COMPANY UPDATE

2026. 8. 31

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Hyundai Motor (005380)

CEO investor day: Robotics subsidiary may weigh on valuation

- Hyundai Motor (HMC) plans to launch its highly anticipated robotics business as a separate subsidiary, raising concerns over potential valuation downside.
- Level 2+ autonomous driving technology is scheduled for rollout in early 2028, behind key competitors, likely delaying a recovery in HMC's domestic market share through 2027.
- Possible catalysts include potential equity investments in Boston Dynamics by US Big Tech companies and increased US policy support for robotics.

AT A GLANCE

BUY

Target price	KRW600,000	47.1%
Current price	**KRW408,000**	
Market cap	KRW83.5t/USD60.3b	
Shares (float)	204,757,766 (65.6%)	
52-week high/low	KRW750,000/KRW214,000	
Avg daily trading value (60-day)	KRW525.6b/ USD379.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hyundai Motor (%)	1.7	-33.0	86.7
Vs Kospi (%pts)	-0.0	-37.9	-12.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	600,000	650,000	-7.7%
2026E EPS	35,040	35,040	0.0%
2027E EPS	37,656	37,656	0.0%

SAMSUNG vs THE STREET

No of estimates	25
Target price	716,000
Recommendation	4.0

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

WHAT'S THE STORY?

HMC valuation downside risk: Hyundai Motor's (HMC) articles of incorporation do not list robotics among its business purposes, and the company plans to pursue the business through a separate subsidiary.

- **Cutting target P/E by 5.5% to 17x:** We revise down our target price by 7.7% to KRW600,000, based on the 2026-2027 average P/E. Our new 17x target P/E represents a 10% discount to the 18.9x average Bloomberg forward P/E of the four leading Chinese EV manufacturers—BYD, Li Auto, Xiaomi, and Geely—and excluding loss-making Nio. All four have entered the robotics market. Given HMC's plan to pursue robotics through a subsidiary, we apply a 10% valuation discount.

  That said, give the potential for equity investment in Boston Dynamics by US Big Tech and growing US policy support for robotics, we believe a modest 10% discount is appropriate and maintain our BUY rating.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	186,254	191,139	199,326	204,487
Operating profit	11,468	10,895	11,660	13,028
Net profit (adj)	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	11.6	10.8	9.7
P/B (x)	0.7	0.9	0.8	0.8
EV/EBITDA (x)	14.4	17.6	17.9	16.6
Dividend yield (%)	3.4	2.5	2.6	2.7

Source: Company data, Samsung Securities estimates

- **Separate-subsidiary structure has pros and cons:** On the positive side, the structure would enable Hyundai Motor Group (HMG) to attract co-investors and external capital, ease the financial burden on HMC, and keep early-stage robotics losses outside HMC's consolidated financial statements.

  The downside is that HMC's valuation could remain anchored to its low-multiple automotive business, making it harder to attract investor attention as more pure-play robotics comanies go public.

- **Risk of missing an opportunity to leverage capital markets:** Despite significant unease over the massive AI capex undertaken by US Big Tech, AI investment remains a key driver of national economic growth, prompting governments worldwide to provide support and channel capital toward the sector. HMG's physical-AI initiatives require substantial upfront investment, creating high barriers to entry and favoring companies with strong funding capacity. This scale also creates the conditions needed to emerge as a dominant platform company. A decline in the valuation of HMC, HMG's flagship company, could put it at a disadvantage in raising capital relative to Tesla or Chinese EV manufacturers.

- **Potential Robotics Lab spin-off and risk of concentrating robotics value in Boston Dynamics:** HMC and Kia do not directly operate robotics businesses, but the likelihood of a Robotics Lab spin-off will increase as the unit expands. However, given Korea's tight restrictions on "duplicate listings" (as it is called in Korea when a subsidiary lists while its parent remains listed), Robotics Lab's path to an IPO appears severely constrained, limiting its ability to achieve a fair market valuation.

  Robotics Lab is a critical business unit intended to foster Korea's robotics ecosystem and counterbalance the concentration of group resources in Boston Dynamics. If its value remains unrecognized, HMG's robotics business risks becoming subordinate to Boston Dynamics.

CEO Investor Day summary: HMC maintains medium- to long-term growth vision

Reaffirms 2030 global sales target of 5.55m (up 33% y-y): HMC plans to launch 18 new models and expand capacity in the US, India, and Korea.

- **Reducing reliance on Korea:** HMC aims to reduce its Korean share of total sales from 17% in 2025 to 13% by 2030, while lowering its domestic share of production from 43% to 32% over the same period.
- **Sales growth expected across all major markets:** HMC targets sales increases in North America (+230,000 units; 26% share), Europe (+225,000 units; 15% share), India (+290,000 units; 15% share), and Korea (+15,000 units; 13% share).
- **Adding 1.27m units of capacity by 2030:** Planned additions comprise 500,000 units in the US, 320,000 in India, 200,000 in Korea, and 250,000 across CKD sites.

Enhancing product mix: HMC plans to expand its hybrid lineup and strengthen the Genesis portfolio.

- **Expanding hybrid sales in North America:** HMC plans to launch more than 10 hybrid models by 2030, increasing its hybrid portion of US sales from 25% in 2026 to 50% by 2030, while raising the local parts sourcing rate from 60% to 80% over the same period.
- **Expanding N lineup:** Seven new high-performance models are planned, with annual sales volume targeted at 100,000 units by 2030.
- **Expanding Genesis lineup:** HMC's luxury brand will add the GV90 EV to its lineup, launch its first hybrid in late 2026 and first EREV in early 2027, and debut a dedicated sports car. It aims to lift Genesis sales from 200,000 units in 2026 to 350,000 units by 2030.

Internalizing mid-nickel battery technology: HMC plans to use internally developed mid-nickel batteries in upcoming hybrid models.

- **High-performance batteries...** Compared with high-nickel cells, HMC's in-house-developed mid-nickel batteries are designed to deliver comparable energy density, twice the output, and 40% faster charging. They cost 30% less to produce than mid-nickel batteries of the same volume and store 30% more energy than LFP batteries of the same volume.
- **...to be integrated into EREVs:** The in-house batteries will be used in EREV models launching in early 2027, with deployment to be extended to EVs and robotics over time.
- **Applying battery thermal management technology across all vehicle models:** HMC unveiled technology designed to prevent heat transfer at the source, regardless of battery form factor or chemistry.

Commercializing Level 2+ autonomous driving in 2028: The architecture will be tested on a Pace Car launching in 2027, while real-world pilot programs will begin in Gwangju in late 2026.

- **Deploying standardized sensors and compute platform across mass-produced vehicles from 2028:** Real-world data collection is set to begin in 2027, with data to be shared with automakers using the Nvidia Drive Hyperion platform from 2028. By 2033, HMC expects to surpass competitors in cumulative driving data volume.
- **Establishing AI data center infrastructure:** In Phase 1, HMC intends to secure flexible GPU procurement through a combination of in-house infrastructure and partnerships. In Phase 2, it will internalize data center operations. By 2029, it plans to build a 100 MW data center in Saemangeum housing 50,000 GPUs.

Raises 2030 profitability guidance: HMC raised its 2030 operating margin target from 8-9% to 9%+.

- **Expanding hybrid sales mix:** HMC expects hybrids to account for 55% of total vehicle sales, up from less than 50%.
- **Targeting a 3%pt reduction in COGS ratio by 2030:** HMC is targeting a 1.5%pt reduction through vehicle lifecycle cost innovation (greater parts commonization, manufacturing process optimization, and improved serviceability), 1%pt through lower materials costs (cutting materials costs for hybrids by 20% and EV systems by 30%), and 0.5%pts though localization (enhancing cost competitiveness at overseas plants and expanding local sourcing).

- **Total payout ratio unchanged at 35%:** HMC pays quarterly dividends with a minimum annual dividend of KRW10,000 per share. It is committed to buying back KRW4t worth of shares over 2025-2027 and completed KRW1.3t of buybacks between Nov 2024 and Apr 2026.

Hyundai Motor CEO Investor Day: Strategy changes (2025 vs 2026)

	2025 CEO Investor Day	2026 CEO Investor Day	Chg
2030 Mid-to-long-term sales strategy			
Global sales	5.55m units	5.55m units	Unchanged
xEV sales mix	60%	60%	Unchanged
Global M/S	No specific target	6.00%	New
Capacity expansion	+1.2m units	+1.27m units	Upward revision (+0.07m)
HEV	18+ models by 2030	10+ models in N. America, 50% sales mix target	Specific regional targets
EREV	Next-gen powertrain development, to be introduced after 2026	Santa Fe EREV 1H27, Genesis EREV early 2027	Specific timing & models
2030 financial targets			
Operating margin	8-9%	9%+	Upward revision
Shareholder returns	2025-2027 total payout ratio 35%+; buy back and cancel KRW4t worth of shares	2025-2027 total payout ratio 35%+; cancel all existing treasury shares	Maintain policy; change in terminology & execution

Source: Company data, Samsung Securities

Hyundai Motor: Share buyback and cancellation history (according to 2025-2027 plan)

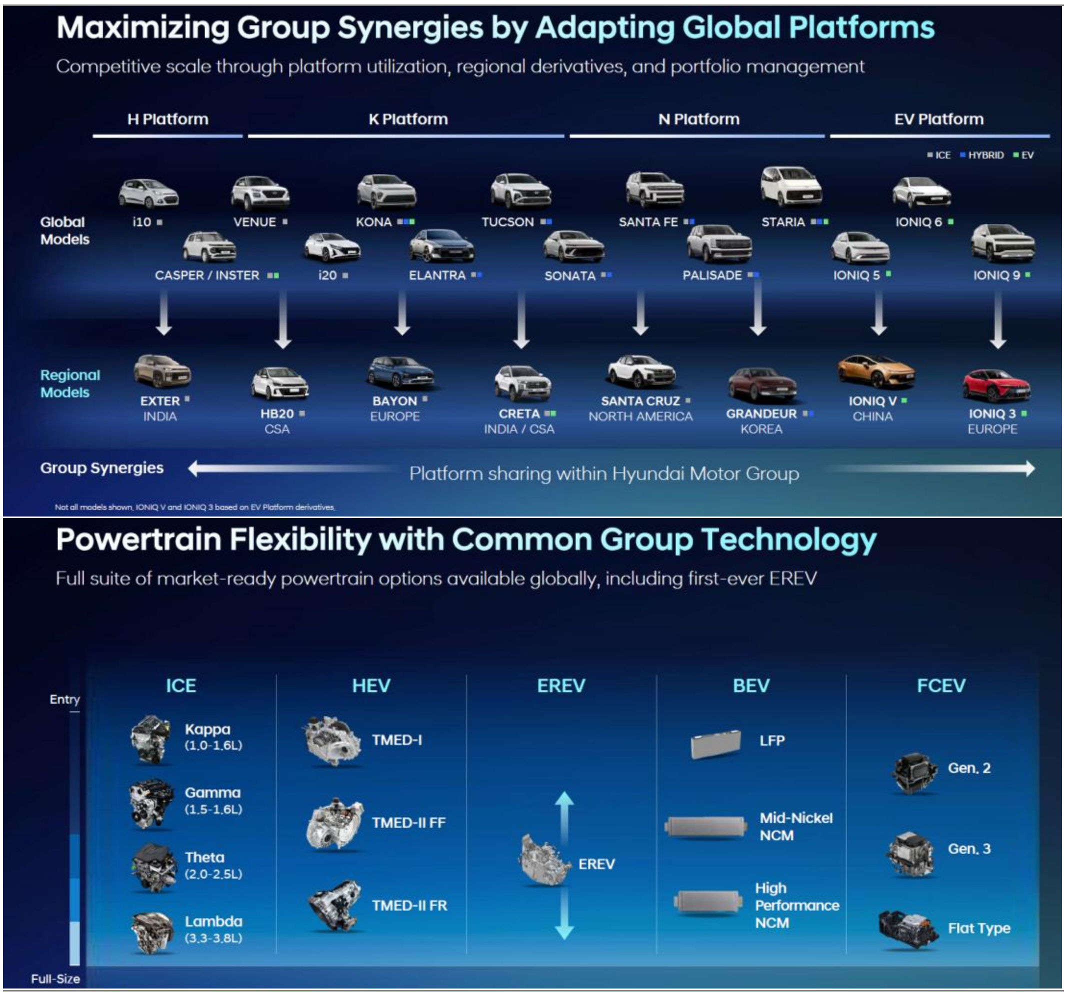
		2025		2026	
		Feb	Apr	Apr	Aug
Type		Share buyback	Share cancellation	Share buyback	Share cancellation
Date		Nov 2024-Feb 2025	Apr 30, 2025	Jan-Apr 2026	Aug 31, 2026
Buyback / cancellation	**Amount (KRWb)**	**936.9**	**916.0**	**399.0**	**789.1**
	Common	816.0		366.8	
	Preferred	120.9		32.1	
	(Preferred portion, %)	12.9		8.1	
	Volume ('000 shares)	4,666	6,037	870	2,505
	Common	3,907	4,658	745	1,291
	Preferred	759	1,379	125	1,214
	(Preferred portion, %)	16.3	22.8	14.4	48.5
Treasury shares before action	Common	3,506 (1.7%)	7,412 (3.5%)	1,648 (0.8%)	2,341 (1.1%)
(Volume, (portion))	Preferred	2,963 (4.8%)	3,722 (6.0%)	1,089 (1.8%)	1,214 (2.0%)
Treasury shares after action	Common	7,412 (3.5%)	2,754 (1.3%)	2,341 (1.1%)	**1,050 (0.5%)**
(Volume, (portion))	Preferred	3,722 (6.0%)	2,343 (3.9%)	1,214 (2.0%)	**0 (0.0%)**

Note: Cancellation of 3% of existing treasury shares over 3 years (2024-2026), 1%pt *pa*;
Total buyback and cancellation target of KRW4t over 3 years (2025-2027)
Source: Dart, Samsung Securities

HMC: 2035 profitability targets

Source; Company data

HMC: Platform sharing and powertrain diversification strategy

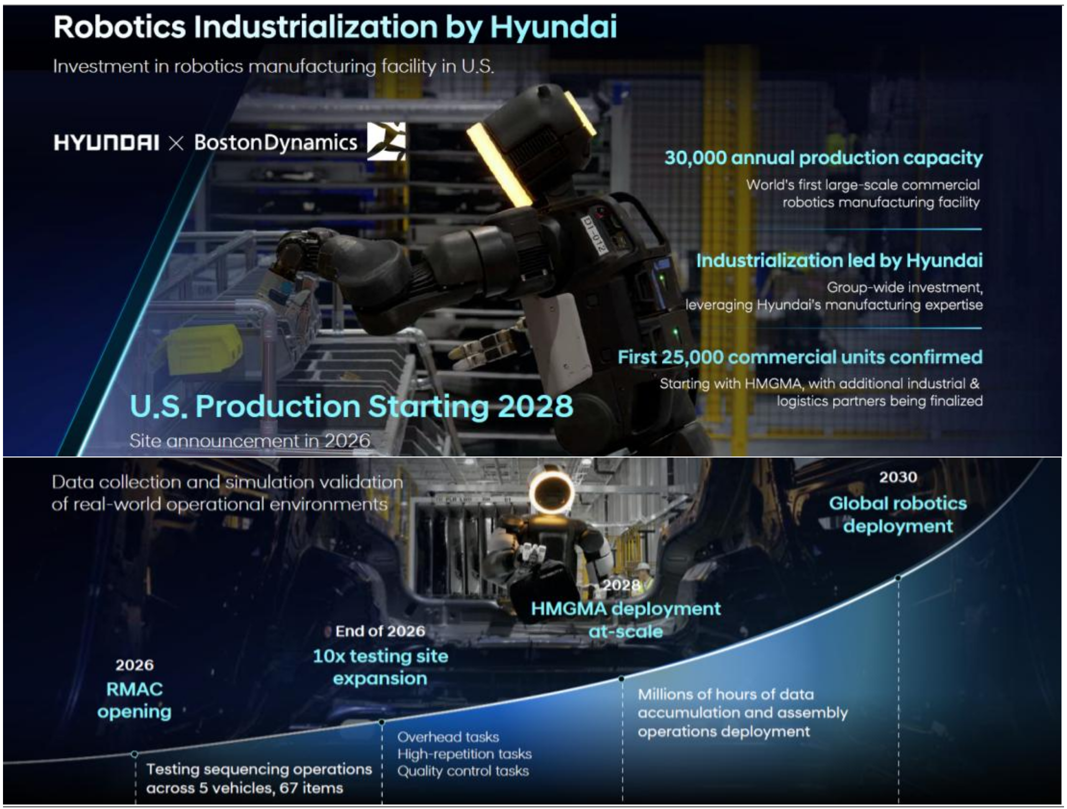


Source; Company data

HMC: Global new model expansion and regional sales targets

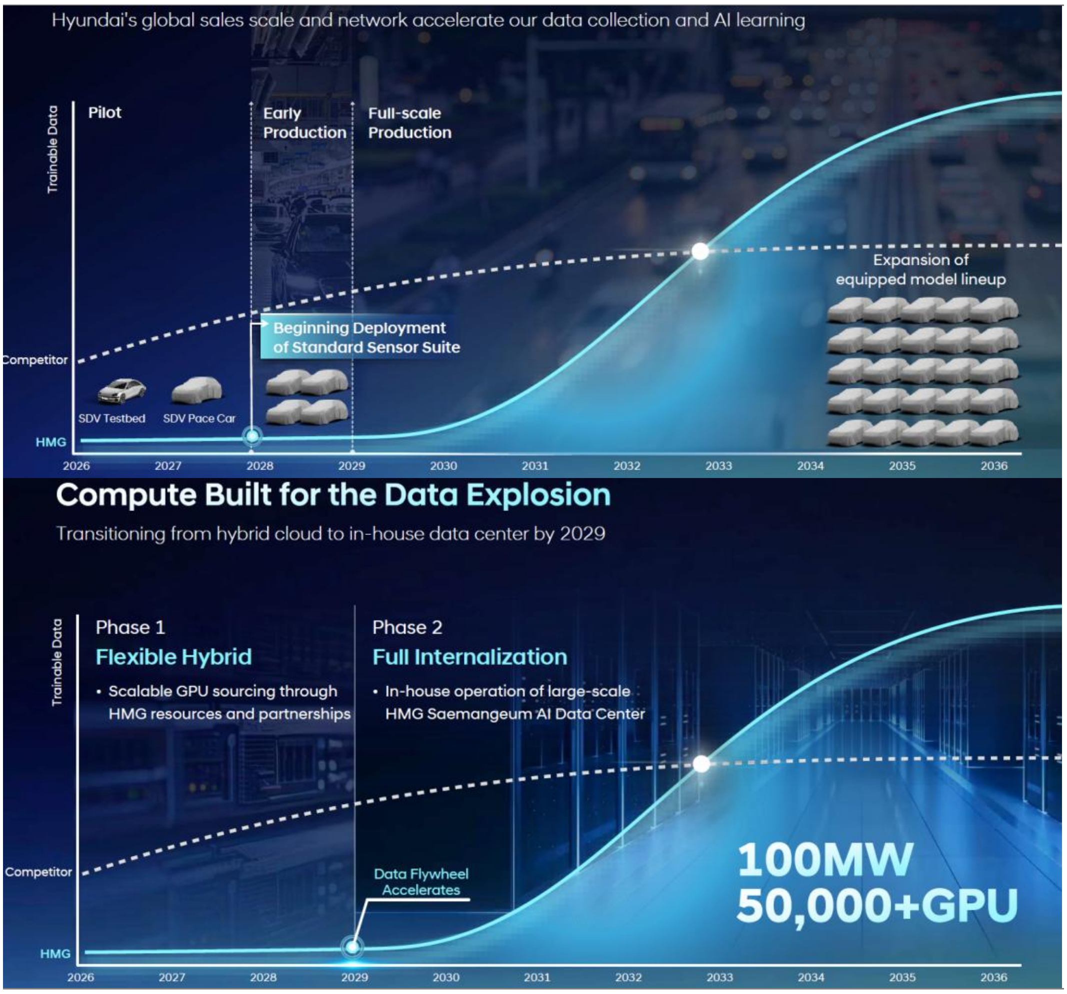
Source; Company data

HMC: Robotics strategy



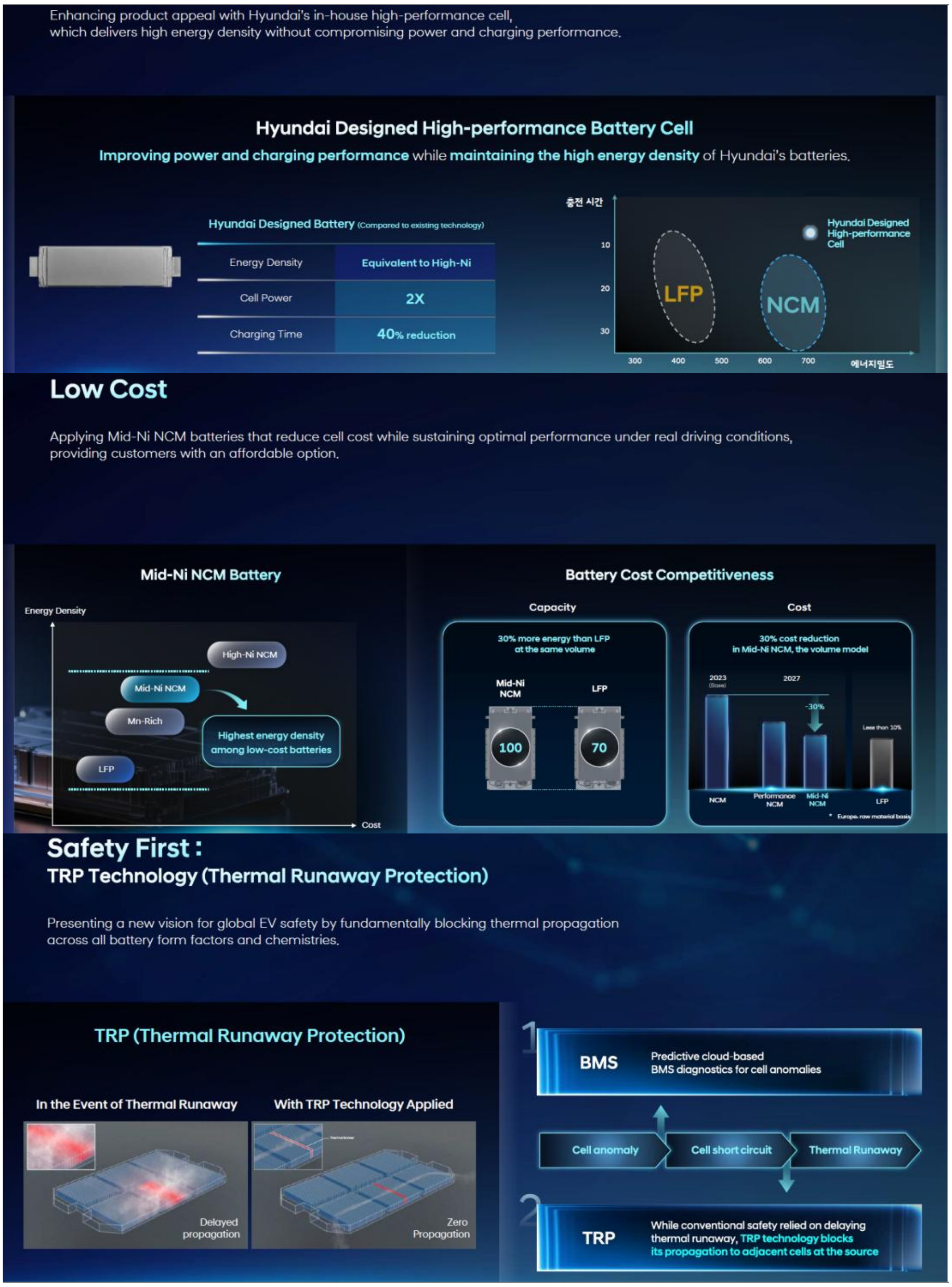
Source; Company data

HMC: Data competitiveness



Source; Company data

HMC: In-house high-performance battery cells



Source; Company data

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	11.6	10.8	9.7
P/B***	0.5	0.7	0.9	0.8	0.8
EV/EBITDA	10.5	14.4	17.6	17.9	16.6
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	2.7
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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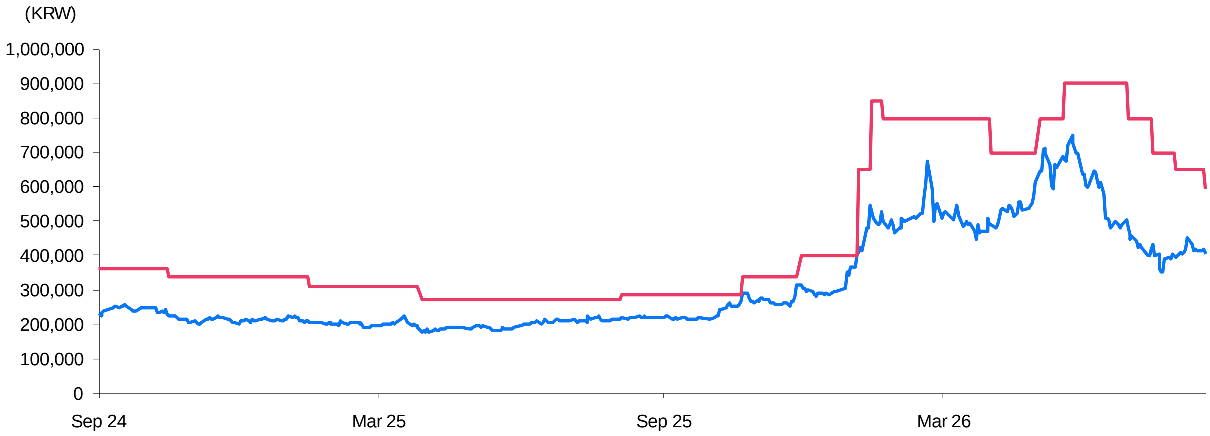
Target price changes in past two years



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	8/27						
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY						
Target price (KRW)	800000	900000	800000	700000	650000	600000						
Gap* (average)	-17.04	-34.07	-46.14	-44.99	-35.69							
(max or min)**	-11.00	-16.67	-50.13	-49.86	-38.00							

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

Samsung Securities uses the following investment ratings*

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
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%)

Global Disclosures & Disclaimers

General

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