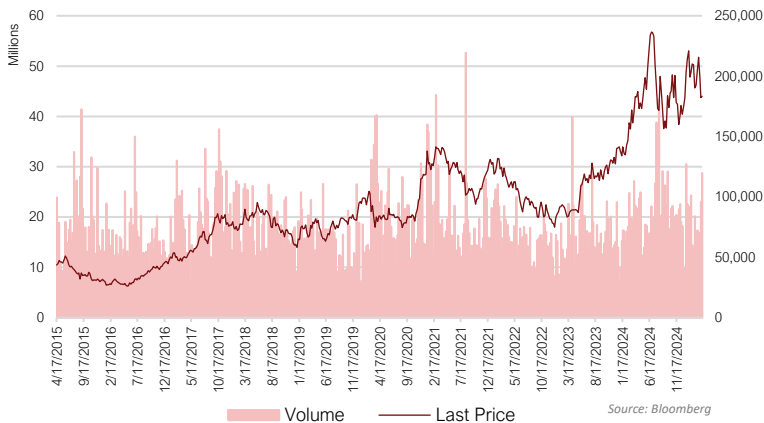


SK Hynix Inc.

Recommendation: Buy | Price Target: ₩300,000

We initiate coverage on SK Hynix (000660.KQ) with a Buy recommendation, underpinned by the company's leading position in high-bandwidth memory (HBM), its improving margin profile as the memory cycle bottoms, and compelling valuation amid a structurally undervalued Korean equity market. As AI-related demand accelerates, HBM is emerging as the most critical memory architecture for next-generation computing, and SK Hynix is the global leader – supplying key customers like NVIDIA and preparing to launch HBM4 mass production by late 2025. Despite ongoing NAND margin pressure and elevated geopolitical risks linked to U.S.-China trade tensions, SK Hynix is well-positioned to benefit from rising AI capex, normalization of pricing power, and a more favorable USD/KRW environment. Trading at a steep discount to global peers – compounded by the 45% KOSPI–NASDAQ valuation gap – we believe SK Hynix offers investors asymmetric upside as memory markets stabilize and premium segments like HBM drive long-term earnings growth.

Stock Performance



Business Overview

SK Hynix Inc., a flagship affiliate of South Korea's SK Group, is the world's second-largest manufacturer of DRAM and a top-tier supplier of NAND flash memory. The company plays a critical role in the global semiconductor supply chain, providing memory solutions that power a broad spectrum of devices, including smartphones, PCs, data centers, servers, and increasingly, AI accelerators and automotive electronics. With a vertically integrated business model, SK Hynix controls the design, fabrication, and packaging of its memory chips, enabling it to optimize performance, cost, and time-to-market across its product lines. Its manufacturing footprint spans South Korea, China, and the U.S., with major R&D hubs focused on driving innovation in areas like high-bandwidth memory (HBM), next-generation 3D NAND, and advanced packaging technologies. In 2020, SK Hynix acquired Intel's NAND and SSD business, significantly expanding its capabilities in enterprise storage and reinforcing its strategic shift toward high-value-added products. The company's exposure to structural tailwinds—such as generative AI, cloud infrastructure buildout, and the electrification of vehicles—positions it to benefit from the rising demand for high-performance memory solutions. Moreover, SK Hynix's technological leadership, including early adoption of HBM3 and participation in AI-focused memory development, underscores its ambition to stay at the forefront of the semiconductor industry's transformation.

LISBON INVESTMENT SOCIETY

KRX: 000660
Price (24 Apr 25): ₩178,300
Upside (Downside): 70.29%

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Statistics	
Beta	1.14
% Float	78.30%
% Held by Insiders	20.42%
% Held by Institutions	43.90%
Short % of Float	0.00%

Ownership Structure	
Foreigner	53.90%
SK Square	20.10%
National Pension Service	7.40%
Domestic Individual	7.30%
Domestic Institutions	6.00%
Others	2.70%
Treasury Stock	2.60%

ESG Traffic Light	
LSEG ESG Score	70
E-Score	57
S-Score	66
G-Score	94
S&P Global ESG Score	56
Environmental	53
Social	60
Governance & Economic	56
Sustainalytics	17.3
ISS ESG Corporate Rating	C+
SDG Impact Rating	3.7
Governance Quality Score	1
MSCI ESG Ratings	A

For inquiries about this report, feel free to contact our team

CONTACT US

Macroeconomic Environment

Geopolitical Events Timeline



Global Trade Fragmentation & Policy-Driven Supply Chains

The single most defining macroeconomic factor for SK Hynix is the restructuring of global semiconductor supply chains under political pressure, particularly from the U.S.–China rivalry. While the U.S. Commerce Department extended indefinite export waivers in 2023, allowing SK Hynix to continue upgrading its Wuxi and Dalian fabs, these permissions are political, not permanent. Washington's evolving stance on “China-adjacent” production continues to pose a latent threat to SK Hynix's ~60% China-based production exposure.

In particular, the potential implementation of targeted restrictions on HBM shipments to China poses a strategic dilemma. While SK Hynix's current HBM volumes are concentrated in the U.S. and Europe (notably Nvidia), the firm will increasingly face pressure to diversify capacity away from China if export rules tighten further. Unlike Micron, which has limited China exposure and strong alignment with U.S. policy, SK Hynix risks being caught between competing interests. Building out local capacity in South Korea or the U.S. is capital-intensive and multi-year in horizon, and the uncertainty alone increases the company's execution risk and planning costs.

Moreover, potential reciprocal tariffs proposed in the U.S., such as the floated 10–25% levy on imported semiconductors, would directly impact SK Hynix's pricing power in its largest end market. In 2024, North America represented nearly 60% of SK Hynix's top-line, and the company has no front-end manufacturing presence in the U.S. Unlike logic peers who have rushed to break ground on U.S. fabs, SK Hynix is structurally more vulnerable to protectionism – a fact that will become increasingly relevant during the 2025–2026 U.S. election cycle and CHIPS Act review.

Currency Volatility: A Hidden Leverage on Profitability

Currency dynamics, particularly the USD/KRW exchange rate, remain a powerful – and often overlooked – driver of SK Hynix's margins. With ~90% of revenue earned in USD and a cost base heavily denominated in KRW, the company benefits materially from won depreciation, which amplifies reported EBITDA in local terms. This FX tailwind helped cushion the company's margins during the 2023–24 industry downturn.

Looking ahead, the Fed–BOK rate differential is expected to support a relatively strong USD into late 2025, but early signs of a dovish pivot in the U.S. – or labor market softening – could reverse this trend. A strengthening won, particularly during the early stages of an earnings recovery, could blunt operating leverage and slow valuation rerating. Even a 5–10% KRW appreciation may cut gross margins by over 100bps in a recovery phase.

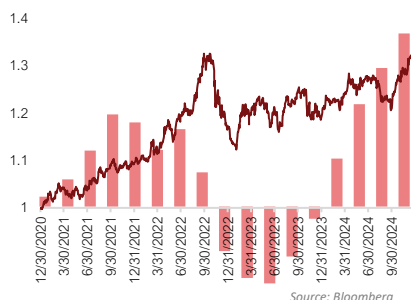
Although SK Hynix uses short-term hedging tools, these offer limited protection in a commodity pricing environment. FX volatility remains a key macro risk to 2025–26 EPS upside, particularly given the company's high USD exposure and limited natural cost hedges abroad.

Structural Valuation Discount: The Mispricing of Korean Equities

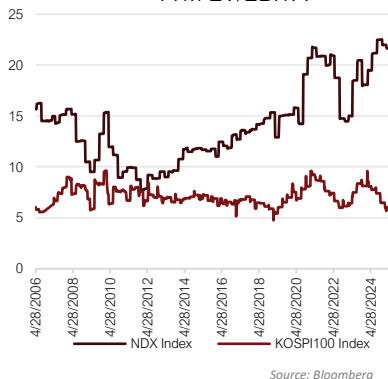
Despite its global footprint and strong technological position, SK Hynix remains subject to the structural undervaluation known as the “Korea discount.” As of April 2025, the KOSPI 100 trades at a 45% discount to the NASDAQ 100 on both EV/EBITDA and P/E multiples – a disparity that has persisted despite Korea's leadership in high-tech sectors. This discount reflects more than just governance or political risk. It is reinforced by limited foreign investor participation, underrepresentation in major passive indices, and ongoing skepticism around shareholder return policies. While SK Hynix has improved transparency and capital return efforts in recent years, the legacy of chaebol governance and intermittent buyback activity continues to weigh on market sentiment.

Geopolitics further compounds this valuation drag. Korea's strategic position between the U.S. and China introduces a premium for policy uncertainty, especially in the semiconductor space. Additionally, tensions with North Korea periodically resurface in risk pricing, even when unrelated to economic fundamentals. As a result, SK Hynix often trades at lower valuation multiples than peers like Micron, even when demonstrating comparable or superior financial performance. This structural mispricing suppresses upside potential in cyclical recoveries and raises the effective cost of capital – a key consideration as the company plans high-capex projects or explores strategic acquisitions. For investors, recognizing this macro valuation asymmetry is essential to accurately assess SK Hynix's long-term equity value.

USDKRW vs SK's Pre-tax Income

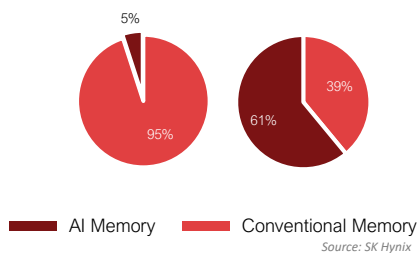


TTM EV/EBITA



Industry Overview and Competitive Positioning

Memory Market Size 2023 vs 2028



The semiconductor memory industry is projected to grow at compound annual growth rate of 6.8%, driven by demand for artificial intelligence, data centres, and high-performance computing. Dynamic random-access memory (DRAM) dominates the market with almost 50% revenue share, whilst high-bandwidth memory (HBM) has emerged as the fastest growing segment. HBM sales are expected to surge 70% year-on-year in 2025, owing to its critical role in AI accelerators such as NVIDIA's graphics processing units.

The industry is segmented into DRAM, NAND flash memory, and emerging technologies like HBM. DRAM benefits from AI server adoption, whereas NAND faces pricing pressures due to oversupply, though long-term demand is supported by AI-driven storage needs. The current NAND market is characterised by aggressive price competition, with producers like Samsung and Micron prioritising inventory reduction. Key trends include 3D NAND layering, HBM3E/4 adoption, and supply-chain regionalisation, which are reshaping competitive dynamics.

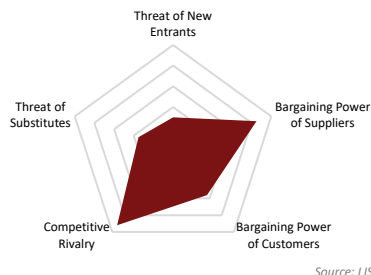
Semiconductor Industry Performance



The NAND flash market is currently grappling with a prolonged oversupply, triggered by weaker-than-expected demand for consumer electronics and enterprise storage. Prices for NAND chips fell by nearly 50% in 2023, prompting major players like Samsung, Micron, and Kioxia to slash production and delay capacity expansion. Despite these challenges, the market is poised for gradual recovery in 2025, fuelled by rising adoption of high-capacity solid state drives for AI workloads and next-generation centres. Technological advancements, such as 200+ layer 3D NAND and Quad-Level Cell designs, are also improving cost efficiencies, helping manufacturers offset margin pressures.

The market is an oligopoly, with Samsung, SK Hynix and Micron controlling more than 90% of global DRAM production. SK Hynix leads in HBM, supplying NVIDIA's Blackwell and forthcoming Feynman GPUs, and plans to mass-produce HBM4 by late 2025. Its collaboration with Taiwan Semiconductor Manufacturing Company for logic dies further strengthens its technological edge. Rivalry is intense, with the DRAM industry's Herfindahl-Hirschman Index score of 3,122 indicating a concentrated oligopoly. Competition centres on HBM technology and pricing power. Barriers to entry are prohibitive, requiring over 20 billion dollars in capital expenditure and mastery of extreme ultraviolet lithography, dominated by ASML.

Porter's Five Forces



Suppliers such as ASML (EUV tools) and Tokyo Electron (through-silicon via equipment) hold moderate power due to limited alternatives, but SK Hynix's vertical integration mitigates dependency. Buyers wield significant influence, though HBM's customisation and tight supply (three times the wafer cost of standard DRAM) sustain premium pricing.

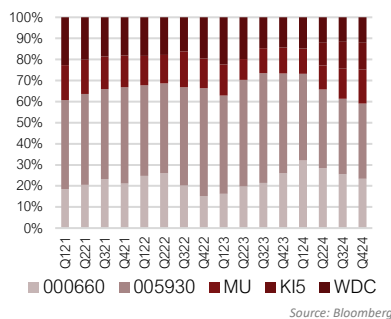
Substitutes like magneto resistive RAM remain niche, ensuring HBM's dominance for AI workloads. However, macroeconomic downturns could dampen demand, whilst inventory gluts exacerbate cyclicality.

SK Hynix's competitive advantage lies in its HBM leadership, with 40% of its DRAM revenue derived from HBM in 2024. The company's advanced Mass Reflow-Molded Underfill packaging technology and 12-high HBM3E stacks afford it superior yield rates and performance over rivals. Its capacity expansions aim to address HBM's supply-demand imbalance, with 2025 production already sold out.

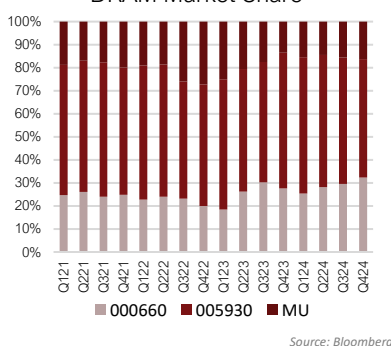
Despite its strengths, SK Hynix faces risks from Samsung's aggressive HBM4 roadmap and Micron's cost-efficient production. Additionally, NAND segment margins remain volatile due to weak demand for smartphones and personal computers, though enterprise solid-state drive solutions offer partial mitigation. Geopolitical risks, such as U.S.-China trade restrictions on advanced tools, could disrupt operations at its Wuxi fabrication plant.

Peer Comparison

NAND Market Share



DRAM Market Share



1-year Correlation

	000660	005930	MU	NDX100	KOSPI100	SOX
000660		0.25	0.55	0.22	0.52	0.48
005930	0.25		0.67	-0.62	0.92	0.24
MU	0.55	0.67		-0.12	0.76	0.71
NDX100	0.22	-0.62	-0.12		-0.43	0.51
KOSPI100	0.52	0.92	0.76	-0.43		0.42
SOX	0.48	0.24	0.71	0.51	0.42	

Source: Bloomberg

3-year Correlation

	000660	005930	MU	NDX100	KOSPI100	SOX
000660		0.28	0.92	0.94	0.71	0.94
005930	0.28		0.46	0.17		0.34
MU	0.92	0.46		0.85	0.79	0.93
NDX100	0.94	0.17	0.85		0.62	0.97
KOSPI100	0.71		0.79	0.62		0.73
SOX	0.94	0.34	0.93	0.97	0.73	

Source: Bloomberg

SK Hynix operates within the highly competitive semiconductor memory market, focusing primarily on advanced DRAM and NAND flash memory technologies. The company faces intense competition, most notably from Samsung Electronics, which holds a dominant position in the memory segment—particularly DRAM—driven by its technological leadership and economies of scale. Samsung also benefits from a diversified business model, spanning consumer electronics such as smartphones, TVs, monitors, and display panels, which provides additional resilience.

Micron Technology represents another major competitor, with a strong presence across both DRAM and NAND segments. Micron continues to advance cutting-edge technology, often leading in the commercialization of next-generation memory nodes.

In the NAND flash space, Kioxia and Western Digital are key players. While both companies emphasize NAND production, they also maintain a strong focus on solid-state drives (SSDs). Notably, SK Hynix holds a stake in Kioxia, creating a nuanced competitive and strategic relationship that could present both opportunities and risks depending on market dynamics and potential consolidation scenarios.

SK Hynix seeks to differentiate itself through its leadership in High Bandwidth Memory (HBM), which is gaining relevance amid the growing demand for AI and high-performance computing applications. A key milestone in this regard is the company's recent partnership with NVIDIA, which has started sourcing memory for its upcoming RTX 50 graphics cards from SK Hynix. This shift underscores Hynix's progress in delivering memory solutions with high performance and energy efficiency, positioning it well for future AI-driven growth.

Nevertheless, the memory landscape remains dynamic, with all major competitors aggressively investing in R&D to maintain or strengthen their market positions. Sustained innovation and cost leadership will be critical to SK Hynix's ability to protect and grow its market share in the years ahead. Samsung Electronics

Samsung Electronics

Samsung remains SK Hynix's strongest competitor, holding roughly 34% of the DRAM market and leading in NAND through early adoption of V-NAND and EUV DRAM nodes. Its unmatched capex scale enables faster capacity expansion and technology migration than any peer. Samsung's diversified portfolio – spanning mobile, displays, and logic – offers a financial buffer during memory downturns, allowing it to maintain production when others, including SK Hynix, scale back.

In HBM, Samsung trails SK Hynix in yield and market traction, particularly with HBM3E, where Hynix has secured key wins with NVIDIA. While Samsung is ramping up HBM4 development, its delays in meeting AI performance benchmarks have temporarily ceded leadership. Still, its deep R&D and internal demand integration suggest it will remain a potent long-term rival. For SK Hynix, this means continued pricing pressure and capital intensity, as Samsung's scale enables prolonged competition even in low-margin environments.

Micron Technology

SK Hynix's main Western rival, holds ~25% DRAM market share and ranks among the top NAND producers, with a history of early node adoption like 1-beta DRAM and 232-layer NAND. While smaller in scale, Micron often leads in manufacturing efficiency and process execution.

Geopolitically, Micron enjoys a more favorable position. As a U.S.-based company, it benefits from CHIPS Act subsidies and is expanding DRAM capacity domestically. Its limited exposure to China reduces vulnerability to export restrictions, unlike SK Hynix, which relies on equipment waivers to operate its fabs in Wuxi and Dalian.

Micron remains a latecomer in HBM, trailing SK Hynix in HBM3 and HBM3E, but is building capabilities to compete in HBM4. If successful, this could add pricing pressure, particularly among U.S. and European hyperscalers.

Despite a narrower footprint and higher NAND exposure, Micron offsets these with strong financial discipline, capex agility, and alignment with U.S. industrial policy. Over time, it may be better positioned to benefit from reshoring trends, while SK Hynix continues to face complex geopolitical exposure.

Multiple-Based Valuation

Peers	Ticker	Revenue Growth		EBITDA Margin		Profit Margin	
		2022-2023	2023-2024	2023	2024	2022-2023	2023-2024
SK hynix Inc.	000660	-27%	102%	-22%	36%	-28%	30%
Samsung Electronics Co., Ltd.	005930	-14%	16%	17%	25%	6%	29%
MICRON TECHNOLOGY, INC.	MU	-46%	64%	16%	36%	-38%	3%
Kioxia Holdings Corporation	KI5	-22%	-21%	25%	7%	-11%	-23%
WESTERN DIGITAL CORPORATION	WDC	-28%	6%	-1%	7%	-14%	-211%
Average		-27%	34%	7%	22%	-17%	-34%
Deviation from Average		-1%	-68%	29%	-14%	-11%	64%

SK Hynix delivered a remarkable turnaround in 2024, achieving robust revenue and margin expansion following a challenging 2023. The company reported revenue growth of 102% year-over-year, reversing the previous year's contraction of -26.6%. While this recovery reflects a broader rebound in the memory sector – also observed in Micron Technology – SK Hynix distinguished itself through superior operational execution.

Most notably, SK Hynix posted a 36.3% EBITDA margin in 2024, up from negative territory in 2023, surpassing both Micron and Samsung despite their relatively stronger positions in the prior year. This margin recovery extended to net profitability, positioning SK Hynix as the leader in margin expansion among peers. The performance was largely driven by surging demand for DRAM and NAND products amid growing adoption of AI, cloud computing, and high-performance computing. Interestingly, NAND-heavy players like Kioxia and Western Digital did not exhibit the same margin improvement, underscoring SK Hynix's competitive edge in execution and product mix.

Further enhancing its strategic position, SK Hynix increased R&D investment in line with Samsung and Micron, reinforcing its commitment to innovation and leadership in advanced memory technologies such as HBM and next-gen NAND. Despite heavy capital expenditure across the industry, SK Hynix delivered a significantly higher Return on Invested Capital (20.8%), underscoring its superior capital efficiency and disciplined investment approach – key drivers behind its margin expansion and earnings recovery.

Peers	Ticker	EV / Revenue		EV / EBITDA		Price / Earnings	
		2023	2024	2023	2024	2023	2024
SK hynix Inc.	000660	4.3	2.1	-19.8	5.9	-14.4	6.6
Samsung Electronics Co., Ltd.	005930	1.3	1.1	7.4	4.5	25.6	11.0
MICRON TECHNOLOGY, INC.	MU	6.0	3.6	37.2	10.0	-14.7	108.3
Kioxia Holdings Corporation	KI5	1.9	2.4	7.5	31.5	-7.8	-4.7
WESTERN DIGITAL CORPORATION	WDC	1.6	1.5	-128.3	20.5	-8.0	-16.8
Average		3.0	2.1	-19.2	14.5	-3.9	20.9
Deviation from Average		1.3	0.0	-0.6	-8.6	-10.5	-14.3

SK Hynix currently trades at a discount relative to peers, presenting a compelling valuation case. Its EV/EBITDA and P/E multiples are materially lower than Micron's, despite SK Hynix demonstrating stronger margin recovery. Compared to Western Digital and Kioxia – both of which continue to operate at a loss and exhibit negative P/E ratios – SK Hynix is significantly more attractive on a fundamental basis. Samsung, while trading at a slightly lower EV/EBITDA, commands a higher P/E multiple due to its diversified business model, which extends beyond memory and includes smartphones, consumer electronics, and foundry services. This diversification provides stability and justifies Samsung's P/E valuation premium.

In valuing SK Hynix, the EV/Revenue multiple was primarily used to normalize for distortions caused by underperforming peers. Despite SK Hynix's EV/Revenue being near the peer average, its superior growth profile and margin trajectory indicate undervaluation. The company's relative strength becomes even more evident when considering the negative EBITDA posted by several competitors, further emphasizing SK Hynix's resilience and operating leverage.

ESG Analysis

Environmental

SK hynix has demonstrated commendable progress on the environmental front, particularly in terms of emissions management. The company reported a 25% reduction in greenhouse gas (GHG) emissions since 2022, positioning it as a leader in low-carbon intensity within the semiconductor sector. However, energy consumption rose by 36% over the same period, underscoring the growing energy demands of its operations. While reductions were also noted in both waste generation and water usage, absolute levels remain elevated relative to peers, suggesting further opportunity for efficiency improvements.

Social

SK hynix shows strength in social performance, with salaries above industry average and no workplace accidents since 2020. The company actively supports community initiatives and upholds a responsible supply chain. However, lack of transparency on pension plans and ongoing litigation over patent infringement remain concerns.

Name	Position	Gender (Age)	Tenure (months)	Tenure Until	Expertise	Primary Career Highlights
Kwak Noh Jung	Executive director, CEO	Male (58)	27	3/31/2025	General corporate management	1994 - Joined Hyundai Electronics Co. (former name of SK hynix) 2014 - 2017 VP of R&D, SK hynix 2017 - 2019 SVP & Head of Cheongju Fab, SK hynix 2019 - 2021 EVP & Head of Manufacturing Technology, SK hynix 2021.3 - present Member of The National Academy of Engineering of Korea 2021.12 President & Chief Safety, Product & Production Officer, SK hynix 2022.3 - present 13th Chairman, Korea Semiconductor Industry Association 2022.3 - present CEO, SK hynix
Ahn Hyun	Executive director	Male (56)	3	3/31/2027	General corporate management	2014 Head, Business Strategy Office 2015 - 2016 Head, NAND Development Planning Group 2018 Head, NAND Development Business Strategy 2019 Future Research and Diagnostics Team 2020 - present SK hynix Solution Development Team
Ha Yung Ku	Independent director	Male (70)	63	3/31/2025	Finance	2004 - 2014 Chairman & CEO, Citigroup Korea 2014 - 2017 Chairman, Korea Federation of Banks 2016 - 2017 Member, Financial Market Reform Committee 2021 - Present Chairman of the board of directors, SK hynix
Han Ae Ra	Independent director	Female (52)	51	3/31/2026	Law (Lawyer)	2011 - 2013 Professor, Judicial Research and Training Institute 2013 - 2014 Presiding Judge, Changwon District Court 2014 - 2016 Research judge, Supreme Court of Korea 2016 - 2018 Lawyer, Kim & Chang 2018 - present Professor, School of Law, Sungkyunkwan University
Jeong Deog Kyoan	Independent director	Male (65)	15	3/31/2026	Semiconductor engineering	1989 - 1991 Texas Instruments 1991 - 2020 Professor, Department of Electrical and Computer Engineering, Seoul National University 2006 - 2008 Chair, Inter-University Semiconductor Research Center, Seoul National University 2018 - present Endowed Chair Professor, Department of Electrical and Computer Engineering, Seoul National University
Kim Zeong Won	Independent director	Female (55)	15	3/31/2026	Finance, Corporate management	2010 - 2018 Deputy Head, Financial Planning Group, Citibank Korea 2018 - 2022 Treasury GPO/Managing Director, Citibank 2023 - present Senior Advisor, Kim & Chang
Yang Dong Hoon	Independent director	Male (65)	3	3/31/2027	Accounting, Finance	2017 - 2018 36th President, Korean Accounting Association 2018 - 2019 Chair, Accounting Committee, Korea Communications Commission 2021 - 2022 Distinguished Professor, Korean Accounting Association/Samul PWC 2007 - Present Professor/Emeritus Professor of Accounting, Dongguk University
Sohn Hyun Chul	Independent director	Male (63)	3	3/31/2027	Semiconductor engineering	1997 - 2006 Semiconductor researcher, SK hynix 2006 - Present Professor, Materials Science and Engineering, Yonsei University
Park Sung Ha	Other nonexecutive director	Male (58)	15	3/31/2026	General corporate management	2013 - 2014 Executive, Portfolio Management Team, SK Inc. 2014 - 2016 Department Lead, Portfolio Management Team, SK Inc. 2017 - 2019 Head of Strategic Support & Vice President, SK SUPEX Council 2020 - 2022 CEO & President, SK C&C 2023 - 2024 CEO & President, SK Square 2014 Head, Portfolio 2 Office, SK Inc. 2015 - 2017 Head, PM2 Part, SK Inc. 2018 - 2019 President and CEO, SK Materials 2020 - 2023 President and CEO, SK Siltron 2024 - present President and CEO, SK Inc.
Jang Yong Ho	Other nonexecutive director	Male (60)	3	3/31/2027	General corporate management	

Governance

Governance at SK hynix is characterized by both strengths and areas for enhancement. Board structure shows a degree of independence and separation of power, with the CEO and Chair roles occupied by different individuals, neither of whom serve on external boards. The company's gender diversity ratio is above average, with women comprising 35% of the workforce. Nevertheless, only 60% of board members are independent and board tenure averages a relatively low three years, which may limit institutional memory and strategic continuity. Furthermore, while the company provides significant governance disclosures, there are notable gaps in the depth of certain disclosures.

Management Compensation

In 2024, the CEO of SK hynix received a total remuneration of USD 15.3 million, including base salary, short-term bonuses, and long-term performance-based incentives. For 2025, the CEO's potential payout could reach USD 28.6 million, contingent on meeting specific performance targets. The CFO received USD 14.1 million in 2024, with a potential increase to USD 24.1 million in 2025. Despite this structured and performance-linked approach, SK hynix does not provide a full breakdown in official filings, relying instead on external disclosures such as the *Financial Times*. Independent directors remain excluded from performance-based pay and receive equity grants in the form of treasury shares to preserve impartiality.

Valuation - FCFF

DRAM	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
DRAM Market	124,206	79,410	152,948	193,538	215,070	247,782	280,663	312,546	342,207	368,351	399,826	405,614	417,782
Market growth		-36.07%	92.61%	20.00%	17.18%	15.21%	13.27%	11.36%	9.49%	7.64%	5.83%	4.05%	3.00%
SK Hynix Market Share	22.68%	26.15%	29.25%	30.51%	31.25%	31.77%	32.18%	32.51%	32.79%	33.03%	33.25%	33.14%	33.19%
SK Hynix DRAM Revenue	28,169	20,769	44,732	55,994	67,201	78,720	90,307	101,603	112,205	121,673	129,603	134,417	138,673
SK Hynix DRAM Growth		-26.27%	115.38%	25.18%	20.02%	17.14%	14.72%	12.51%	10.44%	8.44%	6.52%	3.71%	3.17%
Nand Market	65,433	45,722	71,578	78,736	85,554	92,193	98,518	104,389	109,692	114,299	118,105	121,023	123,443
Market growth		-30.12%	56.55%	10.00%	8.66%	7.76%	6.86%	5.96%	5.08%	4.20%	3.33%	2.47%	2.00%
SK Hynix Market Share	21.68%	21.11%	26.93%	26.93%	26.93%	26.93%	26.93%	26.93%	26.93%	26.93%	26.93%	26.93%	26.93%
SK Hynix NAND Revenue	14,184	9,653	19,274	21,202	23,038	24,825	26,528	28,109	29,537	30,778	31,803	32,588	33,240
SK Hynix NAND Growth		-31.94%	99.67%	10.00%	8.66%	7.76%	6.86%	5.96%	5.08%	4.20%	3.33%	2.47%	2.00%
Others													
SK Hynix Others Revenue	2,269	2,344	2,187	2,572	2,941	3,307	3,664	4,002	4,312	4,585	4,810	4,959	5,087
Growth	21.42%	3.31%	-6.69%	17.59%	14.34%	12.45%	10.79%	9.23%	7.76%	6.32%	4.92%	3.09%	2.58%

SK hynix's projected revenue growth for 2025 aligns with broader industry trends but is poised to slightly outperform peers due to its technological leadership in advanced memory solutions. The company has guided for mid-to-high teens percentage growth in its DRAM segment, driven by the adoption of cutting-edge technologies critical for AI applications and high-performance computing. Over the longer term, the DRAM market is expected to grow at a 10.57% compound annual growth rate through 2032, while the NAND segment is forecasted to expand at a more moderate 5.60% CAGR, reflecting its maturity but continued demand for data storage solutions.

These CAGRs were derived using a logarithmic growth function, chosen to better capture the anticipated intensity of near-term growth due to the current AI infrastructure investment boom. This surge is underpinned by aggressive capital expenditure plans from major hyperscalers and AI ecosystem players—such as Apple, Meta, Google, Nvidia, Amazon, and Microsoft—who are key downstream customers for SK Hynix. As these companies ramp up investments in AI data centers and cloud storage infrastructure, the demand for high-performance DRAM and advanced NAND is expected to accelerate.

SK Hynix's technological advancements have solidified its leadership position. The company has begun mass production of the world's first 321-layer NAND flash, offering significant improvements in speed and power efficiency compared to previous generations. Additionally, SK Hynix has taken the lead in the high-bandwidth memory (HBM) market, supplying 12-layer HBM3E chips to major clients like Nvidia. These innovations have not only enhanced the company's product portfolio but also contributed to its financial performance. Forward-looking, SK Hynix is optimistic about a sustained upcycle. In fact, in Q1 2025 SK Hynix claimed the top spot in global DRAM market share (36% share vs. Samsung's 34%) for the first time. This milestone was propelled by Hynix's dominance in HBM, where it holds ~70% market share.

Income Statement	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue (Sales)	44,622	32,766	66,193	79,767	93,179	106,852	120,498	133,714	146,055	157,036	166,216	171,964	177,000
% of growth		3.8%	-26.6%	102.0%	20.5%	16.8%	14.7%	12.8%	11.0%	7.5%	5.8%	3.5%	2.9%
COGS (Cost of Goods Sold)	28,994	33,299	34,365	51,849	60,567	69,454	78,324	86,914	94,936	102,073	108,040	111,777	115,050
% of revenue		65.0%	101.6%	51.9%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Gross Profit	15,628	(533)	31,828	27,919	32,613	37,398	42,174	46,800	51,119	54,963	58,176	60,187	61,950
Gross Profit Margin		35.0%	-1.6%	48.1%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
SG&A (Selling, General & Administrative)	3,665	2,859	3,365	3,583	3,707	3,834	3,965	4,098	4,233	4,370	4,508	4,645	4,784
SG&A Margin		8.2%	8.7%	5.1%	4.5%	4.0%	3.6%	3.3%	2.9%	2.8%	2.7%	2.7%	2.7%
R&D (Research & Development)	4,475	3,751	4,436	5,086	5,168	5,615	5,965	6,195	6,472	6,678	6,826	6,889	6,997
Other Operating (Income) Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	7,489	(7,143)	24,027	19,250	23,738	27,949	32,244	36,506	40,413	43,914	46,842	48,654	50,170
EBITDA Margin		16.8%	-21.8%	36.3%	24.1%	25.5%	26.2%	26.8%	27.3%	27.7%	28.0%	28.2%	28.3%
D&A (Depreciation & Amortization)	679	587	560	675	788	904	1,019	1,131	1,236	1,329	1,406	1,455	1,497
% of PP&E+ROU Assets+Intangibles excl. Goodwill		1.1%	1.0%	0.9%	1.0%	1.1%	1.1%	1.2%	1.2%	1.1%	1.1%	1.0%	1.0%
Depreciation Expense	265	304	303	365	427	489	552	612	669	719	761	787	810
Amortization Expense	414	283	257	310	362	415	468	519	567	610	645	668	687
Operating Income (EBIT)	6,809	(7,730)	23,467	18,575	22,950	27,045	31,225	35,375	39,178	42,586	45,436	47,199	48,672
Operating Margin		15.3%	-23.6%	35.5%	23.3%	24.6%	25.3%	25.9%	26.5%	26.8%	27.1%	27.3%	27.4%

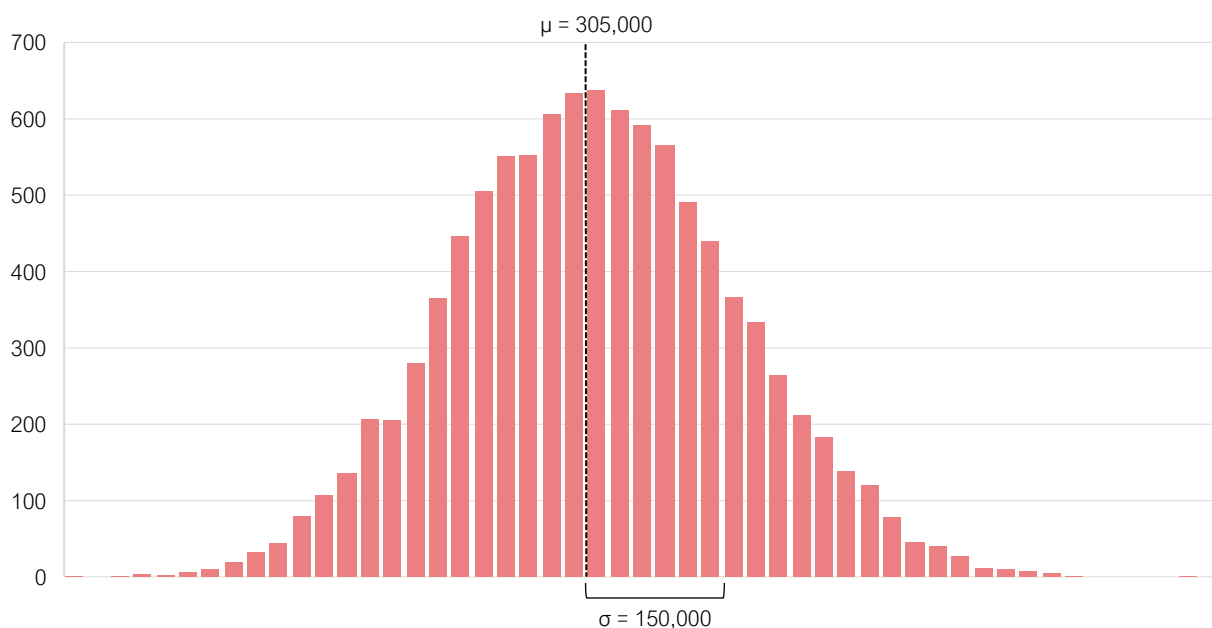
For consistency across projections, cost assumptions have been standardized. The cost of goods sold is set at 65% of revenue, with 40% of that amount added back in the FCFF adjusted to account for amortization and depreciation within COGS. Capital expenditures remain a critical component of the valuation, projected at 35% of revenue in 2025 and onwards – consistent with management's guidance industry norms given the sector's capital-intensive nature. This includes spending on new fabrication facilities such as the M15X plant in Cheongju and the planned Yongin mega-cluster.

FCFF Valuation	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
NOPAT	3,813	(6,059)	19,451	13,453	17,877	21,023	23,736	27,315	30,163	32,680	34,977	36,298	37,417
Depreciation & Amortization	679	587	560	675	788	904	1,019	1,131	1,236	1,329	1,406	1,455	1,497
Stock Based Compensation	-	-	-	-	-	-	-	-	(3,467)	(3,468)	(2,773)	(1,891)	(1,496)
Changes in NWC	(3,089)	965	(6,035)	(6,747)	(3,608)	(2,745)	(4,584)	(3,729)	(3,467)	(3,468)	(2,773)	(1,891)	(1,496)
Net CapEx	(19,424)	(7,240)	(16,596)	(27,178)	(31,608)	(36,639)	(41,027)	(45,482)	(49,705)	(53,255)	(56,256)	(58,047)	(59,537)
FCFF	(18,020)	(11,747)	(2,620)	(19,798)	(16,549)	(17,456)	(20,856)	(20,764)	(21,773)	(22,714)	(22,645)	(22,185)	(22,118)
FCFF (Adjusted)	(8,167)	(270)	10,414	(6,052)	4,190	6,770	6,926	10,565	12,993	15,260	18,184	21,031	22,593
Present Value of FCFF				(5,884)	3,754	5,588	5,266	7,401	8,386	9,075	9,963	10,616	10,507
Enterprise Value													228,557
Equity Value													220,990
Shares outstanding													0.73
Implicit Stock Value													₩ 303,556

Our discounted cash flow (DCF) model applies a weighted average cost of capital (WACC) of 8.53%, incorporating a 1% country risk premium to reflect the structural discount typically applied to South Korean equities due to geopolitical tensions, won volatility, and relatively lower liquidity compared to global peers. Based on our model, SK Hynix appears materially undervalued, with an implied upside of 70.29% to our fair value estimate of ₩303,556 per share.

Sensitivity Analysis

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Importantly, the distribution's relatively high standard deviation of approximately ₩150,000 per share highlights the sensitivity of SK Hynix's valuation to fluctuations in capital expenditures. Given that capex is projected at ~35% of revenue in 2025—reflecting a peak investment phase for AI infrastructure buildout—even modest variations in capex assumptions materially impact free cash flow and terminal value.

These results suggest confidence in the base case valuation, but also reinforce the need for a conservative framing of upside potential. The symmetrical distribution and constrained tail risk support our Buy recommendation, though we emphasize that prospective returns are more likely to materialize through core execution than through outsized, tail-driven scenarios.

Investment Risks

Despite its strong positioning in AI-related memory markets, SK Hynix faces a complex risk landscape. A key concern is geopolitical exposure. With a large share of DRAM and NAND production in China, the company depends on U.S.-licensed equipment to operate its Wuxi and Dalian fabs. Although granted an indefinite waiver in 2023, this is politically contingent and could be revoked, disrupting operations and forcing costly relocation.

Trade tensions further complicate the picture. Rising U.S. protectionism could lead to tariffs on Korean semiconductors, affecting SK Hynix's exports—especially with over 60% of its revenue tied to North America. Without U.S.-based fabs, the company would face margin pressure relative to domestic peers like Micron. In parallel, FX volatility, particularly USD/KRW swings, remains a key earnings risk, with won appreciation eroding profitability despite hedging strategies.

The cyclical nature of memory adds further uncertainty. DRAM and NAND remain vulnerable to supply-demand imbalances, and renewed oversupply—especially amid aggressive AI-driven expansions—could pressure pricing. NAND is especially exposed given persistent weakness in PC and smartphone markets. Even as SK Hynix targets higher-value segments like enterprise SSDs and HBM, its earnings remain volume- and price-sensitive.

Competition in advanced memory is also intensifying. While SK Hynix leads in HBM today, Samsung is catching up with HBM4, and Micron is entering the market with a strong track record in process execution. Any loss of technological edge or customer alignment could erode its position in this critical segment. At the same time, the company must maintain high levels of capex to stay competitive—despite coming off a period of losses and elevated leverage.

Overlaying all of this is the persistent Korea discount. Governance concerns, geopolitical perception, and low foreign participation continue to cap valuation relative to peers. Even with strong fundamentals, this structural mispricing remains a hurdle.

SK Hynix is clearly well positioned to benefit from AI-driven demand, but realizing long-term value will depend on how effectively it manages these external and internal pressures. These risks are not peripheral—they are central to the investment case.

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This report was prepared by the Equity Research team at the Lisbon Investment Society. Our analysts combine rigorous financial modeling, critical thinking, and collaborative research to deliver high-quality, student-led investment analysis.

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