SECTOR UPDATE

2025. 11. 24

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Auto Parts (OVERWEIGHT)

HMG to bear parts tariff costs, nurture robotics value chain

- On Nov 19, Hyundai Motor Group announced plans to cover the US tariff costs its suppliers have borne, and to build robot ecosystems in Korea. Shares throughout the value chain rose in response.
- HMG is expected to build out robot ecosystems in the US and Korea.
- Tariff compensation improves 2026 earnings growth visibility for suppliers that have co-located facilities in the US. These companies should also find opportunities to diversify into the robotics business in the US and Korea.

WHAT'S THE STORY?

HMG announces tariff compensation for suppliers: Hyundai Motor Group (HMG) has committed to retroactively and fully cover the US tariff costs its tier-1 suppliers have borne in 2025.

- **HMC/Kia tapping the Tax Relief Credit Program:** For US-assembled cars, automakers can apply for tariff offsets for imported parts worth up to 3.75% of the vehicle's MSRP. The Tax Relief Credit Program is scheduled to run from Apr 2025 through 2030. Given Hyundai Motor (HMC) and Kia's ASP of around USD40,000, the offsets amount to USD1,500 per vehicle. As Hyundai Motor Group Metaplant America (HMGMA) starts assembling hybrid vehicles in 2026, HMC's and Kia's US production volume should reach a respective 500,000 and 430,000 units, implying potential tariff offsets of KRW1.1t for HMC and KRW930b for Kia. The carmakers are likely to user these funds to ease their suppliers' tariff burden.
- **2026 earnings visibility improves for suppliers with facilities in US:** Automakers' suppliers that have co-located facilities in the US should enjoy: 1) operating profit growth of 6-20% in 2026 as they receive reimbursements for 2025 tariff costs; and 2) sales growth as HMGMA ramps up utilization.

HMG building robot ecosystems in US and Korea: HMG plans to invest USD26b in the US through 2028, and KRW125t in Korea through 2030.

- **US investments raised from USD21b to USD26b:** HMG is now also planning to invest in robot factories, data centers, and training centers.

(Continued on the next page)

AT A GLANCE

Hyundai Mobis	(012330 KS, 296,000)	
Target price	KRW400,000	35.1%
BUY		
HL Mando	(204320 KS, 39,350)	
Target price	KRW55,000	39.8%
BUY		
SL Corporation	(005850 KS, 36,100)	
Target price	KRW43,000	19.1%
BUY		
Hyundai AutoEver	(307950 KS, 186,100)	
Target price	KRW250,000	34.3%
BUY		

- **Korean investments raised to KRW125.2t…** Its investments will focus on AI data centers and robotics manufacturing and foundry facilities. In 2025, HMG has invested KRW33t globally, with an estimated KRW17t (50%) allocated to Korea. Investments totaling KRW125.2t through 2030 mark an almost 50% increase from the firm's 5-year annual average.
- **…to fund construction of data centers, robotics manufacturing, and foundry facilities:** HMG committed to purchase 50,000 Nvidia Blackwell chips in Korea, and it is also likely to announce GPU purchases in the US. Robots require video-based reinforcement learning, which causes token processing volumes to surge to roughly 100,000x that of text-based models and 10x that of autonomous driving systems. Data centers have a 5-year depreciation period (vs 10 years for automotive plants), while high-performance chips—which account for 60-65% of data center capex—must be replaced every 3-5 years. The announcement demonstrates HMC's capital power.

US moves to build physical AI ecosystem that excludes China: Nvidia is strengthening collaborations in Korea. GM and Tesla are working to exclude Chinese parts makers from their supply chains.

- **Strengthening partnership with Nvidia:** Nvidia pledged to supply 260,000 Blackwell GPUs to the Korean government and Korean conglomerates. At Nvidia's "AI Day Seoul" (Nov 17-18), the company said it wants to cooperate so that Korea becomes a global AI maker, and it announced plans to share its development platforms. As the US moves to build a physical AI ecosystem that excludes China, Korea—leveraging with the financial resources of large corporations; IT capabilities; and manufacturing expertise—is well positioned to capture new opportunities.
- **GM and Tesla working to reduce dependence on Chinese suppliers:** GM has asked its parts suppliers to discontinue the use of China-made components. The carmaker plans to substantially reduce China-related sourcing by 2027.
- Tesla likewise plans to eliminate Chinese components from vehicles produced in the US, aiming for complete removal within the next 1-2 years. Tesla intends to establish production capacity for 1m humanoid robots by 2H26, with a longer-term goal of producing 10m-100m units. The humanoid robot value chain will also likely move to exclude Chinese suppliers, increasing opportunities for Korean component manufacturers.

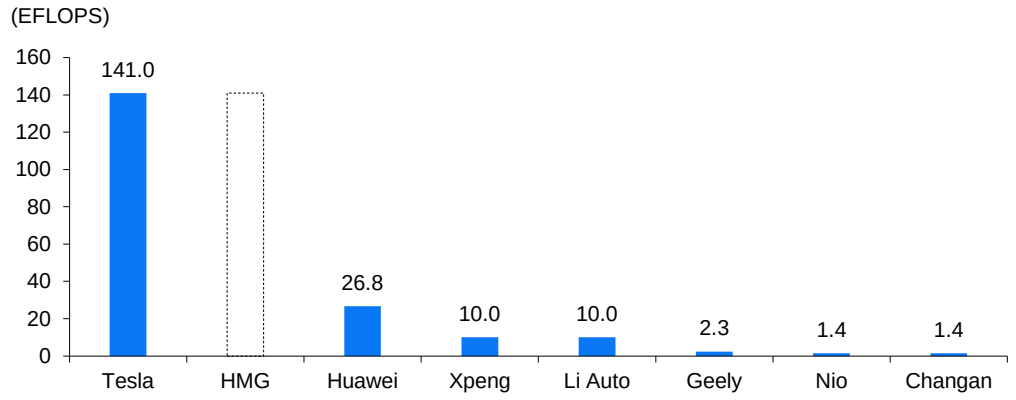
Korea autos/auto parts: US tariff impact estimates

(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	12,475	3,076	2,340	421	1,156	9.3
Kia	9,210	3,200	3,000	416	616	6.7
Hyundai Mobis	3,407	1,197	1,134		63	1.8
HL Mando	391	51	48		3	0.7
Hanon Systems	289	63	60		3	1.2
Hankook T&T	1,871	72	69		3	0.2
SL Corporation	366	63	60		3	0.9
SNT Motiv	103.6	15	14		1	1.1

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

Tesla vs Chinese automakers: Computing power



Source: CITIC, Samsung Securities

AI training token generation comparison (LLM = 1)

Task	Input tokens	Output tokens	Total tokens / Computation ratio (vs text)	Key content	Data structure
Robotics	1,000x	100x	100,000x	Hundreds to thousands of control signals per second + multi-sensor feedback (video, IMU, force sensors) + reinforcement learning loop	Spatio-temporal, sensor, action tokens
Autonomous driving	1,000x	10x	10,000x	Multiple camera frames + feedback learning	Vision, map, prediction tokens
Video generation /understanding models	1x	1,000×	1,000x	Generation of thousands of pixel patch tokens per second	Spatio-temporal tokens
LLM	1x	1×	1x	1 word ≈ 1 token, sequential learning	Language tokens

Source: Samsung Securities

Comparison of computational power by task

Task	Computational power	Note
GPT-4 training (total)	≈ 2×10^{25} FLOPs	Text-based
Open AI Sora (video generation)	≈ 1×10^{27} FLOPs	Over 100x increase
Tesla Autopilot training	≈ 1×10^{28} FLOPs	Multi-camera + Simulation + Backprop
Boston Dynamics AI Institute training	≈ 1×10^{28} (~10^{29}) FLOPs	Includes physics simulation

Source: Company data, Samsung Securities

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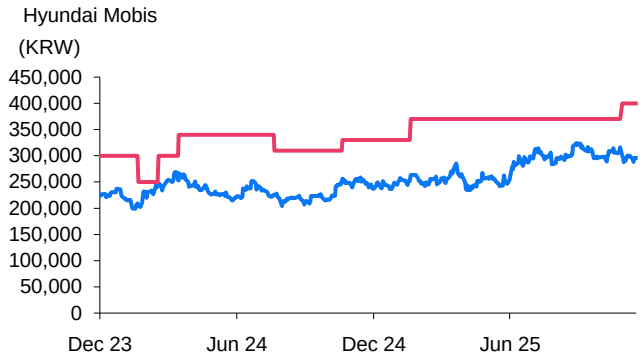
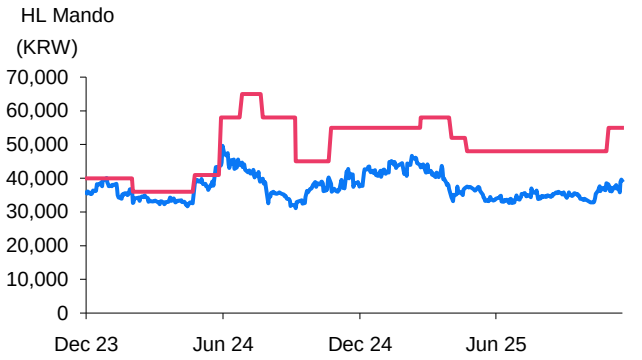
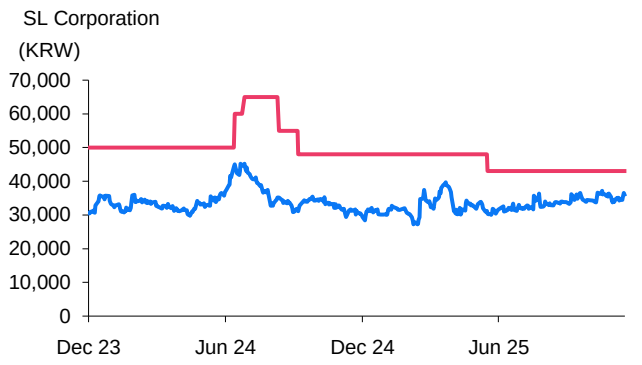
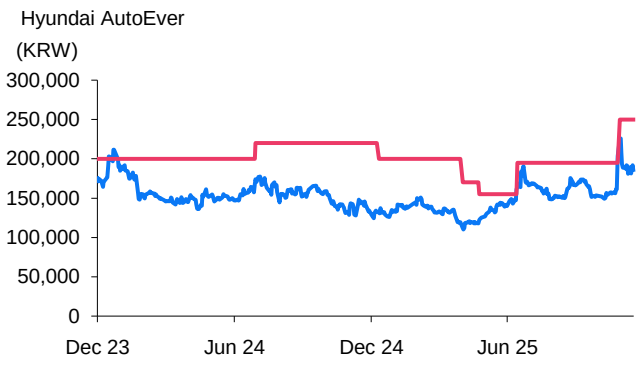
Target price changes in past two years









Rating changes over past two years (adjusted share prices)

Hyundai Mobis												
Date	2023/11/14	2024/1/26	2/22	3/20	7/26	10/25	2025/1/24	11/3				
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY				
Target price (KRW)	300000	250000	300000	340000	310000	330000	370000	400000				
Gap* (average)	-25.70	-9.38	-16.07	-30.85	-28.56	-24.95	-24.53					
(max or min)**	-21.00	-2.40	-10.33	-21.76	-19.35	-21.67	-12.30					
HL Mando												
Date	2023/10/30	2024/2/6	4/29	6/3	7/1	7/29	9/11	10/28	2025/2/25	4/7	4/28	11/3
Recommendation	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	40000	36000	41000	58000	65000	58000	45000	55000	58000	52000	48000	55000
Gap* (average)	-10.05	-7.58	-3.55	-21.93	-35.91	-39.90	-18.57	-24.91	-29.05	-31.59	-27.26	
(max or min)**	0.25	-2.92	5.85	-14.48	-32.15	-32.76	-10.67	-15.18	-23.88	-27.88	-19.69	
SL Corporation												
Date	2023/7/6	2024/6/18	7/1	8/16	9/11	2025/5/22						
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY						
Target price (KRW)	50000	60000	65000	55000	48000	43000						
Gap* (average)												
(max or min)**												
Hyundai AutoEver												
Date	2023/10/30	2024/1/29	4/1	7/4	12/16	2025/4/7	4/29	6/19	11/3			
Recommendation	BUY	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY			
Target price (KRW)	200000	200000	200000	220000	200000	170000	155000	195000	250000			
Gap* (average)	-13.82	-25.13	-24.37	-31.39	-32.39	-30.67	-10.17	-16.87				
(max or min)**	5.75	-20.65	-15.85	-19.41	-24.60	-29.18	3.87	4.36				

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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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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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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