COMPANY UPDATE

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EV/Mobility Team

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Hankook T&T (161390)

1Q review; Competitiveness shines despite Iran conflict

- Hankook T&T's 1Q operating profit met market consensus but came in 8% below our forecast due to the deferral of about KRW40b in anti-dumping duty refunds.
- Raw material cost pressure, driven by the Middle East conflict, should begin impacting margins starting in 3Q. However, these headwinds are expected to be partially offset by 50–60% through product price increases, higher mix contribution from EV tires, and expanding market share in Europe.
- Despite strong momentum from growing EV tire demand and market share gains in Europe, the company trades at a 50% discount to its peers on a P/E basis. It should offer a dividend yield of 5.3% for the year.

WHAT'S THE STORY?

Solid 1Q26 results: Hankook T&T's tire sales grew 9.3% y-y in 1Q, despite flat RE and OE tire sales volumes, driven by a weaker won against the US dollar and a favorable product mix. Logistics costs (accounting for 4-5% of total sales) and raw material costs trended lower. Anti-dumping duty refunds (estimated at KRW40b pa; typically recognized in 4Q; due to a fall in anti-dumping duty rate) was deferred to 2Q-3Q26.

- **High profitability seen in 2023-2024 in replay:** The tire business posted sales of KRW2.5t (up 9.3% y-y), operating profit of KRW437.5b (up 31.2% y-y), and an operating margin of 17.1% (down 2.9%pts y-y). The performance was fueled by: 1) ASP hike; and 2) a favorable product mix with increased sales of EV tires (typically 19 inches or larger; priced 5-10% higher than 17-18-inch tires)–vs cost decline two years ago. Tires of 18-inches and above accounted for 49.1% of total sales, up 2%pts y-y.

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AT A GLANCE

BUY

Target price	KRW85,000	37.5%
Current price	**KRW61,800**	
Market cap	KRW7.7t/USD5.1b	
Shares (float)	123,875,069 (55.3%)	
52-week high/low	KRW75,900/KRW37,550	
Avg daily trading value (60-day)	KRW27.5b/ USD18.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hankook T&T (%)	3.9	7.9	53.9
Vs Kospi (%pts)	-14.4	-43.3	-46.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	85,000	85,000	0.0%
2026E EPS	9,175	9,175	0.0%
2027E EPS	10,984	10,984	0.0%

SAMSUNG vs THE STREET

No of estimates	13
Target price	84,923
Recommendation	4.0

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	5,313.9	7.1	-2.6	4.0	1.7
Operating profit	507.0	43.0	-7.3	-8.3	1.8
Pre-tax profit	528.8	34.4	105.3	17.3	22.3
Controlling profit	346.2	8.3	75.3	-7.5	4.1
Margins (%)					
Operating profit	9.5				
Pre-tax profit	10.0				
Controlling profit	6.5				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	6.6	6.7	5.6
P/B	0.6	0.6	0.5
EV/EBITDA	4.1	3.8	3.3
Div yield (%)	3.9	5.3	6.5
EPS growth (% y-y)	-2.3	4.3	19.7
ROE (%)	9.4	9.1	10.1
Per-share data (KRW)			
EPS	8,795	9,175	10,984
BVPS	99,234	106,421	114,275
DPS	2,300	3,300	4,000

The 9.3% y-y hike in sales was driven by: 1) volume increase (1.8%); 2) price hikes (2.3%); and 3) a weaker won (6.5%). On the cost side, raw materials (at Korean plant levels: USD1,632 per tonne, down 8.6% y-y) and logistics expenses remained stable at about 5% of sales.

- **Regional performance—Sales growth balanced except Korea:** Hankook T&T's sales in: 1) Korea came in at KRW235b (down 2.9% y-y), reflecting contraction in the RE market due to inflationary pressures, despite a hike in OE tire sales thanks to higher demand for EV tires; 2) China reached KRW230b (up 18.5% y-y), driven by a rebound in RE tire demand from a low base, despite a fall in EV tire sales due to reduced government subsidies for electric vehicles; 3) Europe hit KRW1.2t (up 18.5% y-y), resulting in a hike in market share; and 4) North America reached KRW567b (up 5.1% y-y), fueled by an improved RE tire mix and increased OE tire supply.
- **Share of EV tires:** At Hankook T&T, the EV tire portion of its total OE tire sales reached 29.6% (up 6.6%pts y-y). The figure is, however, lower than the 4Q25 level of 32%, attributable to a fall in EV demand in China—EV demand in China fell 20% y-y, due to reduced purchase subsidies (from CNY20,000 to CNY15,000) and the reintroduction of a 5% purchase tax (from 0%). Hankook T&T, which supplies tires to pure EV manufacturers such as Tesla and BYD, took a hit during 1Q. EV demand in China should recover starting in April.
- **Raw material cost headwinds:** In 2025, raw material costs equated to 30% of Hankook T&T's sales, with the largest components being natural rubber (8.2% of sales), synthetic rubber (6.7%), tire cord (4.69%), and carbon black (4.27%). Butadiene, a feedstock for synthetic rubber, is produced through naphtha cracking, while carbon black is made by thermal decomposition of heavy fuel oil.

  Raw material input prices (based on the Korean plant) should fall 4.8% y-y to USD1,769 per tonne in 2Q, but they have begun rising q-q after hitting a bottom in4Q25.

  Since the start of the year, synthetic rubber and carbon black prices have increased 12% and 20%, respectively, due to the Middle East conflict. Tire inventory levels remain at a three-month supply, meaning cost impacts will be reflected starting in 3Q. Without mitigation efforts, this could pressure operating margin by 1.6–2%pts.
- **Raw material cost mitigation strategies:** For natural rubber, the company seeks diversification of procurement sources to Africa and Laos. For synthetic rubber and carbon black, the company plans price increases. In early 2026, the company implemented 2% price hikes in Europe and Korea, with further adjustments under review for 2H.
- **Logistics costs to remain stable:** Logistics expenses are expected to stay at 4–5% of sales. While the Shanghai Containerized Freight Index rose due to the Middle East conflict, the company does not transit through the Strait of Hormuz. Negotiations for 2H freight rates are ongoing, and due to distinct shipping routes, material impact on costs is not anticipated.

European market–Opportunity from EU anti-dumping duties on Chinese tires

- **Investigation timeline:** The EU launched its investigation in May 2025 for a 12-month period. Final duty rates will be determined by May 7, 2026, following submissions from affected companies. Anti-dumping duties are scheduled to take effect on Jun 18, 2026.
- **Duty rates:** 30% for companies that fully cooperate with the investigation and 52% for non-cooperating ones.

- **Hankook T&T's duty rate–3.4%:** Hankook T&T received a significantly lower rate due to consistent pricing adjustments and transparent cost structures that demonstrate its pricing is not aligned with the dumped Chinese products under review. With a significantly lower duty rate than competitors and leveraging its Hungarian plant, Hankook T&T aims to expand its market share in Europe. As of 1Q, Europe accounted for 46.8% of total sales — the most critical market for the company. Now, its market share in Europe stands at 13%, up 5%pts over the past decade.

2Q earnings outlook

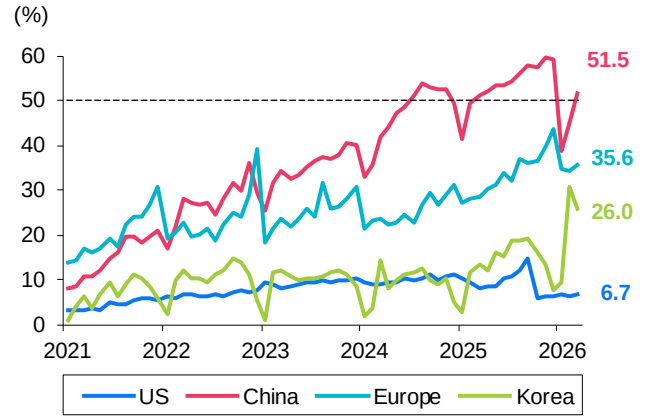
- **Margin to fall q-q due to rising raw material costs:** We forecast Hankook T&T to post 2Q sales of KRW5.6t (up 6% q-q and 5.0% y-y), operating profit of KRW518.3b (up 2.2% q-q and 46.6% y-y), and an operating margin of 9.2%. If anti-dumping duty refunds are recognized, operating profit could rise to KRW560b. FnGuide consensus estimates sales at KRW5.6t, operating profit at KRW541.5 billion, and an operating margin at 9.5%.
- **Anti-dumping duty refunds to be recognized in 2Q–3Q:** Refunds previously received annually in 4Q (due to lower US anti-dumping duties) were initially deferred to 1Q26 due to a US government shutdown and are now expected to be further delayed until 2Q-3Q26. The US anti-dumping duty on Korean tires was originally set on May 24, 2021. Hankook T&T and two other domestic tire manufacturers submitted data and pursued legal appeals, resulting in a downward revision in early Feb 2024. Hankook T&T's duty rate was reduced from 27.05% to 6.3% (by 20.75%pts). Refunds for the duty differential—to be recognized for a three-year period—were received in 4Q23 (KRW100 billion) and 4Q24 (KRW70b). A KRW40b refund, originally expected in 4Q25, has now been deferred to 2Q–3Q26.
- **Tennessee # 2 plant (US) to reach more than 90% utilization in 2H26:** An additional 6m units of capacity came online in 4Q25.

Hankook T&T: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	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	4,964	5,370	5,413	5,456	5,314	5,639	5,515	5,564	9,412	21,202	22,031	22,948
Chg (% y-y)	133.3	131.7	122.3	115.5	7.1	5.0	1.9	2.0	5.3	125.3	3.9	4.2
Tire	2,346	2,511	2,707	2,754	2,566	2,722	2,774	2,729	9,412	10,319	10,790	11,424
Chg (% y-y)	10.3	8.3	11.2	8.8	9.3	8.4	2.5	-0.9	5.3	9.6	4.6	5.9
Thermal management	2,617	2,858	2,706	2,703	2,748	2,917	2,741	2,835	n/a	10,884	11,241	11,523
Chg (% y-y)	n/a	n/a	n/a	n/a	5.0	2.0	1.3	4.9	n/a	n/a	3.3	2.5
Gross profit	964	1,098	1,297	1,306	1,202	1,267	1,346	1,259	3,468	4,665	5,074	5,528
Operating profit	355	354	586	547	507	518	479	454	1,762	1,841	1,958	2,258
Chg (% y-y)	-11.1	-15.8	24.6	15.5	43.0	46.6	-18.3	-17.0	32.7	4.5	6.4	15.3
Tire	334	289	491	457	438	410	375	304	1,762	1,571	1,498	1,768
Chg (% y-y)	-16.3	-31.1	4.3	-3.4	28.4	41.7	-23.6	-33.5	32.7	-10.9	-4.6	18.0
Thermal management	21	64	95	90	97	108	104	150	n/a	270	460	490
Chg (% y-y)	-67.7	-10.2	-1.0	nm	361.1	68.6	9.0	67.5	n/a	n/a	70.0	6.7
Net profit	312	179	390	91	372	293	276	282	1,131	972	1,223	1,462
Controlling profit	320	182	390	197	346	272	257	262	1,115	1,089	1,137	1,359
Margins (%)												
Gross profit	19.4	20.4	24.0	23.9	22.6	22.5	24.4	22.6	36.8	22.0	23.0	24.1
Operating profit	7.1	6.6	10.8	10.0	9.5	9.2	8.7	8.2	18.7	8.7	8.9	9.8
Tire	14.2	11.5	18.1	16.6	17.1	15.1	13.5	11.1	18.7	15.2	13.9	15.5
Thermal management	0.8	2.2	3.5	3.3	3.5	3.7	3.8	5.3	n/a	2.5	4.1	4.3
Net profit	6.3	3.3	7.2	1.7	7.0	5.2	5.0	5.1	12.0	4.6	5.5	6.4
Controlling profit	6.4	3.4	7.2	3.6	6.5	4.8	4.7	4.7	11.8	5.1	5.2	5.9

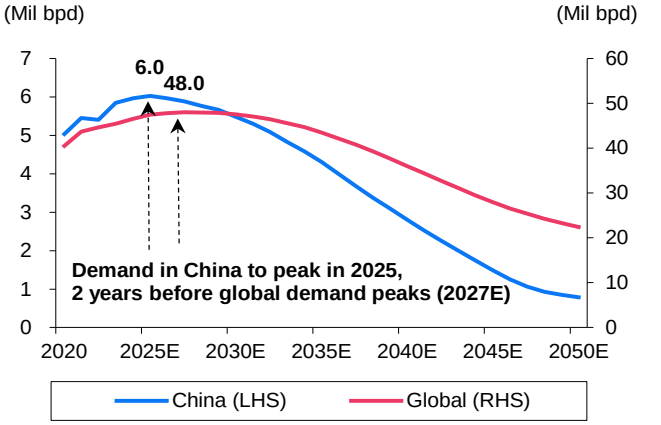
Source: Company data, Samsung Securities estimates

Global xEV penetration, by region



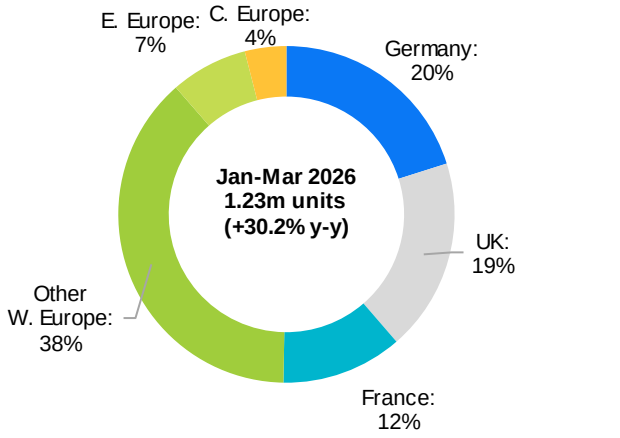
Source: EV-Volumes, Samsung Securities

Global transportation fuel: Peak demand—China vs the world



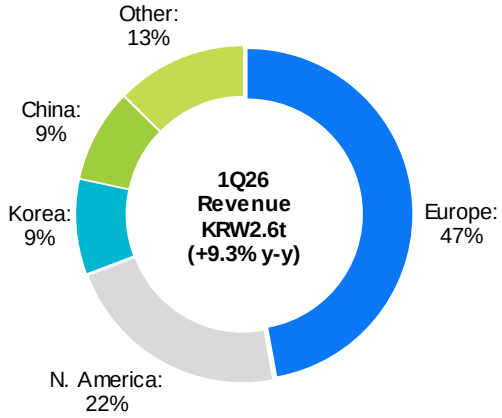
Source: Bloomberg NEF, Samsung Securities

Europe: EV demand, by country



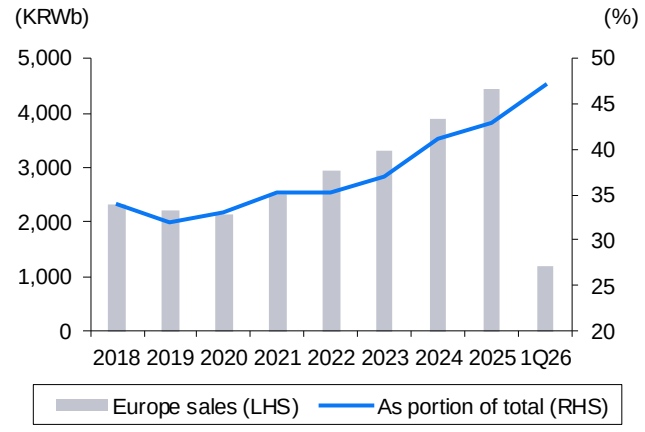
Source: EV-Volumes, Samsung Securities

Hankook T&T: Sales, by country



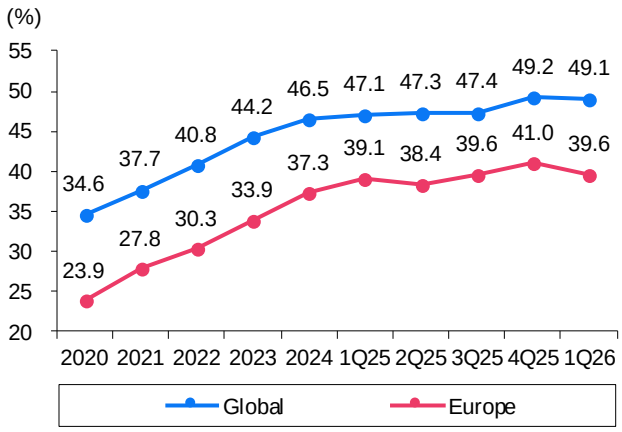
Source: Company data, Samsung Securities

Hankook T&T's revenue from Europe: Absolute and as portion of total



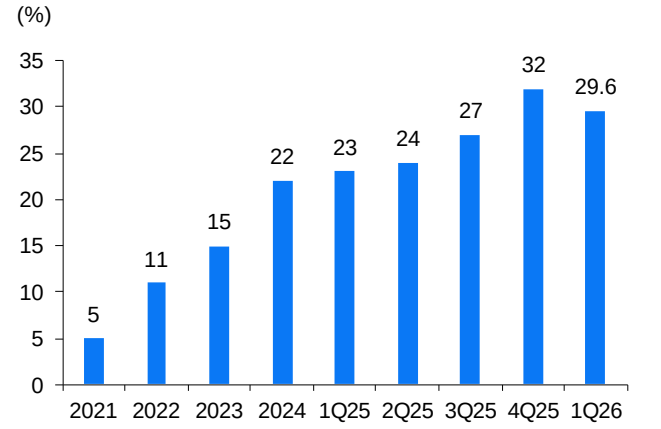
Source: Company data, Samsung Securities

Hankook T&T: 18-inch-or-larger portion of tires



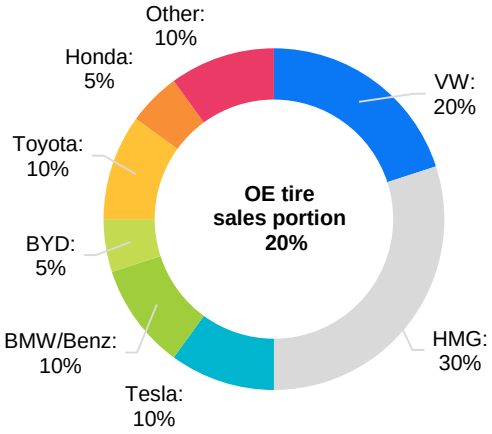
Source: Company data, Samsung Securities

Hankook T&T: EV tire portion of total OE tire sales volume



Source: Company data, Samsung Securities

Hankook T&T: OE tire sales, by customer



Source: Company data, Samsung Securities

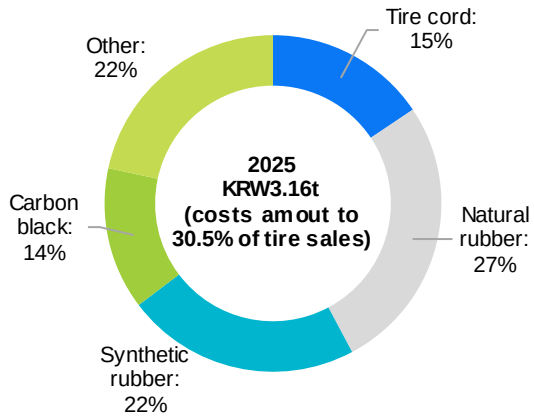
Tesla: Model Y (comes with 19- or 20-inch tires)

Source: Company data

Ford: F-150 Lightning (18- 20- or 22-inch tires)

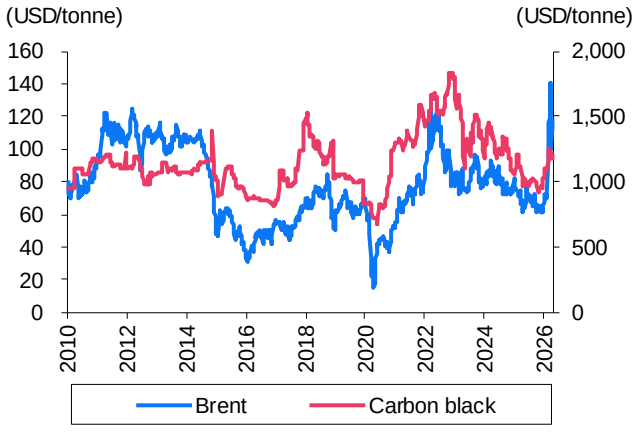
Source: Company data

Hankook T&T: Material cost breakdown



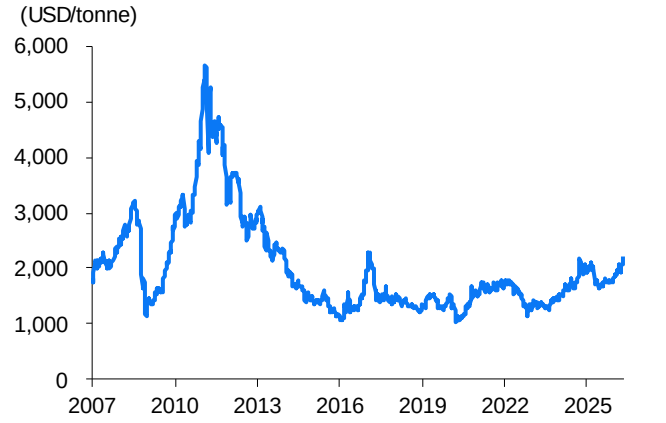
Source: Company data, Samsung Securities

Oil prices vs carbon black prices



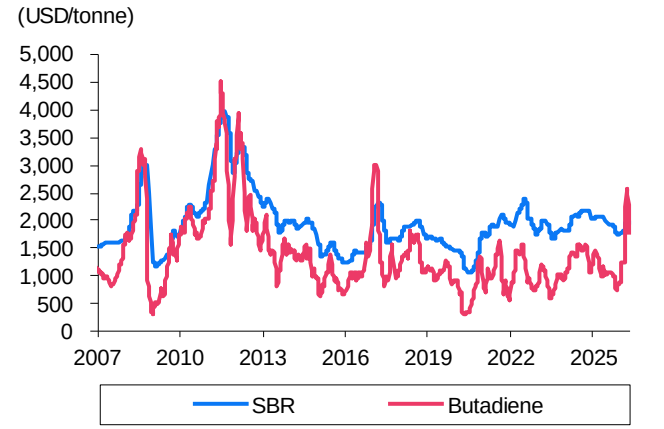
Note: Based on Brent crude
Source: Bloomberg, Samsung Securities

Natural rubber price



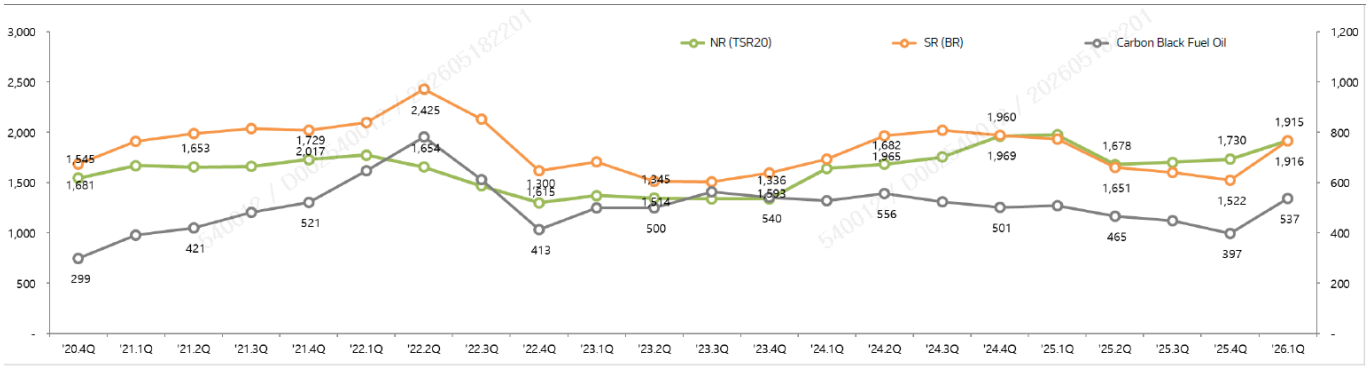
Source: Bloomberg, Samsung Securities

Synthetic rubber and butadiene prices



Source: Bloomberg, Samsung Securities

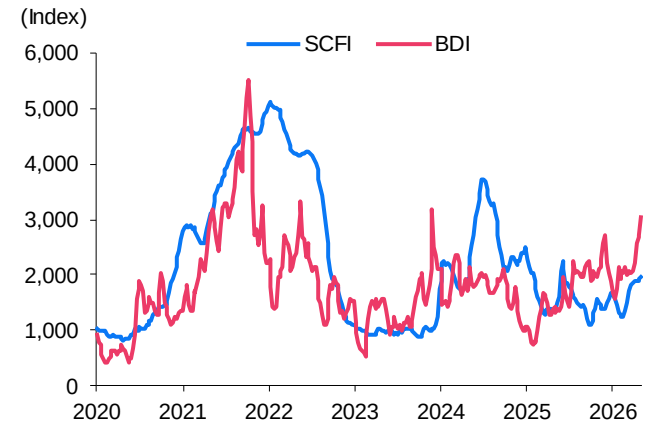
Hankook T&T: Raw material input costs



Note 1) TSR20 : SICOM Price (Natural Rubber)
Note 2) BR(Butadiene Rubber) : ICIS CFR NE/SE Asia Average Price
Note 3) Carbon Black Fuel Oil: Index Price of refined Oil

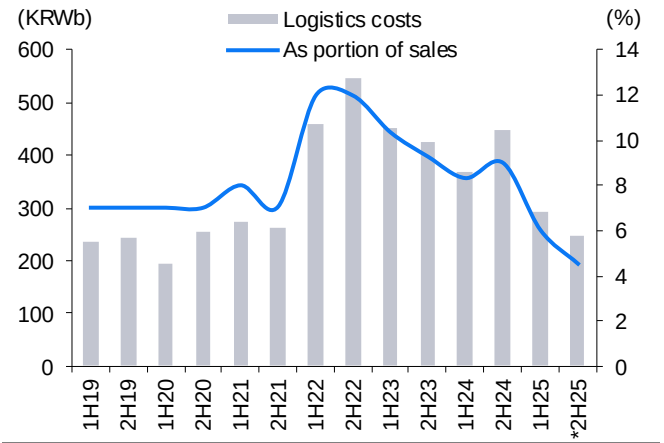
Note: Unit = USD/tonne
Source: Company data

Shipping indices: SCFI and BDI



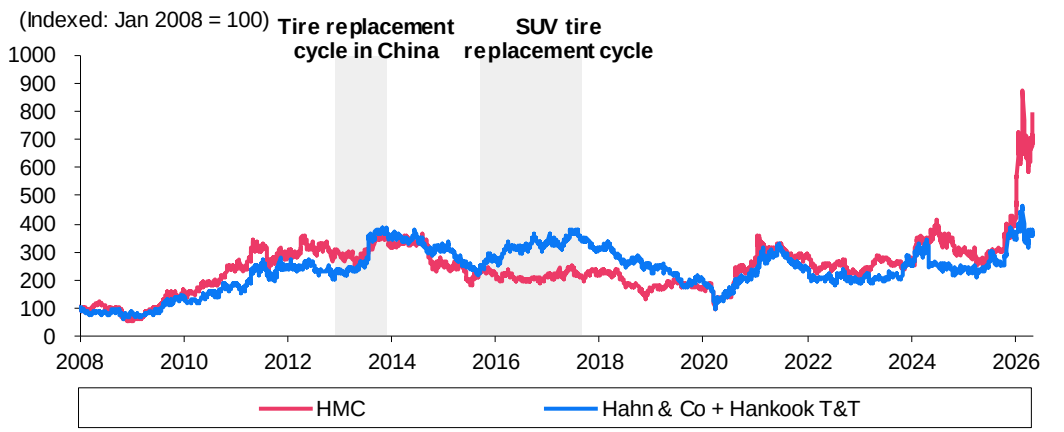
Source: Bloomberg, Samsung Securities

Hankook T&T: Logistics costs



Source: Company data, Samsung Securities estimates

Relative market cap: Hankook T&T + Hahn & Co vs HMC



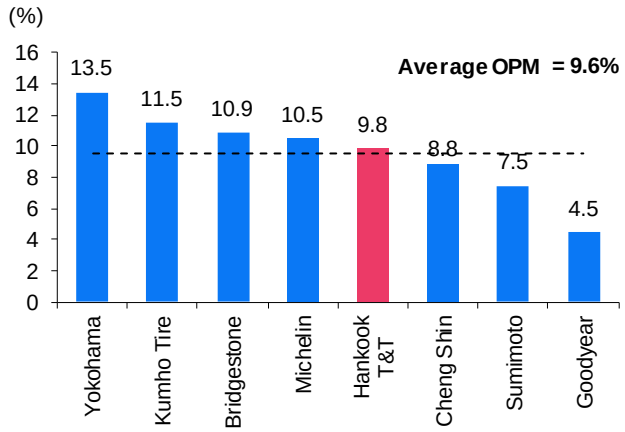
Note: Transitioned to a holding company structure in 2012;
Hankook T&T was Hahn & Co before 2
Source: Bloomberg, Samsung Securities

Hankook T&T: Global capacity and utilization rates

Capacity (mil units)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
Korea	42	42	42	40	40	38	38	31	31	31	31
China	30	30	30	30	28	28	28	28	28	28	28
Hungary	18	18	18	18	18	18	18	18	18	18	22
Indonesia	11	11	11	11	11	11	11	11	11	11	11
US	0	0	0	5	5	5	5	5	5	10	12
Global total	**101**	**101**	**101**	**104**	**102**	**100**	**100**	**93**	**93**	**98**	**104**
Chg (% y-y)	-	-	-	3	-1.9	-2	-	-7	-	5.4	6.1
Utilization (%)	96	95	96	86	79	83	88	95	98	98	98

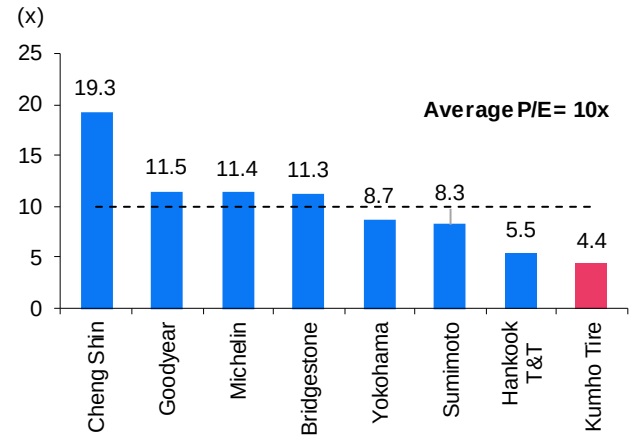
Source: Company data, Samsung Securities estimates

Global tire makers: Operating margin (12m forward)



Source: Bloomberg, Samsung Securities

Global tire makers: 12m forward P/E valuation



Source: Bloomberg, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**9,412**	**21,202**	**22,031**	**22,948**	**23,891**
Cost of goods sold	5,944	16,537	16,958	17,420	17,943
Gross profit	**3,468**	**4,665**	**5,074**	**5,528**	**5,948**
Gross margin (%)	36.8	22.0	23.0	24.1	24.9
SG&A expenses	1,706	2,824	3,116	3,270	3,516
Operating profit	**1,762**	**1,841**	**1,958**	**2,258**	**2,432**
Operating margin (%)	18.7	8.7	8.9	9.8	10.2
Non-operating gains (losses)	**-188**	**-402**	**-280**	**-280**	**-250**
Financial profit	220	356	139	181	233
Financial costs	145	541	487	497	505
Equity-method gains (losses)	-93	76	3	3	3
Other	-170	-292	65	33	20
Pre-tax profit	**1,574**	**1,439**	**1,678**	**1,978**	**2,182**
Taxes	443	468	455	514	567
Effective tax rate (%)	28.1	32.5	27.1	26.0	26.0
Profit from continuing operations	1,131	972	1,223	1,464	1,615
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,131**	**972**	**1,223**	**1,464**	**1,615**
Net margin (%)	12.0	4.6	5.5	6.4	6.8
Net profit (controlling interests)	1,115	1,089	1,137	1,361	1,501
Net profit (non-controlling interests)	16	-118	86	103	114
EBITDA	2,277	3,224	3,354	3,652	3,784
EBITDA margin (%)	24.2	15.2	15.2	15.9	15.8
EPS (parent-based) (KRW)	8,998	8,795	9,175	10,984	12,115
EPS (consolidated) (KRW)	9,131	7,843	9,870	11,817	13,034
Adjusted EPS (KRW)*	8,998	8,795	9,175	10,984	12,115

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**7,275**	**11,553**	**12,836**	**14,393**	**16,180**
Cash & equivalents	1,882	2,603	3,542	4,717	6,113
Accounts receivable	1,862	3,583	3,723	3,878	4,037
Inventories	2,384	3,905	4,058	4,227	4,400
Other current assets	1,147	1,461	1,513	1,571	1,630
Fixed assets	**8,575**	**15,095**	**15,111**	**15,032**	**14,694**
Investment assets	2,046	455	468	481	496
Tangible assets	4,693	9,924	10,212	10,377	10,258
Intangible assets	250	3,736	3,452	3,194	2,961
Other long-term assets	1,586	979	979	979	979
Total assets	**15,850**	**26,647**	**27,947**	**29,424**	**30,874**
Current liabilities	**3,687**	**6,775**	**6,547**	**6,893**	**7,145**
Accounts payable	538	1,695	1,761	1,834	1,910
Short-term debt	977	1,492	1,592	1,692	1,692
Other current liabilities	2,171	3,588	3,194	3,367	3,543
Long-term liabilities	**968**	**5,670**	**6,235**	**6,305**	**6,377**
Bonds & long-term debt	147	3,008	3,518	3,528	3,538
Other long-term liabilities	821	2,662	2,716	2,777	2,839
Total liabilities	**4,655**	**12,445**	**12,782**	**13,198**	**13,522**
Owners of parent equity	**11,100**	**12,105**	**12,982**	**13,940**	**14,953**
Capital stock	62	62	62	62	62
Capital surplus	3,007	2,894	2,894	2,894	2,894
Retained earnings	7,354	8,139	8,970	9,928	10,941
Other	677	1,011	1,056	1,056	1,056
Non-controlling interests' equity	**94**	**2,096**	**2,183**	**2,286**	**2,400**
Total equity	**11,195**	**14,202**	**15,165**	**16,226**	**17,353**
Net debt	-349	3,834	2,997	1,978	638

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**1,886**	**1,608**	**2,506**	**2,733**	**2,839**
Net profit	1,131	972	1,223	1,464	1,615
Non-cash profit and expenses	1,359	2,492	2,186	2,210	2,179
Depreciation	497	1,069	1,112	1,136	1,118
Amortization	18	314	284	258	234
Other	844	1,109	790	817	827
Changes in A/L from operating activities	-284	-1,004	-110	-121	-125
Cash flow from investments	**-2,610**	**-735**	**-1,416**	**-1,318**	**-1,018**
Change in tangible assets	-1,025	-2,039	-1,400	-1,300	-1,000
Change in financial assets	-146	395	-16	-18	-18
Other	-1,439	909	0	0	0
Cash flow from financing	**182**	**-214**	**-192**	**-234**	**-419**
Change in debt	1,063	4,486	113	169	69
Change in equity	0	-113	0	0	0
Dividends	-159	-344	-305	-403	-488
Other	-722	-4,243	0	0	-0
Change in cash	-362	721	938	1,176	1,396
Cash at beginning of year	2,244	1,882	2,603	3,542	4,717
Cash at end of year	1,882	2,603	3,542	4,717	6,113
Gross cash flow	**2,490**	**3,464**	**3,408**	**3,674**	**3,793**
Free cash flow	**853**	**-500**	**1,106**	**1,433**	**1,839**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	5.3	125.3	3.9	4.2	4.1
Operating profit	32.7	4.5	6.4	15.3	7.7
Net profit	55.2	-14.1	25.8	19.7	10.3
Adjusted EPS**	54.8	-2.3	4.3	19.7	10.3
Per-share data (KRW)					
EPS (parent-based)	8,998	8,795	9,175	10,984	12,115
EPS (consolidated)	9,131	7,843	9,870	11,817	13,034
Adjusted EPS**	8,998	8,795	9,175	10,984	12,115
BVPS	90,995	99,234	106,421	114,275	122,577
DPS (common)	2,000	2,300	3,300	4,000	4,000
Valuations (x)					
P/E***	4.3	6.6	6.7	5.6	5.1
P/B***	0.4	0.6	0.6	0.5	0.5
EV/EBITDA	2.0	4.1	3.8	3.3	2.8
Ratios (%)					
ROE	10.8	9.4	9.1	10.1	10.4
ROA	7.9	4.6	4.5	5.1	5.4
ROIC	16.8	9.2	7.8	9.0	9.7
Payout ratio	21.9	25.8	35.4	35.9	32.5
Dividend yield (common)	5.2	3.9	5.3	6.5	6.5
Net debt to equity	-3.1	27.0	19.8	12.2	3.7
Interest coverage (x)	39.7	5.7	4.0	4.5	4.8

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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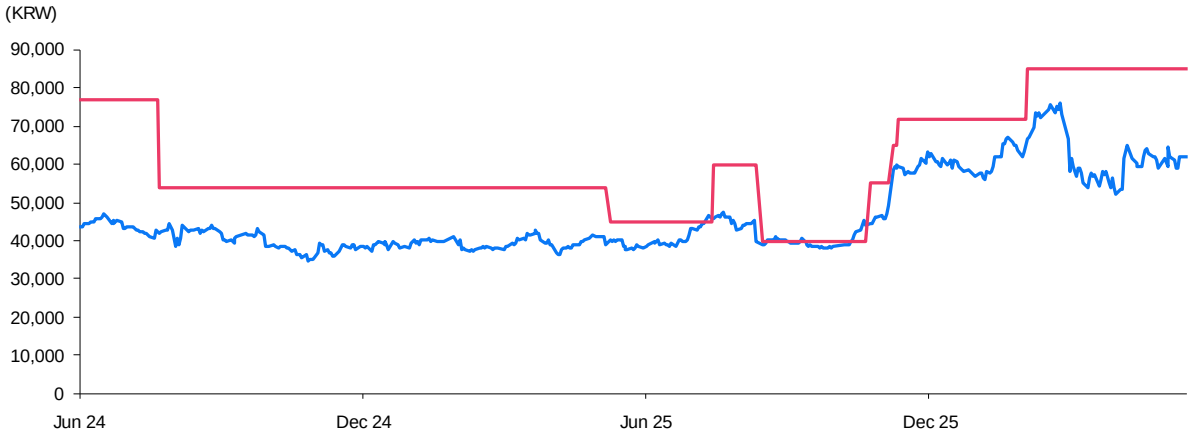
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/2	7/25	2025/5/12	7/17	8/18	10/27	11/10	11/14	2026/2/5
Recommendation	BUY	BUY	HOLD	BUY	HOLD	BUY	BUY	BUY	BUY
Target price (KRW)	77000	54000	45000	60000	40000	55000	65000	72000	85000
Gap* (average)	-42.64	-26.89	-10.33	-25.13	0.11	-15.80	-8.72	-15.70	
(max or min)**	-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

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BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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