SECTOR UPDATE

2026. 7. 14

EV/Mobility Team

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AT A GLANCE

Hyundai Motor (005380 KS, 444,000)		
Target price	KRW800,000	80.2%
BUY		
Kia (000270 KS, 143,500)		
Target price	KRW240,000	67.2%
BUY		
Hyundai Mobis (012330 KS, 487,500)		
Target price	KRW800,000	64.1%
BUY		
Hankook T&T (161390 KS, 69,700)		
Target price	KRW95,000	36.3%
BUY		
HL Mando (204320 KS, 47,600)		
Target price	KRW80,000	68.1%
BUY		
Hanon Systems (018880 KS, 3,440)		
Target price	KRW5,000	45.3%
BUY		
SL Corporation (005850 KS, 54,200)		
Target price	KRW93,000	71.6%
BUY		
Hwashin (010690 KS, 8,360)		
Target price	KRW16,000	91.4%
BUY		

Samsung Securities

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Autos (OVERWEIGHT)

2Q preview; Kia's operating profit to flip HMC's

- As the physical AI era takes shape, the automotive landscape is narrowing to a select group of potential frontrunners (other than Tesla). While Volkswagen Group and other European automakers are undergoing major restructuring, HMG has emerged as a front-running candidate to become the market leader.
- In 2Q, Hyundai Motor (HMC) likely suffered weak sales due to a limited EV lineup, while Kia likely saw strong sales across all regions thanks to its fully established EV portfolio. In 2Q, Kia's consolidated operating profit may have surpassed HMC's for the first time.
- Until automakers' 2Q earnings are released, the market is expected to remain focused on Kia's strong performance. Beyond that, attention should shift back to firms possessing robotics-related momentum, with the focus of this likely to center on HMC and Hyundai Mobis.

WHAT'S THE STORY?

Foundation of physical AI: The auto industry is becoming a cornerstone of physical AI thanks to its superior robot-deployment ability, vast real-world data, and physical operating environment.

- **Distinction from LLMs—The Sim2Real Gap:** Unlike text or video data, which can be scraped infinitely online, physical data must be gathered through real-world interactions. Friction, skidding, surface conditions, and deformation are inherently nonlinear phenomena that cannot be fully simulated or replicated.
- **Rising stock volatility:** The physical AI era will likely be shaped by a handful of players with deep pockets. With no robotics firm (outside of Tesla) having logged meaningful financial results, the field remains undefined, and stock prices are swinging sharply (based on narrative momentum rather than fundamentals).
- **Diverging paths for legacy automakers:** Volkswagen Group plans to restructure its business. The scale of its restructuring is expected to exceed that carried out by GM over 2006-2009. European and Japanese automakers face existential risks. In Western markets, HMC and Kia are the only legacy automakers positioned to grow—alongside Tesla—into dominant players.

2Q preview: Kia is likely to report a 2Q earnings surprise, supported by strong sales across all regions and a weak won. Hankook Tire & Technology's results will likely meet consensus, and its profitability should improve from 4Q.

- **HMC and Kia's earnings may flip:** Outside of the US, a second wave of EV adoption is underway. Kia is seeing strong sales of: 1) hybrids in the US; and 2) EVs in other regions.

(Continued on the next page)

- **Parts suppliers 2Q results to meet consensus:** Hyundai Motor (HMC) and Kia together produced 2.8% fewer vehicles globally y-y in 2Q, but the Korean won weakened 7.2% y-y against the US dollar, offsetting the drop in volume. As a result, their 2Q earnings were likely similar y-y.

Investment strategy: At this juncture we like: 1) Kia for its probable solid 2Q results and attractive valuation; and 2) Hankook T&T and SL Corp. Attention should shift back to robotics-related players in August.

- **Robot momentum to resume from August:** HMG's Robot Metaplant Application Center (RMAC) should come online in August. HMG's CEO Investor Day is scheduled for August-September. In 4Q, we expect HMG to establish a dedicated robot manufacturing entity. In 3Q, the US administration is expected to announce targeted policies to incentivize the US robotics industry.
- **Potential changes in Boston Dynamics' shareholder structure:** After acquiring full ownership of Boston Dynamics, HMG is likely to sell some of its stake in 2H or raise capital through a private placement later this year.

Rising share-price volatility

In times of disruption, many things change

1: Chinese EV makers' market cap overtakes that at European Big Three

The second wave of EVs—now fused with autonomous driving—has ushered in the era of physical AI. Yet, beyond Tesla, which began disclosing FSD subscription metrics in 4Q25, no other automaker has yet reported meaningful, scalable revenue from AI-driven software. As of end-1Q26, Tesla has delivered 9.2m EVs in total (+21% y-y) and has 1.28m FSD subscribers (+16% q-q and +60% y-y). FSD penetration is 13.9% globally and 35% in North America, signaling the start of the early-adopter phase. The global penetration figure should rise if regulatory approval follows in other markets.

The mobility sector's future should be defined by AI's capability, and just a handful of players that are capable of developing the necessary technologies are expected to lead the industry. Building physical AI requires four components: 1) advanced AI models; 2) data centers; 3) AI inference chips; and 4) high-quality, large-scale real-world data. Globally, fewer than six companies possess the means to deliver all four criteria. Yet monopolization of the sector remains structurally impossible due to the inherent constraints of hardware manufacturing (*eg*, supply-chain limits and manufacturing capacity limits). Even if global auto demand plateaus at 80m-90m units *pa*, the top players are expected to see their sales and profitability grow 3-5x (vs current levels). This dynamic should enable only a few firms to fund large-scale robotics investments.

Digital world platform vs physical world hardware platform

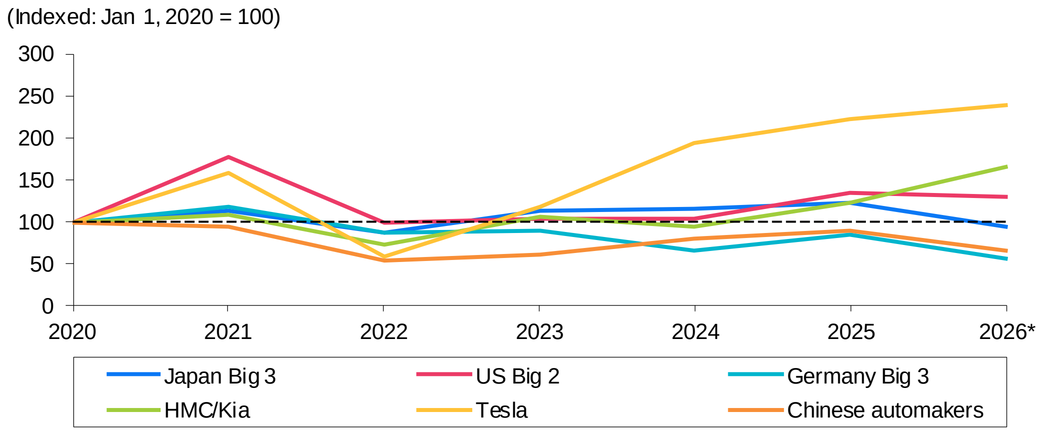
Category	Digital world platform	Physical world hardware platform
Industry	SNS, video streaming, LLM	Smartphones, ride-sharing, robotaxis, robots
Technical characteristics	1) Network is the primary asset: Market leadership is critical due to network effects 2) Replication cost is nearly zero: Infinite scalability and duplication possible	1) Limited by physical production (supply chain, manufacturing facilities) and varying consumer demand across price segments 2) No network effects; instead, high capital investment and real-world data acquisition serve as entry barriers
Market share	Winner-takes-all	Regional oligopoly
Regulation	Regulation applies to both, but physical platforms face stricter and more enforceable regulatory frameworks	

Source: Samsung Securities

Excluding Tesla, the field remains in a state of flux—no clear winners have emerged, and stock prices are being driven more by narratives than fundamentals. As a result, volatility is likely to intensify.

Yet, market-capitalization trends offer clearer insight into who may emerge as the winners in the physical AI era. Since the dawn of the EV revolution in the 2020s, Tesla has been the undisputed global leader, and its market cap now exceeds the combined value of the world's top-20 mobility companies. HMC/Kia are strong contenders. Though late to autonomous driving, the Korean automakers are being re-evaluated on the strength of their robotics ambitions and manufacturing scale. Meanwhile, Chinese EV makers saw their combined market cap peak following the listing of: 1) Xpeng, Li Auto, and Nio in the US; and 2) Xiaomi in Hong Kong (and its entry into the EV segment). However, investor sentiment has since cooled amid growing concerns over unsustainable price wars in China and margin erosion.

Changes in market caps of global mobility players since 2020



Source: Bloomberg, Samsung Securities

The emergence of an oligopoly should trigger a structural upheaval in the auto sector on a scale far greater than that seen during the 2008 Global Financial Crisis. Back then, GM led the industry's largest restructuring, cutting 65,000 jobs over 2006-2009. Today, the most vulnerable players are European automakers, hurt by competition from China. Volkswagen (VW) Group, BMW, and Mercedes-Benz rode the wave of China's motorization in the 2010s, growing so rapidly they threatened Japan's Big Three. Today, they are losing ground in both China and Europe.

VW Group—the world's second-largest automaker by volume—is evaluating a structural overhaul that could include up to 100,000 job cuts and the separation of its passenger car and component businesses into standalone entities. This would represent a 40% deeper reduction in jobs than that carried out by GM in 2008. The impetus for such a radical move stems from the Volkswagen Act—a German law that grants the state of Lower Saxony (a 20% shareholder in VW Group) veto power over key board decisions and grants labor representatives strong influence on the supervisory board. Crucially, major decisions require more than 80% approval—plant closures or mass layoffs are nearly impossible without union and state consent. Separating the car and parts businesses would thus be a legal workaround to enable restructuring.

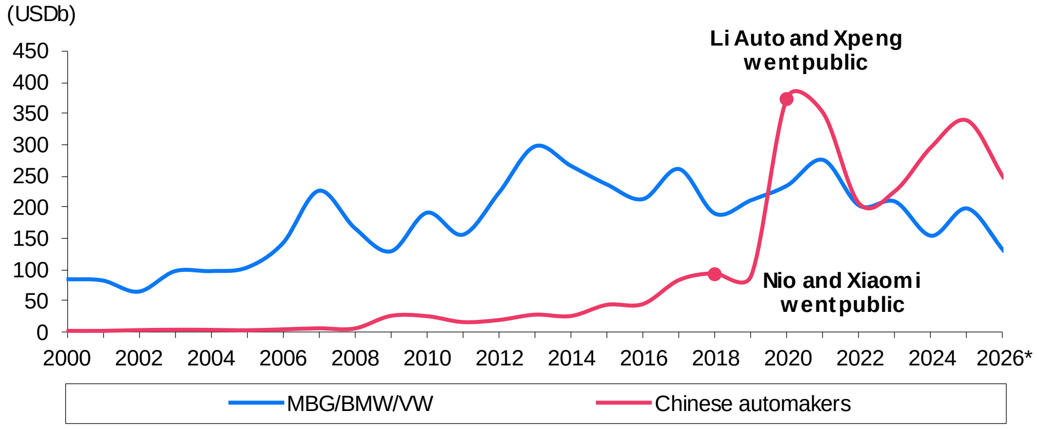
German automakers have already lost their competitive edge. Since 2022, their combined market cap has fallen below that of their Chinese EV peers. Today, the combined valuation of BMW, Mercedes-Benz, and VW Group stands at levels last seen in 2005, prior to their major foray into China.

Comparison of restructuring: GM vs VW Group

Item	GM (2008-2009)	VW Group (2024-2026)
Cause	Global financial crisis + demand collapse + legacy costs (pensions, healthcare)	Intensified competition from China + EV transition + high-cost structure
Legal form	Bankruptcy protection (Chapter 11), mandatory	Voluntary restructuring, no bankruptcy
Workforce reduction	Cumulative 65,000 job cuts (2006-2009)	50,000 (agreed) up to 100,000 (under review, not finalized)
Plants	10+ facilities closed	4 plants under review (Hannover, Zwickau, Emden, Neckarsulm)
Brands	4 brands liquidated (Pontiac, Saturn, Hummer, Saab)	No brand liquidation (10 brands to remain, but their sprawl is a burden)
Bad bank separation	Legal split: New GM (healthy) / Old GM (toxic assets), enforced via bankruptcy law	Exploring carve-out of passenger car and parts into separate entities (to circumvent VW Act)
Enforcement power	Strong (court overruled creditor and union opposition)	Weak (requires 80% shareholder approval, Lower Saxony state veto power, strong union resistance)
Government role	US50b bailout + partial nationalization (supporter)	State government actively resists restructuring (opposing shareholders)
Separation purpose	Clearing past liabilities (legacy debt, litigation)	Isolating future risks (tariffs, China exposure) + highlighting core value
Recovery path	Revival driven by cost reductions and economic recovery	Uncertain whether competitiveness can be restored
Outcome	Successfully re-listed, returned to profitability	Ongoing; stock price at 16-year low

Source: Company data, Media, Samsung Securities

Market Cap: German Big 3 vs Chinese automakers *

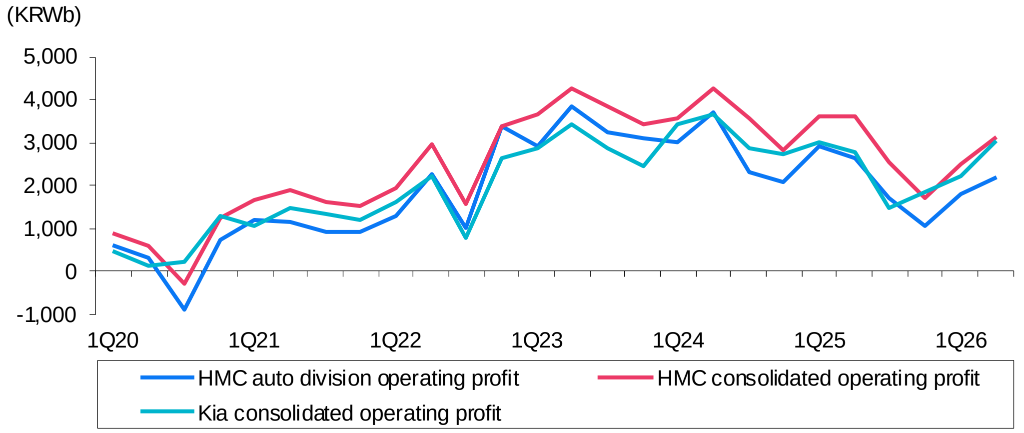


Note: * Includes BYD, Li Auto, Geely, Guangzhou, Nio, Xpeng, Xiaomi
Source: Bloomberg, Samsung Securities

2. Can Kia register higher consolidated operating profit than HMC?

A key watchpoint for 2Q26 earnings will be whether Kia's consolidated operating profit surpassed HMC's. Our estimates have both companies logging figures of around KRW3t each. Since 2Q24, Kia's operating profit (separate basis) has topped HMC's. Now, Kia's consolidated operating profit is set to surpass HMC's, driven by stronger global sales momentum, improved sales mix, and a weaker won.

HMC vs Kia: Operating profit



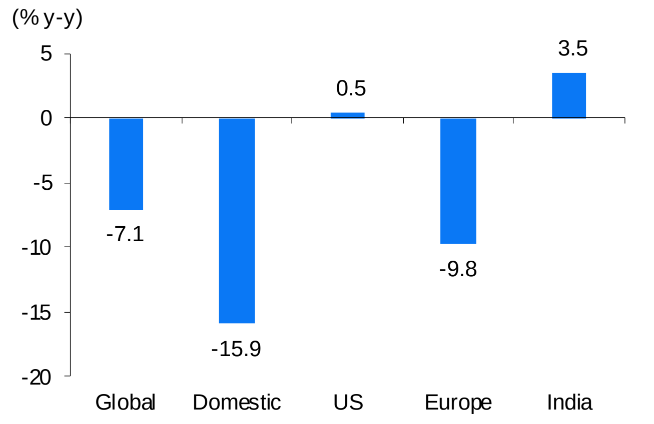
Source: Bloomberg, Samsung Securities

In 2026, Kia has seen broad sales growth in its major markets. HMC, by contrast, has struggled outside of the US and India. Both companies share R&D, platforms, and procurement, but their strategic divergence lies in design philosophy and EV portfolio positioning.

After launching the Ioniq 5 and the EV6 in 2021—targeting the high-volume compact SUV segment—HMC prioritized large EVs, while Kia focused on compact and mid-sized models. When interest rates rose and subsidies shrank after 2022, demand for large and mid-sized EVs collapsed. In 2026, the EV market entered its second wave—led by affordable, high-efficiency small and mid-sized models—and Kia's full lineup of such EVs has driven strong sales in Europe and Korea. In Korea, total auto demand grew just 1% y-y in 2Q, but EV penetration surged to 30%, sharply widening the sales volume gap between the two carmakers.

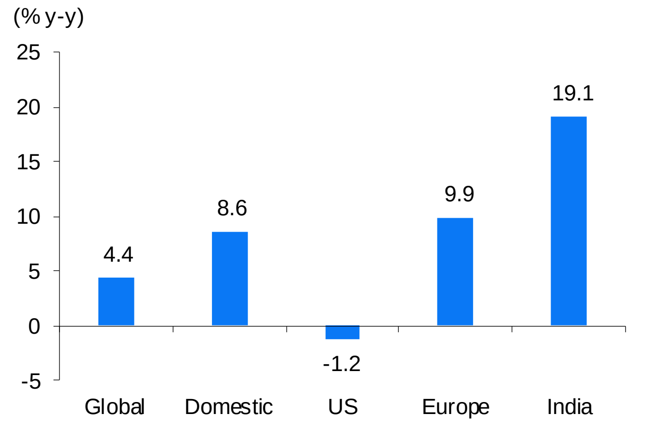
In the US, both brands benefited from pre-tariff stockpiling in 2025, driving outsized sales volume growth. Due to the high base, their sales volume proved flat y-y in 1H26. That said, strong hybrid vehicle demand is expected to drive meaningful growth in 2H26.

HMC: Global wholesale volume in 2Q26



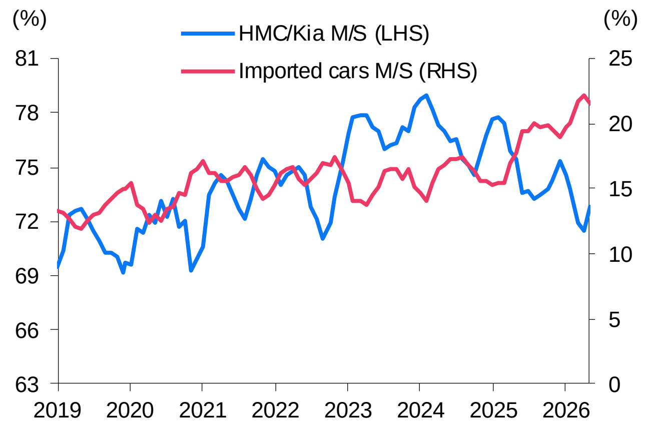
Source: Company data, Samsung Securities

Kia: Global wholesale volume in 2Q26



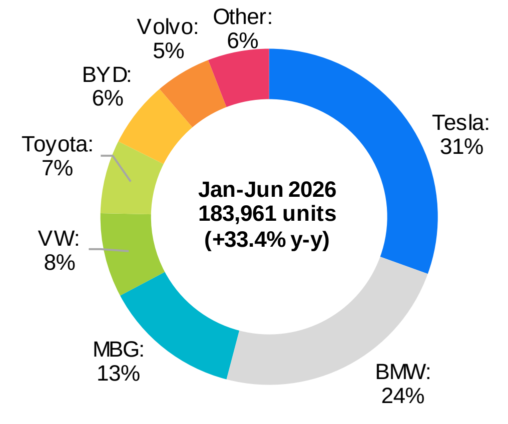
Source: Company data, Samsung Securities

Korean market: HMG vs imported cars' market share



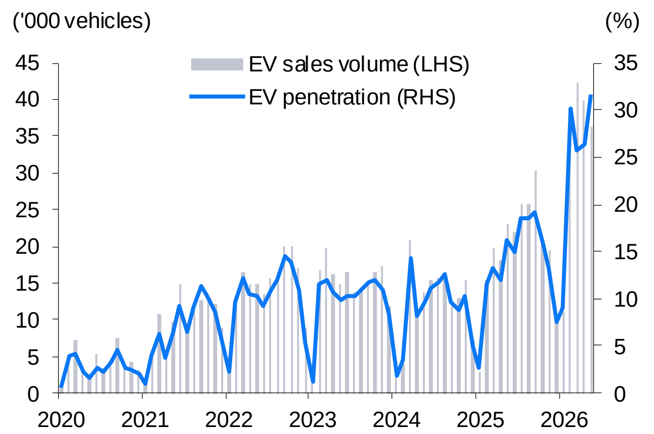
Note: 3-month moving average
Source: MarkLines, Samsung Securities

Korean market: Sales of imported cars, by automaker



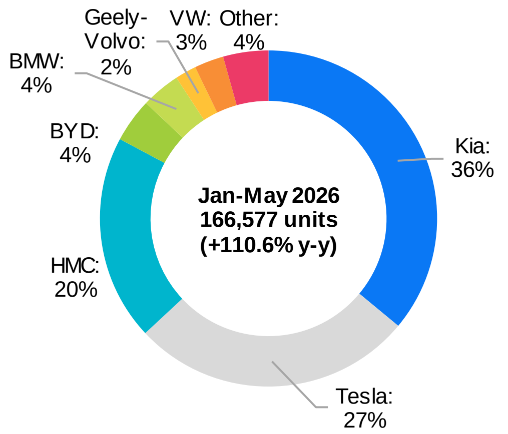
Source: KAIDA, Samsung Securities

Korean market: EV sales volume and penetration



Note: As of May 2026
Source: MarkLines, EV-Volumes, Samsung Securities

Korean EV market share, by major automaker



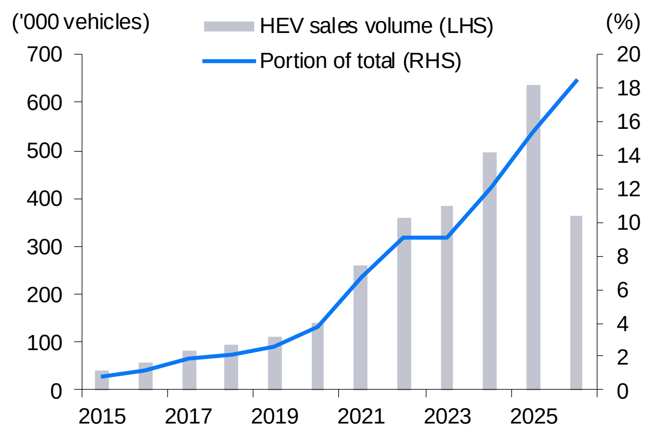
Source: EV-Volumes, Samsung Securities

The profitability gap between HMC and Kia stems mainly from differences in US market incentives. In the US, HMC's average incentive per vehicle stands at USD3,000-3,500 vs Kia's USD2,000-2,200—a difference of roughly USD1,000 per unit.

Kia has also been outpacing HMC in terms of hybrid sales growth. In 2Q26, HMC sold 189,000 hybrids (+11.9% y-y), accounting for 19.1% of its total sales (+3.3%pts y-y). Kia sold 179,000 hybrids (+50.2% y-y), with the figure accounting for 21.2% of its total sales (+6.5%pts y-y). Hybrid profitability now exceeds that of ICE vehicles and could rise further, potentially generating a margin of 15%. Meanwhile, Kia's EV sales mix reached 14.1% in 2Q26 vs HMC's 8%.

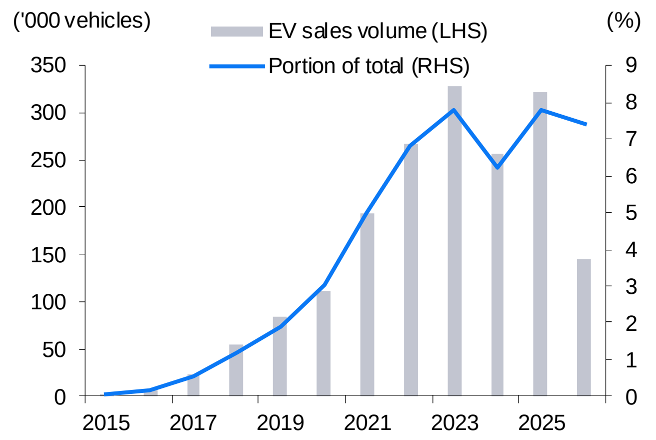
On forex sensitivity, Kia benefits more from won weakening. For every KRW10 change in the KRW/USD rate, Kia's annual operating profit swings KRW300b-350b vs HMC's KRW200b-250b. Holding 2026 forex-rate assumptions of KRW1,360/USD, the current rate (over KRW1,500/USD) is favorable to both firms—yet, Kia stands to benefit more significantly from the weaker won.

HMC: Hybrid sales volume



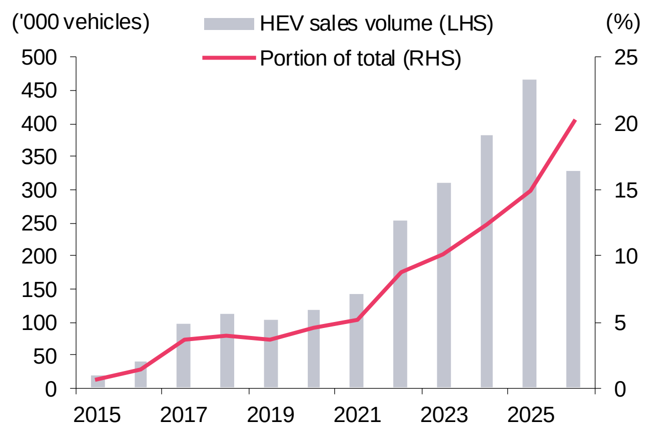
Note: As of end-June
Source: Company data, Samsung Securities

HMC: EV sales volume



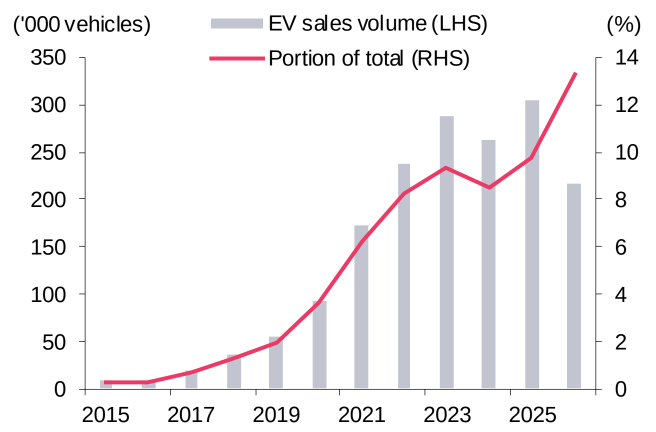
Note: As of end-June
Source: Company data, Samsung Securities

Kia: Hybrid sales volume



Note: As of end-June
Source: Company data, Samsung Securities

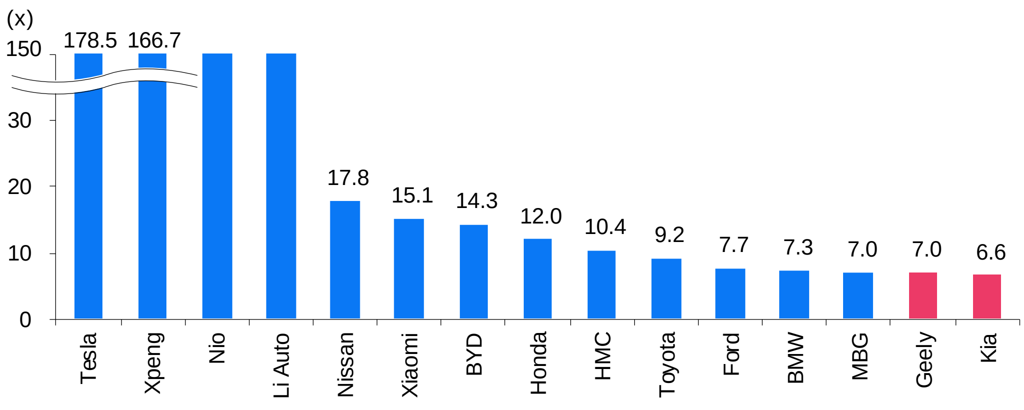
Kia: EV sales volume



Note: As of end-June
Source: Company data, Samsung Securities

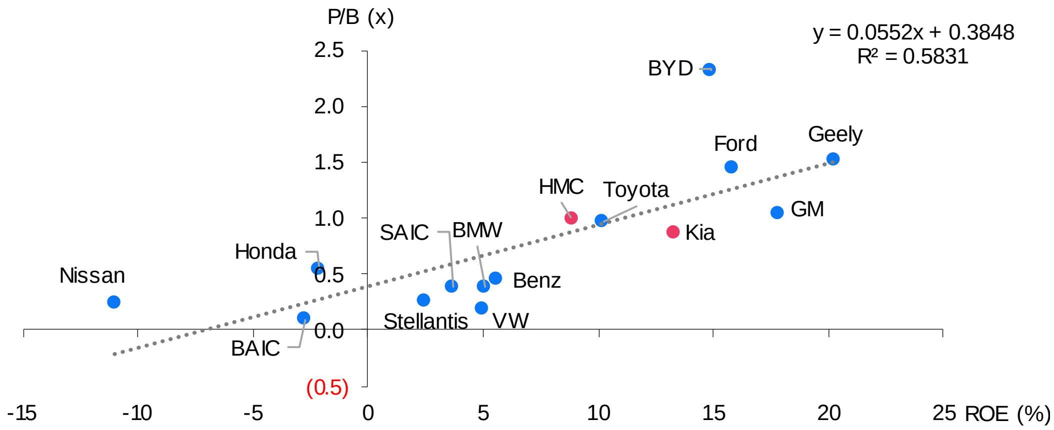
Despite delivering the highest operating margin among global automakers for two consecutive quarters (projected at 9.2% in 2Q26 for an operating profit of KRW3t), Kia is trading at the lowest P/E within HMG. Its stock price has declined alongside HMG's—investor sentiment towards robotics businesses has been cooling since June. Thanks to its solid profitability, a meaningful valuation re-rating for Kia is in the cards.

Global automakers: 12m forward P/E valuation



Source: Company data, Samsung Securities

Global automakers: P/B vs ROE (2026E)



Source: Company data, Samsung Securities

3Q investment strategy: Focus on earnings in July, tap robotics momentum in August

In July, ahead of quarterly earnings announcements, we like stocks with strong earnings fundamentals and attractive valuations. Such firms include Kia, Hankook T&T, and SL Corp. Kia has begun to overcome the high base (US tariffs, which began one year ago) and is on track to see its operating profit recover to KRW12t in 2027. It is trading at 6.6x P/E.

Hankook T&T is expected to see a modest margin decline in 3Q (due to rising raw-material costs) before its margins recover in 4Q (on a fall in raw-material prices). Meanwhile, Hanon Systems should achieve a 4% operating margin in 2026, meaning it will likely be able to cover interest expenses without having to dilute equity. It is trading at a P/E of 6x.

SL Corp should deliver strong 1H results, but low seasonality in 2H should weigh on its results. However, from July, the commencement of MobED contract manufacturing should finally bring robotics-related revenue to its financial statements. SL Corp is trading at 7x P/E.

Top picks for July

Company	Market cap (KRWb)	2026 P/E (x)	Investment points
Kia	60,163	6.6	Offset US tariff impact within a year and return to quarterly operating profit of KRW3t
Hankook T&T	8,659	6	Spread to expand again from 4Q following oil price declines after end of the Middle East war
SL	2,717	7	Solid operating profit and start of MobED sales

Source: Samsung Securities

In August, robotics momentum is expected to regain market attention. Investors are disappointed by the price HMG decided to pay to acquire SoftBank's remaining 9.65% stake in Boston Dynamics. According to media reports, SoftBank sold its remaining stake for USD325m (around KRW0.5t), implying a total enterprise value for Boston Dynamics of USD3.36b (KRW5.2t). While this represents a threefold increase from the USD1.1b valuation at the time HMG acquired control of the robot maker, it falls far short of market expectations (KRW50t-100t).

HMG has historically accounted for its investment in Boston Dynamics by using the cost method, recognizing the carrying value based on cumulative capital contributions. Since signing an agreement in 2020 to acquire an 80% stake (in Boston Dynamics) from SoftBank, HMG has injected around KRW500b *pa* into the firm. As of end-1Q26, the carrying value of Boston Dynamics on HMG's books stood at USD1.46b. The recent SoftBank transaction revalued the US company at 2.3x that amount.

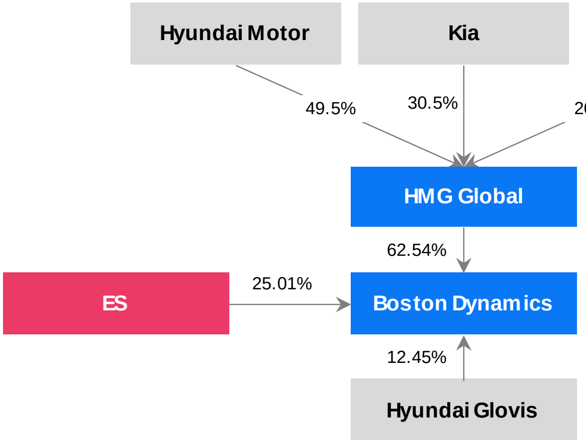
To resolve governance issues—such as circular ownership and gift-tax liabilities—HMG would need Boston Dynamics to be valued at a minimum of USD33b (KRW50t), or 10x its current implied valuation. Given this gap, HMG is unlikely to rush an IPO. Instead, it is expected to focus on accelerating Boston Dynamics's revenue growth (through strategic partnerships with big tech firms), securing advanced AI capabilities, and expanding its customer base by adding non-captive clients

In August, HMG's Robot Metaplant Application Center (RMAC) will begin operations. The facility should serve as a hub for collecting real-world robotic behavior data from factory deployments and refining AI models through simulation on a virtual platform. This should mark a critical inflection point: RMAC's success could attract major US tech players—not only as direct investors but also as potential buyers of proprietary data or licensing agreements with HMC and Kia.

HMG's CEO Investor Day, scheduled for August-September, is expected to provide timelines for building a dedicated robot production facility, and also capital utilization plans for the 100%-owned subsidiary (Boston Dynamics). HMG may explore: 1) a strategic sale of some of its Boston Dynamics shares (it bought from SoftBank) to a partner; or 2) a private placement at year-end. In 4Q, we expect HMG to establish a dedicated robot manufacturing entity and break ground on a dedicated production plant.

In response, the US administration is expected to announce targeted industrial policy, modeled after the Inflation Reduction Act (IRA). In August, Tesla's Optimus is expected to begin mass-production. Agility Robotics targets an IPO in September and plans to launch a 10,000-unit plant by year-end. China, which produced 10,000 humanoid robots in 2025, aims to triple output in 2026. The US policy should be designed to incentivize the US robotics industry, safeguard its leadership in physical AI, and prevent its technological dominance from shifting to China.

Boston Dynamics: Governance structure (after equity acquisition)



Source: Company data, Samsung Securities

Boston Dynamics: Results

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

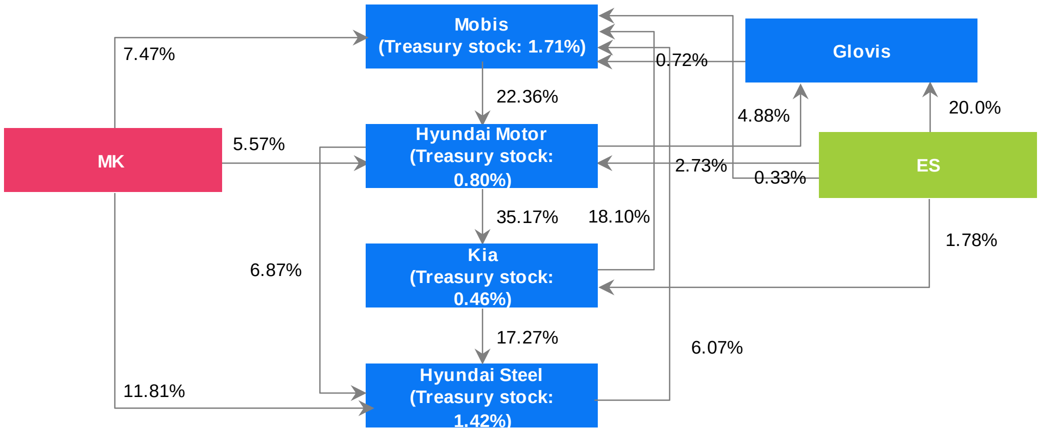
Source: Hyundai Glovis, Samsung Securities

Boston Dynamics: Changes in ownership and value

	Stake (%)		Book value	Revaluation via acquisition	Target value*	
	Before	After	(USDm)	(USDm)	(USDm)	(KRWb)**
HMC	27.97	30.96	410	1,043	10,216	15,835
Kia	17.23	19.07	253	642	6,293	9,754
Mobis	11.3	12.51	166	421	4,127	6,397
ES	22.6	25.01	332	842	8,255	12,795
Glovis	11.25	12.45	165	419	4,109	6,369
Softbank	9.65	0	142	0	0	0
Total	**100**	**100**	**1,467**	**3,368**	**33,000**	**51,150**

Note: *Target value is the value required to resolve governance issues.
**Assuming exchange rate of KRW1,550/USD
Source: Company data, Samsung Securities

Hyundai Motor Group: Governance structure



Source: Company data, Samsung Securities

HMG's stake in Hyundai Mobis

(KRWb)	Stake (%)	Stake value	After tax*
Kia	18.1	8,359	6,269
Hyundai Steel	6.07	2,803	2,102
Total	24.17	11,162	8,372
Share buyback and cancellation over 15 years		2,232	

Note: *Assuming a tax rate of 25%
Source: FnGuide, Samsung Securities

Kia leading earnings expectations

2Q preview

2Q preview for automakers: Kia's strong performance shining through

- **HMC/Kia's global production lags wholesale volume in 2Q:** HMC and Kia together produced 1.819m vehicles in 2Q (+3.1% q-q and -2.8% y-y), roughly 30,000 units less than their combined global wholesale volume of 1.84m units (+4.8% q-q and -2.1% y-y). The two automakers maintained their global inventories at reasonable levels of 1.9 and 2.3 months' worth of sales, respectively, with their US inventories also at reasonable levels of 2.7 and 2.7 months' worth of sales. An engine valve supply issue resulted in a production loss of 40,000 autos per month over March-April. HMC faced sales delays as a result, while Kia offset the impact through strong EV sales.
- **Ex-China performance:** Outside of China, HMC and Kia's combined global wholesales came in at 1.802m units in 2Q (+5.4% q-q and -1.5% y-y). HMC's ex-China wholesales reached 0.971m units (+2.3% q-q and -6.2% y-y). Looking at HMC's regional sales mix, the automaker showed strength in the US (selling 265,000 units; +1.1% y-y; led by the Santa Fe/Tucson hybrids and the new Palisade launch) but weakness in Korea (159,000 units; -15.9% y-y; sales of imported EVs such as those made by Tesla and BYD proved brisk).

  Kia's ex-China wholesales came to 830,000 units (+9.3% q-q and +4.7% y-y). Its wholesales in the US slipped 1.2% y-y to 230,000 units in 2Q on the high base, but monthly growth resumed following the launch of a second-generation Telluride in late February and a new hybrid model in May. In Korea, its wholesales rose 8.6% y-y to 154,000 units, supported by strong demand for EVs and key models.
- **Regional sales and product mix:** HMC derived 42.8% of its wholesales from the US and Korea in 2Q (+0.5%pts y-y). For Kia, this portion was 45.2% (-0.8%pts y-y). HMC and Kia's regional-sales mix was mostly stable y-y. HMC saw Genesis sales decline 18.6% y-y to 41,000 units due to model aging, while Kia saw sales of the Palisade—unaffected by US tariffs—rise 19% y-y to 37,000 units, resulting in a more favorable product mix for Kia.

  In Europe, HMC's wholesales fell to 145,000 units (-9.7% y-y), continuing its decline. A hike in incentives (since 4Q24; estimated at EUR2,000 per vehicle) likely pressured profit. HMC plans to launch the Ioniq 3, an affordable EV, in 2H. Kia's wholesales rose to 144,000 units (+9.8% y-y), extending the uptrend for a second straight quarter. Kia began production of the EV4 in Aug 2025 and the EV2 in Feb 2026 at its Slovakia plant. Now selling five EV models (EV2, EV3, EV4, EV5, PV5), Kia is aggressively targeting the European EV market. The Seltos hybrid will be launched in 2H.

  Both HMC and Kia noted during their 4Q25 earnings calls that nearly half of their incremental annual incentive spending took place in Europe in 2025 due to rising competition there. HMC's annual incentive spending in 2025 expanded KRW2.18t y-y (1.1%pts of sales), with an estimated KRW1t of the increase tied to Europe. Kia's annual incentive spending grew KRW1.5t y-y (1.3%pts of sales), with an estimated KRW700b of the increase linked to Europe. Kia has set lower price points for its new EV models in Europe to drive EV sales growth.

- **HMC/Kia sell 368,000 hybrids (+27.8% y-y), representing 20% of their total sales:** HMC sold 188,000 hybrids in 2Q (+11.9% y-y) and Kia sold 179,000 (+50.2% y-y). Hybrids made up 19.1% of HMC's sales volume (+3.3%pts y-y) and 21.2% of Kia's (+6.5%pts y-y), far exceeding their EV sales volume portions (8% and 14.1%, respectively).
- **Rising raw-material prices start impacting earnings in 2Q:** Rising raw-material prices are likely to add costs of KRW800b at HMC in 2Q and KRW600b at Kia.
- **US incentives rise:** The average manufacturer incentive per vehicle rose 2% q-q and 3.8% y-y to USD3,455 in 2Q, according to Autodata. Rising oil prices due to the Middle East war have led automakers to increase their incentive spending to maintain sales volumes—inflation is starting to pick up, pressuring potential buyers. HMC's US incentives per auto rose 20.6% q-q and 3% y-y to USD3,025. Kia's US incentives fell 0.7% q-q but rose 19% y-y to USD3,357. Of note, Kia said it offered similar incentives q-q of USD2,200-2,300 per auto (vs USD1,800 in 2Q25).
- **Average quarterly won weakness to provide greater tailwinds than end-quarter won weakness:** The won-dollar rate ended 2Q at KRW1,549.5/USD (+2% q-q). Although the won weakened, the automakers likely set aside less q-q for warranty provisioning. In 1Q, the won weakened 5.5% q-q (twice the magnitude of the weakening in 2Q). As of end-1Q, HMC/Kia had a respective KRW9.5t and KRW9.1t in warranty liabilities (an estimated 65% in dollars and 15% in euros). We estimate that HMC/Kia carried out 2Q warranty provisioning of a respective KRW840b (-9.7% q-q and -6.8% y-y) and KRW860b (-28% q-q but +24% y-y).

  The won-dollar rate averaged KRW1,501/USD (+7.2% y-y) in 2Q—the pace of won depreciation for the quarter (average in 1Q vs average in 2Q) was steeper than that when measured end-quarter to end-quarter. For each KRW10/USD change in the won/dollar rate, operating income swings an estimated KRW200b-250b at HMC and KRW300b-350b at Kia. With higher forex sensitivity and stronger sales performance, Kia is likely to deliver a 2Q earnings surprise.
- **HMC's operating profit to miss lowered consensus:** We believe HMC will report 2Q sales of KRW49.4t (+7.6% q-q and +2.4% y-y) and an operating profit of KRW3.1t (+21.4% q-q but -15.2% y-y), for an operating margin of 6.2% (+0.7%pts q-q but -1.3%pts y-y). This would bring its 1H operating margin to 5.8%, significantly below guidance (6.3-7.3%). While hybrid versions of the Avante, Tucson, Ioniq 3, and Genesis are scheduled to be rolled out in 2H, the pace of sales recovery at HMC should proceed slowly given that demand is shifting towards EVs at an accelerating pace.
- **Kia's operating profit to beat consensus by 7.4%:** We expect Kia to announce 2Q sales of KRW32.6t (+10.6% q-q and +11.1% y-y) and an operating profit of KRW2.99t (+35.6% q-q and +8.2% y-y), for an operating margin of 9.2%. Its operating profit may even top KRW3t, considering strong sales across all regions, improved sales mix, greater hybrid sales, and favorable forex rates. Kia has a robust hybrid lineup in the US and a well-developed EV portfolio outside of the US, making it likely the firm will exceed annual earnings guidance. If current sales-growth trends continue, Kia's operating profit should top KRW12t in 2027, with its profitability returning to where it stood prior to the introduction of US tariffs.

Operating profit forecasts

	(KRWb)	2Q26E			3Q26E			2026E		
		Samsung	Consensus*	vs consensus	Samsung	Consensus*	vs consensus	Samsung	Consensus*	vs consensus
Autos	HMC	3,095	3,245	Meet	3,008	3,152	Meet	11,041	11,949	Miss
	Kia	2,992	2,785	Exceed	2,750	2,507	Exceed	10,913	10,114	Exceed
Auto Parts	Hyundai Mobis	871	916	In-line	1,055	951	Exceed	3,879	3,721	Meet
	Hanon Systems	112	109	Meet	103	107	Meet	433	429	Meet
	HL Mando	100	105	Meet	108	101	Exceed	420	405	Meet
	SL Corporation	133	135	Meet	96	100	Meet	447	464	Meet
	Haesung DS	22	22	Meet	26	29	Miss	86	90	Meet
	Hankook T&T	517	524	Meet	507	544	Miss	2,012	2,132	Miss
	Hyundai AutoEver	74	80	Miss	76	77	Meet	289	278	Meet
	SNT Motiv	26	29	Miss	29	25	Exceed	108	109	Meet

Note: Consensus as of Jul 6; Samsung forecast considered 'in-line' if deviation from consensus is within 5%
Source: Source: FnGuide, Samsung Securities

Average forex rates

	2Q26	1Q26	2Q25	Chg (% q-q)	Chg (% y-y)
KRW/USD	1,501.8	1,467.1	1,400.9	2.4	7.2
KRW/EUR	1,745.6	1,715.1	1,586.7	1.8	10.0
KRW/RUB	20.2	18.7	17.3	8.1	16.6
KRW/BRL	297.4	278.7	247.1	6.7	20.4
KRW/INR	15.9	16.0	16.3	-0.9	-2.8
KRW/CNY	220.6	211.6	193.4	4.3	14.1
KRW/MXN	86.4	83.4	71.8	3.5	20.3

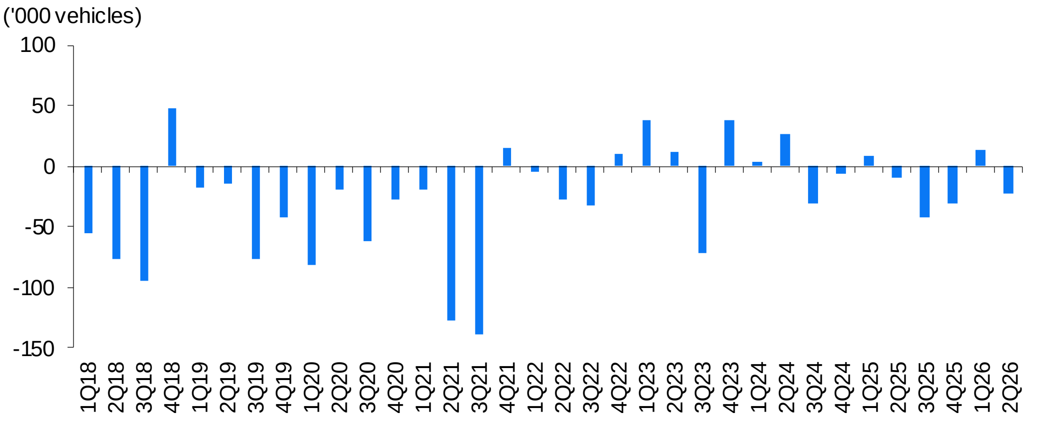
Source: Bloomberg, Samsung Securities

End-quarter forex rates

	2Q26	1Q26	2Q25	Chg (% q-q)	Chg (% y-y)
KRW/USD	1,549.3	1,519.5	1,353.8	2.0	14.4
KRW/EUR	1,767.7	1,749.6	1,592.1	1.0	11.0
KRW/RUB	19.7	18.6	17.3	5.8	14.1
KRW/BRL	300.0	292.7	249.2	2.5	20.4
KRW/INR	16.4	16.0	15.8	2.1	3.6
KRW/CNY	228.2	219.9	188.9	3.8	20.8
KRW/MXN	88.6	84.2	72.2	5.2	22.7

Source: Bloomberg, Samsung Securities

HMC/Kia: Global production less wholesales



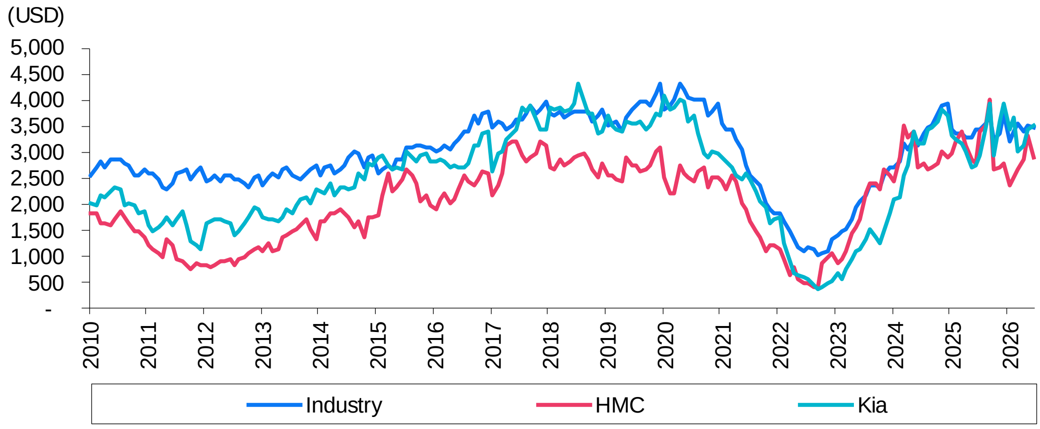
Source: Company data, Samsung Securities

HMC/Kia: Sales in Korea and US

	HMC					Kia				
('000 vehicles)	**2Q26**	**1Q26**	**Chg (% q-q)**	**2Q25**	**Chg (% y-y)**	**2Q26**	**1Q26**	**Chg (% q-q)**	**2Q25**	**Chg (% y-y)**
Korea	159	159	-0.3	189	-15.9	154	142	9.0	142	8.6
US	265	244	8.9	262	1.1	230	203	13.3	232	-1.2
Total	424	403	5.2	451	-6.0	384	344	11.6	374	2.5
Global sales	**990**	**976**	**1.5**	**1,066**	**-7.1**	**849**	**779**	**9.1**	**814**	**4.4**
Korea + US Portion (%)	42.8	41.2	1.5	42.3	0.5	45.2	44.2	1.0	46.0	-0.8

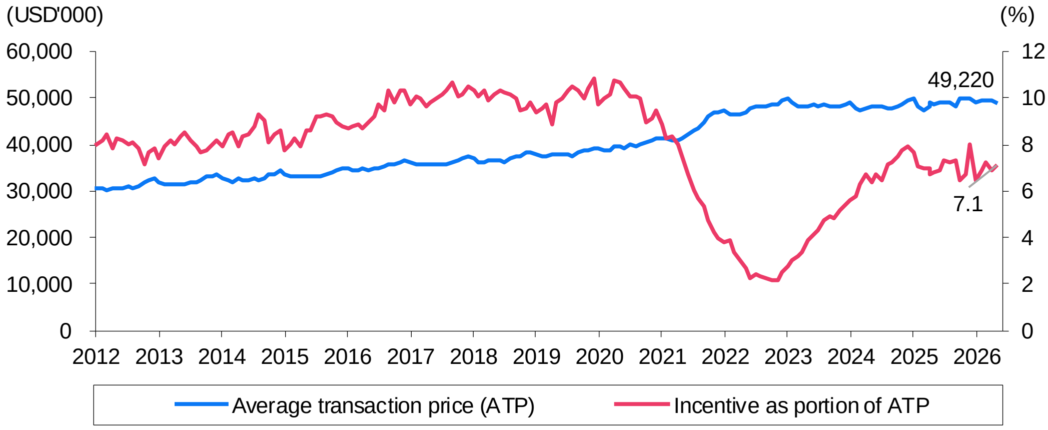
Note: Based on wholesales
Source: Company data, Samsung Securities

HMC/Kia: US incentives



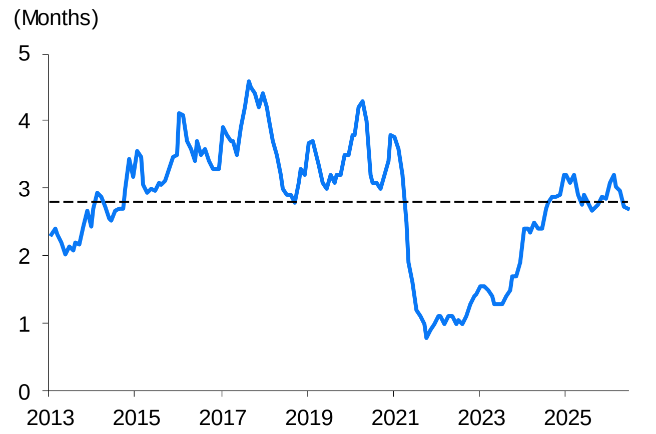
Source: AutoDataBowl, Samsung Securities

US market: Average transaction price and incentives as portion of average transaction price



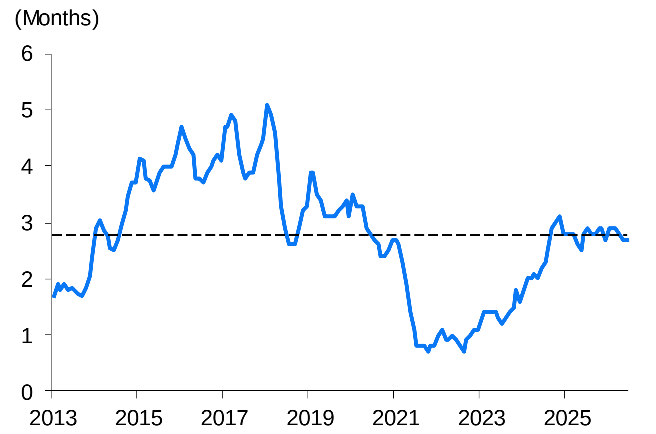
Source: Kelly blue book, Samsung Securities

HMC: Average dealer inventory



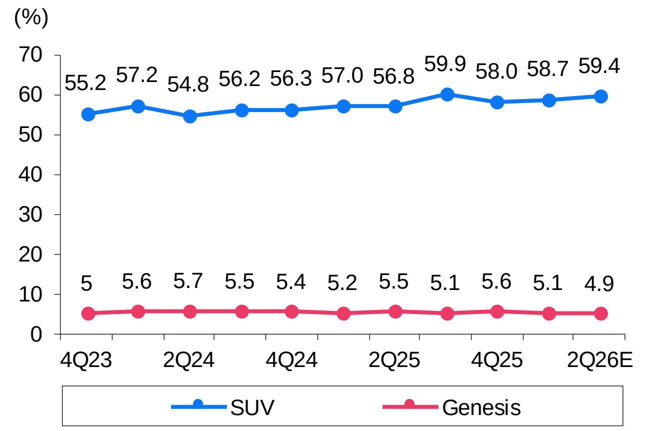
Source: Company data, Samsung Securities

Kia: Average dealer inventory



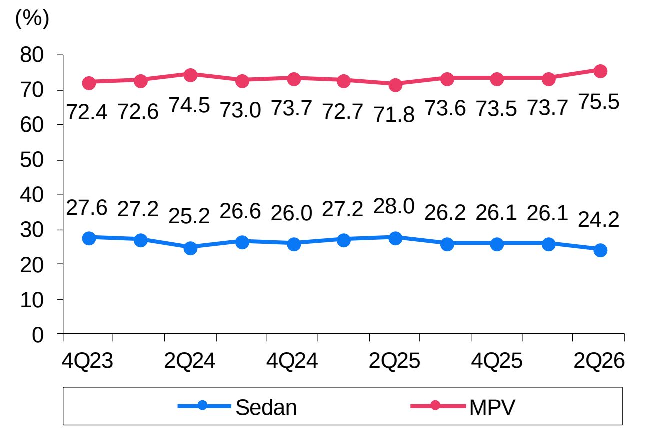
Source: Company data, Samsung Securities

HMC: SUV + MPV portion of sales volume



Note: Based on wholesale volume
Source: Company data, Samsung Securities

Kia: SUV + MPV portion of sales volume



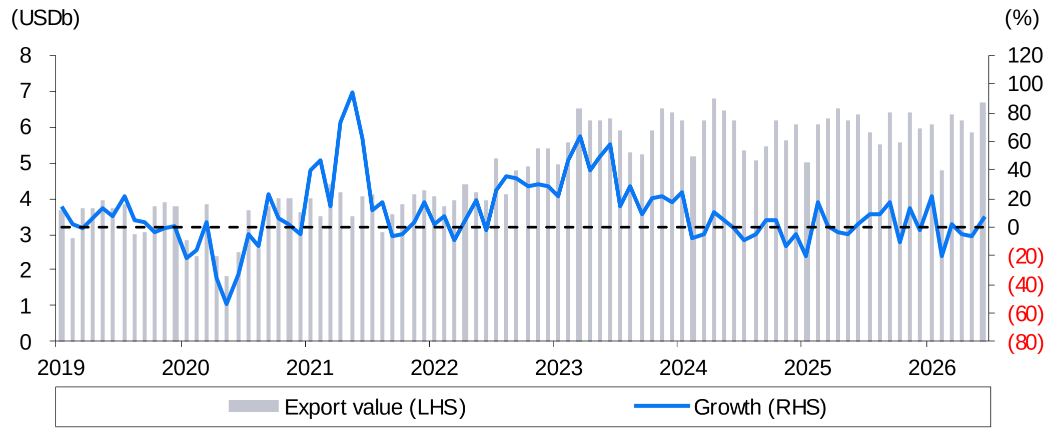
Note: Based on retail sales volume
Source: Company data, Samsung Securities

HMC/Kia: Sales volume, by powertrain

(Units)	HMC 2Q26	Portion (%)	2Q25	Portion (%)	Chg (% y-y)	Kia 2Q26	Portion (%)	2Q25	Portion (%)	Chg (% y-y)
EV	78,985	8.0	92,834	8.7	-14.9	119,924	14.1	83,348	10.2	43.9
BEV	70,725	7.1	78,802	7.4	-10.2	113,868	13.4	66,103	8.1	72.3
PHEV	8,260	0.8	14,032	1.3	-41.1	6,056	0.7	17,245	2.1	-64.9
HEV	188,749	19.1	168,664	15.8	11.9	179,935	21.2	119,830	14.7	50.2
Total	**990,486**	**100.0**	**1,065,843**	**100.0**	**-7.1**	**849,156**	**100.0**	**813,621**	**100.0**	**4.4**

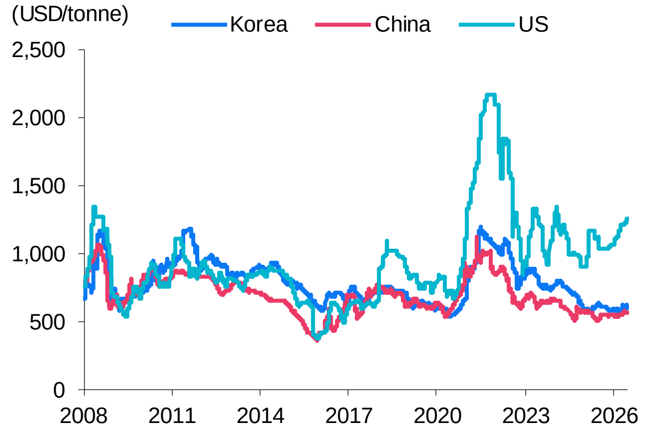
Note: As portion of global wholesales
Source: Company data, Samsung Securities

Korea: US-bound export value (June: +5.8% y-y)



Source: CEIC, Samsung Securities

Cold rolled steel price



Source: Bloomberg, Samsung Securities

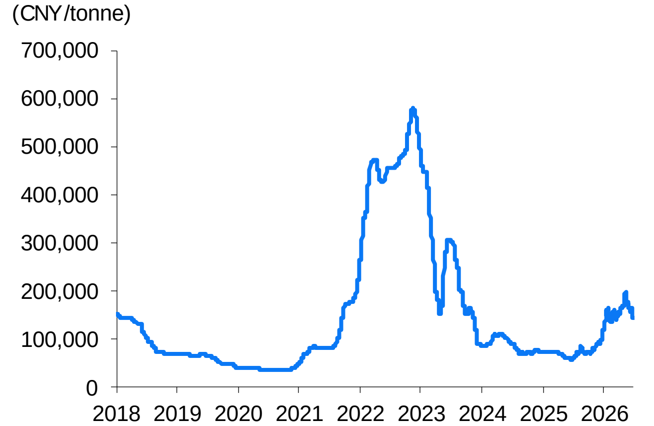
Aluminum price

Source: Bloomberg, Samsung Securities

Iron ore price

Source: Bloomberg, Samsung Securities

Lithium carbonate price



Source: Bloomberg, Samsung Securities

HMC/Kia: Global ex-factory sales (production) and wholesales

('000 vehicles)		2Q26E	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)
KRW/USD (average)		1,502	1,467	2.4	1,401	7.2
Global ex-factory sales*	HMC	985	984	0.1	1,063	(7.3)
	Kia	834	780	6.9	808	3.2
	Total	1,819	1,764	3.1	1,871	(2.8)
China ex-factory sales*	HMC	43	43	(1.1)	50	(14.4)
	Kia	68	50	35.4	67	0.4
	Total	110	93	18.5	117	(5.9)
Global wholesales	HMC	990	976	1.5	1,066	(7.1)
	Kia	849	779	9.1	814	4.4
	Total	1,840	1,755	4.8	1,879	(2.1)
Global wholesales, excluding China	HMC	971	949	2.3	1,036	(6.2)
	Kia	830	760	9.3	793	4.7
	Total	1,802	1,709	5.4	1,829	(1.5)

Note: *Preliminary data
Source: Company data, FnGuide, Samsung Securities

HMC/Kia: Forecasts

(KRWb)		2Q26E	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Difference (%)
KRW/USD (average)		1,502	1,467	2.4	1,401	7.2%		
HMC	Revenue	49,260	45,939	7.2	48,287	2.0	49,937	(1.4)
	Operating profit	3,095	2,515	23.1	3,602	(14.1)	3,245	(4.6)
	Operating margin (%)	6.3	5.5	0.8	7.5	(1.2)	6.5	(0.2)
	Net profit	3,136	2,585	21.3	3,250	(3.5)	3,242	(3.3)
	Net margin (%)	6.4	5.6	0.7	6.7	(0.4)	6.5	(0.1)
	Controlling net profit	3,042	2,335	30.3	2,998	1.5	2,802	8.5
	Controlling net margin (%)	6.2	5.1	1.1	6.2	(0.0)	5.6	0.6
Kia	Revenue	32,627	29,502	10.6	29,350	11.2	31,844	2.5
	Operating profit	2,992	2,205	35.7	2,765	8.2	2,785	7.4
	Operating margin (%)	9.2	7.5	1.7	9.4	(0.2)	8.7	0.4
	Net profit	2,336	1,830	27.6	2,268	3.0	2,305	1.3
	Net margin (%)	7.2	6.2	1.0	7.7	(0.6)	7.2	(0.1)
	Controlling net profit	2,336	1,831	27.6	2,269	3.0	2,332	0.2
	Controlling net margin (%)	7.2	6.2	1.0	7.7	(0.6)	7.3	(0.2)

Note: Consensus as of Jul 6;
Source: FnGuide, Samsung Securities estimates

2Q preview for supply chain: HL Mando, Hanon Systems, and Hankook T&T to beat

Although HMC and Kia's global production volumes declined to 1.819m units (-2.8% y-y), most suppliers should deliver solid 2Q earnings, supported by a weaker won and improved product mix.

- **Mobis—operating profit to meet consensus:** We expect Hyundai Mobis to report 2Q sales of KRW16.2t (+4.4% q-q and +1.9% y-y) and an operating profit of KRW871b (+8.5% q-q and +0.1% y-y), for an operating margin of 5.4%. The aftermarket parts division likely contributed sales of KRW3.6t (+7.9% y-y) and an operating profit of KRW936b (+13% y-y), for a margin of 26%. To offset US tariff pressures, the aftermarket parts division implemented price hikes in 2H25 which, together with a weaker won, likely positively impacted the division's profitability. In the US, three developments underpin the longer-term outlook for Mobis's aftermarket parts business: 1) hybrid vehicle demand is double EV demand; 2) the age of vehicles on the road is increasing; and 3) logistics costs and tariffs are shrinking the non-genuine aftermarket parts segment.

  The module division likely recorded sales of KRW12.6t (flat y-y) and an operating loss of KRW65b (staying in the red y-y), for a margin of -0.5%. The module division likely recorded a 2Q loss due to elevated raw-material costs and HMC/Kia's supplier-diversification efforts (impacting the electrification business). HMC and Kia continued to record EV sales growth, but their EV profitability likely remained near breakeven, thus Mobis's electrification business also likely continued to operate at a loss. The module division should turn profitable in 2H and achieve a profit in full-year 2026. Mobis is looking to sell its bumper business (for KRW500b) after divesting its lamp operations (for KRW500b), and aims to focus on SDV and electrification initiatives.

- **Hankook T&T—operating profit to meet consensus:** Hankook Tire & Technology likely saw 2Q sales of KRW5.62t (+5.7% q-q and +4.6% y-y) and an operating profit of KRW517b (+2% q-q and +46.3% y-y), for a margin of 9.2%. Ahead of global price hikes in July, distributors placed more orders (in order to build their inventories). Hanon Systems likely continued its earnings recovery, aided by tire-price hikes of 2% implemented early this year in Korea and Europe. Its raw-material prices likely edged up q-q, and significant cost increases are set to be reflected in 3Q. However, with the potential resolution of the Middle East war, raw-material prices should fall back in 4Q.

- **HL Mando—operating profit to meet consensus:** We expect HL Mando to post 2Q sales of KRW2.47t (6.7% q-q and 2.7% y-y) and an operating profit of KRW100b (+6.4% q-q but -4.3% y-y), for a margin of 4%. The second wave of EV adoption is driving increased production by Kia and North American EV makers, supporting a solid earnings outlook for HL Mando.

- **Hanon Systems—operating profit to meet consensus:** Hanon Systems likely recorded 2Q sales of KRW2.89t (+5.1% q-q and +1%y-y) and an operating profit of KRW112b (+15.4% q-q and +74.5%y-y), for a margin of 3.9%. Fast-growing EV demand in Europe likely drove increased sales of EV systems to European clients and Kia. Cost savings, as a result of restructuring, likely continued.

- **SL Corp—results to meet:** We expect SL Corp to post 2Q sales of KRW1.379t (-0.6% q-q but +6.5% y-y) and an operating profit of KRW133b (-7.8% q-q but +25.3% y-y) for an operating margin of 9.6%, with solid results likely supported by HMC/Kia's robust US sales and a weaker won. Its operating margin likely fell q-q due to lower Genesis sales volume. SL Corp supplies headlamps for all Genesis models. In 2H, it should benefit from a rise in production of the Kia Telluride and from the US production of the Sportage Hybrid. As it will begin MobED production in September and should find out soon whether it has won an Atlas order, its robotics momentum should grow in 2H.

- **Hwashin—results to show gradual recovery:** We expect Hwashin to post 2Q sales of KRW526b (+4% q-q and +7% y-y) and an operating profit of KRW21b (+23.9% q-q and -20.6% y-y), for an operating margin of 4%. The outlook for improved earnings q-q is supported by strong sales of the Kia Telluride and a weaker won. Although it built a new factory to supply chassis products to Hyundai Motor Group Metaplant America (HMGMA), utilization rates at HMGMA remain low. Utilization should recover in 2H as Kia begins producing the Sportage Hybrid there. Hwashin is bidding for a contract to supply body modules to Boston Dynamics.

Parts makers: Forecasts

(KRWb)		2Q26E	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Difference (%)
KRW/USD (average)		1,502	1,467	2.4	1,401	7.2		
Hyundai Mobis	Revenue	16,238	15,561	4.4	15,936	1.9	16,760	(3.1)
	Operating profit	871	803	8.5	870	0.1	916	(4.9)
	Operating margin (%)	5.4	5.2	0.2	5.5	(0.1)	5.5	(0.1)
	Net profit	1,011	883	14.5	934	8.2	1,043	(3.1)
	Net margin (%)	6.2	5.7	0.6	5.9	0.4	6.2	0.0
	Controlling net profit	1,009	882	14.5	932	8.2	1,066	(5.4)
	Controlling net margin (%)	6.2	5.7	0.5	5.9	0.4	6.4	(0.1)
Hanon Systems	Revenue	2,887	2,748	5.1	2,858	1.0	2,947	(2.0)
	Operating profit	112	97	15.4	64	74.5	109	2.7
	Operating margin (%)	3.9	3.5	0.3	2.2	1.6	3.7	0.2
	Net profit	58	67	(13.5)	(15)	nm	60	(2.5)
	Net margin (%)	2.0	2.5	(0.4)	(0.5)	nm	2.0	(0.0)
	Controlling net profit	57	67	(14.2)	(16)	nm	55	3.1
	Controlling net margin (%)	2.0	2.4	(0.4)	(0.6)	nm	1.9	0.1
HL Mando	Revenue	2,465	2,312	6.7	2,401	2.7	2,469	(0.1)
	Operating profit	100	94	6.4	104	(4.3)	105	(4.8)
	Operating margin (%)	4.0	4.0	(0.0)	4.3	(0.3)	4.2	(0.2)
	Net profit	57	53	8.0	10	479.2	59	(2.5)
	Net margin (%)	2.3	2.3	0.0	0.4	1.9	2.4	(0.1)
	Controlling net profit	54	48	12.8	4	1,099.1	48	11.4
	Controlling net margin (%)	2.2	2.1	0.1	0.2	2.0	2.0	0.2
SL Corp	Revenue	1,379	1,388	(0.6)	1,295	6.5	1,440	(4.2)
	Operating profit	133	144	(7.8)	106	25.3	135	(1.7)
	Operating margin (%)	9.6	10.4	(0.7)	8.2	1.4	9.4	0.2
	Net profit	103	136	(24.5)	70	46.1	101	1.8
	Net margin (%)	7.4	9.8	(2.4)	5.4	2.0	7.0	0.4
	Controlling net profit	100	132	(24.5)	69	44.2	96	4.4
	Controlling net margin (%)	7.2	9.5	(2.3)	5.3	1.9	6.6	0.6
SNT Motiv	Revenue	247	216	14.5	258	(4.1)	276	(10.5)
	Operating profit	26	22	18.7	27	(4.1)	29	(13.2)
	Operating margin (%)	10.4	10.0	0.4	10.3	0.0	10.7	(0.3)
	Net profit	20	25	(17.9)	14	44.0	25	(18.9)
	Net margin (%)	8.3	11.5	(3.3)	5.5	2.8	9.1	(0.9)
	Controlling net profit	20	25	(17.9)	14	44.0	25	(18.4)
	Controlling net margin (%)	8.3	11.5	(3.3)	5.5	2.8	9.1	(0.8)
Hwashin	Revenue	526	506	4.0	491	7.1	560	(6.1)
	Operating profit	21	17	23.9	26	(20.6)	24	(11.3)
	Operating margin (%)	4.0	3.4	0.6	5.4	(1.4)	4.2	(0.2)
	Net profit	14	28	(50.6)	0	5,719.2	18	(20.6)
	Net margin (%)	2.7	5.6	(2.9)	0.0	2.6	3.1	(0.5)
	Controlling net profit	14	28	(50.6)	0	5,486.4	18	(20.6)
	Controlling net margin (%)	2.7	5.6	(2.9)	0.1	2.6	3.1	(0.5)

Note: Consensus as of Jul 6;
Source: FnGuide, Samsung Securities

Parts makers: Forecasts

(KRWb)		2Q26E	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Difference (%)
KRW/USD (average)		1,502	1,467	2.4	1,401	7.2		
Hankook T&T	Revenue	5,615	5,314	5.7	5,370	4.6	5,660	(0.8)
	Operating profit	517	507	2.0	354	46.3	524	(1.3)
	Operating margin (%)	9.2	9.5	(0.3)	6.6	2.6	9.3	(0.0)
	Net profit	318	372	(14.7)	179	77.7	312	1.9
	Net margin (%)	5.7	7.0	(1.4)	3.3	2.3	5.5	0.2
	Controlling net profit	295	346	(14.7)	182	62.1	315	(6.3)
	Controlling net margin (%)	5.3	6.5	(1.3)	3.4	1.9	5.6	(0.3)
Hyundai AutoEver	Revenue	1,109	936	18.5	1,042	6.4	1,168	(5.1)
	Operating profit	74	21	249.8	81	(9.0)	80	(7.2)
	Operating margin (%)	6.7	2.3	4.4	7.8	(1.1)	6.8	(0.2)
	Net profit	54	19	190.0	60	(9.7)	62	(13.6)
	Net margin (%)	4.9	2.0	2.9	5.7	(0.9)	5.3	(0.5)
	Controlling net profit	53	18	195.2	58	(9.2)	60	(12.3)
	Controlling net margin (%)	4.8	1.9	2.9	5.6	(0.8)	5.2	(0.4)

Note: Consensus as of Jul 6;
Source: FnGuide, Samsung Securities

Adjusting target prices to reflect extreme volatility

HMC and Kia are potentially dominant players in Western mobility markets, following close behind Tesla. Yet, their current valuations rest mostly on narratives rather than on tangible earnings from physical AI. As a result, their stock prices have become highly volatile. Meanwhile, capital has increasingly flowed into semiconductors, where AI-driven profits are already materializing, pushing physical AI onto the back burner. This heightened share-price volatility reflects a growing risk premium relative to expected returns. We revise down our target prices across key names to reflect this reality.

We reduce our target price for HMC by 11.1% to KRW800,000, based on revised earnings forecasts and decline in our target P/E to 20x.

- **Target P/E of 20x:** Our target P/E multiple of 20x (which we applied to the average of our 2026-2027 earnings forecasts) is the average forward P/E of China's top-four EV manufacturers (BYD, Li Auto, Xiaomi, and Geely; loss-making Nio was excluded). Since CES 2026, we have valued HMC using the average valuation multiple of China's top EV makers.

  While Chinese EV makers are global leaders in autonomous driving, they lag behind HMC and Kia in robotics. Moreover, the four Chinese EV makers rely on external tech partners for inference chips and AI models, suggesting that their AI capability is broadly comparable to that of HMC and Kia.

- **Robotics momentum to emerge after 2Q earnings released:** HMC's earnings should gradually recover in 2H, supported by the launch of the Avante, Tucson, and Genesis hybrids. Robotics momentum should gain visibility from August.

HMC: Global sales volume and forecasts

('000 vehicles)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Global plant sales	1,006	1,063	1,022	1,021	988	981	1,001	1,086	4,174	4,111	3,999	4,154
Domestic	445	483	458	454	440	457	431	461	1,871	1,840	1,790	1,810
Overseas	561	580	563	567	548	524	570	624	2,303	2,271	2,209	2,344
India (HMI)	192	180	191	195	208	175	202	194	764	758	780	800
China (BHMC)	44	50	47	53	43	43	45	69	170	194	200	210
US (HMMA)	98	112	108	105	99	100	115	106	361	422	420	450
Turkey (HAOS)	62	59	39	38	39	37	46	88	246	198	210	210
Czech (HMMC)	73	74	67	63	68	67	65	79	327	277	280	290
Russia (HMMR)	0	0	0	0	0	0	0	0	0	0	40	100
Brazil (HMMB)	41	55	54	63	44	60	55	46	214	213	205	205
Global retail sales	1,001	1,066	1,038	1,033	976	990	1,018	986	4,142	4,138	3,970	4,110
Global ASP (KRWm)	35.7	36.3	36.5	36.7	36.4	38.4	39.9	39.4	34.1	36.3	38.6	38.4

Source: Company data, Samsung Securities

HMC: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (avg)	1,453	1,401	1,387	1,452	1,467	1,502	1,500	1,450	1,365	1,423	1,480	1,425
Revenue	44,408	48,287	46,721	46,839	45,939	49,260	49,811	48,466	175,231	186,254	193,476	200,940
Autos	34,718	37,609	36,715	36,590	34,538	37,350	39,416	37,921	136,725	145,632	149,225	154,166
Finance	7,398	8,214	7,189	7,432	8,992	9,446	7,549	7,874	28,447	30,233	33,861	35,554
Other	2,292	2,464	2,818	2,817	2,409	2,464	2,846	2,671	10,060	10,390	10,390	11,221
Gross profit	8,980	9,110	8,284	7,843	8,017	8,786	8,822	8,372	35,749	34,217	33,996	35,807
Operating profit	3,634	3,602	2,537	1,695	2,515	3,095	3,008	2,424	14,240	11,468	11,041	11,861
Pre-tax profit	4,465	4,385	3,326	1,666	3,522	4,181	3,699	3,073	17,781	13,842	14,525	15,646
Net profit	3,382	3,250	2,548	1,184	2,585	3,136	2,774	2,305	13,230	10,365	10,850	11,735
Controlling profit	3,157	2,998	2,261	1,029	2,335	3,042	2,691	2,235	12,527	9,446	10,303	11,383
Margins (%)												
Gross profit	20.2	18.9	17.7	16.7	17.5	17.8	17.7	17.3	20.4	18.4	17.6	17.8
Operating profit	8.2	7.5	5.4	3.6	5.5	6.3	6.0	5.0	8.1	6.2	5.7	5.9
Net profit	7.6	6.7	5.5	2.5	5.6	6.4	5.6	4.8	7.5	5.6	5.6	5.8
Controlling profit	7.1	6.2	4.8	2.2	5.1	6.2	5.4	4.6	7.1	5.1	5.3	5.7

Source: Company data, Samsung Securities

We lower our 12-month target price for Mobis by 15.7% to KRW800,000, based on a target P/E multiple of 16.5x, which we applied to the average of our 2026-2027 earnings forecasts.

- **Cutting target P/E by 10% to 16.5x:** In our 2H outlook report, we used a target P/E of 18.4x, which reflects Hanon Systems' average P/E during the first wave of EV adoption. After all, actuators supplied by Mobis account for 50-60% of a humanoid robot's hardware cost and serve as critical components in thermal management. This rationale remains unchanged. However, in response to severe stock-price volatility, we cut our target P/E by 10% to 16.5x.

Mobis: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (avg)	1,453	1,401	1,387	1,452	1,467	1,502	1,500	1,450	1,365	1,423	1,480	1,390
Revenue	14,752	15,936	15,032	15,398	15,561	16,238	16,301	16,701	57,237	61,118	64,801	66,960
Chg (% y-y)	6.4	8.7	7.4	4.7	5.5	1.9	8.4	8.5	-3.4	6.8	6.0	3.3
Simple modules	6,799	7,403	6,849	7,181	7,149	7,359	7,586	7,120	25,633	28,232	29,214	29,444
Core parts & electrification	4,675	5,204	4,826	4,863	4,892	5,286	5,114	5,797	19,518	19,568	21,090	22,576
After-sales service	3,278	3,330	3,357	3,354	3,519	3,593	3,601	3,784	12,085	13,318	14,497	14,940
Gross profit	2,062	2,198	2,129	2,440	2,149	2,024	2,213	2,418	8,063	8,830	8,804	9,189
Operating profit	777	870	780	930	803	871	1,055	1,150	3,073	3,357	3,879	4,100
Chg (% y-y)	43.1	36.8	-14.1	-5.6	3.3	0.1	35.2	23.6	33.9	9.2	15.5	5.7
Modules	-100	42	-37	171	-121	-65	125	204	-42	76	143	285
After-sales service	877	828	817	760	924	936	930	947	3,116	3,282	3,737	3,815
Net profit	1,032	934	931	768	883	1,011	1,100	1,196	4,060	3,665	4,191	4,455
Controlling profit	1,031	932	929	763	882	1,009	1,099	1,194	4,056	3,656	4,184	4,448
Chg (% y-y)	19.7	-6.4	1.1	-40.3	-14.5	8.2	18.2	56.5	18.5	-9.9	14.4	6.3
Margins (%)												
Gross profit	14.0	13.8	14.2	15.8	13.8	12.5	13.6	14.5	14.1	14.4	13.6	13.7
Operating profit	5.3	5.5	5.2	6.0	5.2	5.4	6.5	6.9	5.4	5.5	6.0	6.1
Modules	-0.9	0.3	-0.3	1.4	-1.0	-0.5	1.0	1.6	-0.1	0.2	0.3	0.5
After-sales service	26.7	24.9	24.3	22.7	26.3	26.0	25.8	25.0	25.8	24.6	25.8	25.5
Net profit	7.0	5.9	6.2	5.0	5.7	6.2	6.8	7.2	7.1	6.0	6.5	6.7
Controlling net profit	7.0	5.9	6.2	5.0	5.7	6.2	6.7	7.2	7.1	6.0	6.5	6.6

Source: Company data, Samsung Securities

We revise down our target price for HL Mando by 15.7% to KRW80,000, which is based on a target P/E of 14.8x multiplied by the average of our 2026-2027 earnings forecasts.

- **Cutting target P/E by 10% to 14.8x:** In our report 'Preparing for the mobility components era' (published Jul 1), we highlighted how Mobis has positioned itself to benefit from the second EV wave and its role in thermal management for robots as a robotic actuator supplier. These growth drivers are intact. However, in response to severe stock-price volatility, we cut our target P/E by 10% to 14.8x.

HL Mando: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (avg)	1,453	1,401	1,387	1,452	1,467	1,502	1,500	1,450	1,365	1,423	1,480	1,390
Sales	2,271	2,401	2,321	2,462	2,312	2,465	2,509	2,569	8,848	9,455	9,795	10,392
Chg (% y-y)	*7.8*	*11.8*	*6.9*	*1.6*	*1.8*	*2.7*	*8.1*	*4.4*	*5.4*	*6.9*	*3.6*	*6.1*
Gross profit	320	365	362	397	361	331	346	586	1,323	1,444	1,624	1,767
Operating profit	79	104	94	80	94	100	108	119	359	357	420	484
Chg (% y-y)	*4.7*	*16.2*	*14.1*	*-28.2*	*18.2*	*-4.3*	*14.4*	*48.9*	*28.5*	*-0.5*	*17.5*	*15.4*
Operating profit	62	34	66	56	86	80	92	95	265	218	352	441
Net profit	35	10	49	29	53	57	66	68	158	123	245	318
Controlling profit	28	4	44	24	48	54	62	64	130	100	230	299
Margins (%)												
Gross profit	14.1	15.2	15.6	16.1	15.6	13.4	13.8	22.8	15.0	15.3	16.6	17.0
Operating profit	3.5	4.3	4.1	3.2	4.0	4.0	4.3	4.6	4.1	3.8	4.3	4.7
Net profit	1.5	0.4	2.1	1.2	2.3	2.3	2.6	2.7	1.8	1.3	2.5	3.1
Controlling profit	1.2	0.2	1.9	1.0	2.1	2.2	2.5	2.5	1.5	1.1	2.3	2.9

Source: Company data, Samsung Securities estimates

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- As of 7/8 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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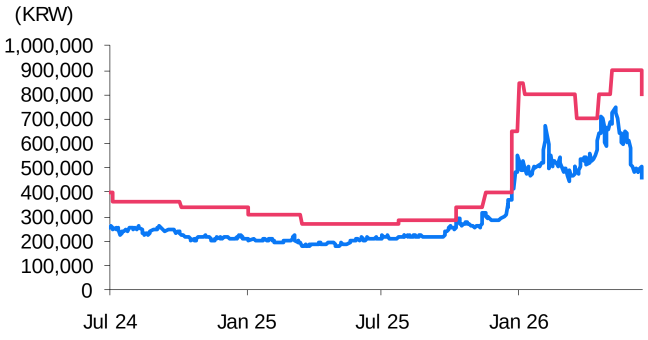
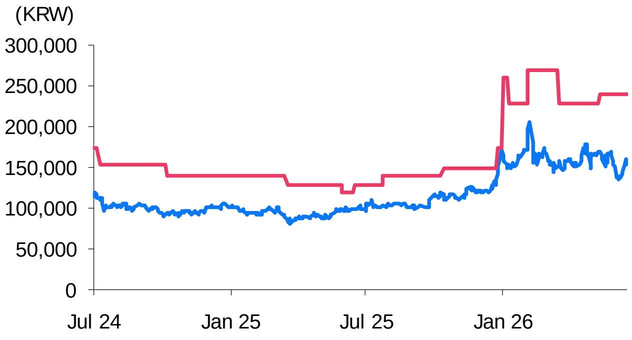
Target price changes in past two years

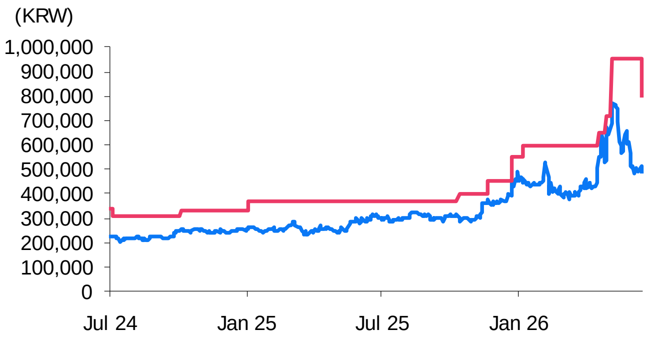
Hyundai Motor



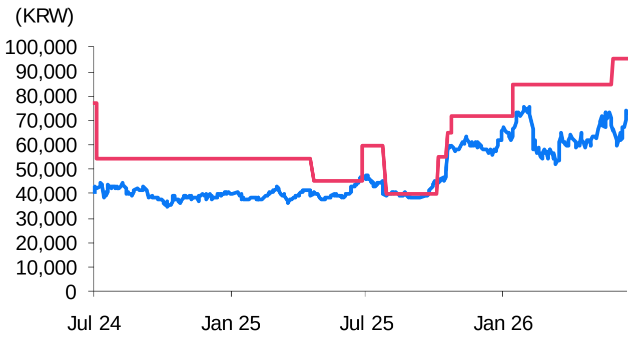
Kia



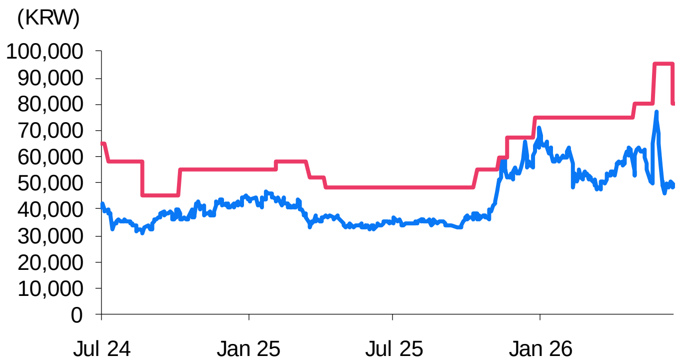
Hyundai Mobis



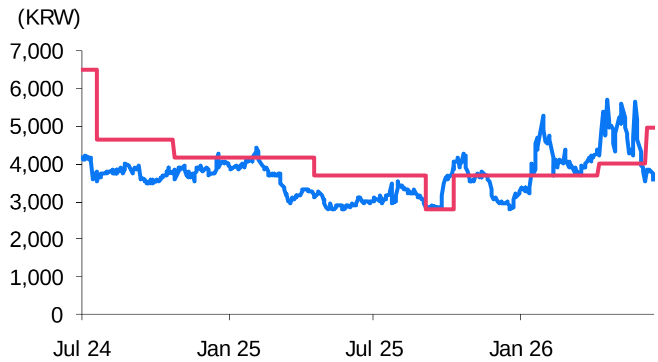
Hankook T&T

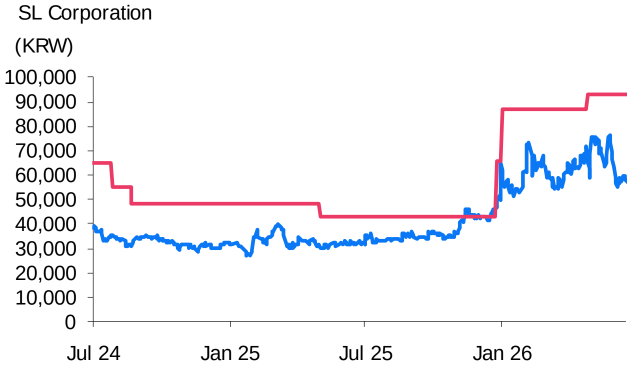


HL Mando



Hanon Systems

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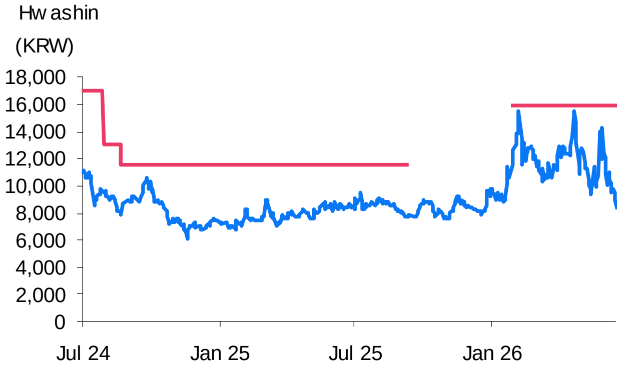
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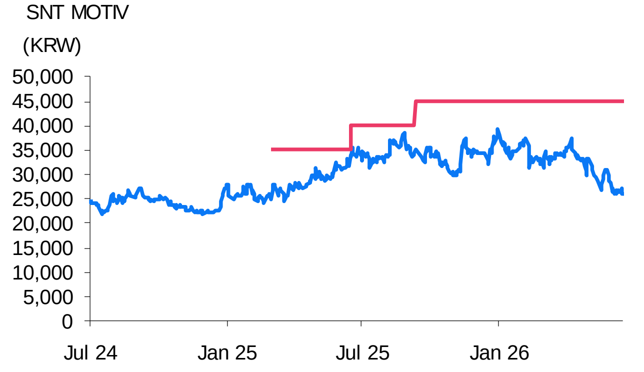
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(KRW)
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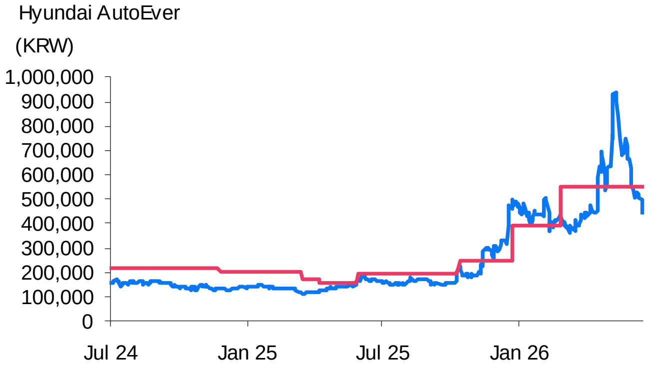
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Jul 24
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Jan 26

Rating changes over past two years (adjusted share prices)

Hyundai Motor

Date	2024/6/25	7/26	10/25	2025/1/24	4/7	8/14	10/31	12/8	2026/1/14	1/22	1/30	4/7
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	400000	360000	340000	310000	270000	285000	340000	400000	650000	850000	800000	800000
Gap* (average)	-31.63	-32.30	-37.27	-34.90	-26.06	-20.49	-20.69	-22.55	-27.91	-40.91	-35.99	-37.66
(max or min)**	-25.50	-28.06	-33.38	-28.39	-17.41	-7.02	-7.35	1.50	-15.54	-37.88	-15.75	-36.50
Date	4/10	5/11	5/27	7/7								
Recommendation	BUY	BUY	BUY	BUY								
Target price (KRW)	700000	800000	900000	800000								
Gap* (average)	-23.42	-17.04	-34.07									
(max or min)**	-12.43	-11.00	-46.61									

Kia

Date	2024/7/4	7/29	10/28	2025/4/7	6/20	7/7	8/14	11/3	2026/1/14	1/22	1/29	2/25
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	175000	155000	140000	130000	120000	130000	140000	150000	175000	260000	230000	270000
Gap* (average)	-31.41	-34.54	-30.66	-30.49	-17.88	-21.50	-24.00	-20.38	-7.53	-40.63	-30.12	-39.27
(max or min)**	-27.83	-27.68	-23.79	-23.38	-15.75	-15.08	-14.36	-9.33	-1.66	-38.85	-24.35	-23.70
Date	4/7	6/1										
Recommendation	BUY	BUY										
Target price (KRW)	230000	240000										
Gap* (average)	-30.51											
(max or min)**	-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	7/7
Recommendation	BUY	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	800000
Gap* (average)	-30.85	-28.56	-24.95	-24.53	-22.07	-16.66	-16.89	-28.76	-8.41	-8.33	-37.19	
(max or min)**	-21.76	-19.35	-21.67	-12.30	-9.38	0.22	-11.36	-11.83	0.00	-6.94	-19.16	

Hankook T&T

Date	2024/5/2	7/25	2025/5/12	7/17	8/18	10/27	11/10	11/14	2026/2/5	6/18
Recommendation	BUY	BUY	HOLD	BUY	HOLD	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	77000	54000	45000	60000	40000	55000	65000	72000	85000	95000
Gap* (average)	-42.64	-26.89	-10.33	-25.13	0.11	-15.80	-8.72	-15.70	-25.62	
(max or min)**	-31.56	-17.31	3.89	-21.17	13.38	-10.27	-8.15	-6.67	-10.71	

HL Mando

Date	2024/7/1	7/29	9/11	10/28	2025/2/25	4/7	4/28	11/3	12/1	12/12	2026/1/14	5/19
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	65000	58000	45000	55000	58000	52000	48000	55000	60000	67000	75000	80000
Gap* (average)	-35.91	-39.90	-18.57	-24.91	-29.05	-31.59	-27.26	-29.25	-8.90	-16.17	-24.08	-27.52
(max or min)**	-32.15	-32.76	-10.67	-15.18	-23.88	-27.88	-19.69	-15.27	-1.33	-2.39	-4.80	-18.75
Date	6/15	7/7										
Recommendation	BUY	BUY										
Target price (KRW)	95000	80000										
Gap* (average)	-41.63											
(max or min)**	-19.05											

Hanon Systems

Date	2024/2/15	8/9	11/14	2025/5/9	9/25	10/30	11/14	2026/4/30	6/29
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY
Target price (KRW)	6507	4648	4183	3718	2789	3718	3718	4000	5000
Gap* (average)	-24.54	-19.82	-10.70	-17.47	17.07	10.12	0.73	19.62	

(max or min)**	-7.29	-13.81	6.00	-5.12	1.65	4.63	-24.69	-11.00
SL Corporation								
Date	2024/7/1	8/16	9/11	2025/5/22	2026/1/14	1/22	5/18	
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	
Target price (KRW)	65000	55000	48000	43000	66000	87000	93000	
Gap* (average)	-41.11	-40.00	-32.28	-17.11	-19.92	-29.99		
(max or min)**	-32.08	-37.09	-17.29	7.79	-1.82	-15.63		
Hwashin								
Date	2024/6/18	8/19	9/11		2026/2/19			
Recommendation	BUY	BUY	BUY		BUY			
Target price (KRW)	17000	13000	11500		16000			
Gap* (average)	-31.40	-31.78	-29.77					
(max or min)**	-11.76	-26.08	-7.74					
SNT MOTIV								
Date	2025/3/25	7/8	10/1					
Recommendation	BUY	BUY	BUY					
Target price (KRW)	35000	40000	45000					
Gap* (average)	-17.28	-13.48						
(max or min)**	-2.86	-3.50						
Hyundai AutoEver								
Date	2024/7/4	12/16	2025/4/7	4/29	6/19	11/3	2026/1/14	3/19
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	BUY
Target price (KRW)	220000	200000	170000	155000	195000	250000	390000	550000
Gap* (average)	-31.39	-32.39	-30.67	-10.17	-16.87	6.28	12.95	
(max or min)**	-19.41	-24.60	-29.18	3.87	4.36	100.40	-4.74	

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
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
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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 2026.06.30

BUY (85.5%)·HOLD (14.5%)·SELL (0%)

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