COMPANY UPDATE

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EV/Mobility Team

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Kia (000270)

3Q review; the physical AI narrative begins

- Kia reported strong 3Q sales, but its profitability shocked as warranty provisioning exceeded our expectation (by KRW700b).
- Given inventory held in the US, the benefit of tariff reductions from 25% would begin to materialize after 4Q. In a 15% tariff environment, Kia would be able to deliver an operating profit of KRW10-10.5t (operating margin of 8.5-8.6%).
- Hyundai Motor Group's AI narrative should begin with Nvidia partnership, helping shed valuation discount to peer group.

WHAT'S THE STORY?

Raising target price: The dissipation of tariff uncertainty puts Kia on a level playing field with its Japanese competitors. Hyundai Motor Group (HMG) is accelerating investments in the physical AI domain through its partnership with Nvidia.

- **Raising target price by 7.1% to KRW150,000:** Our new target price is based on 7x 2026 P/E. Our target P/E multiple has been raised to 7x (same as HMC's and up 16% from 6x previously). This represents a 10% discount to the 7.7x average of global legacy automakers. Depending on how the robotics narrative unfolds, the valuation multiple can be revised up.
- **Priority access to Nvidia GPUs gives advantage in building AI infrastructure:** HMG will buy 50,000 Nvidia Blackwell GPUs (2026-2030). HMG and Nvidia are jointly investing USD3b in AI ecosystem in Korea. Key initiatives include establishing Nvidia AI Technology Center, HMG Physical AI Application Center, and data centers.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW150,000	31.1%
Current price	**KRW114,400**	
Market cap	KRW45.0t/USD31.3b	
Shares (float)	390,412,998 (59.3%)	
52-week high/low	KRW119,900/KRW82,000	
Avg daily trading value (60-day)	KRW101.6b/ USD70.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kia (%)	9.8	28.0	17.5
Vs Kospi (%pts)	-5.5	-20.5	-26.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	150,000	150,000	0.0%
2025E EPS	19,308	19,308	0.0%
2026E EPS	21,978	21,978	0.0%

SAMSUNG vs THE STREET

No of estimates	18
Target price	132,944
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	28,686.0	8.2	-2.3	3.0	2.5
Operating profit	1,462.3	-49.2	-47.1	-35.6	-30.4
Pre-tax profit	1,886.8	-41.6	-37.1	-26.8	-21.2
Controlling profit	1,424.8	-37.2	-37.2	-26.3	-19.2
Margins (%)					
Operating profit	5.1				
Pre-tax profit	6.6				
Controlling profit	5.0				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuations (x)			
P/E	4.1	5.9	5.2
P/B	0.7	0.7	0.7
EV/EBITDA	1.6	2.2	1.6
Div yield (%)	6.5	5.7	5.7
EPS growth (% y-y)	12.1	-20.9	13.8
ROE (%)	19.1	13.1	13.4
Per-share data (KRW)			
EPS	24,413	19,308	21,978
BVPS	141,812	158,631	174,531
DPS	6,500	6,500	6,500

According to Nvidia, the Blackwell (GB200) delivers 10,000 tokens per second (TPS) per GPU, roughly four times faster than the Hopper (H200). As of end-3Q25, Tesla operates data centers equipped with around 120,000 H100 GPUs. Thus, HMG is expected to achieve data center capabilities on par with Tesla. In contrast, Chinese EV makers possess only about 1/5-1/10 of Tesla's computing power, due to limited access to high-performance chips as a result of US-China tensions.

- **HMG's physical AI business to take concrete shape in 2026:** HMG is expected to unveil its third-generation E-Atlas at the CES 2026 and begin pilot testing the humanoid at the Hyundai Motor Group Metaplant America. Level 2+ autonomous Pace Car mass production and driving data accumulation will begin in 3Q26.

3Q results dented by tariffs and warranty provisioning: Tariffs cost Kia KRW1.23t in 3Q. Warranty provisioning swelled by KRW340b y-y to KRW1.54t.

- **Sales strong at KRW28.69t (down 2.3% q-q but up 8.2% y-y):** Kia's global wholesale volume rose 2.8% y-y to 764,000 units, the won weakened 2.1% y-y against the dollar, and its global ASP stood at USD27,800 (up 4.1% y-y).
- **Gross margin hits 18.9% (down 1.2%pts q-q and 4.3%pts y-y):** Tariffs squeezed gross margin by 4.3%pts y-y. Forex effects boosted (KRW253b) boosted gross margin by 0.9%pts y-y.
- **Tariffs cost KRW1.23t (4.3% of sales):** The impact of tariffs began to be felt in May. Despite ongoing cost cut efforts, Kia fell short of its target to offset 30% of tariff costs, due to increased incentives. US incentive spend was USD2,000 per vehicle and is likely to be similar in 4Q. Back in 4Q24, the figure was USD2,300. A drop in tariff rate from 25% to 15% should reduce annual tariff costs by KRW1.8t from KRW4.8t to KRW3t.
- **Incentive spends rise and mix deteriorates:** Higher incentives in the US, European and emerging markets and a deterioration in sales mix (due to strong sales of A-segment SUV, the Siros, in India and the EV3 in Europe) reduced the firm's 3Q operating profit by a respective KRW264b and KRW59b y-y.
- **Warranty provisioning hits KRW1.54t (up KRW340b y-y):** If adjusted for Lambda engine-related provisioning of KRW600b in 3Q24, warranty provisioning is up KRW940b y-y. Approximately KRW300b y-y of the increase was due to a weaker dollar and KRW600b y-y of the increase due to the cost of software upgrades for 10 vehicles models. Barring sharp currency fluctuations or quality issues, Kia's quarterly warranty provisioning averages around KRW700-800b.
- **R&D cost-to-sales ratio up 0.7%pts y-y:** Kia's 3Q R&D costs, categorized under SG&A costs, amounted to KRW631b (up 59% y-y) or 2.2% of sales. HMC and Kia share an integrated R&D center, and many technologies such as powertrain and platform fall under common cost items. Kia's share of the R&D costs expanded from 42% in 2020 to 44% in 2025, as Kia's Korean factory sales rose from 68% of HMC's in 2020 to 80% of HMC's in 2024. Meanwhile, HMC's 3Q R&D costs were KRW641b (up 5.4% y-y) or 1.4% of sales (flat y-y).

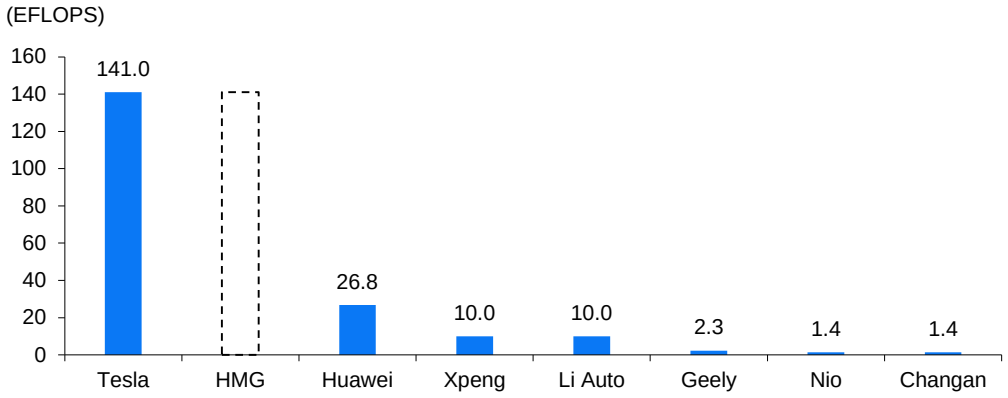
Shareholder return program: Despite earnings headwinds from US tariffs in 2025, Kia is likely to pay the same DPS as in 2024.

- **Total payout ratio of 33% for 2024:** Kia returned 33% of its 2024 net profit to shareholders, via a DPS of KRW6,500 (up 16% y-y) and a KRW700b share buyback/cancellation (up 40% y-y).
- **Total payout ratio of 35% for 2025:** The carmaker aims to return 35% of its 2025 net profit to shareholders. We expect a DPS of KRW6,500 (flat y-y) for a dividend yield of 5.6%, along with a KRW600b buyback/cancellation (down 14.2% y-y). The KRW600b buyback/cancellation represents 1.27% of Kia's current market cap.

4Q preview: We believe Kia's 4Q results will show sales of KRW27.8t (down 3% q-q but up 2.5% y-y) and an operating profit of KRW1.97t (up 35% q-q but down 27.3% y-y), for an operating margin of 7.1%. FnGuide consensus puts sales at KRW28.5t and operating profit at KRW2.25t, for an operating margin of 7.9%.

- **Tariff reduction effects from 2026:** Given inventory held locally, the benefit of tariff reductions would begin to materialize in Dec 2025 or early 2026. Tariff costs will probably fall KRW247b y-y in 2026. The ramifications are greater for Kia than for HMC, as Kia maintained per-vehicle incentives at USD1,500-2,200 during 2024-2025 and only recently started to increase incentives amid intensifying competition. Whether the launch of the Telluride in early 2026 boosts sales volume (from 100,000 units to 150,000 units) and support product mix improvements will be a key driver of earnings recovery.
- **Kia's underlying operating profit is KRW10-10.5t:** In a 15% tariff environment, Kia would be able to deliver an operating margin of 8.5-8.6%, substantially superior to that of its peer group.

Tesla vs Chinese automakers: Computing power



Source: CITIC, Samsung Securities

Nvidia: H100 vs B200 performance comparison

	H100 (Hopper)	B200 (Blackwell)	Diff
Architecture	Hopper	Blackwell	Next generation
FP8 Performance	1,979 TFLOPS	~20 PFLOPS(FP4)/ ~10 PFLOPS(FP8)	~5x
Memory	80 GB HBM3	192 GB HMB3e	2.4x
Bandwidth	3.35 TB/s	8 TB/s	2.4x
Power (TDP)	700 W	1000 W	40%
Efficiency	1x	~3x (FP8 basis)	

Source: Company data, Samsung Securities

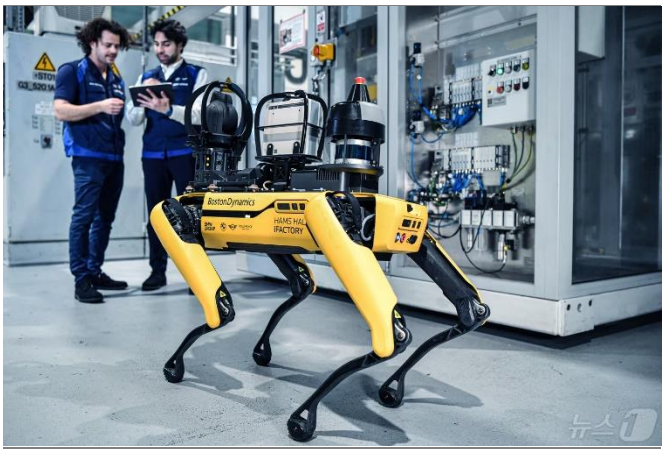
Hyundai Motor Group: SDV development roadmap

Source: Media

Boston Dynamics: E-Atlas

Source: Media

Boston Dynamics:: Spot



Source: Media

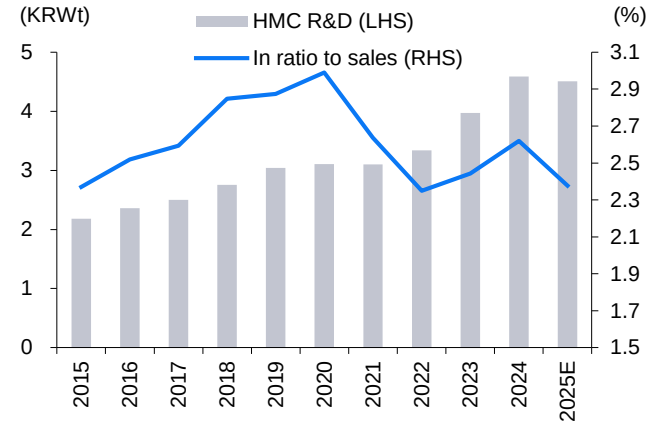
Korea autos/auto parts: US tariff impact estimates

(KRWb)	2025E operating profit (A)	2025E tariff* (B)	2026E tariff (C)	Parts tariff rebate** (D)	Chg (E=B-C+D)	In ratio to 2025 operating profit (E/A) (%)
Hyundai Motor	12,338	3,076	2,340	48	784	6.4
Kia	10,196	3,200	3,000	47	247	2.4
Hyundai Mobis	3,470	608	576		32	0.9
HL Mando	391	49	32		17	4.4
Hanon Systems	175.2	63	60		3	1.9
Hankook T&T	1,534	253	240		13	0.9
SL Corporation	366	63	60		3	0.9
SNT Motiv	112.2	15	14		1	1.0

Note: *2025 tariffs are assumed to be 25% from May to Nov and 15% from December;
**For vehicles produced in the US, a 3.75% rebate on imported parts tariffs is applicable

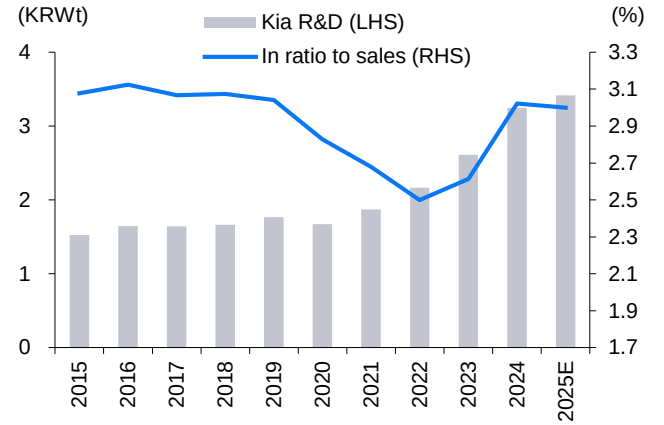
Source: Company data, Samsung Securities estimates

HMC: R&D expense



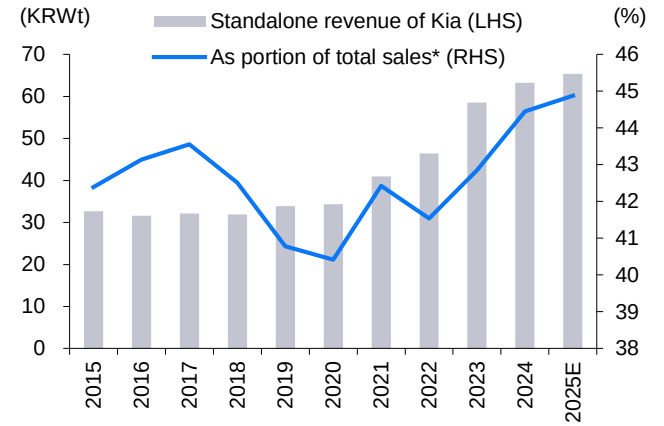
Source: Company data, Samsung Securities

Kia: R&D expense



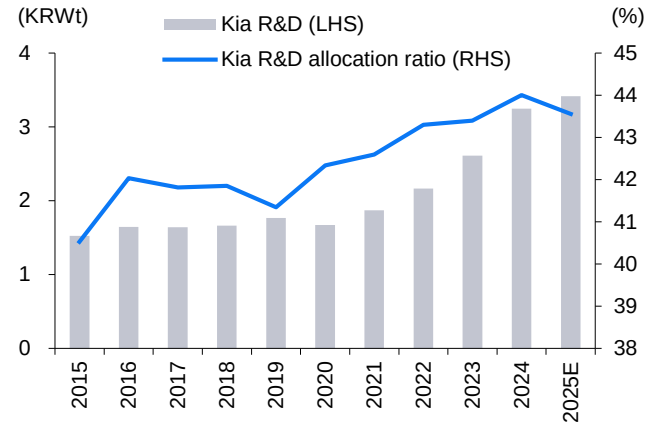
Source: Company data, Samsung Securities

Kia: Revenue on a separate basis



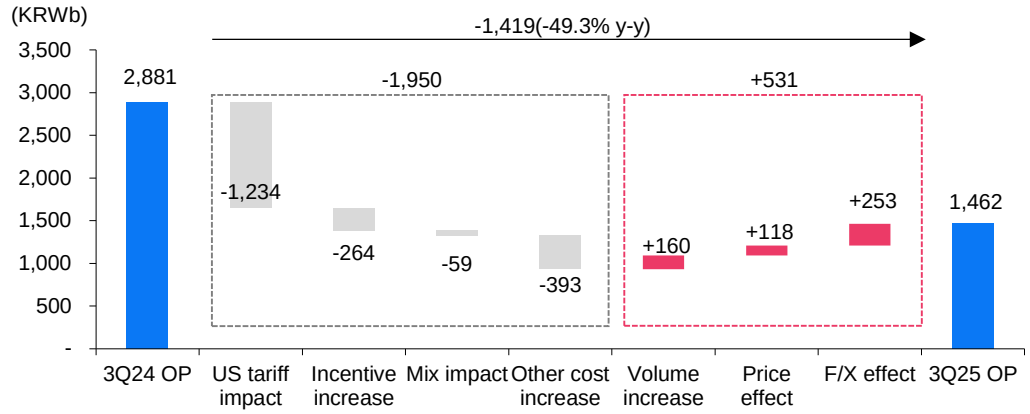
Note: *Total sales based on HMC+Kia
Source: Company data, Samsung Securities

Kia: R&D expense and allocation ratio



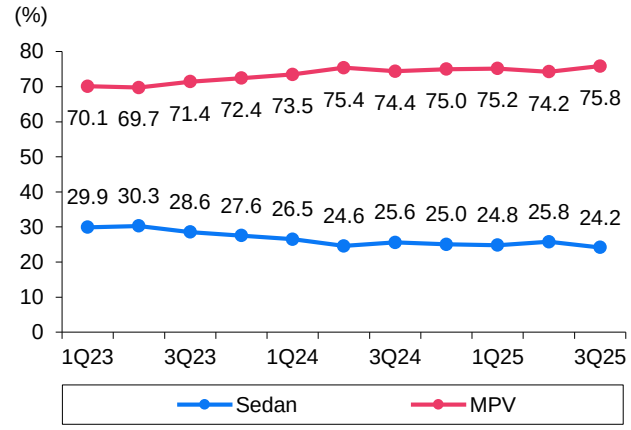
Source: Company data, Samsung Securities

Kia: Operating profit analysis



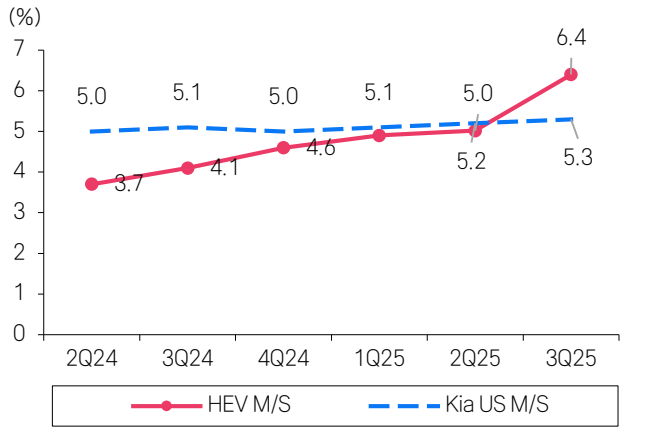
Source: Company data, Samsung Securities

Kia: Sedan + MPV sales volume as portion of total



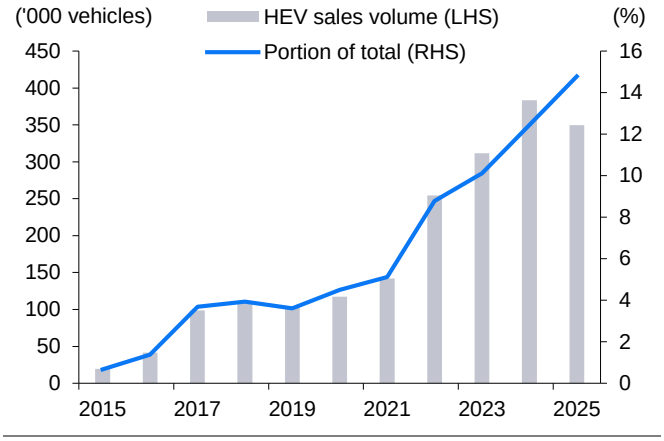
Source: Company data, Samsung Securities

Kia: Hybrid market share in US



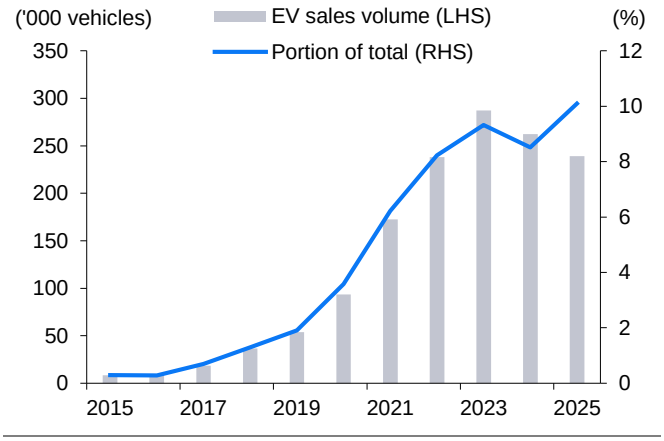
Source: Company data, Samsung Securities

Kia: Hybrid sales volume



Note: As of 3Q25
Source: Company data, Samsung Securities

Kia: EV sales volume



Note: As of 3Q25
Source: Company data, Samsung Securities

HMC/Kia: Sales in Korea and US

	HMC					Kia				
('000 vehicles)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)
Korea	181	189	-4.2	170	6.2	138	142	-3.2	125	10.3
US	257	262	-1.9	251	2.3	225	232	-3.1	222	1.5
Total	438	451	-2.9	421	3.9	363	374	-3.1	346	4.7
Global sales	**1,044**	**1,066**	**-2.0**	**1,012**	**3.2**	**779**	**815**	**-4.3**	**762**	**2.3**
Korea + US Portion (%)	**41.9**	42.3	-0.4	41.7	0.3	**46.5**	45.9	0.6	45.5	1.0

Note: Based on wholesales
Source: Company data, Samsung Securities

HMC/Kia: Sales volume, by powertrain

	HMC					Kia				
(Units)	3Q25	Portion (%)	3Q24	Portion (%)	Chg (% y-y)	3Q25	Portion (%)	3Q24	Portion (%)	Chg (% y-y)
EV	86,744	8.3	69,398	6.9	25.0	84,634	10.9	65,437	8.6	29.3
BEV	75,791	7.3	60,870	6.0	24.5	70,769	9.1	49,390	6.5	43.3
PHEV	10,953	1.0	8,528	0.8	28.4	13,865	1.8	16,047	2.1	-13.6
HEV	162,798	15.6	130,993	12.9	24.3	119,889	15.4	87,875	11.5	36.4
Total	**1,044,147**	**100.0**	**1,011,846**	**100.0**	**3.2**	**779,469**	**100.0**	**761,673**	**100.0**	**2.3**

Note: As portion of global wholesales
Source: Company data, Samsung Securities

Kia: Global sales volume and forecasts

('000 vehicles)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
Global plant sales	775	813	760	867	833	850	838	869	3,119	3,210	3,390	3,520
Domestic	390	417	399	404	393	410	403	414	1,623	1,610	1,620	1,620
Overseas	384	396	362	463	440	440	435	455	1,497	1,600	1,770	1,900
US (KMMG)	89	92	89	101	104	106	105	105	353	370	420	450
Europe (KMS)	89	87	65	101	96	94	77	93	351	340	360	380
China (DYK)	57	67	62	94	73	76	86	94	248	280	330	380
Mexico (KMM)	69	74	72	75	73	78	81	78	275	290	310	310
India (KMI)	81	75	74	93	94	86	86	84	270	320	350	380
Global retail sales	773	815	779	793	808	852	824	823	3,083	3,160	3,300	3,420
Global ASP (KRWm)	37.1	36.9	38.6	36.0	36.6	37.4	37.0	38.5	35.8	37.0	37.5	37.7

Source: Company data, Samsung Securities estimates

Kia: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	1Q27E
KRW/USD (avg)	1,453	1,400	1,387	1,400	1,380	1,380	1,360	1,360	1,365	1,410	1,370	1,340
Revenue	28,018	29,350	28,686	27,835	28,936	31,185	29,754	30,832	107,449	113,888	120,707	30,243
Gross profit	6,081	5,875	5,409	5,310	5,451	5,689	5,529	6,546	24,771	22,675	23,215	5,595
Operating profit	3,009	2,765	1,462	1,974	2,454	2,660	2,236	2,934	12,667	9,210	10,285	2,487
Pre-tax profit	3,243	3,000	1,887	2,047	2,803	2,874	2,758	3,007	13,500	10,178	11,441	2,873
Net profit	2,393	2,268	1,422	1,556	2,102	2,155	2,068	2,255	9,775	7,639	8,581	2,155
Controlling profit	2,393	2,269	1,425	1,556	2,102	2,155	2,068	2,255	9,773	7,643	8,581	2,155
Margins (%)												
Gross profit	21.7	20.0	18.9	19.1	18.8	18.2	18.6	21.2	23.1	19.9	19.2	18.5
Operating profit	10.7	9.4	5.1	7.1	8.5	8.5	7.5	9.5	11.8	8.1	8.5	8.2
Net profit	8.5	7.7	5.0	5.6	7.3	6.9	7.0	7.3	9.1	6.7	7.1	7.1
Controlling profit	8.5	7.7	5.0	5.6	7.3	6.9	7.0	7.3	9.1	6.7	7.1	7.1

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**99,808**	**107,449**	**113,888**	**120,707**	**125,792**
Cost of goods sold	77,180	82,678	91,213	97,492	101,731
Gross profit	**22,629**	**24,771**	**22,675**	**23,215**	**24,061**
Gross margin (%)	22.7	23.1	19.9	19.2	19.1
SG&A expenses	11,021	12,104	13,465	12,930	13,359
Operating profit	**11,608**	**12,667**	**9,210**	**10,285**	**10,702**
Operating margin (%)	11.6	11.8	8.1	8.5	8.5
Non-operating gains (losses)	**1,069**	**833**	**967**	**1,156**	**1,289**
Financial profit	1,263	1,351	1,119	1,328	1,637
Financial costs	392	610	97	99	99
Equity-method gains (losses)	684	395	647	686	719
Other	-485	-304	-702	-758	-968
Pre-tax profit	**12,677**	**13,500**	**10,177**	**11,441**	**11,991**
Taxes	3,900	3,725	2,538	2,860	2,998
Effective tax rate (%)	30.8	27.6	24.9	25.0	25.0
Profit from continuing operations	8,778	9,775	7,639	8,581	8,993
Profit from discontinued operations	0	0	0	0	0
Net profit	**8,778**	**9,775**	**7,639**	**8,581**	**8,993**
Net margin (%)	8.8	9.1	6.7	7.1	7.1
Net profit (controlling interests)	8,777	9,773	7,639	8,581	8,993
Net profit (non-controlling interests)	1	2	0	0	0
EBITDA	13,961	15,216	12,100	13,051	13,274
EBITDA margin (%)	14.0	14.2	10.6	10.8	10.6
EPS (parent-based) (KRW)	21,770	24,413	19,308	21,978	23,035
EPS (consolidated) (KRW)	21,772	24,418	19,308	21,978	23,035
Adjusted EPS (KRW)*	21,770	24,413	19,308	21,978	23,035

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**37,466**	**41,797**	**45,692**	**52,980**	**60,877**
Cash & equivalents	14,353	13,567	15,957	21,651	28,360
Accounts receivable	2,475	3,561	3,775	4,001	4,169
Inventories	11,273	12,419	13,163	13,951	14,539
Other current assets	9,365	12,251	12,797	13,377	13,809
Fixed assets	**43,162**	**50,958**	**54,160**	**55,080**	**55,265**
Investment assets	22,205	27,223	28,815	30,501	31,758
Tangible assets	16,104	18,279	19,924	19,630	18,975
Intangible assets	3,310	4,094	4,059	3,587	3,170
Other long-term assets	1,542	1,362	1,362	1,362	1,362
Total assets	**80,628**	**92,756**	**99,852**	**108,060**	**116,143**
Current liabilities	**25,674**	**26,977**	**28,193**	**29,838**	**31,064**
Accounts payable	10,369	10,455	11,081	11,745	12,239
Short-term debt	129	221	721	721	721
Other current liabilities	15,176	16,302	16,391	17,372	18,104
Long-term liabilities	**8,395**	**9,938**	**10,885**	**11,357**	**11,710**
Bonds & long-term debt	2,702	2,176	2,676	2,676	2,676
Other long-term liabilities	5,693	7,763	8,209	8,682	9,034
Total liabilities	**34,070**	**36,916**	**39,077**	**41,195**	**42,774**
Owners of parent equity	**46,552**	**55,831**	**60,766**	**66,856**	**73,360**
Capital stock	2,139	2,139	2,139	2,139	2,139
Capital surplus	1,758	1,760	1,760	1,760	1,760
Retained earnings	43,271	50,241	55,321	61,411	67,915
Other	-616	1,691	1,546	1,546	1,546
Non-controlling interests' equity	**6**	**9**	**9**	**9**	**9**
Total equity	**46,558**	**55,840**	**60,775**	**66,866**	**73,369**
Net debt	-12,718	-15,303	-17,848	-23,878	-30,837

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**11,297**	**12,564**	**10,693**	**11,520**	**11,488**
Net profit	8,778	9,775	7,639	8,581	8,993
Non-cash profit and expenses	8,836	9,666	3,578	3,531	3,132
Depreciation	1,846	2,010	2,355	2,294	2,156
Amortization	507	540	535	472	417
Other	6,483	7,116	687	765	560
Changes in A/L from operating activities	-4,247	-4,287	812	860	641
Cash flow from investments	**-3,107**	**-10,153**	**-4,984**	**-2,513**	**-1,883**
Change in tangible assets	-2,230	-3,424	-4,000	-2,000	-1,500
Change in financial assets	-541	-4,788	-484	-513	-383
Other	-336	-1,941	-500	0	0
Cash flow from financing	**-5,596**	**-3,570**	**-2,391**	**-2,484**	**-2,486**
Change in debt	-3,622	-525	168	6	4
Change in equity	21	2	0	0	0
Dividends	-1,403	-2,194	-2,559	-2,490	-2,490
Other	-592	-853	-0	0	0
Change in cash	2,799	-787	2,390	5,695	6,709
Cash at beginning of year	11,554	14,353	13,567	15,957	21,651
Cash at end of year	14,353	13,567	15,957	21,651	28,360
Gross cash flow	**17,614**	**19,441**	**11,216**	**12,111**	**12,125**
Free cash flow	**8,961**	**9,079**	**6,693**	**9,520**	**9,988**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	15.3	7.7	6.0	6.0	4.2
Operating profit	60.5	9.1	-27.3	11.7	4.1
Net profit	62.3	11.4	-21.9	12.3	4.8
Adjusted EPS**	63.1	12.1	-20.9	13.8	4.8
Per-share data (KRW)					
EPS (parent-based)	21,770	24,413	19,308	21,978	23,035
EPS (consolidated)	21,772	24,418	19,308	21,978	23,035
Adjusted EPS**	21,770	24,413	19,308	21,978	23,035
BVPS	117,495	141,812	158,631	174,531	191,508
DPS (common)	5,600	6,500	6,500	6,500	7,000
Valuations (x)					
P/E***	4.6	4.1	5.9	5.2	5.0
P/B***	0.9	0.7	0.7	0.7	0.6
EV/EBITDA	2.0	1.6	2.2	1.6	1.1
Ratios (%)					
ROE	20.4	19.1	13.1	13.4	12.8
ROA	11.4	11.3	7.9	8.3	8.0
ROIC	45.7	45.2	29.6	32.5	35.3
Payout ratio	25.0	26.2	32.6	29.0	29.8
Dividend yield (common)	5.6	6.5	5.7	5.7	6.1
Net debt to equity	-27.3	-27.4	-29.4	-35.7	-42.0
Interest coverage (x)	63.8	124.8	95.1	103.8	107.9

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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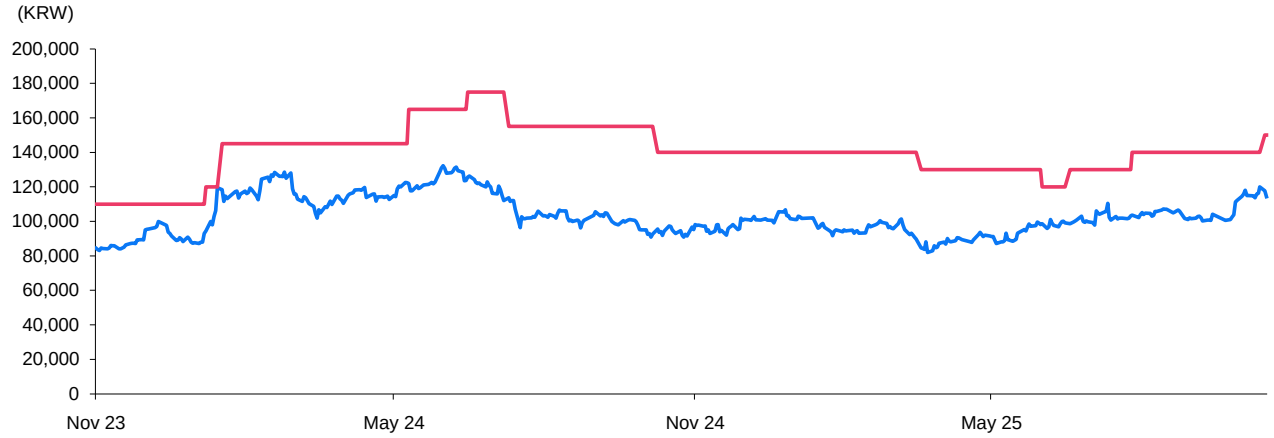
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/8/4	2024/1/26	2/5	5/29	7/4	7/29	10/28	2025/4/7	6/20	7/7	8/14	11/3
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	110000	120000	145000	165000	175000	155000	140000	130000	120000	130000	140000	150000
Gap* (average)	-24.00	-12.23	-19.81	-24.20	-31.41	-34.54	-30.66	-30.49	-17.88	-21.50	-24.00	
(max or min)**	-9.09	-0.42	-11.38	-19.82	-27.83	-27.68	-23.79	-23.38	-15.75	-15.08	-14.36	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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