COMPANY UPDATE

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Kia (000270)

Time to catch up to big brother

- Hyundai Motor (HMC) and Kia are not purchasing robots for group governance purposes. Rather, they play a central role in the group's robotics ecosystem by: 1) providing action data for robots; 2) validating AI model training; and 3) manufacturing the robots.
- Kia invests in all robotics projects alongside HMC and shares the same responsibilities, but due to differences in equity stakes, a valuation gap is inevitable.

WHAT'S THE STORY?

Kia proving pivotal to group robotics—raising target, reiterating BUY: We expect Kia to invest in the Robot Metaplant Application Center (RMAC) and robot production facilities alongside Hyundai Motor (HMC).

- **HMC/Kia likely to invest in RMAC and robot production plants:** The RMAC, where robots are trained, is likely to be supported by investments from HMC/Kia, which will provide the action datasets. The carmakers, which boast deep expertise in mass-production and are currently building out the value chain, are also likely to invest in robot production plants. We expect HMC and Kia to invest in a 60:40 equity structure, similar to their investments in Hyundai Motor Group Metaplant America (HMGMA).
- **Raising target valuation for Kia:** We have set our target P/E multiple for HMC at 18x, matching the average at which leading Chinese EV companies (BYD, Li Auto, and Xiaomi) at trading. We raise our target P/E multiple for Kia to 12x, reflecting its stake in the robotics business (40% vs HMC's 60%). Applying this to our 2026 EPS forecast, we raise our target price by 48.6% to KRW260,000.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	107,449	113,124	122,670	128,152
Operating profit	12,667	9,159	10,444	11,075
Net profit (adj)	9,775	7,601	8,700	9,273
EPS (adj) (KRW)	24,413	19,211	22,283	23,751
EPS (adj) growth (% y-y)	12.1	-21.3	16.0	6.6
EBITDA margin (%)	14.2	10.7	10.8	10.6
ROE (%)	19.1	13.0	13.6	13.2
P/E (adj) (x)	4.1	6.3	7.4	6.9
P/B (x)	0.7	0.8	1.0	0.9
EV/EBITDA (x)	1.6	2.5	3.1	2.5
Dividend yield (%)	6.5	5.3	4.0	4.3

Source: Company data, Samsung Securities estimates

▶ AT A GLANCE

BUY

Target price	KRW260,000	58%
Current price	**KRW164,600**	
Market cap	KRW64.3t/USD43.7b	
Shares (float)	390,412,998 (60.4%)	
52-week high/low	KRW172,100/KRW82,000	
Avg daily trading value (60-day)	KRW176.3b/ USD119.9m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Kia (%)	35.9	68.3	59.8
Vs Kospi (%pts)	12.7	7.7	-17.8

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	260,000	260,000	0.0%
2025E EPS	19,211	19,211	0.0%
2026E EPS	22,283	22,283	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	26
Target price	162,923
Recommendation	4.0

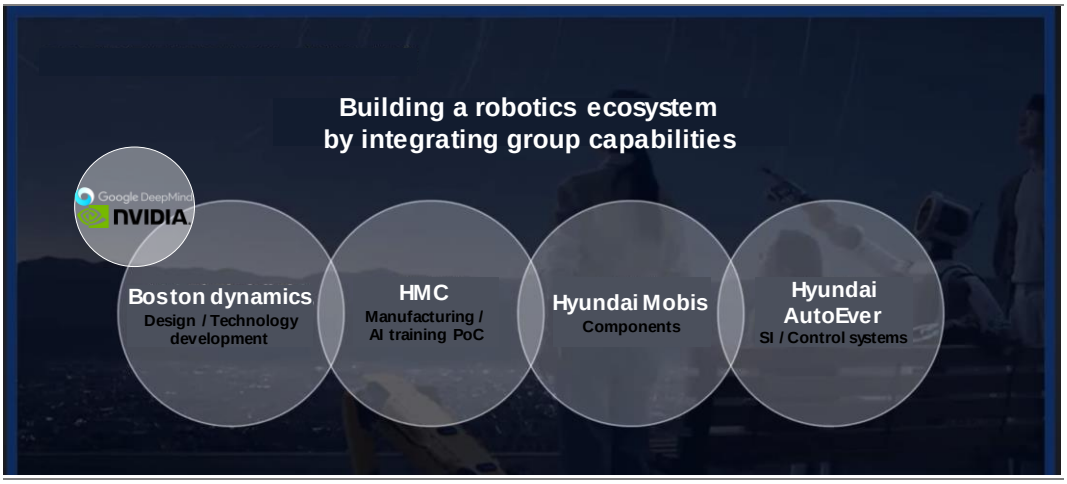
※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

- **Second pick in the sector:** Kia holds a 40% stake in the robotics business, recognized under equity-method accounting. As the carmaker lacks the symbolic status of HMC, a valuation discount is inevitable. However, as the valuation gap is already at 2x, the two companies seem to have similar upside potential.

HMC/Kia at core of group's robotics ecosystem: As the provider of real-world action data that helps refine robot models, HMC and Kia play a key role in validating AI model training. They also lead the way in robot mass-production. This is why attention should be given to HMC, not just the value of its equity in Boston Dynamics.

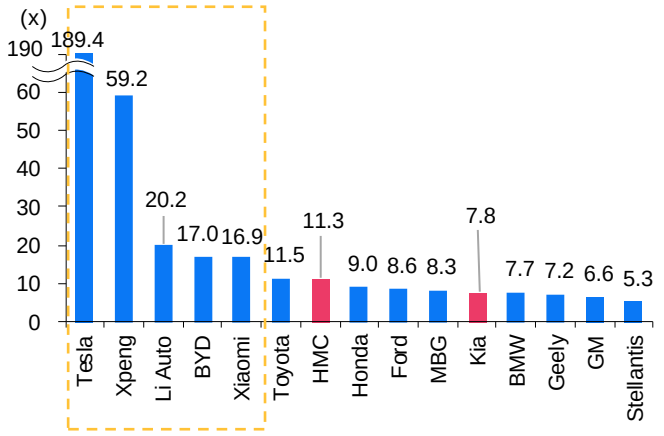
- **HMC/Kia plants to serve as digital factories producing action data for robots:** RMAC provides a controlled environment where robots learn by mapping factory layout, movement paths, and work positions, which are then combined with real-world operational data from HMC/Kia's software-defined factory (SDF) facilities. The goal is to establish a closed-loop learning model [virtual training (RMAC)→ real-world data (SDF)→ retraining] that enables continuous improvement in speed, accuracy, and safety.
- **HMC/Kia likely to make joint investments in RMAC and robot production plants:** The RMAC, where robots are trained, is likely to be supported by investments from HMC/Kia that provide the action datasets. The carmakers, with expertise in mass-production and currently building out the value chain, are also likely to invest in robot production plants. We expect HMC and Kia to invest in a 60:40 equity structure, similar to their HMGMA investments.
- **Kia has more cash liquidity and operating cash flow than HMC:** At end-3Q25, Kia held net cash of KRW20t vs HMC's KRW16.5t (excluding the financial division). Excessive capex that exceeds operating cash flow can pose a risk to stock prices, particularly when long-term interest rates remain elevated. Thus, HMC is co-investing in data centers, RMAC, and robotics production facilities with Kia and Hyundai Mobis.

HMG: Robotics ecosystem



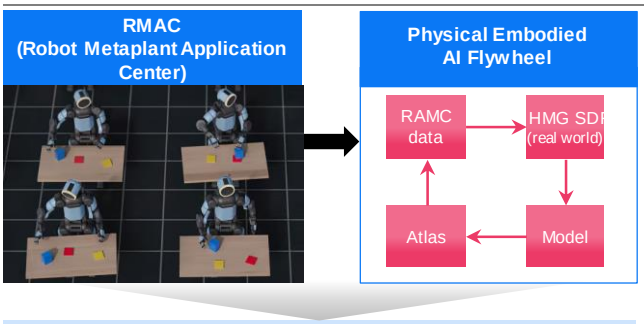
Source: Company data, Samsung Securities

Global automakers: 12-month forward P/E valuation



Note: As of Jan 21
Source: Bloomberg, Samsung Securities

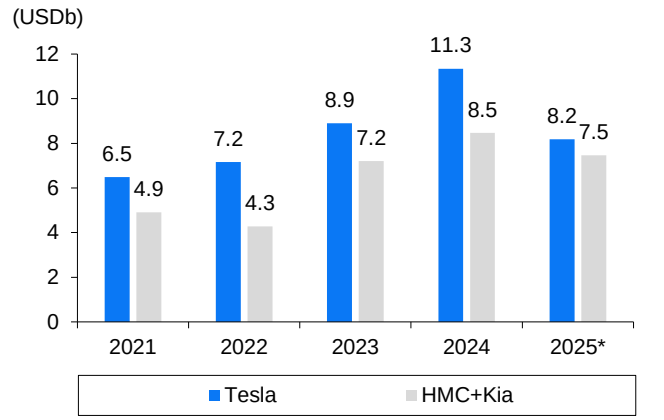
HMC: Physical Embodied AI Flywheel



The process of **data → model training → robot application → real-world operation → new data generation** repeats continuously, allowing for the ongoing accumulation of high-quality datasets and enabling continuous improvement in model performance.

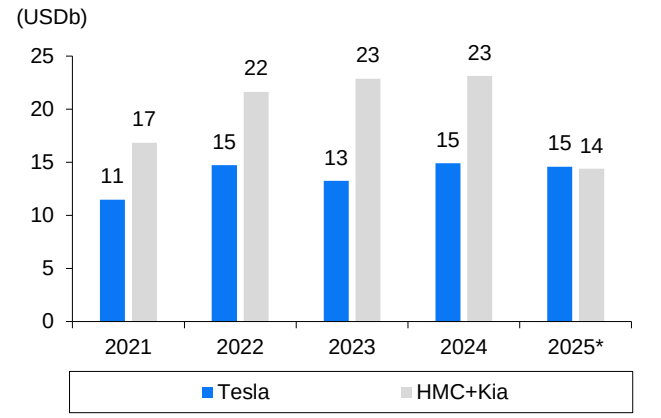
Source: Samsung Securities

Capex: HMC/Kia vs Tesla



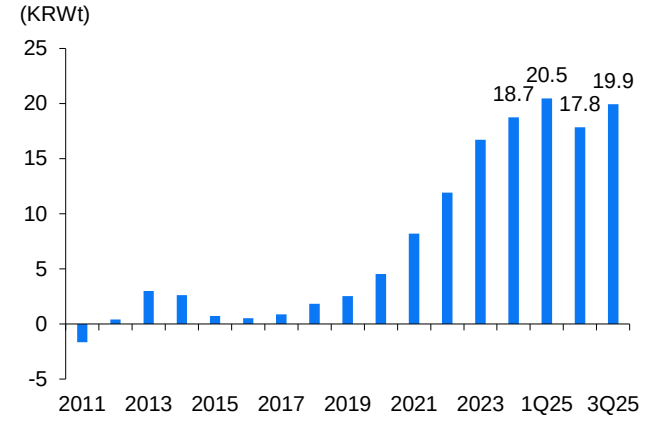
Source: Bloomberg, Samsung Securities

Operating cash flow: HMC/Kia vs Tesla



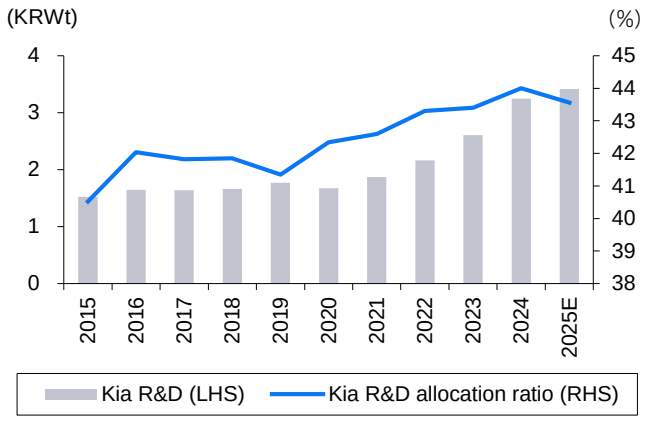
Note: *HMG 2Q, Tesla 3Q annualized cumulative figures, HMC ex financial division
Source: Bloomberg, Dart, Samsung Securities

Kia: Net cash



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

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**99,808**	**107,449**	**113,124**	**122,670**	**128,152**
Cost of goods sold	77,180	82,678	90,286	98,903	103,544
Gross profit	**22,629**	**24,771**	**22,838**	**23,767**	**24,608**
Gross margin (%)	22.7	23.1	20.2	19.4	19.2
SG&A expenses	11,021	12,104	13,679	13,324	13,533
Operating profit	**11,608**	**12,667**	**9,159**	**10,444**	**11,075**
Operating margin (%)	11.6	11.8	8.1	8.5	8.6
Non-operating gains (losses)	**1,069**	**833**	**967**	**1,156**	**1,289**
Financial profit	1,263	1,351	1,121	1,324	1,632
Financial costs	392	610	97	99	99
Equity-method gains (losses)	684	395	647	686	719
Other	-485	-304	-704	-755	-962
Pre-tax profit	**12,677**	**13,500**	**10,127**	**11,600**	**12,363**
Taxes	3,900	3,725	2,526	2,900	3,091
Effective tax rate (%)	30.8	27.6	24.9	25.0	25.0
Profit from continuing operations	8,778	9,775	7,601	8,700	9,273
Profit from discontinued operations	0	0	0	0	0
Net profit	**8,778**	**9,775**	**7,601**	**8,700**	**9,273**
Net margin (%)	8.8	9.1	6.7	7.1	7.2
Net profit (controlling interests)	8,777	9,773	7,601	8,700	9,273
Net profit (non-controlling interests)	1	2	0	0	0
EBITDA	13,961	15,216	12,050	13,209	13,647
EBITDA margin (%)	14.0	14.2	10.7	10.8	10.6
EPS (parent-based) (KRW)	21,770	24,413	19,211	22,283	23,751
EPS (consolidated) (KRW)	21,772	24,418	19,211	22,283	23,751
Adjusted EPS (KRW)*	21,770	24,413	19,211	22,283	23,751

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**37,466**	**41,797**	**45,606**	**53,149**	**61,276**
Cash & equivalents	14,353	13,567	16,048	21,362	28,208
Accounts receivable	2,475	3,561	3,749	4,066	4,247
Inventories	11,273	12,419	13,075	14,178	14,812
Other current assets	9,365	12,251	12,733	13,543	14,009
Fixed assets	**43,162**	**50,958**	**53,971**	**55,566**	**55,849**
Investment assets	22,205	27,223	28,627	30,987	32,342
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**	**99,577**	**108,715**	**117,125**
Current liabilities	**25,674**	**26,977**	**28,009**	**30,311**	**31,633**
Accounts payable	10,369	10,455	11,007	11,936	12,469
Short-term debt	129	221	721	721	721
Other current liabilities	15,176	16,302	16,281	17,655	18,444
Long-term liabilities	**8,395**	**9,938**	**10,832**	**11,493**	**11,873**
Bonds & long-term debt	2,702	2,176	2,676	2,676	2,676
Other long-term liabilities	5,693	7,763	8,156	8,818	9,198
Total liabilities	**34,070**	**36,916**	**38,840**	**41,805**	**43,507**
Owners of parent equity	**46,552**	**55,831**	**60,728**	**66,901**	**73,609**
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	55,283	61,456	68,164
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**	**60,737**	**66,910**	**73,618**
Net debt	-12,718	-15,303	-17,902	-23,685	-30,801

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**11,297**	**12,564**	**10,559**	**11,983**	**11,817**
Net profit	8,778	9,775	7,601	8,700	9,273
Non-cash profit and expenses	8,836	9,666	3,564	3,573	3,231
Depreciation	1,846	2,010	2,355	2,294	2,156
Amortization	507	540	535	472	417
Other	6,483	7,116	674	808	659
Changes in A/L from operating activities	-4,247	-4,287	715	1,203	691
Cash flow from investments	**-3,107**	**-10,153**	**-4,927**	**-2,718**	**-1,912**
Change in tangible assets	-2,230	-3,424	-4,000	-2,000	-1,500
Change in financial assets	-541	-4,788	-427	-718	-412
Other	-336	-1,941	-500	0	0
Cash flow from financing	**-5,596**	**-3,570**	**-2,392**	**-2,518**	**-2,560**
Change in debt	-3,622	-525	167	8	5
Change in equity	21	2	0	0	0
Dividends	-1,403	-2,194	-2,559	-2,526	-2,565
Other	-592	-853	0	0	0
Change in cash	2,799	-787	2,482	5,313	6,846
Cash at beginning of year	11,554	14,353	13,567	16,048	21,362
Cash at end of year	14,353	13,567	16,048	21,362	28,208
Gross cash flow	**17,614**	**19,441**	**11,165**	**12,273**	**12,504**
Free cash flow	**8,961**	**9,079**	**6,559**	**9,983**	**10,317**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	15.3	7.7	5.3	8.4	4.5
Operating profit	60.5	9.1	-27.7	14.0	6.0
Net profit	62.3	11.4	-22.2	14.5	6.6
Adjusted EPS**	63.1	12.1	-21.3	16.0	6.6
Per-share data (KRW)					
EPS (parent-based)	21,770	24,413	19,211	22,283	23,751
EPS (consolidated)	21,772	24,418	19,211	22,283	23,751
Adjusted EPS**	21,770	24,413	19,211	22,283	23,751
BVPS	117,495	141,812	156,272	172,159	189,420
DPS (common)	5,600	6,500	6,500	6,600	7,000
Valuations (x)					
P/E***	4.6	4.1	6.3	7.4	6.9
P/B***	0.9	0.7	0.8	1.0	0.9
EV/EBITDA	2.0	1.6	2.5	3.1	2.5
Ratios (%)					
ROE	20.4	19.1	13.0	13.6	13.2
ROA	11.4	11.3	7.9	8.4	8.2
ROIC	45.7	45.2	29.5	33.0	36.5
Payout ratio	25.0	26.2	33.2	29.5	29.3
Dividend yield (common)	5.6	6.5	5.3	4.0	4.3
Net debt to equity	-27.3	-27.4	-29.5	-35.4	-41.8
Interest coverage (x)	63.8	124.8	94.6	105.4	111.6

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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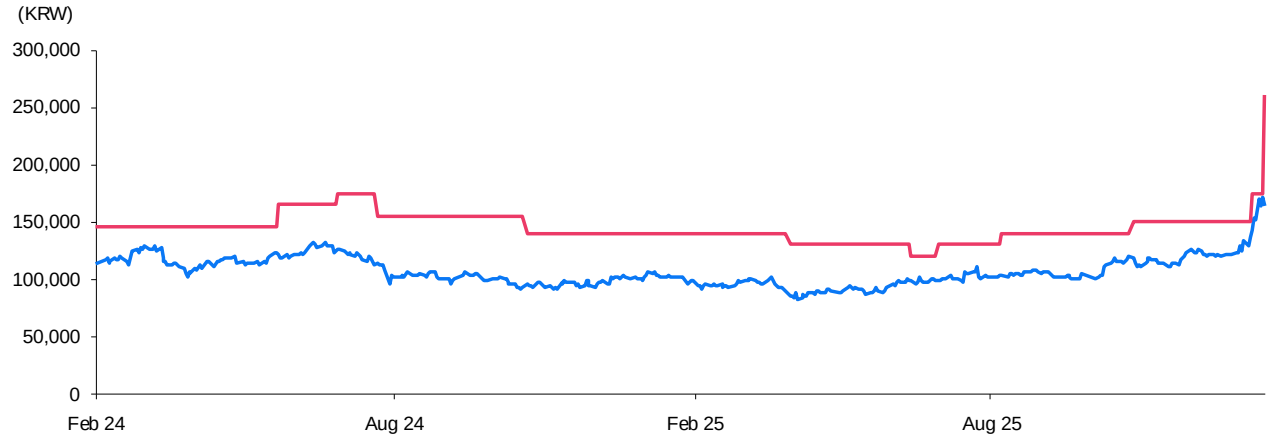
Target price changes in past two years



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	-20.38
(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	-9.33

Date	2026/1/14	1/22
Recommendation	BUY	BUY
Target price (KRW)	175000	260000
Gap* (average)	-7.53	
(max or min)**	-1.66	

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 2025.12.31

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