MIRAE ASSET Securities

Equity Research
January 24, 2025

000660 KS · Semiconductors

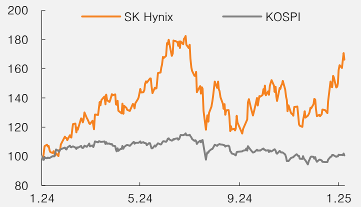
SK Hynix

Solid performance to continue

(Maintain)	**Buy**
Target price	▲ **W277,000**
Current price (1/23/25)	W219,500
Upside	26.2%

OP (24, Wbn)	23,468
Consensus OP (24F, Wbn)	23,392
EPS growth (24, %)	TTB
Market EPS growth (24F, %)	68.9
P/E (24, x)	7.0
Market P/E (24F, x)	10.7
KOSPI	2,515.49
Market cap (Wbn)	159,797
Shares (mn)	728
Free float (%)	74.1
Foreign ownership (%)	55.9
Beta (12M)	2.04
52-week low (W)	132,300
52-week high (W)	241,000

(%)	1M	6M	12M
Absolute	29.4	7.1	55.9
Relative	25.6	18.1	53.6



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Lift TP to W277,000 (from W270,000)

We maintain our Buy rating on SK Hynix and lift our target price by 2.6% to W277,000, as we revised up our 2025 operating profit estimate by 5.9% to W34.8tr (target P/B unchanged at 2x). The company has recorded meaningful increases in the contributions of high-bandwidth memory (HBM) chips (to more than 40% of DRAM revenue) and enterprise SSDs (to more than 70% of NAND revenue), cementing its status as a key player in the AI ecosystem. We believe the company deserves a valuation premium, given its solid operating profit growth and ROE.

4Q24 review and 2025 outlook

For 4Q24, SK Hynix reported in-line results, with revenue of W19.8tr (+12.5% QoQ) and operating profit of W8.1tr (+15.0% QoQ). Despite weak demand for IT devices, the HBM business delivered a strong performance, driven by an increased mix of HBM3E chips and the launch of 12-layer HBM chip shipments (helping to mitigate the negative effects of the down-cycle in conventional memory bit growth/ASP).

We expect earnings to temporarily slow in 1Q25, with revenue declining 11% QoQ to W17.6tr and operating profit falling 21% QoQ to W6.4tr. For NAND, declines in both bit growth (-17%) and ASP (-10%) are likely. However, DRAM should show resilience, with blended ASP rising 1.6% thanks to HBM (offsetting a likely 12% decline in conventional DRAM ASP).

From 3Q25, quarterly earnings should again hit record highs. As a result, we see full-year operating profit jumping 48% YoY to W34.8tr. For the HBM business, we forecast 2025 revenue at W31.2tr (+140% YoY) and operating profit at W18.5tr (+150% YoY). Considering the valuation levels of AI-focused component suppliers, we believe the HBM business alone justifies SK Hynix's current value.

Improving business stability and financial health

The company appears to have finalized contracts for most of its planned HBM supply volume for 2025. On its earnings call, management also suggested that HBM supply agreements for 2026 are likely to be finalized within 1H25. With the HBM segment (which represents around 40% of DRAM revenue) poised to grow over 100% this year and supply contracts for next year close to being secured, we see potential for significant improvement in overall operational efficiency. Additionally, the company's financials are improving rapidly, with net debt having decreased by around W15tr from the 2Q23 peak. We expect the company to achieve a net cash position by 3Q25.

(Dec.)	2022	2023	2024	2025F	2026F
Revenue (Wbn)	44,622	32,766	66,193	83,252	108,326
OP (Wbn)	6,809	-7,730	23,468	34,778	50,848
OP margin (%)	15.3	-23.6	35.5	41.8	46.9
NP (Wbn)	2,230	-9,112	18,085	27,993	41,775
EPS (W)	3,063	-12,517	24,842	38,452	57,383
ROE (%)	3.6	-15.6	29.0	32.9	35.1
P/E (x)	24.5	-	7.0	5.7	3.8
P/B (x)	0.8	1.8	1.7	1.6	1.1
Dividend yield (%)	1.6	0.8	0.7	0.5	0.5

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

SK Hynix (000660 KS)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	**32,766**	**66,193**	**83,252**	**108,326**
Cost of revenue	**33,299**	**34,364**	**33,728**	**39,338**
GP	**-533**	**31,829**	**49,524**	**68,988**
SG&A expenses	**7,197**	**8,361**	**14,746**	**18,141**
OP (adj.)	**-7,730**	**23,468**	**34,778**	**50,848**
OP	**-7,730**	**23,468**	**34,778**	**50,848**
Non-operating profit	**-3,928**	**-1,275**	**-387**	**486**
Net financial income	-1,252	-1,027	-397	476
Net income from associates	15	14	0	0
Pretax profit	-11,658	22,193	34,391	51,334
Income tax	-2,520	4,100	6,375	9,525
Profit from continuing operations	-9,138	18,093	28,016	41,809
Profit from discontinued operations	0	0	0	0
NP	**-9,138**	**18,093**	**28,016**	**41,809**
Attributable to owners	-9,112	18,085	27,993	41,775
Attributable to minority interests	-25	7	23	34
Total comprehensive income	**-9,037**	**18,545**	**28,016**	**41,809**
Attributable to owners	-9,015	18,533	27,985	41,762
Attributable to minority interests	-22	12	31	47
EBITDA	5,943	36,164	49,351	66,024
FCF	-4,047	13,569	23,404	36,633
EBITDA margin (%)	18.1	54.6	59.3	60.9
OP margin (%)	-23.6	35.5	41.8	46.9
Net margin (%)	-27.8	27.3	33.6	38.6

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	**30,468**	**41,082**	**69,341**	**114,795**
Cash & equivalents	7,587	12,376	34,916	70,660
AR & other receivables	6,874	11,859	14,329	18,522
Inventory	13,481	15,022	18,150	23,461
Other current assets	2,526	1,825	1,946	2,152
Non-current assets	**69,862**	**75,459**	**78,793**	**81,799**
Investments in associates	1,367	1,565	1,891	2,445
PP&E	52,705	58,736	62,198	64,984
Intangible assets	3,835	3,783	3,262	2,812
Total assets	**100,330**	**116,540**	**148,134**	**196,594**
Current liabilities	**21,008**	**24,961**	**29,089**	**36,096**
AP & other payables	5,139	9,027	10,907	14,098
Short-term financial liabilities	11,968	7,440	7,919	8,732
Other current liabilities	3,901	8,494	10,263	13,266
Non-current liabilities	**25,819**	**20,182**	**20,459**	**20,929**
Long-term financial liabilities	22,013	18,852	18,852	18,852
Other non-current liabilities	3,806	1,330	1,607	2,077
Total liabilities	**46,826**	**45,143**	**49,547**	**57,025**
Equity attributable to owners	**53,505**	**71,390**	**98,557**	**139,505**
Capital stock	3,658	3,658	3,658	3,658
Capital surplus	4,373	4,479	4,479	4,479
Retained earnings	46,729	63,933	91,099	132,047
Minority interests	**-1**	**7**	**29**	**64**
Shareholders' equity	**53,504**	**71,397**	**98,586**	**139,569**

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	**4,278**	**29,489**	**40,917**	**54,146**
NP	-9,138	18,093	28,016	41,809
Non-cash income/expenses	15,033	17,992	21,333	24,212
Depreciation	13,121	12,121	14,051	14,726
Amortization	553	576	522	450
Other	1,359	5,295	6,760	9,036
Chg. in working capital	794	-3,744	-1,672	-2,839
Chg. in AR & other receivables	-1,406	-4,904	-2,424	-4,115
Chg. in inventory	2,288	-1,490	-3,128	-5,311
Chg. in AP & other payables	83	-1,126	466	792
Income tax	-1,384	-1,853	-6,375	-9,525
Cash flow from investing activities	**-7,335**	**-16,740**	**-17,702**	**-17,835**
Chg. in PP&E	-6,785	-15,900	-17,513	-17,513
Chg. in intangible assets	-454	-526	0	0
Chg. in financial assets	-82	-4	-190	-322
Other	-14	-310	1	0
Cash flow from financing activities	**5,697**	**-7,725**	**-348**	**-14**
Chg. in financial liabilities	9,184	-7,688	479	813
Chg. in equity	36	106	0	0
Dividends	-826	-826	-827	-827
Other	-2,697	683	0	0
Chg. in cash	**2,610**	**4,788**	**22,540**	**35,744**
Beginning balance	4,977	7,587	12,376	34,916
Ending balance	7,587	12,376	34,916	70,660

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

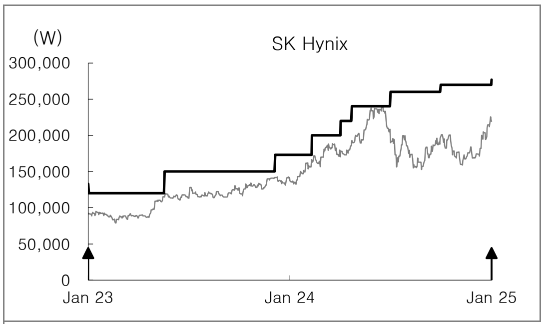
	2023	2024F	2025F	2026F
P/E (x)	-	7.0	5.7	3.8
P/CF (x)	17.5	3.5	3.2	2.4
P/B (x)	1.8	1.7	1.6	1.1
EV/EBITDA (x)	21.7	3.8	3.0	1.7
EPS (W)	-12,517	24,842	38,452	57,383
CFPS (W)	8,098	49,567	67,786	90,689
BPS (W)	76,616	101,115	138,431	194,679
DPS (W)	1,200	1,200	1,200	1,200
Dividend payout ratio (%)	-9.0	4.6	3.0	2.0
Dividend yield (%)	0.8	0.7	0.5	0.5
Revenue growth (%)	-26.6	102.0	25.8	30.1
EBITDA growth (%)	-71.6	508.5	36.5	33.8
OP growth (%)	TTR	TTB	48.2	46.2
EPS growth (%)	TTR	TTB	54.8	49.2
AR turnover (x)	5.6	7.3	6.5	6.7
Inventory turnover (x)	2.2	4.6	5.0	5.2
AP turnover (x)	16.5	16.8	13.6	12.7
ROA (%)	-8.9	16.7	21.2	24.3
ROE (%)	-15.6	29.0	32.9	35.1
ROIC (%)	-8.0	25.9	36.0	49.3
Debt-to-equity ratio (%)	87.5	63.2	50.3	40.9
Current ratio (%)	145.0	164.6	238.4	318.0
Net debt-to-equity ratio (%)	48.3	16.9	-10.2	-32.4
Interest coverage ratio (x)	-5.3	17.1	29.2	41.6

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
SK Hynix (000660)	01/24/25	Buy	277,000
	10/24/24	Buy	270,000
	07/25/24	Buy	260,000
	05/16/24	Buy	240,000
	04/26/24	Buy	220,000
	03/05/24	Buy	200,000
	12/29/23	Buy	173,000
	06/12/23	Buy	150,000
	01/26/23	Buy	120,000
	06/07/22	Buy	133,000



Stock ratings	
Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings	
Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (─), TP (▬), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (♦)
* Our investment rating is a guide to the expected return of the stock over the next 12 months.
* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.
* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.
* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	84.62%	7.14%	8.24%	0%
Investment banking services	85.71%	0%	14.29%	0%

* Based on recommendations in the last 12-months (as of December 31, 2024)

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