COMPANY UPDATE

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Hyundai Motor (005380)

1Q preview; Volume growth to resume in 2H

- Hyundai Motor's (HMC) 1Q results likely fell short of consensus due to weak global sales and higher warranty provisions. We believe its sluggish sales outside the US and India offset the benefits from the won depreciation.
- Sales should pick up in 2H26, backed by new model launches for Tucson and Avante as well as the Genesis hybrid.
- The company remains well-positioned to lead in the Physical AI era, with multiple catalysts underway this year. HMC is our sector top pick.

▶ AT A GLANCE

BUY

Target price	KRW700,000	48%
Current price	**KRW473,000**	
Market cap	KRW96.9t/USD64.4b	
Shares (float)	204,757,766 (65.7%)	
52-week high/low	KRW674,000/KRW177,500	
Avg daily trading value (60-day)	KRW1,230.7b/ USD818.2m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Hyundai Motor (%)	-14.5	115.0	164.1
Vs Kospi (%pts)	-13.1	38.9	11.9

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	700,000	700,000	0.0%
2026E EPS	39,833	39,833	0.0%
2027E EPS	43,637	43,637	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	26
Target price	681,923
Recommendation	4.0

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

WHAT'S THE STORY?

Lowering target price by 12.5% to KRW700,000: The cut reflects downward revisions to our 2026 earnings estimates stemming from: 1) supply chain disruptions from a parts supplier fire; and 2) elevated raw material costs due to Middle East tensions.

- **Maintaining target P/E of 18x:** Our target P/E multiple of 18x is based on the 2025 average P/E of three leading Chinese EV companies—Li Auto, Xiaomi, and BYD—that have publicly pursued autonomous driving and robotics initiatives. Due to slowing earnings growth, these Chinese peers currently trade at an average P/E of 27x (Bloomberg), making HMC's valuation roughly 40% of their level.

  While these Chinese competitors have commercialized Level 2+ autonomous technologies 1-2 years ahead of HMC, they rely on external partners (eg, Momenta, Nvidia, and Horizon Robotics) for core AI inference models and chips. We view their technical capability as broadly aligned with HMC's, with no decisive advantage. Furthermore, in robotics, these firms remain at the announcement stage whereas HMC holds a clear lead in development and real-world deployment.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	186,254	198,570	208,078	216,759
Operating profit (KRWb)	11,468	11,588	12,634	13,601
Net profit (adj) (KRWb)	10,365	10,898	11,939	12,808
EPS (adj) (KRW)	35,331	39,833	43,637	46,814
EPS (adj) growth (% y-y)	-23.3	12.7	9.5	7.3
EBITDA margin (%)	8.9	8.4	8.6	8.7
ROE (%)	8.4	8.8	9.0	9.1
P/E (adj) (x)	8.4	11.9	10.8	10.1
P/B (x)	0.7	1.0	0.9	0.9
EV/EBITDA (x)	14.4	16.7	15.8	15.0
Dividend yield (%)	3.4	2.3	2.5	2.5

Source: Company data, Samsung Securities estimates

- **1H26 earnings to be sluggish:** HMC's sales outside the US and India should remain weak. Its 2Q results should reflect the impacts from: 1) a fire at a valve supplier, disrupting production by an estimated 30,000 units; and 2) rising raw material costs linked to the Middle East conflict, estimated to weigh on margins by 0.5–1%pt. Full benefit from the won depreciation requires sales growth, but this is unlikely until 2H, when new models arrive—for reference, each KRW10 rise against the US dollar would expand the firm's operating profit by 2.5–3%.
- **1Q preview—operating profit to miss:** HMC's ex-China wholesale volume totaled 948,000 units (down 4.8% q-q and down 2.4% y-y). US sales held steady at 243,000 units (up 0.3% y-y), supported by solid demand for the Santa Fe and Tucson hybrids and the refreshed Palisade. However, US incentives fell 8.1% q-q and 21.6% y-y to USD2,508 per vehicle following federal policy changes. Sales in Korea declined 4.4% y-y to 159,000 units, pressured by growing competition from Tesla and BYD. European sales fell 7.9% y-y to 139,000 units amid intensifying competition with Chinese EV brands.

  We expect HMC to report 1Q sales of KRW46.3t (down 1.1% q-q but up 4.3% y-y) and operating profit of KRW2.3t (up 36.8% q-q but down 36.2% y-y), for an operating margin of 5% (up 1.4%pt q-q and down 3.2%pts y-y). Barring a KRW400b increase in warranty provisioning tied to the rapid won depreciation, operating profit would have reached KRW2.7t—7% below the FnGuide consensus of KRW2.9t.

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

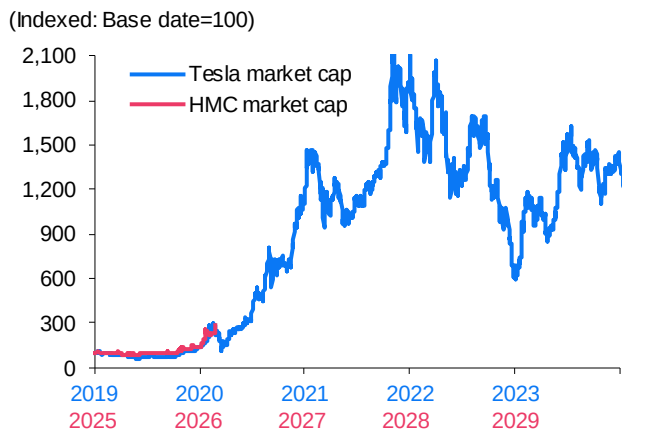
- **Robotics business:** First, the Robot Metaplant Application Center (RMAC) is set to begin operations near the Hyundai Motor Group Metaplant America in August. Investment size and equity stakes are expected to be announced in 2Q26. Second, the location for a robot production facility is under review, 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.

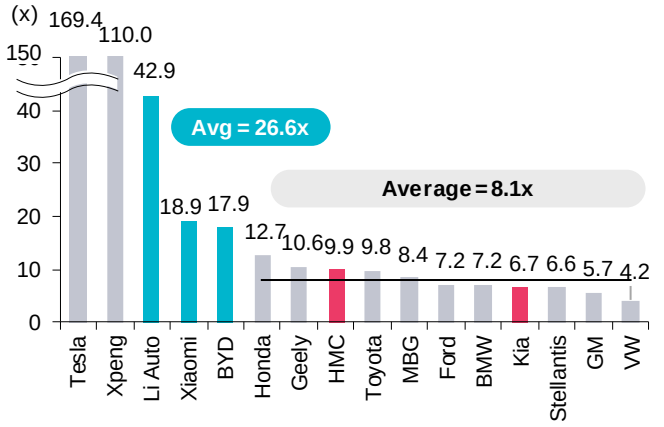
- **Autonomous driving:** Following the global pandemic, HMC and Kia traded at low valuations (P/E multiple of 4-5x), mainly due to weaknesses in autonomous driving technology. With the appointment of new leadership, technology development should accelerate.
- **Solid-state batteries:** HMC is on track 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

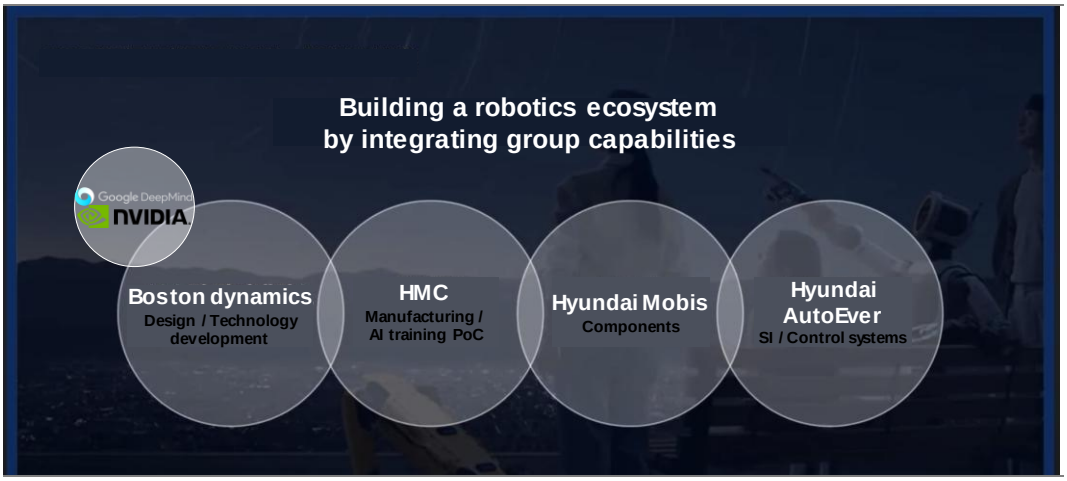
Note: Market cap is based on Mar 6 closing prices;
HMC's market cap is calculated using an exchange rate of USD/KRW1,450;
P/E ratios are based on 2026 consensus
Source: Company data, Bloomberg, Samsung Securities

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) • Announcement of RMAC investment structure • 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 • Cybercab production begins	• Expansion of robotaxis • US robotaxi fleet regulation easing • FSD deployment in China and Europe	• Optimus mass-production begins

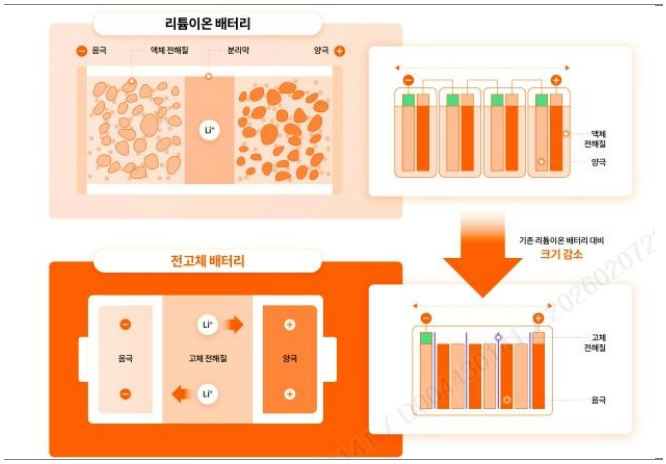
Source: Company data, Samsung Securities estimates

HMG: Robotics ecosystem



Source: Company data, Samsung Securities

Lithium-ion batteries vs solid-state batteries



Source: Company data

HMC: Anseong battery campus

Source: Media

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	1,021	985	1,060	1,033	1,081	4,174	4,111	4,129	4,304
Domestic	445	483	458	454	441	477	436	456	1,871	1,840	1,810	1,820
Overseas	561	580	563	567	543	583	597	625	2,303	2,271	2,319	2,484
India (HMI)	192	180	191	195	208	209	212	191	764	758	820	850
China (BHMC)	44	50	47	53	42	52	45	62	170	194	200	210
US (HMMA)	98	112	108	105	100	116	122	112	361	422	450	500
Turkey (HAOS)	62	59	39	38	39	54	46	71	246	198	210	210
Czech (HMMC)	73	74	67	63	67	86	75	93	327	277	320	330
Russia (HMMR)	0	0	0	0	0	0	0	0	0	0	40	100
Brazil (HMMB)	41	55	54	63	43	49	55	57	214	213	205	205
Global retail sales	1,001	1,066	1,038	1,033	975	1,090	1,069	1,000	4,142	4,138	4,135	4,265
Global ASP (KRWm)	35.7	36.3	36.5	36.7	38.1	38.6	38.6	40.0	34.1	36.3	38.8	39.3

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	1,401	1,387	1,452	1,467	1,450	1,430	1,420	1,365	1,423	1,442	1,390
Revenue	44,408	48,287	46,721	46,839	46,304	52,019	50,686	49,561	175,231	186,254	198,570	208,078
Autos	34,718	37,609	36,715	36,590	36,130	40,808	40,178	38,281	136,725	145,632	155,397	162,403
Finance	7,398	8,214	7,189	7,431	7,768	8,625	7,549	7,803	28,447	30,233	31,744	33,332
Other	2,292	2,464	2,818	2,817	2,406	2,587	2,958	3,477	10,060	10,390	11,429	12,343
Gross profit	8,980	9,110	8,284	7,843	7,963	8,989	9,107	9,044	35,749	34,217	35,103	37,024
Operating profit	3,634	3,602	2,537	1,695	2,319	3,042	3,353	2,874	14,240	11,468	11,588	12,634
Pre-tax profit	4,465	4,385	3,326	1,666	3,338	4,128	4,044	3,020	17,781	13,842	14,531	15,919
Net profit	3,382	3,250	2,548	1,184	2,504	3,096	3,033	2,265	13,230	10,365	10,898	11,939
Controlling profit	3,157	2,998	2,261	1,029	2,429	3,003	2,942	2,197	12,527	9,446	10,571	11,581
Margins (%)												
Gross profit	20.2	18.9	17.7	16.7	17.2	17.3	18.0	18.2	20.4	18.4	17.7	17.8
Operating profit	8.2	7.5	5.4	3.6	5.0	5.8	6.6	5.8	8.1	6.2	5.8	6.1
Net profit	7.6	6.7	5.5	2.5	5.4	6.0	6.0	4.6	7.5	5.6	5.5	5.7
Controlling profit	7.1	6.2	4.8	2.2	5.2	5.8	5.8	4.4	7.1	5.1	5.3	5.6

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**175,231**	**186,254**	**198,570**	**208,078**	**216,759**
Cost of goods sold	139,482	152,038	163,467	171,054	177,900
Gross profit	**35,749**	**34,217**	**35,103**	**37,024**	**38,859**
Gross margin (%)	20.4	18.4	17.7	17.8	17.9
SG&A expenses	21,510	22,749	23,516	24,390	25,258
Operating profit	**14,240**	**11,468**	**11,588**	**12,634**	**13,601**
Operating margin (%)	8.1	6.2	5.8	6.1	6.3
Non-operating gains (losses)	**3,223**	**2,374**	**2,943**	**3,284**	**3,477**
Financial profit	1,531	1,299	786	706	789
Financial costs	899	1,010	599	599	611
Equity-method gains (losses)	3,114	2,510	2,883	3,088	3,240
Other	-524	-425	-127	90	58
Pre-tax profit	**17,462**	**13,842**	**14,531**	**15,919**	**17,077**
Taxes	4,232	3,477	3,633	3,980	4,269
Effective tax rate (%)	24.2	25.1	25.0	25.0	25.0
Profit from continuing operations	13,549	10,365	10,898	11,939	12,808
Profit from discontinued operations	-319	0	0	0	0
Net profit	**13,230**	**10,365**	**10,898**	**11,939**	**12,808**
Net margin (%)	7.5	5.6	5.5	5.7	5.9
Net profit (controlling interests)	12,527	9,446	10,571	11,581	12,424
Net profit (non-controlling interests)	703	919	327	358	384
EBITDA	18,527	16,484	16,725	17,878	18,813
EBITDA margin (%)	10.6	8.9	8.4	8.6	8.7
EPS (parent-based) (KRW)	46,042	35,331	39,833	43,637	46,814
EPS (consolidated) (KRW)	48,626	38,767	41,065	44,987	48,261
Adjusted EPS (KRW)*	46,042	35,331	39,833	43,637	46,814

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**115,764**	**120,777**	**119,998**	**126,678**	**134,480**
Cash & equivalents	19,015	18,361	10,952	12,515	15,645
Accounts receivable	5,908	8,600	9,169	9,608	10,009
Inventories	19,791	20,662	22,028	23,083	24,046
Other current assets	71,050	73,155	77,848	81,472	84,780
Fixed assets	**224,034**	**248,067**	**260,668**	**272,725**	**282,466**
Investment assets	41,392	45,719	50,167	54,550	56,893
Tangible assets	44,534	48,750	50,849	51,811	51,778
Intangible assets	7,683	9,268	9,032	8,826	8,647
Other long-term assets	130,425	144,331	150,620	157,538	165,148
Total assets	**339,798**	**368,845**	**380,665**	**399,403**	**416,946**
Current liabilities	**79,510**	**88,579**	**86,517**	**91,112**	**94,971**
Accounts payable	12,550	12,287	13,100	13,727	14,300
Short-term debt	9,327	10,388	10,388	10,388	10,388
Other current liabilities	57,633	65,904	63,028	66,996	70,283
Long-term liabilities	**140,013**	**152,617**	**157,694**	**162,786**	**166,813**
Bonds & long-term debt	120,420	131,240	134,240	137,240	140,240
Other long-term liabilities	19,593	21,377	23,453	25,546	26,573
Total liabilities	**219,522**	**241,197**	**244,210**	**253,898**	**261,784**
Owners of parent equity	**109,103**	**115,447**	**123,926**	**132,618**	**141,891**
Capital stock	1,489	1,489	1,489	1,489	1,489
Capital surplus	7,656	7,780	7,780	7,780	7,780
Retained earnings	96,596	101,312	109,257	117,949	127,222
Other	3,362	4,865	5,400	5,400	5,400
Non-controlling interests' equity	**11,173**	**12,202**	**12,529**	**12,887**	**13,271**
Total equity	**120,276**	**127,648**	**136,455**	**145,505**	**155,162**
Net debt	130,142	152,127	155,890	157,530	157,629

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**-5,662**	**-5,991**	**13,184**	**15,462**	**14,765**
Net profit	13,230	10,365	10,898	11,939	12,808
Non-cash profit and expenses	23,950	25,920	4,667	4,996	5,031
Depreciation	3,398	3,745	3,901	4,038	4,033
Amortization	889	1,272	1,236	1,206	1,179
Other	19,663	20,904	-470	-248	-181
Changes in A/L from operating activities	-35,160	-34,325	31	1,368	-15
Cash flow from investments	**-14,623**	**-10,347**	**-13,805**	**-13,291**	**-12,950**
Change in tangible assets	-7,890	-8,121	-6,000	-5,000	-4,000
Change in financial assets	-1,842	2,832	-516	-373	-340
Other	-4,891	-5,059	-7,289	-7,918	-8,610
Cash flow from financing	**19,493**	**15,425**	**-5,860**	**632**	**368**
Change in debt	32,090	18,624	-3,234	3,521	3,519
Change in equity	3,278	124	0	0	0
Dividends	-3,913	-3,689	-2,626	-2,889	-3,151
Other	-11,961	366	0	0	0
Change in cash	-152	-654	-7,408	1,563	3,129
Cash at beginning of year	19,167	19,015	18,361	10,952	12,515
Cash at end of year	19,015	18,361	10,952	12,515	15,645
Gross cash flow	**37,180**	**36,285**	**15,566**	**16,935**	**17,839**
Free cash flow	**-13,723**	**-14,358**	**7,184**	**10,462**	**10,765**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	7.7	6.3	6.6	4.8	4.2
Operating profit	-5.9	-19.5	1.0	9.0	7.7
Net profit	7.8	-21.7	5.1	9.5	7.3
Adjusted EPS**	5.6	-23.3	12.7	9.5	7.3
Per-share data (KRW)					
EPS (parent-based)	46,042	35,331	39,833	43,637	46,814
EPS (consolidated)	48,626	38,767	41,065	44,987	48,261
Adjusted EPS**	46,042	35,331	39,833	43,637	46,814
BVPS	413,568	439,541	472,831	505,994	541,374
DPS (common)	12,000	10,000	11,000	12,000	12,000
Valuations (x)					
P/E***	4.6	8.4	11.9	10.8	10.1
P/B***	0.5	0.7	1.0	0.9	0.9
EV/EBITDA	10.5	14.4	16.7	15.8	15.0
Ratios (%)					
ROE	12.4	8.4	8.8	9.0	9.1
ROA	4.3	2.9	2.9	3.1	3.1
ROIC	7.1	3.6	3.3	3.5	3.7
Payout ratio	19.5	21.4	21.1	21.0	19.6
Dividend yield (common)	5.7	3.4	2.3	2.5	2.5
Net debt to equity	108.2	119.2	114.2	108.3	101.6
Interest coverage (x)	31.5	20.0	19.4	21.1	22.3

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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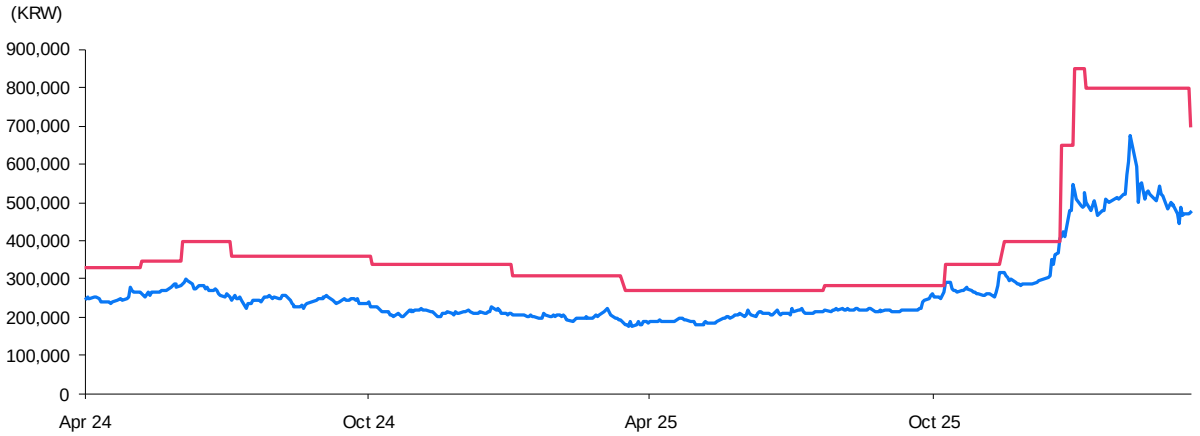
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/3/20	5/29	6/25	7/26	10/25	2025/1/24	4/7	8/14	10/31	12/8	2026/1/14	1/22
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	330000	345000	400000	360000	340000	310000	270000	285000	340000	400000	650000	850000
Gap* (average)	-26.19	-21.52	-31.63	-32.30	-37.27	-34.90	-26.06	-20.49	-20.69	-22.55	-27.91	-40.91
(max or min)**	-16.06	-16.96	-25.50	-28.06	-33.38	-28.39	-17.41	-7.02	-7.35	1.50	-15.54	-37.88

Date	1/30	4/7
Recommendation	BUY	BUY
Target price (KRW)	800000	700000
Gap* (average)	-35.99	
(max or min)**	-15.75	

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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Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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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 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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