SECTOR UPDATE

2026. 2. 23

EV/Mobility Team

Esther Yim
Team Leader
esther.yim@samsung.com

Hyunji Kim
Research Associate
hyunzi.kim@samsung.com

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Autos (OVERWEIGHT)

December EV sales in Europe; European IRA

- European demand for EVs rose 47% y-y to 507,300 units in December. While total auto demand in the area recovered to 1.173m units (up 8% y-y), the region's EV penetration reached 43.2%.
- In 2025, European EV demand hit 4.4m units (up 34.8% y-y), achieving a penetration rate of 33.4%. Tesla was the only major brand to see a decline in sales volume (down 20% y-y), while VW led the pack with a sales volume of 1.1m units (up 68% y-y).
- The EU is exploring a policy that would limit EV subsidies to vehicles made in the bloc (with at least 70% of non-battery components sourced locally). This could benefit Kia, which began EV2 production in Europe last month.

WHAT'S THE STORY?

EV demand growth accelerating in Europe: While EV growth has been slowing in China since October, Europe's EV growth has been accelerating.

- **European demand for EVs in December:** In December, EV demand in Europe rose 47% y-y to 507,300 units, achieving a penetration rate of 43.2%. Total auto demand in Europe reached 1.17m units (up 8% y-y). In 2025, European EV demand hit 4.4m units (up 34.8% y-y) for a penetration rate of 33.4%. The region's total EV demand came in at 13.2m units (up 2.4% y-y).
- **Demand soft in China but solid in Europe:** China's EV demand rose 5% y-y in 4Q, losing steam, and may decline in 2026. The country's EV subsidies were reduced (from CNY20,000 to CNY15,000 for EVs and from CNY15,000 to CNY10,000 for ICE vehicles), dampening demand. In contrast, Europe saw a rebound in EV sales as major countries reinstated subsidies in 2H25.
- **China's EV exports up 21% to 5.7m units in 2025:** Chinese automakers ramped up exports as a way to offset weak Chinese demand and intense price competition. China last year exported 5.7m vehicles (up 21%), with EVs accounting for 2.5m units (up 104.9%), or 43.8% of its total auto exports. Europe was China's largest export market. Despite the EU's anti-dumping duties (ranging 17-35.3% on top of the standard 10% import tariff), Chinese automakers chose to absorb the costs rather than pass them on. Furthermore, sales at BYD soared on the launch of various PHEVs, which vehicles are not subject to the duties.

(Continued on the next page)

AT A GLANCE

Hyundai Motor	(005380 KS, 509,000)	
Target price	KRW800,000	57.2%
BUY		
Kia	(000270 KS, 171,800)	
Target price	KRW230,000	33.9%
BUY		

EU mulls second policy to curb Chinese EV influx: The EU and China are discussing a minimum price mechanism as an alternative to anti-dumping duties. Separately, the EU is considering a policy to restrict EV subsidies to vehicles produced within the EU from 2026.

- **EU version of Inflation Reduction Act to benefit Kia:** The proposed EU policy would limit subsidies to EVs with at least 70% of non-battery component value added within the EU. This should be beneficial to HMC/Kia and Tesla, all of which have European plants. Kia is set to begin EV2 production in Slovakia in February. BYD plans to start operations at its Hungarian plant in 2Q26, whose CKD production model may not meet the 70% value-added threshold.

Major European countries reintroduce EV incentives in 2H25: Germany resumed retail subsidies for EVs, complementing its existing policies aimed at electrifying corporate fleet.

- **Germany launches incentives for corporate EV fleets in Jul 2025:** Germany's incentives include: 1) accelerated depreciation for corporate EVs purchased between Jul 2025-Dec 2028 (depreciation over six years, including 40% in the first year and 24% in the second year); 2) a tax deduction equal to 40% of the corporate EV's value in the year of purchase (up to EUR95,000); 3) an exemption from vehicle tax for EVs until 2035; and 4) a reduced Benefit-in-Kind tax rate of 0.25% on the private use of a corporate EV (vs 1% for ICE autos)—in Europe, it is common for companies to purchase vehicles that are used by their employees outside of working hours. Germany is also mulling subsidies for privately purchased EVs. Corporate fleets account for 40% of total EV demand in Europe. In 2025, Germany's EV demand totaled 885,000 units (up 51.8%).
- **Germany reintroduces EV purchase subsidies for individuals in 2026:** Germany has reinstated subsidies for privately purchased EVs, which subsidiaries were stopped in Dec 2023. Unlike the previous universal support system, the new scheme provides differentiated assistance based on household income and number of children. 1) Households with an annual taxable income of up to EUR80,000 are eligible. For each child under 18, the income threshold is increased by EUR5,000, up to a maximum of EUR90,000. 2) Subsidies range from EUR3,000 to EUR6,000 (10-15% of lower-priced EV models) for BEVs, and from EUR1,500 to EUR4,500 for PHEVs and EREVs.
- **France to reintroduce subsidized EV leasing scheme for low-income households:** France, Europe's third-largest EV market, will re-introduce a subsidized EV leasing scheme for low-income households on Sep 30. The social leasing scheme, first introduced in Jan 2024, was suspended after just one month due to a budget overrun (budget of EUR650m). The scheme led to 50,000 approved leases in one month. In 2025, France's EV demand was 474,000 units (flat y-y).
- **UK reintroduces EV purchase subsidies on Jul 16, 2025:** The UK, Europe's second-largest EV market, announced a GBP700m budget for EV purchase incentives, along with GBP63m for charging infrastructure and additional subsidies across the production value chain. The program is set to operate until 2029, offering grants of GBP1,500-3,750 for EVs priced up to GBP37,000. In 2025, the UK's EV demand reached 735,000 units (up 28.7%).

Market share and sales performance, by firm: For full-year 2025, only Tesla and Geely recorded sales declines (down 20% and 5%, respectively). VW surpassed the 1m unit sales milestone. BYD has been outpacing Tesla in monthly sales in Europe since April.

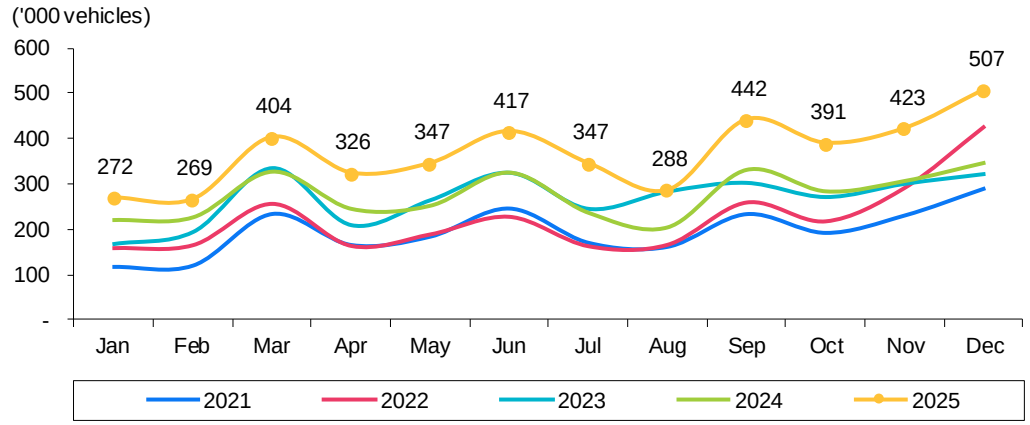
- **Tesla's market share shrinks to 7.3% (down 6.3%pts y-y):** Tesla sold 36,828 units in Europe in December (down 21% y-y), indicating ongoing weakness in demand. In full-year 2025, it sold 270,000 units in Europe (down 20% y-y), capturing 6.1% of the market (down 4.2%pts y-y). Without regulatory approval for Full Self-Driving (FSD), it may be hard for Tesla to turn its sales around.
- **VW maintains top spot with M/S of 24.5% (up 3.6%pts y-y):** VW sold 124,000 units in December (up 72.8% y-y), continuing its strong growth trend. In full-year 2025, it sold 1.13m units in the region (up 68%), seizing 25.6% of the European EV market (up 5%pts). Sales of the ID.3 and ID.4 gained traction amid Tesla's sales struggles. VW is the biggest beneficiary of Germany's subsidies for corporate EV fleets. VW plans to launch the ID.2, an affordable EV priced at EUR25,000 with LFP batteries, in early 2026. To overcome its technological disadvantage in autonomous driving, VW is collaborating with Rivian in the US and Xpeng in China.
- **BYD's market share jumps to 7.9% (up 2.2%):** BYD sold 40,282 units in December (up 103% y-y), with its monthly EV sales in the region more than doubling y-y once again. In full-year 2025, it sold 295,000 units in Europe (up 246%), for a 6.7% market share (up 4.1%pts). BYD has been focusing on exports since July due to weakening sales in China. Its monthly exports have averaged 80,000-90,000 units since May, representing 18-20% of its total sales. The company aims to capture 50% of its total sales from overseas by 2030.

  To duck EU tariffs, BYD has built a plant in Hungary (capacity of 150,000 units; undergoing test production). The facility is slated to begin operations in 2Q26. To maintain cost competitiveness, BYD plans to import key components from China and assemble vehicles in Hungary using a CKD production model. As a result, its eligibility for EV subsidies is unclear. BYD's planned plant in Turkey (capacity of 150,000 units) is facing delays—only foundation work is underway. As Turkey is not an EU member state, vehicles produced there would not qualify as made in the EU.
- **Chinese EV market share (including BYD) rises to 23%:** In 2025, Chinese EV makers sold 0.874m units (up 57%), giving them a 19.7% market share (up 2.8%). BYD closed in on the top spot, while Geely and SAIC (both previously drove Chinese EV sales growth) saw their market shares dip.
- **In December, HMC has M/S of 2.5% (down 0.2%pts y-y) and Kia 2.7% (up 0.1%pts y-y):** In December, HMC sold 12,446 EVs (up 36% y-y) and Kia sold 13,549 EVs (up 53% y-y). The former's full-year sales in the region reached 0.14m units (up 45%), for a 3.3% market share (up 0.2% y-y). The latter's came to 0.152m units (up 26%), achieving a market share of 3.4% (down 0.2% y-y). Kia's EV4 and EV5 (launched in 2H25) were expected to drive strong growth, but sales fell short of expectations due to greater competition from Chinese EVs.

  Both HMC and Kia stated during their earnings conference calls that fierce competition in Europe led to a surge in incentives, which accounted for nearly half of their total annual incentive spending. HMC's annual incentives rose KRW2.18t (up 1.1%pts as a percentage of sales), with about KRW1t attributable to Europe. Likewise, Kia's annual incentives increased KRW1.5t (up 1.3%pts), with around KRW700b ascribable to Europe.
- **Kia poised for strong growth this year with five EV models:** Kia's Slovakia plant began producing the EV4 in Aug 2025 and started producing the EV2 in Jan 2026. The EV3 has been

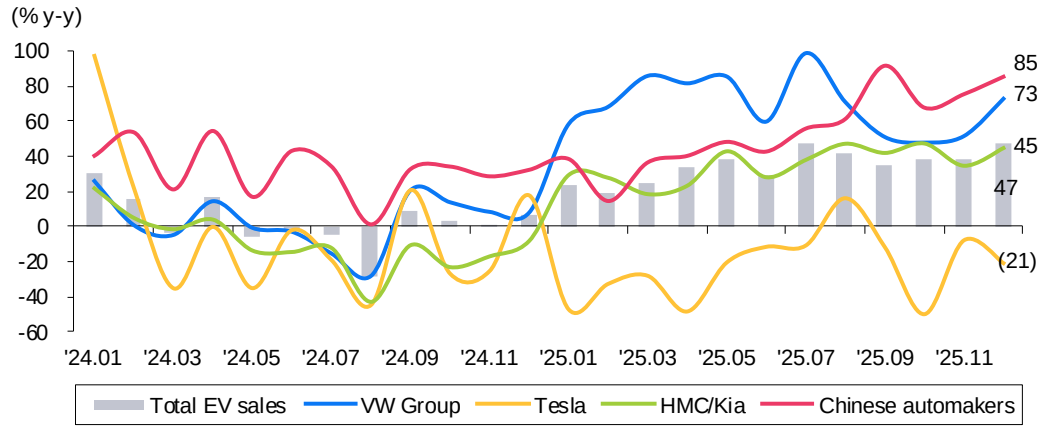
exported from its Korean factories since Feb 2025, followed by the EV5 and PV5 from Oct 2025. In 2026, Kia offers five EV models, with locally-produced models expected to qualify for the European EV subsidies. The basic EV3 model (with a 58.3 kWh battery) is priced at EUR36,000, while the EV2 should start in the high EUR20,000 range.

Total Europe: Monthly EV demand



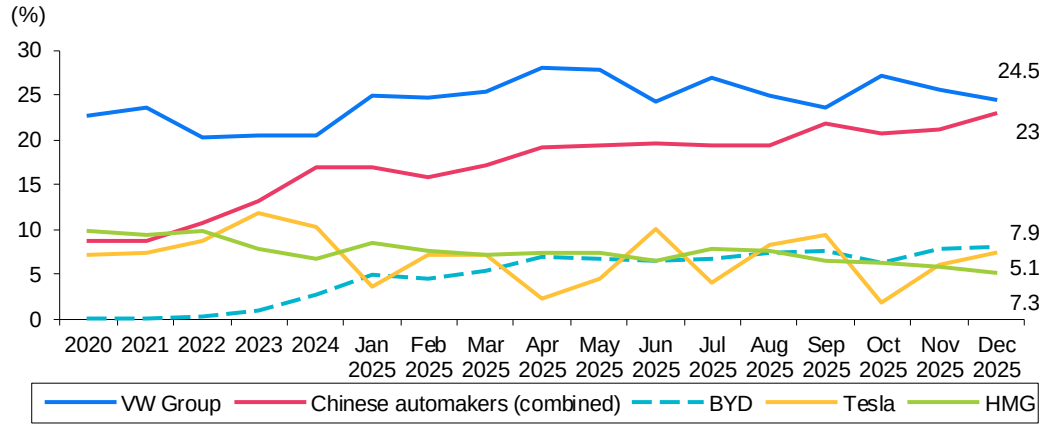
Source: EV-Volumes, Samsung Securities

European market: Change (y-y) in EV sales



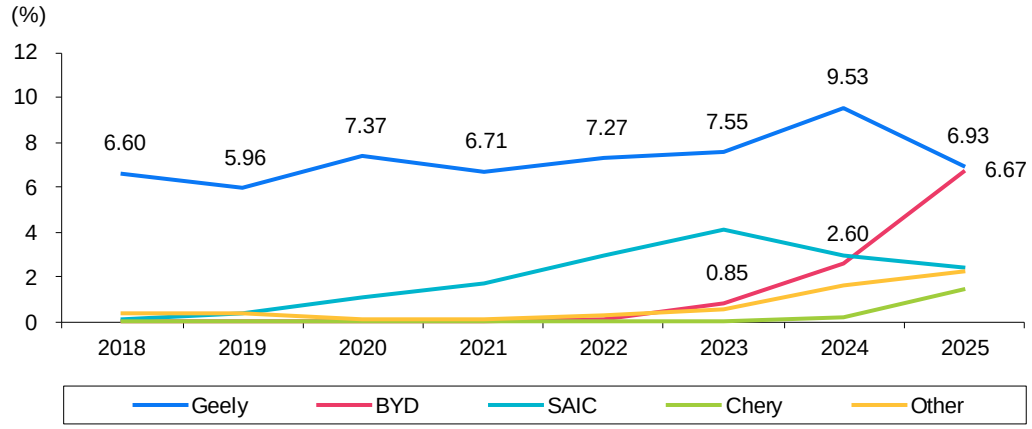
Source: EV-Volumes, Samsung Securities

Automakers: European market share, by company



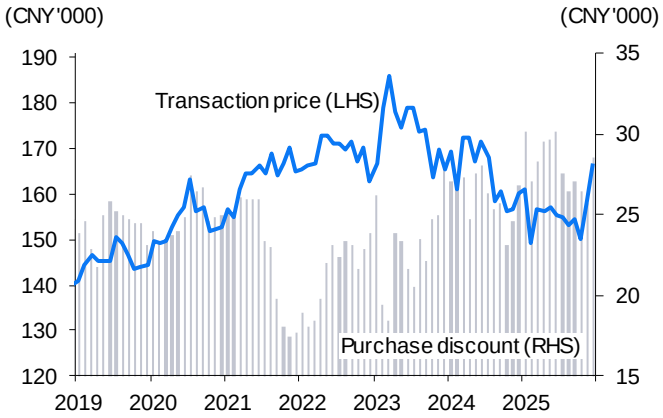
Source: EV-Volumes, Samsung Securities

Chinese automakers: European market share, by brand



Source: EV-Volumes, Samsung Securities

China market: Average transaction price

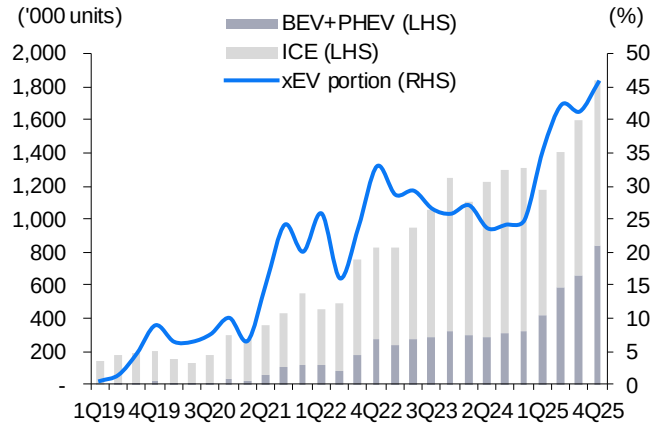


Source: Wind, Samsung Securities

BYD: Sales in China

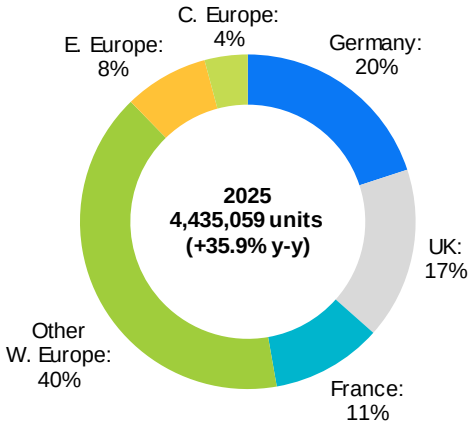
Source: CPCA, Samsung Securities

China: Monthly auto export volume



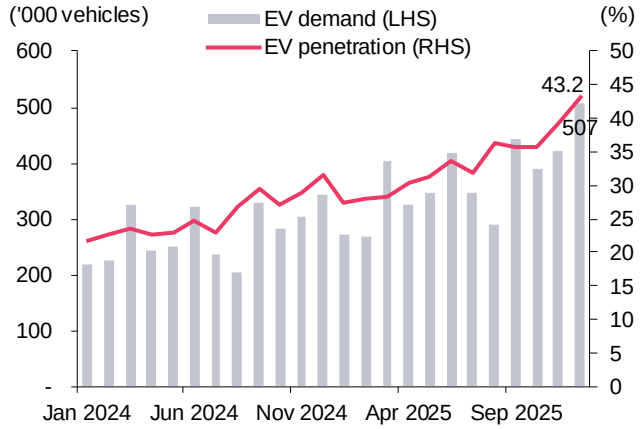
Source: CEIC, Samsung Securities

Europe: xEV demand, by country



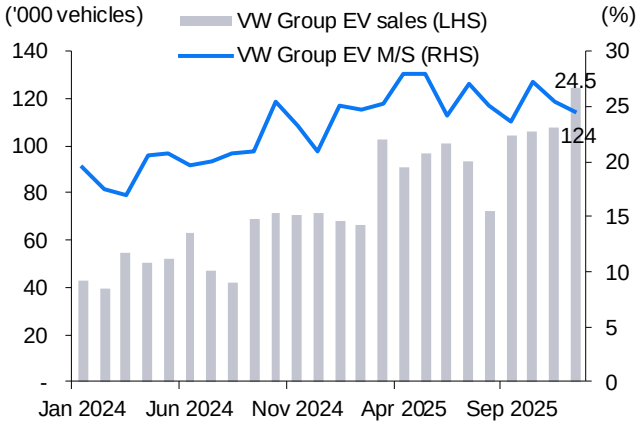
Source: EV-Volumes, Samsung Securities

Europe: EV demand vs penetration (new auto basis)



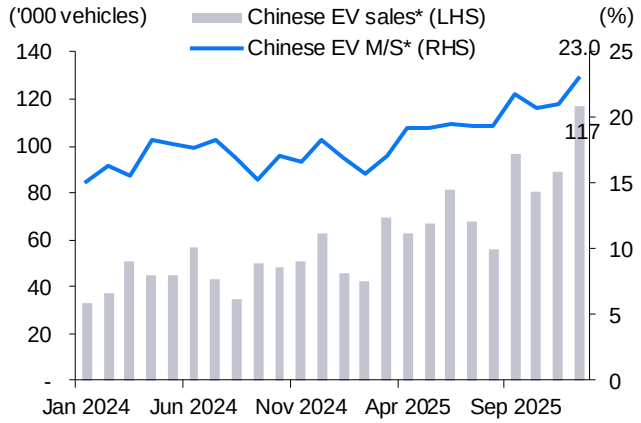
Source: EV-Volumes, Samsung Securities

Europe: VW Group sales volume vs market share



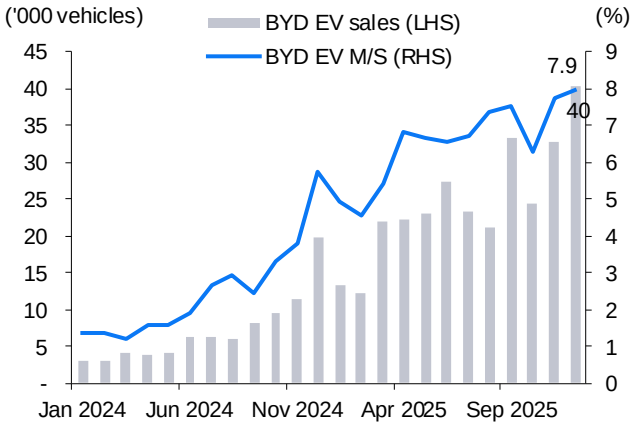
Source: EV-Volumes, Samsung Securities

Europe: Chinese EV sales volume vs market share



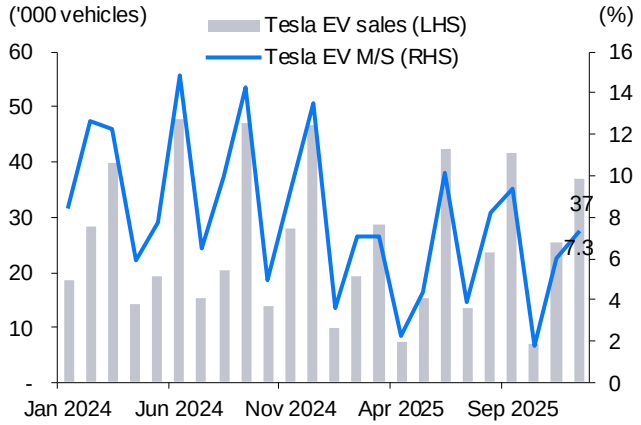
Note: Combined EV sales including BYD
Source: EV-Volumes, Samsung Securities

Europe: BYD sales volume vs market share



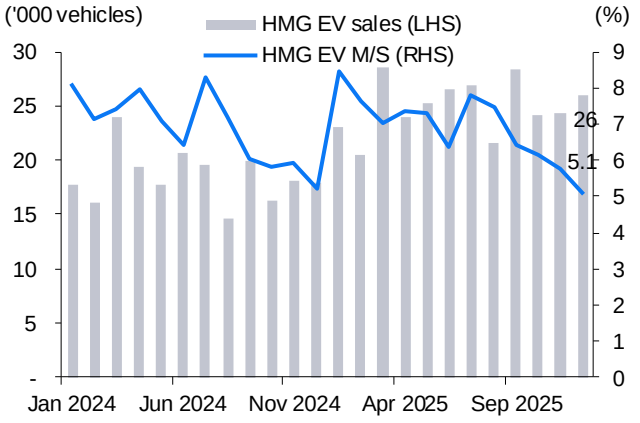
Source: EV-Volumes, Samsung Securities

Europe: Tesla's sales volume vs market share



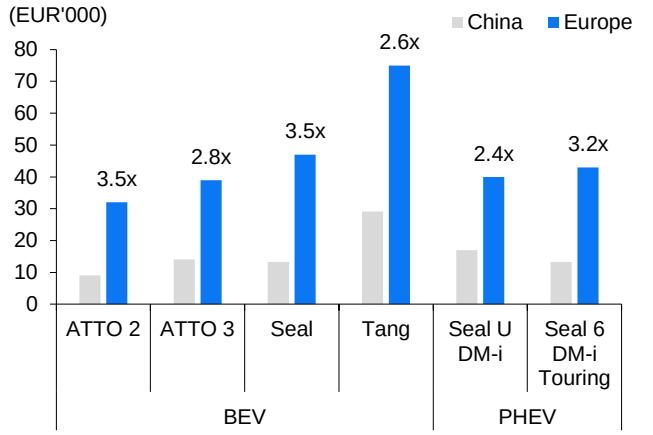
Source: EV-Volumes, Samsung Securities

Europe: HMG's sales volume vs market share



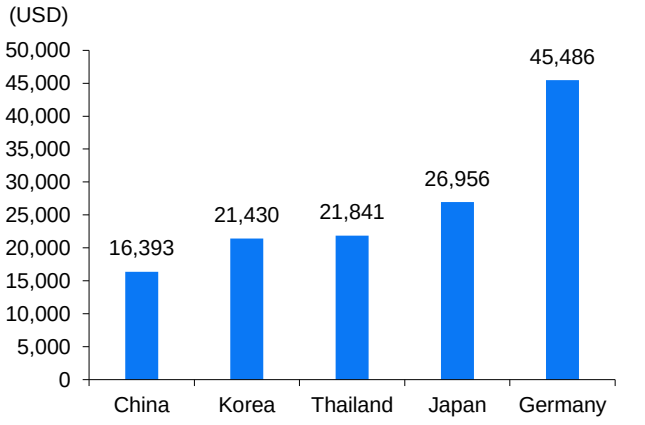
Source: EV-Volumes, Samsung Securities

Prices of BYD's flagship models: China vs Europe



Note: Chinese prices converted to euros at a rate of CNY1 = EUR0.12
Source: Company data, Samsung Securities

BYD: Atto 3 price, by country



Note: Exchange rate as of Dec 4
Source: Company data, Samsung Securities

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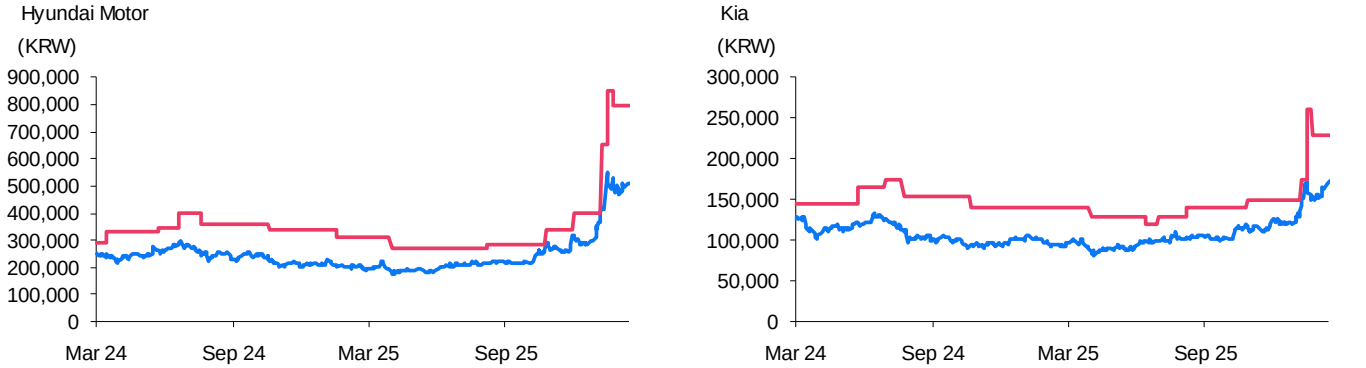
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Hyundai Motor												
Date	2024/2/5	3/20	5/29	6/25	7/26	10/25	2025/1/24	4/7	8/14	10/31	12/8	2026/1/14
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	290000	330000	345000	400000	360000	340000	310000	270000	285000	340000	400000	650000
Gap* (average)	-15.25	-26.19	-21.52	-31.63	-32.30	-37.27	-34.90	-26.06	-20.49	-20.69	-22.55	-27.91
(max or min)**	-11.90	-16.06	-16.96	-25.50	-28.06	-33.38	-28.39	-17.41	-7.02	-7.35	1.50	-15.54
Date	1/22	1/30										
Recommendation	BUY	BUY										
Target price (KRW)	850000	800000										
Gap* (average)	-40.91											
(max or min)**	-37.88											
Kia												
Date	2024/2/5	5/29	7/4	7/29	10/28	2025/4/7	6/20	7/7	8/14	11/3	2026/1/14	1/22
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	145000	165000	175000	155000	140000	130000	120000	130000	140000	150000	175000	260000
Gap* (average)	-19.81	-24.20	-31.41	-34.54	-30.66	-30.49	-17.88	-21.50	-24.00	-20.38	-7.53	-40.63
(max or min)**	-11.38	-19.82	-27.83	-27.68	-23.79	-23.38	-15.75	-15.08	-14.36	-9.33	-1.66	-38.85
Date	1/29											
Recommendation	BUY											
Target price (KRW)	230000											
Gap* (average)												
(max or min)**												

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
NEUTRAL	Expected to outperform/underperform market by less than 5% 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

BUY (85.8%)·HOLD (14.2%)·SELL (0%)

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

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