COMPANY UPDATE

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EV/Mobility Team

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▶ **AT A GLANCE**

BUY

Target price	**KRW650,000**	**62.5%**
Current price	**KRW400,000**	
Market cap	KRW81.9t/USD57.5b	
Shares (float)	204,757,766 (65.6%)	
52-week high/low	KRW750,000/KRW210,500	
Avg daily trading value (60-day)	KRW854.8b/ USD600.3m	

▶ **ONE-YEAR PERFORMANCE**

	1M	6M	12M
Hyundai Motor (%)	-20.3	-14.4	90.0
Vs Kospi (%pts)	1.9	-30.8	-3.5

▶ **KEY CHANGES**

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	650,000	700,000	-7.1%
2026E EPS	35,040	38,043	-7.9%
2027E EPS	37,656	42,964	-12.4%

▶ **SAMSUNG vs THE STREET**

No of estimates	25
Target price	724,000
Recommendation	4.0

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

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Hyundai Motor (005380)

Crisis in Korea; business-model shift to gain momentum

- The global auto industry is undergoing restructuring due to the rise of Chinese EVs—a shift already felt in Europe and now increasingly impacting Korea. Among Korean automakers, Hyundai Motor (HMC) has been hit the hardest.
- HMC plans to launch four new hybrid models in 2H26, but government's tax reforms and stricter environmental regulations are creating headwinds for hybrid vehicles.
- The path forward does not lie in new vehicle launches, but in transforming into a Physical AI platform company. The crisis in its home market is likely to accelerate HMC's shift toward this new business model.

WHAT'S THE STORY?

Cutting target price by 7.1% to KRW650,000: We revise down our earnings estimates to reflect sluggish domestic sales and an increasingly unfavorable regulatory environment for hybrid vehicles.

- **Maintaining target multiple of 18x P/E:** Our new target price is based on 18x the average 2026–2027 P/E, 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.
- **Restructuring underway in global mobility industry:** China's auto exports are surging—projected to rise from 8.3m units in 2025 to 12m in 2026—while Tesla's FSD technology expands globally. Europe has borne the brunt: Chinese EVs now account for 25% of the European EV market.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	186,254	191,139	199,326	204,487
Operating profit (KRWb)	11,468	10,895	11,660	13,028
Net profit (adj) (KRWb)	10,365	10,410	11,104	12,356
EPS (adj) (KRW)	35,331	35,040	37,656	41,902
EPS (adj) growth (% y-y)	-23.3	-0.8	7.5	11.3
EBITDA margin (%)	8.9	8.4	8.5	8.9
ROE (%)	8.4	7.8	7.9	8.3
P/E (adj) (x)	8.4	11.4	10.6	9.5
P/B (x)	0.7	0.9	0.8	0.8
EV/EBITDA (x)	14.4	17.5	17.8	16.5
Dividend yield (%)	3.4	2.5	2.6	2.8

Source: Company data, Samsung Securities estimates

Samsung Securities

- Korea is also undergoing structural change as the market shifts toward EVs. In 1H26, imported vehicles captured a record 21.7% market share. Tesla led imports with 56,000 units sold (+192.2% y-y) and BYD ranked fifth with 11,000 units (+807.9% y-y). Geely, NIO, and XPeng are scheduled to enter the Korean market in 2H26.
- **HMC's global sales down 4.9% y-y during January-July:** HMC's sales shrank 11% y-y in Korea and 10.5% y-y in Europe, respectively. Genesis sales totaled 54,000 units, down 22% y-y.

Hybrids no longer viable for profit protection: Outside the US, demand for hybrids is steadily declining relative to EVs across all major markets. This shift is driven by Chinese automakers aggressively expanding low-cost EVs globally.

- **Korea—Hybrid demand stagnates:** Korea remains HMC/Kia's third-largest market after the US and Europe, accounting for 16% and 18% of their respective sales. For HMC, 60% of Genesis sales occur in Korea, meaning the slowdown in Genesis sales is hitting the carmaker particularly hard. 1H26, hybrid sales in Korea totaled 220,000 units (flat y-y)—14,000 units above EV sales—but growth stalled. With the government set to phase out the individual consumption tax incentive for hybrids (KRW700,000, or KRW1m including VAT, equivalent to 1–3% of vehicle price) in 2027, and environmental regulations tightening further, hybrid demand is expected to decline significantly.

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- **Europe—EV penetration reaches 40%:** In June, EV demand in Europe (Western + Eastern) hit 571,000 units (+36.3% y-y), pushing market penetration to 40.6%. In 1H26, hybrids accounted for 37.2% of Western European sales—but over 40% of those were 48V mild hybrids; full hybrids made up only about 22%.
- **US—Hybrid demand twice that of EVs:** In 1H26, hybrid sales reached 1.158m units (+24% y-y), nearly double EV sales of 0.55m units (-30% y-y). Hybrid penetration stood at 14.3%, compared to just 6.8% for EVs.
- **HMC/Kia face risks in profit protection strategy:** HMC/Kia aim to offset the low profitability of EVs (at breakeven levels) with the higher margins of hybrids (operating margin of 12–13%). However, they are increasingly pressured by Chinese EV manufacturers on price. Kia has already acknowledged reducing its price gap with Chinese rivals in Europe—from 30% to 20%.
- **HMC lacks mid-to-low-cost EVs, relies heavily on hybrids:** Since the launch of the Ioniq 5, HMC's EV strategy has shifted toward premium models under Genesis. However, weak consumer adoption of EVs—particularly in the mass market—led to a strategic pivot: plans to introduce hybrid versions of Genesis models. In 2H26, the company should launch hybrid variants of the Avante, Tucson, and Genesis.

Korea's recent tax reform poses challenges for HMC/Kia: The reform, announced in early August, is unfavorable to automakers:

- **Phasing out hybrid incentives:** The excise tax exemption for hybrids—currently KRW700,000 (approximately KRW1m including VAT, or 1–3% of vehicle price)—will end by end-2026. For EVs, the excise tax exemption of KRW3m now will be reduced by KRW1m annually, phasing out entirely by end-2028. EVs, however, should remain supported by direct government subsidies of KRW7.4–14.8m per vehicle in 2026.
- **Tiered depreciation limits for corporate vehicles:** The previous uniform limit of KRW8m per vehicle has been adjusted: KRW10m for EVs and hydrogen vehicles; KRW7m for ICE vehicles.
- **New domestic production tax credit for advanced technologies:** A tax credit for domestically produced advanced technologies should be introduced. It, however, should apply only to six value chain segments: solar power, wind power, rechargeable batteries, semiconductors, core materials, and AI-robotics components. The exact scale of the credit should be announced in the future.

Korea—stricter environmental regulations favor EVs over hybrids: In Korea, tightening environmental regulations are increasingly unfavorable to hybrids, as they are not classified as zero-emission vehicles. Automakers must expand EV sales to avoid penalties.

- **Zero-emission vehicle mandate:** Since 2021, policy has shifted from low-emission vehicles (including LPG and hybrids) to zero-emission vehicles (EVs and hydrogen vehicles only). Automakers that fail to meet annual targets face a penalty of KRW1.5m per non-compliant vehicle.
- **Stricter passenger vehicle CO_2 emissions standards:** Emissions limits will drop from 86g/km in 2026 to 54g/km by 2030—a 37% reduction. Penalties for non-compliance are as following: 1) compact cars: KRW50,000 per g/km over limit; and 2) mid- to large-size cars: KRW500,000 per vehicle in 2027, KRW1.4m per vehicle in 2028, and KRW2.2m per vehicle in 2029.

Exit strategy—rapid transition into physical AI platform company: It needs to shift from autonomous driving and robotics to a platform business model, in order to lock in consumers.

- **Making cheaper than China impossible:** The Chinese government aims to balance domestic and overseas sales at 50% each. If achieved, China's share of global vehicle production will exceed 50%. Also in terms of economies of scale, it is impossible to beat China, as: 1) China controls the entire rare earth and EV value chain—from refining to finished products; and 2) combining its domestic market (22-25m units annually, with 70% local brand share) and exports (12m units), China's total annual volume reaches 34m units, accounting for 33% of global automotive demand.

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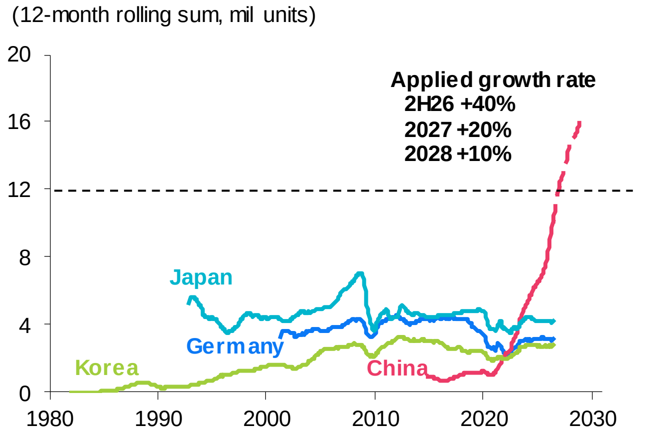
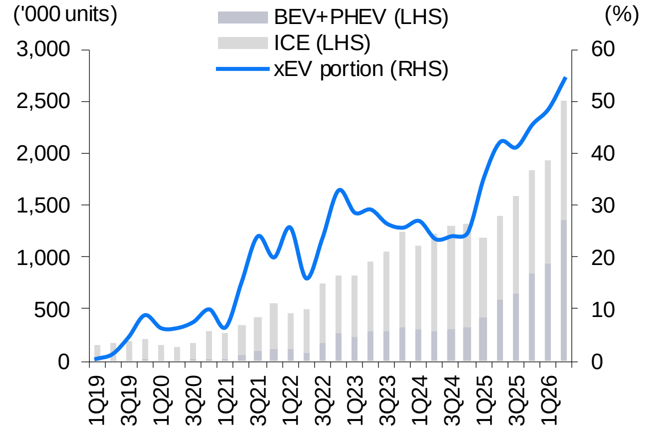
- **HMC's home market challenges to accelerate need for business model transformation:** Strategic shifts are likely to become visible in 2H. In August, the CEO Investor Day will be held, RMAC operations will launch, a new subsidiary will be established for robot manufacturing, and autonomous driving Pace Cars will begin collecting real-world driving data.

China auto exports: To reach 12m units in 2026 (+44% y-y)



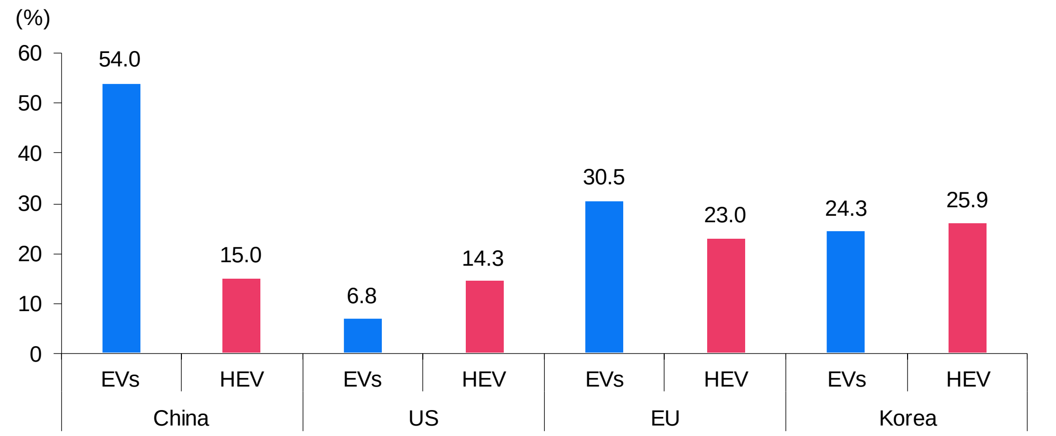
Source: CEIC, Samsung Securities

China auto exports: EV share surpasses 50%

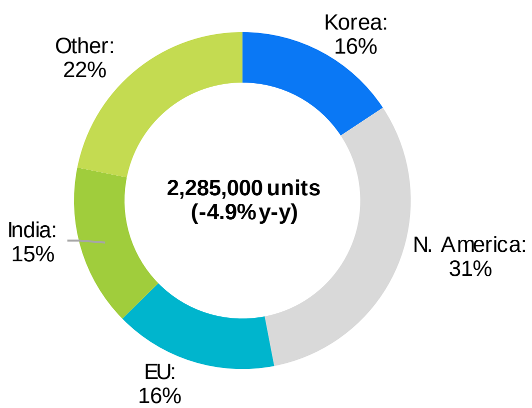


Source: CAAM, Samsung Securities

Auto demand in 1H26: xEV sales portion

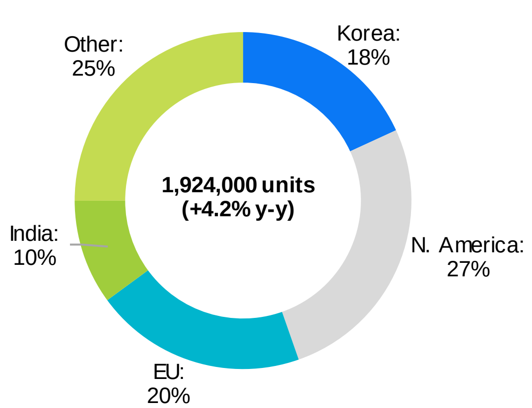


HMC: Sales volume, by country and region



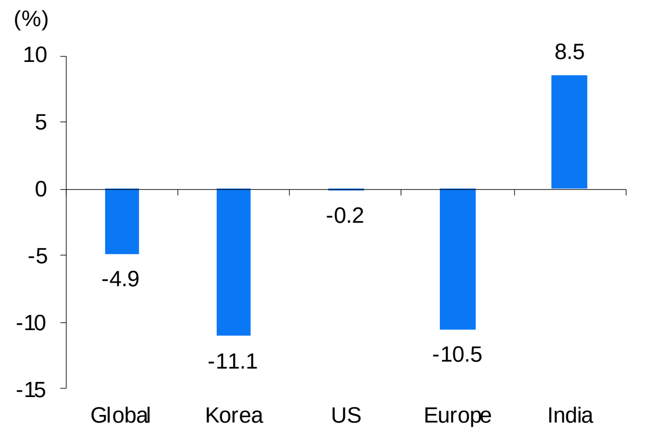
Source: Company data, Samsung Securities

Kia: Sales volume, by country and region



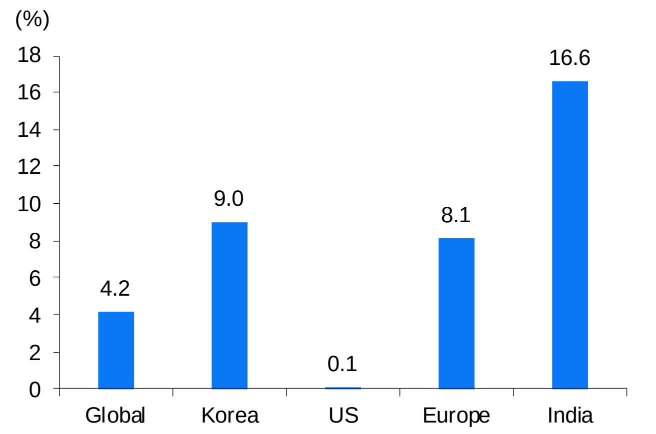
Source: Company data, Samsung Securities

HMC: Global sales growth, by country and region



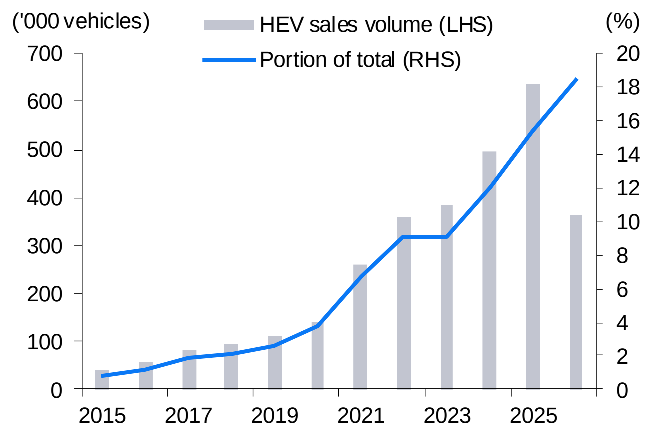
Source: Company data, Samsung Securities

Kia: Global sales growth, by country and region



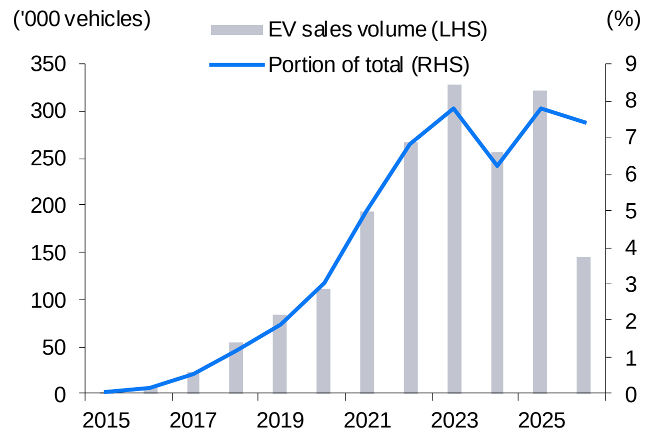
Source: Company data, Samsung Securities

HMC: Hybrid sales volume



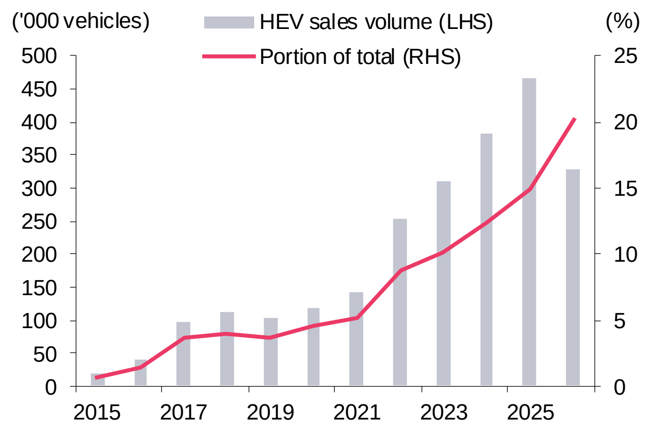
Note: As of 1H26
Source: Company data, Samsung Securities

HMC: EV sales volume



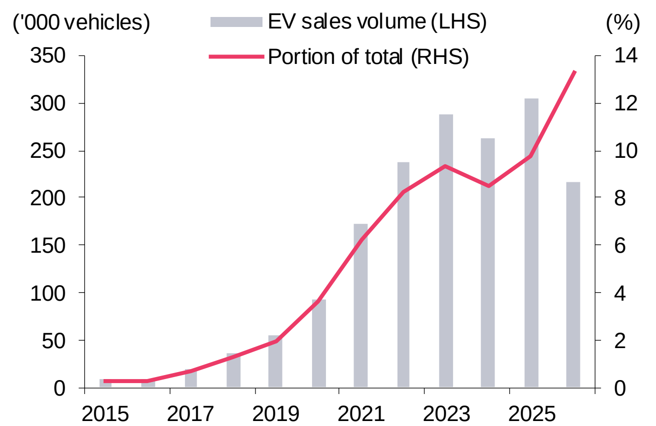
Note: As of 1H26
Source: Company data, Samsung Securities

Kia: Hybrid sales volume



Note: As of 1H26
Source: Company data, Samsung Securities

Kia: EV sales volume



Note: As of 1H26
Source: Company data, Samsung Securities

Korean Market: Tax Changes and Strengthening Environmental Regulations

Year	Individual consumption tax EV (KRW'000)	Individual consumption tax HEV (KRW'000)	ZEV Target	Contribution for shortfall (per unit, KRW'000)	Passenger GHG Target	Penalty (Passenger Cars)
2026	3,000	700	24%	1,500	86g/km	Excess emissions * units * KRW50,000
2027	2,000	End	28%	1,500	81g/km	Max 1% of sales
2028	1,000		36%	3,000	74g/km	
2029	End		43%	3,000	65g/km	
2030			50%	3,000	54g/km	

Source: Ministry of Economy and Finance, Ministry of the Interior and Safety, Samsung Securities

Korea market: EV subsidies

Year	Max. per passenger car (National subsidy)	Full subsidy price threshold	Total national budget	Remarks
2018	KRW12m			
2019	KRW9m			
2020	KRW8.2m			
2021	KRW8m		EV KRW1.23t (FCEV KRW365.5b separate)	Plan to deploy 121,000 EVs
2022	KRW7m			Target to double volume (75,000\→164,500units)
2023	KRW6.8m (Compact KRW5.8m)	KRW57m	KRW1.92t	Budget peak
2024	KRW6.5m	KRW55m	KRW1.73t	Estimated avg. KRW4m per vehicle
2025	KRW5.8m	KRW53m	KRW1.51t	
2026	KRW5.8m + Transition subsidy KRW1m	KRW53m	KRW1.60t	Subsidies frozen
2027E	TBD	KRW50m	TBD	Further reduction of price ceiling

Source: Ministry of Economy and Finance, Integrated Zero-Emission Vehicle Portal, Samsung Securities

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	985	984	1,067	4,174	4,111	3,969	4,124
Domestic	445	483	458	454	440	455	414	450	1,871	1,840	1,760	1,780
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	981	978	4,142	4,138	3,925	4,080
Global ASP (KRWm)	35.7	36.3	36.5	36.7	36.4	37.9	39.6	38.8	34.1	36.3	38.3	38.3

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	48,162	47,823	175,231	186,254	191,139	199,326
Autos	34,718	37,609	36,715	36,590	34,538	36,832	37,767	37,278	136,725	145,632	146,889	152,551
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	8,323	8,509	35,749	34,217	33,585	35,552
Operating profit	3,634	3,602	2,537	1,695	2,515	2,851	2,675	2,854	14,240	11,468	10,895	11,660
Pre-tax profit	4,465	4,385	3,326	1,666	3,522	3,646	3,326	3,256	17,781	13,842	13,749	14,805
Net profit	3,382	3,250	2,548	1,184	2,585	2,888	2,495	2,442	13,230	10,365	10,410	11,104
Controlling profit	3,157	2,998	2,261	1,029	2,335	2,521	2,245	2,198	12,527	9,446	9,299	9,994
Margins (%)												
Gross profit	20.2	18.9	17.7	16.7	17.5	17.8	17.3	17.8	20.4	18.4	17.6	17.8
Operating profit	8.2	7.5	5.4	3.6	5.5	5.8	5.6	6.0	8.1	6.2	5.7	5.8
Net profit	7.6	6.7	5.5	2.5	5.6	5.9	5.2	5.1	7.5	5.6	5.4	5.6
Controlling profit	7.1	6.2	4.8	2.2	5.1	5.1	4.7	4.6	7.1	5.1	4.9	5.0

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**175,231**	**186,254**	**191,139**	**199,326**	**204,487**
Cost of goods sold	139,482	152,038	157,555	163,774	167,230
Gross profit	**35,749**	**34,217**	**33,585**	**35,552**	**37,256**
Gross margin (%)	20.4	18.4	17.6	17.8	18.2
SG&A expenses	21,510	22,749	22,689	23,893	24,228
Operating profit	**14,240**	**11,468**	**10,895**	**11,660**	**13,028**
Operating margin (%)	8.1	6.2	5.7	5.8	6.4
Non-operating gains (losses)	**3,251**	**2,374**	**2,854**	**3,146**	**3,446**
Financial profit	1,531	1,299	923	862	930
Financial costs	899	1,010	628	678	730
Equity-method gains (losses)	3,114	2,510	2,844	3,049	3,210
Other	-496	-425	-285	-87	36
Pre-tax profit	**17,490**	**13,842**	**13,749**	**14,805**	**16,475**
Taxes	4,232	3,477	3,340	3,701	4,119
Effective tax rate (%)	24.2	25.1	24.3	25.0	25.0
Profit from continuing operations	13,549	10,365	10,410	11,104	12,356
Profit from discontinued operations	-319	0	0	0	0
Net profit	**13,230**	**10,365**	**10,410**	**11,104**	**12,356**
Net margin (%)	7.5	5.6	5.4	5.6	6.0
Net profit (controlling interests)	12,527	9,446	9,299	9,994	11,120
Net profit (non-controlling interests)	703	919	1,110	1,110	1,236
EBITDA	18,527	16,484	16,033	16,903	18,241
EBITDA margin (%)	10.6	8.9	8.4	8.5	8.9
EPS (parent-based) (KRW)	46,042	35,331	35,040	37,656	41,902
EPS (consolidated) (KRW)	48,626	38,767	39,224	41,840	46,558
Adjusted EPS (KRW)*	46,042	35,331	35,040	37,656	41,902

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**115,764**	**120,777**	**120,609**	**122,697**	**147,068**
Cash & equivalents	19,015	18,361	11,493	6,735	23,419
Accounts receivable	5,908	8,600	12,901	16,771	21,802
Inventories	19,791	20,662	21,695	22,780	23,919
Other current assets	71,050	73,155	74,521	76,411	77,929
Fixed assets	**224,034**	**248,067**	**275,257**	**304,557**	**318,106**
Investment assets	117,804	124,261	140,354	158,299	163,788
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	75,022	85,621	93,893
Total assets	**339,798**	**368,845**	**395,866**	**427,253**	**465,175**
Current liabilities	**79,510**	**88,579**	**96,539**	**108,021**	**125,515**
Accounts payable	12,550	12,287	12,610	13,150	13,490
Short-term debt	9,327	10,388	10,388	10,388	10,388
Other current liabilities	57,633	65,904	73,541	84,483	101,637
Long-term liabilities	**140,013**	**152,617**	**163,359**	**174,785**	**185,611**
Bonds & long-term debt	120,420	131,240	141,240	151,240	161,240
Other long-term liabilities	19,593	21,377	22,118	23,544	24,370
Total liabilities	**219,522**	**241,197**	**259,898**	**282,805**	**311,126**
Owners of parent equity	**109,103**	**115,447**	**122,656**	**130,025**	**138,391**
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	107,987	115,356	123,721
Other	3,362	4,865	5,400	5,400	5,400
Non-controlling interests' equity	**11,173**	**12,202**	**13,312**	**14,422**	**15,658**
Total equity	**120,276**	**127,648**	**135,968**	**144,448**	**154,049**
Net debt	130,142	152,127	173,081	192,584	190,738

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**-5,662**	**-5,991**	**10,619**	**14,616**	**20,152**
Net profit	13,230	10,365	10,410	11,104	12,356
Non-cash profit and expenses	23,950	25,920	4,306	4,679	4,888
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	-832	-564	-324
Changes in A/L from operating activities	-35,160	-34,325	-2,084	1,318	5,794
Cash flow from investments	**-14,623**	**-10,347**	**-16,501**	**-16,921**	**-13,476**
Change in tangible assets	-7,890	-8,121	-6,000	-5,000	-4,000
Change in financial assets	-1,842	2,832	-267	-323	-203
Other	-4,891	-5,059	-10,234	-11,599	-9,272
Cash flow from financing	**19,493**	**15,425**	**11,626**	**12,393**	**12,256**
Change in debt	32,090	18,624	14,250	15,018	15,011
Change in equity	3,278	124	0	0	0
Dividends	-3,913	-3,689	-2,624	-2,624	-2,755
Other	-11,961	366	0	-0	-0
Change in cash	-152	-654	-6,867	-4,758	16,684
Cash at beginning of year	19,167	19,015	18,361	11,493	6,735
Cash at end of year	19,015	18,361	11,493	6,735	23,419
Gross cash flow	**37,180**	**36,285**	**14,715**	**15,783**	**17,244**
Free cash flow	**-13,723**	**-14,358**	**4,619**	**9,616**	**16,152**

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	2.6	4.3	2.6
Operating profit	-5.9	-19.5	-5.0	7.0	11.7
Net profit	7.8	-21.7	0.4	6.7	11.3
Adjusted EPS**	5.6	-23.3	-0.8	7.5	11.3
Per-share data (KRW)					
EPS (parent-based)	46,042	35,331	35,040	37,656	41,902
EPS (consolidated)	48,626	38,767	39,224	41,840	46,558
Adjusted EPS**	46,042	35,331	35,040	37,656	41,902
BVPS	413,568	439,541	468,450	496,595	528,543
DPS (common)	12,000	10,000	10,000	10,500	11,000
Valuations (x)					
P/E***	4.6	8.4	11.4	10.6	9.5
P/B***	0.5	0.7	0.9	0.8	0.8
EV/EBITDA	10.5	14.4	17.5	17.8	16.5
Ratios (%)					
ROE	12.4	8.4	7.8	7.9	8.3
ROA	4.3	2.9	2.7	2.7	2.8
ROIC	12.3	7.8	6.5	6.2	6.6
Payout ratio	19.5	21.4	21.8	21.3	20.0
Dividend yield (common)	5.7	3.4	2.5	2.6	2.8
Net debt to equity	108.2	119.2	127.3	133.3	123.8
Interest coverage (x)	31.5	20.0	17.3	17.2	17.9

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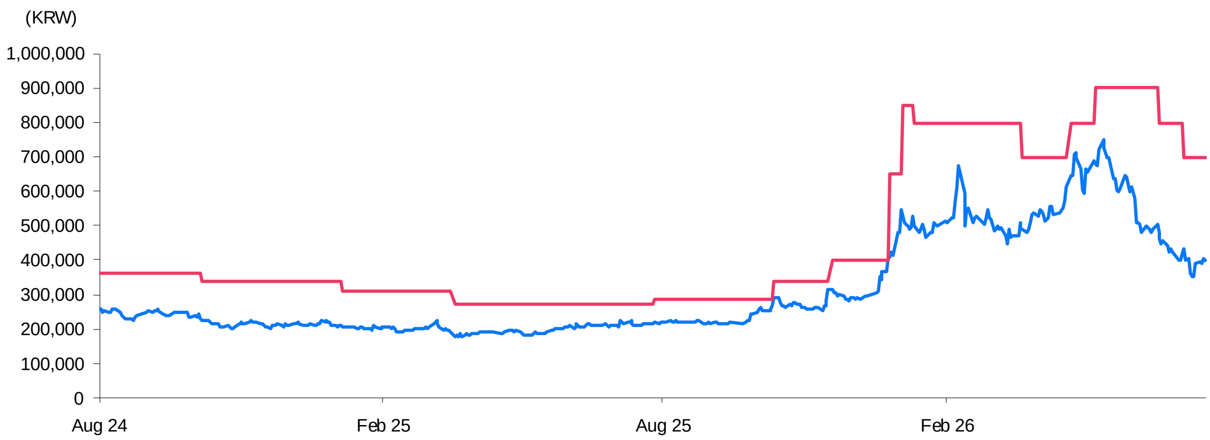
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/7/26	10/25	2025/1/24	4/7	8/14	10/31	12/8	2026/1/14	1/22	1/30	4/7	4/10
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	360000	340000	310000	270000	285000	340000	400000	650000	850000	800000	800000	700000
Gap* (average)	-32.30	-37.27	-34.90	-26.06	-20.49	-20.69	-22.55	-27.91	-40.91	-35.99	-37.66	-23.42
(max or min)**	-28.06	-33.38	-28.39	-17.41	-7.02	-7.35	1.50	-15.54	-37.88	-15.75	-36.50	-12.43
Date	5/11	5/27	7/7	7/23	8/7							
Recommendation	BUY	BUY	BUY	BUY	BUY							
Target price (KRW)	800000	900000	800000	700000	650000							
Gap* (average)	-17.04	-34.07	-46.14	-44.99								
(max or min)**	-11.00	-16.67	-50.13	-49.86								

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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