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SK Telecom Co Ltd | Asia Pacific

SK Broadband to spin off data center business, attracts W3 trillion in funding from PEFs

Key Takeaways

- The transaction confirms SKT's dual track strategy with AIDCs. SK Hyper will handle new capacity, while SK Horizon will operate existing assets.
- We see the transaction confirming SKT's commitment to data centers and giving it expanded financial capacity for growth.

Details:

SKT disclosed after the market closedthat SK Broadband will be conducting a horizontal spin-off of its data center and submarine cable business to form SK Horizon.

SK Horizon will be raising a combined W3.1 trillion from KKR and a consortium comprised of IMM Investment and Stonebridge Capital, via a series of rights offerings. Following the transaction, SKT will hold a 51% stake in SK Horizon.

The newly raised capital will be used to build out data centers currently under development in Ulsan (103MW) and Seoul (75MW), which would give SK Horizon 318MW in capacity upon completion. A new submarine cable connecting East Asia to the US will also be funded.

SK Horizon is aiming to achieve double-digit annualized revenue growth through 2035.

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SK Telecom Co Ltd (017670.KS, 017670 KP)

S. Korea Telecoms & Internet | S. Korea

Stock Rating	Equal-weight
Industry View	In-Line
Price target	W90,000
Up/downside to price target (%)	(9)
Shr price, close (Aug 27, 2026)	W99,100
52-Week Range	W139,500-51,400
Sh out, dil, curr (mn)	213
Mkt cap, curr (bn)	W21,097
EV, curr (bn)	W26,772
Avg daily trading value (bn)	W88

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (W)**	1,918	6,040	6,508	6,798
Prior EPS (W)**	-	-	-	-
EPS (W)§	1,883	5,976	6,363	6,915
Revenue, net (W bn)	17,099	17,622	17,733	17,838
EBITDA (W bn)	4,242	5,084	5,217	5,313
ModelWare net inc (W bn)	408	1,287	1,387	1,448
P/E	27.9	16.4	15.2	14.6
P/BV	0.9	1.6	1.5	1.4
RNOA (%)	4.6	7.9	8.4	8.5
ROE (%)	3.5	10.0	10.3	10.3
EV/EBITDA	4.0	5.1	4.9	4.7
Div yld (%)	3.1	3.4	3.4	3.6
FCF yld ratio (%)	14.2	7.4	5.3	5.3
Leverage (EOP) (%)	57.4	48.9	43.7	39.3

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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Valuation Methodology and Risks

SK Telecom Co Ltd (017670.KS)

Base case, sum-of-the-parts.

- Core telecom operations - dividend discount model (8.5% cost of equity; 2% terminal growth rate).
- AI investments - benchmark private transaction value or latest market value (for listed entities), with 30% holding company discount applied.

Risks to Upside

- Improved visibility on higher returns relating to data center investments
- Higher cost efficiency measures driving lower costs
- Higher valuation for AI investments

Risks to Downside

- Lowered return outlook on AI data centers
- Renewed competition
- Lower returns for AI investments

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(as of July 31, 2026)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1529	42%	442	47%	29%	750	43%
Equal-weight/Hold	1582	43%	396	42%	25%	773	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	560	15%	97	10%	17%	217	12%
Total	3,674		936			1741	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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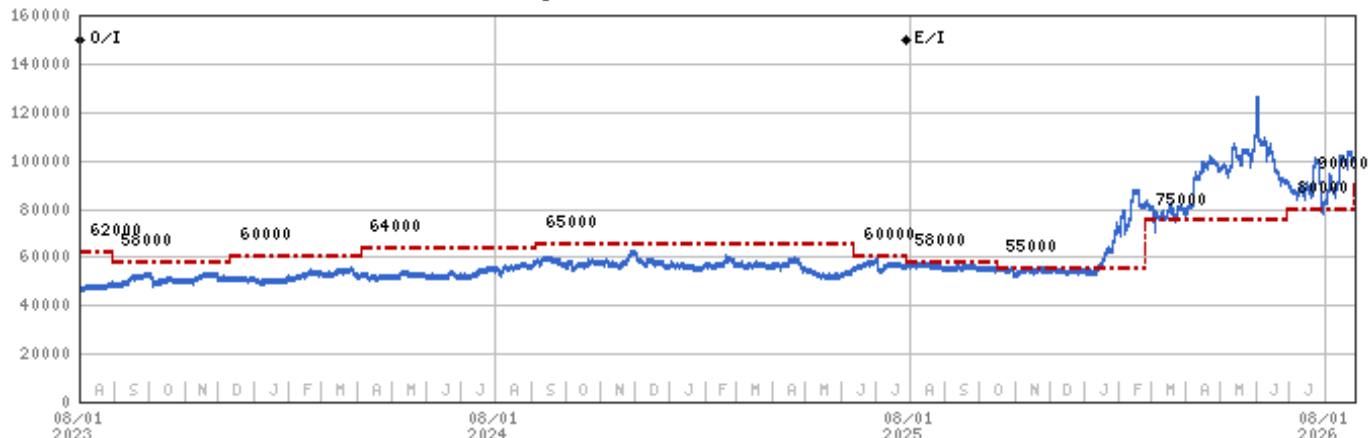
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Stock Price, Price Target and Rating History (See Rating Definitions)

SK Telecom Co Ltd (017670.KS) - As of 08/27/26 GMT in KRW
Industry : S. Korea Telecoms & Internet



Stock Rating History: 8/1/21 : 0/I; 7/28/25 : E/I

Price Target History: 4/21/21 : 118545.34; 8/20/21 : 115252.41; 9/14/21 : 118545.34; 11/29/21 : 75000; 3/21/22 : 72000; 5/26/22 : 74000; 8/24/22 : 70000; 11/25/22 : 68000; 3/27/23 : 60000; 6/23/23 : 62000; 8/29/23 : 58000; 12/11/23 : 60000; 4/4/24 : 64000; 9/5/24 : 65000; 6/12/25 : 60000; 7/28/25 : 58000; 10/16/25 : 55000; 2/24/26 : 75000; 6/29/26 : 80000; 8/26/26 : 90000

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ★ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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Seyon Park		
Coupang Inc (CPNG.N)	O (06/29/2022)	US\$16.53
Kakao Corp (035720.KS)	++	W36,000
Krafton Inc (259960.KS)	O (07/10/2026)	W219,500
KT Corp (030200.KS)	O (08/26/2026)	W53,900
LG Uplus Corp (032640.KS)	E (08/26/2026)	W14,740
Naver Corp (035420.KS)	E (08/20/2026)	W216,500
NC Corporation (036570.KS)	O (10/25/2024)	W223,000
SK Telecom Co Ltd (017670.KS)	E (07/28/2025)	W99,100
Sohyun Park		
DoubleU Games Co Ltd (192080.KS)	E (07/10/2026)	W57,200
Netmarble Games Corp (251270.KS)	E (05/14/2026)	W36,300
Pearl Abyss Corp (263750.KQ)	U (09/01/2025)	W31,550

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.