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** | | |

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# Autos (OVERWEIGHT)

## May EV sales in Europe: Rise of Chinese EV makers

- Competitive landscape is changing in the auto industry, driven by the aggressive overseas expansion of Chinese EV manufacturers and Tesla's FSD rollouts—with Europe as the epicenter of disruption.
- European carmakers, led by Volkswagen, are now contemplating restructuring efforts exceeding the scale of General Motors' 2008 bankruptcy.
- In the emerging Physical AI era, the mobility market is poised to consolidate into an oligopoly, with European incumbents at highest risk of displacement.

### WHAT'S THE STORY?

**EV demand growth accelerating in Europe:** Growth in EV demand in Europe has been accelerating. While Chinese EV manufacturers have surpassed Volkswagen in sales, Tesla and Kia continue to post strong sales growth.

- **European demand for EVs in May:** In May, EV demand in Europe surged 27.8% y-y to 445,000 units, bringing penetration to 38.7%. Total auto demand in the region reached 1.152m units (up 3.5% y-y).
- **China's EV demand slows:** China's demand for EVs fell 7.4% y-y to 950,000 units in May but the pace of decline narrowed. EV demand in Europe has grown to about half the level of China's.
- **EVs account for 50% of China's auto exports:** Chinese automakers are actively pursuing exports as a solution to wavering demand in China and intense price competition there. In May, China's exported 434,000 EVs (up 112% y-y), representing 53.7 of its total auto exports. Europe is China's largest auto export market. To limit the influx of Chinese EVs, the EU has imposed countervailing duties (17.0-35.3%, depending on the manufacturer; in addition to a standard 10% import tariff) and plans to implement the Industrial Acceleration Act (IAA) by 2027.
- **Chinese EV brands hold a 26.9% market share in Europe:** After surpassing Volkswagen since February, BYD overtook Stellantis in May to become the second-largest EV seller in Europe. European carmakers' combined EV market share slipped from 60.7% in Jan 2025 to 50.2% in just 18 months. The combined market cap of Germany's three major automakers has been overtaken by Chinese EV makers since 2022, returning to levels last seen in the early 2000s.

*(Continued on the next page)*

- Once reliant on China as their largest sales and profit center, German automakers are now losing ground even in their home market. Volkswagen is reportedly evaluating restructuring plans larger than those undertaken by GM during its 2008 bankruptcy. While macroeconomic shocks triggered the last industry reset, the current disruption is being driven by technological disruption. The transition to autonomous EVs is redefining value chains. Thus, even after restructuring, the long-term viability of many European carmakers remains uncertain.

**Market share and sales performance, by firm:** Tesla delivered the strongest sales growth among major automakers, with May sales climbing 84% y-y. China's EVs, including BYD (up 72.9% y-y), maintained strong growth of 75.2% y-y. Kia also reported another month of robust growth (up 34.7% y-y).

- **Tesla's market share expands 1.9%pts y-y to 6.3%—FSD rollout propels sales recovery:** Tesla sold 28,278 units in Europe in May (up 84% y-y). FSD Supervised was first approved in the Netherlands on Apr 10, followed by Lithuania (May 20), Estonia (May 29), and Denmark. The EU Technical Committee vote is expected after October for a wider rollout across the region.
- **VW's market share shrinks 5.5%pts y-y to 22.3%:** VW's market share peaked at 27.9% in Apr 2025. The firm sold 99,353 cars in May, up 2.7% y-y but lagging overall market growth. The Škoda Elroq emerged as Europe's best-selling model (around 10,000 units), while the VW ID series, although maintaining steady sales, failed to match the rapid growth of the key competitor.
- **BYD rises to second place, with market share climbing 2.4%pts y-y to 9.3%:** BYD sold 41,637cars in May (up 72.9% y-y), making it the second-largest EV brand in Europe. The Dolphin G DM-i—a Europe-specific model—is scheduled to launch in June at a price below EUR20,000, which would make it the lowest-priced EV in the region. Over the next three years, BYD plans to introduce additional Europe-specific models in the B- and C-segments.

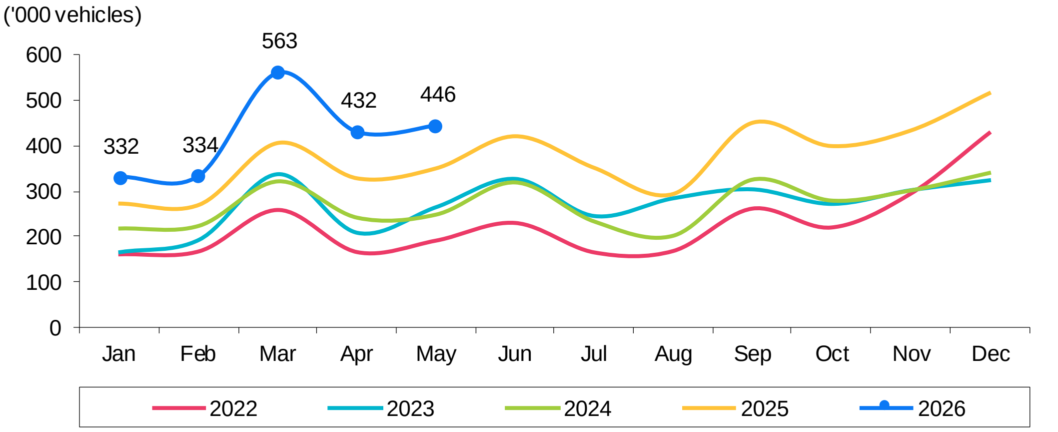
  The Chinese firm plans to begin operations at its plant in Hungary in 2H, aiming to build a local value chain in Europe to qualify for government subsidies. The plant should start with an initial output of 150,000 units and eventually reach a capacity of 300,000 units. The first models to be produced will be the Dolphin Surf (known in China as the Seagull) and the Atto 2. A plant in Turkey (capacity: 150,000 units) is also scheduled to begin production in 2026. Turkey is not an EU member state, but the EU-Turkey Customs Union permits tariff-free exports to the EU.
- **Chinese EV market share (including BYD) rises 7.3%pts y-y to 26.9%:** In May, Chinese EV makers sold 120,077 units in Europe (up 75.2% y-y)—with sales surpassing those of VW since February. BYD remained the top-selling Chinese EV maker, while Geely saw its market share stagnate at 6% level. Sales volume of Chery, Nio, and Xpeng recorded sales growth.
- **HMC's EV market share down 1.1%pt y-y to 2.5%; Kia's up 0.2%pts y-y to 4.8%:** In May, HMC sold 11,352 EVs in Europe (down 10.9% y-y) and Kia sold 17,101 (up 36.2% y-y). HMC lagged market growth due to its lack of a low- to mid-priced EV lineup (besides the Casper). It plans to launch the Ioniq 3 in 2H. Kia's sales jumped as it established a full EV lineup.
- **Kia outpaces industry growth since Mar 2026 with five EV models:** Kia has set its 2026 European sales target at 594,000 units (up 11% y-y), expecting strong EV sales growth. The EV2, produced in Slovakia, is rolling out country by country, and the firm aims to sell 45,000 units in 2026 and 100,000 units in 2027. The PV5, increasingly valued for its customizability, has achieved monthly sales of around 3,000 units, supporting its 2026 target of 25,000 units.

## Appendix: Major European countries' EV incentives

**Major European countries reintroduce EV incentives in 2H25:** Germany resumed retail subsidies for EVs, complementing its existing policies aimed at electrifying corporate fleet.

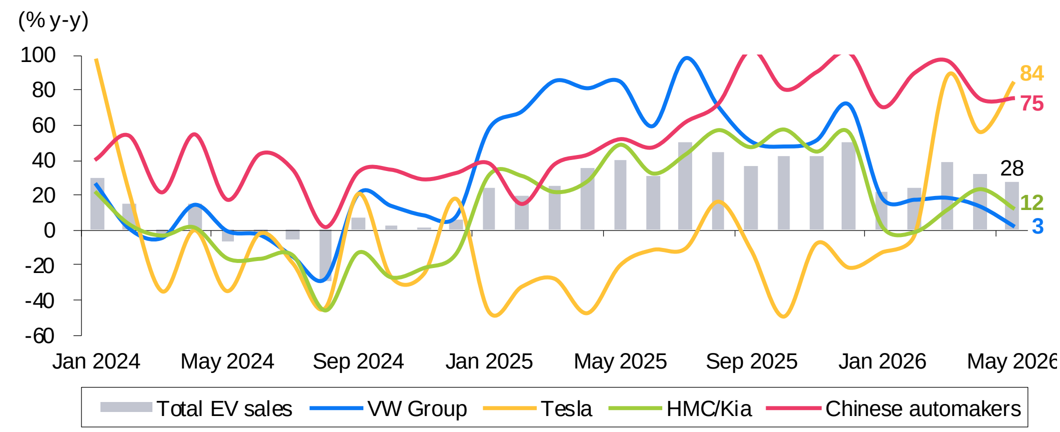
- **Germany launches incentives for corporate EV fleets in Jul 2025:** Germany's incentives include: 1) accelerated depreciation for corporate EVs purchased between Jul 2025-Dec 2028 (depreciation over six years, including 40% in the first year and 24% in the second year); 2) a tax deduction equal to 40% of the corporate EV's value in the year of purchase (up to EUR95,000); 3) an exemption from vehicle tax for EVs until 2035; and 4) a reduced Benefit-in-Kind tax rate of 0.25% on the private use of a corporate EV (vs 1% for ICE autos)—in Europe, it is common for companies to purchase vehicles that are used by their employees outside of working hours. Germany is also mulling subsidies for privately purchased EVs. Corporate fleets account for 40% of total EV demand in Europe. In 2025, Germany's EV demand totaled 885,000 units (up 51.8%).
- **Germany reintroduces EV purchase subsidies for individuals in 2026:** Germany has reinstated subsidies for privately purchased EVs, which subsidiaries were stopped in Dec 2023. Unlike the previous universal support system, the new scheme provides differentiated assistance based on household income and number of children. 1) Households with an annual taxable income of up to EUR80,000 are eligible. For each child under 18, the income threshold is increased by EUR5,000, up to a maximum of EUR90,000. 2) Subsidies range from EUR3,000 to EUR6,000 (10-15% of lower-priced EV models) for BEVs, and from EUR1,500 to EUR4,500 for PHEVs and EREVs.
- **France to reintroduce subsidized EV leasing scheme for low-income households:** France, Europe's third-largest EV market, will re-introduce a subsidized EV leasing scheme for low-income households on Sep 30. The social leasing scheme, first introduced in Jan 2024, was suspended after just one month due to a budget overrun (budget of EUR650m). The scheme led to 50,000 approved leases in one month. In 2025, France's EV demand was 474,000 units (flat y-y).
- **UK reintroduces EV purchase subsidies on Jul 16, 2025:** The UK, Europe's second-largest EV market, announced a GBP700m budget for EV purchase incentives, along with GBP63m for charging infrastructure and additional subsidies across the production value chain. The program is set to operate until 2029, offering grants of GBP1,500-3,750 for EVs priced up to GBP37,000. In 2025, the UK's EV demand reached 735,000 units (up 28.7%).

**Europe: Monthly EV demand**



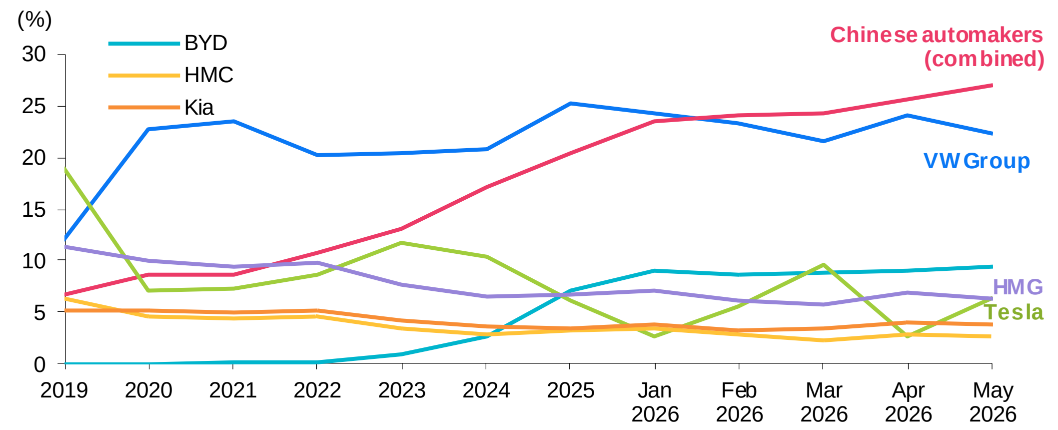

Source: EV-Volumes, Samsung Securities

**Europe: EV sales growth**



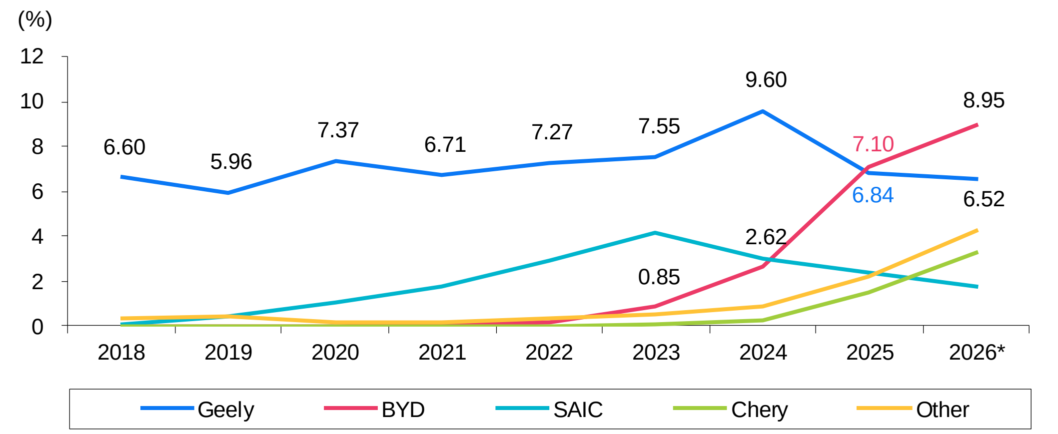

Source: EV-Volumes, Samsung Securities

**Automakers: European market share**



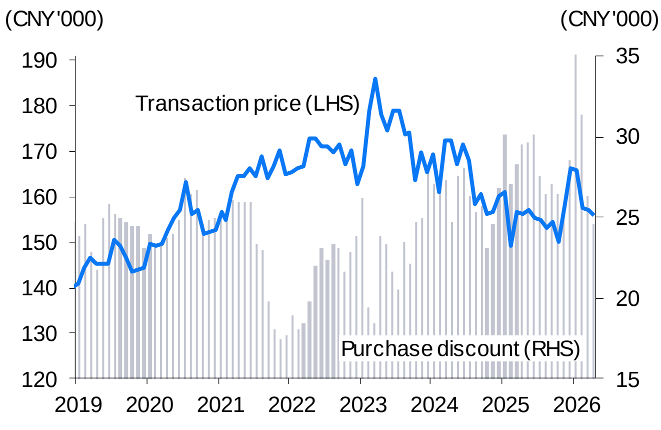

Source: EV-Volumes, Samsung Securities

**Chinese automakers: European market share**



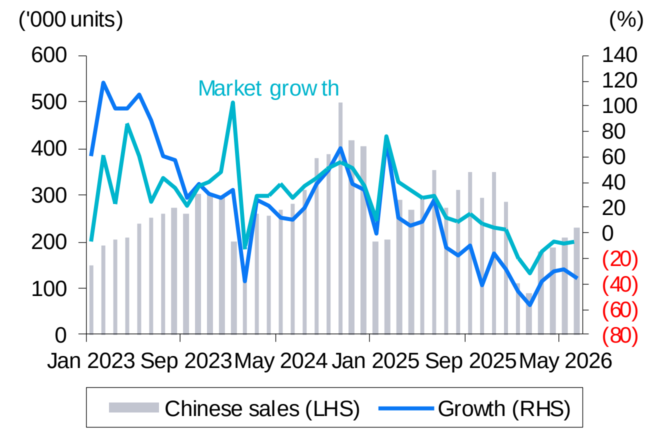

Note: *Jan-May 2026
Source: EV-Volumes, Samsung Securities

**China: Average transaction price**



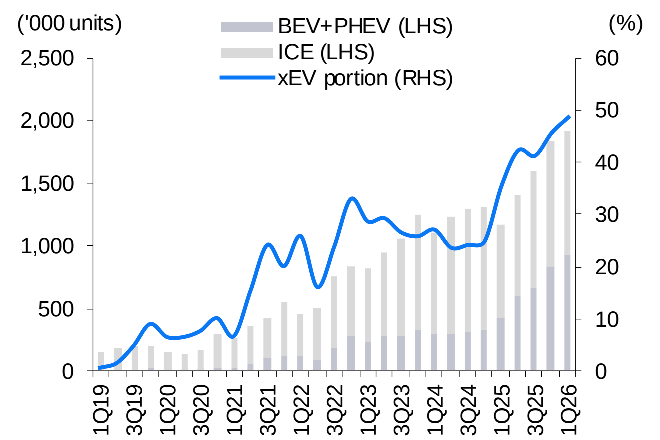

Source: Wind, Samsung Securities

**BYD: Sales in China**



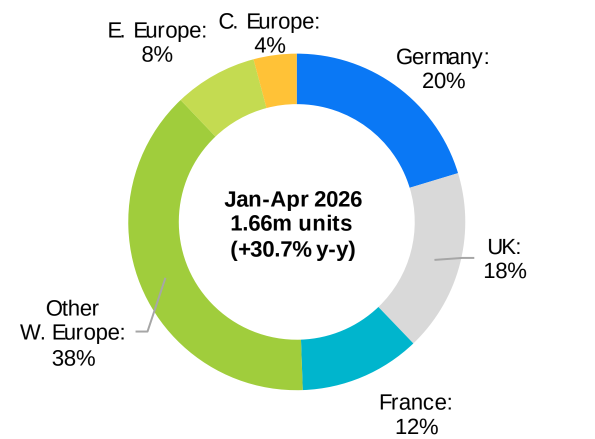

Source: CPCA, Samsung Securities

**China: Monthly auto export volume**



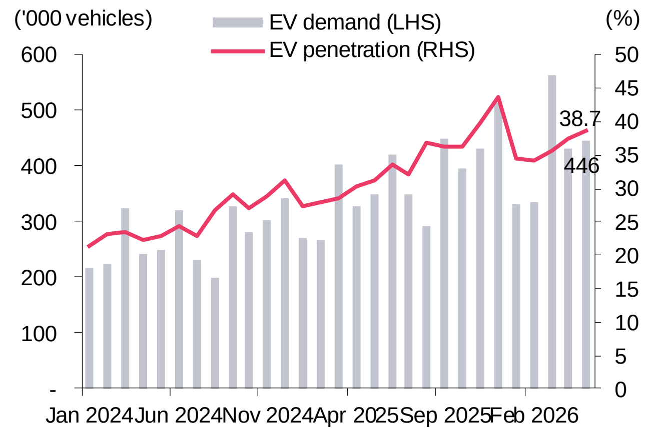

Source: CEIC, Samsung Securities

**Europe: xEV demand, by country**



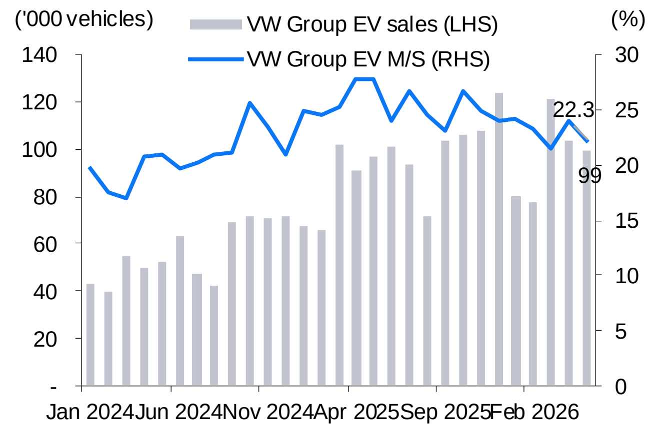

Source: EV-Volumes, Samsung Securities

**Europe: EV demand vs penetration (new auto basis)**



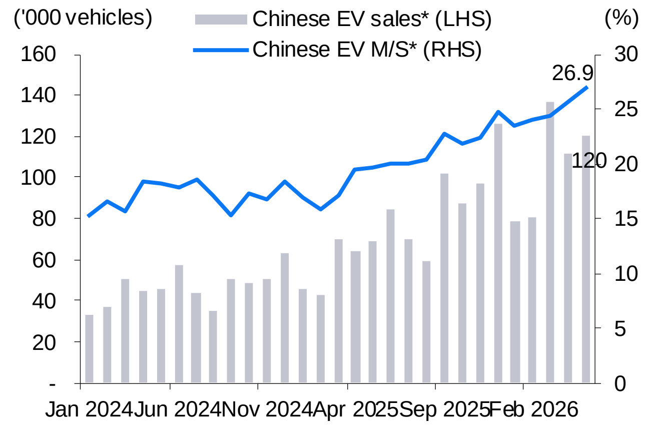

Source: EV-Volumes, Samsung Securities

**Europe: VW Group sales volume vs market share**



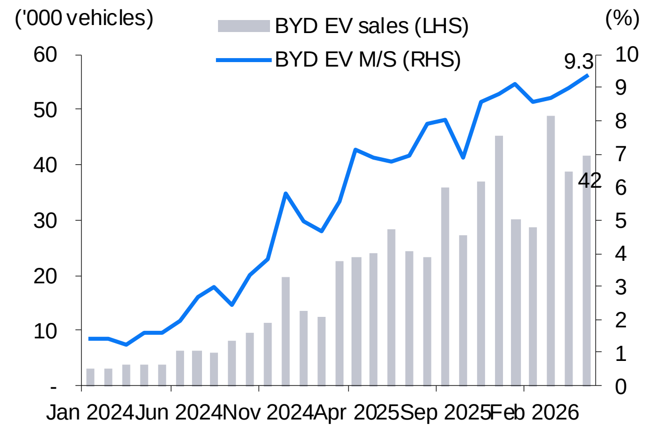

Source: EV-Volumes, Samsung Securities

**Europe: Chinese EV sales volume vs market share**



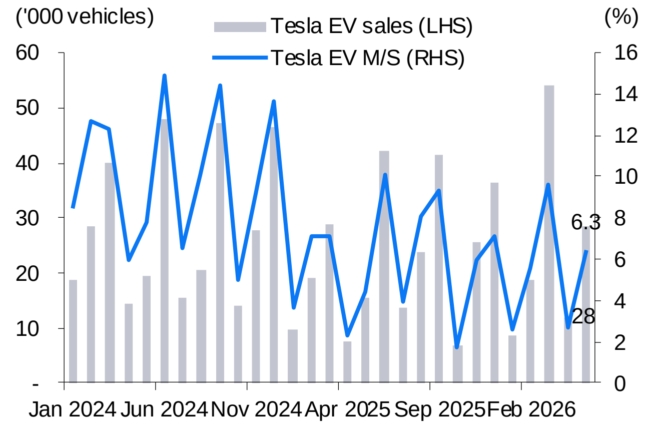

Note: *Combined EV sales including BYD
Source: EV-Volumes, Samsung Securities

**Europe: BYD sales volume vs market share**



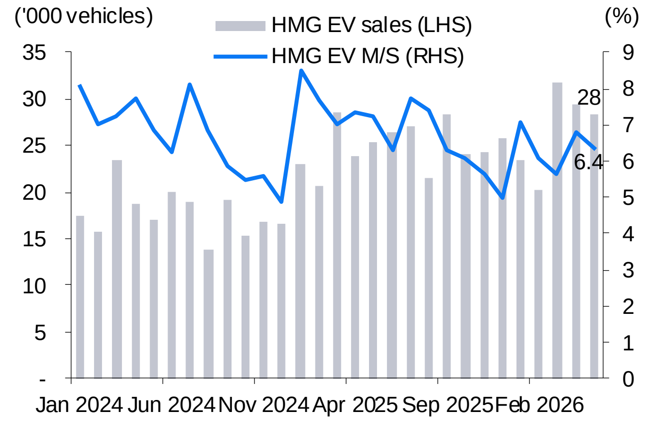

Source: EV-Volumes, Samsung Securities

**Europe: Tesla's sales volume vs market share**




Source: EV-Volumes, Samsung Securities

**Europe: HMG's sales volume vs market share**




Source: EV-Volumes, Samsung Securities

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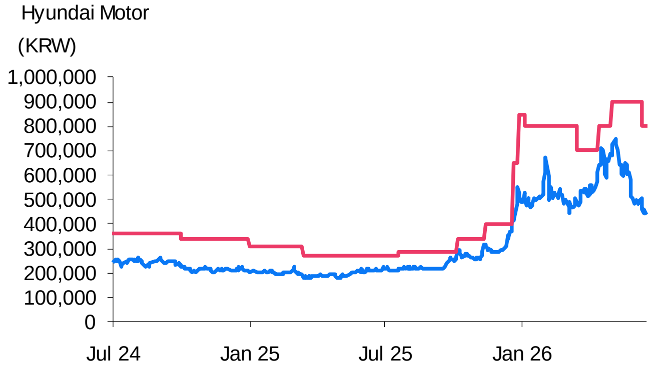


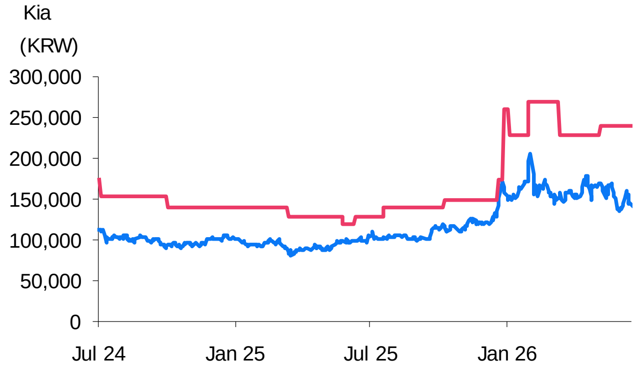

## Rating changes over past two years (adjusted share prices)

**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 | | | | | | | | | | | |

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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**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 2026.06.30**

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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