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TRADE LENS

Focus on Investment.

COMPANY RESEARCH / No.08

KOSPI 005930 · MEMORY / EARNINGS / CAPITAL

Samsung Electronics

Record Preliminary Earnings and Semiconductor Equity Repricing

Testing earnings durability through memory margins,
cash conversion and capital allocation

KRW 195tn

3Q26 preliminary revenue [1]

KRW 107.4tn

Preliminary operating profit [1]

55.1%

Preliminary margin · calculated [1]

**Record profit is the starting point.
Durability is tested in price, cost and cash.**

Separate preliminary results from segment economics, then test the path from commercial progress to repeatable cash and shareholder returns.

01 / RESEARCH VIEW

Separate earnings momentum from margin durability

TradeLens view | Memory commercialization is advancing. The persistence of today's margin is a different question.

Core assessment

Preliminary third-quarter results confirm higher consolidated earnings. They do not establish the durability of future pricing power or cash generation. The analytical task is to distinguish the contribution of technology from the benefit of tight supply, rather than to dismiss either. [1]

01

What is changing?

Higher preliminary earnings have coincided with a sharp equity correction. Results and market prices operate on different time horizons.

02

Why does it matter?

When profit is concentrated in memory, changes in price, yield and product mix can matter disproportionately.

03

Who receives the benefit?

Component pricing power, device input costs and shareholder cash receipts follow different transmission channels.

04

What tests the view?

Segment profit, inventory, receivables, post-investment cash and capital-return execution must be assessed together.

Commercial shipments and reported earnings support the positive business assessment. Neither should be extended mechanically into a permanent earnings baseline. Equally, a falling share price is not proof that customer demand has collapsed.

Decision framework

Technology → production economics → cash conversion → capital recovery. The durability of this chain matters more than a record headline profit.



02 / PRELIMINARY EARNINGS

Higher profit, but a limited disclosure perimeter

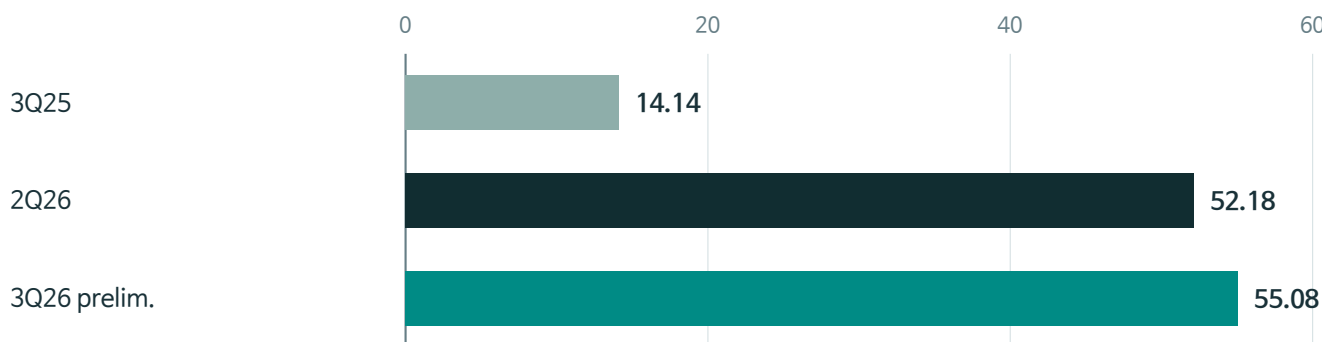
3Q26 figures are consolidated estimates. Segment earnings and cash flow are not imputed.

Consolidated · KRW tn	3Q25	2Q26	3Q26 prelim.
Revenue	86.06	171.50	195.00
Operating profit	12.17	89.49	107.40
Operating margin ¹	14.14%	52.18%	55.08%

Sources: Samsung [1] [2]. ¹ Operating profit/revenue × 100; TradeLens calculation. Later segment and cash-flow tables retain the separate precision of the 2Q presentation.

Consolidated operating margin

% · includes estimates



The margin calculated from the preliminary figures is approximately 2.90 percentage points above the prior quarter. This arithmetic does not identify HBM prices, volumes or margins, nor foundry profitability. It cannot substitute for net income, earnings per share or third-quarter cash flow.

Size is not attribution

Earnings growth is observed. Its allocation across products, and its persistence into subsequent periods, require detailed results and evidence on supply conditions.



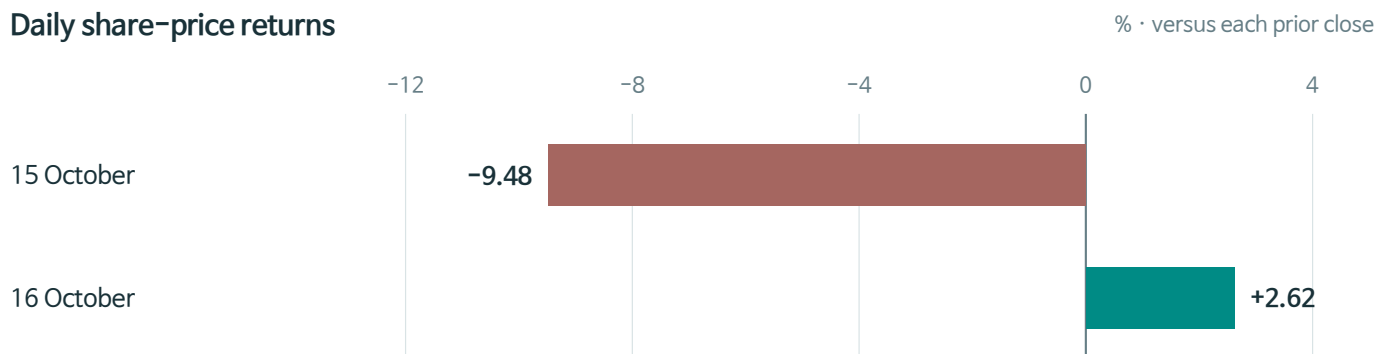
03 / MARKET REPRICING

Earnings releases and equity repricing answer different questions

Samsung common shares · market evidence through the 16 October 2026 regular-session close.

Date	Observed / scheduled event	Analytical distinction
8 Oct	Preliminary earnings [1]	An estimate for a completed quarter
15 Oct	Share return -9.48% [12]	A change in market pricing
16 Oct	KRW 215,500; +2.62% [12]	A rebound is not business normalization
29 Oct	10:00 KST conference call [11]	Next test of segment results and outlook

Daily share-price returns



Source: market reporting [12]. Regular-session returns, excluding dividends. Each uses a different prior-close denominator; the percentages are not additive.

Foreign investors' net cash-equity purchases on 16 October were reported at about KRW 182bn. [12] A one-day flow reversal does not validate future orders or customer creditworthiness. Expected earnings, discount rates, risk aversion and positioning may interact; no causal contribution is assigned to each factor.

Assessment

Short-term price recovery and a reassessment of sustainable earnings are separate. Test whether pricing power and cash conversion changed, rather than transferring market anxiety directly into a profit forecast.



04 / EARNINGS CONCENTRATION

A diversified group need not have diversified profit

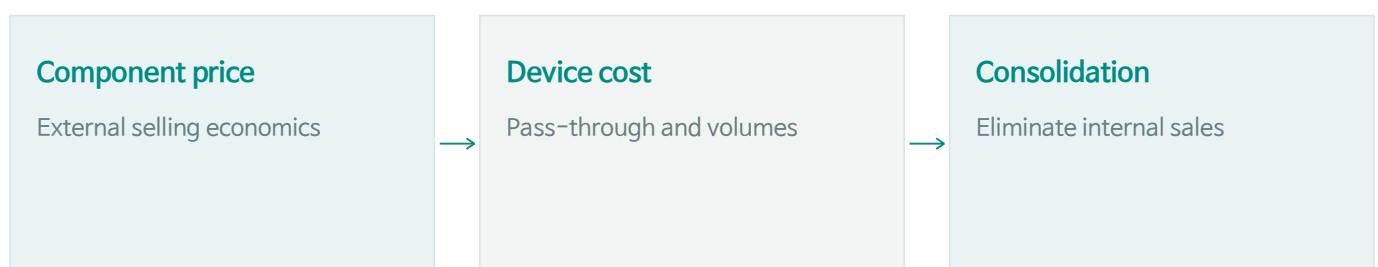
Second-quarter segment results show concentration; they are not a substitute for third-quarter composition.

2Q26 · KRW tn	Revenue	Op. result	Scope
DS	127.5	89.2	Memory and non-memory
DX	48.0	-0.8	Mobile, TVs, appliances and other devices
SDC	7.5	0.7	Displays
Harman	4.6	0.4	Automotive and audio

Company results [3] [4]. Segment revenue includes intersegment sales. It must not be summed into consolidated revenue or treated as an external-customer revenue mix.

Portfolio breadth is not an automatic earnings hedge

TradeLens analysis | Where profit is concentrated, the pricing and production costs of the dominant business drive consolidated outcomes. A large device revenue base does not necessarily offset a change in semiconductor profit. Diversification must be evaluated through earnings behavior, not business labels.



The object of analysis is profit earned from external customers, not the sum of segment sales. More internal supply does not mechanically create incremental group profit. Segment pricing, input costs and product mix must be considered alongside consolidation adjustments.

What the next release should clarify

Read DS profit momentum alongside DX's capacity to absorb costs. Do not estimate separate memory and foundry earnings from the combined DS total.



05 / MEMORY ECONOMICS

Structural demand and a pricing cycle can coexist

Separate price, volume, mix and production costs rather than reducing the investment case to HBM.

Samsung linked second-quarter performance to server demand and broad memory-price increases. Stronger second-half server DRAM, enterprise SSD and HBM demand, alongside softer mobile/PC conditions, was the company's outlook—not a realized outcome. [4]

Driver	Conditions supporting durability	Conditions weakening it
Selling price	Customer value and constrained supply support pricing	Inventory adjustment, added supply or substitutes
Volume	Actual customer operation and repeat purchases	Cancellations or delayed acceptance after pre-orders
Product mix	More paid volume in higher-value products	Ramp costs rise faster than the mix benefit
Production cost	Better yield, process productivity and utilization	Rework, start-up expense and depreciation burden

The same revenue can contain different earnings quality

TradeLens analysis | Price-led profit and profit supported by lower unit costs have different resilience in a downturn. A richer mix can help, but its qualification and good-unit production costs must be included. Undisclosed ASP and bit-growth rates are not reverse-engineered to allocate profit.

Industry cross-check

TSMC reported third-quarter dollar revenue of US\$46.72bn, up 41.2% year on year. That is industry context, not evidence of Samsung memory orders or customer-specific revenue. [13]

Assessment

Structural memory demand is a positive business force. A shortage-driven pricing benefit should nevertheless not be frozen into a permanent margin assumption.

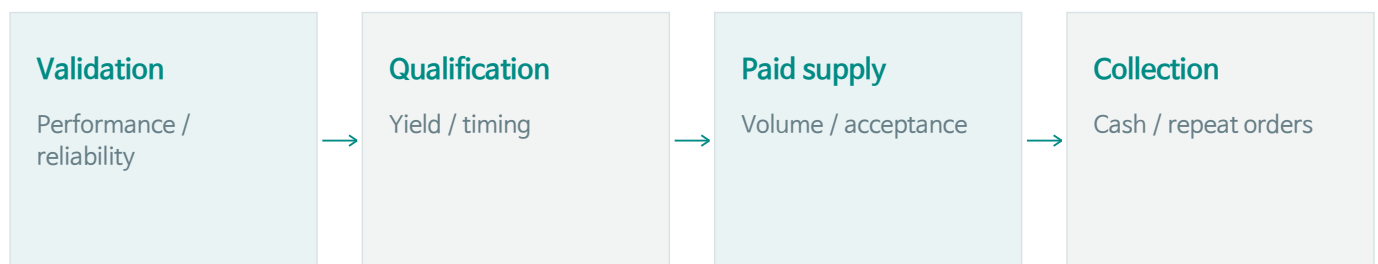


06 / HBM COMMERCIALIZATION

Shipments, samples and an MOU are different milestones

Follow the path to paid volume production rather than treating technology announcements as equivalent sales.

Public event	Established stage	Not established
HBM4 · 12 Feb [5]	Company-reported commercial production and shipments	All-customer qualification, unit sales or product margin
HBM4E · 29 May [6]	Samples supplied to customers	Full-scale production, recognized sales or a universal schedule
AMD · 18 Mar [7]	MOU for HBM4 / DDR5 collaboration	Fixed purchase value, billing milestones or guaranteed profit



Yield matters through the cost of a saleable unit

TradeLens analysis | Customers buy functioning products, not gross fabrication output. A successful trial and economical mass production are different achievements. More saleable units from a given input, with less rework, are needed for differentiation to remain in profit. No undisclosed yield or customer approval rate is assigned.

An MOU provides evidence of a route to demand, not a fixed revenue claim. Conversely, a sampling-stage product is not valueless. The relevant distinction is the capital required and the risk of delay or failure at each stage.

Assessment

HBM4 commercialization supports the competitiveness case. Next-generation value is tested through good-unit shipments, price, cost and repeat orders—not sample counts alone.



Foundry improvement and device resilience need separate tests

Do not treat non-memory profitability and device input costs as incidental to a memory upcycle.

Samsung described foundry earnings improvement before incentive provisions, supported by base-die demand and stronger orders. MX/network operating loss was KRW 0.7tn, with component-cost pressure cited. Foundry improvement is not evidence of a return to profit. [4]

Business	Variables that change profit	Distinction to retain
Foundry	Node utilization, yield, pricing and depreciation	Design wins / orders are not current earnings
Mobile / networks	Mix, cost pass-through and marketing efficiency	Shipment growth does not establish margin
TVs / appliances	Competition, channel inventory and service mix	Seasonal sales are not a full-year earnings base

Integration economics are not the same as offsets

TradeLens analysis | Owning memory, logic and packaging can broaden product-design and customer-service options. An economic advantage still requires external customer selection, competitive production costs and capital recovery. No standalone synergy profit is added to the reported accounts.

Link the technology roadmap to capital recovery

The September Samsung/ASML collaboration covers High-NA EUV and next-generation photomasks. Roadmap progress is not equivalent to installed capacity or committed capital spending. [8]

Assessment

Strong memory profitability may mask pressure elsewhere. A broader earnings base requires non-memory improvement and device-cost resilience as well.



08 / CASH CONVERSION

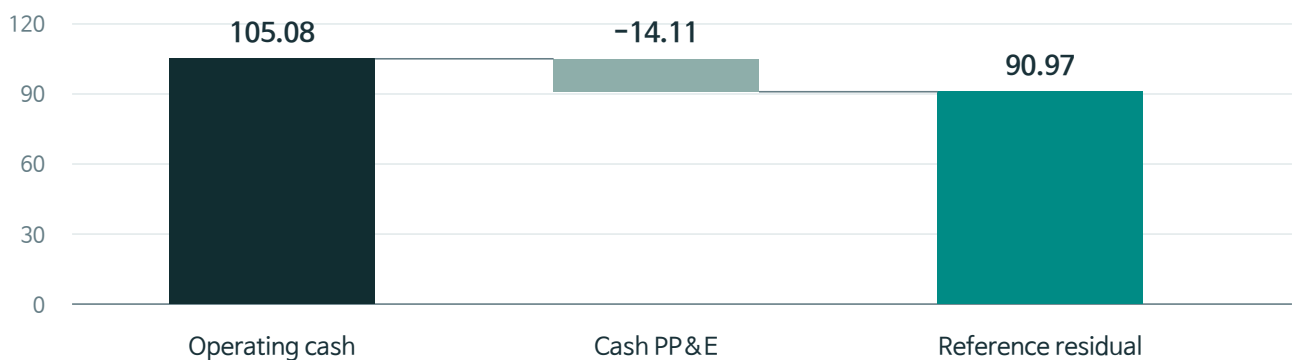
Cash remaining after investment is the next test

Subtract only cash PP&E additions from operating cash. This reference measure is not policy-defined FCF.

Consolidated · KRW tn	1Q26	2Q26
Cash from operations	40.27	105.08
Cash PP&E additions	17.13	14.11
Difference ¹	23.14	90.97

Second-quarter cash bridge · reference calculation

KRW tn



Source: company IR [3], PDF p.15. ¹ TradeLens calculation. Quarterly values; before intangible assets, acquisitions, other investments and capital returns.

A large inflow is not a normalized cash-flow rate

TradeLens analysis | Collection strengthens the earnings-quality case but reflects the timing of customer payments, taxes and other settlements. Multiplying one quarter by four, or applying its conversion rate to preliminary operating profit, ignores those timing differences. The test is whether recurring earnings become recurring cash across periods.

Avoid double deductions

Do not subtract R&D mechanically again from operating cash. Separate costs already reflected in earnings and cash flow from additional investment cash to avoid counting the same use twice.



09 / WORKING CAPITAL

Inventory and receivables create a recovery obligation

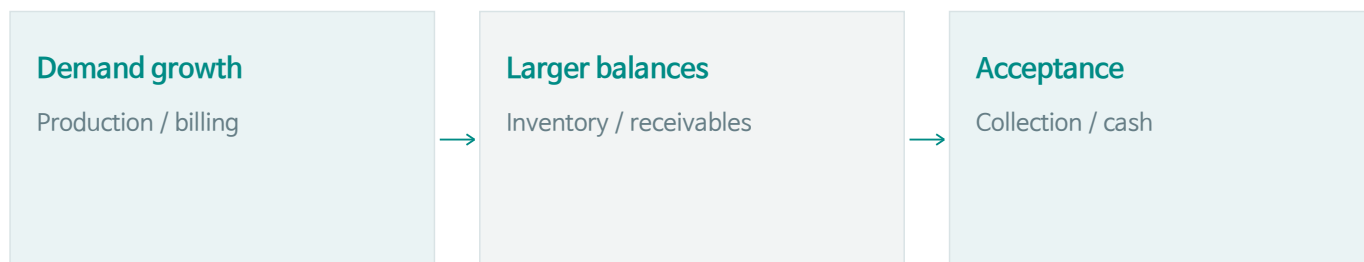
Balance-sheet dates reveal the scale of working assets; they do not replace a cash-flow statement.

Consolidated · KRW tn	31 Mar 2026	30 Jun 2026	Change ¹
Trade receivables	82.2850	96.4090	+14.1240
Inventory	58.2784	71.3891	+13.1107
Current tax liabilities	15.2291	30.3031	+15.0740

Source: company IR [3], PDF p.14, converted from KRW 100m. ¹ Closing minus opening balance. The rows are not additive working-capital cash outflows.

Higher balances do not carry a single interpretation

TradeLens analysis | Receivables may grow with sales and payment timing; delayed collection nevertheless requires financing. Inventory can prepare for higher output or accumulate because sales are weak. Raw materials, work in progress, finished goods and turnover must be distinguished before assigning a positive or negative interpretation.



Tax liabilities prompt a separate test of the timing between recognized profit and cash payment. Their change is not assigned a causal contribution to current cash generation. Currency movements, consolidation and non-cash items also prevent a one-for-one mapping from balance changes to cash flow.

Assessment

The next detailed release should test inventory composition, collection speed and tax payments alongside margins to assess whether cash generation can persist.

10 / CAPITAL ALLOCATION

Return plans and completed distributions are different

Separate the total range, a partial plan and a different-purpose share purchase; do not add them.

Company announcement · KRW tn	Amount	Nature
Estimated 2026 capital returns	90 - 110	Range; linked to results and final decisions
Planned Q3-related cash dividend	~30	Regular payout included; October board details
Employee-compensation buyback	~15	Separate purpose; not equivalent to cancellation

Source: company release, 21 Aug [9]. These are not three independent investment lines. Do not present a KRW 135 - 155tn total or classify all purchases as dividends / cancellation.

Read distributions alongside sustaining investment

The 2024 - 2026 policy targets 50% of three-year FCF for capital returns. The quarterly operating-cash-less-cash-PP&E reference in this report is not identically defined policy FCF. [10]

TradeLens analysis | Shareholder outcomes depend on funded execution, not just announced size. Dividends transfer cash; cancellation reduces shares; employee treasury shares serve a separate incentive purpose. Similar cash purchases can therefore have different capital-allocation outcomes.

Decision timing

The company planned to determine remaining returns at the January 2027 board meeting after full-year results are confirmed. Future execution is not an already-realized shareholder return. [9]

Assessment

Capacity for substantial distributions is positive. Process conversion, sustaining investment and payment timing must still be considered in the capital-efficiency assessment.



Volume does not necessarily offset lower prices

Illustrative assumptions only—not an estimate of Samsung product costs, ASPs or profit.

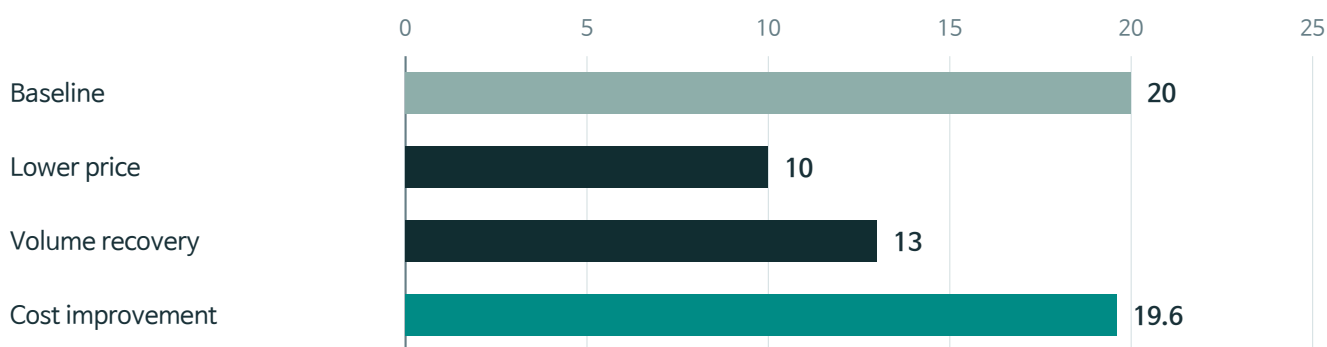
Constant-unit model

Baseline price $P=100$, volume $Q=1$, variable cost per unit $C=60$ and fixed cost $F=20$. Revenue $=P \times Q$; operating profit $=(P-C) \times Q - F$. Currency, tax, separately modelled depreciation and product-mix changes are excluded.

Illustrative scenario	P / Q / C	Revenue	Op. profit
Baseline	100 / 1.0 / 60	100	20
Price down 10%	90 / 1.0 / 60	90	10
Lower price; volume up 10%	90 / 1.1 / 60	99	13
Also unit variable cost down 10%	90 / 1.1 / 54	99	19.6

Illustrative operating profit

Arbitrary index · not a forecast



Interpretation | Revenue can recover to 99 while profit remains at 13 without cost improvement. Price, volume and cost do not move identically. Yield and process productivity can become central to defending earnings when selling prices fall.

The capital-recovery question

Where lower unit costs require substantial investment first, evaluate savings against capital deployed and the recovery period. Higher production alone does not guarantee a better return on invested capital.

12 / CONDITIONAL BUSINESS OUTLOOK

Demand resilience can coexist with margin adjustment

TradeLens conditional business analysis—not probabilities, earnings estimates or a share-price path.

The evidence supports continued technological and commercial progress, not a permanent consolidated margin. The baseline analytical path combines durable higher-value demand with possible repricing of margins as price, cost and competition evolve. It does not predict that next-quarter profit must decline.

Path	Evidence required together	Economic implication
A · Demand holds; margins adjust	Paid shipments persist; price gains moderate; investment continues	Revenue growth can coexist with margin adjustment
B · Technology and cost improve	Higher-value volume; improved yield; normal collections	A stronger earnings base with less price dependence
C · Customer investment slips	Delayed acceptance / delivery; inventory and receivables accumulate	Pressure on revenue recognition and cash recovery
D · Competing supply expands	Alternative suppliers qualify; prices pressured; costs sticky	Demand growth need not preserve excess margin

Falsification comes from operating data, not price alone

Customer acceptance, repeat orders, improved yield and collection together strengthen the core view. If inventory and receivables outgrow sales while customer order execution weakens, demand and recovery risk should carry more weight than a simple margin-normalization interpretation.

Distinguish early signals from realized outcomes

Cancellations and delayed acceptance are early risk signals; revenue and cash confirm their realized effects. Do not book a loss from a signal alone, but continue to test customer investment execution and competing supply while awaiting detailed results.

Interpretation boundary

Earnings growth and a rising share price are not the same conclusion. This report assesses business direction and vulnerabilities, not undervaluation, overvaluation or trading timing.



13 / OUTLOOK & MONITORING

On 29 October, test the composition of profit

The scheduled detailed release should connect operations, cash and capital allocation. [11]

Priority	Evidence supporting the view	Evidence weakening it
Memory economics	Balanced price / volume / mix; lower unit cost	Price-only gains; higher ramp-up costs
Non-memory / DX	Foundry improvement; device-cost resilience	Wider losses outside memory
Inventory / collection	Normal inventory; timely cash and tax coverage	Idle stock; payment delays; weaker conversion
Investment / returns	Capacity aligned with demand; clear execution	Investment or distributions outpace cash receipts

01

What is changing?

Higher preliminary profit and equity repricing have occurred together. Neither automatically invalidates the other.

02

Why does it matter?

Margin durability requires separating technology, yield, pricing and capital needs.

03

Who receives the benefit?

The company captures production and cash outcomes; shareholders receive dividends or cancellation effects.

04

What confirms it?

Follow paid shipments through inventory, collection, investment and capital-return execution.

Final assessment

Samsung's memory commercialization and earnings expansion are substantive. Sustainable profit is tested by pricing power, cost per good unit, collection and capital allocation—not by record-setting alone.

As of 16 Oct 2026. Third-quarter data are consolidated estimates. Detailed operating and cash analysis uses second-quarter company reporting; no hybrid product-level quarter is constructed.



14 / SOURCE REGISTER

Connect the analysis to the original sources

Select a teal citation, source title or “Open source” to open the original publication.

01. Samsung Electronics Third-quarter 2026 preliminary earnings 2026.10.08 · Consolidated preliminary revenue, operating profit and growth	Open source
02. Samsung Electronics Earnings Guidance for Third Quarter 2026 2026.10.08 · Comparative 2Q26 and 3Q25 consolidated figures	Open source
03. Samsung Electronics Second-quarter 2026 earnings presentation 2026.07.30 · Company IR · PDF pp.13 - 15: segments, balance sheet and cash	Open source
04. Samsung Electronics Second Quarter 2026 Results 2026.07.30 · Segment results and memory, foundry and DX commentary	Open source
05. Samsung Electronics Commercial HBM4 production and shipments 2026.02.12 · Company release · commercial shipment status	Open source
06. Samsung Electronics HBM4E sample shipments 2026.05.29 · Company release · sampling versus volume production	Open source
07. Samsung Electronics / AMD Collaboration on next-generation AI memory 2026.03.18 · MOU · HBM4 and DDR5 collaboration scope	Open source
08. Samsung Electronics / ASML Next-generation semiconductor manufacturing collaboration 2026.09.08 · Company plans · High-NA EUV and photomasks	Open source
09. Samsung Electronics 2026 shareholder-return plan 2026.08.21 · Indicative return range, board decisions and employee-share purchases	Open source
10. Samsung Electronics Shareholder-return policy 2024 - 2026 · Three-year policy based on free cash flow	Open source
11. Samsung Electronics IR events — October 2026 Oct 2026 schedule · Conference call scheduled for 29 Oct, 10:00 KST	Open source
12. News1 Foreign investors return to net buying of Samsung 2026.10.16 · Market report · 15 - 16 Oct returns, regular close and cash-equity flows	Open source
13. TSMC Third Quarter 2026 Results 2026.10.15 · Industry context · dollar revenue and growth	Open source

Source scope: company results and plans are distinguished by date. Market reporting supports regular-session prices and flows only. Undisclosed product sales, yields and margins are not estimated.

Methodology, disclaimer and use

Separate verified facts, company plans, TradeLens analysis and illustrative assumptions.

Item	Basis
Date / scope	16 Oct 2026; Samsung common shares (005930). Market data use the regular-session close.
Evidence status	3Q26 consolidated estimates. Detailed analysis uses 2Q26 company results, prepared before completion of the external accounting review.
Calculations	Operating margin=operating profit/revenue. Cash reference=CFO-cash PP&E. Neither policy FCF nor an estimate of 3Q cash flow.
Illustrative model	Page 12 uses arbitrary price, volume and cost assumptions—not company ASP, margin, earnings or share valuation.
Coverage	Business economics, profitability, cash and capital allocation. No price direction, trading timing, target prices or personalized advice.

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