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# SK Hynix (000660.KS)

## Opening Upside Catalyst Watch: New Memory Era, New Valuation Multiple

### CITI'S TAKE

We launch an Upside Catalyst Watch for SK Hynix, as the memory market is shifting towards semi-customization, with memory customers required to sign a contract a year prior to actual product delivery. In 2026E, we foresee global DRAM/NAND pricing growth to be significantly better than expected at +120%/+90% YoY (prev. +88%/74% YoY). Thus, we revise up our 2026E OP estimates to W150tr, introducing our new SOTP valuation (Fig.4) aligned with semi-customization of memory. Raise TP to W1,400k. Reiterate Buy.

**Structural Change in the Memory Market towards Semi-Customization** — As we have projected in our memory deep-dive report, [Global Semiconductors: Diversified AI Product Demand to Shift Memory Market Toward Semi-Customization \(Non-Commodity\)](#), the memory market is shifting towards semi-customization. As memory gets more customized, memory customers are required to start negotiation and sign an order contract at least a year earlier to actual delivery. While the most representative product of semi-customization is HBM currently, in the mid-to-long term we expect even commodity memory will increasingly become customized after 2028E, driven by the expansion of physical AI and on-device AI adoption. To reflect the structural change in the memory market, we believe a new valuation methodology is needed to fully capture the memory industry's future value.

**Changing our Valuation Methodology: EV/EBITDA SOTP** – Global memory industry has been traditionally centered around commodity products with high cyclicity. Consequently, Price-to-Book (PBR) has been used customarily and frequently to derive future value. However, with the emergence of HBM which has a strong custom nature, we believe memory market is evolving into a foundry-like business, similar to TSMC's. To effectively reflect underlying profit growth outlook for customized memory (e.g. HBM) in mid-to long-term as well as capital intensity, we change our valuation method from a PBR approach to an EV/EBITDA SOTP, separating the highly customized HBM business from the commodity memory business.

**Expect 2026E OP of W150tr; Raise TP to W1,400K (vs. W900K)** — We now project 2026E global DRAM/NAND ASP of +120%/+90% YoY (vs. +88%/+74% YoY before) given robust downstream AI capex and exponential data growth from AI agents. Reflecting our new ASP growth assumption, we raise 2026E OP to W150tr by 33% and TP to W1,400k (vs. W900K) based on our new SOTP valuation.

### Earnings Summary

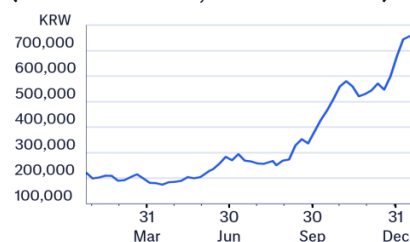
Year to 31 Dec	Net Profit (WB)	Diluted EPS (W)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2023A	-9,206	-12,646	na	na	10.0	-15.8	0.2
2024A	19,789	27,182	314.9	27.1	7.3	31.3	0.3
2025E	42,200	57,966	113.3	12.7	4.7	45.1	0.4
2026E	114,779	157,663	172.0	4.7	2.4	67.4	1.0
2027E	129,633	178,067	12.9	4.1	1.5	44.9	1.3

Source: Powered by dataCentral

Buy	
<b>Catalyst Watch: Upside</b>	
Price (26 Jan 26 15:45)	W736,000
Target price	W1,400,000 ↑
	from W900,000
Expected share price return	90.2%
Expected dividend yield	0.2%
Expected total return	90.4%
Market Cap	W535,809,766M
	US\$370,454M

### Price Performance

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



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### See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

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000660.KS: Fiscal year end 31-Dec						Price: W736,000; TP: W1,400,000; Market Cap: W535,809,766m; Recomm: Buy					
Profit & Loss (Wb)	2023	2024	2025E	2026E	2027E	Valuation ratios	2023	2024	2025E	2026E	2027E
Sales revenue	32,146	66,193	97,518	211,157	246,124	PE (x)	-58.2	27.1	12.7	4.7	4.1
Cost of sales	-32,773	-34,365	-39,051	-49,224	-60,240	PB (x)	10.0	7.3	4.7	2.4	1.5
Gross profit	-627	31,828	58,467	161,933	185,884	EV/EBITDA (x)	93.0	14.8	8.4	2.8	1.9
Gross Margin (%)	-2.0	48.1	60.0	76.7	75.5	FCF yield (%)	-0.8	2.0	5.5	16.2	22.0
<b>EBITDA (Adj)</b>	<b>5,849</b>	<b>36,601</b>	<b>61,756</b>	<b>165,812</b>	<b>189,440</b>	Dividend yield (%)	0.2	0.3	0.4	1.0	1.3
EBITDA Margin (Adj) (%)	18.2	55.3	63.3	78.5	77.0	Payout ratio (%)	-9	7	6	5	5
Depreciation	-13,121	-12,582	-13,834	-15,218	-16,740	ROE (%)	-15.8	31.3	45.1	67.4	44.9
Amortisation	-553	-553	-553	-553	-553	<b>Cashflow (Wb)</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>EBIT (Adj)</b>	<b>-7,824</b>	<b>23,467</b>	<b>47,369</b>	<b>150,042</b>	<b>172,148</b>	EBITDA	5,849	36,601	61,756	165,812	189,440
EBIT Margin (Adj) (%)	-24.3	35.5	48.6	71.1	69.9	Working capital	794	-4,910	-3,606	-18,402	-875
Net interest	-1,252	-1,000	-683	-800	-1,000	Other	-2,390	-3,070	-5,169	-35,263	-42,515
Associates	15	-38	-97	22	22	<b>Operating cashflow</b>	<b>4,253</b>	<b>28,621</b>	<b>52,981</b>	<b>112,148</b>	<b>146,050</b>
Non-Op/Except/Other Adj	-2,691	1,457	4,506	-200	-600	Capex	-8,325	-18,000	-23,400	-25,200	-28,100
<b>Pre-tax profit</b>	<b>-11,752</b>	<b>23,885</b>	<b>51,094</b>	<b>149,064</b>	<b>170,570</b>	Net acq/disposals	0	0	0	0	0
Tax	2,520	-4,088	-8,895	-34,285	-40,937	Other	990	0	0	0	0
Extraord./Min.Int./Pref.div.	25	-8	0	0	0	<b>Investing cashflow</b>	<b>-7,335</b>	<b>-18,000</b>	<b>-23,400</b>	<b>-25,200</b>	<b>-28,100</b>
<b>Reported net profit</b>	<b>-9,206</b>	<b>19,789</b>	<b>42,200</b>	<b>114,779</b>	<b>129,633</b>	Dividends paid	-825	-825	-1,326	-2,222	-4,931
Net Margin (%)	-28.6	29.9	43.3	54.4	52.7	<b>Financing cashflow</b>	<b>5,697</b>	<b>-525</b>	<b>-1,026</b>	<b>-1,922</b>	<b>-4,631</b>
Core NPAT	-9,206	19,789	42,200	114,779	129,633	<b>Net change in cash</b>	<b>2,615</b>	<b>10,095</b>	<b>28,555</b>	<b>85,026</b>	<b>113,318</b>
<b>Per share data</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>Free cashflow to s/holders</b>	<b>-4,072</b>	<b>10,621</b>	<b>29,581</b>	<b>86,948</b>	<b>117,950</b>
Reported EPS (W)	-12,646	27,182	57,966	157,663	178,067						
Core EPS (W)	-12,646	27,182	57,966	157,663	178,067						
DPS (W)	1,200	1,929	3,232	7,172	9,301						
CFPS (W)	5,842	39,314	72,776	154,049	200,617						
FCFPS (W)	-5,593	14,589	40,633	119,434	162,019						
BVPS (W)	73,495	100,368	156,512	311,123	482,416						
Wtd avg ord shares (m)	728	728	728	728	728						
Wtd avg diluted shares (m)	728	728	728	728	728						
<b>Growth rates</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>						
Sales revenue (%)	-28.0	105.9	47.3	116.5	16.6						
EBIT (Adj) (%)	-214.9	399.9	101.9	216.8	14.7						
Core NPAT (%)	-512.9	314.9	113.3	172.0	12.9						
Core EPS (%)	-512.9	314.9	113.3	172.0	12.9						
<b>Balance Sheet (Wb)</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>						
Cash & cash equiv.	8,921	19,008	47,562	132,588	245,907						
Accounts receivables	6,600	12,232	16,218	31,606	33,156						
Inventory	13,481	12,722	13,011	14,760	16,257						
Net fixed & other tangibles	52,705	58,123	67,689	77,671	89,031						
Goodwill & intangibles	6,529	5,977	5,424	4,872	4,319						
Financial & other assets	12,094	13,346	14,231	17,650	17,995						
<b>Total assets</b>	<b>100,330</b>	<b>121,407</b>	<b>164,136</b>	<b>279,148</b>	<b>406,665</b>						
Accounts payable	1,846	2,129	2,661	3,689	4,967						
Short-term debt	9,857	9,757	9,657	9,557	9,457						
Long-term debt	19,611	20,011	20,411	20,811	21,211						
Provisions & other liab	15,512	16,443	17,466	18,592	19,831						
<b>Total liabilities</b>	<b>46,826</b>	<b>48,340</b>	<b>50,196</b>	<b>52,650</b>	<b>55,466</b>						
Shareholders' equity	53,504	73,068	113,941	226,498	351,200						
Minority interests	-1	-1	-1	-1	-1						
<b>Total equity</b>	<b>53,504</b>	<b>73,067</b>	<b>113,941</b>	<b>226,498</b>	<b>351,199</b>						
<b>Net debt (Adj)</b>	<b>20,548</b>	<b>10,761</b>	<b>-17,494</b>	<b>-102,220</b>	<b>-215,238</b>						
Net debt to equity (Adj) (%)	38.4	14.7	-15.4	-45.1	-61.3						

For definitions of the items in this table, please click [here](#).

Figure 1. SK Hynix – Earnings Change

(Wbn)	4Q25E			1Q26E			2025E			2026E		
	New	Old	Chg	New	Old	Chg	New	Old	Chg	New	Old	Chg
<b>Sales</b>	<b>33,198</b>	31,032	7.0%	<b>44,638</b>	37,221	19.9%	<b>97,518</b>	95,352	2.3%	<b>211,157</b>	176,735	19.5%
<b>OP</b>	<b>19,332</b>	16,325	18.4%	<b>30,072</b>	22,836	31.7%	<b>47,369</b>	44,362	6.8%	<b>150,042</b>	113,055	32.7%
<b>NP</b>	<b>14,498</b>	12,113	19.7%	<b>22,967</b>	17,395	32.0%	<b>42,200</b>	39,815	6.0%	<b>114,779</b>	86,300	33.0%
DRAM Shipment Growth	3%	3%	0.0% p	3%	-3%	6.0% p	24.4%	24%	0.0% p	21.0%	20%	0.8% p
ASP Change (1Gb)	22%	22%	0.0% p	32%	20%	11.6% p	28%	28%	0.0% p	75%	51%	23.1% p
OP Margin (%)	68%	67%	1.1% p	74%	71%	3.6% p	60%	60%	0.4% p	77%	72%	5.0% p
NAND Shipment Growth	14%	3%	11.0% p	2%	-3%	5.0% p	17%	14%	3.4% p	29%	18%	10.8% p
ASP Change (8Gb)	28%	21%	7.2% p	37%	31%	6.0% p	-10%	-12%	2.3% p	98%	77%	20.9% p
OP Margin (%)	32%	16%	16.5% p	49%	33%	15.3% p	11%	4%	7.0% p	57%	42%	15.0% p

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Source: Company Reports and Citi Research Estimates

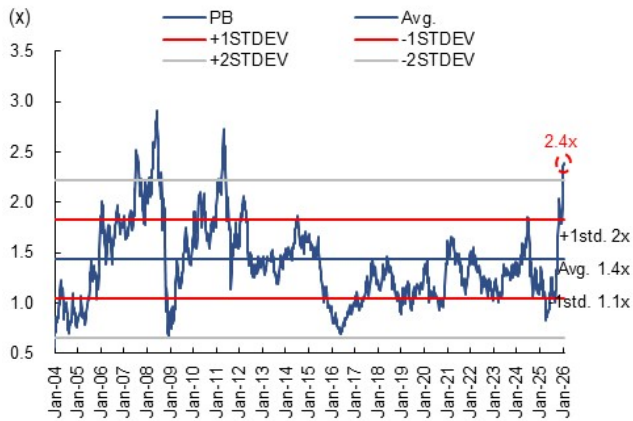
Figure 2. SK Hynix – Quarterly Earnings Estimates

Wbn	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2023	2024	2025E	2026E
<b>Total Sales</b>	<b>17,639</b>	<b>22,232</b>	<b>24,449</b>	<b>33,198</b>	<b>44,638</b>	<b>52,507</b>	<b>56,115</b>	<b>57,898</b>	<b>32,146</b>	<b>66,193</b>	<b>97,518</b>	<b>211,157</b>
DRAM	13,673	16,614	18,849	24,819	33,279	38,853	41,343	42,656	20,351	44,746	73,954	156,131
NAND	3,083	4,777	5,150	7,907	10,924	13,244	14,322	14,769	10,276	19,021	20,917	53,260
<b>Operating Profit</b>	<b>7,441</b>	<b>9,213</b>	<b>11,383</b>	<b>19,332</b>	<b>30,072</b>	<b>37,264</b>	<b>40,655</b>	<b>42,051</b>	<b>(7,824)</b>	<b>23,467</b>	<b>47,369</b>	<b>150,042</b>
DRAM	7,506	9,039	11,397	16,800	24,744	29,748	31,937	33,034	681	21,033	44,741	119,463
NAND	(18)	(186)	(9)	2,532	5,328	7,466	8,528	9,017	(8,576)	2,634	2,320	30,339
<b>OP Margin (%)</b>	<b>42%</b>	<b>41%</b>	<b>47%</b>	<b>58%</b>	<b>67%</b>	<b>71%</b>	<b>72%</b>	<b>73%</b>	<b>-24%</b>	<b>35%</b>	<b>49%</b>	<b>71%</b>
DRAM	55%	54%	60%	68%	74%	77%	77%	77%	3%	47%	60%	77%
NAND	-1%	-4%	0%	32%	49%	56%	60%	61%	-83%	14%	11%	57%
<b>Shipments (Units in mn)</b>												
DRAM (1Gb eq.)	18,343	23,259	25,422	26,184	26,970	28,130	28,692	28,979	64,340	74,918	93,208	112,771
NAND (8Gb eq.)	32,257	57,837	55,176	63,066	64,328	66,901	68,239	68,921	185,995	177,335	208,336	268,388
<b>Blended ASP (US\$)</b>												
DRAM (1Gb eq.)	0.51	0.52	0.54	0.66	0.86	0.97	1.02	1.05	0.24	0.44	0.56	0.98
NAND (8Gb eq.)	0.07	0.06	0.07	0.09	0.12	0.14	0.15	0.15	0.04	0.08	0.07	0.14
<b>Fully Loaded Cost (US\$)</b>												
DRAM (1Gb eq.)	0.23	0.24	0.21	0.21	0.22	0.23	0.23	0.24	0.23	0.23	0.22	0.23
NAND (8Gb eq.)	0.07	0.06	0.07	0.06	0.06	0.06	0.06	0.06	0.08	0.07	0.06	0.06
<b>Sequential % Chg</b>												
<b>Bit Growth</b>												
DRAM (1Gb eq.)	-9%	27%	9%	3%	3%	4%	2%	1%	13%	16%	24%	21%
NAND (8Gb eq.)	-16%	79%	-5%	14%	2%	4%	2%	1%	31%	-5%	17%	29%
<b>ASP Changes</b>												
DRAM (1Gb eq.)	0%	1%	4%	22%	32%	13%	5%	3%	-37%	81%	28%	75%
NAND (8Gb eq.)	-23%	-9%	13%	28%	37%	17%	7%	3%	-47%	86%	-10%	98%

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Source: Company Reports and Citi Research Estimates

Figure 3. SK Hynix — 12-Month Forward P/B



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Source: Citi Research estimates, Datacentral

Note: Underlying BVPS forecasts are based on Citi research estimates

Figure 4. SK Hynix — Quarterly OP & Stock Price



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Source: Citi Research estimates, Datacentral

Note: Underlying OP forecasts are based on Citi research estimates

Figure 5. Citi's DRAM/NAND ASP Projections

Latest Projection (Feb 2026)										
DRAM ASP Projection by Application										
	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
Server	-8%	8%	14%	68%	+42%	56%	23%	12%	3%	+202%
Mobile	-10%	-2%	2%	50%	+0%	55%	17%	5%	2%	+141%
PC	-15%	3%	4%	45%	+1%	50%	17%	3%	2%	+130%
Graphic/Consumer	5%	4%	4%	1%	+52%	3%	3%	1%	3%	+11%
<b>DRAM ASP QoQ</b>	<b>-7%</b>	<b>3%</b>	<b>7%</b>	<b>47%</b>	<b>+28%</b>	<b>45%</b>	<b>17%</b>	<b>7%</b>	<b>3%</b>	<b>+120%</b>

Server DRAM ASP Projection(\$)										
	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
DDR4										
32GB RDIMM	71	96	141	200	+64%	230	246	253	256	+94%
64GB RDIMM	142	191	281	399	+64%	459	491	506	511	+94%
<b>QoQ (%)</b>	<b>-8%</b>	<b>35%</b>	<b>47%</b>	<b>42%</b>		<b>15%</b>	<b>7%</b>	<b>3%</b>	<b>1%</b>	

	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
DDR5										
64GB RDIMM	253	251	261	450	+26%	720	893	1,000	1,030	<b>+200%</b>
<b>QoQ (%)</b>	<b>-9%</b>	<b>-1%</b>	<b>4%</b>	<b>73%</b>		<b>60%</b>	<b>24%</b>	<b>12%</b>	<b>3%</b>	

	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
DDR4&DDR5 Blended	216	233	264	445	+42%	694	857	956	989	+202%
<b>Blended ASP(64GB)</b>	<b>216</b>	<b>233</b>	<b>264</b>	<b>445</b>		<b>694</b>	<b>857</b>	<b>956</b>	<b>989</b>	
<b>QoQ (%)</b>	<b>-8%</b>	<b>8%</b>	<b>14%</b>	<b>68%</b>		<b>56%</b>	<b>23%</b>	<b>12%</b>	<b>3%</b>	

	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
DDR5 Penetration (%)	+67%	+70%	+82%	+90%		+90%	+91%	+91%	+92%	

NAND ASP Projection by Application										
	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
SSD	-7%	2%	5%	31%	+21%	42%	20%	10%	3%	+116%
Mobile	-13%	3%	0%	11%	-16%	32%	14%	3%	3%	+62%
USB& Others	-14%	8%	2%	20%	-6%	35%	18%	7%	2%	+87%
<b>NAND ASP QoQ</b>	<b>-11%</b>	<b>3%</b>	<b>3%</b>	<b>21%</b>	<b>3%</b>	<b>37%</b>	<b>17%</b>	<b>7%</b>	<b>3%</b>	<b>+90%</b>

	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
8Gb(1GB)	0.06	0.06	0.06	0.07		0.10	0.12	0.13	0.13	
256Gb	1.84	1.90	1.95	2.37		3.24	3.81	4.06	4.18	
512Gb	3.68	3.80	3.90	4.73		6.48	7.61	8.13	8.36	

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Source: Citi Research Estimates

Previous Projection (Jan 2026)										
DRAM ASP Projection by Application										
	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
Server	-8%	8%	14%	68%	+42%	56%	23%	12%	3%	+202%
Mobile	-10%	-2%	2%	50%	+0%	55%	17%	5%	2%	+141%
PC	-15%	3%	4%	45%	+1%	50%	17%	3%	2%	+130%
Graphic/Consumer	5%	4%	4%	1%	+52%	3%	3%	1%	3%	+11%
<b>DRAM ASP QoQ</b>	<b>-7%</b>	<b>3%</b>	<b>7%</b>	<b>47%</b>	<b>+28%</b>	<b>45%</b>	<b>17%</b>	<b>7%</b>	<b>3%</b>	<b>+120%</b>

	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
Server	-8%	8%	14%	68%	+42%	56%	23%	12%	3%	+202%
Mobile	-10%	-2%	2%	50%	+0%	55%	17%	5%	2%	+141%
PC	-15%	3%	4%	45%	+1%	50%	17%	3%	2%	+130%
Graphic/Consumer	5%	4%	4%	1%	+52%	3%	3%	1%	3%	+11%
<b>DRAM ASP QoQ</b>	<b>-7%</b>	<b>3%</b>	<b>7%</b>	<b>47%</b>	<b>+28%</b>	<b>45%</b>	<b>17%</b>	<b>7%</b>	<b>3%</b>	<b>+120%</b>

Server DRAM ASP Projection(\$)										
	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
DDR4										
32GB RDIMM	71	96	141	200	+64%	230	246	253	256	+94%
64GB RDIMM	142	191	281	399	+64%	459	491	506	511	+94%
<b>QoQ (%)</b>	<b>-8%</b>	<b>35%</b>	<b>47%</b>	<b>42%</b>		<b>15%</b>	<b>7%</b>	<b>3%</b>	<b>1%</b>	

	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
DDR5										
64GB RDIMM	253	251	261	450	+26%	720	893	1,000	1,030	<b>+200%</b>
<b>QoQ (%)</b>	<b>-9%</b>	<b>-1%</b>	<b>4%</b>	<b>73%</b>		<b>60%</b>	<b>24%</b>	<b>12%</b>	<b>3%</b>	

	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
DDR4&DDR5 Blended	216	233	264	445	+42%	694	857	956	989	+202%
<b>Blended ASP(64GB)</b>	<b>216</b>	<b>233</b>	<b>264</b>	<b>445</b>		<b>694</b>	<b>857</b>	<b>956</b>	<b>989</b>	
<b>QoQ (%)</b>	<b>-8%</b>	<b>8%</b>	<b>14%</b>	<b>68%</b>		<b>56%</b>	<b>23%</b>	<b>12%</b>	<b>3%</b>	

	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
DDR5 Penetration (%)	+67%	+70%	+82%	+90%		+90%	+91%	+91%	+92%	

NAND ASP Projection by Application										
	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
SSD	-7%	2%	5%	31%	+21%	42%	20%	10%	3%	+116%
Mobile	-13%	3%	0%	11%	-16%	32%	14%	3%	3%	+62%
USB& Others	-14%	8%	2%	20%	-6%	35%	18%	7%	2%	+87%
<b>NAND ASP QoQ</b>	<b>-11%</b>	<b>3%</b>	<b>3%</b>	<b>21%</b>	<b>3%</b>	<b>37%</b>	<b>17%</b>	<b>7%</b>	<b>3%</b>	<b>+90%</b>

	2025				YoY	2026				YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
8Gb(1GB)	0.06	0.06	0.06	0.07		0.10	0.12	0.13	0.13	
256Gb	1.84	1.90	1.95	2.37		3.24	3.81	4.06	4.18	
512Gb	3.68	3.80	3.90	4.73		6.48	7.61	8.13	8.36	

Figure 6. SK Hynix – SOTP Valuation

<b>SOTP Valuation</b>				
(Wbn)	Ebitda	Target Multiple	Equity Value	Note
Segment	2026E	2026E	2026E	
<b>EV/Ebitda SOTP</b>				
<b>HBM EBITDA (Wbn)</b>	<b>28,059</b>	<b>9.2x</b>	<b>258,003</b>	25% discount to TSMC's 12m fwd EV/EBITDA
HBM EBIT (Wbn)	24,559			
HBM OPM(%)	70%			
HBM D&A as a % of total DRAM D&A(%)	35%			
D&A(Wbn)	3,500			
<b>Commodity/Others EBITDA (Wbn)</b>	<b>137,201</b>	<b>4.8x</b>	<b>651,703</b>	Hynix's 10y avg. of 12m fwd EV/EBITDA during the early stage of past upcycles
Commodity DRAM (non-HBM) EBITDA (Wbn)	101,295			
DRAM EBIT (Wbn)	94,904			
DRAM D&A(Wbn)	6,391			
NAND EBITDA (Wbn)	35,513			
NAND EBIT (Wbn)	30,339			
NAND D&A(Wbn)	5,174			
Other Segment's EBITDA (Wbn)	392			
<b>Total Operating EV (Implied EV/EBITDA)</b>	<b>165,260</b>	<b>5.5x</b>	<b>909,706</b>	Sum of HBM division's and Commodity division's equity value
Net Debt/(Cash)			(102,220)	
Net Treasury Stock Value			0	
Investment Asset Value			5,030	
On Book			16,766	As of 1H25
Premium/(Discount)			70%	
<b>Total Equity Value (Wbn)</b>			<b>1,016,955</b>	
Common Shares Outstanding (mn)			728	
<b>Fair Value (Won)</b>			<b>1,396,912</b>	
<b>Target Price (Rounded)</b>			<b>1,400,000</b>	

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Source: Company Reports and Citi Research Estimates

## Adding Upside 30-Day Catalyst Watch on SK Hynix (000660.KS)

Direction:	Upside
Duration:	Within 30 Days
Catalyst:	Earnings

We launch an upside catalyst watch on 1) semi-customization of the memory market and 2) likely better-than-expected DRAM/NAND pricing growth of +120%/+90% in 2026E. Following HBM, we expect even commodity memory will increasingly get customized after 2028E, driven by the expansion of physical AI and on-device AI adoption. To reflect the structural change in the memory market, we change SK Hynix's valuation method from PBR approach to an EV/EBITDA SOTP, separating the highly customized HBM business from the commodity memory business in order to properly capture the real future value.

# Bull/Bear: SK Hynix (000660.KS)

**W 1,600,000**  
▲ 117% Upside

**W 1,400,000**  
▲ 90% Upside

**W 500,000**  
▼ 32% Downside



Spread 149pp  
Current Price and expected returns (upside/downside) as of 26 Jan 2026

## BULL Assumptions

- 2026E DRAM ASP Chg. YoY +71%
- 2026E NAND ASP Chg. YoY +98%
- 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 +51%
- 2026E NAND ASP Chg. YoY +78%
- 2026E EV/EBITDA SOTP (HBM: 9.2x 26E Ebitda; Commodity: 4.8x 26E Ebitda) on maintained HBM leadership & the initiation of commodity market upcycle

## BEAR Assumptions

- 2026E DRAM ASP Chg. YoY +31%
- 2026E NAND ASP Chg. YoY +48%
- 1.6x P/B on DRAM market share loss & unexpected termination of memory upcycle

## SK Hynix

(000660.KS; W 736000.0; 1; 26 Jan 26; 15:45)

### Company description

SK Hynix manufactures semiconductors such as DRAM, NAND flash memory and SRAM chips.

### Investment strategy

We rate SK Hynix shares as Buy. We believe SK Hynix is well positioned to benefit from the DRAM market recovery driven by limited supply growth. In particular, we see SK Hynix's technology leadership in DRAM, coupled with the high exposure to fast-growing server applications, supporting the company's long-term earnings growth. Additionally, we think SK Hynix's acquisition of Intel's NAND business should produce synergies with the company's existing NAND business and strengthen its product portfolio.

### Valuation

Our 12-month target price for SK Hynix of W1,400,000 is derived using a sum-of-the-parts (SOTP) methodology, based on 2026E EBITDA. In calculating total operating value, we break down SK Hynix's operating businesses into HBM and commodity/others business to reflect a structural change in next-gen memory market. We reference a global peer (TSMC) in assigning a fair-value EV/EBITDA multiple for HBM business, as we project the memory market is evolving from a traditional commodity market into a highly customized & customer-specific market much closer to the foundry business. For commodity memory business, we apply a historical average of 12m fwd EV/EBITDA during the early stage of memory upcycles in the past.

### Risks

Downside risks that could prevent the shares from reaching our target price include: 1) a downturn in DRAM demand; 2) weaker NAND demand than our forecasts; and 3) weakness in global consumption.

## TSMC

(2330.TW; NT\$1755.0; 1; 26 Jan 26; 13:30)

### Company description

TSMC is the founder and leader of the dedicated IC foundry segment. The company has built its reputation by offering advanced and "more-than-Moore" wafer production processes and unparalleled manufacturing efficiency. From its inception in 1987, TSMC has consistently offered the foundry segment's leading technologies and TSMC-compatible design services.

### Investment strategy

We rate TSMC shares as Buy. We expect TSMC to deliver a sales CAGR of >25% in the next three years thanks to strong growth from HPC/AI as well as stable demand growth from smartphone, IoT, and automotive on tech migration and a shortened replacement cycle. CPU outsourcing to TSMC offers further growth upside potential. A rising cash dividend should also support the share price. While TSMC has been increasing capex meaningfully since 2009, its cost structure is maintained through continuous product mix improvements, efficiency enhancements, and cost reductions.

## Valuation

Our target price for TSMC shares of NT\$2,600 is based on 25x the average of our 2026E-27E EPS, higher than its three-year average forward PER, versus global peers' average of 15-23x. We believe our PER target is justified by TSMC's leading position in advanced process node and robust AI demand growth outlook. Given its continuing leadership in the semiconductor foundry industry, we believe TSMC's stable order visibility and earnings outlook make it less vulnerable than peers to a potential global economic downturn. Our target price equates to 2026E/27E P/E of 29x/22x and 2026E/27E P/B of 9x/7x.

## Risks

Key downside risks that could impede the shares from achieving our target price include: 1) weakness in the global semiconductor market; 2) larger-than-expected margin contractions due to depreciation cost hikes and strong NTD; 3) competitors entering the foundry business; 4) longer-than-expected digestion of inventory in the supply chain; and 5) a slowdown in demand either from a global economic downturn or a global trade disruption triggered by tariffs.

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# Appendix A-1

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**IMPORTANT DISCLOSURES**

**SK Hynix (000660.KS)**  
Ratings and Target Price History  
Fundamental Research

Analyst: Peter Lee



1	Date	Rating	Target Price	Closing Price
1	30-May-23 08:36:29	1	*160,000.00	110,300.00
2	30-Jun-23 05:08:18	1	*170,000.00	115,200.00
3	30-Aug-23 11:34:39	1	*180,000.00	119,400.00
4	04-Oct-23 06:14:16	1	*185,000.00	115,400.00
5	13-Nov-23 09:52:50	1	*190,000.00	131,800.00
6	01-Jan-24 18:20:58	1	*230,000.00	141,500.00
7	18-Mar-24 10:47:11	1	*234,000.00	164,300.00
8	01-Apr-24 10:34:31	1	*238,000.00	185,500.00

9	Date	Rating	Target Price	Closing Price
9	12-Apr-24 08:17:40	1	*310,000.00	187,400.00
10	25-Jun-24 06:27:18	1	*350,000.00	225,000.00
11	25-Jul-24 03:44:27	1	*337,000.00	190,000.00
12	09-Sep-24 02:31:32	1	*310,000.00	157,000.00
13	24-Oct-24 06:29:30	1	*330,000.00	198,200.00
14	12-Nov-24 10:31:16	1	*350,000.00	185,800.00
15	31-Dec-24 06:45:21	1	*340,000.00	173,900.00
16	03-Mar-25 15:00:11	1	*350,000.00	190,200.00

17	Date	Rating	Target Price	Closing Price
17	01-Jul-25 03:45:10	1	*430,000.00	285,500.00
18	24-Jul-25 04:40:40	1	*380,000.00	269,500.00
19	08-Sep-25 10:00:23	1	*430,000.00	277,000.00
20	22-Sep-25 06:19:28	1	*480,000.00	351,000.00
21	20-Oct-25 04:22:50	1	*640,000.00	485,500.00
22	29-Oct-25 02:38:54	1	*770,000.00	558,000.00
23	23-Nov-25 10:20:04	1	*830,000.00	521,000.00
24	02-Jan-26 03:22:42	1	*900,000.00	677,000.00

\*Indicates Change

Rating/target price changes above reflect Eastern Time

**TSMC (2330.TW)**  
Ratings and Target Price History  
Fundamental Research

Analyst: Laura (Chia Yi) Chen



1	Date	Rating	Target Price	Closing Price
1	10-Feb-23 13:45:28	1	*620.00	545.00
2	28-Jun-23 11:09:56	1	*660.00	574.00
3	22-Nov-23 00:43:24	1	*720.00	577.00
4	18-Jan-24 10:40:18	1	*740.00	588.00
5	09-Apr-24 10:09:45	1	*950.00	819.00
6	18-Apr-24 09:00:06	1	*1,030.00	804.00

7	Date	Rating	Target Price	Closing Price
7	17-Jun-24 04:51:05	1	*1,150.00	921.00
8	18-Jul-24 08:21:47	1	*1,500.00	1,005.00
9	17-Oct-24 09:15:17	1	*1,540.00	1,035.00
10	21-Mar-25 15:53:47	1	*1,400.00	972.00
11	09-Apr-25 07:55:10	1	*1,050.00	785.00
12	17-Apr-25 10:33:27	1	*1,100.00	847.00

13	Date	Rating	Target Price	Closing Price
13	26-Jun-25 02:57:46	1	*1,280.00	1,075.00
14	17-Jul-25 09:46:31	1	*1,400.00	1,130.00
15	25-Sep-25 09:04:47	1	*1,600.00	1,320.00
16	16-Oct-25 10:32:46	1	*1,800.00	1,485.00
17	09-Jan-26 04:15:15	1	*2,450.00	1,680.00
18	15-Jan-26 10:05:29	1	*2,600.00	1,690.00

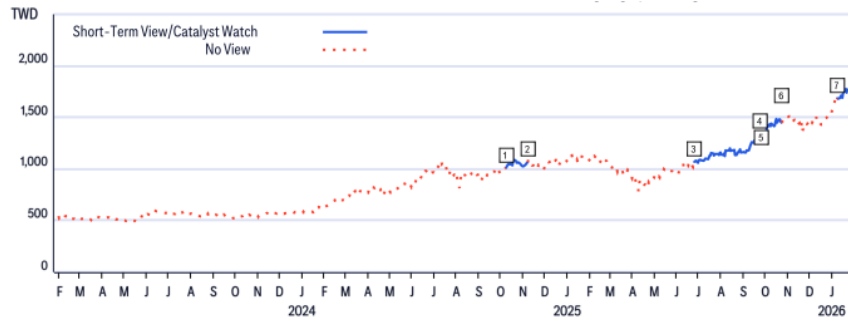
\*Indicates Change

Rating/target price changes above reflect Eastern Time

TSMC (2330.TW)

Short-Term View/Catalyst Watch Research

Analyst: Laura (Chia Yi) Chen



	Date	Action	Expected Direction	Duration	Closing Price
1	08-Oct-24 01:00:00	Add CW	Upside	30 Days	1,010.00
2	07-Nov-24 19:58:59	Remove CW	Upside	30 Days	1,065.00
3	25-Jun-25 22:57:46	Add STV	Upside	90 Days	1,070.00

	Date	Action	Expected Direction	Duration	Closing Price
4	24-Sep-25 21:58:41	Remove STV	Upside	90 Days	1,340.00
5	25-Sep-25 05:04:47	Add CW	Upside	30 Days	1,320.00
6	24-Oct-25 14:20:26	Remove CW	Upside	30 Days	1,450.00

	Date	Action	Expected Direction	Duration	Closing Price
7	08-Jan-26 23:15:15	Add CW	Upside	30 Days	1,685.00

CW - Catalyst Watch, STV - Short-Term View

Rating/target price changes above reflect Eastern Time

SK Hynix (000660.KS)

Short-Term View/Catalyst Watch Research

Analyst: Peter Lee



	Date	Action	Expected Direction	Duration	Closing Price
1	25-Jan-23 21:30:26	Remove CW	Downside	90 Days	91,400.00
2	30-May-23 04:36:29	Add CW	Upside	90 Days	110,300.00
3	27-Aug-23 22:58:59	Remove CW	Upside	90 Days	116,500.00
4	04-Oct-23 02:14:16	Add CW	Upside	90 Days	115,400.00

	Date	Action	Expected Direction	Duration	Closing Price
5	01-Jan-24 21:19:41	Remove CW	Upside	90 Days	141,500.00
6	03-Mar-25 10:00:11	Add CW	Upside	90 Days	190,200.00
7	01-Jun-25 22:55:32	Remove CW	Upside	90 Days	204,500.00
8	08-Sep-25 06:00:23	Add CW	Upside	30 Days	277,000.00

	Date	Action	Expected Direction	Duration	Closing Price
9	08-Oct-25 22:50:00	Remove CW	Upside	30 Days	395,500.00
10	20-Oct-25 00:22:50	Add CW	Upside	30 Days	485,500.00
11	19-Nov-25 21:15:03	Remove CW	Upside	30 Days	562,000.00

CW - Catalyst Watch, STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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Data current as of 01 Jan 2026	12 Month Rating			Catalyst Watch		
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Citi Research Global Fundamental Coverage (Neutral=Hold)	60%	32%	8%	37%	47%	16%
% of companies in each rating category that are investment banking clients	36%	40%	28%	40%	34%	35%

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our ratings distribution table for our Catalyst Watch/STV Upside/Downside rating system. However, we reiterate that we do not consider No View to be a recommendation. For all Catalyst Watch/STV Upside/Downside calls, risk exists that the catalyst(s) and associated share-price movement will not materialize as expected.

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Citigroup Global Markets Korea Securities Limited

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