COMPANY UPDATE

2026. 10. 8

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Samsung Electronics (005930)

Extension of the memory cycle

- The market's new narrative is centered on the visible extension of the DRAM price cycle into 2027 and the growing prominence of HBM's competitive advantage, where Samsung Electronics (SEC) holds a distinct edge.
- As memory pricing trends and demand become more visible, investor confidence in the sustainability of the memory cycle is likely to strengthen.
- SEC reported a preliminary 3Q operating profit of KRW107.4t. We expect 2027 operating profit to reach KRW532t. We reiterate our BUY rating on the stock, with a target price of KRW400,000.

AT A GLANCE

BUY

Target price	KRW400,000	49.0%
Current price	**KRW268,500**	
Market cap	KRW1,569.7t/USD1,171.1b	
Shares (float)	5,846,278,608 (74.9%)	
52-week high/low	KRW362,500/KRW89,000	
Avg daily trading value (60-day)	KRW5,846.9b/ USD4,362.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SamsungElectronics (%)	-0.6	36.6	201.7
Vs Kospi (%pts)	2.2	10.4	57.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	400,000	400,000	0.0%
2026E EPS	41,636	40,982	1.6%
2027E EPS	60,859	58,485	4.1%

SAMSUNG vs THE STREET

No of estimates	21
Target price	489,762
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

WHAT'S THE STORY?

3Q review: SEC's preliminary 3Q results show sales of KRW19.5t (up 13.7% q-q and 127% y-y), and operating profit of KRW107.4t (up 20% q-q and 782% y-y), the latter 1.9% above consensus despite consensus having fallen due to a stronger won. We estimate that the semiconductor business generated KRW108.4t in revenue, while the Mobile eXperience (MX) business incurred an operating loss of KRW2t. Quarterly operating profit edged our forecast by 2.4%, likely driven by slightly better-than-expected profitability in both the memory and MX businesses.

DRAM price uptrend extended: Additional price increases for both DRAM and NAND across key applications in 2027 suggest the market's valuation discount, previously driven by concerns over a cycle peak, is gradually being unwound. We expect the blended DRAM ASP in 2027 to rise 40% y-y, with quarterly price gains sustained throughout the year. Our key focus at the Oct 29 earnings call will be whether SEC can provide concrete evidence and guidance confirming the durability of the memory cycle through 2027-2028, as this remains central to future share performance

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	333,606	700,560	928,268	1,019,684
Operating profit (KRWb)	43,601	367,652	532,028	590,302
Net profit (adj) (KRWb)	45,207	283,659	413,278	463,992
EPS (adj) (KRW)	6,564	41,636	60,859	68,327
EPS (adj) growth (% y-y)	32.6	534.3	46.2	12.3
EBITDA margin (%)	27.1	60.5	64.5	66.0
ROE (%)	10.8	50.8	49.3	41.3
P/E (adj) (x)	18.3	6.4	4.4	3.9
P/B (x)	1.9	2.6	1.8	1.3
EV/EBITDA (x)	7.7	3.5	2.1	1.6
Dividend yield (%)	1.4	4.0	5.7	6.8

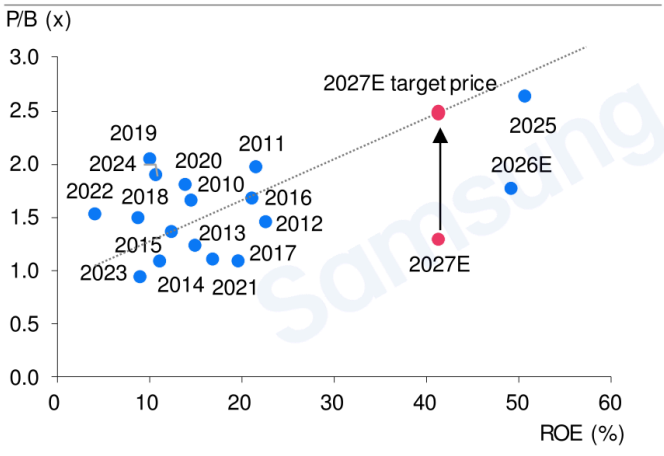
Source: Company data, Samsung Securities estimates

Samsung Securities

Operating profit to reach KRW532t in 2027: Based on 3Q results, we slightly raise our assumptions for DRAM profitability and reduce our estimate for MX division losses. As a result, we increase our 2027 operating profit forecast by 4% to KRW532t. We maintain our BUY rating and KRW400,000 target price.

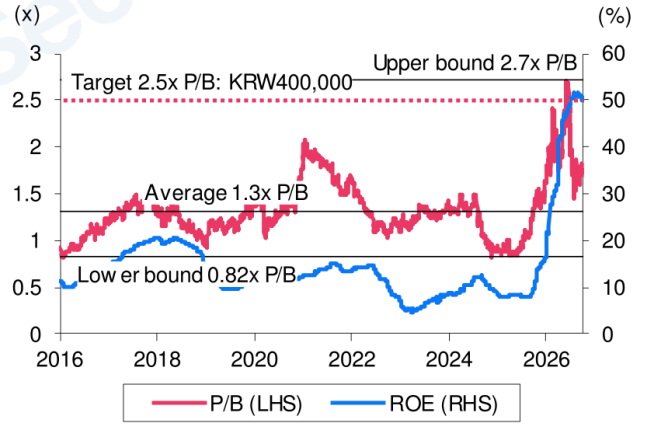
- **HBM competitive edge:** SEC's HBM sales likely jumped 60% q-q in 3Q26. Its technological leadership should translate into higher ASPs and market-share gains. Internalization of base-die production should reduce foundry losses, enhancing overall synergies within the semiconductor division.
- **Memory profit structure:** As the pace of memory-chip price increases slows, ASP growth should increasingly be driven by product mix. We believe SEC has a superior profit structure among the top three memory chipmakers, supported by its: 1) diversified customer base; 2) improved HBM margins; and 3) favorable long-term agreement pricing terms.
- **Further deterioration in smartphone profitability to be limited:** Rising semiconductor costs have raised concerns over MX division losses. However, the pace of price increases for mobile DRAM and NAND has slowed sharply in 2H26, unlike server-use memory products.

Samsung Electronics: Forward P/B vs ROE



Source: QuantiWise, Samsung Securities estimates

Samsung Electronics: Forward P/B vs ROE



Source: QuantiWise, Samsung Securities estimates

Samsung Securities

Samsung Electronics: Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**754,909**	**700,560**	**-7.2**	**1,016,313**	**928,268**	**-8.7**
Semiconductor	547,410	533,081	-2.6	810,576	782,526	-3.5
DRAM	359,319	352,879	-1.8	547,232	536,365	-2.0
NAND	151,554	144,303	-4.8	231,633	214,475	-7.4
LSI	29,582	29,582	0.0	31,061	31,061	0.0
Display	30,498	30,498	0.0	32,023	32,023	0.0
Telecom	136,001	126,018	-7.3	117,379	97,801	-16.7
Handset	132,751	122,768	-7.5	114,129	94,551	-17.2
CE and Harman	76,306	75,878	-0.6	80,984	80,543	-0.5
Operating profit	**361,962**	**367,652**	**1.6**	**511,474**	**532,028**	**4.0**
Semiconductor	362,362	365,944	1.0	522,626	539,086	3.1
DRAM	261,220	266,022	1.8	374,560	386,677	3.2
NAND	102,391	101,172	-1.2	145,596	149,938	3.0
LSI	-1,249	-1,249	0.0	2,471	2,471	0.0
Display	3,465	3,473	0.2	3,219	3,229	0.3
Telecom	-4,417	-2,331	-47.2	-14,164	-10,091	-28.8
Handset	-4,403	-2,318	-47.4	-14,279	-10,206	-28.5
CE and Harman	552	565	2.3	-207	-196	-5.3

Source: Company data, Samsung Securities estimates

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Samsung Electronics: Results and forecasts

(KRWt)	1Q26	2Q26	3Q26P	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	1Q28E	2Q28E	3Q28E	4Q28E	2026E	2027E	2028E
Sales	**133.9**	**171.5**	**195.0**	**200.2**	**211.3**	**228.3**	**238.9**	**249.8**	**700.6**	**928.3**	**1,019.7**	**297.7**	**787.7**	**1,147.8**	**1,238.2**
Chg (% y-y)	69.4	129.9	126.4	113.5	57.8	33.1	22.5	24.8	110.0	32.5	9.8	9.9	10.9	10.9	10.9
Semiconductor	81.7	127.5	154.4	163.2	175.8	190.1	202.5	213.5	533.1	782.5	874.5	242.7	566.5	920.4	1,015.0
DRAM	54.9	86.6	102.8	108.5	121.2	131.9	138.5	144.7	352.9	536.4	618.3	168.6	376.4	614.7	695.5
NAND	19.9	33.7	44.1	46.5	47.3	51.1	56.3	59.8	144.3	214.5	223.5	64.0	161.3	274.7	286.8
Foundry & LSI	6.9	7.1	7.5	8.1	7.2	7.1	7.7	9.0	29.6	31.1	32.6	10.1	29.6	31.1	32.7
Display	6.7	7.5	7.6	8.7	6.4	8.4	8.0	9.2	30.5	32.0	33.6	9.5	30.5	32.0	33.6
Telecom & Handset	38.1	33.2	30.3	24.3	25.8	25.6	24.7	21.6	126.0	97.8	89.9	28.5	141.9	138.4	127.5
CE and Harman	18.1	19.1	18.6	20.0	19.3	20.1	19.7	21.4	75.9	80.5	85.7	23.0	76.3	81.0	86.1
Operating profit	**57.2**	**89.3**	**107.4**	**113.8**	**120.8**	**130.5**	**136.7**	**144.1**	**367.7**	**532.0**	**590.3**	**148.9**	**384.3**	**573.1**	**617.3**
Semiconductor	53.7	89.0	108.4	114.9	123.3	132.3	138.9	144.5	365.9	539.1	591.3	149.5	385.3	586.8	626.2
DRAM	42.0	65.7	77.5	80.8	88.7	95.3	99.3	103.4	266.0	386.7	433.0	109.2	276.0	411.3	450.1
NAND	12.4	23.9	31.0	33.8	34.2	36.3	38.9	40.5	101.2	149.9	154.8	39.3	110.5	173.0	172.6
Foundry & LSI	-0.8	-0.6	-0.2	0.4	0.5	0.6	0.8	0.6	-1.2	2.5	3.5	1.0	-1.2	2.5	3.5
Display	0.4	0.7	1.0	1.5	0.3	0.8	0.8	1.3	3.5	3.2	3.0	1.1	3.5	3.2	3.0
Telecom & Handset	2.8	-0.8	-1.9	-2.4	-2.7	-2.6	-3.1	-1.7	-2.3	-10.1	-4.6	-2.0	-5.1	-16.8	-12.6
CE and Harman	0.4	0.4	0.0	-0.2	-0.2	0.0	0.1	-0.1	0.6	-0.2	0.7	0.3	0.6	-0.2	0.7
Operating margin (%)	**42.8**	**52.1**	**55.1**	**56.8**	**57.2**	**57.2**	**57.2**	**57.7**	**52.5**	**57.3**	**57.9**	**50.0**	**48.8**	**49.9**	**49.9**
Semiconductor	65.7	69.8	70.2	70.4	70.2	69.6	68.6	67.7	68.6	68.9	67.6	61.6	68.0	63.8	61.7
DRAM	76.5	75.8	75.4	74.4	73.2	72.2	71.7	71.4	75.4	72.1	70.0	64.8	73.3	66.9	64.7
NAND	62.4	71.0	70.4	72.6	72.2	71.2	69.1	67.8	70.1	69.9	69.2	61.4	68.5	63.0	60.2
Foundry & LSI	-11.1	-9.1	-2.6	4.4	6.6	8.1	10.1	7.1	-4.2	8.0	10.6	9.8	-4.2	8.0	10.6
Display	5.4	8.9	12.7	17.0	4.4	9.9	9.7	14.5	11.4	10.1	8.8	12.0	11.4	10.1	8.8
Telecom & Handset	7.2	-2.3	-6.4	-9.8	-10.3	-10.1	-12.7	-7.9	-1.8	-10.3	-5.2	-6.9	-3.6	-12.1	-9.9
CE and Harman	2.4	2.0	0.0	-1.2	-1.1	0.1	0.6	-0.5	0.7	-0.2	0.8	1.2	0.7	-0.2	0.8
Assumptions for bit growth and ASP changes															
DRAM bit growth (% q-q)	1.0	9.7	3.7	9.3	3.4	3.7	3.2	4.0	26.1	21.1	22.6	8.2	25.6	16.1	20.5
DRAM ASP chg (% q-q)	90.5	42.7	18.3	7.6	9.2	6.3	2.6	1.3	283.4	40.4	-5.7	-12.2	287.9	40.7	-6.1
NAND bit growth (% q-q)	9.2	0.5	8.0	5.0	-2.0	7.0	10.0	6.0	17.3	18.7	21.9	5.0	17.3	18.7	21.9
NAND ASP chg (% q-q)	86.0	67.0	25.0	12.0	5.0	2.0	1.0	1.0	300.2	39.7	-14.3	-12.0	321.0	43.5	-14.3

Source: Company data, Samsung Securities estimates

Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**300,871**	**333,606**	**700,560**	**928,268**	**1,019,684**
Cost of goods sold	186,562	202,236	139,733	140,969	147,666
Gross profit	**114,309**	**131,370**	**560,827**	**787,299**	**872,018**
Gross margin (%)	38.0	39.4	80.1	84.8	85.5
SG&A expenses	81,583	87,769	193,175	255,271	281,716
Operating profit	**32,726**	**43,601**	**367,652**	**532,028**	**590,302**
Operating margin (%)	10.9	13.1	52.5	57.3	57.9
Non-operating gains (losses)	**4,804**	**5,880**	**10,560**	**19,009**	**28,354**
Financial profit	16,703	16,240	20,570	28,448	37,045
Financial costs	12,986	11,734	11,285	10,856	10,203
Equity-method gains (losses)	751	683	900	950	1,000
Other	335	691	374	467	511
Pre-tax profit	**37,530**	**49,481**	**378,211**	**551,037**	**618,656**
Taxes	3,078	4,275	94,553	137,759	154,664
Effective tax rate (%)	8.2	8.6	25.0	25.0	25.0
Profit from continuing operations	34,451	45,207	283,659	413,278	463,992
Profit from discontinued operations	0	0	0	0	0
Net profit	**34,451**	**45,207**	**283,659**	**413,278**	**463,992**
Net margin (%)	11.5	13.6	40.5	44.5	45.5
Net profit (controlling interests)	33,621	44,261	277,724	404,631	454,284
Net profit (non-controlling interests)	830	946	5,935	8,647	9,708
EBITDA	75,357	90,528	423,817	598,299	673,247
EBITDA margin (%)	25.0	27.1	60.5	64.5	66.0
EPS (parent-based) (KRW)	4,950	6,564	41,636	60,859	68,327
EPS (consolidated) (KRW)	5,072	6,704	42,525	62,160	69,787
Adjusted EPS (KRW)*	4,950	6,564	41,636	60,859	68,327

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**227,062**	**247,685**	**530,147**	**842,981**	**1,074,437**
Cash & equivalents	91,772	112,615	125,821	295,350	522,517
Accounts receivable	43,623	51,128	107,090	141,899	155,873
Inventories	51,755	52,637	101,040	145,454	155,228
Other current assets	77,979	86,064	119,552	156,187	170,821
Fixed assets	**287,470**	**319,257**	**360,729**	**404,753**	**457,410**
Investment assets	24,349	31,348	47,185	58,290	64,335
Tangible assets	205,945	215,305	242,058	275,925	323,338
Intangible assets	23,739	29,481	28,362	27,414	26,612
Other long-term assets	33,437	43,125	43,125	43,125	43,125
Total assets	**514,532**	**566,942**	**890,877**	**1,247,734**	**1,531,846**
Current liabilities	**93,326**	**106,411**	**171,177**	**209,046**	**222,701**
Accounts payable	12,370	13,039	20,211	22,401	23,136
Short-term debt	13,173	17,575	15,575	13,575	11,575
Other current liabilities	67,784	75,797	135,391	173,071	187,990
Long-term liabilities	**19,014**	**24,210**	**32,170**	**40,518**	**43,870**
Bonds & long-term debt	21	2,813	2,813	2,813	2,813
Other long-term liabilities	18,993	21,397	29,357	37,705	41,057
Total liabilities	**112,340**	**130,622**	**203,347**	**249,565**	**266,571**
Owners of parent equity	**391,688**	**424,313**	**669,588**	**971,581**	**1,228,979**
Capital stock	898	898	898	898	898
Capital surplus	4,404	4,404	4,404	4,404	4,404
Retained earnings	370,513	402,136	641,261	981,421	1,340,434
Other	15,873	16,876	23,026	-15,142	-116,756
Non-controlling interests' equity	**10,504**	**12,007**	**17,942**	**26,589**	**36,297**
Total equity	**402,192**	**436,320**	**687,530**	**998,170**	**1,265,276**
Net debt	-93,285	-100,582	-273,288	-502,456	-709,649

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**72,983**	**85,315**	**301,031**	**439,972**	**536,975**
Net profit	34,451	45,207	283,659	413,278	463,992
Non-cash profit and expenses	42,947	52,396	141,234	186,471	211,091
Depreciation	39,650	43,606	53,047	63,323	80,142
Amortization	2,981	3,321	3,119	2,947	2,802
Other	316	5,469	85,069	120,200	128,146
Changes in A/L from operating activities	-1,568	-9,614	-37,031	-37,449	-7,256
Cash flow from investments	**-85,382**	**-68,512**	**-105,869**	**-128,213**	**-139,998**
Change in tangible assets	-51,250	-47,372	-79,800	-97,190	-127,556
Change in financial assets	-36,218	-9,056	-24,920	-30,191	-12,121
Other	2,087	-12,084	-1,150	-832	-322
Cash flow from financing	**-7,797**	**-13,478**	**-41,776**	**-104,638**	**-198,886**
Change in debt	6,644	5,909	-3,178	-2,000	-2,000
Change in equity	0	0	0	0	0
Dividends	-10,889	-9,897	-38,598	-64,470	-95,271
Other	-3,553	-9,490	0	-38,167	-101,614
Change in cash	-28,969	-2,169	34,050	182,735	396,696
Cash at beginning of year	120,740	114,784	91,772	112,615	125,821
Cash at end of year	91,772	112,615	125,821	295,350	522,517
Gross cash flow	**77,398**	**97,602**	**424,893**	**599,748**	**675,083**
Free cash flow	**21,576**	**37,793**	**221,231**	**342,782**	**409,419**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	16.2	10.9	110.0	32.5	9.8
Operating profit	398.3	33.2	743.2	44.7	11.0
Net profit	122.5	31.2	527.5	45.7	12.3
Adjusted EPS**	132.3	32.6	534.3	46.2	12.3
Per-share data (KRW)					
EPS (parent-based)	4,950	6,564	41,636	60,859	68,327
EPS (consolidated)	5,072	6,704	42,525	62,160	69,787
Adjusted EPS**	4,950	6,564	41,636	60,859	68,327
BVPS	57,981	63,997	102,825	152,918	207,173
DPS (common)	1,446	1,668	10,756	15,300	18,243
Valuations (x)					
P/E***	10.7	18.3	6.4	4.4	3.9
P/B***	0.9	1.9	2.6	1.8	1.3
EV/EBITDA	3.6	7.7	3.5	2.1	1.6
Ratios (%)					
ROE	9.0	10.8	50.8	49.3	41.3
ROA	7.1	8.4	38.9	38.6	33.4
ROIC	10.6	13.2	79.3	93.8	89.3
Payout ratio	25.6	22.1	22.1	21.1	21.0
Dividend yield (common)	2.7	1.4	4.0	5.7	6.8
Net debt to equity	-23.2	-23.1	-39.7	-50.3	-56.1
Interest coverage (x)	36.2	72.0	571.9	929.2	1,139.2

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

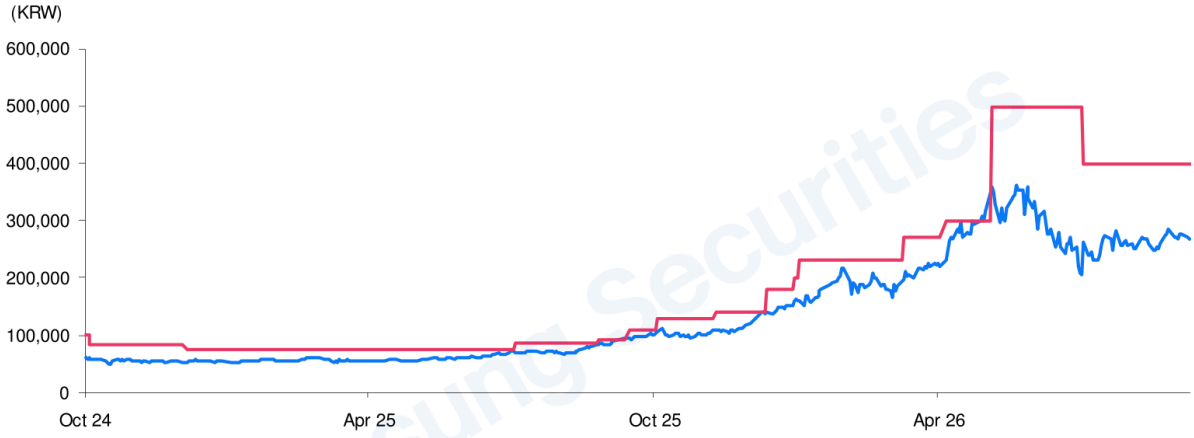
Source: Company data, Samsung Securities estimates

Samsung Securities

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Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/9/12	11/1	2025/1/2	8/1	9/23	10/13	10/31	12/8	2026/1/9	1/27	1/30	4/7
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	100000	83000	74000	85000	93000	110000	130000	140000	180000	200000	230000	270000
Gap* (average)	-39.49	-33.92	-21.93	-15.05	-6.95	-10.64	-21.96	-16.54	-18.69	-19.23	-19.75	-20.25
(max or min)**	-35.30	-29.28	-1.89	-1.76	1.51	-5.36	-14.54	0.71	-15.39	-18.80	-5.22	-16.30

Date	5/4	6/2	7/31
Recommendation	BUY	BUY	BUY
Target price (KRW)	300000	500000	400000
Gap* (average)	-3.39	-40.44	
(max or min)**	16.33	-27.50	

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

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Company

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

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NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
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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 2026.09.30

BUY (86.3%)·HOLD (13.7%)·SELL (0%)

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