

HBM4 delivered and 2027 HBM supply sold out, but net income missed consensus and the device businesses stayed in loss

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Year Ago	vs. Year Ago
Revenue (KRW)	195.25T	86.06T	+126.9%
Operating Income (KRW)	107.44T	12.17T	+782.8%
Net Income (vs. Cons.) (KRW)	75.21T	89.06T	-15.6%
EPS (KRW)	11,462	1,802	+536%
SEGMENT REVENUE			
Memory (KRW)	140.7T	120.8T	+16.5%
Mobile (MX) (KRW)	37.3T	32.3T	+15.5%
Samsung Display (KRW)	8.0T	7.5T	+6.7%

2 | GUIDANCE AND OUTLOOK

For Q4, management guided DRAM bit growth to the mid- to high-teen range and NAND to the mid-teens. 2027 HBM supply is sold out at agreed target prices; HBM4E mass production is planned for H1 2027, with a larger H2 ramp. Tight supply through 2028 was reaffirmed. 2026 capex is guided at KRW84.4 trillion, KRW76.8 trillion semiconductors. The 2026 return range of KRW90 trillion to KRW110 trillion stands; the approved Q3 dividend is KRW4,601 per share, and the next return policy is decided in late January.

3 | EARNINGS ANALYSIS

PRICE, NOT VOLUME, DROVE THE RECORD. Semiconductor profit supplied about KRW17.3 trillion of the KRW17.9 trillion sequential operating profit increase, on DRAM ASP up approximately 20% and NAND ASP up a high-teen percentage, while DRAM bits grew low- to mid-single digits and NAND bits mid-single digits. Price growth decelerated sharply from Q2's mid-40% DRAM and high-60% NAND rates, a slower rate of increase rather than a price decline.

MARGIN CAME FROM EXPENSE LEVERAGE. Gross margin declined from 69.6% to 69.3% even as gross profit rose to KRW135.3 trillion. Operating margin expanded from 52.2% to 55.0% because SG&A fell from KRW29.8 trillion to KRW27.8 trillion and R&D fell from KRW16.0 trillion to KRW14.4 trillion, a reduction equal to about 9% of the profit increase. R&D remained about 63% above a year ago, so the current expense level should not automatically be treated as permanent.

THE MISS SITS BELOW THE OPERATING LINE. Net finance swung from KRW4.7 trillion of income in Q2 to a KRW9.5 trillion expense, absorbing about 79% of the sequential operating profit increase. A roughly KRW10 trillion adverse currency impact also hit operating profit, about 9.3% of the reported total, and the company relies on natural hedges rather than comprehensive derivatives hedging. Attributable net income of KRW75.21 trillion missed the KRW89.06 trillion consensus by 15.6%.

CONTRACTS EXTEND VISIBILITY, WITH LIMITS. Signed multiyear memory agreements doubled to 10 major customers, with 10 more in negotiation, and the objective of allocating 60% to 70% of medium- to long-term capacity to such contracts is unchanged. That percentage is a target, not current coverage, and the call did not disclose floor prices, obligors, or cancellation terms, so price floors improve visibility without establishing a guaranteed earnings floor.

DURABILITY IMPROVES; CONCENTRATION IS THE LIMIT. HBM4 sales grew more than 3 times sequentially to 60% of HBM sales, and foundry demand is improving, with 2nm projects set to more than double in 2026. Against that, Device Solutions produced about 99.1% of operating profit while Device eXperience lost KRW0.8 trillion, operating cash flow fell to KRW98.6 trillion as cash capex rose, and full-year capex of KRW84.4 trillion lifts the future depreciation base. The earnings base remains concentrated in the memory cycle.

4 | KEY READ-THROUGHS

NAND FLASH AND ENTERPRISE STORAGE: AGENTIC AI EXPANDS THE PROFIT POOL BEYOND HBM
Sandisk (SNDK), Kioxia Holdings (285A), Micron Technology (MU), SK hynix (000660) | Positive | High for enterprise NAND and SSD earnings
Samsung received additional large-volume QLC demand tied to cloud-based personal AI agents, with high-performance TLC SSDs serving KV-cache workloads and high-density QLC serving persistent agent state. Persistent agents add stored context, user state, and reusable inference data, expanding the enterprise storage market. SanDisk's datacenter revenue reached about \$3.0 billion, about 33% of sales; Micron's datacenter SSD revenue was nearly \$10 billion.

DRAM AND MEMORY CONTRACTS: CONSUMER WEAKNESS NO LONGER CALLS THE DOWNTURN
Micron Technology (MU), SK hynix (000660) | Positive | High for earnings durability and investment visibility
Samsung reported weakening mobile and PC demand alongside approximately 20% sequential DRAM ASP growth, 10 executed multiyear agreements, negotiations with 10 more major accounts, and an unchanged objective of allocating 60% to 70% of long-term capacity to such contracts. AI servers, conventional servers, and HBM compete for constrained capacity, so consumer weakness no longer releases enough supply to normalize pricing.

HBM COMPETITION: SAMSUNG'S RECOVERY WEAKENS THE CASE FOR PERMANENT SUPPLIER EXCLUSIVITY
SK hynix (000660), Micron Technology (MU) | Negative | Moderate strategically, limited for already-contracted near-term volume
HBM4 sales increased more than 3 times sequentially to 60% of total HBM sales, management said HBM market share is now in line with its overall DRAM share, and planned 2027 HBM volume is sold out at agreed target prices. A credible additional supplier expands customers' ability to allocate platforms across sources. Near-term peer volume is already contracted.

SEMICONDUCTOR EQUIPMENT: PROCESS COMPLEXITY SUPPORTS TOOL DEMAND WITHOUT A MATCHING SURGE IN BITS
Lam Research (LRCX), KLA Corporation (KLAC) | Positive | High for medium-term demand exposure
Samsung guided 2026 capex to KRW84.4 trillion, about 60% above the prior year, including KRW76.8 trillion for semiconductors, and described larger HBM die sizes and more metal-process layers, while cautioning that higher spending will not quickly raise bit supply. That favors deposition, etch, and cleaning intensity for Lam, and inspection and metrology intensity for KLA.