# SAMSUNG ELECTRONICS CO., LTD.

LON: SMSN.L (GDR) | KRX: 005930 | Sector: Technology — Semiconductors & Consumer Electronics

| RECOMMENDATION | CURRENT PRICE | FAIR VALUE | WP SCORE |
|---|---|---|---|
| HOLD / WATCHLIST | $3,172 (SMSN.L GDR) | $2,600 (Base Case Fair Value) | 62 / 100 |

## EXECUTIVE SUMMARY

| Metric | Value |
|---|---|
| Current Price (SMSN.L) | $3,172 |
| Fair Value — Base Case | $2,600 |
| Margin of Safety | -18.0% (Overvalued) |
| Target Entry Price | $2,360 |
| Trailing P/E | 32.8x |
| Forward P/E (2026E) | 9.4x |
| EV/EBITDA | 14.1x |
| Dividend Yield | 1.2% |
| 52-Week Range | $854 — $3,626 |

| Return Profile | Value |
|---|---|
| Dividend Yield | 1.2% |
| Expected Dividend Growth | 5.0% |
| Expected Price Appreciation | 8.0% |
| Total Expected Return (Base) | 9.2% CAGR |
| Bear Case Total Return | 2.8% CAGR |
| Bull Case Total Return | 16.5% CAGR |
| Probability-Weighted Return | 9.4% CAGR |
| Wealth Preservation Score | 62 / 100 |
| Recession Profile | SENSITIVE |

**One-Line Thesis:** Samsung Electronics is a global technology titan with a fortress balance sheet (net cash KRW 100.6T) and cyclical recovery momentum in memory semiconductors, but its current trailing valuation (32.8x P/E) after a 271% 52-week rally prices in much of the recovery — warranting a HOLD until a more favorable entry point emerges around $2,360.

## INVESTMENT THESIS

Samsung Electronics is the world's largest manufacturer of memory semiconductors (DRAM, NAND), smartphones, and displays, with a diversified revenue base spanning consumer electronics, mobile devices, and semiconductor components. The Device Solutions (DS) division — anchored by memory — is the primary earnings driver and is currently experiencing a powerful cyclical recovery driven by AI-related demand for High Bandwidth Memory (HBM), server DRAM, and enterprise SSDs. FY2025 delivered record quarterly revenue of KRW 93.8T in Q4 and full-year operating profit of KRW 43.6T, a dramatic recovery from the 2023 memory downturn.

From a wealth preservation standpoint, Samsung's balance sheet is among the strongest in global technology. With KRW 125.9T in cash against just KRW 25.2T in total debt (D/E ratio of 0.06x), the company operates with a net cash position of KRW 100.6T — providing exceptional downside protection. The company has maintained dividends through multiple cycles, committed to KRW 9.8T in annual shareholder returns (2024-2026 policy), and has been actively repurchasing shares to enhance per-share value.

However, the stock has rallied approximately 271% over the past 52 weeks from its 2025 trough, and the trailing P/E of 32.8x sits well above its 5-year median of 15.0x and 10-year median of 12.2x. While the forward P/E of 9.4x reflects analyst expectations for continued earnings acceleration, the current price already discounts significant upside. For wealth preservation investors, the cyclical nature of semiconductor earnings and the elevated trailing valuation create a risk that a memory price correction or demand softening could trigger meaningful price declines from current levels. We recommend building a position at $2,360 or below, where the risk/reward becomes asymmetrically favorable.

# STAGE 1: SECTOR & THEME IDENTIFICATION

| Question | Assessment | Result |
|---|---|---|
| Is the sector understandable? | Semiconductors, consumer electronics, mobile — well-understood | PASS |
| Is the sector in secular decline? | No — AI/data center demand creating secular growth in memory | PASS |
| Defensive or Cyclical? | HIGHLY CYCLICAL — Memory semiconductors are deeply cyclical | CAUTION |
| Sector-level tailwinds? | AI compute demand, HBM adoption, data center buildout, 5G/IoT | STRONG |
| Sector valuation vs. history? | Trailing valuations elevated; forward valuations attractive | MIXED |

**Sector Verdict: CONTINUE WITH HEIGHTENED SCRUTINY** — Samsung operates in a highly cyclical sector (memory semiconductors), which under our framework requires exceptional balance sheet strength AND valuation discount to proceed. Samsung's fortress balance sheet clears the first hurdle; the valuation discount requirement is currently not met at the trailing level but is met on forward estimates.

# STAGE 2: FUNDAMENTAL GATEKEEPING

## 2.1 Solvency Check — Can Samsung Survive a Severe Recession?

| Metric | Value | Threshold | Assessment |
|---|---|---|---|
| Debt-to-Equity | 0.06x | < 1.0x | EXCELLENT |
| Interest Coverage (EBIT/Interest) | > 50.0x | > 5.0x minimum | EXCELLENT |
| Current Ratio | 2.33x | > 1.5x | PASS |
| Free Cash Flow (FY2025) | KRW 37.8T (Positive) | Positive in 4 of 5 years | PASS (4/5) |
| Cash as % of Total Debt | 499% | > 20% preferred | EXCELLENT |
| Net Cash Position | KRW 100.6T | Positive preferred | FORTRESS |

**Stress Test:** If revenue dropped 30% for 2 years, Samsung would remain solvent with over KRW 100T (~$65B) in net cash, easily servicing minimal debt obligations. During the 2023 memory downturn, revenue fell ~22% with operating profit declining 96% — yet Samsung maintained its dividend and required no capital raise. The balance sheet provides exceptional shock absorption.

**Solvency Assessment: FORTRESS**

## 2.2 Earnings Quality Check

| Question | Assessment |
|---|---|
| Operating CF > 80% of Net Income? | YES — OCF KRW 85.3T vs Net Income KRW 44.3T (193%) — EXCELLENT |
| Receivables growing faster than revenue? | NO — Receivables growth in line with revenue growth |
| Inventory growing faster than COGS? | MONITOR — Memory inventory management is cyclical but controlled |

| Question | Assessment |
|---|---|
| Unusual one-time gains? | NO — Earnings driven by operational improvement in DS division |
| Financial restatements (5 years)? | NO |

**Earnings Quality: HIGH**

## 2.3 Dilution Check

Samsung has been actively reducing its share count. Total shares declined approximately 24% over the 2024-2025 period through buyback programs, demonstrating shareholder-aligned capital allocation. Annual dilution from SBC is minimal (< 0.5%). The Lee family maintains significant ownership (~20% economic interest through Samsung Group cross-holdings), providing strong insider alignment.

**Dilution Assessment: EXCELLENT**

## 2.4 Dividend Sustainability

| Metric | Value | Threshold | Assessment |
|---|---|---|---|
| Dividend Yield | 1.2% | 1.5-5% sweet spot | BELOW SWEET SPOT |
| Payout Ratio (EPS) | 25.3% | < 60% for growth | EXCELLENT |
| Payout Ratio (FCF) | 45.2% | < 70% | PASS |
| Dividend Growth (5Y CAGR) | ~5% | > 3% (beating inflation) | PASS |
| Committed Shareholder Return | KRW 9.8T/year (2024-2026) | Consistent policy | STRONG |
| Maintained Through 2008-09? | Yes (reduced but maintained) | Maintained | PASS |
| Maintained Through 2020? | Yes | Maintained | PASS |
| Maintained Through 2023 Downturn? | Yes | Maintained | PASS |

**Dividend Sustainability: SUSTAINABLE — Low yield but extremely well covered and maintained through severe downturns. The committed shareholder return policy of KRW 9.8T annually provides visibility.**

## 2.5 Capital Efficiency: ROIC/ROCE Assessment

| Metric | Current (TTM) | 5Y Average | Trend |
|---|---|---|---|
| ROIC | 10.6% — 12.1% | ~10% | Improving (recovery from 2023 trough) |
| WACC | 11.4% | ~10.5% | Stable |
| ROIC vs WACC Spread | ~0.7% | -0.5% to +5% | Marginal (cyclical recovery phase) |
| ROE | 10.8% | 10.2% (5Y) / 12.1% (10Y) | Improving |
| ROA | 6.5% | ~7% | Improving |

**ROIC: 10.6-12.1% | vs. WACC: 11.4% | Trend: Improving | Verdict: MARGINAL (Value Creating at Peak)** — Samsung's ROIC is cyclical and currently recovering toward value-creation territory. At peak earnings (like Q4 2025's 18.7% annualized ROIC), the company clearly creates value. However, through-cycle ROIC of ~10% sits near WACC, reflecting the capital-intensive nature of semiconductor manufacturing.

## 2.6 Valuation Screening

| Metric | Current | 5Y Avg | 10Y Avg | Percentile | Assessment |
|---|---|---|---|---|---|
| P/E (Trailing) | 32.8x | 15.0x | 12.2x | > 90th | EXPENSIVE |
| P/E (Forward) | 9.4x | 12.0x | 11.0x | < 25th | ATTRACTIVE |
| EV/EBITDA | 14.1x | 6.5x | 5.5x | > 80th | ELEVATED |
| P/FCF | 34.0x | 12.0x | 10.0x | > 85th | EXPENSIVE |
| Dividend Yield | 1.2% | 2.0% | 1.8% | < 25th | LOW |
| P/B | ~1.9x | 1.3x | 1.2x | > 75th | ELEVATED |

**Valuation: FULL TO EXPENSIVE (Trailing) / ATTRACTIVE (Forward)** — The divergence between trailing and forward metrics reflects the dramatic earnings recovery underway. On trailing metrics, Samsung trades well above historical averages after its 271% rally. On forward estimates (projecting continued memory upcycle), the stock appears reasonably valued. For wealth preservation purposes, we weight trailing metrics more heavily as forward estimates embed cyclical peak assumptions.

# STAGE 3: PEER COMPARISON & QUALITY RANKING

## 3.1 Competitive Cohort

| Dimension | Samsung | SK Hynix | TSMC | Micron | Best for Preservation |
|---|---|---|---|---|---|
| Debt/Equity | 0.06x | 0.45x | 0.25x | 0.30x | Samsung (Lowest) |
| Interest Coverage | > 50x | ~15x | > 40x | ~12x | Samsung |
| Dividend Yield | 1.2% | 0.5% | 1.3% | 0.5% | TSMC |
| Payout Ratio | 25% | ~10% | ~35% | ~10% | Samsung (Most Cushion) |
| FCF Margin | 11.3% | ~8% | ~30% | ~10% | TSMC |

| Dimension | Samsung | SK Hynix | TSMC | Micron | Best for Preservation |
|---|---|---|---|---|---|
| ROIC | 10.6% | ~15% | ~25% | ~12% | TSMC |
| 5Y Dilution | Negative (buybacks) | Minimal | Minimal | ~1% | Samsung |
| P/E (Forward) | 9.4x | ~7x | ~20x | ~10x | SK Hynix |

## 3.2 Wealth Preservation Quality Score

| Component | Criteria | Samsung Score | Max |
|---|---|---|---|
| Balance Sheet — D/E | D/E 0.06x (< 0.5x) | 15 | 15 |
| Balance Sheet — Interest Coverage | > 50x (> 8x threshold) | 15 | 15 |
| Balance Sheet — FCF Positive | 4 of 5 years positive | 7 | 10 |
| Income — Dividend Yield + Payout | 1.2% yield, 25% payout (below 2% sweet spot) | 8 | 15 |
| Income — Dividend Growth | ~5% CAGR (> 5%) | 10 | 10 |
| Income — Dividend History | > 10 years continuous | 3 | 5 |
| Capital Efficiency — ROIC | 10.6% (10-15% range) | 7 | 10 |
| Capital Efficiency — ROIC Trend | Improving | 5 | 5 |
| Valuation — Historical Percentile | > 75th percentile (trailing) | 0 | 15 |
| **TOTAL** | | **70** | **100** |

**Quality Score: 70/100** — Samsung falls in the 60-75 range (Secondary Candidate). The exceptional balance sheet strength (37/40 on fortress metrics) is partially offset by elevated valuation (0/15 on valuation) and below-optimal dividend yield. At a lower entry price (~$2,360), the valuation component would add 10-15 points, pushing the score into primary candidate territory (75+).

# STAGE 4: QUALITATIVE DEEP DIVE

## 4.1 Competitive Moat Assessment

| Moat Type | Evidence | Durability (1-10) | Preservation Value |
|---|---|---|---|
| Cost Advantage (Scale) | World #1 in memory; massive fab scale drives unit cost advantage | 8 | EXCELLENT |
| Switching Costs | HBM qualification cycles with NVIDIA/AMD take 6-12 months | 7 | GOOD |
| Vertical Integration | Memory + foundry + display + mobile device integration | 8 | EXCELLENT |
| Brand Power | #1 global smartphone brand, premium consumer electronics | 7 | GOOD |
| IP / Patents | ~180,000 patents globally; extensive semiconductor IP | 7 | GOOD |
| Network Effects | Samsung ecosystem (SmartThings, Galaxy, Bixby) | 5 | MODERATE |

**Primary Moat:** Cost Advantage through Scale + Vertical Integration — Durability: 8/10. Samsung's position as the world's largest memory semiconductor manufacturer provides unit cost advantages that are extremely difficult to replicate. The integration across memory, foundry, display, and end devices creates a unique ecosystem moat.

**Threat Assessment: MODERATE** — SK Hynix leads in HBM generation timing; TSMC dominates logic foundry. Samsung's foundry business has faced yield challenges. However, the company's HBM4 qualification with NVIDIA and AMD has been cleared as of early 2026, removing a key near-term competitive concern.

**Moat Preservation Confidence: MEDIUM-HIGH**

## 4.2 Management Quality & Capital Allocation

**Leadership:** Samsung operates under professional management with the Lee family maintaining strategic oversight (~20% economic interest). CEO Jong-Hee Han (Visual Display background) leads the consumer electronics and mobile businesses. The DS division operates with dedicated semiconductor industry leadership. Insider ownership through the Lee family provides long-term alignment.

| Capital Allocation (5Y) | Assessment |
|---|---|
| Dividend Growth | CONSISTENT — Committed KRW 9.8T/year policy (2024-2026) |
| Buybacks | STRONG — Active share retirement reducing outstanding count by ~24% |
| Acquisitions | SELECTIVE — FlaektGroup HVAC acquisition; generally disciplined |
| CapEx | HEAVY — KRW 47.5T FY2025; necessary for semiconductor competitiveness |
| R&D | KRW 35T+ annually; critical for technology leadership |

**Management Quality: GOOD | Capital Allocation Track Record: STRONG**

## 4.3 Recession Performance History

| Period | Revenue Impact | Profit Impact | Dividend | Stock Decline | Recovery |
|---|---|---|---|---|---|
| 2008-2009 (GFC) | ~-15% revenue | OP declined ~60% | Reduced but maintained | ~37% market cap decline | ~18 months |
| 2019 (Memory Downturn) | ~-10.6% revenue | OP declined ~53% | Maintained | ~15% decline | ~12 months |

| Period | Revenue Impact | Profit Impact | Dividend | Stock Decline | Recovery |
|---|---|---|---|---|---|
| 2020 (COVID) | Flat (+2.8%) | OP grew 30% | Maintained | ~25% drawdown | < 6 months |
| 2022-2023 (Memory Crash) | -22% revenue (Q2 23) | OP declined 96% | Maintained | ~40% peak-trough | ~18 months |

**Recession Profile: SENSITIVE** — Samsung's earnings are highly cyclical due to memory semiconductor exposure, with operating profit capable of declining 50-96% in downturns. However, the fortress balance sheet has prevented any need for capital raises, and dividends have been maintained (though sometimes reduced) through every cycle. Stock price drawdowns of 25-40% are typical in downturns, but recovery has historically occurred within 18 months.

## 4.4 Catalyst Identification

| Catalyst | Timeline | Probability | Impact | Risk to Downside |
|---|---|---|---|---|
| HBM4 ramp with NVIDIA/AMD | 2026-2027 | HIGH (80%) | Major revenue driver | LOW |
| Memory price upcycle continuation | 2026 | MEDIUM (60%) | Margin expansion | MODERATE |
| Foundry yield improvement (2nm) | 2026-2027 | MEDIUM (55%) | Revenue diversification | LOW |
| Galaxy S26 cycle + AI features | 2026 | HIGH (75%) | MX division uplift | LOW |
| 8.6G IT OLED line ramp | 2026-2027 | HIGH (70%) | Display revenue growth | LOW |
| Memory downturn / price correction | 2026-2027 | MEDIUM (35%) | Significant negative | HIGH |
| US/China trade restrictions | Ongoing | MEDIUM (40%) | Supply chain disruption | MODERATE |

# STAGE 5: VALUATION & SCENARIO ANALYSIS

## 5.1 Total Return Model (10-Year Horizon)

**Total Return Components:**

| Component | Assumption | Contribution |
|---|---|---|
| Dividend Yield (Current) | 1.2% with ~5% annual growth | ~1.8% avg over 10 years |
| Earnings Growth (EPS CAGR) | 7-8% normalized through-cycle | 7.5% |
| Multiple Change (Mean Reversion) | Current trailing 32.8x toward 15x normalized | -4.0% annually |
| Multiple Change (Forward Basis) | Current forward 9.4x toward 12x normalized | +2.5% annually |
| Total Expected Return (Trailing Basis) | | 5.3% CAGR (Below Hurdle) |
| Total Expected Return (Forward Basis) | | 11.8% CAGR (Above Hurdle) |

## 5.2 Scenario Analysis

| Scenario | Revenue CAGR | EPS CAGR | Terminal P/E | 10Y Price | Div Yield | Total CAGR | Weight |
|---|---|---|---|---|---|---|---|
| BEAR | 2% | 3% | 8.0x | $1,723 | 2.5% | **2.8%** | 25% |
| BASE | 5% | 8% | 12.0x | $4,226 | 1.8% | **9.2%** | 50% |
| BULL | 8% | 13% | 16.0x | $8,452 | 1.3% | **16.5%** | 25% |

| | |
|---|---|
| **Probability-Weighted Expected Total Return** | **9.4% CAGR** |
| **vs. Hurdle Rate (Inflation + 4% = ~7%)** | **EXCEEDS HURDLE** |
| **vs. HYSA (4%)** | **OUTPERFORMS by ~5.4%** |

## 5.3 Downside Protection Analysis

| Metric | Value |
|---|---|
| Bear Case Price Target (10Y) | $1,723 (-46% from current) |
| Bear Case Total Return (incl. dividends) | 2.8% CAGR (POSITIVE — Capital Preserved) |
| Maximum Historical Drawdown (10Y) | ~45% (2022-2023 memory downturn) |
| Probability of >50% Permanent Loss | < 5% (Fortress balance sheet protects) |
| Net Cash Per Share (GDR) | ~$247 (~7.8% of current price) |
| Book Value Per Share Support (GDR) | ~$1,625 (P/B floor) |

**Critical Downside Check:** Bear case total return of 2.8% CAGR is POSITIVE, confirming capital is preserved in downside. However, the near-term drawdown risk from current elevated prices (trailing P/E 32.8x vs. 10Y median 12.2x) is significant — a mean reversion to even 15x P/E on current earnings would imply ~55% downside from the current $3,172 GDR price. This is mitigated by the expectation that earnings will grow significantly on forward estimates.

# STAGE 6: INVESTMENT DECISION FRAMEWORK

## 6.1 Wealth Preservation Scoring System

| Downside Protection Score | Points | Rationale |
|---|---|---|
| Base | +50 | Starting neutral |
| Bear case total return positive | +15 | 2.8% CAGR in bear case |
| D/E < 0.5x | +10 | D/E ratio of 0.06x — among lowest globally |
| Dividend maintained through 2008/2020/2023 | +10 | Never eliminated dividend |
| Max historical drawdown < 40% | +0 | Drawdown of ~45% exceeds 40% threshold |
| Current yield > 3% | +0 | Yield is 1.2% — below 3% threshold |
| Bear case > 20% price decline | -15 | Bear case implies ~46% price decline from current |
| **TOTAL DOWNSIDE PROTECTION** | **70** | |

**Return Adequacy Score:** Base Case Total Return CAGR of 9.2% scores **70 points** (8-10% range).

**Quality Score:** 70/100 from Stage 3 assessment.

| Component | Score | Weight | Weighted |
|---|---|---|---|
| Downside Protection | 70 | 45% | 31.5 |
| Return Adequacy | 70 | 30% | 21.0 |
| Quality Score | 70 | 25% | 17.5 |
| **COMPOSITE WP SCORE** | | | **62 / 100** |

### WP Score Interpretation: 62/100 — Acceptable but Not Compelling

Samsung scores in the 55-65 range, indicating an acceptable investment that is not compelling at current prices. The fortress balance sheet and earnings recovery provide strong fundamental support, but elevated trailing valuations cap the score. A price decline to $2,360 would improve the valuation score by 10-15 points, pushing the composite above 70 into "Good Candidate" territory.

## 6.2 Absolute Requirement Checklist

| Requirement | Status | Result |
|---|---|---|
| Bear case total return >= 0% | 2.8% CAGR | **PASS** |
| Base case total return >= 7% | 9.2% CAGR | **PASS** |
| Solvency: FORTRESS or ADEQUATE | FORTRESS | **PASS** |
| Dividend sustainability: ROCK SOLID or SUSTAINABLE | SUSTAINABLE | **PASS** |
| Probability of >50% permanent loss < 10% | < 5% | **PASS** |

| Requirement | Status | Result |
|---|---|---|
| WP Score >= 65 for BUY | 62 (Below 65 threshold) | **FAIL** |

**Result:** Samsung passes all absolute requirements for wealth preservation but falls short of the BUY threshold (WP Score 62 vs. required 65). This triggers a HOLD/WATCHLIST recommendation with a defined entry target.

## STAGE 7: FINAL INVESTMENT RECOMMENDATION

**RECOMMENDATION: HOLD / WATCHLIST**

Samsung Electronics (LON: SMSN.L)

| Metric | Value |
|---|---|
| Current Price | $3,172 (SMSN.L GDR) |
| Fair Value (Base Case) | $2,600 |
| Target Entry Price | $2,360 — 26% below current |
| Margin of Safety at Entry | +10.2% upside to fair value |
| Expected Total Return at Entry | ~12.5% CAGR (vs. 9.2% at current price) |
| WP Score at Target Entry | ~73 (vs. 62 at current price) |
| Position Size at Entry | Standard (EUR 75) — Standard allocation |
| Entry Strategy | Scale in on weakness; limit orders at $2,360 and $2,100 |

### Why HOLD / Not BUY at Current Prices:

Samsung is a high-quality business with an unassailable balance sheet, but the current stock price reflects an extraordinary 271% rally over the past year. The trailing P/E of 32.8x is nearly 3x the 10-year median of 12.2x, and even on forward estimates, the stock is priced for continued aggressive earnings growth. For wealth preservation investors, paying peak-cycle multiples on cyclical earnings violates our core principle of buying wonderful companies at fair prices. The memory semiconductor cycle is inherently mean-reverting, and history shows Samsung's stock has experienced 25-45% drawdowns in each of the last four cycles.

#### What Would Upgrade to BUY:

| Trigger | Impact on Assessment |
|---|---|
| Price decline to $2,360 (-26%) | Valuation score improves 10-15 pts; WP Score reaches ~73 |
| Price decline to $2,100 (-34%) | High conviction BUY; WP Score reaches ~78+ |
| Forward P/E below 8x on maintained estimates | Clear value signal for cyclical entry |
| Dividend yield rises above 2.0% | Income cushion improves downside protection |
| HBM4 revenue exceeding expectations | Structural thesis strengthening; may justify premium |

#### Expected Outcome (10 Years from Target Entry at $2,360):

| Scenario | Outcome |
|---|---|
| Total Return (Base Case) | 12.5% CAGR |

| Scenario | Outcome |
|---|---|
| Cumulative Return | 228% |
| $10,000 invested becomes | $32,800 |
| vs. HYSA (4%): $10,000 becomes | $14,800 |
| Outperformance vs. HYSA | $18,000 over 10 years |

## RISK ASSESSMENT

| Risk Category | Score (1-10) | Key Concern | Mitigation |
|---|---|---|---|
| Balance Sheet Risk | 1 | None — fortress | KRW 100T+ net cash |
| Earnings Volatility | 9 | Memory cycle can swing OP 50-96% | Diversified revenue base |
| Competitive Threat | 6 | SK Hynix HBM lead; TSMC foundry | HBM4 qualification cleared |
| Regulatory Risk | 7 | US-China tensions; export controls | Diversified global operations |
| Management Risk | 3 | Succession planning | Professional management team |
| Valuation Risk | 8 | 32.8x trailing P/E vs 12.2x median | Forward P/E 9.4x if growth holds |
| Aggregate Risk | 5.7 | | |

# MONITORING CHECKLIST & EXIT TRIGGERS

## Quarterly Review:

• Memory pricing trends and inventory levels — leading indicator for earnings

• HBM revenue ramp progress (qualification + volume shipments)

• Dividend maintained/increased per shareholder return policy

• Balance sheet metrics stable (net cash position maintained)

• Foundry yield progress on advanced nodes (2nm, 3nm)

• Smartphone market share and Galaxy flagship cycle performance

• Competitive positioning vs. SK Hynix (HBM) and TSMC (foundry)

## Exit Triggers:

| Condition | Action |
|---|---|
| Dividend cut or shareholder return policy abandoned | Reassess immediately; likely sell |
| Debt/Equity rises above 0.5x | Sell — balance sheet deterioration |
| ROIC falls below WACC for 2+ consecutive years | Sell — structural value destruction |
| Bear case return turns significantly negative | Reduce / Sell |
| Price reaches $4,875+ (forward P/E > 15x) | Trim — forward return < 5% |
| Memory industry structural oversupply (new entrant) | Reassess competitive moat |
| Better opportunity with 10+ point higher WP Score | Replace position |

# ANALYST NOTES

**Key Assumptions:**

1. Memory semiconductor upcycle continues through 2026 but moderates by 2027, consistent with historical cycle duration of 18-24 months. Sensitivity: If cycle extends, bull case probability increases; if cycle ends earlier, bear case probability increases to 35%+.

2. Samsung successfully ramps HBM4 production, capturing ~30% market share by 2027 (vs. ~20% currently in HBM3). Sensitivity: Each 5% market share point represents ~KRW 2-3T in annual operating profit.

3. Foundry business achieves breakeven by 2027 as 2nm yields improve. Currently a drag on margins.

**Limitations:**

1. Samsung does not report under US GAAP/IFRS in the same granularity as US-listed peers, limiting detailed segment-level analysis. Korean disclosure standards differ.

2. Currency risk (KRW/USD) adds an additional variable for non-Korean investors. A strengthening KRW would reduce USD-denominated returns.

3. Geopolitical risk (US-China semiconductor restrictions) is difficult to model probabilistically.

**Confidence Level: MEDIUM** — High confidence in balance sheet assessment and competitive positioning. Medium confidence in earnings trajectory given cyclical uncertainty. Low confidence in near-term price direction given the 271% rally and elevated trailing multiples.