thanks to its larger capacity expansions.

Memory makers: Capacity expansion plans



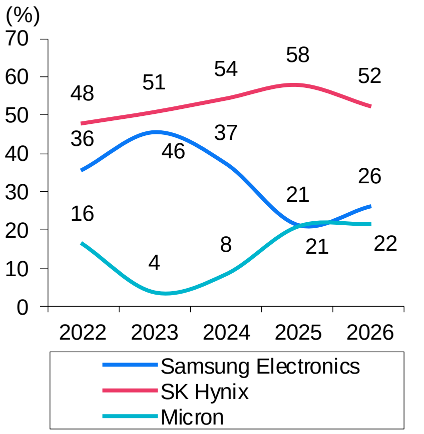
Source: Samsung Securities estimates

HBM market leveling up

SEC is expected to further penetrate Nvidia's supply chain, and will likely achieve meaningful market share gains in the HBM4 segment. Moreover, its dominance in Google's TPU market should strengthen further in 2026. All told, we forecast SEC's HBM market share will rise from 21% in 2025 to 26% in 2026. The hike points to the leveling-up of HBM technology across the industry.

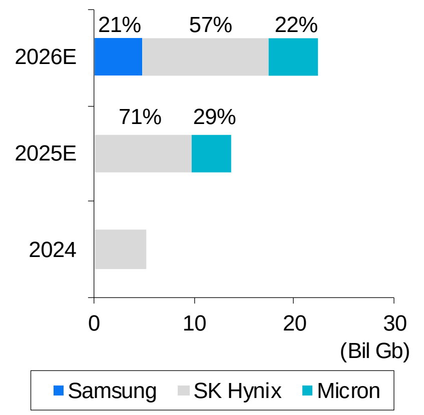
However, capacity remains a key challenge. As HBM supply is chronically constrained, HBM supply growth should directly translate to HBM market-share growth over 2026-2027. SEC should see 91% bit growth in HBM in 2026 thanks to a low base and a quick capacity expansion, while SK Hynix (which is already producing HBM *en masse*), should see bit growth of only 39%.

HBM shipments: Market share, by supplier



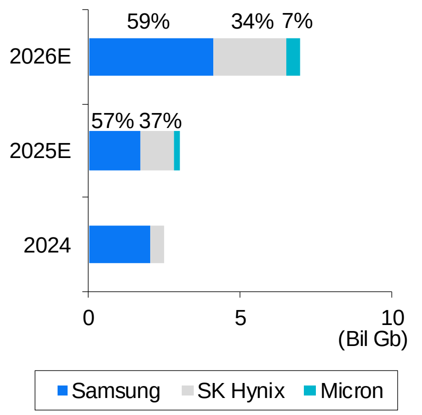
Source: Samsung Securities estimates

Nvidia's HBM demand: Portion met, by supplier



Source: Samsung Securities estimates

Google's HBM demand: Portion met, by supplier



Source: Samsung Securities estimates

Raising operating profit forecasts and target prices for SEC and SK Hynix

We raise our 1Q26 and 2026 operating profit forecasts for: 1) SEC by 3% and 12%, respectively, to KRW26.8t (up 34% q-q) and KRW144.2t; and 2) SK Hynix by 28% and 34%, respectively, to KRW22.7t (up 33% q-q) and KRW120.3t, as we lift our DRAM and NAND 2026 price forecasts, especially for 1H26.

Based on our new book value and ROE assumptions, we arrive at our new target prices for SEC and SK Hynix. We raise our 12-month target price for SEC to KRW200,000 (based on 2.1x P/B; assuming a ROE of 16%) and our target price for SK Hynix to KRW950,000 (based on 3.3x P/B; assuming an ROE of 62%). DRAM price increases and earnings momentum in 1Q26 should further catalyze their stocks.

Samsung Electronics: Target-price calculation

(KRW)		Notes
BVPS	92,004	2027E ROE 16%
Target P/B (x)	2.1	
Fair price per share	193,209	
Target price	**200,000**	
Current price	152,100	
Upside (%)	31.5	

Source: Samsung Securities estimates

Samsung Electronics: Revisions to full-year forecasts

(KRWb)	2025			2026		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**333,854**	**335,523**	**0.5**	**450,087**	**520,335**	**15.6**
Semiconductor	130,331	131,952	1.2	245,484	313,410	27.7
DRAM	73,719	74,443	1.0	167,572	200,284	19.5
NAND	30,943	31,887	3.1	48,651	83,678	72.0
LSI	25,908	25,908	0.0	29,017	29,017	0.0
Display	30,525	30,525	0.0	32,051	32,051	0.0
Telecom	126,019	126,019	0.0	122,102	124,611	2.1
Handset	120,410	120,410	0.0	118,852	121,361	2.1
CE and Harman	72,378	72,378	0.0	74,694	74,694	0.0
Operating profit	**43,568**	**43,606**	**0.1**	**128,579**	**144,216**	**12.2**
Semiconductor	25,003	25,041	0.2	114,414	135,009	18.0
DRAM	29,166	29,421	0.9	103,743	118,334	14.1
NAND	1,782	1,565	-12.2	13,014	19,145	47.1
LSI	-5,945	-5,945	0.0	-2,343	-2,471	5.5
Display	3,941	3,941	0.0	4,034	3,856	-4.4
Telecom	12,622	12,622	0.0	8,124	4,275	-47.4
Handset	12,361	12,361	0.0	7,904	4,049	-48.8
CE and Harman	1,918	1,918	0.0	2,007	1,077	-46.3

Source: Company data, Samsung Securities estimates

Samsung Electronics: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25P	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025P	2026E
Sales	**79,048**	**74,598**	**87,202**	**94,674**	**112,558**	**126,695**	**138,635**	**142,448**	**300,866**	**335,523**	**520,335**
Chg (% y-y)	9.9	0.7	10.3	24.9	42.4	69.8	59.0	50.5	12.4	13.4	14.4
Semiconductor	25,125	27,888	32,964	46,261	59,123	75,848	86,748	91,260	111,591	131,952	313,410
DRAM	13,168	14,215	18,277	28,783	37,758	49,456	55,140	57,931	54,227	74,443	200,284
NAND	5,936	6,990	8,339	10,622	14,621	19,283	24,641	25,134	30,958	31,887	83,678
Foundry & LSI	6,021	6,682	6,348	6,856	6,744	7,110	6,968	8,195	26,510	25,908	29,017
Display	5,900	6,400	8,100	10,125	6,815	7,392	8,505	9,340	29,133	30,525	32,051
Telecom & Handset	36,938	29,228	34,107	25,746	33,972	31,170	30,846	28,622	117,233	126,019	124,611
CE and Harman	17,923	17,882	18,031	18,542	18,648	18,284	18,536	19,226	70,678	72,378	74,694
Operating profit	**6,685**	**4,726**	**12,131**	**20,064**	**26,835**	**35,326**	**40,867**	**41,188**	**32,726**	**43,606**	**144,216**
Semiconductor	1,122	411	6,987	16,521	24,247	33,206	38,734	38,822	15,117	25,041	135,009
DRAM	3,675	3,242	7,271	15,233	21,815	29,301	33,082	34,137	16,720	29,421	118,334
NAND	-265	-249	167	1,912	2,924	4,531	6,160	5,529	3,837	1,565	19,145
Foundry & LSI	-2,288	-2,582	-451	-624	-492	-626	-509	-844	-5,440	-5,945	-2,471
Display	483	506	1,231	1,721	806	658	1,038	1,354	3,761	3,941	3,856
Telecom & Handset	4,324	3,106	3,598	1,594	1,417	948	928	983	10,695	12,622	4,275
CE and Harman	671	703	315	228	366	514	168	29	3,058	1,918	1,077
Operating margin (%)	**8.5**	**6.3**	**13.9**	**21.2**	**23.8**	**27.9**	**29.5**	**28.9**	**10.9**	**13.0**	**27.7**
Semiconductor	4.5	1.5	21.2	35.7	41.0	43.8	44.7	42.5	13.5	19.0	43.1
DRAM	27.9	22.8	39.8	52.9	57.8	59.2	60.0	58.9	30.8	39.5	59.1
NAND	-4.9	-3.9	5.0	0.6	4.0	7.0	5.0	-4.4	12.3	4.9	22.9
Foundry & LSI	-38.0	-38.6	-7.1	-9.1	-7.3	-8.8	-7.3	-10.3	-20.5	-22.9	-8.5
Display	8.2	7.9	15.2	17.0	11.8	8.9	12.2	14.5	12.9	12.9	12.0
Telecom & Handset	11.7	10.6	10.5	6.2	4.2	3.0	3.0	3.4	9.1	10.0	3.4
CE and Harman	3.7	3.9	1.7	1.2	2.0	2.8	0.9	0.2	4.3	2.6	1.4
Assumptions for bit growth and ASP changes											
DRAM bit growth (% q-q)	1.5	11.5	14.1	4.8	-2.0	6.6	4.8	2.0	12.8	9.0	19.6
DRAM ASP chg (% q-q)	-19.5	1.9	12.1	42.6	36.9	24.6	7.2	3.0	65.3	20.8	127.7
NAND bit growth (% q-q)	-12.4	27.7	10.2	-10.5	2.0	7.0	10.0	2.0	15.1	-0.3	15.6
NAND ASP chg (% q-q)	-13.2	-2.9	7.7	35.0	38.0	25.0	17.0	0.0	43.6	-0.9	129.4

Source: Company data, Samsung Securities estimates

SK Hynix: Target-price calculation

		Notes
BVPS (KRW)	288,785	2026E
Target P/B (x)	3.3	12-month forward P/B corresponding to 62% ROE (2020-)
Fair price per share	952,989	
Target price	950,000	
Current price	736,000	
Upside (%)	29.1	

Source: Samsung Securities estimates

SK Hynix: Revisions to full-year earnings forecasts

(KRWb)	Old		New		Diff (%)	
	2025E	2026E	2025E	2026E	2025E	2026E
Sales	94,139	157,083	97,861	210,456	4.0	34.0
Operating profit	42,831	84,048	45,140	120,338	5.4	43.2
Pre-tax profit	43,938	84,004	44,848	120,014	2.1	42.9
Net profit	34,711	65,523	35,430	93,611	2.1	42.9

Source: Samsung Securities estimates

SK Hynix: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	**17,639**	**22,232**	**24,449**	**33,541**	**41,345**	**51,288**	**57,580**	**60,243**	**66,193**	**97,861**	**210,456**
Chg (% y-y)	42	35	39	70	134	131	136	80	102	48	115
DRAM	13,980	16,903	19,506	26,267	32,861	40,808	45,704	47,300	44,641	76,656	166,673
NAND and other	3,659	5,329	4,943	7,274	8,484	10,480	11,875	12,943	21,552	21,205	43,783
Operating profit	**7,441**	**9,213**	**11,383**	**17,104**	**22,737**	**29,185**	**33,479**	**34,937**	**23,467**	**45,140**	**120,338**
DRAM	7,412	9,212	11,547	16,031	20,958	26,669	30,038	30,927	20,856	44,202	108,591
NAND and other	29	1	-164	1,072	1,779	2,517	3,441	4,011	2,612	938	11,747
OPM (%)	**42.2**	**41.4**	**46.6**	**51.0**	**55.0**	**56.9**	**58.1**	**58.0**	**35.5**	**46.1**	**57.2**
DRAM	53.0	54.5	59.2	61.0	63.8	65.4	65.7	65.4	46.7	57.7	65.2
NAND and other	0.8	0.0	-3.3	14.7	21.0	24.0	29.0	31.0	12.1	4.4	26.8
Assumptions for B/G and ASP change											
DRAM bit growth	-7.5	26.0	8.6	1.6	1.4	4.9	4.2	0.5	16.9	25.2	19.1
DRAM ASP change	0.5	1.0	5.8	25.7	26.2	20.0	8.2	3.0	77.5	32.2	84.4
NAND bit growth	-19.0	70.0	-6.0	2.0	-2.0	5.0	9.0	6.0	-1.5	4.7	18.8
NAND ASP change	-22.0	-9.0	11.0	28.0	25.0	20.0	5.0	3.0	89.9	-12.0	83.0

Source: Company data, Samsung Securities estimates

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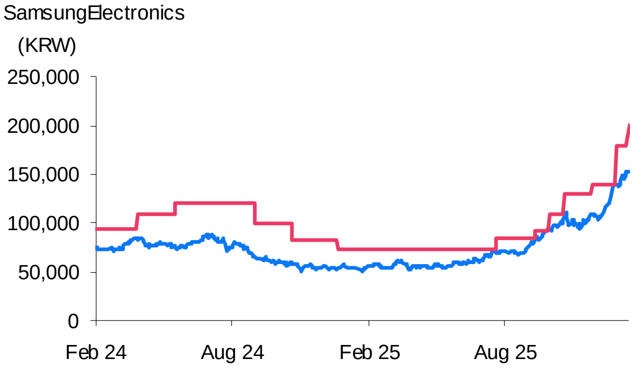
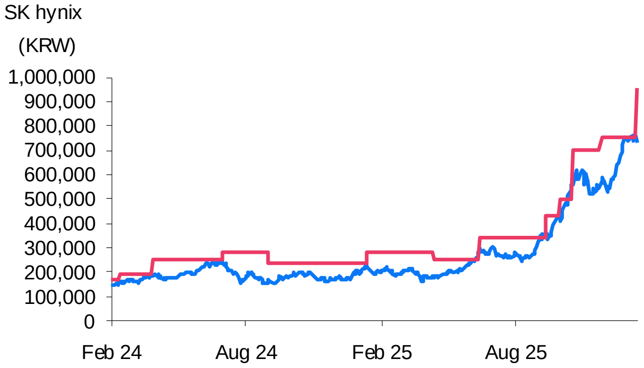
Target price changes in past two years





Rating changes over past two years (adjusted share prices)

Samsung Electronics

Date	2024/1/2	4/8	5/28	9/12	11/1	2025/1/2	8/1	9/23	10/13	10/31	12/8	2026/1/9
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	95000	110000	120000	100000	83000	74000	85000	93000	110000	130000	140000	180000
Gap* (average)	-20.74	-28.36	-34.45	-39.49	-33.92	-21.93	-15.05	-6.95	-10.64	-21.96	-16.54	-18.69
(max or min)**	-10.21	-23.55	-26.83	-35.30	-29.28	-1.89	-1.76	1.51	-5.36	-14.54	0.71	-15.39
Date	1/27											
Recommendation	BUY											
Target price (KRW)	200000											
Gap* (average)												
(max or min)**												

SK Hynix

Date	2024/1/2	2/23	4/8	7/12	9/12	2025/1/24	4/24	6/25	9/23	10/13	10/30	12/8
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	170000	190000	250000	280000	240000	280000	250000	340000	430000	500000	700000	750000
Gap* (average)	-17.87	-10.86	-18.91	-34.15	-23.78	-30.26	-14.53	-17.52	-14.81	-3.33	-19.05	-11.48
(max or min)**	-7.94	-1.05	-3.60	-16.79	-6.04	-21.96	11.40	3.82	-0.47	11.60	-11.43	2.27
Date	2026/1/27											
Recommendation	BUY											
Target price (KRW)	950000											
Gap* (average)												
(max or min)**												

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings*

Company

BUY Expected to increase in value by 15% or more within 12 months and is highly attractive within sector

HOLD Expected to increase/decrease in value by less than 15% within 12 months

SELL Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT Expected to outperform market by 5% or more within 12 months

NEUTRAL Expected to outperform/underperform market by less than 5% within 12 months

UNDERWEIGHT Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.12.31

BUY (85.8%)·HOLD (14.2%)·SELL (0%)

Global Disclosures & Disclaimers

General

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