

SECTOR UPDATE

2026. 6. 12

EV/Mobility Team

Esther Yim

Team Leader

esther.yim@samsung.com

Hyunji Kim

Research Associate

hyunzi.kim@samsung.com

▶ AT A GLANCE

Hyundai Motor (005380 KS, 597,000)

Target price KRW900,000 50.8%

BUY

Kia (000270 KS, 156,000)

Target price KRW240,000 53.8%

BUY

Hyundai Mobis (012330 KS, 576,000)

Target price KRW950,000 64.9%

BUY



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Autos (OVERWEIGHT)

What drives talent

- In 2025, Hyundai Motor Group's (HMG) three major affiliates introduced performance-linked stock compensation programs for executives, aligning the interests of major shareholders, employees, and general investors.
- Competing in physical AI requires massive capital and exceptional talent. Tesla's technological leadership is fueled by a virtuous cycle—its high valuation enables efficient capital raising, which in turn attracts top-tier engineers, reinforcing the firm's technological edge.
- With the introduction of restricted stock units across HMG's three core companies, rising stock prices will increasingly facilitate capital raising and talent acquisition. The group is well-positioned to emerge as a dominant player in the physical AI era.

WHAT'S THE STORY?

The currency for acquiring talent is not cash but stock: Technological innovation requires substantial capital and top-tier talent. The most effective way to address this is through share-price appreciation.

- **What are restricted stock units?** Restricted stock units (RSUs) are equity awards granted to key employees based on performance, vesting over 3-5 years, with a mandatory holding period during which shares cannot be sold. From the company's perspective, RSUs align employee incentives with long-term corporate value creation, while causing no immediate cash outflow. Unlike stock options—which grant the right to purchase shares at a fixed exercise price and expose employees only to upside risk—RSUs have no exercise price. This reduces the incentive to focus on near-term share-price gains, encouraging sustainable performance over the vesting period.
- **The virtuous circle driven by rising stock prices:** Stock price appreciation enhances a company's ability to raise capital and attract top talent, which drives improved technological competitiveness, leading to stronger earnings performance and further share-price gains.
- **Big Tech in the US use stock compensation to recruit talent:** To secure top talent, leading tech companies offer massive stock grants or pursue M&As. Acquiring a single key engineer or executive can cost billions of won—or even tens of billions. Paying this in cash would strain short-term profitability and cash flow.

(Continued on the next page)

Tesla's case demonstrates how a high share price can solve multiple challenges: Elon Musk's demonstrations of technological prowess and visionary messaging serve the dual purposes of raising capital and acquiring talent.

- **Talent that has passed through Tesla:** In 2016, Tesla recruited Jim Keller (ex-AMD), who led the design of Hardware 3.0, low-voltage systems, and the infotainment architecture through end-2018. Alongside him was Pete Bannon (ex-Apple), a chip design expert who remained until Aug 2025 and evolved the platform into Hardware 4.0. In 2017, Tesla brought in Andrej Karpathy, one of the world's foremost experts in computer vision and deep learning, to lead Autopilot and Full Self-Driving (FSD) development. Today, Ashok Elluswamy, FSD's lead engineer, has transitioned the system to an end-to-end architecture.
- **How Tesla compensated talent during years of losses:** Tesla posted losses through 2018 due to heavy R&D spending and low production utilization. During this period, the firm likely prioritized equity compensation over cash salaries for key hires. Excluding Elon Musk's own grants, employee stock-based compensation exceeded USD1.3b *pa* in these years.
- **P/E valuations of 100-200x:** After turning profitable in 3Q19, Tesla leveraged its elevated valuation to raise capital through: 1) convertible bond issuances (USD1.8b) and equity offerings (USD0.86b) in 2019; and 2) three equity offerings (totaling USD12.34b) in 2020. Global broadcasts of its annual Tech Day events and shareholder meetings became key strategic platforms to attract world-class engineering talent.

HMG becomes proactive about stock price: Since CES 2026, HMG has been actively launching domestic and international events to drive share-price appreciation. In May, it began releasing a series of Atlas videos on YouTube.

- **Not merely brand marketing but a strategic move to secure capital and attract talent:** To advance physical AI technology and deliver services, HMG needs data centers, AI models, AI inference chips, and real-world data. Achieving this requires substantial capital and exceptional talent.
- **HMG trio cannot generate sufficient capital from automotive businesses:** Hyundai Motor (HMC) and Kia's global sales and profitability peaked in 2023 and have since slowed. Amid stagnant demand, they are unable to pass on rising costs—such as US tariffs, higher raw material prices, and elevated chip prices—to consumers.
- **A higher stock price is a prerequisite for raising capital:** HMC and Kia are likely to secure the required capital by: 1) making joint investments with technology partners; 2) monetizing their data assets; or 3) divesting equity stakes (such as through the IPO of their Indian entity) to reallocate capital. Higher stock prices should facilitate collaboration with global partners, expansion into new businesses, and more-favorable access to capital.
- **Boston Dynamics's valuation and HMG's stock price to be mutually reinforcing:** HMG is building partnerships and an ecosystem for Boston Dynamics, while conducting annual capital increases of approximately KRW500b. As HMG stock prices rise, it becomes easier to attract global technical talent, which should enable Boston Dynamics to pursue an IPO at a higher valuation in the future.

HMG's three core companies introduce stock-based compensation for executives: The move: 1) demonstrates a clear commitment to driving share-price appreciation; and 2) establishes a talent acquisition tool comparable to that of US Big Tech, enabling the recruitment of the global talent that is essential for advancing physical AI technologies.

- **RSU implementation begins with automakers:** Each year since 2023, HMC President Jose Munoz has received 5,000 ordinary shares (currently worth around KRW3.2b). President Park Min-woo, recruited in early 2026, is also believed to have entered into an RSU agreement. Kia introduced RSUs in Jul 2024, granting 1,290 shares (now valued at around KRW200m) to one executive.
- **Stock-based compensation for executives commences with 2025 performance:** HMC/Kia awarded stock-based compensation to executives based on 2025 performance outcomes. Hyundai Mobis is currently evaluating the introduction of RSUs and plans to pay 30% of executive bonuses in stock.
- **HMC and Hyundai Mobis transforming into tech companies:** In 2025, R&D personnel accounted for 17% of HMG's total workforce. At HMC, rising retirements among production and sales staff mean that by 2027, R&D headcount is projected to surpass domestic production staff. To retain a large R&D workforce, star engineers are essential.
- **Three key implications of stock-based compensation for executives carries:** First, the stock market long perceived that top management at HMG lacked strong motivation to drive share-price appreciation due to unresolved succession issues. The adoption of RSUs across HMG's three core companies signals that management now recognizes share-price appreciation as essential to attracting top talent. Second, in the physical AI era, HMG's competitors include Tesla and China's leading EV manufacturers, while its key partners are US Big Tech players such as Nvidia and Google. Building technology and ecosystems requires global top-tier engineers in fields such as computer vision, AI modeling, deep learning, and semiconductor design. RSUs provide a viable mechanism to recruit such critical talent, particularly when earnings have peaked. Third, as the number of star engineers increases, the trend of Korean talent overwhelmingly concentrating in medical school careers should gradually ease.

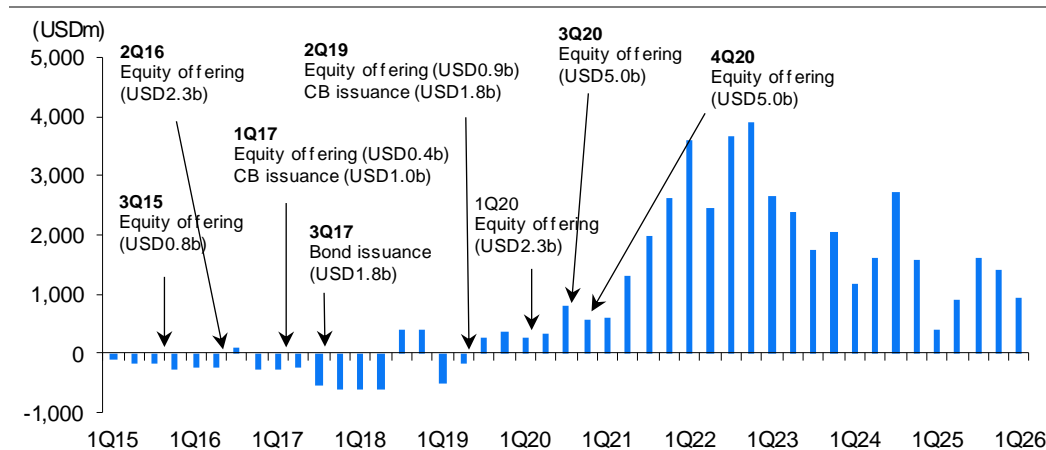
Tesla: Stock-based compensation expenses

(USDm)	2021	2022	2023	2024*	2025
Stock-based compensation expenses (after tax)	2,121	1,560	1,812	1,328	2,012
Stock-based compensation per share (USD)	0.63	0.45	0.52	0.38	0.57

Note: *In 2024, the stock option awarded to Elon Musk was invalidated by a court ruling; therefore, no compensation expenses are attributed to him. All expenses relate to other employees.

Source: Company data, Samsung Securities

Tesla: Operating profit and funding timeline



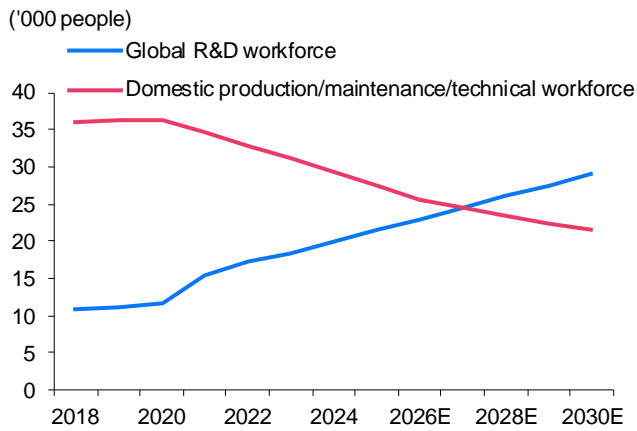
Source: Bloomberg, Samsung Securities

Hyundai Motor Group: Equity compensation for executives

	2025			2026	
	Number of shares given as executive compensation	Disposal price per share (KRW)	Total disposal value (KRWm)	Number of shares given as employee compensation	Remarks
HMC	50,458	488,000	24,600	1,100,884	Introduction of equity compensation for executives
Kia	53,318	155,000	8,280	1,810,273	Introduction of equity compensation for executives
Mobis	3,800	446,000	1,695	1,055,800	30% of bonuses paid in shares

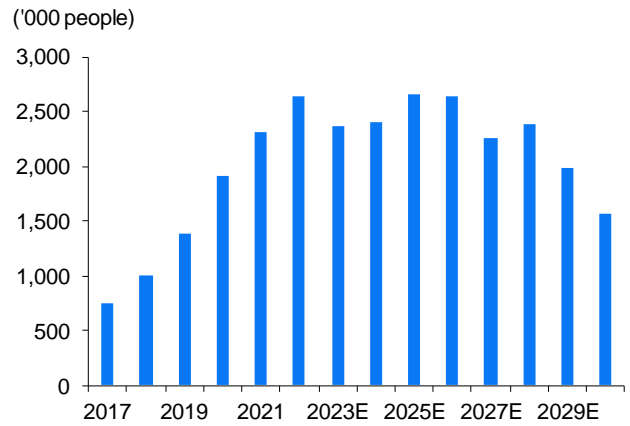
Source: Company data, Samsung Securities

HMC: Global R&D workforce vs domestic production staff



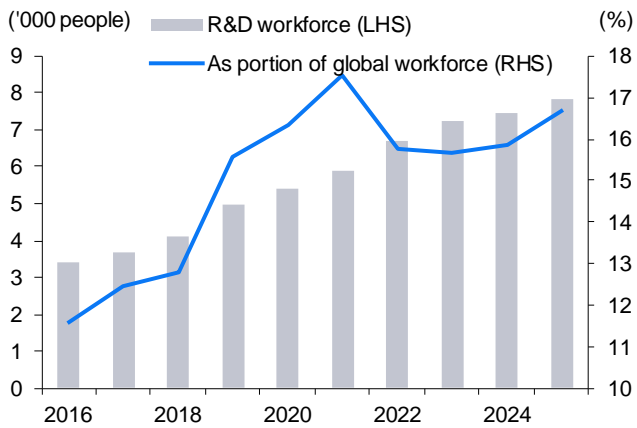
Source: Company data, Samsung Securities

Hyundai Motor: Domestic retirees



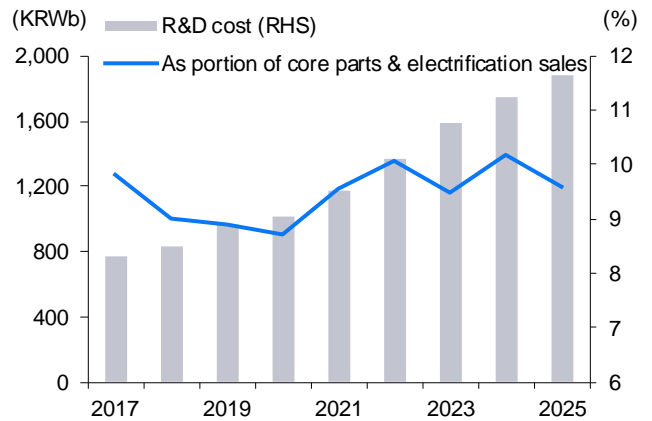
Source: Hyundai Motor Union, Samsung Securities

Mobis: R&D portion of global workforce



Source: Company data, Samsung Securities

Mobis: R&D cost in ratio to core-parts sales



Source: Company data, Samsung Securities

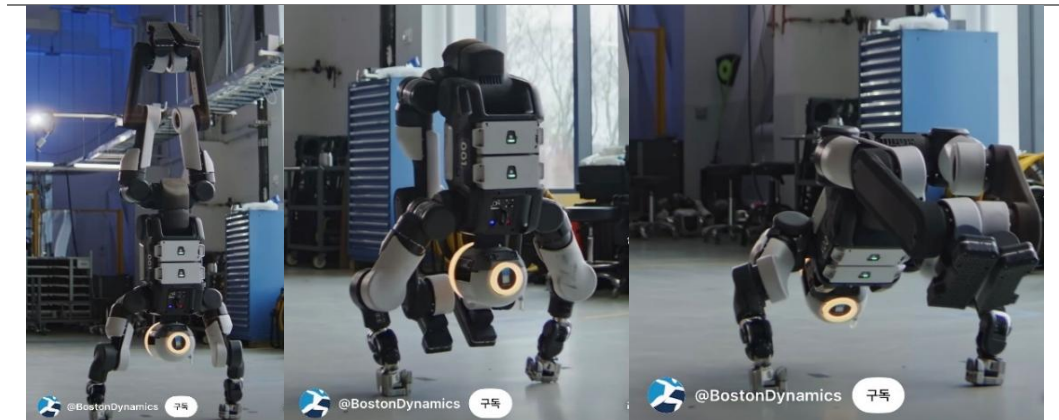
HMG (big 3): Cash flows and net cash positions, by firm

(KRWb)	2021	2022	2023	2024	2025
Hyundai Motor*	11,928	14,819	16,888	18,978	12,749
Kia	7,360	9,333	11,297	12,564	9,054
Mobis	2,609	2,154	5,343	4,253	4,473
Operating cash flow	21,896	26,307	33,527	35,795	26,276
Capex + equity investments	-7,571	-11,625	-15,742	-18,375	-19,514
Dividends	-2,051	-2,926	-4,269	-6,514	-5,841
Treasury stock buybacks	0	0	-650	-1,563	-1,972
Total cash outflows	-9,622	-14,551	-20,662	-26,452	-27,327
Net cash flow	12,274	11,756	12,866	9,343	-1,051
Net cash position	27,363	30,412	40,698	43,583	40,045

Note: Hyundai Motor figures exclude financial segment operating cash flow and net cash.

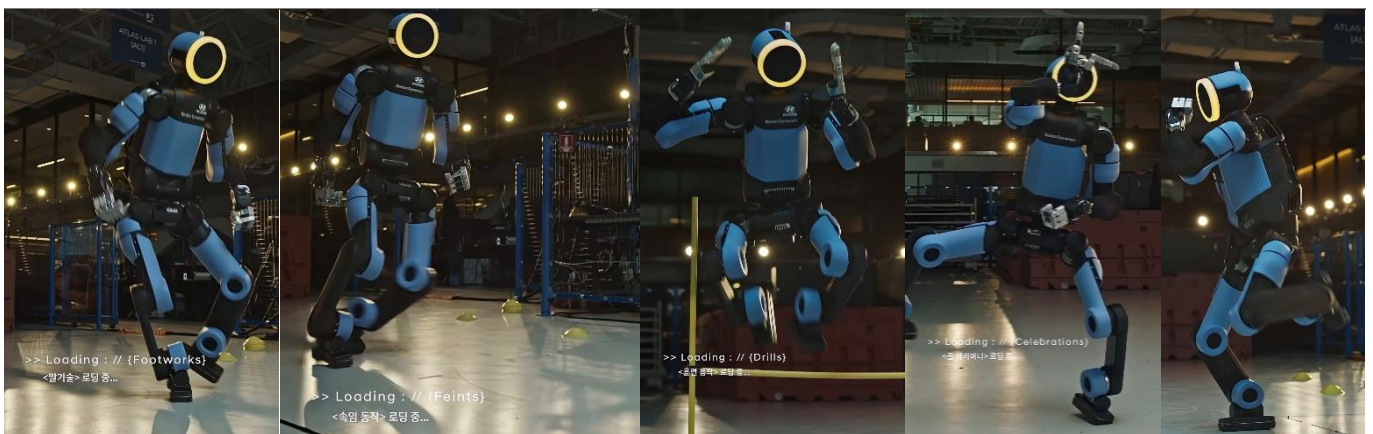
Source: Company reports, Samsung Securities

Boston Dynamics: Atlas gymnastics video



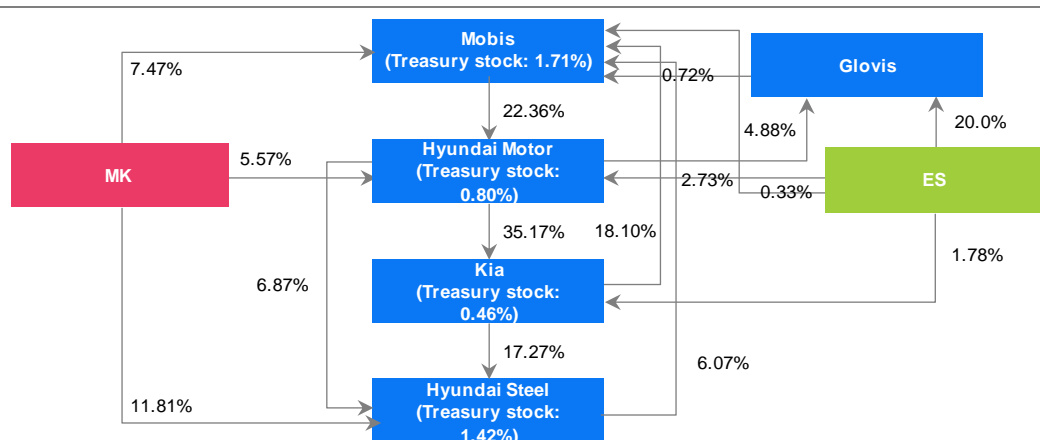
Source: Boston Dynamics

Hyundai Motor Group: World Cup promotion video (Next Starts Now)



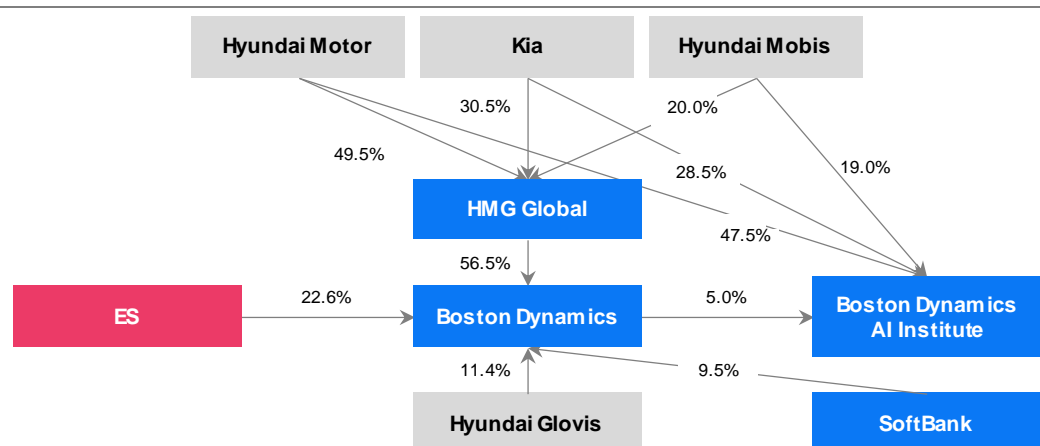
Source: Boston Dynamics

Hyundai Motor Group: Governance structure



Source: Company data, Samsung Securities

Boston Dynamics: Governance structure



Source: Company data, Samsung Securities estimates

Boston Dynamics: Results

(KRWb)	Revenue	Net profit/loss
2021	66.8	-197
2022	78.2	-225.1
2023	91	-334.8
2024	116.1	-440.5
2025	150.1	-528.4

Source: Hyundai Glovis, Samsung Securities

Value of stakes if Boston Dynamics goes public with a market cap of US39b

(USDm)	Stake (%)	Stake value (USDm)	Stake value (KRWb)
HMC	27.97	10,907	15,816
Kia	17.23	6,721	9,745
Mobis	11.30	4,407	6,390
ES	22.60	8,814	12,780
Glovis	11.40	4,446	6,447
SoftBank	9.50	3,705	5,372
Total	100	39,000	56,550

Note: Assumes an exchange rate of USD/KRW1,450;
USD39b valuation based on Figure AI's implied value
Source: Samsung Securities estimates

Hyundai Motor: Subsidiary equity value

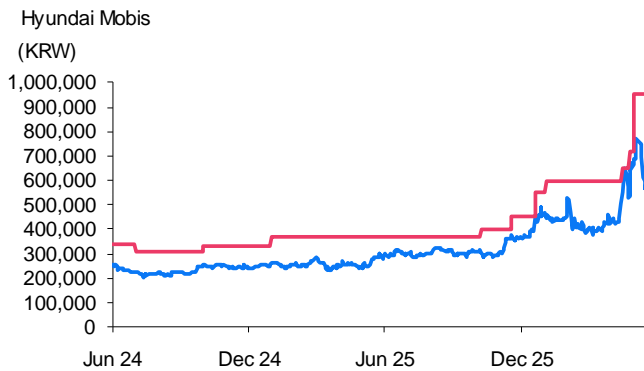
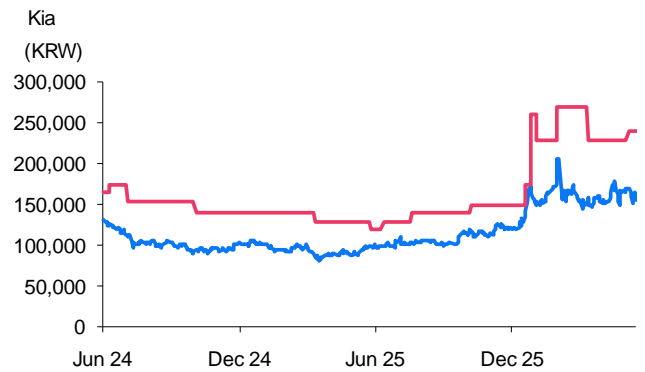
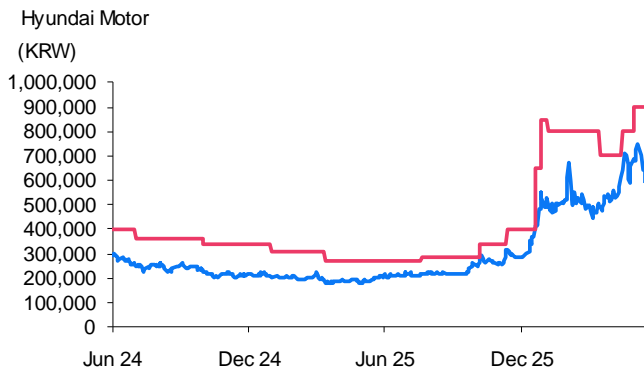
Physical AI category	Subsidiary	Ownership (%)	Book value (KRWb)	Market cap* (KRWb)	Market cap × Ownership × NAV discount** (KRWb)	Notes
Robotics	Boston Dynamics***	27.97	469			Kia's ownership: 17.23%
	Robotics LAB	55				Kia's ownership: 45%
	RMAC	TBD				Operations to commence in 2H26
	Robotics America	TBD				To be established in 2H26
SI, Robot control	Hyundai AutoEver	31.59	572	17,606	3,893	Kia's ownership: 16.24%
Autonomous driving / Robotics	Kia	35.17	21,679	65,238	16,061	
Defense / Unmanned defense	Hyundai Rotem	33.77	891	23,411	5,534	
Nuclear power / Data Centers	Hyundai Construction	20.95	3,195	16,914	2,480	Kia's ownership: 5.24%
Finance	Hyundai Capital	59.72	4,553			Kia's ownership: 40.13%
	Hyundai Card	36.96	1,587			Kia's ownership: 6.48%
Total			32,945		27,969	

Note: * As of May 26, ** 30% of NAV discount is applied, *** Includes HMG Global's stake in Boston Dynamics.
Bold entries are consolidated subsidiaries; others are accounted for under the equity method.
Source: Hyundai Motor, 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	2024/5/29	6/25	7/26	10/25	2025/1/24	4/7	8/14	10/31	12/8	2026/1/14	1/22	1/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	345000	400000	360000	340000	310000	270000	285000	340000	400000	650000	850000	800000
Gap* (average)	-21.52	-31.63	-32.30	-37.27	-34.90	-26.06	-20.49	-20.69	-22.55	-27.91	-40.91	-35.99
(max or min)**	-16.96	-25.50	-28.06	-33.38	-28.39	-17.41	-7.02	-7.35	1.50	-15.54	-37.88	-15.75
Date	4/7	4/10	5/11	5/27								
Recommendation	BUY	BUY	BUY	BUY								
Target price (KRW)	800000	700000	800000	900000								
Gap* (average)	-37.66	-23.42	-17.04									
(max or min)**	-36.50	-12.43	-26.00									
Kia												
Date	2024/5/29	7/4	7/29	10/28	2025/4/7	6/20	7/7	8/14	11/3	2026/1/14	1/22	1/29
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	165000	175000	155000	140000	130000	120000	130000	140000	150000	175000	260000	230000
Gap* (average)	-24.20	-31.41	-34.54	-30.66	-30.49	-17.88	-21.50	-24.00	-20.38	-7.53	-40.63	-30.12
(max or min)**	-19.82	-27.83	-27.68	-23.79	-23.38	-15.75	-15.08	-14.36	-9.33	-1.66	-38.85	-24.35
Date	2/25	4/7	6/1									
Recommendation	BUY	BUY	BUY									
Target price (KRW)	270000	230000	240000									
Gap* (average)	-39.27	-30.51										
(max or min)**	-23.70	-21.96										
Hyundai Mobis												
Date	2024/3/20	7/26	10/25	2025/1/24	11/3	12/12	2026/1/14	1/28	5/11	5/20	5/27	
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	
Target price (KRW)	340000	310000	330000	370000	400000	450000	550000	600000	650000	720000	950000	
Gap* (average)	-30.85	-28.56	-24.95	-24.53	-22.07	-16.66	-16.89	-28.76	-8.41	-8.33		
(max or min)**	-21.76	-19.35	-21.67	-12.30	-9.38	0.22	-11.36	-11.83	0.00	-6.94		

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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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 2026.03.31

BUY (85.2%)-HOLD (14.8%)-SELL (0%)

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