COMPANY UPDATE

2025. 11. 6

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HD Hyundai (267250)

Share-price rally not surprising

- HD Hyundai's consolidated operating profit in 3Q improved q-q, beating consensus.
- We attribute the earnings beat to a turnaround in its refining business unit and robust performances at shipbuilding and power equipment subsidiaries.
- Anticipations of rising subsidiary value and improving cash flows at the parent (via a brand royalty hike) remain valid. Reflecting a surging value of its subsidiaries, we raise our target price for HD Hyundai.

WHAT'S THE STORY?

3Q review: HD Hyundai announced on Nov 3 that its 3Q consolidated operating profit grew 49.5% q-q, beating consensus by 15%. We attribute the earnings beat to: 1) its refining business unit turning to a profit (from a loss in 2Q) amid oil price hikes; and 2) robust performances by shipbuilding and power equipment subsidiaries (including HD Hyundai Marine Solution) despite seasonality (ie, fewer business days). Shipbuilding and power equipment subsidiaries enjoyed positive impacts of ASP hikes. Construction equipment subsidiaries posted relatively solid results thanks to favorable currency movements and benefit from demand brought forward by impending tariffs. The firm's net profit attributable to controlling shareholders improved q-q, but missed consensus by 35%, as HD Hyundai Oilbank (a large part of which the firm owns) saw minimal net profit.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW242,000	19.2%
Current price	**KRW203,000**	
Market cap	KRW16.0t/USD11.0b	
Shares (float)	78,993,085 (52.3%)	
52-week high/low	KRW219,000/KRW66,900	
Avg daily trading value (60-day)	KRW32.9b/ USD22.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HD Hyundai (%)	23.5	160.6	182.7
Vs Kospi (%pts)	9.4	66.6	81.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	242,000	175,000	38.3%
2025E EPS	11,558	11,371	1.6%
2026E EPS	17,313	16,073	7.7%

SAMSUNG vs THE STREET

No of estimates	7
Target price	218,714
Recommendation	4.0

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

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	18,224	9.8	5.9	6.1	5.9
Operating profit	1,702	294.5	49.5	36.6	14.9
Pre-tax profit	1,379	1,176.4	134.7	32.9	6.2
Net profit	175	nm	44.1	-19.1	-35.2
Margins (%)					
Operating profit	9.3				
Pre-tax profit	7.6				
Net profit	1.0				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	31.5	17.6	11.7
P/B	1.8	1.7	1.6
EV/EBITDA	8.3	5.4	3.8
Div yield (%)	1.8	1.9	2.5
EPS growth (% y-y)	92.5	79.4	49.8
ROE (%)	6.4	10.2	14.0
Per-share data (KRW)			
EPS	6,444	11,558	17,313
BVPS	109,824	117,662	130,080
DPS	3,600	3,800	5,000

Reasons behind our BUY rating still valid: Shares in HD Hyundai have gained 166% in the year to date, sharply outperforming the Kospi. We attribute such an outperformance to the following two anticipations. First, the value of the firm's subsidiaries should continue to rise amid improving market conditions for shipbuilders and machinery companies, and group-level business portfolio overhaul. Second, the parent should see cash flows improve on a likely hike in brand royalties, and increasing dividends from subsidiaries should ease uncertainties surrounding the firm's own dividend in the future. These anticipations have still remained valid. First, the group's core subsidiaries have continued enjoying rises in their share prices and valuations. The refining sector valuation has recently rebounded as well. The rising value of subsidiaries alone is enough for us to raise our target price. We lift our target price to KRW242,000 (based on an SOTP method). The firm is negotiating with subsidiaries regarding brand royalties. In addition, its subsidiaries (which have seen their profitability improve sharply) are increasingly moving to expand their dividends. Thanks to this, even without a significant hike in brand royalties, the firm would be able to secure financial resources for its own dividend. Now that shares in the shipbuilding/machinery sectors have risen sharply, HD Hyundai should make an attractive alternative for investors who want to belatedly enjoy related momentum.

HD Hyundai: 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	18,224	17,211	5.9	16,599	9.8	17,203	5.9	17,178	6.1
Operating profit	1,702	1,139	49.5	432	294.5	1,481	14.9	1,246	36.6
Pre-tax profit	1,379	588	134.7	108	1,176.4	1,298	6.2	1,037	32.9
Net profit*	175	121	44.1	-33	nm	270	-35.2	216	-19.1
Margins (%)									
Operating profit	9.3	6.6		2.6		8.6			
Pre-tax profit	7.6	3.4		0.7		7.5			
Net profit*	1.0	0.7		-0.2		1.6			

Note: *Controlling
Source: Company data, FnGuide, Samsung Securities estimates

HD Hyundai: SOTP valuation

(KRWb)		
Equity value of listed affiliates	(A = B+C+D)	27,923
HD KSOE	(B)	10,630
HD Hyundai Electric	(C)	11,490
HD Hyundai Marine Solution	(D)	5,803
Equity value of unlisted affiliates*	(E=F+G+H+I)	5,045
Hyundai Oilbank	(F)	4,065
Hyundai Robotics	(G)	450
Hyundai XiteSolution	(H)	454
Other unlisted subsidiaries	(I)	75
Rent and brand royalties**	(J)	106
Net debt (parent basis, end-3Q25)	(K)	2,500
Enterprise value (EV)	(L=A+E+J-K)	30,573
Adjusted EV, applying holdco discount***	(M=L x 60%)	17,121
Million shares (excluding treasury stock)****	(N)	71
NAV per share (KRW)	(M/N)	242,000

Note: *For HD Hyundai Oilbank, competitor's P/B (1.0x) applied to 2025E BVPS; HD Hyundai Robotics is based on pre-IPO price.
For HD Hyundai XiteSolution, discount rate applied to value of listed subsidiary shares;
**After removing related costs from this year's expected rental fees and trademark rights, the Kospi's current average P/E multiple is applied;
***Reflects discount rate of 44%, the average from 2022-2023, when there was no uncertainty regarding dividends;
****Based on closing price as of Nov 5th, 2025)
Source: Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**61,331**	**67,766**	**70,189**	**75,560**	**80,022**
Cost of goods sold	56,366	61,339	60,681	64,341	67,293
Gross profit	**4,965**	**6,427**	**9,508**	**11,219**	**12,730**
Gross margin (%)	8.1	9.5	13.5	14.8	15.9
SG&A expenses	2,934	3,444	3,553	3,761	3,940
Operating profit	**2,032**	**2,983**	**5,955**	**7,458**	**8,790**
Operating margin (%)	3.3	4.4	8.5	9.9	11.0
Non-operating gains (losses)	**-1,073**	**-614**	**-1,273**	**-537**	**-102**
Financial profit	2,462	3,074	9,550	4,851	2,206
Financial costs	4,081	7,364	9,224	4,866	2,113
Equity-method gains (losses)	4	-11	-11	-11	-11
Other	542	3,688	-1,587	-511	-184
Pre-tax profit	**958**	**2,369**	**4,682**	**6,921**	**8,688**
Taxes	172	439	1,170	1,661	2,085
Effective tax rate (%)	18	19	25	24	24
Profit from continuing operations	786	1,930	3,511	5,260	6,603
Profit from discontinued operations	0	0	0	0	0
Net profit	**786**	**1,930**	**3,511**	**5,260**	**6,603**
Net margin (%)	1.3	2.8	5.0	7.0	8.3
Net profit (controlling interests)	264	509	913	1,368	1,717
Net profit (non-controlling interests)	521	1,421	2,598	3,892	4,886
EBITDA	3,790	4,898	7,004	8,508	9,840
EBITDA margin (%)	6.2	7.2	10.0	11.3	12.3
EPS (parent-based) (KRW)	3,348	6,444	11,558	17,313	21,733
EPS (consolidated) (KRW)	9,948	24,435	44,452	66,588	83,587
Adjusted EPS (KRW)*	3,348	6,444	11,558	17,313	21,733

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**32,083**	**35,593**	**40,292**	**46,572**	**51,771**
Cash & equivalents	4,401	5,667	9,121	12,964	15,871
Accounts receivable	4,487	4,834	5,007	5,390	6,577
Inventories	9,416	10,007	10,365	11,158	11,817
Other current assets	13,779	15,085	15,799	17,060	17,505
Fixed assets	**35,900**	**38,274**	**38,630**	**38,685**	**38,745**
Investment assets	1,379	2,430	2,408	2,397	2,385
Tangible assets	25,052	26,262	26,733	26,903	27,073
Intangible assets	4,275	4,315	4,213	4,108	4,010
Other long-term assets	5,194	5,266	5,277	5,277	5,277
Total assets	**67,983**	**73,867**	**78,922**	**85,257**	**90,515**
Current liabilities	**28,532**	**32,333**	**35,578**	**37,838**	**37,845**
Accounts payable	4,751	5,867	6,077	6,542	6,577
Short-term debt	2,258	984	3,300	3,500	3,500
Other current liabilities	21,523	25,482	26,201	27,795	27,768
Long-term liabilities	**16,219**	**15,148**	**16,340**	**19,434**	**23,394**
Bonds & long-term debt	11,960	10,194	8,794	7,094	5,394
Other long-term liabilities	4,259	4,954	7,546	12,340	17,999
Total liabilities	**44,751**	**47,482**	**51,918**	**57,271**	**61,239**
Owners of parent equity	**7,328**	**8,675**	**9,294**	**10,275**	**11,567**
Capital stock	81	81	81	81	81
Capital surplus	5,252	4,750	4,750	4,750	4,750
Retained earnings	2,439	3,021	3,640	4,621	5,913
Other	-445	823	823	823	823
Non-controlling interests' equity	**15,904**	**17,710**	**17,710**	**17,710**	**17,710**
Total equity	**23,232**	**26,385**	**27,004**	**27,985**	**29,277**
Net debt	11,881	6,706	3,868	-1,819	-6,470

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**3,935**	**7,511**	**4,352**	**6,949**	**6,253**
Net profit	786	1,930	3,511	5,260	6,603
Non-cash profit and expenses	1,518	1,817	857	1,725	1,891
Depreciation	1,535	1,671	1,050	1,050	1,050
Amortization	224	244	244	246	241
Other	-241	-98	-437	429	600
Changes in A/L from operating activities	1,631	3,764	-16	-36	-2,241
Cash flow from investments	**-2,622**	**-2,401**	**-1,520**	**-1,220**	**-1,220**
Change in tangible assets	-2,053	-1,686	-1,520	-1,220	-1,220
Change in financial assets	743	-1,903	0	0	0
Other	-1,312	1,188	0	0	0
Cash flow from financing	**-906**	**-3,927**	**622**	**-1,887**	**-2,125**
Change in debt	-239	-320	916	-1,500	-1,700
Change in equity	-1	-502	0	0	0
Dividends	-389	-325	-294	-387	-425
Other	-277	-2,780	0	0	0
Change in cash	406	1,267	3,454	3,843	2,907
Cash at beginning of year	3,995	4,401	5,667	9,121	12,964
Cash at end of year	4,401	5,667	9,121	12,964	15,871
Gross cash flow	**2,304**	**3,747**	**4,368**	**6,985**	**8,494**
Free cash flow	**1,841**	**5,787**	**2,752**	**5,649**	**4,953**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	0.8	10.5	3.6	7.7	5.9
Operating profit	-40.0	46.8	99.6	25.3	17.9
Net profit	-64.8	145.6	81.9	49.8	25.5
Adjusted EPS**	-81.2	92.5	79.4	49.8	25.5
Per-share data (KRW)					
EPS (parent-based)	3,348	6,444	11,558	17,313	21,733
EPS (consolidated)	9,948	24,435	44,452	66,588	83,587
Adjusted EPS**	3,348	6,444	11,558	17,313	21,733
BVPS	92,762	109,824	117,661	130,080	146,428
DPS (common)	3,700	3,600	3,800	5,000	5,500
Valuations (x)					
P/E***	60.6	31.5	17.6	11.7	9.3
P/B***	2.2	1.8	1.7	1.6	1.4
EV/EBITDA	11.6	8.3	5.4	3.8	2.8
Ratios (%)					
ROE	3.6	6.4	10.2	14.0	15.7
ROA	0.4	0.7	1.2	1.7	2.0
ROIC	4.5	6.8	12.2	14.9	17.0
Payout ratio	98.9	50.0	32.2	28.3	24.8
Dividend yield (common)	1.8	1.8	1.9	2.5	2.7
Net debt to equity	51.1	25.4	14.3	-6.5	-22.1
Interest coverage (x)	2.2	3.1	6.6	8.4	11.1

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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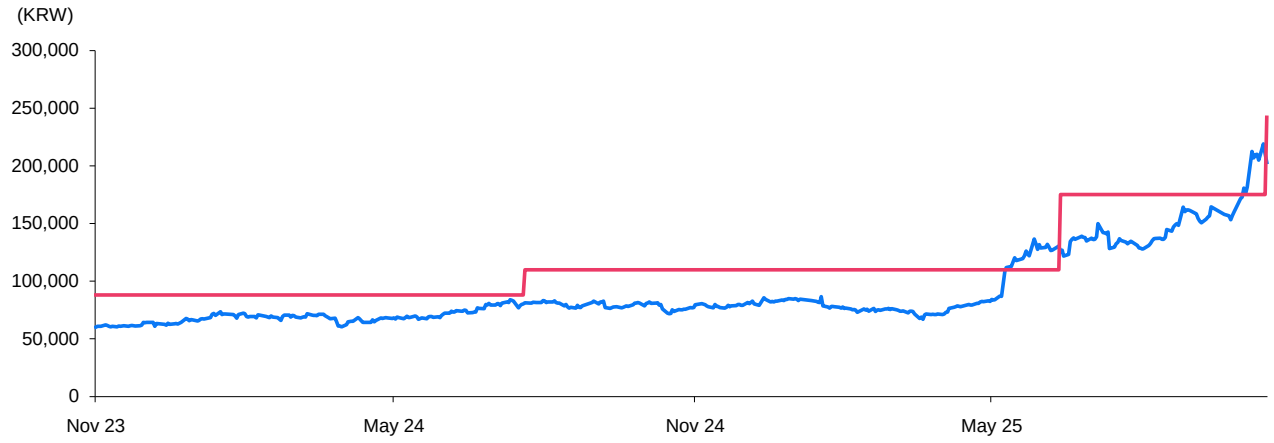
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/9/18	2024/8/9	2025/7/2	11/5
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	88000	110000	175000	242000
Gap* (average)	-23.39	-24.23	-14.18	
(max or min)**	-4.66	24.18	25.14	

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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Industry

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* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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