

Stronger fundamental outlook, but current profitability is not a contractual floor

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue (KRW)	104.62 trillion	98.96 trillion	+5.7%
Operating Income (KRW)	83.33 trillion	77.5 trillion	+7.5%
Net Income (KRW)	39.7756 trillion	59.66 trillion	-33.3%

2 | GUIDANCE AND OUTLOOK

Q4 DRAM bit shipments should rise mid-20% sequentially, versus approximately 10% in Q3; NAND should rise mid-single digits after declining slightly. HBM4 should overtake HBM3E in volume and revenue in Q4, with M15X at full capacity by year-end. The 321-layer NAND target is more than 50% of domestic capacity during Q4, versus approximately 50% by year-end previously. Management expects significantly higher 2027 investment, revenue and profit. PC/mobile shipments may decline on memory costs and shortages. FY2026 shareholder returns target approximately KRW100 trillion, including prior repurchases and special distributions.

3 | EARNINGS ANALYSIS

PRICE AND MIX DRIVE PROFITS. Revenue beat consensus by 5.7% and operating profit by 7.5%. Server DDR5 shipments increased more than 40%, versus approximately 10% DRAM bit growth, while blended DRAM ASP rose high-20% sequentially. Strength extended beyond HBM into conventional server memory. NAND ASP increased mid-20% despite slightly lower bit shipments, reflecting stronger prices and enterprise SSD mix. Pricing and mix flowed through a manufacturing base whose costs increased much more slowly than sales; the beat was not simply a larger revenue base.

OPERATING BEAT, NET INCOME MISS. Official net income missed consensus by 33.3%, despite the operating beat. Foreign-exchange-related losses of KRW11.6 trillion and investment-asset valuation losses of KRW22.9 trillion drove below-the-line weakness. Operating profit is the cleaner manufacturing measure, but investment losses affect shareholder asset value. Missing realized-versus-unrealized splits, hedges and item-specific tax effects prevent defensible adjusted net income. Adding back all KRW32.6 trillion of net non-operating expenses would overstate normalization precision.

HBM EXECUTION SUPPORTS EARNINGS. Operating margin reached 79.66%; pricing duration matters more than further expansion. HBM4 yields exceeded plan and the target increased; numerical yields remain undisclosed. Finalized 2027 HBM pricing reflects HBM4’s increased value; management expects the profitability gap with conventional DRAM to narrow meaningfully. Product margins remain undisclosed; scarcity-driven operating leverage creates sensitivity to price normalization.

LIQUIDITY STRONG, INVESTMENT BURDEN RISING. Cash reached KRW114.5 trillion, debt fell to KRW15.8 trillion and net cash rose to KRW98.7 trillion. Cash accumulation is not free cash flow: customer deposits, investment sales, distributions and currency effects matter. The completed KRW40 trillion repurchase’s settlement schedule is unavailable. Significantly higher investment and cancelled Solidigm IPO reviews leave greater funding responsibility within the group; no numerical 2027 capex budget was provided.

RETURN COMPONENTS MATTER ECONOMICALLY. The annual return objective is not incremental recurring distributions. The new KRW20 trillion repurchase includes only KRW10 trillion for cancellation; approximately KRW10 trillion for employee compensation is excluded from shareholder returns. The KRW20,000 dividend includes KRW10,000 linked to Kioxia gains and should not be annualized.

VISIBILITY IS NOT A FLOOR. Signed agreements cover more than 50% of capacity for 2027 and 2028. Pricing ranges and deposits do not establish fixed-price backlog or protect current margins; cancellation penalties and purchase obligations remain undisclosed. The call improves confidence in earnings duration more than terminal profitability. Sustainable operating earnings and cash generation after investment remain the valuation anchors.

4 | KEY READ-THROUGHS

NAND AND ENTERPRISE SSDS: AI STORAGE DEMAND IS BECOMING LESS DEPENDENT ON CONSUMER DEVICES
Sandisk (SNDK); Kioxia Holdings (285A) | Positive | High
NAND ASP rose mid-20% despite slightly lower bit shipments, supporting higher revenue realization and richer enterprise mix for direct NAND exposures. Inference context creates an incremental enterprise use case beneath HBM and DRAM, not an indiscriminate replacement for them. Sandisk reports October 29 and Kioxia October 30; the industry signal does not prove either will exceed consensus. Qualification, controllers, firmware and product mix determine each producer’s participation.

DRAM: CONVENTIONAL SERVER MEMORY PROVIDES A PROFIT ENGINE BEYOND HBM LEADERSHIP
Micron Technology (MU); Samsung Electronics (005930) | Positive | High for Micron and Samsung’s memory operations
Server DDR5 shipments rose more than 40% and blended DRAM ASP increased high-20%. HBM absorbs wafer and backend resources while AI servers also need conventional memory, supporting profit from existing qualified products without additional HBM share. Samsung’s conventional exposure can benefit independently of HBM qualifications; Micron benefits through both channels. Different product mixes and yields prevent mechanically transferring SK hynix’s margins. Contract coverage corroborates demand duration, not identical protection across producers.

SEMICONDUCTOR EQUIPMENT: PROCESS COMPLEXITY SUPPORTS SPENDING EVEN WHEN BIT GROWTH IS CONSTRAINED
Lam Research (LRCX) | Positive | High within memory-related equipment demand and material for the company
Significantly higher 2027 capex, leading-edge DRAM and the 321-layer NAND transition support etch and deposition demand through greater process intensity. More spending need not mean proportionately more bits, allowing memory pricing power and equipment demand to coexist. Shells and utilities do not immediately become Lam revenue; tool ordering, delivery and acceptance determine timing. No vendor allocation or specific award was disclosed. Lam already reported October 21; this corroborates continued customer spending.

PC HARDWARE: MEMORY INFLATION CAN SUPPORT REPORTED REVENUE WHILE ERODING UNITS AND PROFITABILITY
HP Inc. (HPQ) | Negative | High at the PC segment level and material at the consolidated level
SK hynix expects PC shipments to decline because of memory costs and shortages. Absorbing inflation reduces device profit; passing it through worsens affordability and unit demand. HP’s already-reported Personal Systems revenue rose 18% while units fell 16% and operating margin was 4.6%. Improved supply and fulfillment argue against assuming a new procurement failure; the stronger negative is cost pressure and demand elasticity. AI-PC mix may not offset additional exposure to scarce memory.