COMPANY UPDATE

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EV/Mobility Team

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Kia (000270)

2026 outlook: Telluride HEV to be pricier vs Toyota's HEV

- The second-generation Telluride, set for launch in late 2025, will have a hybrid variant that should boost both the Telluride's ASP and its sales volume. We expect the redesigned model to add KRW1t to Kia's profit *pa*.
- In a 15% tariff environment, Kia would be able to deliver an annual operating profit of KRW10.5t-11t (for an operating margin of 8.5-8.6%).
- We believe Kia's quarterly earnings bottomed in 3Q and will recover on the beginning of a new model cycle and US market-share gains.

WHAT'S THE STORY?

In 15% tariff environment, Kia to book operating profit of KRW10.5t-11t *pa*: Kia, alongside Toyota, is likely to maintain the highest profitability among global automakers.

- **Tariff burden to ease:** A drop in the tariff rate to 15% should reduce Kia's quarterly tariff costs by KRW560b from KRW1.2t/quarter to KRW0.64t/quarter. Kia faces heavier tariffs than Hyundai Motor (HMC; KRW0.48t/quarter in 2026) as its Mexican plant exports 100,000-150,000 cars *pa* to the US. Kia's per-vehicle US incentives are already low at USD2,200 (vs USD3,500-3,600 for HMC), meaning the firm little room to shrink its incentives further.
- **Weakening won against dollar to provide tailwinds:** For every KRW10/USD change in the forex rate, Kia's operating profit swings KRW350b. The won-dollar exchange rate averaged KRW1,410/USD over 1Q-3Q and currently stands at KRW1,450-1,460/USD.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	107,449	113,888	120,707	125,792
Operating profit (KRWb)	12,667	9,210	10,406	11,079
Net profit (adj) (KRWb)	9,775	7,639	8,671	9,276
EPS (adj) (KRW)	24,413	19,308	22,210	23,759
EPS (adj) growth (% y-y)	12.1	-20.9	15.0	7.0
EBITDA margin (%)	14.2	10.6	10.9	10.9
ROE (%)	19.1	13.1	13.6	13.2
P/E (adj) (x)	4.1	5.8	5.0	4.7
P/B (x)	0.7	0.7	0.6	0.6
EV/EBITDA (x)	1.6	2.1	1.5	0.9
Dividend yield (%)	6.5	5.8	5.9	6.3

Source:: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW150,000	34.9%
Current price	KRW111,200	
Market cap	KRW43.8t/USD29.7b	
Shares (float)	390,412,998 (59.3%)	
52-week high/low	KRW119,900/KRW82,000	
Avg daily trading value (60-day)	KRW109.2b/ USD74.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kia (%)	-3.2	27.7	14.4
Vs Kospi (%pts)	-1.1	-14.2	-24.8

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	22,210	22,210	0.0%

SAMSUNG vs THE STREET

No of estimates	25
Target price	144,280
Recommendation	4.0

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

Second-generation Telluride to be launched in late 2025: The Telluride is a US-only model that is manufactured in the US.

- **Full hybrid lineup:** Kia offers only three hybrids globally—the Sportage Hybrid, Sorento Hybrid, and Carnival Hybrid. In 2026, it is expected to roll out hybrid versions of the Telluride and Seltos.
- **Second-generation Telluride's annual sales target set at 150,000 units:** If Kia meets its sales target for the second-generation Telluride, it would add KRW1t to its operating profit.
- **Telluride to mirror Palisade's pricing policy:** In the US, the ICE-powered Palisade is 5% cheaper than the Toyota Highlander. But the Palisade Hybrid is 6% pricier than the Toyota Highlander.

Expanding lineup of smaller-sized EVs: Kia is endeavoring to establish an early lead in the EV market in order to quickly accumulate driving data.

- **European EV market share expanding:** Kia is expected to launch lower-priced models in the EUR30,000 range in Europe—on top of the EV3—in: 1) 2H25 (the EV4, EV5, and PV5); and 2) 1Q26 (the EV2). European countries have introduced measures to boost EV demand, starting with Germany, France, and the UK.
- **Tapping PBV market with PV5 launch in October:** The automaker set the price of the PV5 at around KRW35m (factoring in subsidies) in Korea, aiming to sell the auto in Korea and Europe. The light commercial vehicle market is seeing high demand for retrofitting. Since Kia is set to start selling retrofit-related parts, the firm should enjoy high margins on them. Its 2026 PV5 sales target is 70,000 units.

Higher earnings entail greater share of responsibility for expenses: Since the pandemic, Kia's sales growth has been strong in the highly profitable US market. Kia's operating profit has risen to the level recorded by HMC's auto division.

- **Kia's share of R&D costs expanding:** 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 R&D costs expanded from 42% in 2020 to 44% in 2025 as Kia's earnings grew. Kia's R&D cost-to-sales ratio climbed 0.6%pts from 2.5% in 2022 to 3.1% in 2025, while HMC's stayed flat at 2.3%.
- **Kia greatly contributing to growth of finance subsidiaries:** Kia owns 20% of Hyundai Capital America and 40.13% of Hyundai Capital, recognizing earnings from the subsidiaries as equity-method income. In the US, Kia's sales volume is similar to HMC's, while Kia cars hold their value better than HMC cars. Kia cars now have the fourth best resale value in the US, which helps the profitability of its finance subsidiaries. Leased vehicles (which comprise 10-20% of its total sales volume) are sold in the used car market after three years, and the difference between the book price and the sale price dictates the finance subsidiaries' profitability.

Shareholder return program: Despite earnings-related headwinds from the US tariffs in 2025, Kia is likely to pay the same DPS 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 KRW500b buyback/cancellation (down 28.5% y-y). The KRW500b buyback/cancellation represents 1.1% of Kia's current market cap.
- **2026 DPS projected at KRW6,600 (up 1.5% y-y):** Dividend income from Kia should qualify for separate taxation, as the automaker is likely to maintain a dividend payout ratio above 25% and increase dividends by 6.5% compared to their three-year average. We expect a KRW500b buyback/cancellation program to be announced.

Telluride profitability analysis

	Telluride 1st gen	Telluride 2nd gen
Selling price (USD)	46,453	55,743
Wholesale price (USD)	41,807	50,169
Sales volume (units)	115,000	150,000
Revenue (USDm)	4,808	7,525
Profitability (%)	20%	22%
Operating profit (USDm)	**962**	**1,656**
Operating profit (KRWb)	**1,346**	**2,318**

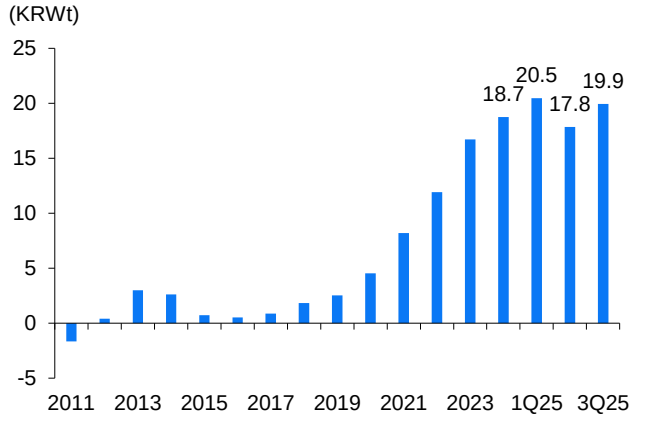
Source: Samsung Securities estimates

HMG: USD sensitivity estimation

	HMC	Kia	Mobis
USD revenue	106,070	62,403	29,869
USD COGS and SG&A	61,739	24,234	23,071
USD Exposure	44,331	38,169	6,798
Hedge (5%)	2,217	1,908	340
Net Exposure	**42,114**	**36,261**	**6,458**
1% movement	421	363	65
2025E operating profit	12,672	10,773	3,457
OP impact	**3.3%**	**3.4%**	**1.9%**

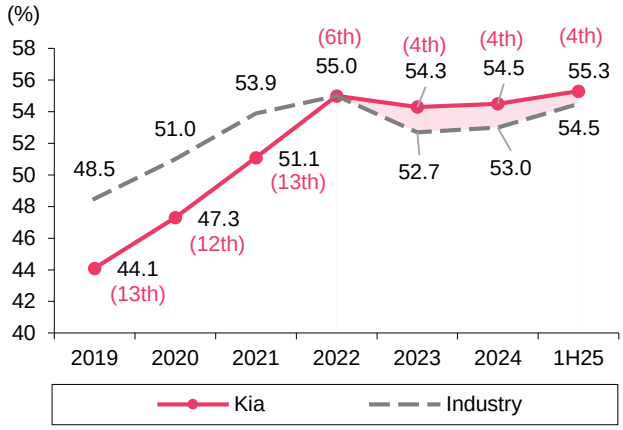
Source: Company data, Samsung Securities estimates

Kia: Net cash



Source: Company data, Samsung Securities

Residual value and ranking



Source: U.S. ALG Residual Value, Company data, Samsung Securities

US market: Hyundai Palisade vs Toyota Grand Highlander

	Hyundai Palisade		Toyota Grand Highlander	
Powertrain	**ICE**	**HEV**	**ICE**	**HEV**
Last launch date	2025.07	2025.09	2023.08	2023.08
Price (USD)	39,435	47,520	41,360	44,710
Fuel economy (City/Hwy/Combined)	19/25/21 MPG	33/35/34 MPG	21/28/24 MPG	36/32/34 MPG
Seating capacity	7-8 passengers	7-8 passengers	8 passengers	8 passengers
Length (in.)	199.2	199.2	201.4	201.4
Width (in.)	78	78	78.3	78.3
Height (in.)	69.5	69.5	70.1	70.1
Wheelbase (in.)	116.9	116.9	116.1	116.1
Drivetrain	FWD/AWD	FWD/AWD	FWD/AWD	FWD/AWD
Fuel system	3.5L V6 engine	2.5L inline-4 turbo engine	2.5L inline-4 turbo engine	2.5L inline-4 engine.
Fuel tank capacity (gal.)	19	18.2	17.83	17.17
Battery capacity		1.65kWh Li-ion		1.3kWh Ni-MH
Transmission	8-speed automatic	6-speed automatic	8-speed automatic	eCVT
Max power (hp)	287 @ 6,400	258 @ 5,800	265 @ 6000	245 combined net
Max torque (lb-ft)	260 @ 5,000	260 @ 1,800-4500	310 @ 1700-3600	175 @ 4400

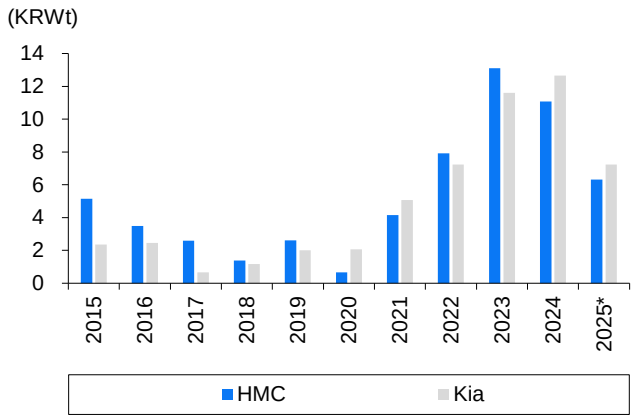
Note: Both companies are based on the lowest trim specifications
Source: Company data, Samsung Securities

HMC/Kia: HEV and BEV sales targets

('000 vehicles)		**2023**	**2024**	**2025E**	**2026E**	**2027E**
HMC	HEV	383	497	632	800	1,100
	BEV	277	219	290	400	550
Kia	HEV	311	383	465	750	1,000
	BEV	198	194	260	380	500
Total	HEV	694	880	1,097	1,550	2,100
	BEV	475	413	550	780	1,050
	Total	1,169	1,293	1,647	2,330	3,150

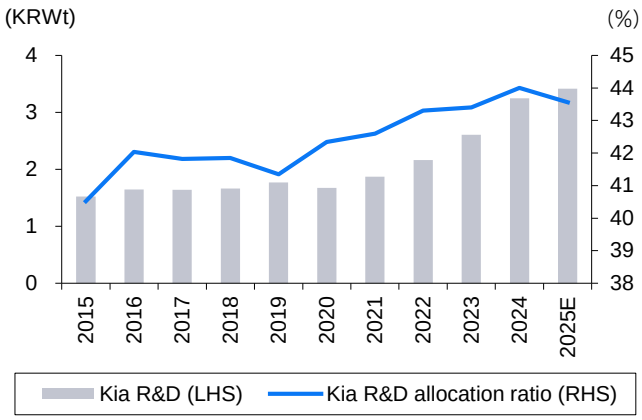
Source: Company data, Samsung Securities

HMC* vs Kia Operating profit



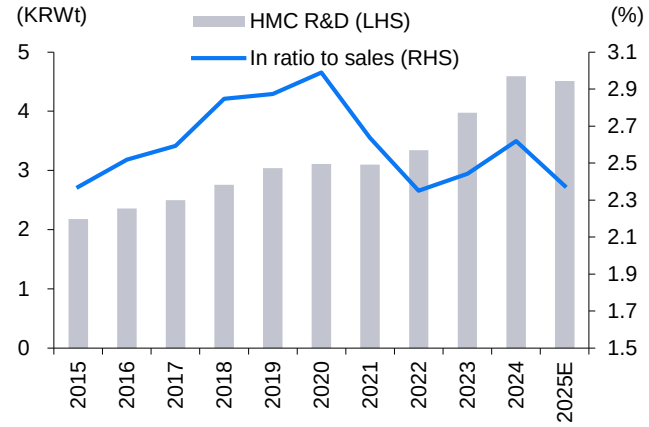
Note: *Auto division, 2025 is 3Q annualized figure
Source: Company data, Samsung Securities

Kia: R&D expense and allocation ratio

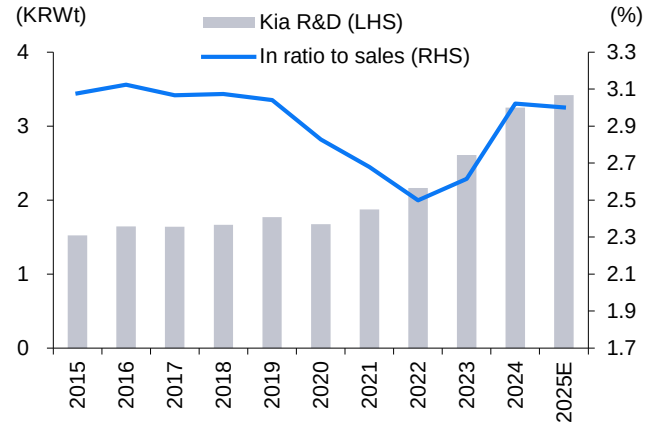


Note: Kia's R&D allocation ratio is based on its share of the total R&D costs combined with HMC
Source: Company data, Samsung Securities

HMC: R&D expense



Kia: R&D expense



Kia: EV4

Source: Company data

Kia: PV5

Source: Company data

Kia: Telluride

Source: Media

Kia: Seltos hybrid

Source: Media

Kia: Global sales volume and forecasts

('000 vehicles)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
Global plant sales	775	808	757	870	833	850	837	870	3,119	3,210	3,390	3,520
Domestic	394	416	397	403	394	410	402	414	1,623	1,610	1,620	1,620
Overseas	382	391	360	467	439	440	435	456	1,496	1,600	1,770	1,900
US (KMMG)	88	91	88	102	103	106	105	106	352	370	420	450
Europe (KMS)	89	86	64	101	96	94	77	94	351	340	360	380
China (DYK)	57	67	63	93	73	76	87	94	248	280	330	380
Mexico (KMM)	68	74	73	76	73	78	81	78	274	290	310	310
India (KMI)	81	73	72	94	94	86	85	84	270	320	350	380
Global retail sales	773	815	785	787	808	852	826	821	3,083	3,160	3,300	3,420
Global ASP (KRWm)	37.1	36.9	38.6	36.3	36.7	37.5	37.1	38.3	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	2027E
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	1,330
Revenue	28,018	29,350	28,686	27,835	28,980	31,256	29,861	30,610	107,449	113,888	120,707	125,792
Gross profit	6,081	5,875	5,409	5,310	5,364	5,642	5,502	6,707	24,771	22,675	23,215	24,061
Operating profit	3,009	2,765	1,462	1,974	2,392	2,639	2,253	3,121	12,667	9,210	10,406	11,079
Pre-tax profit	3,243	3,000	1,887	2,047	2,741	2,853	2,774	3,193	13,500	10,178	11,562	12,368
Net profit	2,393	2,268	1,422	1,556	2,056	2,140	2,081	2,395	9,775	7,639	8,671	9,276
Controlling profit	2,393	2,269	1,425	1,556	2,056	2,140	2,081	2,395	9,773	7,643	8,671	9,276
Margins (%)												
Gross profit	21.7	20.0	18.9	19.1	18.5	18.0	18.4	21.9	23.1	19.9	19.2	19.1
Operating profit	10.7	9.4	5.1	7.1	8.3	8.4	7.5	10.2	11.8	8.1	8.6	8.8
Net profit	8.5	7.7	5.0	5.6	7.1	6.8	7.0	7.8	9.1	6.7	7.2	7.4
Controlling profit	8.5	7.7	5.0	5.6	7.1	6.8	7.0	7.8	9.1	6.7	7.2	7.4

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	12,809	12,982
Operating profit	**11,608**	**12,667**	**9,210**	**10,406**	**11,079**
Operating margin (%)	11.6	11.8	8.1	8.6	8.8
Non-operating gains (losses)	**1,069**	**833**	**967**	**1,156**	**1,289**
Financial profit	1,263	1,351	1,119	1,330	1,647
Financial costs	392	610	97	99	99
Equity-method gains (losses)	684	395	647	686	719
Other	-485	-304	-702	-761	-978
Pre-tax profit	**12,677**	**13,500**	**10,177**	**11,562**	**12,368**
Taxes	3,900	3,725	2,538	2,890	3,092
Effective tax rate (%)	30.8	27.6	24.9	25.0	25.0
Profit from continuing operations	8,778	9,775	7,639	8,671	9,276
Profit from discontinued operations	0	0	0	0	0
Net profit	**8,778**	**9,775**	**7,639**	**8,671**	**9,276**
Net margin (%)	8.8	9.1	6.7	7.2	7.4
Net profit (controlling interests)	8,777	9,773	7,639	8,671	9,276
Net profit (non-controlling interests)	1	2	0	0	0
EBITDA	13,961	15,216	12,100	13,171	13,652
EBITDA margin (%)	14.0	14.2	10.6	10.9	10.9
EPS (parent-based) (KRW)	21,770	24,413	19,308	22,210	23,759
EPS (consolidated) (KRW)	21,772	24,418	19,308	22,210	23,759
Adjusted EPS (KRW)*	21,770	24,413	19,308	22,210	23,759

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**37,466**	**41,797**	**45,692**	**53,071**	**61,213**
Cash & equivalents	14,353	13,567	15,957	21,742	28,696
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**	**108,151**	**116,478**
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**	**66,947**	**73,695**
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	61,502	68,250
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**	**66,956**	**73,704**
Net debt	-12,718	-15,303	-17,848	-23,969	-31,173

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**11,297**	**12,564**	**10,693**	**11,611**	**11,771**
Net profit	8,778	9,775	7,639	8,671	9,276
Non-cash profit and expenses	8,836	9,666	3,578	3,559	3,217
Depreciation	1,846	2,010	2,355	2,294	2,156
Amortization	507	540	535	472	417
Other	6,483	7,116	687	793	644
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**	**-2,524**
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	-2,528
Other	-592	-853	-0	0	0
Change in cash	2,799	-787	2,390	5,785	6,954
Cash at beginning of year	11,554	14,353	13,567	15,957	21,742
Cash at end of year	14,353	13,567	15,957	21,742	28,696
Gross cash flow	**17,614**	**19,441**	**11,216**	**12,230**	**12,493**
Free cash flow	**8,961**	**9,079**	**6,693**	**9,611**	**10,271**

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	13.0	6.5
Net profit	62.3	11.4	-21.9	13.5	7.0
Adjusted EPS**	63.1	12.1	-20.9	15.0	7.0
Per-share data (KRW)					
EPS (parent-based)	21,770	24,413	19,308	22,210	23,759
EPS (consolidated)	21,772	24,418	19,308	22,210	23,759
Adjusted EPS**	21,770	24,413	19,308	22,210	23,759
BVPS	117,495	141,812	158,631	174,767	192,383
DPS (common)	5,600	6,500	6,500	6,600	7,000
Valuations (x)					
P/E***	4.6	4.1	5.8	5.0	4.7
P/B***	0.9	0.7	0.7	0.6	0.6
EV/EBITDA	2.0	1.6	2.1	1.5	0.9
Ratios (%)					
ROE	20.4	19.1	13.1	13.6	13.2
ROA	11.4	11.3	7.9	8.3	8.3
ROIC	45.7	45.2	29.6	32.9	36.5
Payout ratio	25.0	26.2	32.6	29.2	28.9
Dividend yield (common)	5.6	6.5	5.8	5.9	6.3
Net debt to equity	-27.3	-27.4	-29.4	-35.8	-42.3
Interest coverage (x)	63.8	124.8	95.1	105.0	111.7

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

Source: Company data, Samsung Securities estimates

Compliance notice

- As of 11/24 2025, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
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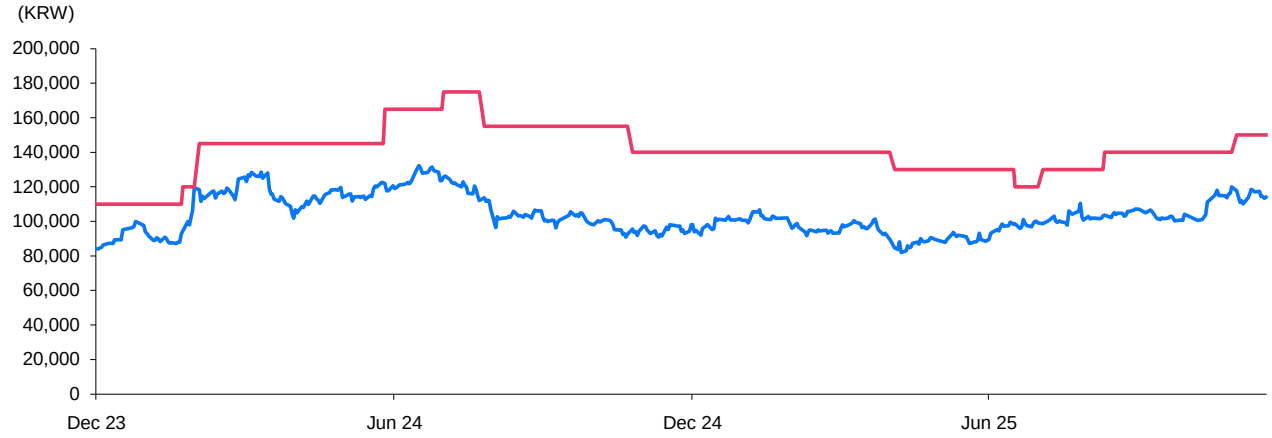
Target price changes in past two years



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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Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* 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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