

SK hynix

Long-term HBM growth strategy direction intact, stronger pricing drives EPS upgrade; raise PT to W1M

The recent W19tn HBM back-end packaging investment reaffirms SKH team's strong commitment to prioritize AI memory business solutions, and we expect SKH to retain market share and technology leadership in the mid-to-long term. Alongside strong pricing momentum in the next 3-6M we expect EPS upgrades and a higher & longer memory up-cycle view to sustain the share price appreciation. With 20-25% FY26E-27E EPS upward revision, we raise our Dec-26 PT to W1mn based on a 30% premium to peak-cycle P/B and recommend investors accumulate the stock.

- Continued long-term HBM focus strategy reconfirmed from new packaging & testing fab construction plan.** SKH disclosed a W19tn PT7 fab investment plan ([link](#)) on Jan 13, targeting mass production from 2028E when the Yong-in fab front-end wafer production ramps up. This will streamline back-end packaging and testing resources spread-out in multiple fabs and expand producible capacity (JPM: 200+k back-end TSV equivalent capacity room). Following a sharp rise in conventional memory pricing, we expect the HBM sales mix temporarily drops this year to 30% (vs. 38% last year); however, we forecast the mix to start picking up again to 39% from 27E and higher in following years.
- Robust HBM demand and stronger conventional memory up-cycle.** Following CoWoS model upward revisions, we raise our 26E-27E HBM TAM estimates by 7-9% and maintain a bullish view on the multi-year up-cycle. We estimate SKH's value share will decline to slightly below-50% from a high-base and competitors' share normalization. However, overall market share and technology leadership remains intact and we continue to view SKH retaining the lion's share in the next-gen HBM4/4E market, supporting the industry's high margin profile. Servers are largely driving the upside in both conventional DRAM/NAND and we raise our FY26E-27E EPS by 20-25%.
- Higher capital spending from greater EBITDA generation and ADR listing the next key catalysts.** Reflecting the PT7 new investment plan, we raise FY26-27E capex forecasts to W36-48trn (WFE spending unchanged from our last projection as the incremental is mostly from INFRA spending). We view the implications for both DRAM and NAND bit production to be limited and implied capital intensity is still 20-23% well below historical spending history ('16-25E average at 33%). On the capital allocation side, the SKH team left room for potentially earlier new shareholder returns if the company sees a structural shift in industry dynamics ([note](#)). We think it is too early to assess the possibility at the current stage and point out that the ADR listing is the next key event catalyst. We will closely monitor the National Assembly's Commercial Code 3rd revision legislative process (bill to be discussed at the legislation committee starting next week).
- What to focus on in the Jan 29 result call?** (1) Management commentary on HBM4 qualification, pricing, and margin implications, (2) LTA discussion

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

See page 15 for analyst certification and important disclosures, including non-US analyst disclosures.

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Overweight

000660.KS, 000660 KS
Price (16 Jan 26):W755,000

▲ Price Target (Dec-26):W1,000,000
Prior (Dec-26):W800,000

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Key Changes (FYE Dec)

	Prev	Cur	Δ%
Adj. EPS - 26E (W)	110,020	137,950	25.4

Quarterly Forecasts (FYE Dec)

Adj. EPS (W)	2024A	2025E	2026E
Q1	2,633	11,136A	29,226
Q2	5,659	9,609A	34,555
Q3	7,902	17,302A	37,179
Q4	10,997	20,033	36,991
FY	27,190	58,080	137,950

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	31	17	24	82	55
Growth	55	93	51	96	39
Momentum	2	23	40	94	53
Quality	30	17	89	81	55
Low Vol	77	66	63	31	24
ESGQ	16	94	96	12	12

Price Performance



	YTD	1m	3m	12m
Abs	15.8%	42.4%	65.9%	259.5%
Rel	0.9%	21.4%	36.8%	168.0%

Company Data

Shares O/S (mn)	728
52-week range (W)	788,000-162,700
Market cap (\$ mn)	374,256
Exchange rate	1,468.62
Free float (%)	66.9%
3M ADV (mn)	6.42
3M ADV (\$ mn)	2,543.2
Volatility (90 Day)	65
Index	KOSPI
BBG ANR (Buy Hold Sell)	42 1 1

Key Metrics (FYE Dec)

W in billions	FY24A	FY25E	FY26E	FY27E
Financial Estimates				
Revenue	66,193	96,281	180,928	206,368
Adj. EBIT	23,467	46,302	123,964	135,330
Adj. EBITDA	36,049	60,521	142,852	160,411
Adj. net income	19,797	42,288	100,440	111,224
Adj. EPS	27,190	58,080	137,950	152,761
BBG EPS	24,667	56,055	105,873	124,205
Cashflow from operations	34,366	49,973	104,186	126,214
FCFF	15,161	22,790	67,105	75,598
Margins and Growth				
Revenue Growth Y/Y (%)	102.0%	45.5%	87.9%	14.1%
EBIT margin	35.5%	48.1%	68.5%	65.6%
EBIT Growth Y/Y (%)	-403.6%	97.3%	167.7%	9.2%
EBITDA margin	54.5%	62.9%	79.0%	77.7%
EBITDA Growth Y/Y (%)	506.5%	67.9%	136.0%	12.3%
Net margin	29.9%	43.9%	55.5%	53.9%
Adj. EPS growth	-316.7%	113.6%	137.5%	10.7%
Ratios				
Adj. tax rate	17.1%	16.4%	18.2%	18.2%
Interest cover	36.0	136.8	NM	NM
Net debt/Equity	0.1	NM	NM	NM
Net debt/EBITDA	0.2	NM	NM	NM
ROE	31.1%	44.9%	61.2%	41.4%
Valuation				
FCFF yield	2.8%	4.1%	12.2%	13.8%
Dividend yield	0.2%	0.2%	0.2%	0.2%
EV/Revenue	8.4	5.6	2.6	1.9
EV/EBITDA	15.5	9.0	3.3	2.5
Adj. P/E	27.8	13.0	5.5	4.9

Summary Investment Thesis and Valuation

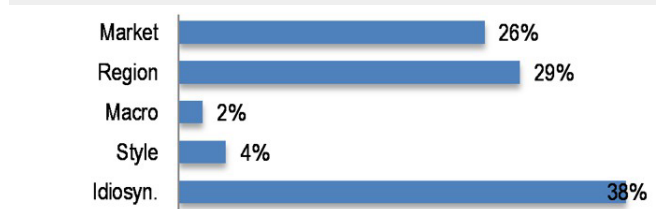
Investment Thesis

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 given the pure-memory business carries higher beta.

Valuation

Our Dec-26 PT of W1mn is based on 2.7x P/B to reflect stronger and longer memory up-cycle (30% premium to historical peak FTM P/B in last 15 years) and implies 7x FY26-27E EPS.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.48	0.50
Region: Korea	0.71	0.63
Macro:		
US 10 Year Yield	0.34	0.28
Markit EM Composite PMI SA	-0.21	-0.20
JPM Global Equity Sentiment	-0.04	-0.15
Quant Styles:		
DivYld	-0.21	-0.24
LowVol	-0.24	-0.24
Growth	0.03	0.21

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.

progress and rational sharing beyond long-term demand commitments from key customers, (3) capex, B/G, and related S-D view update by key end markets, and (4) ADR listing-related management stance update.

Earnings estimate revisions

Table 1: SK hynix – earnings estimate revisions

Won in billions, year-end December

	Revised			Prior			Difference		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
DRAM Shipments (8Gb equiv.)	11,164	13,146	15,310	11,164	13,080	15,288	0.0	0.5	0.1
ASP (US\$, 8Gb equiv.)	4.7	7.8	7.7	4.7	6.7	6.9	0.5	15.0	11.3
NAND shipments (256Gb equiv.)	5,120	6,109	7,189	5,120	6,096	7,176	0.0	0.2	0.2
ASP (US\$, 256Gb equiv.)	2.7	4.0	3.9	2.7	3.5	3.4	0.0	13.8	13.7
Sales	96,281	180,928	206,368	95,680	156,671	184,512	0.6	15.5	11.8
DRAM sales	75,362	144,314	165,473	74,801	124,426	148,403	0.8	16.0	11.5
NAND (Inc. MCP) sales	20,918	36,615	40,895	20,879	32,246	36,110	0.2	13.5	13.3
Operating profit	46,302	123,964	135,330	46,178	99,261	113,420	0.3	24.9	19.3
<i>OP margin, %</i>	48.1	68.5	65.6	48.3	63.4	61.5	-0.2	5.2	4.1
DRAM OP	44,726	108,865	120,408	44,610	90,736	104,733	0.3	20.0	15.0
NAND+MCP OP	1,514	15,099	14,921	1,505	8,525	8,687	0.6	77.1	71.8
Net Income	42,224	100,440	111,224	42,121	80,104	92,855	0.2	25.4	19.8
EPS (Won)	58,080	137,950	152,761	57,939	110,020	127,533	0.2	25.4	19.8

Source: 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			
	4Q25E	1Q26E	2026E	2027E	4Q25E	1Q26E	2026E	2027E	4Q25E	1Q26E	2026E	2027E
Sales	31,961	40,525	180,928	206,368	31,482	35,721	169,349	199,455	2%	13%	7%	3%
OP	18,265	26,440	123,964	135,330	16,665	20,718	104,209	122,415	10%	28%	19%	11%
NP	14,586	21,279	100,440	111,224	13,838	16,748	82,499	92,329	5%	27%	22%	20%

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

Table 3: SK hynix – 4Q25 earnings preview

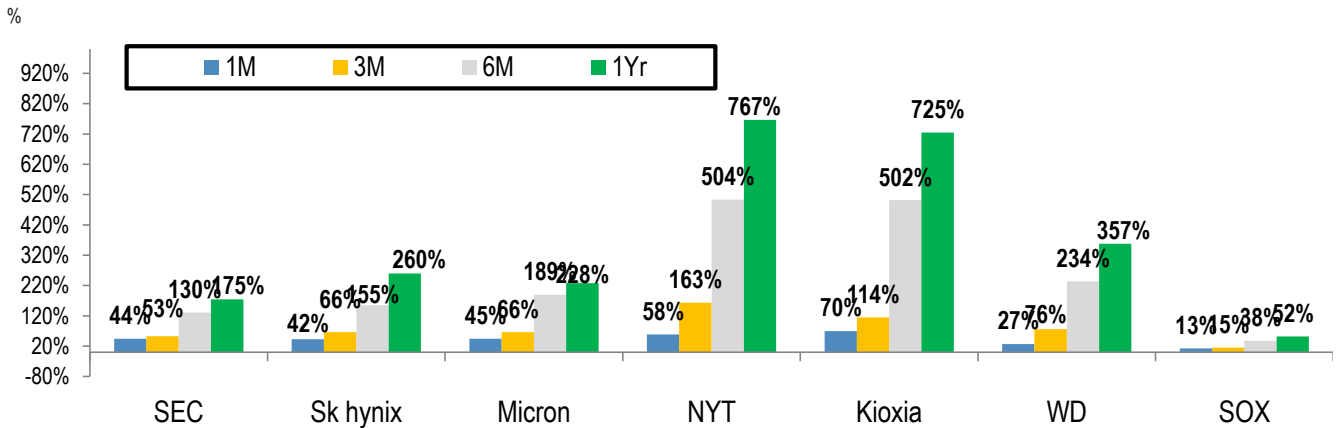
Wbn

	4Q24	3Q25	4Q25 Revised	4Q25 Prev	Diff. (%) vs Prev.	Q/Q (%)	Y/Y (%)
Sales	19,767	24,449	31,961	31,360	1.9	30.7	61.7
DRAM	14,489	19,084	25,118	24,557	2.3	31.6	73.4
NAND Flash	4,702	4,989	6,443	6,403	0.6	29.1	37.0
MCP and others	576	376	400	400	0.0	6.4	-30.5
COGS	9,401	10,420	9,861	9,456	4.3	-5.4	4.9
Gross profit	10,366	14,029	22,100	21,904	0.9	57.5	113.2
<i>GP margin (%)</i>	52	57	69	70			
SG&A expenses	2,283	2,646	3,835	3,763	1.9	45.0	68.0
<i>% of sales</i>	12	11	12	12			
Operating profit	8,083	11,321	18,265	18,141	0.7	61.3	126.0
<i>OP margin (%)</i>	41	46	57	58			
DRAM	7,137	11,124	16,888	16,772	0.7	51.8	136.6
<i>Margin (%)</i>	49	58	67	68			
NAND Flash	926	175	1,353	1,345	0.6	674.9	46.1
<i>Margin (%)</i>	20	4	21	21			
MCP and others	20	23	24	24	0.0	6.4	23.1
<i>Margin (%)</i>	3	6	6	6			
Net Interest Income	-170	-103	-85	-85	n/a	n/a	n/a
Net Other Income	1,669	3,510	-393	-395	n/a	n/a	n/a
Recurring profit	9,581	14,728	17,787	17,662	0.7	20.8	85.6
Tax/Minority interest	1,575	2,193	3,202	3,179	0.7	46.0	103.3
Net profit	8,006	12,595	14,586	14,483	0.7	15.8	82.2

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

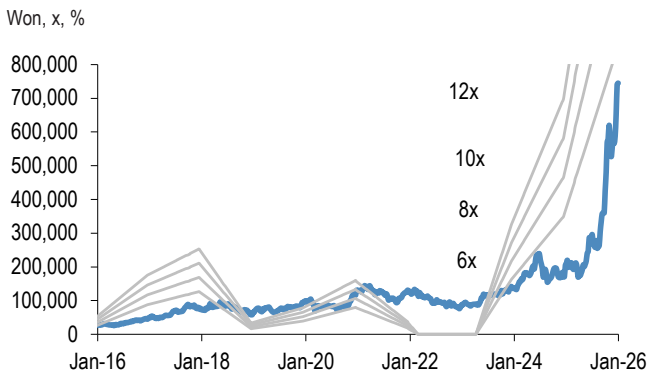
Share price-related charts

Figure 1: Share price performance vs memory peers



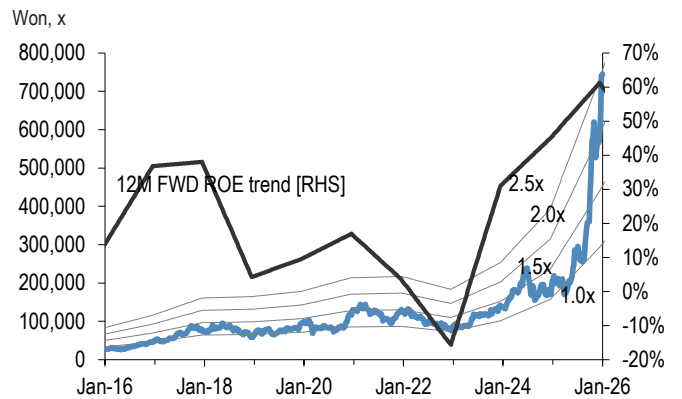
Source: Bloomberg Finance L.P. Note: Past performance is not an indicator of future results.

Figure 2: SK hynix – 12M forward P/BV bands and ROE trend



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

Figure 3: SK hynix – 24M forward P/BV bands and ROE trend



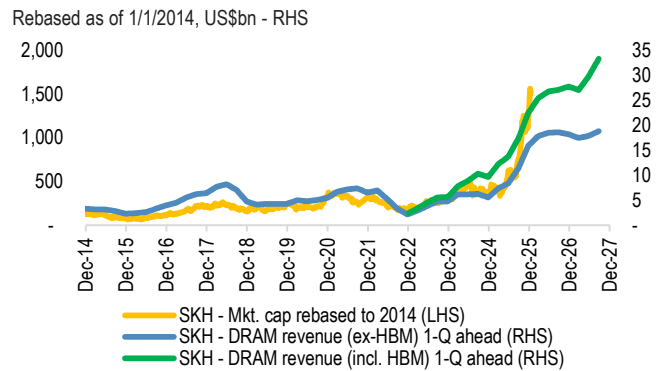
Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 4: SKH share price vs quarterly OP trend



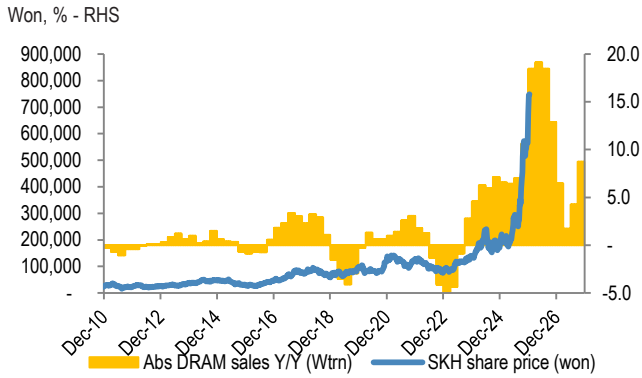
Source: Company data, J.P. Morgan estimates. Company data, Bloomberg Finance L.P., Note: 4Q25 onwards are J.P. Morgan estimates

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



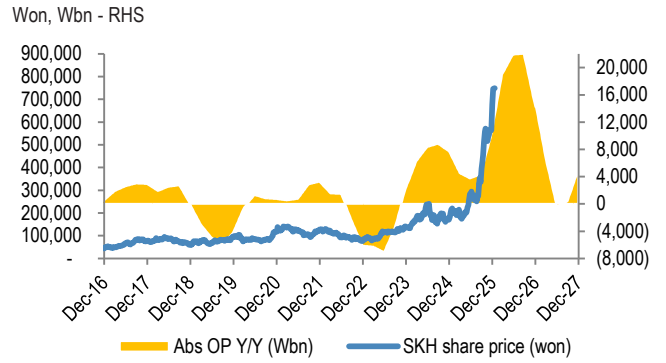
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: 4Q25 onwards are J.P. Morgan estimates.

Figure 6: Share price vs total DRAM sales Y/Y trend



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: 4Q25 onwards are JPM OP estimates.

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



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: 4Q25 onwards are JPM OP estimates.

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	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2023	2024	2025E	2026E	2027E
ASP (US\$)	4.3	4.4	4.6	5.6	7.1	7.9	8.1	8.0	2.0	3.7	4.7	7.8	7.7
Seq. change, %	0.7	1.5	4.3	21.8	28.2	10.2	2.7	-1.5	-37.7	79.1	29.8	63.6	-0.6
Operating cost (US\$)	2.1	2.0	1.9	1.8	2.0	1.9	1.8	1.9	2.0	2.0	1.9	1.9	2.1
Cash Cost (US\$)	1.5	1.5	1.4	1.3	1.4	1.3	1.1	1.1	1.4	1.5	1.4	1.2	1.2
Cost change, %	-5%	-4%	-4%	-4%	8%	-2%	-5%	1%	-13%	-1%	-4%	-1%	10%
Cash cost chg. %	-10%	-1%	-5%	-8%	7%	-7%	-13%	-2%	-14%	7%	-4%	-13%	0%
Shipments (mn)	2,242	2,795	3,013	3,115	3,164	3,247	3,321	3,414	7,704	8,933	11,164	13,146	15,310
Seq. change, %	-7.1	24.7	7.8	3.4	1.6	2.6	2.3	2.8	14.4	16.0	25.0	17.8	16.5
Sales	14,037	17,124	19,084	25,118	32,498	36,249	37,555	38,012	20,769	44,732	75,362	144,314	165,473
OP	7,337	9,378	11,124	16,888	23,495	27,278	28,996	29,096	211	20,259	44,726	108,865	120,408
OP margin (%)	52	55	58	67	72	75	77	77	1	45	59	75	73
Revenue per wafer (US\$)	8,829	11,023	12,071	14,816	18,574	20,260	20,094	19,675	3,940	8,035	11,740	19,651	22,774
HBM Sales (US\$M)	4,093	4,871	5,367	5,947	6,602	7,615	8,279	8,519	2,083	9,232	20,278	31,016	45,682
HBM Sales mix (%)	29.2	28.4	28.1	23.7	20.3	21.0	22.0	22.4	10.0	20.6	26.9	21.5	27.6
HBM bit shipment (8Gb equiv., mn)	311	354	380	429	465	494	513	549	167	726	1,474	2,021	2,833
HBM bit mix (%)	13.9	12.7	12.6	13.8	14.7	15.2	15.4	16.1	2.2	8.1	13.2	15.4	18.5
HBM ASP (1Gb/US\$)	1.6	1.7	1.8	1.7	1.8	1.9	2.0	1.9	1.6	1.6	1.7	1.9	2.0
HBM ASP premium vs. non-HBM (x)	4.6	4.6	4.4	3.3	2.4	2.4	2.4	2.4	6.9	4.5	4.1	2.4	2.8
HBM capacity (TSV equivalent, K/month)	145	155	160	170	190	200	210	220	270	99	158	205	266

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

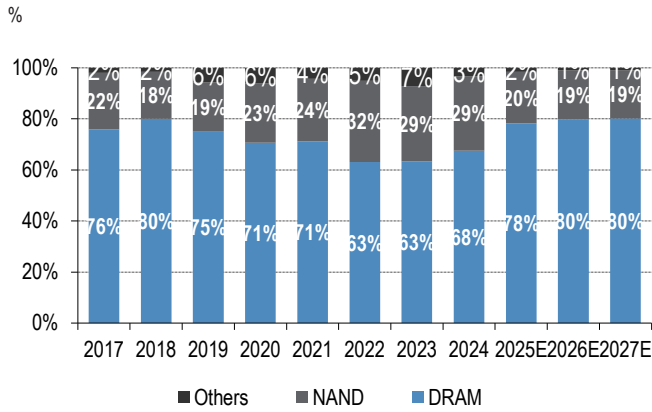
Table 5: SK hynix – Key assumptions in the NAND business

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

256Gb equiv.	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2023	2024	2025E	2026E	2027E
ASP US\$ (256Gb equiv.)	2.6	2.3	2.6	3.1	3.8	4.0	4.2	4.1	1.5	3.0	2.7	4.0	3.9
Q/Q ASP, %	-19.5	-10.4	11.0	20.0	22.0	6.0	4.0	-2.0	-45.6	96.4	-10.4	51.3	-3.7
Operating cost (US\$)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6
Cash Cost (US\$)	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.5
Cost change, %	-2%	-4%	3%	-2%	-5%	-4%	0%	6%	-7%	-11%	-1%	-7%	5%
Cash cost chg. %	-14%	19%	3%	0%	-9%	-5%	1%	19%	5%	-7%	6%	-4%	15%
Shipments (64Gb equiv.)	854	1,447	1,388	1,430	1,387	1,498	1,588	1,636	4,837	4,749	5,120	6,109	7,189
Q/Q or Y/Y change, %	-17.6	69.5	-4.1	3.0	-3.0	8.0	6.0	3.0	21.2	-1.8	7.8	19.3	17.7
Sales	3,229	4,728	4,989	6,443	7,578	8,554	9,298	9,385	9,653	19,274	19,389	34,815	39,095
OP	81	-189	175	1,353	2,917	3,807	4,323	3,942	-8,090	3,115	1,419	14,989	14,811
OP margin (%)	3	-4	4	21	39	45	47	42	-84	16	7	43	38
Revenue per wafer (US\$)	2,648	4,022	4,283	5,294	6,265	7,172	7,906	7,980	2,191	4,204	4,059	7,323	8,311

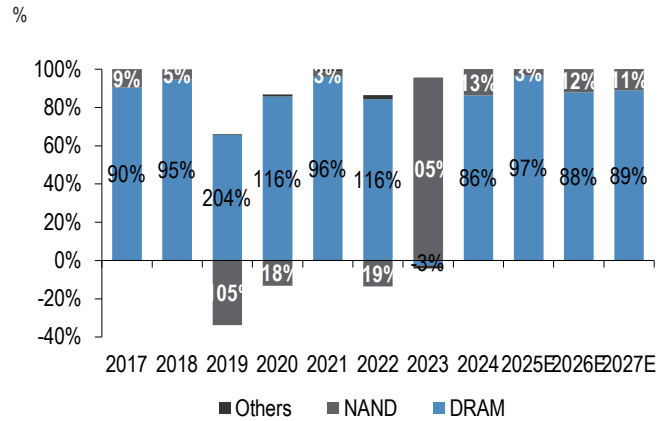
Source: Company data, J.P. Morgan estimates.

Figure 8: SK hynix – Revenue breakdown



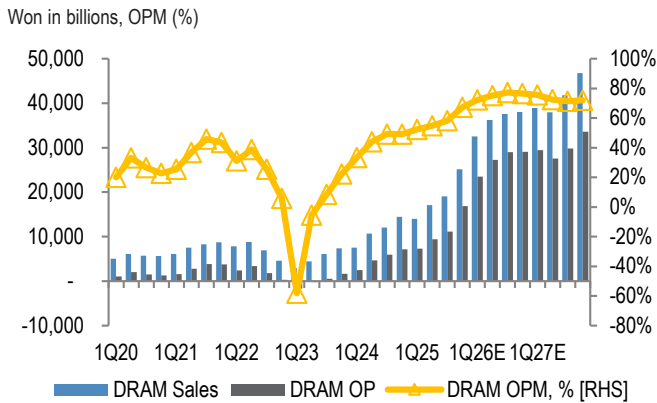
Source: Company data, J.P. Morgan estimates.

Figure 9: SK hynix – Operating profit contribution



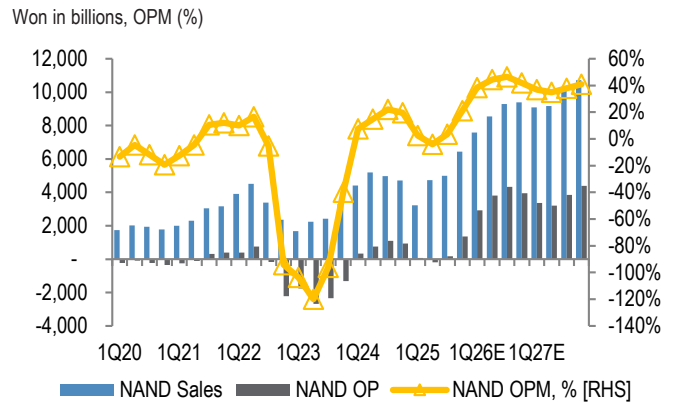
Source: Company data, J.P. Morgan estimates. Note: Negative earnings in FY23.

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



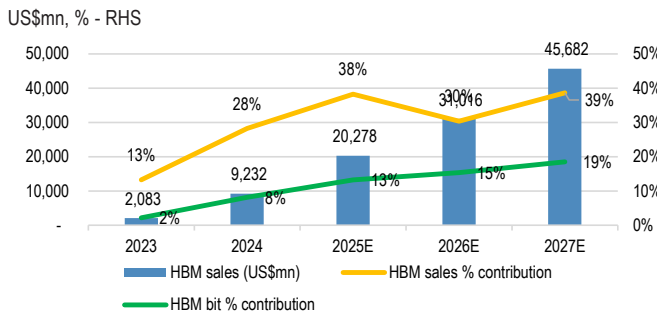
Source: Company data, J.P. Morgan estimates.

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



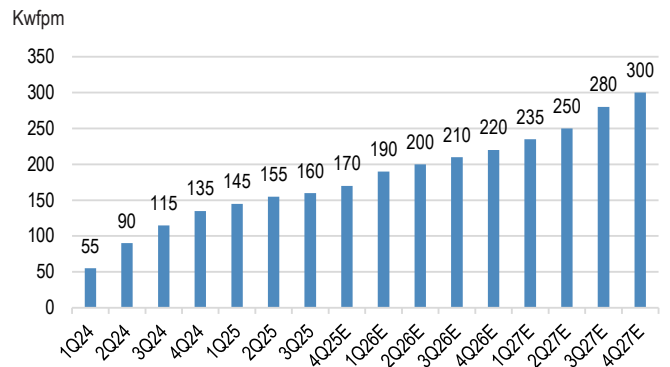
Source: Company data, J.P. Morgan estimates.

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



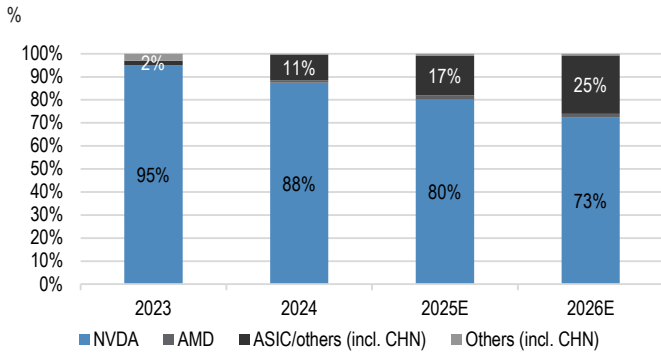
Source: Company data, J.P. Morgan estimates.

Figure 13: SK hynix HBM backend capacity trend



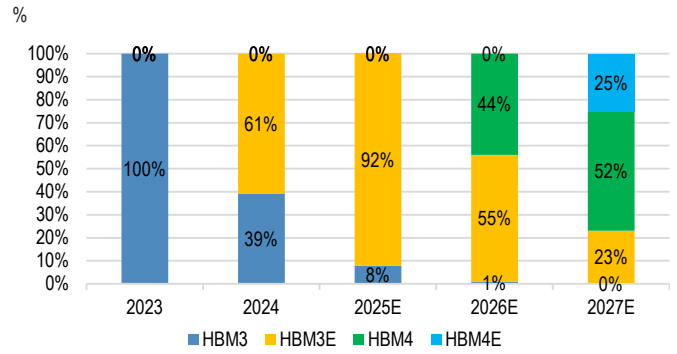
Source: Company data, J.P. Morgan estimates.

Figure 14: SKH - HBM sales breakdown by customers



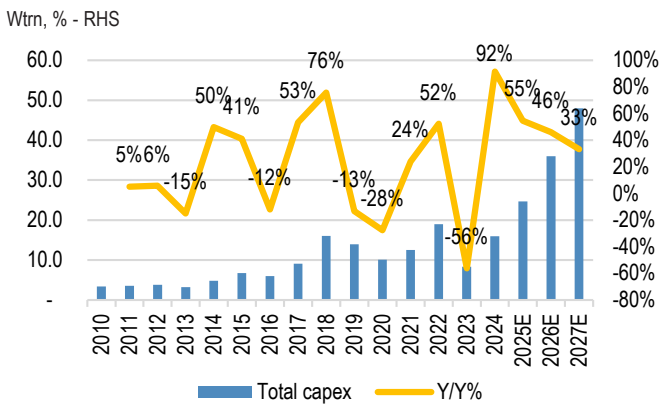
Source: Company data, J.P. Morgan estimates.

Figure 15: SKH - HBM sales breakdown by generation



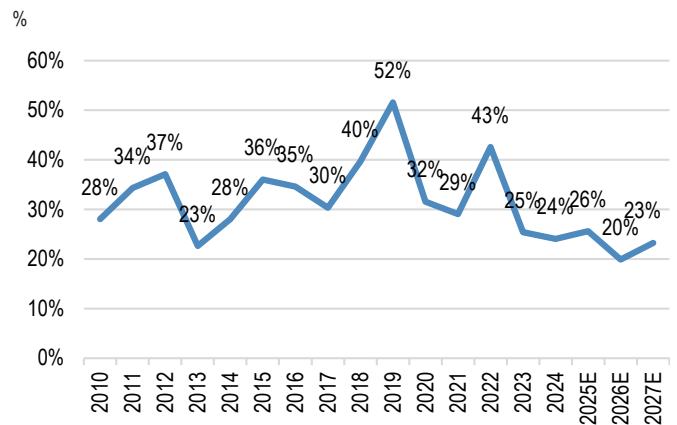
Source: Company data, J.P. Morgan estimates.

Figure 16: SKH – total capex and Y/Y% trend



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

Figure 17: SKH – Capital intensity



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

Table 6: SKH: Earnings model

Won in billions

(W in billion)	2024				2025E				2026E				2024	2025E	2026E	2027E	2028E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE					
Revenue	12,430	16,423	17,573	19,767	17,639	22,232	24,449	31,961	40,525	45,254	47,302	47,847	66,193	96,281	180,928	206,368	267,819
DRAM	7,493	10,700	12,048	14,489	14,037	17,124	19,084	25,118	32,498	36,249	37,555	38,012	44,732	75,362	144,314	165,473	219,345
NAND Flash	4,407	5,185	4,981	4,702	3,229	4,728	4,989	6,443	7,578	8,554	9,298	9,385	19,274	19,389	34,815	39,095	46,674
Others	529	538	544	576	373	380	376	400	450	450	450	450	2,187	1,529	1,800	1,800	1,800
Depreciation	-3,048	-2,994	-2,934	-3,010	-3,124	-3,249	-3,360	-3,655	-4,022	-4,407	-4,791	-4,784	-12,582	-14,219	-18,888	-25,081	-34,281
COGS	7,635	8,927	8,402	9,401	7,537	10,249	10,420	9,861	9,222	8,711	8,279	9,040	-34,365	-38,066	-35,253	-46,274	-60,514
Gross Profit	4,795	7,496	9,171	10,366	10,102	11,983	14,029	22,100	31,303	36,543	39,023	38,807	31,828	58,215	145,676	160,094	207,305
SG&A Expenses	1,909	2,028	2,141	2,283	2,661	2,770	2,646	3,835	4,863	5,430	5,676	5,742	8,361	11,913	21,711	24,764	32,138
% of Revenue (%)	15	12	12	12	15	12	11	12	12	12	12	12	-13	-12	-12	-12	-12
EBIT	2,886	5,469	7,030	8,083	7,441	9,213	11,321	18,265	26,440	31,112	33,347	33,065	23,467	46,302	123,964	135,330	175,167
DRAM	2,508	4,699	5,915	7,137	7,337	9,378	11,124	16,888	23,495	27,278	28,996	29,096	20,259	44,726	108,865	120,408	156,391
Margin (%)	33	44	49	49	52	55	58	67	72	75	77	77	45	59	75	73	71
Flash/SRAM	331	762	1,096	926	81	-189	175	1,353	2,917	3,807	4,323	3,942	3,115	1,419	14,989	14,811	18,666
Margin (%)	8	15	22	20	3	-4	4	21	39	45	47	42	16.2	7.3	43.1	37.9	40.0
Others	48	8	19	20	23	24	23	24	27	27	27	27	94	94	110	110	110
Margin (%)	9	1	3	3	6	6	6	6	6	6	6	6	4	6	6	6	6
Net Interest Income	-322	-275	-233	-170	-126	-129	-103	-85	-59	-1	94	207	-1,000	-442	241	1,984	3,941
Net Other Income	-191	-141	82	1,669	1,985	-361	3,510	-393	-368	-354	-348	-347	1,418	4,740	-1,418	-1,343	-1,164
Pre Tax Profit	2,373	5,052	6,879	9,581	9,299	8,723	14,728	17,787	26,013	30,757	33,093	32,925	23,885	50,538	122,788	135,971	177,944
Tax	456	932	1,126	1,575	1,191	1,726	2,193	3,202	4,734	5,598	6,023	5,992	4,088	8,312	22,347	24,747	32,386
Extraordinary gain(loss)	-	-	-	-	-	1	-2.34	-	-	-	-	-	0	-1	0	0	0
Net Profit	1,917	4,120	5,753	8,006	8,108	6,997	12,595	14,586	21,279	25,159	27,070	26,933	19,797	42,224	100,440	111,224	145,558
EPS (W)	2,633	5,659	7,902	10,997	11,136	9,610	17,299	20,033	29,226	34,555	37,179	36,991	27,190	58,080	137,950	152,761	199,917
Margins (%)																	
Gross Margin	39	46	52	52	57	54	57	69	77	81	82	81	48	60	81	78	77
Operating Margin	23	33	40	41	42	41	46	57	65	69	70	69	35	48	69	66	65
EBITDA Margin	48	52	57	56	60	56	60	69	75	78	81	79	54	63	79	78	78
Net Margin	15	25	33	41	46	31	52	46	53	56	57	56	30	44	56	54	54
Sequential Growth (%)																	
Revenue	10	32	7	12	-11	26	10	31	27	12	5	1	102	45	88	14	30
Gross Profit	115	56	22	13	-3	19	17	58	42	17	7	-1	na	83	150	10	29
EBIT	734	89	29	15	-8	24	23	61	45	18	7	-1	na	97	168	9	29
Net Profit	na	115	40	39	1	-14	80	16	46	18	8	-1	na	113	138	11	31
EPS	na	115	40	39	1	-14	80	16	46	18	8	-1	na	114	138	11	31
EBITDA	5,934	8,463	9,964	11,093	10,565	12,462	14,681	21,920	30,462	35,519	38,138	37,849	35,453	59,628	141,968	159,418	208,331
CAPEX	-3,103	-2,063	-3,506	-7,273	-6,284	-4,332	-5,032	-9,000	-8,500	-9,000	-9,000	-9,500	-15,946	-24,648	-36,000	-48,000	-54,000

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

Investment Thesis, Valuation and Risks

SK hynix (*Overweight; Price Target: W1,000,000*)

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 given the pure-memory business carries higher beta.

Valuation

Our Dec-26 PT of W1mn is based on 2.7x P/B to reflect stronger and longer memory up-cycle (30% premium to historical peak FTM P/B in last 15 years) and implies a 7x FY26E-27E EPS (vs. our previous W800K PT based on 2.5x FY26/27E avg P/BV).

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.

SK hynix: Summary of Financials

Income Statement						Cash Flow Statement					
	FY23A	FY24A	FY25E	FY26E	FY27E	FY23A	FY24A	FY25E	FY26E	FY27E	
Revenue	32,766	66,193	96,281	180,928	206,368	Cash flow from operating activities	4,043	34,366	49,973	104,186	126,214
COGS	(19,625)	(21,783)	(23,847)	(16,365)	(21,193)	o/w Depreciation & amortization	13,674	12,582	14,219	18,888	25,081
Gross profit	(533)	31,828	58,215	145,676	160,094	o/w Changes in working capital	(493)	1,987	(6,534)	(15,142)	(10,091)
SG&A	(283)	(257)	(504)	(760)	(867)	Cash flow from investing activities	(8,398)	(20,296)	(33,284)	(36,884)	(48,993)
Adj. EBITDA	5,943	36,049	60,521	142,852	160,411	o/w Capital expenditure	(6,150)	(20,034)	(27,553)	(36,884)	(48,993)
D&A	(13,674)	(12,582)	(14,219)	(18,888)	(25,081)	as % of sales	18.8%	30.3%	28.6%	20.4%	23.7%
Adj. EBIT	(7,730)	23,467	46,302	123,964	135,330	Cash flow from financing activities	6,866	(8,834)	188	(3,943)	(3,776)
Net Interest	(1,252)	(1,000)	(442)	241	1,984	o/w Dividends paid	(826)	(826)	(1,036)	(1,036)	(1,036)
Adj. PBT	(11,658)	23,885	50,600	122,788	135,971	o/w Shares issued/(repurchased)	193	1,711	(191)	0	0
Tax	2,520	(4,088)	(8,312)	(22,347)	(24,747)	o/w Net debt issued/(repaid)	6,474	(6,785)	1,694	(3,229)	(3,089)
Minority Interest	-	-	-	-	-	Net change in cash	2,512	5,235	16,877	63,359	73,445
Adj. Net Income	(9,138)	19,797	42,288	100,440	111,224	Adj. Free cash flow to firm	(584)	15,161	22,790	67,105	75,598
Reported EPS	(12,550)	27,190	58,080	137,950	152,761	y/y Growth	-93.0%	-2695.7%	50.3%	194.4%	12.7%
Adj. EPS	(12,550)	27,190	58,080	137,950	152,761						
DPS	1,200	1,500	1,500	1,500	1,500						
Payout ratio	NM	5.5%	2.6%	1.1%	1.0%						
Shares outstanding	728	728	728	728	728						
Balance Sheet						Ratio Analysis					
	FY23A	FY24A	FY25E	FY26E	FY27E	FY23A	FY24A	FY25E	FY26E	FY27E	
Cash and cash equivalents	8,921	14,156	31,034	94,393	167,838	Gross margin	-1.6%	48.1%	60.5%	80.5%	77.6%
Accounts receivable	6,600	13,019	18,710	28,010	33,898	EBITDA margin	18.1%	54.5%	62.9%	79.0%	77.7%
Inventories	13,481	13,314	17,199	25,747	31,160	EBIT margin	-23.6%	35.5%	48.1%	68.5%	65.6%
Other current assets	1,466	1,790	2,331	3,253	3,686	Net profit margin	-27.9%	29.9%	43.9%	55.5%	53.9%
Current assets	30,468	42,279	69,273	151,403	236,582	ROE	-15.6%	31.1%	44.9%	61.2%	41.4%
PP&E	52,705	60,157	73,491	91,486	115,398	ROA	-8.9%	18.0%	29.6%	46.5%	34.7%
LT investments	13,323	13,400	19,196	19,196	19,196	ROCE	-11.1%	21.7%	32.9%	54.3%	38.4%
Other non current assets	3,835	4,019	3,954	3,954	3,954	SG&A/Sales	0.9%	0.4%	0.5%	0.4%	0.4%
Total assets	100,330	119,855	165,914	266,039	375,131	Net debt/Equity	0.4	0.1	NM	NM	NM
Short term borrowings	9,857	5,252	9,879	9,877	9,874	Net debt/EBITDA	3.5	0.2	NM	NM	NM
Payables	1,846	2,277	1,920	1,112	1,355	Sales/Assets (x)	0.3	0.6	0.7	0.8	0.6
Other short term liabilities	9,305	17,436	21,376	25,813	27,213	Assets/Equity (x)	1.7	1.7	1.5	1.3	1.2
Current liabilities	21,008	24,965	33,176	36,801	38,442	Interest cover (x)	4.7	36.0	136.8	NM	NM
Long-term debt	19,611	17,431	14,498	11,271	8,185	Operating leverage	803.6%	-395.6%	214.1%	190.8%	65.2%
Other long term liabilities	6,207	3,543	3,907	4,229	4,578	Tax rate	-21.6%	17.1%	16.4%	18.2%	18.2%
Total liabilities	46,826	45,940	51,581	52,302	51,205	Revenue y/y Growth	-26.6%	102.0%	45.5%	87.9%	14.1%
Shareholders' equity	53,504	73,916	114,333	213,738	323,926	EBITDA y/y Growth	-71.2%	506.5%	67.9%	136.0%	12.3%
Minority interests	-	-	-	-	-	EPS y/y Growth	-507.6%	-316.7%	113.6%	137.5%	10.7%
Total liabilities & equity	100,330	119,855	165,914	266,039	375,131						
BVPS	73,485	101,520	157,032	293,560	444,898	Valuation					
y/y Growth	-15.5%	38.2%	54.7%	86.9%	51.6%	FY23A	FY24A	FY25E	FY26E	FY27E	
						P/E (x)	NM	27.8	13.0	5.5	4.9
						P/BV (x)	10.3	7.4	4.8	2.6	1.7
						EV/EBITDA (x)	95.9	15.5	9.0	3.3	2.5
						Dividend Yield	0.2%	0.2%	0.2%	0.2%	0.2%

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

SK hynix (000660 KS) - Rating and price target changes as of 16-Jan-26

Date	Rating	Price Target (Won)
25-Jan-24	OW	175,000
22-Feb-24	OW	185,000
28-Mar-24	OW	260,000
25-Apr-24	OW	260,000
16-Jul-24	OW	300,000
25-Jul-24	OW	300,000
08-Sep-24	OW	240,000
24-Oct-24	OW	260,000
10-Dec-24	OW	210,000
23-Jan-25	OW	280,000
03-Apr-25	OW	300,000
24-Apr-25	OW	285,000
25-Jun-25	OW	360,000
24-Jul-25	OW	360,000
24-Sep-25	OW	460,000
23-Oct-25	OW	650,000
29-Oct-25	OW	700,000
14-Dec-25	OW	800,000
16-Jan-26	OW	1,000,000

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

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SK hynix (000660.KS, 000660 KS) Price Chart



Date	Rating	Price (W)	Price Target (W)
26-Apr-23	OW	85500	120,000
12-Jun-23	OW	115400	150,000
07-Nov-23	OW	133000	160,000
25-Jan-24	OW	141500	175,000
22-Feb-24	OW	149000	185,000
28-Mar-24	OW	181200	260,000
16-Jul-24	OW	230000	300,000
08-Sep-24	OW	156400	240,000
24-Oct-24	OW	196000	260,000
10-Dec-24	OW	168900	210,000
23-Jan-25	OW	225500	280,000
03-Apr-25	OW	197900	300,000
24-Apr-25	OW	181000	285,000
25-Jun-25	OW	278500	360,000
24-Sep-25	OW	361000	460,000
23-Oct-25	OW	481000	650,000
29-Oct-25	OW	519000	700,000
14-Dec-25	OW	571000	800,000

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Dec 31, 2000. All share prices are as of market close on the previous business day.

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