COMPANY UPDATE

2026. 2. 2

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Hyundai Motor (005380)

4Q review; building a fanbase

- Hyundai Motor (HMC) reported a disappointing 4Q operating profit, hit by tariffs, incentives, and retooling costs. Nonetheless, the stock closed up 7%.
- Earlier that day, Tesla announced a major investment in physical AI during its earnings call. HMC also mentioned significant investments and plans to start robot training and real-world testing by the end of the year during its earnings call.
- The key to advancing physical AI model performance lies in real-world data sets, and companies with strong B2C fanbases have a clear advantage. Fandom is now starting to build around HMC.

EV/Mobility Team

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AT A GLANCE

BUY

Target price	KRW800,000	60%
Current price	**KRW500,000**	
Market cap	KRW102.4t/USD71.1b	
Shares (float)	204,757,766 (65.9%)	
52-week high/low	KRW549,000/KRW177,500	
Avg daily trading value (60-day)	KRW808.6b/ USD561.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hyundai Motor (%)	68.6	124.2	143.9
Vs Kospi (%pts)	36.0	39.7	18.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	800,000	800,000	0.0%
2025E EPS	35,035	35,035	0.0%
2026E EPS	44,692	44,692	0.0%

SAMSUNG vs THE STREET

No of estimates	26
Target price	654,231
Recommendation	4.0

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

WHAT'S THE STORY?

Cutting earnings forecasts: We revise down our earnings forecasts for Hyundai Motor (HMC), as lower tariffs will likely have limited impact in 2026 and to factor in intensifying competition. We leave our target P/E multiple at 18x and keep the stock as our top pick.

- **Cutting target price by 5.8% to KRW800,000:** We derive our target price for the stock by apply 18x to our 2026 EPS forecast, the average of the top three Chinese EV companies (Li Auto, Xiaomi, and BYD) that are developing autonomous driving technology and entering the robotics business. We note that: 1) HMC is not significantly behind the Chinese peers in autonomous driving technology (nb, the latter is 1–2 years ahead in Level 2+ autonomous driving, but rely on external partners (eg, Momenta, Nvidia, and Horizon Robotics) for inference models and chips; and 2) in robotics, the latter has only announced plans, but HMC is already ahead in execution.

(Continued on the next page)

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	46,839	0.5	0.3	-3.3	-2.8
Operating profit	1,695	-39.9	-33.2	-35.6	-36.3
Pre-tax profit	1,666	-46.6	-49.9	-53.2	-49.6
Controlling profit	1,029	-54.9	-54.5	-59.4	-56.9
Margins (%)					
Operating profit	3.6				
Pre-tax profit	3.6				
Controlling profit	2.2				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	4.6	8.5	11.2
P/B	0.5	0.7	1.1
EV/EBITDA	10.5	14.7	16.0
Div yield (%)	5.7	3.4	2.2
EPS growth (% y-y)	5.6	-23.9	27.6
ROE (%)	12.4	8.4	9.9
Per-share data (KRW)			
EPS	46,042	35,035	44,692
BVPS	413,568	438,025	473,172
DPS	12,000	10,000	11,000

- **HMC stands out among the group in terms of growth potential:** Among Hyundai Motor Group's (HMG) top three companies--HMC/Kia/Hyundai Mobis, we value HMC using P/E and Kia and Mobis using the average of both P/E and P/B. That is because HMC is leading the group's robotics ecosystem by: 1) building data centers; 2) providing robot action data; 3) operating robot training centers (eg, Robot Metaplant Application Center (RMAC)); and 4) constructing and managing robot production facilities.
- **As such, we expect HMC to:** 1) recognize humanoid robot sales from 2029; and 2) grow into a hardware platform provider—eg, sharing subscription sales with Google DeepMind and Boston Dynamics in accordance with robot distribution.
- **Retail investor fanbase emerging:** Since HMC announced its plan to buy 50,000 Nvidia Blackwell chips in late October, retail investors have bought KRW420b worth of HMC shares (vs foreign investors have sold KRW660b during the same period). Notably, retail investors are well-known for being highly sensitive to growth potential. The formation of a fanbase creates a favorable environment for HMC's software-defined vehicle (SDV) data collection in Korea (which is set for 3Q26)-an environment similar to Tesla's data accumulation strategy.

  In contrast, foreign investors, who entered during the 2022–2023 period expecting stronger shareholder returns at HMC/Kia--mostly value funds-are now exiting as the stock price has surged. Going forward, investors with a different investment profile (eg, favoring HMC's growth potential) should flow in from abroad.
- **Potential catalysts in 2026:** 1) In March or April, announcements will be made about the location of RMAC and robot production facilities, along with details on investment size and equity stakes; 2) in 3Q, the Pace Car will enter mass production and start collecting real-world driving data, while the robot training center will go live; 3) in 4Q, the Atlas robot will be deployed and tested at the Hyundai Motor Group Metaplant America; and 4) the US government is expected to reveal a major robotics push in 1H.
- **Robot production to 1) contribute sales starting 2029…:** When 10,000 Atlas robots are produced pa, the price should drop to USD50,000/unit, falling to an estimated USD35,000/unit when 30,000 units are made pa. From 2027, Boston Dynamics should begin supplying the robot to non-HMG customers. Initially, Atlas robots should be deployed in HMC/Kia factories (making it difficult for HMC to recognize robot sales), but later—backed by the start of sales to non-affiliates—HMC should begin recognizing robot sales in earnest from 2029 (estimated at roughly KRW1t pa).
- **…and 2) bring down vehicle manufacturing costs:** The average labor cost in a US plant is USD70,000–80,000 pa. Atlas robots, whose battery can be swapped, can operate almost 24/7. The initial hourly cost of the robot is expected to stand at USD9.4, dropping to an estimated USD1.2/hour (or 1/6 the cost of Chinese labor) once 30,000 robots are being made pa.

  With the deployment of Atlas robots in HMC/Kia factories, their production costs should slide. Currently, labor costs account for 7–8% of HMC/Kia's production costs. After 2028, their production costs could drop 1%pts pa (depending on the speed at which humanoid robots are deployed). If the robot is deployed across the automakers' value chains, HMC/Kia's production costs could fall 50%.
- **HMC's potential as a hardware platform provider:** HMC should play a key role in the group's robot model development by: 1) providing robot datasets; and 2) validating training models. The company's robotics business is evolving into a hardware platform service, with the potential to

generate subscription sales, similar to Tesla's FSD model. HMC is expected to share subscription sales with Boston Dynamics and Google DeepMind.

4Q results shock: Tariff impact amounted to KRW1.4t. One-off costs totaled KRW570b, including quality costs at Hyundai Kefico (KRW100b) and ordinary wage-related costs (KRW140b).

- **Sales hit KRW46.8t (up 0.3% q-q and 0.5% y-y):** HMC posted global wholesales (excluding China) of 995,000 units (down 34% q-q and 4.5% y-y). The auto and finance divisions contributed sales of KRW36.5t (down 0.3% q-q but up 2.3% y-y) and KRW7.4t (up 3.4% q-q but down 9.2% y-y), respectively. The 'others' division recorded sales of KRW2.8t (flat y-y and up 4.9% y-y).
- **Gross margin slips 2.8%pts y-y to 16.7%:** HMC's global ASP rose to USD25,300 (down 3% q-q but up 3.3% y-y), supported by solid US sales and the launch of the Palisade. Gross margin fell, impacted by US tariffs.
- **Operating margin drops 2.9%pts y-y to 3.6%:** In addition to tariff costs, HMC incurred one-time costs of KRW570b, including: 1) quality costs at Hyundai Kefico (KRW120b); 2) ordinary wage-related costs (KRW140b); 3) retooling costs for new vehicle production (KRW200b); and 4) costs resulting from accounting standard changes for lease assets at Hyundai Capital America (KRW130b).
- **Auto division's operating margin down 3%pts y-y at 2.8%:** Tariffs, reduction in sales volume, and mix deterioration eroded auto division's operating profit by a respective KRW1.4t, KRW402b, and KRW502t y-y. A weak won and cost cut efforts boosted the division's operating profit by KRW710b and KRW538b y-y, respectively.
- **Finance division's operating margin up 0.3%pts y-y at 4.9%:** The finance division's sales fell 9.2% y-y to KRW7.4t, driven by lower global sales of HMC/Kia vehicles. The portion of the car buyers using Hyundai Capital America's financing services stayed above 70% (61% in 4Q23 → 67% in 4Q24 → 75.1% in 3Q25 → 72% in 4Q25). The division's solid performance was supported by asset growth and higher interest rates on its financial products. At Hyundai Capital America, the percentage of prime borrowers (with FICO score above 660) read 80% in 2020, 83% in 2022, 88% in 3Q24, 85% in 3Q25and 85% in 4Q25. The percentage of subprime borrowers remained under 1%.

Shareholder return program: HMC should reduce shareholder returns due to sluggish results. Its total payout ratio stands at 36%.

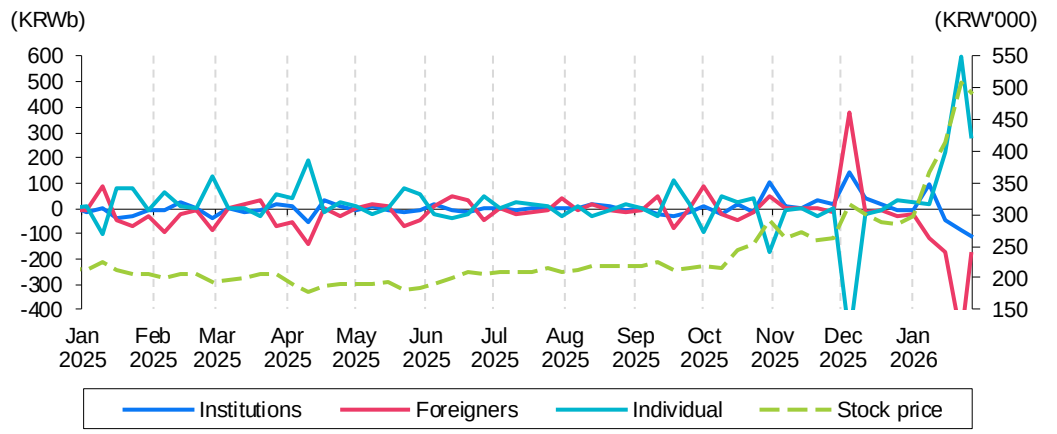
- **Full-year 2025 DPS of KRW10,000:** The carmaker paid a DPS of KRW2,500 each quarter, which translates to a dividend payout ratio of 21.7% and a dividend yield of 3.4%.
- **To repurchase and cancel KRW400.7b shares:** HMC plans to buy back KRW400.7b worth shares from Jan 30 through March and cancel them within this year. Of this amount, KRW200.2b is allocated to fulfill its commitment made during the 2023 CEO Investor Day (to cancel 1% of outstanding shares annually over 2024-2026). Since the firm now holds 0.8% of its shares, this repurchase should help reach the 1% target by covering the remaining 0.2%.

  The remaining KRW 200.5 billion will be reflected in the 2026 total payout ratio. Out of this, KRW 202 billion is planned for common shares, and KRW 34 billion for preferred shares, with preferred shareholders receiving a relatively higher allocation of 25% compared to the issued share count.

2026 guidance: HMC's guidance puts the full-year sales volume at 4.158m units (up 0.5%) and sales growing 1-2% y-y for a margin of 6.3%-7.3%:

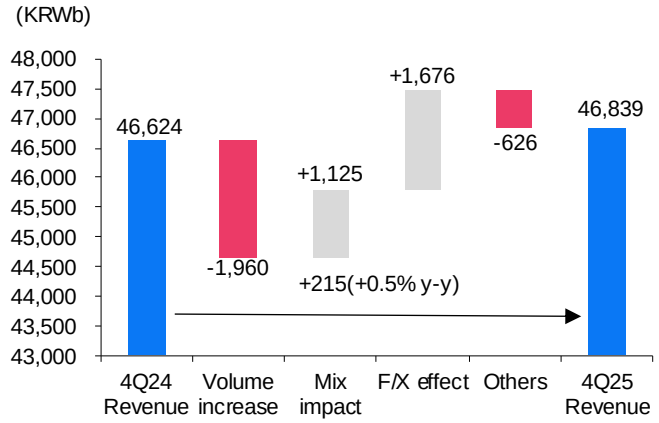
- **Earnings growth to be limited:** HMC expects tariff impact to remain similar y-y at KRW4.1t in 2026. The carmaker expects tailwinds from: 1) improved product mix and ASP hikes from releasing hybrid models; 2) cost innovation; and 3) a reduction in one-off costs by around KRW570b. Probable headwinds could come from: 1) intensifying competition: 2) Increased costs associated with expanding production and sales capacity; and 3) a stronger won—the won-dollar exchange rate averaged KRW1,440/USD in 2025 but is expected to fall 3.7% y-y to KRW1,370/USD.
- **Total investment to reach a record KRW17.8t (up 22.7% y-y); HMC to stand at the forefront of investing in new businesses:** Annual capex should amount to KRW9t, up 32.3% y-y, with investments directed toward expanding US manufacturing facilities, robotic production equipment, RMAC, and data centers. R&D spending should total KRW7.4t (up 19.3% y-y), primarily centering on software-defined vehicles (SDVs) and autonomous driving technologies. Strategic investment should remain flat y-y at KRW1.4t, allocated to companies including Boston Dynamics and Motional. The carmaker's overall investment should reach an all-time high this year, but the level of strategic investment should stay unchanged y-y, with a focus on physical AI initiatives.
- **1Q preview—profits to fall y-y:** HMC should perform better in 1Q26 than it did in 4Q25, but 1Q25 was a quarter unaffected by tariffs. Despite rising costs from R&D, labor, and tariff reimbursements to parts suppliers, overall costs at the automaker are more likely to decline y-y in 1Q26. We expect 1Q sales of KRW48.1t (up 8.5% y-y) and an operating profit of KRW2.9t (down 18.7% y-y), for an operating margin of 6.1%. FnGuide consensus puts sales at KRW46.5t and operating profit at KRW3t for an operating margin of 6.4%.

HMC: Net purchase amount (2025 onwards)



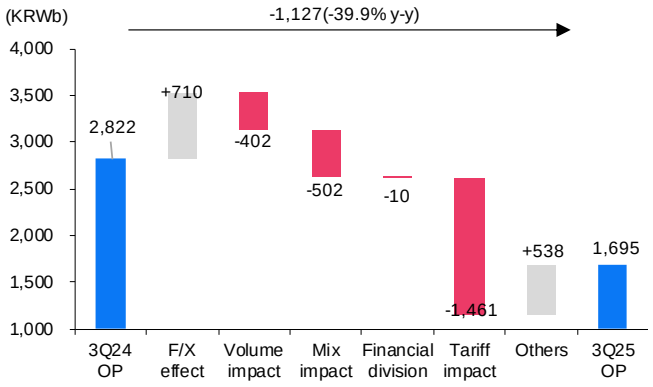
Source: Dataguide, Quantiwise, Samsung Securities

HMC: Factors behind revenue change



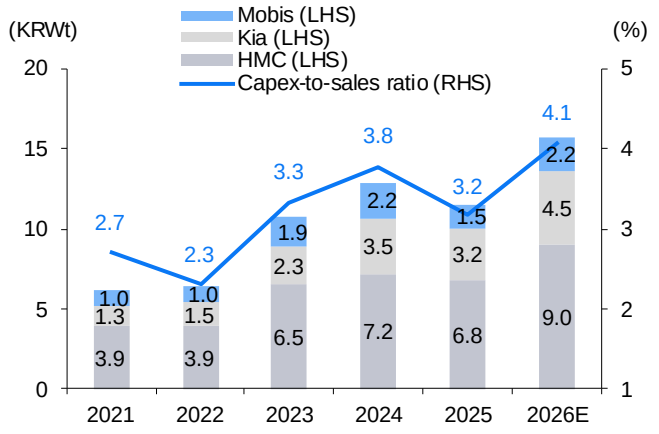
Source: Company data, Samsung Securities

HMC: Factors behind operating income change



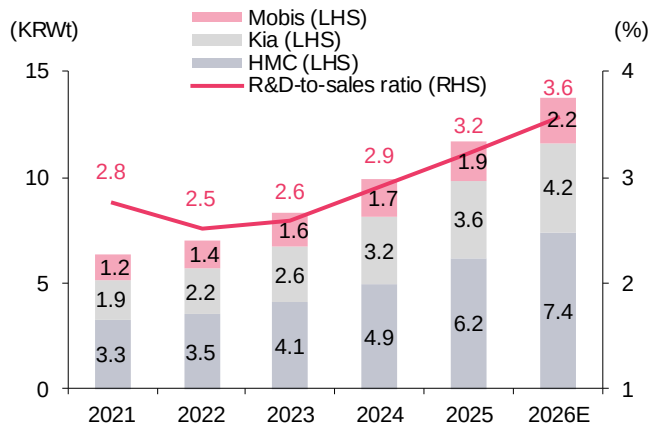
Source: Company data, Samsung Securities

HMG: Capex



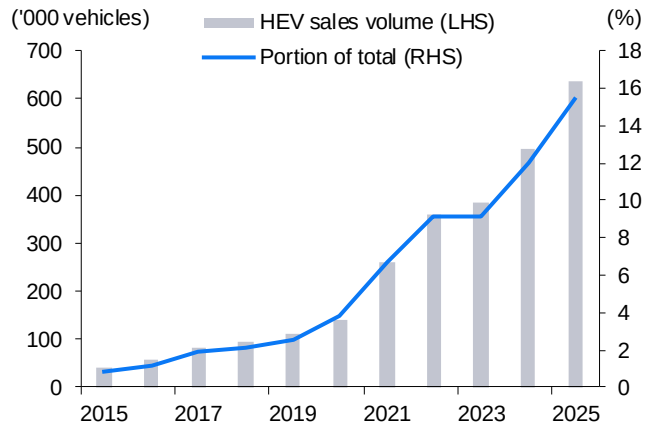
Source: Company data, Samsung Securities

HMG: R&D



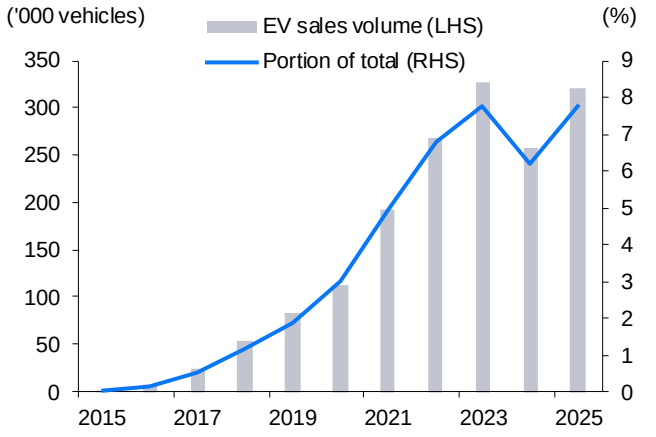
Source: Company data, Samsung Securities

HMC: Hybrid sales volume



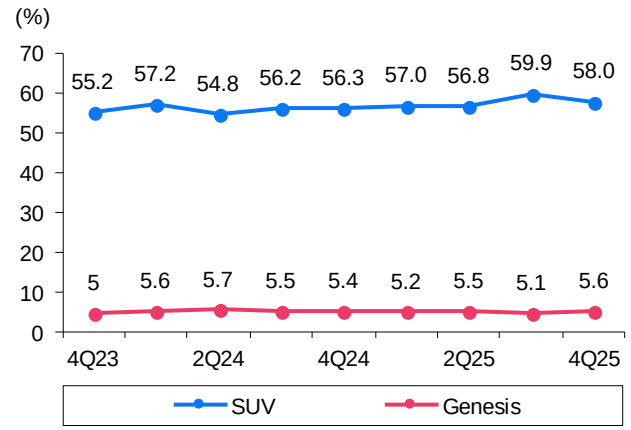
Source: Company data, Samsung Securities

HMC: EV sales volume



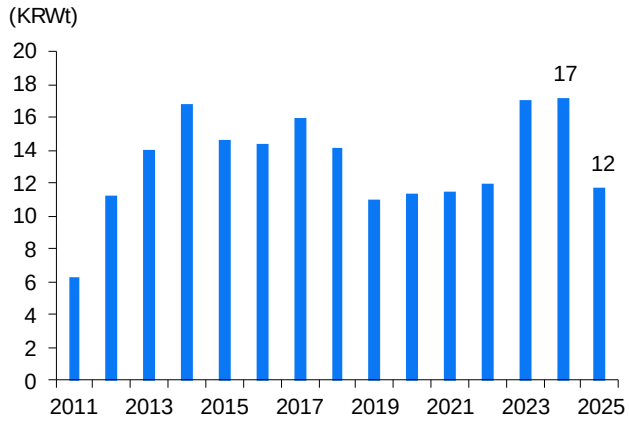
Source: Company data, Samsung Securities

HMC: SUV and genesis portion of sales volume



Source: Company data, Samsung Securities

HMC: Net cash position



Note: Excludes financial division
Source: Company data, Samsung Securities

HMC: Global sales volume and forecasts

('000 vehicles)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Global plant sales	1,006	1,063	1,022	1,019	1,014	1,065	1,037	1,068	4,174	4,109	4,184	4,349
Domestic	445	483	458	452	447	487	446	470	1,871	1,838	1,850	1,850
Overseas	561	580	563	567	567	577	591	598	2,303	2,271	2,334	2,499
India (HMI)	192	180	191	193	203	199	213	205	764	756	820	850
China (BHMC)	44	50	47	53	51	52	45	52	170	194	200	210
US (HMMA)	98	112	108	107	108	116	112	114	361	424	450	500
Turkey (HAOS)	62	59	39	38	59	54	46	51	246	198	210	210
Czech (HMMC)	73	74	67	63	84	86	75	76	327	277	320	330
Russia (HMMR)	0	0	0	0	0	0	0	0	0	0	40	100
Brazil (HMMB)	41	55	54	62	40	49	55	60	214	213	205	205
Global retail sales	1,001	1,066	1,038	1,033	1,053	1,097	1,075	990	4,142	4,138	4,215	4,345
Global ASP (KRWm)	35.7	35.8	36.5	36.7	37.4	38.1	38.1	37.1	34.1	36.2	37.7	38.3

Source: Company data, Samsung Securities

HMC: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (avg)	1,453	1,400	1,387	1,452	1,430	1,420	1,400	1,400	1,365	1,422	1,413	1,370
Revenue	44,408	48,287	46,721	46,839	48,197	52,417	50,485	46,697	175,231	186,254	197,797	207,561
Autos	34,718	37,030	36,715	36,590	38,023	40,597	39,979	35,390	136,725	145,053	153,989	161,202
Finance	7,398	8,269	7,189	7,432	7,768	8,682	7,548	7,804	28,447	30,288	31,802	33,393
Other	2,292	2,988	2,817	2,817	2,407	3,137	2,958	3,504	10,060	10,914	12,005	12,966
Gross profit	8,980	9,110	8,284	7,844	8,699	9,573	9,175	9,233	35,749	34,217	36,680	38,788
Operating profit	3,634	3,602	2,537	1,695	2,954	3,728	3,430	3,026	14,240	11,468	13,138	14,357
Pre-tax profit	4,465	4,385	3,326	1,666	4,074	4,815	4,120	3,295	17,781	13,842	16,304	17,989
Net profit	3,382	3,250	2,548	1,184	3,055	3,611	3,090	2,471	13,230	10,365	12,228	13,492
Controlling profit	3,157	2,998	2,261	1,029	2,964	3,503	2,998	2,397	12,527	9,446	11,861	13,087
Margins (%)												
Gross profit	20.2	18.9	17.7	16.7	18.0	18.3	18.2	19.8	20.4	18.4	18.5	18.7
Operating profit	8.2	7.5	5.4	3.6	6.1	7.1	6.8	6.5	8.1	6.2	6.6	6.9
Net profit	7.6	6.7	5.5	2.5	6.3	6.9	6.1	5.3	7.5	5.6	6.2	6.5
Controlling profit	7.1	6.2	4.8	2.2	6.1	6.7	5.9	5.1	7.1	5.1	6.0	6.3

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**162,664**	**175,231**	**186,254**	**197,797**	**207,561**
Cost of goods sold	129,179	139,482	152,037	161,117	168,773
Gross profit	**33,484**	**35,749**	**34,217**	**36,680**	**38,788**
Gross margin (%)	20.6	20.4	18.4	18.5	18.7
SG&A expenses	18,357	21,510	22,865	23,541	24,431
Operating profit	**15,127**	**14,240**	**11,352**	**13,138**	**14,357**
Operating margin (%)	9.3	8.1	6.1	6.6	6.9
Non-operating gains (losses)	**1,750**	**3,251**	**2,374**	**3,165**	**3,631**
Financial profit	1,560	1,531	848	578	555
Financial costs	971	899	512	528	542
Equity-method gains (losses)	2,471	3,114	2,510	2,825	3,027
Other	-1,309	-496	-472	291	592
Pre-tax profit	**16,877**	**17,490**	**13,726**	**16,304**	**17,989**
Taxes	4,627	4,232	3,448	4,076	4,497
Effective tax rate (%)	27.4	24.2	25.1	25.0	25.0
Profit from continuing operations	12,992	13,549	10,278	12,228	13,492
Profit from discontinued operations	-720	-319	0	0	0
Net profit	**12,272**	**13,230**	**10,278**	**12,228**	**13,492**
Net margin (%)	7.5	7.5	5.5	6.2	6.5
Net profit (controlling interests)	11,962	12,527	9,367	11,861	13,087
Net profit (non-controlling interests)	311	703	911	367	405
EBITDA	20,073	18,527	16,096	18,036	19,390
EBITDA margin (%)	12.3	10.6	8.6	9.1	9.3
EPS (parent-based) (KRW)	43,589	46,042	35,035	44,692	49,312
EPS (consolidated) (KRW)	44,721	48,626	38,443	46,074	50,837
Adjusted EPS (KRW)*	43,589	46,042	35,035	44,692	49,312

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**58,604**	**64,336**	**52,200**	**52,903**	**54,994**
Cash & equivalents	19,167	19,015	3,139	976	641
Accounts receivable	4,682	5,908	6,280	6,669	6,998
Inventories	17,400	19,791	21,770	23,119	24,260
Other current assets	17,355	19,622	21,011	22,139	23,094
Fixed assets	**116,172**	**147,622**	**165,055**	**177,720**	**189,776**
Investment assets	33,054	41,392	49,389	54,254	59,075
Tangible assets	38,921	44,534	48,692	50,707	51,597
Intangible assets	6,219	7,683	7,781	7,868	7,945
Other long-term assets	37,978	54,014	59,193	64,891	71,158
Total assets	**282,463**	**339,798**	**357,879**	**378,279**	**399,808**
Current liabilities	**73,362**	**79,510**	**82,495**	**87,183**	**91,898**
Accounts payable	10,952	12,550	13,339	14,166	14,865
Short-term debt	9,036	9,327	8,827	8,827	8,827
Other current liabilities	53,375	57,633	60,329	64,190	68,206
Long-term liabilities	**107,292**	**140,013**	**148,252**	**154,366**	**160,584**
Bonds & long-term debt	90,603	120,420	126,420	130,420	134,420
Other long-term liabilities	16,689	19,593	21,832	23,946	26,164
Total liabilities	**180,654**	**219,522**	**230,747**	**241,549**	**252,482**
Owners of parent equity	**92,497**	**109,103**	**115,048**	**124,280**	**134,471**
Capital stock	1,489	1,489	1,489	1,489	1,489
Capital surplus	4,378	7,656	7,656	7,656	7,656
Retained earnings	88,666	96,596	102,426	111,658	121,849
Other	-2,036	3,362	3,477	3,477	3,477
Non-controlling interests' equity	**9,312**	**11,173**	**12,084**	**12,450**	**12,855**
Total equity	**101,809**	**120,276**	**127,132**	**136,730**	**147,327**
Net debt	99,174	130,142	150,916	157,006	161,355

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**-2,519**	**-5,662**	**15,098**	**18,310**	**19,990**
Net profit	12,272	13,230	10,278	12,228	13,492
Non-cash profit and expenses	21,192	23,950	4,457	5,211	5,602
Depreciation	3,284	3,398	3,842	3,985	4,110
Amortization	1,663	889	902	913	923
Other	16,246	19,663	-286	313	569
Changes in A/L from operating activities	-30,365	-35,160	2,586	4,009	4,493
Cash flow from investments	**-8,649**	**-14,623**	**-28,439**	**-20,512**	**-20,260**
Change in tangible assets	-6,926	-7,890	-8,000	-6,000	-5,000
Change in financial assets	-1,131	-1,842	-1,476	-784	-610
Other	-592	-4,891	-18,964	-13,729	-14,650
Cash flow from financing	**9,393**	**19,493**	**2,255**	**1,906**	**1,635**
Change in debt	12,527	32,090	5,792	4,535	4,530
Change in equity	137	3,278	0	0	0
Dividends	-2,499	-3,913	-3,536	-2,629	-2,895
Other	-772	-11,961	0	-0	0
Change in cash	-1,698	-152	-15,876	-2,163	-334
Cash at beginning of year	20,865	19,167	19,015	3,139	976
Cash at end of year	19,167	19,015	3,139	976	641
Gross cash flow	**33,465**	**37,180**	**14,735**	**17,438**	**19,093**
Free cash flow	**-9,590**	**-13,723**	**7,098**	**12,310**	**14,990**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	14.4	7.7	6.3	6.2	4.9
Operating profit	54.0	-5.9	-20.3	15.7	9.3
Net profit	53.7	7.8	-22.3	19.0	10.3
Adjusted EPS**	63.9	5.6	-23.9	27.6	10.3
Per-share data (KRW)					
EPS (parent-based)	43,589	46,042	35,035	44,692	49,312
EPS (consolidated)	44,721	48,626	38,443	46,074	50,837
Adjusted EPS**	43,589	46,042	35,035	44,692	49,312
BVPS	351,861	413,568	438,025	473,172	511,975
DPS (common)	11,400	12,000	10,000	11,000	12,000
Valuations (x)					
P/E***	4.7	4.6	8.5	11.2	10.1
P/B***	0.6	0.5	0.7	1.1	1.0
EV/EBITDA	7.9	10.5	14.7	16.0	15.1
Ratios (%)					
ROE	13.7	12.4	8.4	9.9	10.1
ROA	4.6	4.3	2.9	3.3	3.5
ROIC	15.0	12.3	8.1	8.8	9.2
Payout ratio	19.4	19.5	21.7	18.8	18.6
Dividend yield (common)	5.6	5.7	3.4	2.2	2.4
Net debt to equity	97.4	108.2	118.7	114.8	109.5
Interest coverage (x)	27.1	31.5	22.2	24.9	26.5

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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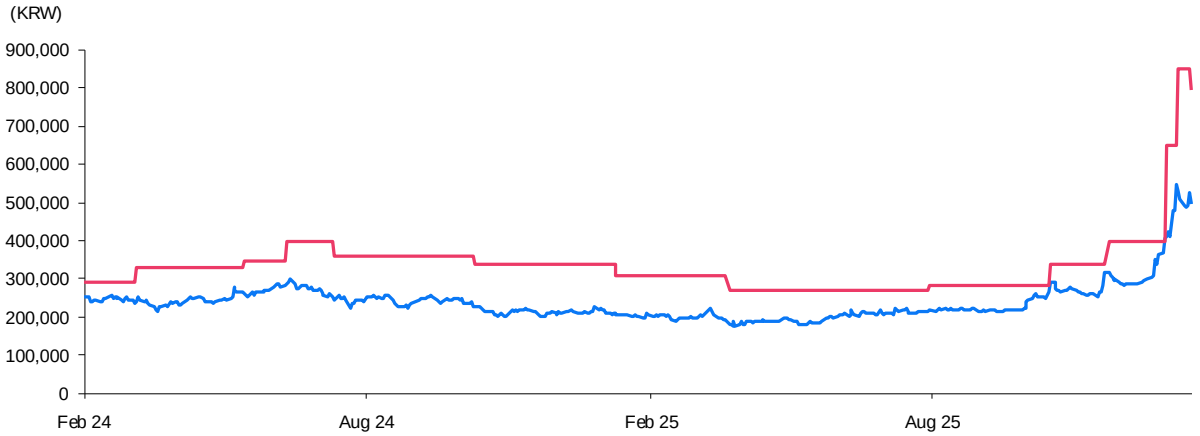
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/26	2024/2/5	3/20	5/29	6/25	7/26	10/25	2025/1/24	4/7	8/14	10/31	12/8
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	260000	290000	330000	345000	400000	360000	340000	310000	270000	285000	340000	400000
Gap* (average)	-28.49	-15.25	-26.19	-21.52	-31.63	-32.30	-37.27	-34.90	-26.06	-20.49	-20.69	-22.55
(max or min)**	-12.69	-11.90	-16.06	-16.96	-25.50	-28.06	-33.38	-28.39	-17.41	-7.02	-7.35	1.50

Date	2026/1/14	1/22	1/30
Recommendation	BUY	BUY	BUY
Target price (KRW)	650000	850000	800000
Gap* (average)	-27.91	-40.91	
(max or min)**	-15.54	-37.88	

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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