COMPANY UPDATE

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EV/Mobility Team

Esther Yim
Team Leader
esther.yim@samsung.com

Hyunji Kim
Research Associate
hyunzi.kim@samsung.com

Hyundai Motor (005380)

The robot era: Lessons from Tesla

- Hyundai Motor (HMC) and Kia may lag in autonomous driving, but they have the potential to lead the global robotics market.
- Boasting capabilities in robotics, autonomous driving, and solid-state batteries, HMC is now directly comparable to Tesla, yet its market cap is just 1/20th that of the US firm. HMC is still in the early stages of its rerating.
- Autonomous EVs and robots both fundamentally rely on intelligence. As mass deployment and real-world data collection are critical to advancing that intelligence, HMC remains a top pick.

WHAT'S THE STORY?

Physical AI is essentially a hardware platform business; a fast-follower strategy is a losing approach: The funding and talent gaps between market leaders and fast followers will widen over time.

- **Capital markets funnel funding toward leaders that demonstrate execution in the new era:** Capital markets place significantly higher value on companies that achieve volume production and commercialization of new technologies than on those that merely develop them. Driving technological innovation that reshapes the world involves endless trial and error and requires vast capital and talent. Companies with deep financial resources can attract the talent needed to overcome technical bottlenecks, while talent joining leading companies focus on solving problems that advance their careers.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW800,000	50.9%
Current price	KRW530,000	
Market cap	KRW108.5t/USD74.0b	
Shares (float)	204,757,766 (65.7%)	
52-week high/low	KRW674,000/KRW177,500	
Avg daily trading value (60-day)	KRW1,208.9b/ USD824.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hyundai Motor (%)	4.1	137.7	171.0
Vs Kospi (%pts)	-0.6	41.7	22.6

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	673,462
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	175,231	186,254	197,797	207,561
Operating profit	14,240	11,352	13,138	14,357
Net profit (adj)	13,230	10,278	12,228	13,492
EPS (adj) (KRW)	46,042	35,035	44,692	49,312
EPS (adj) growth (% y-y)	5.6	-23.9	27.6	10.3
EBITDA margin (%)	10.6	8.6	9.1	9.3
ROE (%)	12.4	8.4	9.9	10.1
P/E (adj) (x)	4.6	8.5	11.9	10.7
P/B (x)	0.5	0.7	1.1	1.0
EV/EBITDA (x)	10.5	14.7	16.3	15.4
Dividend yield (%)	5.7	3.4	2.1	2.3

Source: Company data, Samsung Securities estimates

- **Lessons from Tesla in the EV era:** First, Tesla was recognized as the EV market leader not because it was the first to launch an EV, but because it was the first to mass-produce EVs and make them profitable. Second, Tesla effectively leveraged the dynamics of capital markets: in 2020, shortly after turning profitable, it raised USD12.3b (KRW17t) through three equity offerings. Third, in 2019, during the early stages of autonomous-driving development, Tesla equipped all its vehicles with self-driving chips and sensors—regardless of whether customers opted for "Full Self-Driving"—and collected real-world driving data in shadow mode. Tesla could afford to deprioritize profitability and pursue this strategy because it had secured massive funding early in the EV boom.

HMC/Kia latecomers to autonomous driving but emerging as global leaders in robotics: While Hyundai Motor (HMC) and Kia lag behind Tesla and Chinese EV makers in terms of autonomous driving technologies, they are likely to stand at the cutting of robotics thanks to two factors.

- **1) Boston Dynamics' leadership changes:** Boston Dynamics is transitioning from a research-focused venture to a mass-production company that is focused on commercialization. CEO Robert Playter resigned early this month, followed by the head of robotics research. The Atlas developer will likely appoint a new leadership team with expertise in mass-production and a strong public image to prepare for its IPO.

  The mass-production of 30,000 Atlas robots is only the first step. Going forward, Boston Dynamics must evolve into a company capable of selling more than 1m robots pa by: 1) securing new customers beyond Hyundai Motor Group (HMG) and Google DeepMind; and 2) developing general-purpose robots.

- **2) Formation of value chain:** HMC/Kia are rapidly selecting value-chain partners, prioritizing companies that are already in their value chains and have factories in the US. Decisions are being made quickly to align with the R&D timeline required for component development and the planned mass-production schedule (from 2H27). Actuators should be supplied by Hyundai Mobis, batteries by LG Energy Solution, body modules by Hwashin, and control systems & SI by Hyundai AutoEver. Smart lighting is now in the bidding process.

- **IPO may happen sooner than expected:** Boston Dynamics relies on Google DeepMind for its foundation model—a factor that limits its valuation compared to Figure AI (valued at USD39b in a recent Series C funding round). If Atlas can rapidly prove its ability to create value in manufacturing environments and secure clients beyond HMG, the robot company's valuation could surge.

Each quarter in 2026 to bring new momentum to physical AI

- **Robotics business:** First, the Robot Metaplant Application Center (RMAC) is set to begin operations near the Hyundai Motor Group Metaplant America in August. Investment size and equity stakes are expected to be announced in March. Second, the location for a robot production facility is under review, with mass-production targeted for 2028. Investment details and equity stakes should be announced in 1H26. Third, Hyundai Motor Group Robotics Lab's MobED will enter mass-production in 1H26, with commercialization of manipulation technology (grippers and hands) planned for end-2026. Fourth, the US is likely to roll out robotics industry policies in 1H26.

- **Autonomous driving business:** First, Kia's CEO Park Min-woo is likely to unveil the company's software-defined vehicle (SDV) roadmap at the CEO Investor Day event. Second, Motional plans to launch a Level-4 autonomous driving service in Las Vegas by end-2026, based on rule-based

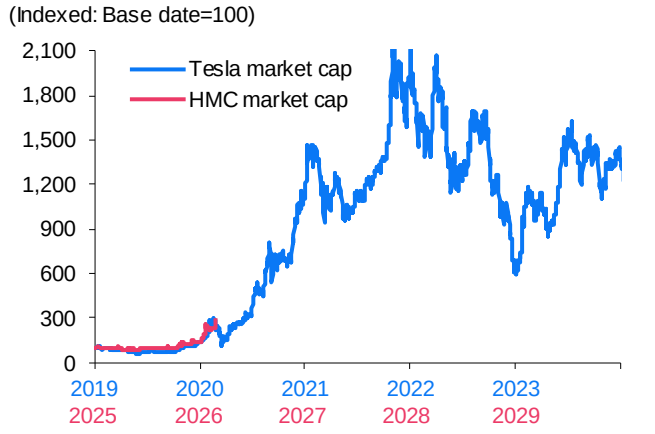
technology. It is likely to collaborate with HMC's AVP division on technology exchange. Third, HMC began to supply the Ionic 5 to Waymo in 4Q25. As Waymo expands services across the US, its solid demand should help improve utilization rates at the Hyundai Motor Group Metaplant America. We estimate that Waymo's fleet of autonomous robotaxis will reach 100,000 vehicles in 2028, with half that number to be delivered by HMC.

- **Solid-state battery technology development and mass-production roadmap:** In Mar 2025, HMC opened a next-generation battery research facility in Uiwang and began producing small quantities of solid-state battery prototypes (A-samples). Construction of the Future Mobility Battery Campus in Anseong is scheduled to be completed by end-2026. This large R&D hub for batteries, with an investment of KRW1.2t, should scale up technologies validated in Uiwang for mass-production. From 2027 to 2028, HMC plans to pilot solid-state batteries in Genesis-class flagship models to collect real-world driving data. In 2030, the company intends to launch vehicles based on a dedicated solid-state battery platform and apply the technology to robotics.

HMC to unveil three key technologies this year, sparking comparison with Tesla: Among global automakers, only Tesla and Hyundai Motor Group (HMG) possess comprehensive capabilities in autonomous driving, robotics, and battery technology. HMC's current target P/E of 18x is just a starting point, as its market cap remains at around 1/20th of Tesla's. The Korean carmaker is still at the start of its rerating.

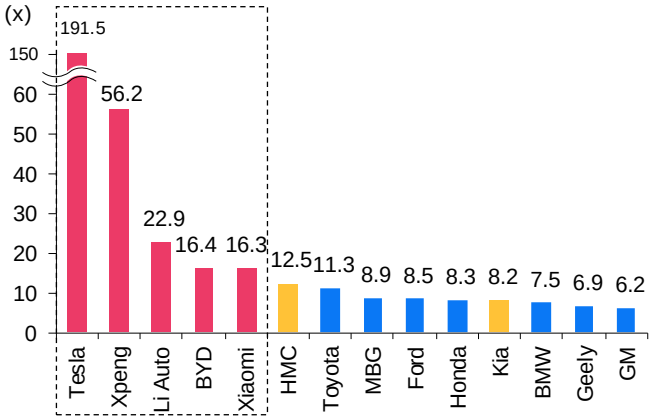
- **Following a path similar to Tesla's six years ago:** In 3Q19, Tesla achieved profitability in its EV business, cementing its status as the leader of the EV era. Following the pandemic, its share price surged 20-fold. By comparison, HMC has begun to be recognized as a robotics leader following the unveiling of Atlas at CES 2026, with its share price rising 1.6x since early 2025. As HMG reveals more-detailed roadmaps for robotics and autonomous driving throughout 2026, HMC is poised to gain significant upward momentum in its valuation.
- **Global investor feedback on Atlas:** Atlas has been well-received by global investors as a production-ready robot, not just a prototype. It features standardized components (arms, legs, left and right modules are identical, with three types of standardized actuators), swappable batteries, and a payload capacity of 30-50 kg, making it ideal for manufacturing environments. It is seen as more practical for industrial use than service-oriented robots like Optimus or entertainment-focused Chinese robots.
- **Autonomous driving:** Following the global pandemic, HMC and Kia traded at low valuations (P/E multiple of 4-5x), mainly due to weaknesses in autonomous driving technology. With the appointment of new leadership, technology development should accelerate.
- **Solid-state batteries:** HMC is on track to mass-produce solid-state batteries and fully integrate them into real-world applications.

Market cap: Tesla vs HMC



Note: Tesla indexed as of Jan 1, 2019 and HMC as of Jan 1, 2025
Sources: Bloomberg, Samsung Securities

Global automakers: 12-month forward P/E valuation



Sources: Bloomberg, Samsung Securities

HMC vs Tesla: Company valuation and "Physical AI" technology

Category	HMC	Tesla
Market cap and P/E ratio*	USD710b and 11x P/E	USD1.49t and 199x P/E
Revenue / Net income (2026)**	USD134.1b / USD7.7b	USD103.4b / USD6.7b
Cash cow	• Auto sales volume: 4m units (ICE, HEV, EVs)	• Auto sales volume: 1.7m units (EVs) • Energy division (expanding from 80GW)
Robotics	• Boston Dynamics (3 products, including Atlas) • Robotics Lab (14 products, including wearables and MobED)	• Optimus
Autonomous driving	• Advancing Atria AI, reviewing AlpaMayo applications • Motional robotaxi commercialization to begin in late-2026 • Supplying Hyundai Ioniq 5 to Waymo	• Deploying FSD version 14.3 • Cybercab production to start in Apr 2026 • Aiming to deploy robotaxis in half of US cities by 2026
Batteries	• Targeting solid-state battery mass-production by 2030	• Mass-producing 4680 batteries

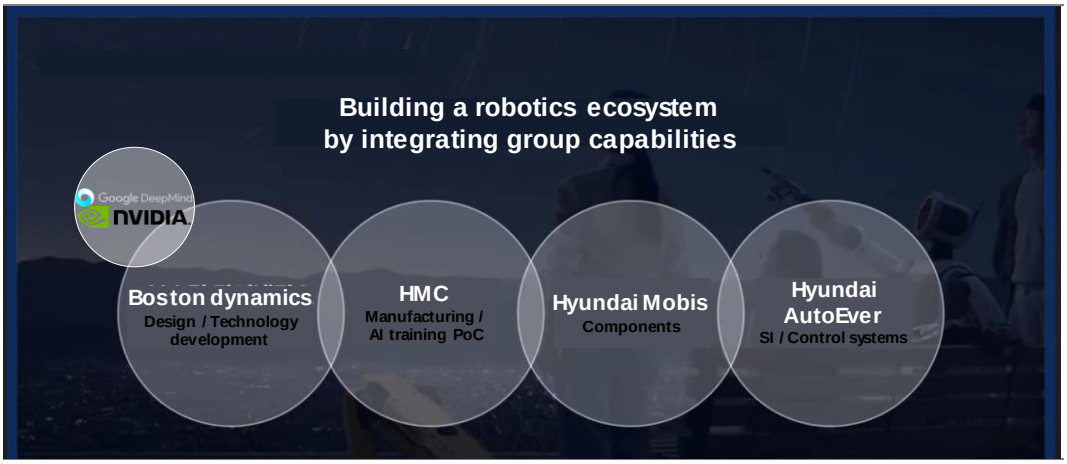
Note: Market cap is based on Mar 6 closing prices;
HMC's market cap is calculated using an exchange rate of USD/KRW1,450;
P/E ratios are based on 2026 consensus
Source: Company data, Bloomberg, Samsung Securities

HMC vs Tesla: "Physical AI" momentum in 2026E

	1Q	2Q	3Q	4Q
HMC	• Announcement of RMAC investment structure	• Announcement of robot factory, SDV roadmap (Kia CID) • US robotics policy announcement	• Solid-state battery technology announcement (HMC CID) • RMAC operations begin	• Motional robotaxi service launches • Hyundai Ioniq 5 supply to Waymo begins • Anseong battery campus operational
Tesla	• 3rd-generation Optimus unveiled • FSD deployment in China and Europe	• Cybercab production begins	• Expansion of robotaxis • US robotaxi fleet regulation easing	• Optimus mass-production begins

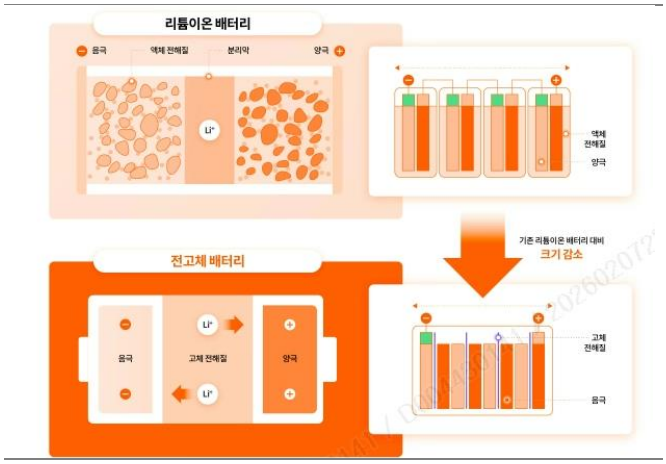
Source: Company data, Samsung Securities estimates

HMG: Robotics ecosystem



Source: Company data, Samsung Securities

Lithium-ion batteries vs solid-state batteries



Source: Company data

HMC: Anseong battery campus

Source: Media

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	11.9	10.7
P/B***	0.6	0.5	0.7	1.1	1.0
EV/EBITDA	7.9	10.5	14.7	16.3	15.4
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	2.1	2.3
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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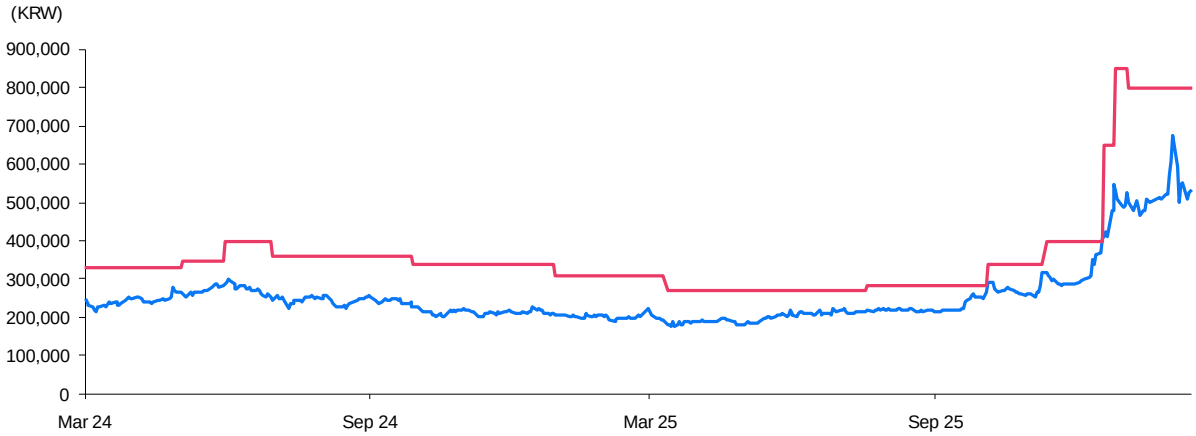
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	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	

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

Samsung Securities uses the following investment ratings*

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
SELL	Expected to decrease in value by 15% or more within 12 months

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 2025.12.31

BUY (85.8%)·HOLD (14.2%)·SELL (0%)

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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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