COMPANY UPDATE

2026. 7. 24

EV/Mobility Team

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Hyundai Motor (005380)

2Q review; resilience separates the winners

- Hyundai Motor's (HMC) 2Q operating profit missed consensus by 5.7%, due to production disruptions from a parts supplier fire, higher incentives, and rising raw material costs. However, profit rebounded 13% q-q.
- In 2H, it plans to make up for 1H production shortfalls by normalizing component supply and ramping up output. Sales are likely to recover, supported by the launches of the Grandeur HEV, Avante, and new Genesis models.
- Amid a turbulent shift in the global mobility landscape, HMC is delivering relatively strong performance. The weaker the auto division's performance, the faster the push to execute the physical AI transition is likely to be.

AT A GLANCE

BUY

Target price	**KRW700,000**	**62%**
Current price	**KRW432,000**	
Market cap	KRW88.5t/USD60.3b	
Shares (float)	204,757,766 (65.6%)	
52-week high/low	KRW750,000/KRW210,000	
Avg daily trading value (60-day)	KRW984.5b/ USD671.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hyundai Motor (%)	-15.5	-15.3	94.6
Vs Kospi (%pts)	-2.3	-40.4	-12.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	700,000	800,000	-12.5%
2026E EPS	38,043	39,658	-4.1%
2027E EPS	42,964	42,890	0.2%

SAMSUNG vs THE STREET

No of estimates	25
Target price	789,200
Recommendation	4.0

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

WHAT'S THE STORY?

Cutting target price to reflect high stock price volatility: Since the end of May, Hyundai Motor (HMC) has dipped 48% from its peak amid heightened price volatility, driven by disappointment in the value of subsidiary Boston Dynamics, concerns over slowing earnings, and market concentration on semiconductor-related demand-supply dynamics.

- **Lowering target price by 12.5% to KRW700,000:** Our new target price is based on 18x the average 2026–2027 P/E, a 10% discount from our previous assumption. The 18x multiple also reflects a 10% discount to the 12-month forward P/E average of the top four Chinese EV manufacturers (BYD, Li Auto, Xiaomi, and Geely—excluding the loss-making Nio) to factor into heightened stock price volatility. We have valued HMC against these leading Chinese EV peers following CES 2026.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	49,215.3	1.9	7.1	-0.1	1.3
Operating profit	2,850.9	-20.8	13.4	-7.9	-4.8
Pre-tax profit	3,645.7	-16.9	3.5	-12.8	-3.1
Controlling profit	2,520.9	-15.9	7.9	-17.1	-3.7
Margins (%)					
Operating profit	5.8				
Pre-tax profit	7.4				
Controlling profit	5.1				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	8.4	11.4	10.1
P/B	0.7	0.9	0.9
EV/EBITDA	14.4	17.4	16.0
Div yield (%)	3.4	2.5	2.8
EPS growth (% y-y)	-23.3	7.7	12.9
ROE (%)	8.4	8.5	8.9
Per-share data (KRW)			
EPS	35,331	38,043	42,964
BVPS	439,541	471,494	504,019
DPS	10,000	11,000	12,000

- **Major restructuring underway, led by European automakers:** European manufacturers are bearing the brunt of Chinese EVs' global expansion. The scale of restructuring at Volkswagen, Stellantis, and others exceeds that of General Motors' bankruptcy filing in 2008. The global mobility industry is undergoing a period of profound transformation, with Chinese automakers' overseas expansion converging with the shift toward physical AI. While HMC's earnings have undershot market expectations, they remain stronger compared to peers. As automotive performance weakens, HMC should increasingly allocate capital toward its physical AI transition.
- **Robotics momentum to resume in August:** CEO Investor Day (CID) is scheduled for Aug 26, and Hyundai Motor Group's (HMG) Robot Metaplant Application Center (RMAC) is set to commence operations in August.

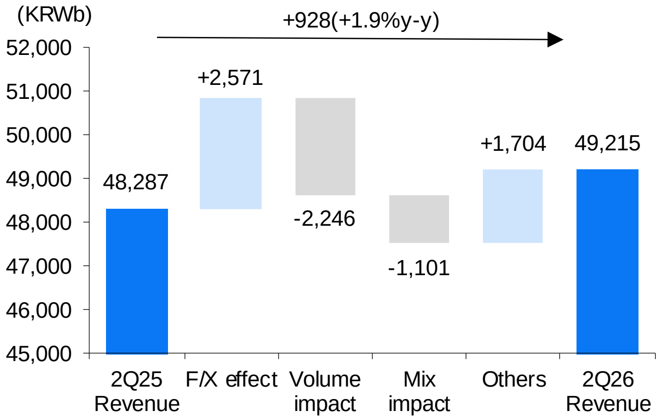
2Q results sluggish: A fire at an engine valve parts supplier has disrupted production of high-margin models like Genesis and Palisade. To clear older inventory, incentives have been increased.

- **Sales hit KRW49.2t (up 7.1% q-q and 1.9% y-y):** HMC posted global wholesales (excluding China) of 992,000 units (up 4.5% q-q but down 6.9% y-y). The auto and finance divisions contributed sales of KRW36.8t (up 6.6% q-q but down 2.1% y-y) and KRW9.5t (up 5.7% q-q and 15.7% y-y), respectively. The 'others' division recorded sales of KRW2.9t (up 19.5% q-q and 16.8% y-y).
- **Gross margin down 3.3%pts y-y at 17.8%:** HMC's global ASP hit USD25,200 (up 1.8% q-q but down 2.6% y-y). The ASP peaked at USD26,300 in 3Q25, declining due to higher incentives and disrupted sales of high-value-added models. Gross margin contracted due to raw material cost increases (KRW400b y-y). But half of the initial impact has been offset by material cost savings.
- **Operating margin down 1.7%pts y-y at 5.8%:** Tariffs eroded auto division's operating profit by KRW900b. Lower sales volume due to reduced Middle East sales and supply disruptions from parts suppliers further eroded operating profit by KRW542b, while higher incentives and unfavorable model mix reduced operating profit by KRW570b. The improvement in hybrid mix and the rise in the quarter average KRW/USD rate boosted the division's operating profit by KRW400b and KRW238b, respectively.
- **Auto division's operating margin down 0.6%pts y-y at 5.4%:** Volume declines should reverse in 2H with increased production and new model launches (the Grandeur HEV, Avante, and Genesis HEVs). Incentives in the US rose to USD3,025 per auto in 2Q (up 20.6% q-q and 3% y-y) due to elimination of EV tax credits, intensifying competition with Chinese automakers in Europe, and the clearance of older model inventories.
- **Finance division's operating margin flat y-y at 8%:** The finance division's sales rose 15.7% y-y to KRW9.5t, supported by: 1) a 3.8% y-y growth in earning assets in Korea; and 2) greater HMC/Kia vehicle sales in the US. At Hyundai Capital America, delinquency rate has increased y-y but improved q-q. The proportion of prime customers (FICO score 660+) in the US market continued to expand, reaching 88% in 2Q.
- **Quarterly DPS declared at KRW2,500:** Dividend record date is Aug 31 and payment date is Sep 30.

Earnings to recover in 2H: Its operating margin should improve y-y in 3Q and 4Q, supported by normalized parts supply, increased production, key new model launches, and stabilizing raw material prices. While achieving the full-year sales target remains uncertain, it is looking to meet its annual operating margin guidance by boosting sales of high-value-added models and expanding the hybrid mix.

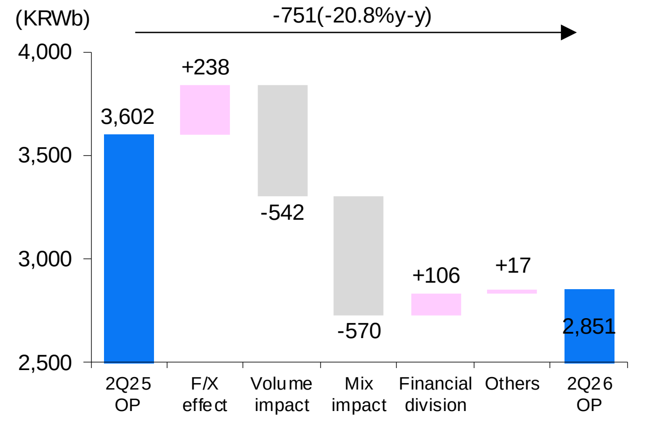
- **Impact of fire at engine valve supplier:** Fire at a supplier in March disrupted production of high-profit cars like the Genesis and Palisade. By May, alternative engine valves had been fully developed and deployed across all affected lines. In 2H, HMC intends to make up for lost production by increasing production in Korea and India.
- **Raw material prices:** After swelling KRW200b y-y in 1Q, raw material costs increased KRW400b y-y in 2Q—half of the initial impact has been offset by cost-saving efforts. Raw material prices are likely to decline in 2H, reducing the negative impact on profits.
- **Tariff costs:** In 2Q, HMC faced tariffs of around KRW900b—similar to 1Q levels. Tariff costs should ease y-y in 2H from a respective KRW1.8t in 3Q25 and KRW1.5t in 4Q25.
- **European sales:** European sales weakened in 1H due to model aging of the Kona and Tucson, alongside aggressive market expansion by Chinese EV manufacturers. Although the Ioniq 3 and the new Tucson are scheduled for launch in 2H, their release is concentrated in 4Q and year-end, limiting the impact on 2026 sales recovery. HMC's target for Ioniq 3 sales in 2H is over 20,000 units, with meaningful annual sales contribution from new models expected to begin in 2027.
- **Full-year guidance intact:** It continues to expect consolidated sales growth of 1%-2% and an operating margin of 6.3%-7.3%. The annual sales target has not been officially changed, but a slight miss is possible due to production disruptions in 1H and weak sales in Europe.
- **Shareholder returns:** During the 1Q buyback, it bought 20-25% more preferred shares than common shares. The updated shareholder return policy and guidance will be disclosed on Aug 26 at the CEO Investor Day.
- **Boston Dynamics put option:** SoftBank exercised its put option on its stake in Boston Dynamics in early Jul 2026. HMG is currently evaluating their decision-making process; the specific share acquisition structure and funding mechanism have not yet been finalized.
- **3Q preview:** We expect 3Q sales of KRW49.4t (up 1.9% y-y) and an operating profit of KRW2.9t (up 16.8% y-y), for an operating margin of 6%, driven by production normalization and favorable base effects from prior tariff adjustments. With the concentrated launches of the Tucson, Avante, and Genesis HEVs in 4Q, meaningful earnings improvement is likely to materialize in 2027. FnGuide consensus puts sales at KRW49t and operating profit at KRW3.2t for an operating margin of 6.5%.

HMC: Factors behind revenue change



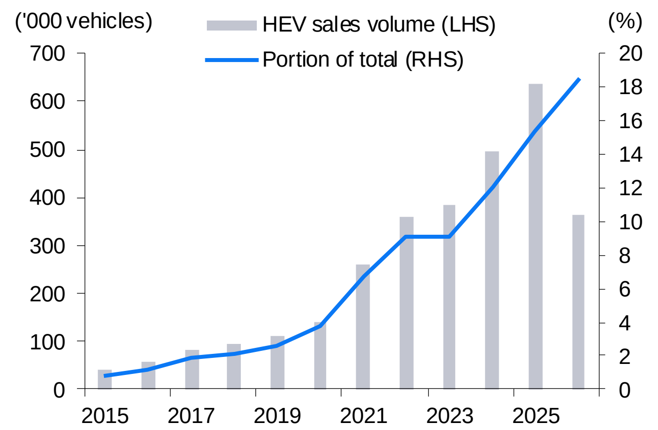
Source: Company data, Samsung Securities

HMC: Factors behind operating income change



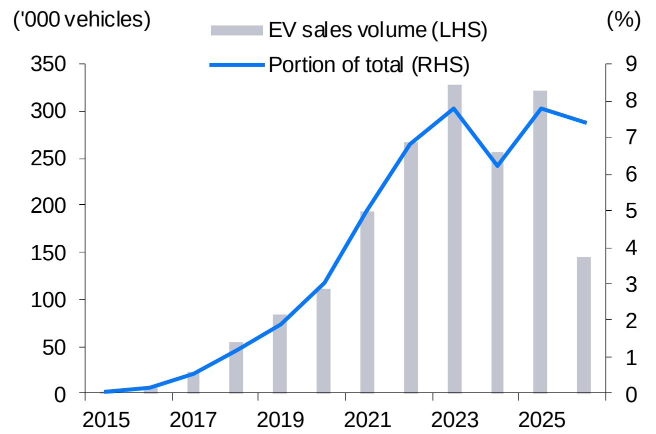
Source: Company data, Samsung Securities

HMC: Hybrid sales volume



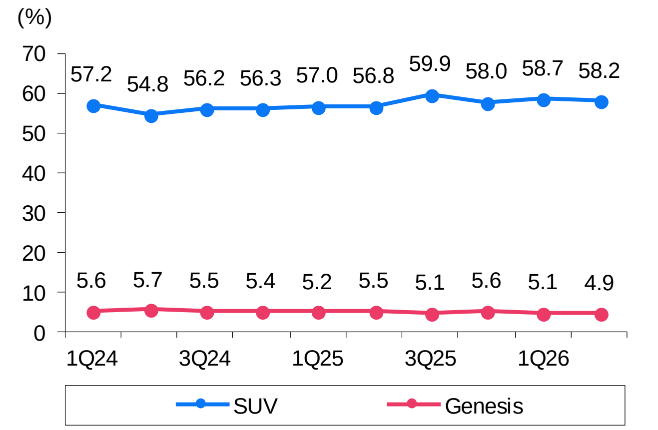
Source: Company data, Samsung Securities

HMC: EV sales volume



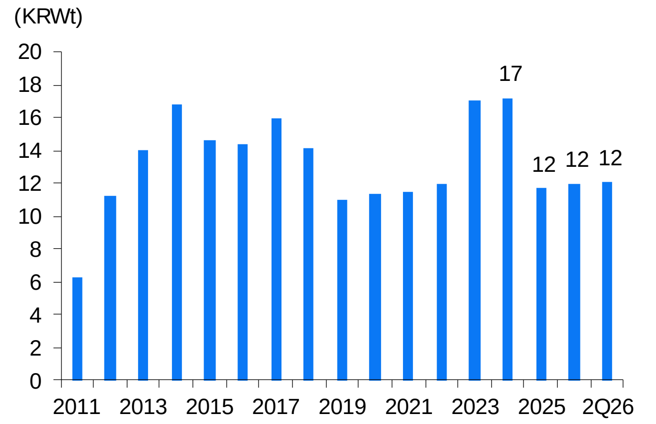
Source: Company data, Samsung Securities

HMC: SUV and genesis portion of sales volume



Source: Company data, Samsung Securities

HMC: Net cash position



Note: Excludes financial division
Source: Company data, Samsung Securities

HMC: Global sales volume and forecasts

('000 vehicles)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E
Global plant sales	1,006	1,063	1,022	1,021	988	985	1,001	1,080	4,174	4,111	3,999	4,154
Domestic	445	483	458	454	440	455	431	463	1,871	1,840	1,790	1,810
Overseas	561	580	563	567	548	530	570	617	2,303	2,271	2,209	2,344
India (HMI)	192	180	191	195	208	178	202	192	764	758	780	800
China (BHMC)	44	50	47	53	43	43	45	68	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	39	46	86	246	198	210	210
Czech (HMMC)	73	74	67	63	68	70	65	77	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	45	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	37.9	39.5	39.1	34.1	36.3	38.4	38.4

Source: Company data, Samsung Securities

HMC: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (avg)	1,453	1,401	1,387	1,452	1,467	1,502	1,480	1,450	1,365	1,423	1,475	1,425
Revenue	44,408	48,287	46,721	46,839	45,939	49,215	49,413	48,184	175,231	186,254	192,751	200,616
Autos	34,718	37,609	36,715	36,590	34,538	36,832	39,019	37,639	136,725	145,632	148,501	153,841
Finance	7,398	8,214	7,189	7,432	8,992	9,504	7,549	7,874	28,447	30,233	33,861	35,554
Other	2,292	2,464	2,818	2,817	2,409	2,879	2,846	2,671	10,060	10,390	10,390	11,221
Gross profit	8,980	9,110	8,284	7,843	8,017	8,736	8,779	8,236	35,749	34,217	33,769	36,363
Operating profit	3,634	3,602	2,537	1,695	2,515	2,851	2,963	2,508	14,240	11,468	10,836	12,428
Pre-tax profit	4,465	4,385	3,326	1,666	3,522	3,646	3,614	3,160	17,781	13,842	13,941	15,673
Net profit	3,382	3,250	2,548	1,184	2,585	2,888	2,710	2,370	13,230	10,365	10,553	11,755
Controlling profit	3,157	2,998	2,261	1,029	2,335	2,521	2,629	2,299	12,527	9,446	9,784	11,402
Margins (%)												
Gross profit	20.2	18.9	17.7	16.7	17.5	17.8	17.8	17.1	20.4	18.4	17.5	18.1
Operating profit	8.2	7.5	5.4	3.6	5.5	5.8	6.0	5.2	8.1	6.2	5.6	6.2
Net profit	7.6	6.7	5.5	2.5	5.6	5.9	5.5	4.9	7.5	5.6	5.5	5.9
Controlling profit	7.1	6.2	4.8	2.2	5.1	5.1	5.3	4.8	7.1	5.1	5.1	5.7

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**175,231**	**186,254**	**192,751**	**200,616**	**205,789**
Cost of goods sold	139,482	152,038	158,983	164,253	168,333
Gross profit	**35,749**	**34,217**	**33,769**	**36,363**	**37,456**
Gross margin (%)	20.4	18.4	17.5	18.1	18.2
SG&A expenses	21,510	22,749	23,125	23,935	24,268
Operating profit	**14,240**	**11,468**	**10,644**	**12,428**	**13,188**
Operating margin (%)	8.1	6.2	5.5	6.2	6.4
Non-operating gains (losses)	**3,251**	**2,374**	**3,104**	**3,246**	**3,546**
Financial profit	1,531	1,299	896	809	815
Financial costs	899	1,010	599	599	611
Equity-method gains (losses)	3,114	2,510	2,844	3,049	3,210
Other	-496	-425	-37	-14	132
Pre-tax profit	**17,490**	**13,842**	**13,748**	**15,673**	**16,734**
Taxes	4,232	3,477	3,340	3,918	4,184
Effective tax rate (%)	24.2	25.1	24.3	25.0	25.0
Profit from continuing operations	13,549	10,365	10,408	11,755	12,551
Profit from discontinued operations	-319	0	0	0	0
Net profit	**13,230**	**10,365**	**10,408**	**11,755**	**12,551**
Net margin (%)	7.5	5.6	5.4	5.9	6.1
Net profit (controlling interests)	12,527	9,446	10,096	11,402	12,174
Net profit (non-controlling interests)	703	919	312	353	377
EBITDA	18,527	16,484	15,781	17,671	18,400
EBITDA margin (%)	10.6	8.9	8.2	8.8	8.9
EPS (parent-based) (KRW)	46,042	35,331	38,043	42,964	45,872
EPS (consolidated) (KRW)	48,626	38,767	39,220	44,293	47,291
Adjusted EPS (KRW)*	46,042	35,331	38,043	42,964	45,872

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**115,764**	**120,777**	**110,371**	**107,875**	**114,485**
Cash & equivalents	19,015	18,361	6,404	2,032	6,960
Accounts receivable	5,908	8,600	8,900	9,264	9,634
Inventories	19,791	20,662	21,382	22,255	23,145
Other current assets	71,050	73,155	73,684	74,325	74,746
Fixed assets	**224,034**	**248,067**	**268,522**	**289,211**	**298,933**
Investment assets	117,804	124,261	136,564	149,578	151,902
Tangible assets	44,534	48,750	50,849	51,811	51,778
Intangible assets	7,683	9,268	9,032	8,826	8,647
Other long-term assets	54,014	65,789	72,078	78,996	86,605
Total assets	**339,798**	**368,845**	**378,892**	**397,086**	**413,418**
Current liabilities	**79,510**	**88,579**	**85,601**	**89,937**	**93,244**
Accounts payable	12,550	12,287	12,716	13,235	13,576
Short-term debt	9,327	10,388	10,388	10,388	10,388
Other current liabilities	57,633	65,904	62,496	66,314	69,279
Long-term liabilities	**140,013**	**152,617**	**157,325**	**162,313**	**165,936**
Bonds & long-term debt	120,420	131,240	134,240	137,240	140,240
Other long-term liabilities	19,593	21,377	23,084	25,073	25,695
Total liabilities	**219,522**	**241,197**	**242,925**	**252,250**	**259,179**
Owners of parent equity	**109,103**	**115,447**	**123,453**	**131,969**	**140,995**
Capital stock	1,489	1,489	1,489	1,489	1,489
Capital surplus	7,656	7,780	7,780	7,780	7,780
Retained earnings	96,596	101,312	108,784	117,300	126,326
Other	3,362	4,865	5,400	5,400	5,400
Non-controlling interests' equity	**11,173**	**12,202**	**12,514**	**12,867**	**13,243**
Total equity	**120,276**	**127,648**	**135,967**	**144,836**	**154,239**
Net debt	130,142	152,127	160,620	168,246	166,657

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**-5,662**	**-5,991**	**16,345**	**18,144**	**16,461**
Net profit	13,230	10,365	10,408	11,755	12,551
Non-cash profit and expenses	23,950	25,920	4,303	4,870	4,949
Depreciation	3,398	3,745	3,901	4,038	4,033
Amortization	889	1,272	1,236	1,206	1,179
Other	19,663	20,904	-834	-374	-263
Changes in A/L from operating activities	-35,160	-34,325	3,643	4,194	1,909
Cash flow from investments	**-14,623**	**-10,347**	**-13,610**	**-13,228**	**-12,813**
Change in tangible assets	-7,890	-8,121	-6,000	-5,000	-4,000
Change in financial assets	-1,842	2,832	-321	-310	-204
Other	-4,891	-5,059	-7,289	-7,918	-8,610
Cash flow from financing	**19,493**	**15,425**	**-5,871**	**631**	**363**
Change in debt	32,090	18,624	-3,247	3,517	3,511
Change in equity	3,278	124	0	0	0
Dividends	-3,913	-3,689	-2,624	-2,886	-3,148
Other	-11,961	366	0	0	0
Change in cash	-152	-654	-11,957	-4,372	4,928
Cash at beginning of year	19,167	19,015	18,361	6,404	2,032
Cash at end of year	19,015	18,361	6,404	2,032	6,960
Gross cash flow	**37,180**	**36,285**	**14,712**	**16,625**	**17,500**
Free cash flow	**-13,723**	**-14,358**	**10,345**	**13,144**	**12,461**

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	7.7	6.3	3.5	4.1	2.6
Operating profit	-5.9	-19.5	-7.2	16.8	6.1
Net profit	7.8	-21.7	0.4	12.9	6.8
Adjusted EPS**	5.6	-23.3	7.7	12.9	6.8
Per-share data (KRW)					
EPS (parent-based)	46,042	35,331	38,043	42,964	45,872
EPS (consolidated)	48,626	38,767	39,220	44,293	47,291
Adjusted EPS**	46,042	35,331	38,043	42,964	45,872
BVPS	413,568	439,541	471,494	504,019	538,492
DPS (common)	12,000	10,000	11,000	12,000	12,000
Valuations (x)					
P/E***	4.6	8.4	11.4	10.1	9.4
P/B***	0.5	0.7	0.9	0.9	0.8
EV/EBITDA	10.5	14.4	17.4	16.0	15.3
Ratios (%)					
ROE	12.4	8.4	8.5	8.9	8.9
ROA	4.3	2.9	2.8	3.0	3.1
ROIC	12.3	7.8	6.5	7.2	7.3
Payout ratio	19.5	21.4	22.1	21.3	20.0
Dividend yield (common)	5.7	3.4	2.5	2.8	2.8
Net debt to equity	108.2	119.2	118.1	116.2	108.1
Interest coverage (x)	31.5	20.0	17.8	20.7	21.6

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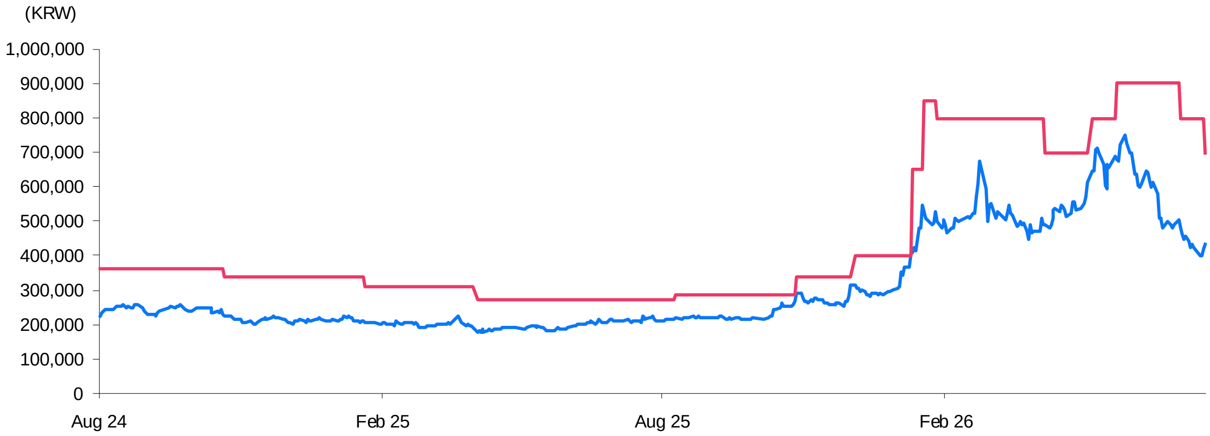
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

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	7/23
Recommendation	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	700000	800000	900000	800000	700000
Gap* (average)	-23.42	-17.04	-34.07	-46.14	
(max or min)**	-12.43	-11.00	-46.61	-50.13	

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 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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