COMPANY UPDATE

2026. 3. 5

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EV/Mobility Team

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Kia (000270)

Drawing increased foreign investor interest--and for good reason

- Since mid-February, foreign investors have been returning to Hyundai Motor Group, with Kia drawing the most attention. Kia's foreign ownership stands at 40.3%, 10%pts higher than Hyundai Motor's.
- Kia boasts ample scope for shareholder returns and valuation merit, supported by high-visibility earnings growth, momentum in software-defined vehicles and robotics, and a strong financial structure.
- February marks the start of a new chapter for Kia in the US and Europe, with upcoming hybrid and EV launches set to drive growth.

WHAT'S THE STORY?

Raising target price: In our view, Kia is entering a catch-up phase with Hyundai Motor (HMC), driven by: 1) strong sales growth visibility in the US and Europe; and 2) a superior financial structure, which underpins higher shareholder returns and its growing investment in robotics.

- **Raising target price:** We raise our target price for Kia by 17.4% to KW270,000 based on 12x 2026 EPS. (For reference, our target price for HMC is based on 18x 2026 EPS, which reflects that firm's greater exposure to the robotics business.) Previously, our target price for Kia also incorporated a P/B valuation (derived from an analysis of the correlation between global auto peers' ROE and P/B) to reflect macro uncertainties and intensifying competition. Now, however, we now focus solely on P/E to better reflect Kia's earnings growth potential—particularly given the chances of its US sales surpassing those of HMC.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW270,000	72.3%
Current price	**KRW156,700**	
Market cap	KRW61.2t/USD41.5b	
Shares (float)	390,412,998 (60.4%)	
52-week high/low	KRW206,000/KRW82,000	
Avg daily trading value (60-day)	KRW256.0b/ USD173.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kia (%)	-0.1	46.4	68.0
Vs Kospi (%pts)	5.4	-8.0	-16.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	270,000	270,000	0.0%
2025E EPS	19,111	19,111	0.0%
2026E EPS	23,000	23,000	0.0%

SAMSUNG vs THE STREET

No of estimates	26
Target price	212,846
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	107,449	114,141	123,663	128,983
Operating profit (KRWb)	12,667	9,078	10,639	11,533
Net profit (adj) (KRWb)	9,775	7,554	8,972	9,659
EPS (adj) (KRW)	24,413	19,111	23,000	24,762
EPS (adj) growth (% y-y)	12.1	-21.7	20.3	7.7
EBITDA margin (%)	14.2	10.5	10.8	10.9
ROE (%)	19.1	13.0	14.1	13.7
P/E (adj) (x)	4.1	6.4	6.8	6.3
P/B (x)	0.7	0.8	0.9	0.8
EV/EBITDA (x)	1.6	2.5	2.8	2.1
Dividend yield (%)	6.5	5.6	4.5	4.8

Source: Company data, Samsung Securities estimates

- **To begin hybrid production in US:** Kia plans to start Telluride hybrid production at its Georgia plant in February, and Sportage hybrid production at the Metaplant in May. This tariff-free production should significantly enhance profitability.

Kia's strong financial structure: Despite 2025 being the most challenging operating environment since the pandemic, Kia maintained positive free cash flow of KRW430b and had a net cash position of KRW19.6t (up KRW897b y-y; 33% of market cap). Such robust financials should position it to make a significant contribution to Hyundai Motor Group's investments in data centers, robot training centers, and robot factories. Moreover, led by increased earnings, Kia has room for higher dividends and share buybacks.

High earnings visibility: There are growing expectations for a recovery in global auto demand given rising asset prices (*eg*, stocks and real estate) and corporate incentives (amid robust earnings growth). Kia is targeting wholesales of 3.35m units in 2026 (up 6.8% y-y), driven by a new-car rollout cycle.

- **Kia to deliver highest earnings growth:** Among global automakers, Kia has the highest earnings visibility this year, driven by a new-model cycle, increased local production in the US and Europe (helping reduce tariff burdens), and EV incentives in Europe. The company forecasts 2026 revenue at KRW122.3t (up 7.2% y-y) and operating profit at KRW10.2t, assuming an exchange rate of USD/KRW1,370. Considering its earnings sensitivity (KRW300b-350b per KRW10 move), there is ample potential for earnings surprises this year.
- **US and European sales from February deserve attention:** In January, Kia recorded its highest-ever US retail sales (64,000 units; up 13% y-y), capturing a 5.8% market share. From February, it should begin selling the second-generation Telluride (produced in the US). It aims to sell 177,000 units of the Telluride in the US in 2026 (vs 127,000 units in 2025). Achieving this target could add over KRW1t to operating profit.

  In February, the carmaker also plans to launch the EV2 in Europe. Alongside the EV4 and EV5 models introduced in 2H25, it should boost Kia's European sales by over 10% y-y.

Hybrid momentum—Kia outperforming Toyota: Hybrid demand in the US is twice that of EVs.

- **Model launches:** Kia plans to launch its second-generation Telluride in the US February, targeting full-year 2026 Telluride sales of 177,000 units (vs 127,000 units in 2025). The automaker also plans to launch the hybrid version of the Seltos (2nd generation) in the global market, targeting annual Seltos sales of 380,000 units (vs 300,000 units in 2025).
- **To begin hybrid production at Metaplant:** Kia plans to produce hybrid models at the Metaplant from 2Q.
- **Hybrid portion of sales rising:** We expect Kia's global hybrid sales to grow from 466,000 units in 2025 (up 21.8% y-y; 14.9% of total sales) to 600,000 units in 2026 (up 28.7% y-y; 18% of total sales). We also project its EV sales volume to rise from 305,000 units in 2025 (up 16.6% y-y, 9.8% of total sales) to 350,000 units in 2026 (up 14.7% y-y; 11% of total sales). In the US, its hybrid sales should jump from 130,000 units in 2025 (up 82% y-y; 15% of total sales) to 250,000 units in 2026 (up 92% y-y; 28% of total sales). Hybrids now offer higher profitability than internal combustion engine vehicles.
- **US hybrid market—HMC/Kia eating away at Toyota:** HMC/Kia are eroding Toyota's market share by building full hybrid lineups in the US. While Toyota's share of the US market for hybrids

plunged 10.5%pts between Jan 2024 (59.8%) and Jan 2026 (49.3%), Kia's share leapt from 4.8% to 8% over the same period, while HMC's climbed from 5.6% to 7.5%.

- **Increased US sales to translate into SDV momentum:** HMC and Kia are set to unveil their software-defined vehicle (SDV) roadmap in March-April, with Kia also planning a CEO Investor Day in April. As SDV success depends on scale, carmakers with strong sales volumes are better positioned to accumulate data and monetize software services.

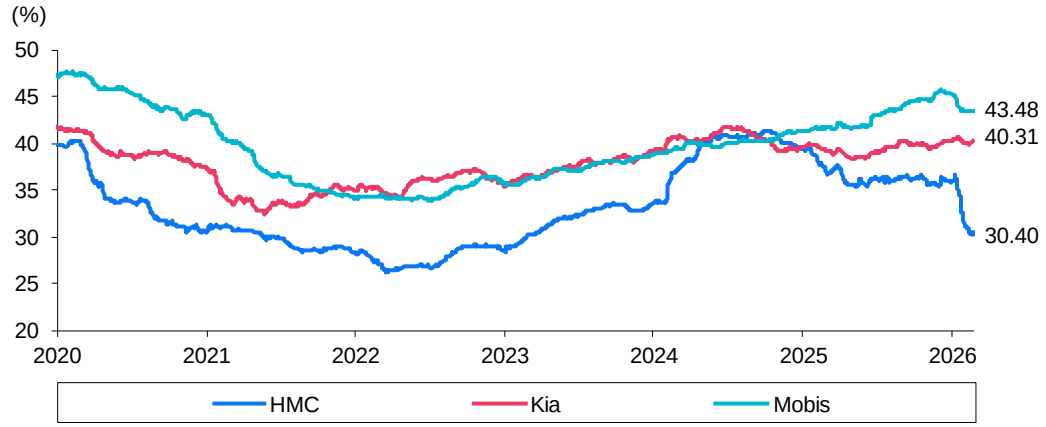
EU considering second policy to block Chinese EVs: The EU and Chinese governments are discussing the introduction of minimum pricing as an alternative to anti-dumping tariffs on Chinese EVs. The EU is also considering a policy of providing subsidies only to EVs produced within the EU from 2026.

- **Kia expected to benefit from EU's version of the IRA:** The EU is set to announce its new EV subsidy policy on Mar 4. This policy is likely to include a provision limiting subsidies to vehicles whose non-battery components are at least 70% EU-produced by value.

  Hyundai/Kia and Tesla are well-positioned because they have production facilities in Europe. Kia plans to start producing the EV2 at its Slovakia plant from February. BYD is expected to begin operations at its Hungary plant in 2Q26 but faces uncertainty due to its CKD production method (*ie*, component export followed by local assembly), which may not meet the 70% value-added requirement.

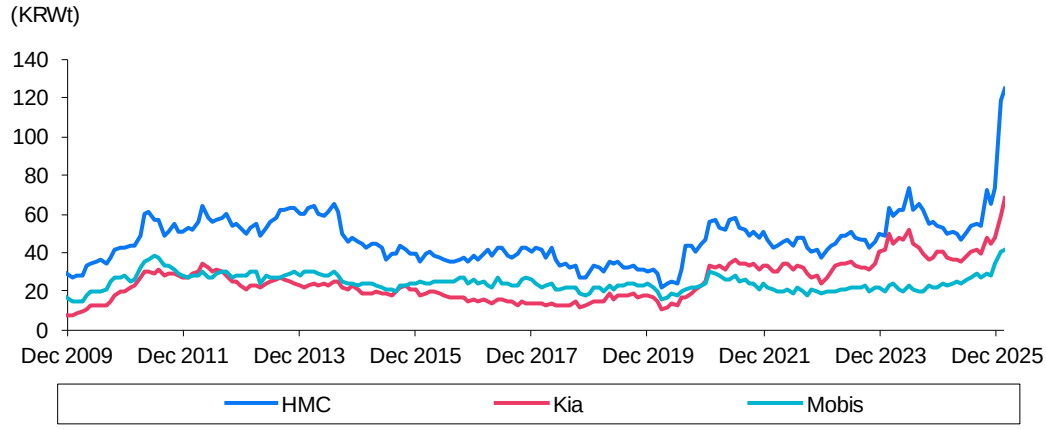
- **Five EV models to drive high growth for Kia in 2026:** Kia began producing the EV4 at its Slovakia plant in Aug 2025 and the EV2 in Jan 2026. The EV3 has been exported from Korea since Feb 2025, and the EV5 and PV5 since Oct 2025. In 2026, five EV models will be available, with locally produced models expected to benefit from subsidies. The EV3's base model (58.3 kWh) is priced at EUR36,000, while the EV2 is expected to be priced in the high EUR28,000-29,000 range.
- **Reduction in European incentives to save up to KRW700b annually:** During their 4Q25 earnings calls, both HMC and Kia noted that increased competition in Europe had led to a rise in incentives, accounting for half of the annual increase. HMC's annual incentives increased by KRW2.18t y-y (1.1%pts of sales), with approximately KRW1t coming from Europe. Kia's annual incentives rose by KRW1.5t y-y (1.3%pts of sales), with around KRW700b attributable to Europe.

HMG: Foreigner ownership



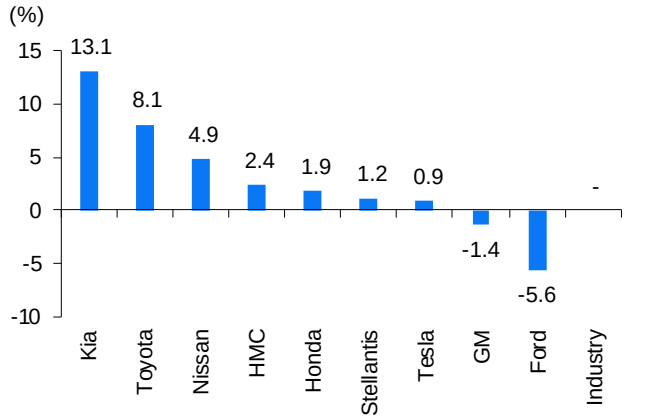
Source: QuantiWise, Samsung Securities

HMG: Monthly market cap



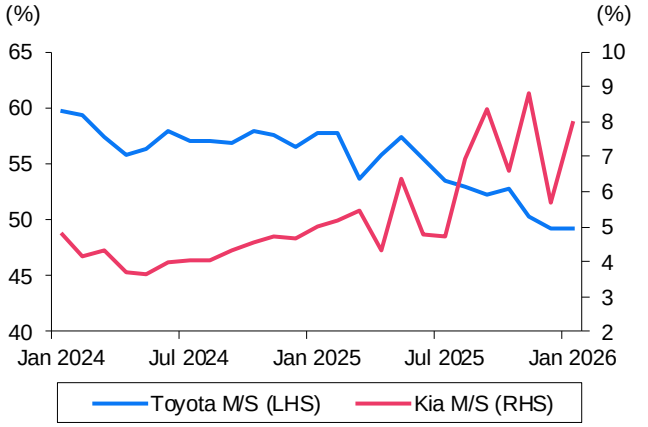
Source: QuantiWise, Samsung Securities

US market: January retail sales growth (y-y)



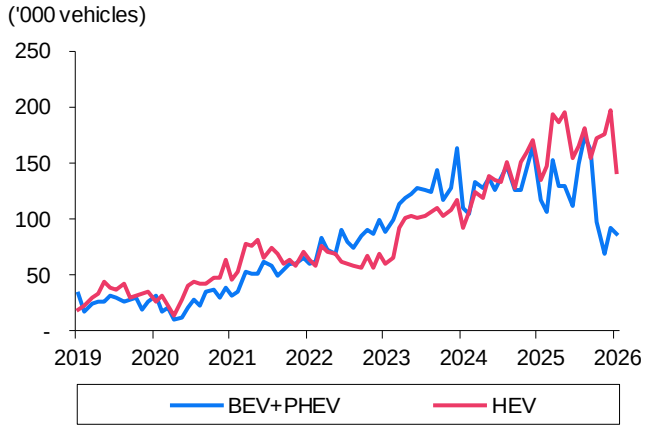
Source: Wards, Samsung Securities

US: Hybrid market shares



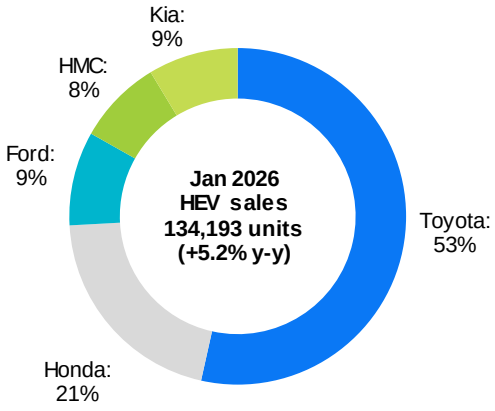
Source: Wards, Samsung Securities

US: Auto demand – HEVs vs BEVs+PHEVs



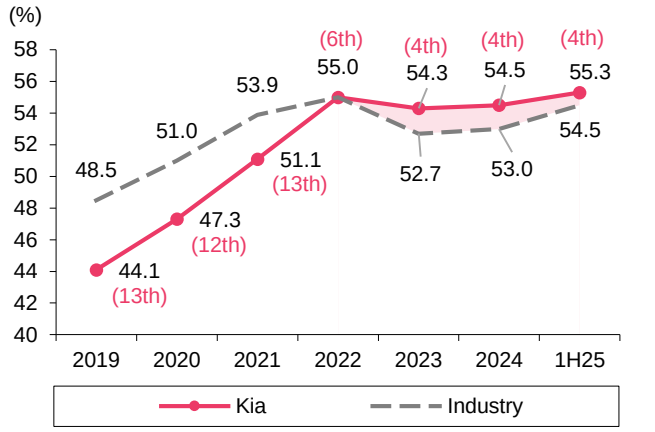
Source: Wards, Samsung Securities

US: HEV portion of sales volume, by automaker



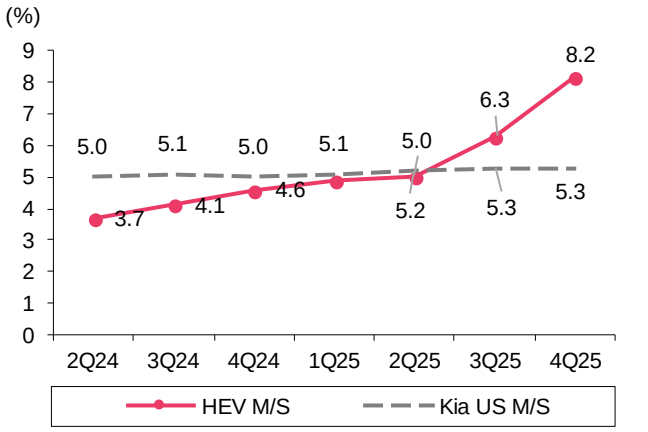
Source: Wards, Samsung Securities

Residual value and ranking



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

Kia: Hybrid market share in US



Source: Company data, Samsung Securities

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)	127,000	177,000
Revenue (USDm)	5,309	8,880
Profitability (%)	20%	22%
Operating profit (USDm)	**1,062**	**1,954**
Operating profit (KRWb)	**1,529**	**2,813**

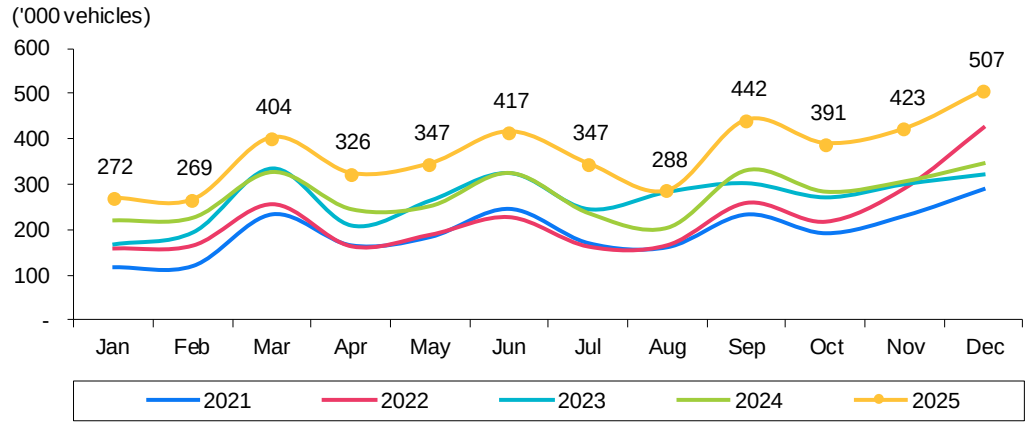
Source: Samsung Securities estimates

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

Total Europe: Monthly EV demand

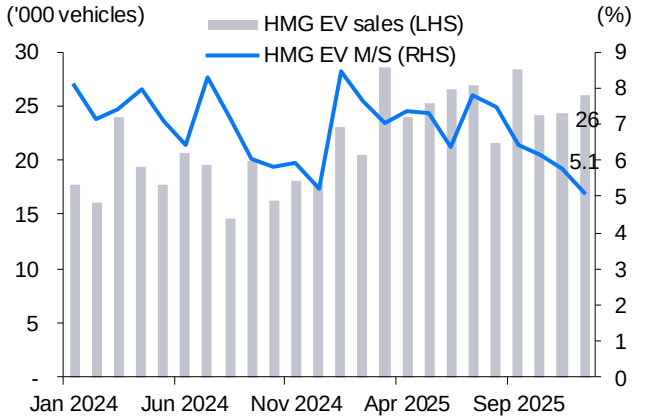


Source: EV-Volumes, Samsung Securities

Kia: EV2

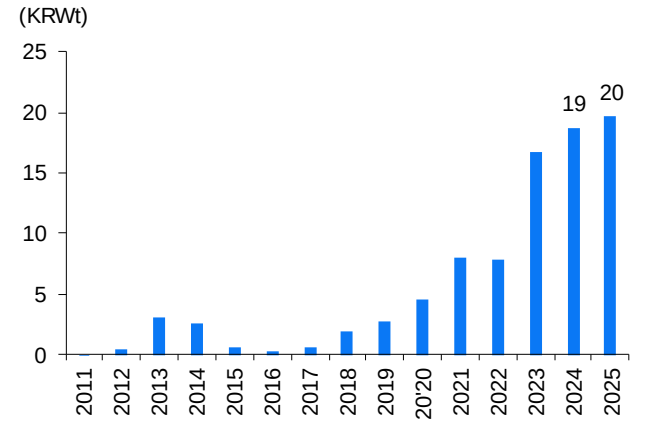
Source: Company data

Europe: HMG's sales volume vs market share



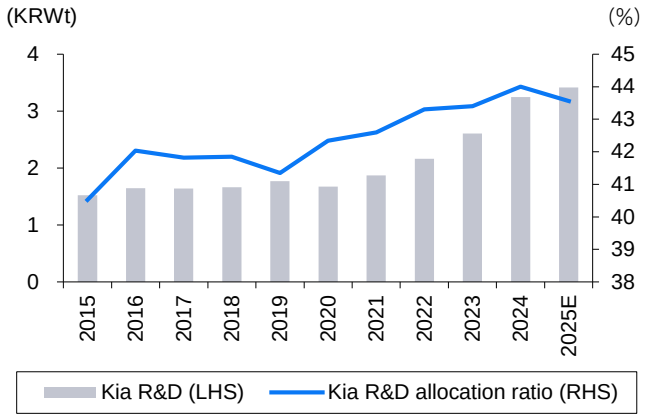
Source: EV-Volumes, Samsung Securities

Kia: Net cash



Source: Company data, Samsung Securities

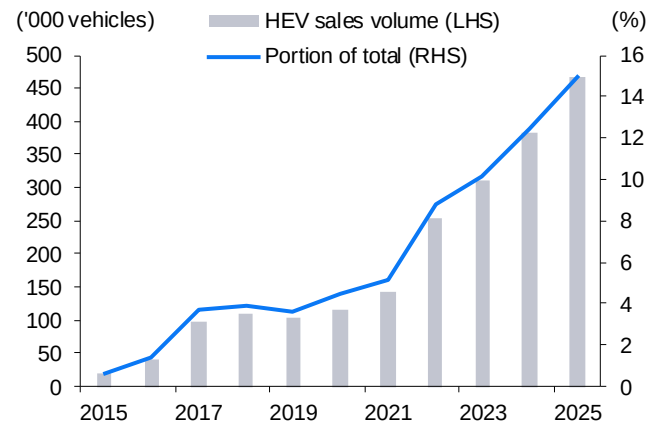
Kia: R&D expense and allocation ratio



Note: Kia's R&D allocation ratio is based on its share of the total R&D costs combined with HMC

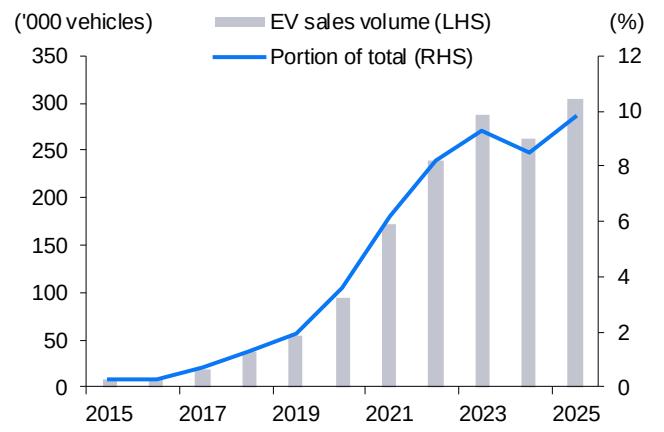
Source: Company data, Samsung Securities

Kia: Hybrid sales volume



Source: Company data, Samsung Securities

Kia: EV sales volume



Source: Company data, Samsung Securities

Kia: Global sales volume and forecasts

('000 vehicles)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Global plant sales	776	808	758	743	840	858	842	820	3,044	3,084	3,360	3,510
Domestic	394	417	397	378	391	408	398	393	1,547	1,586	1,590	1,610
Overseas	382	391	360	365	449	450	444	427	1,496	1,498	1,770	1,900
US (KMMG)	88	91	88	84	105	108	107	100	352	352	420	450
Europe (KMS)	89	86	64	56	100	98	80	81	351	295	360	380
China (DYK)	57	67	63	67	75	79	89	87	248	254	330	380
Mexico (KMM)	68	74	73	76	73	78	81	78	274	290	310	310
India (KMI)	81	73	72	82	95	87	87	81	270	307	350	380
Global retail sales	772	814	784	760	795	859	833	832	3,083	3,129	3,310	3,430
Global ASP (KRWm)	37.2	37.0	37.6	38.1	37.4	38.3	38.7	38.2	35.8	37.5	38.3	38.5

Source: Company data, Samsung Securities estimates

Kia: 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	28,018	29,350	28,686	28,088	29,092	32,205	31,448	30,918	107,449	114,141	123,663	128,983
Gross profit	6,081	5,875	5,409	5,143	5,764	5,981	5,877	6,389	24,771	22,508	24,011	25,106
Operating profit	3,009	2,765	1,462	1,843	2,467	2,857	2,523	2,792	12,667	9,078	10,639	11,533
Pre-tax profit	3,243	3,000	1,887	2,111	2,855	3,095	3,074	3,100	13,500	10,241	12,124	13,052
Net profit	2,393	2,268	1,422	1,471	2,113	2,290	2,275	2,294	9,775	7,554	8,972	9,659
Controlling profit	2,393	2,269	1,425	1,474	2,113	2,290	2,275	2,294	9,773	7,561	8,972	9,659
Margins (%)												
Gross profit	21.7	20.0	18.9	18.3	19.8	18.6	18.7	20.7	23.1	19.7	19.4	19.5
Operating profit	10.7	9.4	5.1	6.6	8.5	8.9	8.0	9.0	11.8	8.0	8.6	8.9
Net profit	8.5	7.7	5.0	5.2	7.3	7.1	7.2	7.4	9.1	6.6	7.3	7.5
Controlling profit	8.5	7.7	5.0	5.2	7.3	7.1	7.2	7.4	9.1	6.6	7.3	7.5

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**99,808**	**107,449**	**114,141**	**123,663**	**128,983**
Cost of goods sold	77,180	82,678	91,633	99,652	103,876
Gross profit	**22,629**	**24,771**	**22,508**	**24,011**	**25,106**
Gross margin (%)	22.7	23.1	19.7	19.4	19.5
SG&A expenses	11,021	12,104	13,430	13,372	13,573
Operating profit	**11,608**	**12,667**	**9,078**	**10,639**	**11,533**
Operating margin (%)	11.6	11.8	8.0	8.6	8.9
Non-operating gains (losses)	**1,069**	**833**	**1,163**	**1,484**	**1,519**
Financial profit	1,263	1,351	1,117	1,320	1,637
Financial costs	392	610	97	99	99
Equity-method gains (losses)	684	395	415	714	749
Other	-485	-304	-272	-451	-768
Pre-tax profit	**12,677**	**13,500**	**10,242**	**12,124**	**13,052**
Taxes	3,900	3,725	2,687	3,152	3,394
Effective tax rate (%)	30.8	27.6	26.2	26.0	26.0
Profit from continuing operations	8,778	9,775	7,554	8,972	9,659
Profit from discontinued operations	0	0	0	0	0
Net profit	**8,778**	**9,775**	**7,554**	**8,972**	**9,659**
Net margin (%)	8.8	9.1	6.6	7.3	7.5
Net profit (controlling interests)	8,777	9,773	7,561	8,980	9,667
Net profit (non-controlling interests)	1	2	-7	-8	-9
EBITDA	13,961	15,216	11,969	13,405	14,106
EBITDA margin (%)	14.0	14.2	10.5	10.8	10.9
EPS (parent-based) (KRW)	21,770	24,413	19,111	23,000	24,762
EPS (consolidated) (KRW)	21,772	24,418	19,094	22,980	24,740
Adjusted EPS (KRW)*	21,770	24,413	19,111	23,000	24,762

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**37,466**	**41,797**	**45,624**	**53,321**	**61,669**
Cash & equivalents	14,353	13,567	15,829	21,301	28,406
Accounts receivable	2,475	3,561	3,783	4,099	4,275
Inventories	11,273	12,419	13,193	14,293	14,908
Other current assets	9,365	12,251	12,819	13,628	14,080
Fixed assets	**43,162**	**50,958**	**54,223**	**55,811**	**56,054**
Investment assets	22,205	27,223	28,878	31,232	32,547
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**	**99,846**	**109,133**	**117,723**
Current liabilities	**25,674**	**26,977**	**28,254**	**30,551**	**31,834**
Accounts payable	10,369	10,455	11,106	12,032	12,550
Short-term debt	129	221	721	721	721
Other current liabilities	15,176	16,302	16,427	17,798	18,563
Long-term liabilities	**8,395**	**9,938**	**10,902**	**11,562**	**11,931**
Bonds & long-term debt	2,702	2,176	2,676	2,676	2,676
Other long-term liabilities	5,693	7,763	8,227	8,887	9,255
Total liabilities	**34,070**	**36,916**	**39,156**	**42,113**	**43,765**
Owners of parent equity	**46,552**	**55,831**	**60,688**	**67,025**	**73,972**
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	55,243	61,580	68,527
Other	-616	1,691	1,546	1,546	1,546
Non-controlling interests' equity	**6**	**9**	**2**	**-6**	**-14**
Total equity	**46,558**	**55,840**	**60,690**	**67,020**	**73,958**
Net debt	-12,718	-15,303	-17,733	-23,674	-31,040

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**11,297**	**12,564**	**10,873**	**12,223**	**12,153**
Net profit	8,778	9,775	7,554	8,972	9,659
Non-cash profit and expenses	8,836	9,666	3,961	3,802	3,498
Depreciation	1,846	2,010	2,355	2,294	2,156
Amortization	507	540	535	472	417
Other	6,483	7,116	1,071	1,036	926
Changes in A/L from operating activities	-4,247	-4,287	844	1,200	671
Cash flow from investments	**-3,107**	**-10,153**	**-5,003**	**-2,716**	**-1,900**
Change in tangible assets	-2,230	-3,424	-4,000	-2,000	-1,500
Change in financial assets	-541	-4,788	-503	-716	-400
Other	-336	-1,941	-500	0	0
Cash flow from financing	**-5,596**	**-3,570**	**-2,391**	**-2,634**	**-2,716**
Change in debt	-3,622	-525	168	8	4
Change in equity	21	2	0	0	0
Dividends	-1,403	-2,194	-2,559	-2,642	-2,720
Other	-592	-853	0	0	0
Change in cash	2,799	-787	2,262	5,472	7,105
Cash at beginning of year	11,554	14,353	13,567	15,829	21,301
Cash at end of year	14,353	13,567	15,829	21,301	28,406
Gross cash flow	**17,614**	**19,441**	**11,516**	**12,773**	**13,157**
Free cash flow	**8,961**	**9,079**	**6,873**	**10,223**	**10,653**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	15.3	7.7	6.2	8.3	4.3
Operating profit	60.5	9.1	-28.3	17.2	8.4
Net profit	62.3	11.4	-22.7	18.8	7.7
Adjusted EPS**	63.1	12.1	-21.7	20.3	7.7
Per-share data (KRW)					
EPS (parent-based)	21,770	24,413	19,111	23,000	24,762
EPS (consolidated)	21,772	24,418	19,094	22,980	24,740
Adjusted EPS**	21,770	24,413	19,111	23,000	24,762
BVPS	117,495	141,812	156,170	172,478	190,355
DPS (common)	5,600	6,500	6,800	7,000	7,500
Valuations (x)					
P/E***	4.6	4.1	6.4	6.8	6.3
P/B***	0.9	0.7	0.8	0.9	0.8
EV/EBITDA	2.0	1.6	2.5	2.8	2.1
Ratios (%)					
ROE	20.4	19.1	13.0	14.1	13.7
ROA	11.4	11.3	7.8	8.6	8.5
ROIC	45.7	45.2	28.7	33.2	37.5
Payout ratio	25.0	26.2	34.9	30.3	30.1
Dividend yield (common)	5.6	6.5	5.6	4.5	4.8
Net debt to equity	-27.3	-27.4	-29.2	-35.3	-42.0
Interest coverage (x)	63.8	124.8	93.7	107.3	116.2

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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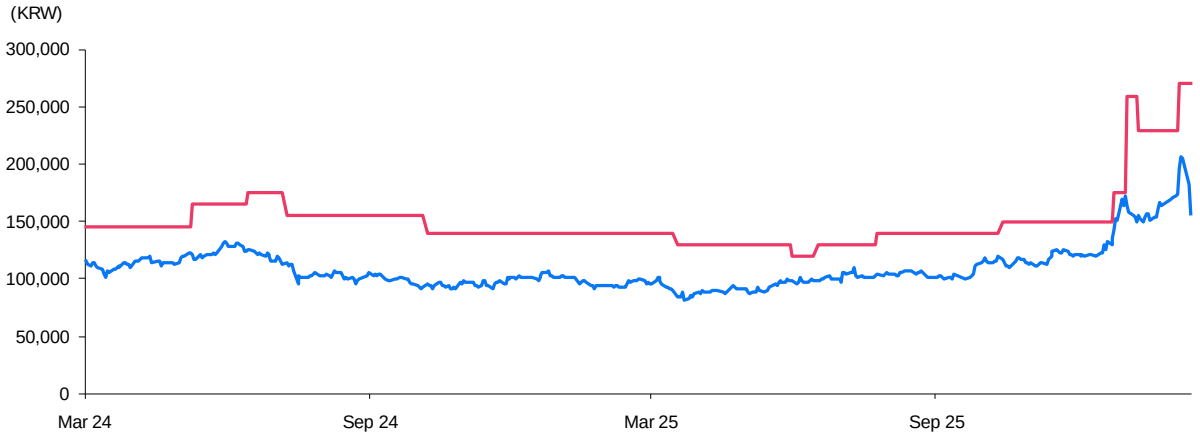
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	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	2/25
Recommendation	BUY	BUY
Target price (KRW)	230000	270000
Gap* (average)	-30.12	
(max or min)**	-24.35	

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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