

SK Hynix (000660 KS)

FUNDAMENTAL VIEW ¹

As of 29 Aug 2025

We have an Outperform recommendation on SK Hynix. In our view, we think its likely for the BBB2 rating on HYUELE to be upgraded to BBB1 over the next 12 months by all three agencies, as we expect its debt metrics to further improve on strong HBM shipments and for the company maintain its technological and market share leadership. HYUELE currently trades an average 7 bp wider than Asia BBB+ corp, and we expect spreads of HYUELE to tighten towards Asia BBB+ corps as it credit metrics further improves over the next 12 months. Compared to US tech memory chip peer Micron, SK Hynix trades largely in-line which we view as attractive given the higher ratings of HYUELE. We like the HYUELE 6.50% 2033 bond in particular.

RISKS & CATALYSTS

As of 29 Aug 2025

- The memory sector is subjected to significant boom/bust cycles, leading to volatility in its revenue and EBITDA margin. During an upcycle, memory vendors typically expand capacity to meet strong end-demand from PC, smartphones, and servers; however, the long-lead time for new plants could result in an oversupply when end-demand is tapering off.
- Capex intensity (as % of revenues) and R&D costs are elevated even in downcycles for SK Hynix, as it needs to maintain technological leadership and fast evolving product requirements from customers.
- SK Hynix has large production and revenue exposure to China; rising US-China tension and restrictive US chip exports to China could destabilize the long-term prospect of its China production and weigh on its \$ bonds. Though, in Oct-23 SK Hynix was designated as a "Validated End User" by the US government, which gave it an indefinite waiver for importing US chip gears to their Chinese plants.
- SK Hynix may be vulnerable to US tariff risk; the company derived 73% of 1Q25 revenues from the US.

CREDIT QUALITY SCORE (CQS) ²

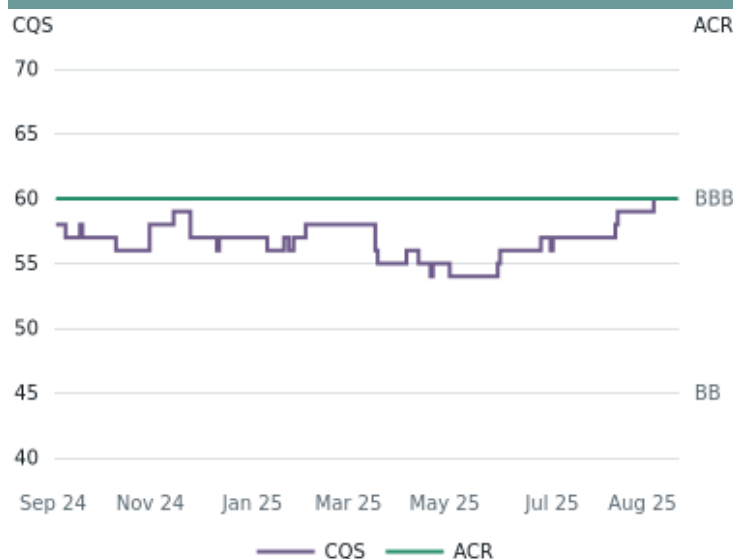
As of 29 Aug 2025

CURRENT CQS



CQS OUTLOOK ³

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 29 Aug 2025

KRW BN	FY21	FY22	FY23	FY24	LTM 2Q25
Debt to Book Cap	23.5%	28.1%	37.8%	25.6%	21.9%
Net Debt to Book Cap	13.3%	21.2%	27.7%	11.6%	6.9%
Debt/Total Equity	30.8%	39.2%	60.7%	34.4%	28.1%
Debt/Total Assets	19.9%	23.9%	32.4%	21.2%	19.0%
Gross Leverage	0.8x	1.2x	5.8x	0.7x	0.5x
Net Leverage	0.5x	0.9x	4.3x	0.3x	0.2x
Interest Coverage	87.3x	38.7x	3.8x	26.5x	42.0x
EBITDA Margin	52.8%	46.2%	17.1%	53.8%	57.7%

Limited disclosures in preliminary earnings release.

BUSINESS DESCRIPTION

As of 29 Aug 2025

- SK Hynix is one of the world's largest memory semiconductor companies. As an Integrated Device Manufacturer (IDM), it engages in the design, manufacturing and sale of advanced memory semiconductors. It derives 77% of 2Q25 revenues from the sale of DRAM (dynamic random-access memory), 21% from NAND Flash, and the remaining 2% from CMOS Image Sensors and foundry services. The company's products are essential to a wide range of electronic devices, including PCs, servers, graphic cards, and mobile devices.
- SK Hynix holds the largest global market share (2Q25: 40%) in DRAM and second largest in NAND Flash (2Q25: 21%).
- SK Hynix is a member of SK Group, South Korea's second largest conglomerate by asset, and is 20.1%-owned by SK Square.
- The company has manufacturing facilities located in (1) South Korea — Icheon (DRAM, NAND), and Cheongju (NAND); and (2) China — Wuxi (DRAM), Dalian (NAND); and packaging & testing facilities in Chongqing, China.
- SK Hynix had a market capitalization of KRW 194.9 tn as of 29 Aug 2025.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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