SECTOR UPDATE

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EV/Mobility Team

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Autos (OVERWEIGHT)

Overseas marketing takeaways: Execution drives confidence

- On a recent marketing trip, the key topics we discussed with investors were autonomous driving, robotics, corporate governance, the impact of rising raw material prices, and money movements in the Korean market.
- Kia outperforms HMC on core automotive fundamentals, but investors see HMC as the robotics play. Within the supply chain, we see opportunities in SL Corporation and Hankook Tire & Technology, and longer-term potential in Hyundai Mobis.
- HMC's and Kia's autonomous driving roadmaps alone will not justify rerating. To deserve to trade above 10x P/E, HMC needs to demonstrate clear technological leadership and show strong confidence in its vision.

AT A GLANCE

Hyundai Motor (005380 KS, 546,000)		
Target price	KRW700,000	28.2%
BUY		
Kia (000270 KS, 160,000)		
Target price	KRW230,000	43.8%
BUY		
Hyundai Mobis (012330 KS, 447,000)		
Target price	KRW600,000	34.2%
BUY		
SL Corporation (005850 KS, 64,900)		
Target price	KRW87,000	34.1%
BUY		
Hankook T&T (161390 KS, 62,100)		
Target price	KRW85,000	36.9%
BUY		

WHAT'S THE STORY?

Soaring interest in Korea's market and the technological leadership of Korean conglomerates

- **Korea's "money move":** The investors we met during a recent marketing trip agreed that a structural shift is underway in household asset allocation in Korea, and they acknowledged the growing influence of retail investors. The post-pandemic enthusiasm that once centered on lithium-ion batteries and Tesla now appears to be shifting toward Hyundai Motor (HMC).
- **Opinions divided on whether robotics will become leading sector:** Semiconductors, power equipment, shipbuilding, and defense remain the leading sectors. While humanoid robotics represent a long-term megatrend, commercialization will require a significant amount of time. In China, over the past three years, robotics—centered on Tesla's Optimus supply chain—was the hottest theme, but interest has now cooled.

Physical AI demands strong technological leadership to attract massive capital

- **Differences from the EV era:** During the EV boom five years ago, every automaker and startup rushed to announce investments. Today, apart from major tech companies, few are doing so. Outside of Hyundai Motor Group (HMG), traditional automakers have been reluctant to invest in physical AI. This is because the capital requirements are enormous, the optimal investment scale is unclear, and the competitive outcome remains uncertain. In fact, many automakers are still processing large losses from EV investments.

(Continued on the next page)

- **Physical AI requires massive capital:** Physical AI not only requires data centers with short depreciation periods (3-5 years) but also long-term operating expenses associated with collecting real-world data. Tesla, for example, has installed sensors and chips in every vehicle—regardless of whether customers opt for FSD—to gather the data needed to refine its autonomous driving system. This has lifted per-vehicle cost by approximately USD2,500 (6% of the firm's 2025 ASP). Despite four consecutive years of earnings struggles, Tesla's valuation has risen because investors believe Elon Musk can secure all necessary funding and that his empire will emerge as the winner in the physical AI era.

  Elon Musk initiated the space data center and TeraFab projects before the payback period for autonomous driving investments had even begun.

- **HMG must demonstrate strong technological leadership and confidence in its vision:** At CES this year, HMC showcased the most-advanced progress toward humanoid robot commercialization, triggering a short-term share-price rally. However, the stock has since corrected and is now trading at around 10x P/E—similar to Toyota's valuation. In autonomous driving, HMC lags its Chinese competitors. Merely announcing a roadmap is insufficient to justify a valuation uplift. HMC is not a technology leader but a fast follower, and its 2028 commercialization target remains slower than that of leading Chinese firms. The most credible area where HMG might lead is robotics. For Google DeepMind and Nvidia to compete with Tesla in the physical world, they need a partner capable of mass-deploying devices and accumulating real-world data at scale. HMC is uniquely positioned for this role. To substantiate this logic, HMG must clearly define the specific roles of each subsidiary and raise its longer-term robot sales targets, demonstrating confidence in its vision.

- **HMC vs Kia:** Kia outperforms HMC on core automotive metrics (*eg*, profitability and sales growth). Yet among Korean retail investors, HMC has increasingly been perceived not as a carmaker but as a robotics company. This perception has fueled a dramatic outperformance in its share price. With retail investors driving Korea's ongoing market rally, the valuation gap between HMC and Kia is likely to persist.

Impact of rising commodity costs

- **Middle East conflict to affect earnings from 2Q:** Raw materials equate to 13-14% of vehicle sales, with steel making up half of that. Aluminum and plastics—both of which saw sharp price spikes—together equate to around 5% of revenue. The burden falls largely on automakers themselves. Hanon Systems, a key supplier of radiator grilles, is expected to face increased cost pressure due to rising aluminum prices.

  However, the weakening Korean won may help offset some of these pressures—if vehicle sales volume holds steady, currency depreciation could provide a partial buffer.

- **Tire makers to face near-term margin pressure:** For tire manufacturers, raw material costs are equivalent to up 33-35% of revenue. Butadiene and carbon black—both derived from crude oil—rose 30-40% in March, and the impact should begin to show in earnings by late 2Q. Still, tire companies have pricing power. With inflation and high interest rates (60-month auto loan rates are near 6.5% in the US), consumers are holding onto their cars for longer and turning to the used-vehicle market. As a result, any tire price hikes should be reflected in earnings only gradually.

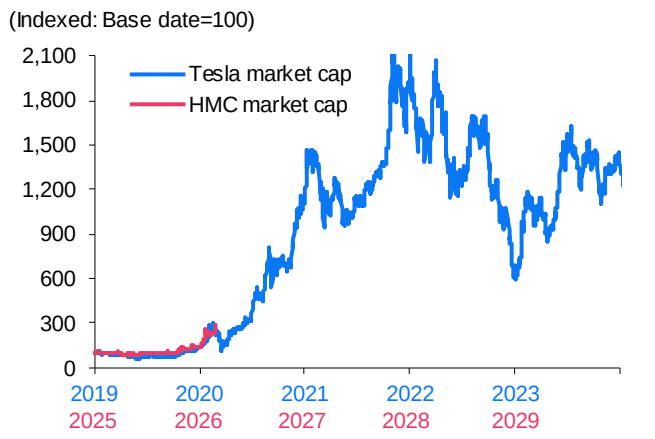
Rising hybrid sales in the US—positive

- **HMC/Kia's push to expand hybrid lineup is paying off:** In March, HMC/Kia overtook Honda to become the second-largest hybrid seller in the US. Profitability should improve on higher sales of hybrid vehicles and reduced incentives. Together, the two Korean brands are now selling nearly as many vehicles as Ford in the US—and they are on pace to surpass Ford in 2Q, moving them into third place by volume among automaker groups.
- **Production in the US growing:** Hybrid vehicle production at Hyundai Motor Group Meta Plant America is accelerating the shift toward local manufacturing. The share of US-built HMC and Kia vehicles is expected to rise from 40% in 2025 to 65% by 2030.

Time to focus on Hyundai Mobis, Hankook T&T, and SL Corporation

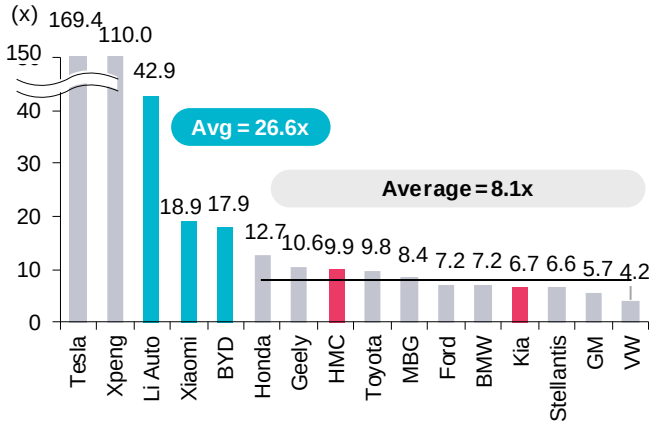
- **Hyundai Mobis attractive in the long term:** Hyundai Mobis has delivered solid earnings, and its robotics actuator business is gaining traction. If governance reform elevates its position within the group, Mobis could become the chairman's largest holding and unlock more-aggressive shareholder returns.
- **Hankook T&T to benefit from rising EV tire demand:** Although raw material costs should pressure Hankook T&T's near-term earnings, the tiremaker's pricing power and the coming wave of EV tire replacements—coupled with higher margins—suggests the stock remains significantly undervalued.
- **SL Corporation—a standout in both the SDV and robotics segments:** Among medium-sized suppliers, SL Corporation boasts the highest profitability. It supplies side body control modules for SDV platforms and is well-positioned to grow in lidar modules and robotic body systems.

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



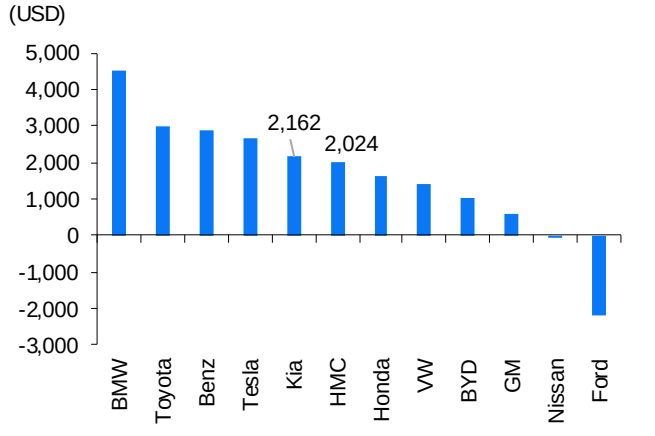
Sources: Bloomberg, Samsung Securities

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

Global automakers: Operating profit per vehicle



Source: Bloomberg, Samsung Securities

Tesla: FSD cost breakdown

Category	Details	Amount (USD)	Notes
Hardware	8 cameras	333	Resolution upgraded from 1.2MP to 5MP
	12 ultrasonic sensors	100	
	Hardware 4.0	699	
	Subtotal	**1,132**	
Development cost		1,335	50% of 2024 R&D expenses allocated
Data center		118	Amortized over 5 years / 1.7m units
FSD total cost		**2,585**	

Source: System Plus, Samsung Securities estimates

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

Boston Dynamics: Robot value chain

Product	Component	Company	Notes
E-Atlas	Actuator	Hyundai Mobis	Sub-component sourcing status is undecided
	Head module	Hyundai Mobis	
	Body module, arm, leg	Hwashin	
	Battery	LG Energy Solution	
	Smart lighting	n/a	Bidding in progress
	SI / Control system	Hyundai AutoEver	
Spot	Actuator	HL Mando	2nd generation release planned for 2027
	Leg Module	SL Corp	
	SI / control	Hyundai AutoEver	
Stretch (Logistics Robot)	Turn Signal	SL Corp	

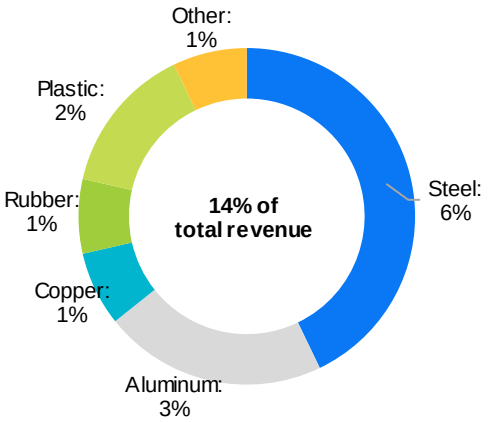
Source: Company data, Samsung Securities

Robotics Lab: MobED value chain

Component	Company	Remarks
Lidar	SOS Lab	2 units per robot / Supplied as a module by SL Corp
Battery	Samsung SDI	Cylindrical
Edge chip	DeepX	DX-M1 NPU / Computing power: 30 FPS / Power consumption: 5 W
Actuator	Gyeyang Electric	12 units per robot
Contract manufacturing	SL Corp	Includes battery pack

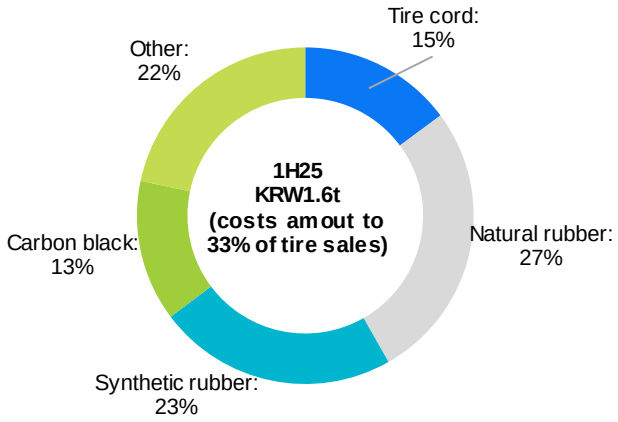
Note: The target is to sell 10,000 to 15,000 units over the next three years.
Source: HMC, Samsung Securities

HMC/Kia: Raw material costs as a percentage of sales



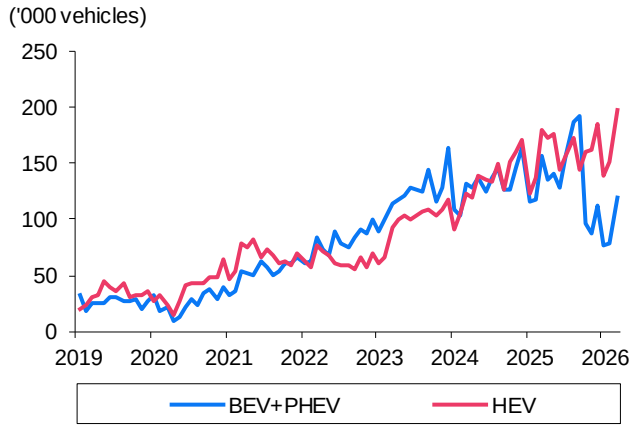
Source: HMC, Samsung Securities

Hankook T&T: Material cost breakdown



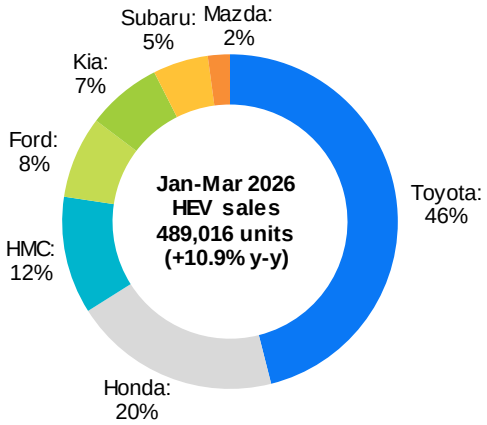
Source: Company data, Samsung Securities

US: Auto demand - HEVs vs BEVs+PHEVs



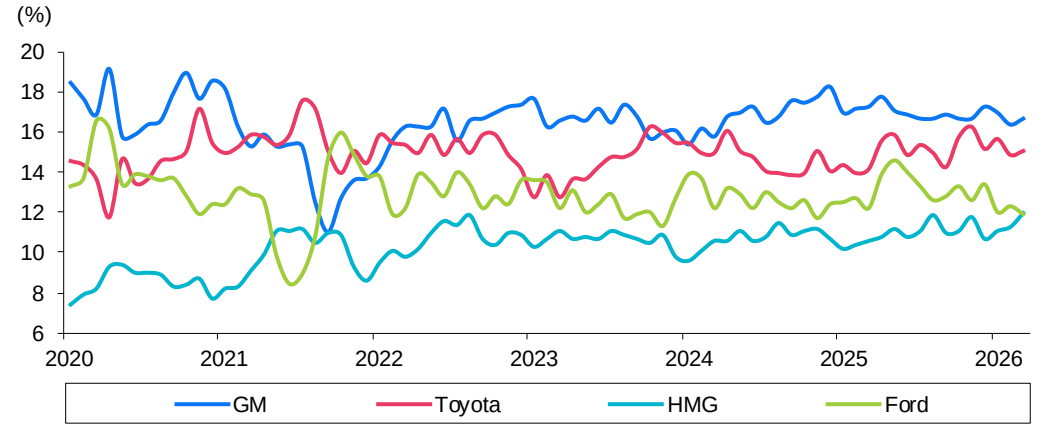
Source: Marklines, Samsung Securities

US market: Hybrid market share



Source: Marklines, Samsung Securities

US: Market share, by automaker



Source: MarkLines, Samsung Securities

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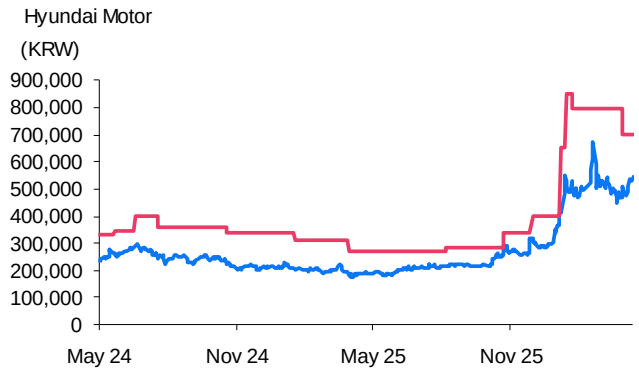
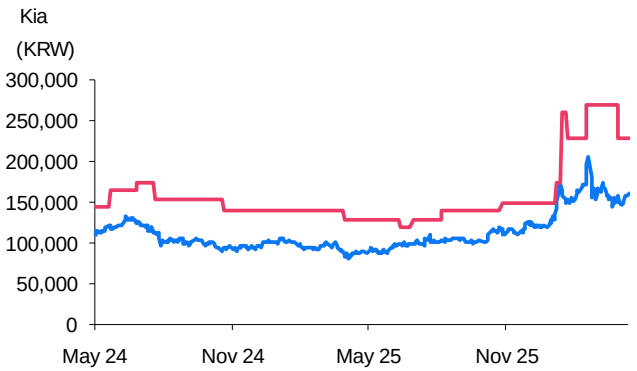
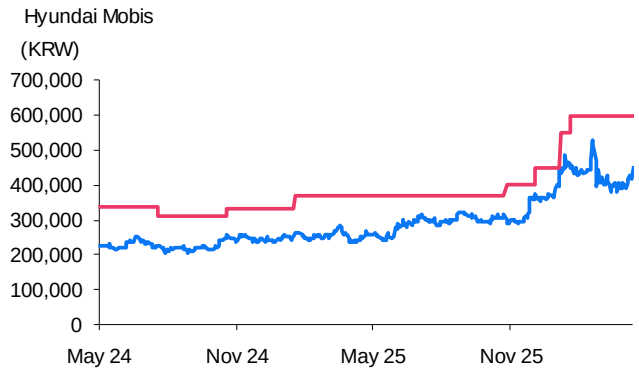
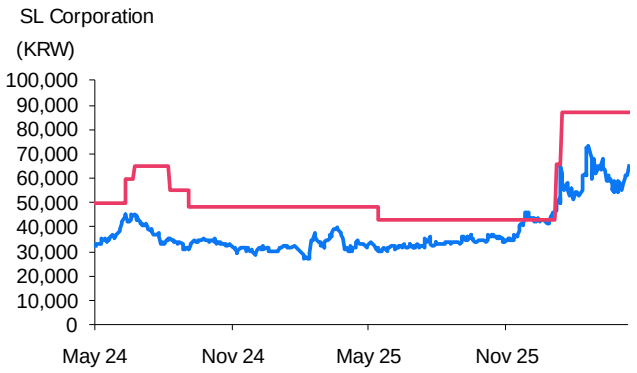
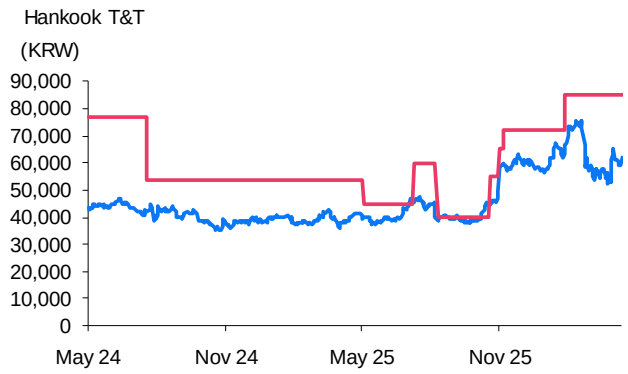
Target price changes in past two years











Rating changes over past two years (adjusted share prices)

Hyundai Motor												
Date	2024/3/20	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											
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	2/25	4/7									
Recommendation	BUY	BUY	BUY									
Target price (KRW)	230000	270000	230000									
Gap* (average)	-30.12	-39.27										
(max or min)**	-24.35	-23.70										
Hyundai Mobis												
Date	2024/3/20	7/26	10/25	2025/1/24	11/3	12/12	2026/1/14	1/28				
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY				
Target price (KRW)	340000	310000	330000	370000	400000	450000	550000	600000				
Gap* (average)	-30.85	-28.56	-24.95	-24.53	-22.07	-16.66	-16.89					
(max or min)**	-21.76	-19.35	-21.67	-12.30	-9.38	0.22	-11.36					
SL Corporation												
Date	2023/7/6	2024/6/18	7/1	8/16	9/11	2025/5/22	2026/1/14	1/22				
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY				
Target price (KRW)	50000	60000	65000	55000	48000	43000	66000	87000				
Gap* (average)	-32.97	-27.26	-41.11	-40.00	-32.28	-17.11	-19.92					
(max or min)**	-11.60	-24.67	-32.08	-37.09	-17.29	7.79	-1.82					
Hankook T&T												
Date	2024/2/27	5/2	7/25	2025/5/12	7/17	8/18	10/27	11/10	11/14	2026/2/5		
Recommendation	BUY	BUY	BUY	HOLD	BUY	HOLD	BUY	BUY	BUY	BUY		
Target price (KRW)	70000	77000	54000	45000	60000	40000	55000	65000	72000	85000		
Gap* (average)	-20.95	-42.64	-26.89	-10.33	-25.13	0.11	-15.80	-8.72	-15.70			
(max or min)**	-9.86	-31.56	-17.31	3.89	-21.17	13.38	-10.27	-8.15	-6.67			

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
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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

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