COMPANY UPDATE

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EV/Mobility Team

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AT A GLANCE

BUY

Target price	**KRW500,000**	**34.6%**
Current price	**KRW371,500**	
Market cap	KRW75.1t/USD55.2b	
Shares (float)	203,466,492 (65.6%)	
52-week high/low	KRW750,000/KRW214,000	
Avg daily trading value (60-day)	KRW341.0b/ USD250.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hyundai Motor (%)	-18.0	-28.1	66.2
Vs Kospi (%pts)	-14.4	-41.0	-15.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	500,000	600,000	-16.7%
2026E EPS	32,085	35,152	-8.7%
2027E EPS	31,340	38,015	-17.6%

SAMSUNG vs THE STREET

No of estimates	25
Target price	701,600
Recommendation	4.0

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

Hyundai Motor (005380)

Choosing to play a supporting role in robotics

- Hyundai Motor Group (HMG) is pursuing major investments in autonomous driving, robotics, data centers, and smart factories by spreading the burden across affiliates, with selective external capital participation.
- Among HMG affiliates, Hyundai Motor (HMC) will bear the largest investment burden. At its 2026 CEO Investor Day, the carmaker clarified that it will support the robotics business as a strategic investor.
- HMC is likely to focus on autonomous driving. However, as the firm is not scheduled to begin meaningful driving data accumulation for AI training until 2028, a temporary AI technology momentum gap is anticipated in 2027.

WHAT'S THE STORY?

Cutting target price: We trim our target price by 16.7% to KRW500,000 to reflect near-term earnings pressure from a 3Q labor strike and won appreciation.

- **Maintaining target multiple of 17x P/E:** We derive our new target price by applying a P/E multiple of 17x (which we have used since the CEO Investor Day) to the average of our 2026 and 2027 EPS forecasts. Our target multiple represents a 10% discount to the 18.9x average Bloomberg forward P/E multiple of China's four leading EV manufacturers—BYD, Li Auto, Xiaomi, and Geely—and excluding loss-making Nio. We view these four as relevant valuation benchmarks given their expansion into robotics and HMC's plans to pursue the business via a subsidiary. We apply a 10% discount to reflect HMC's indirect exposure to robotics.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	186,254	186,395	188,596	194,617
Operating profit	11,468	9,593	8,849	9,983
Net profit (adj)	10,365	9,508	9,154	10,167
EPS (adj) (KRW)	35,331	32,085	31,340	34,808
EPS (adj) growth (% y-y)	-23.3	-9.2	-2.3	11.1
EBITDA margin (%)	8.9	7.9	7.5	7.8
ROE (%)	8.4	7.2	6.6	7.0
P/E (adj) (x)	8.4	11.4	11.7	10.5
P/B (x)	0.7	0.8	0.7	0.7
EV/EBITDA (x)	14.4	18.6	21.1	19.6
Dividend yield (%)	3.4	2.7	2.9	3.0

Source: Company data, Samsung Securities estimates

Samsung Securities

- **Negative impact from won appreciation through 2027:** A surge in Korea's current account surplus, driven by strong semiconductor exports, has caused the won to strengthen for the first time in three years. Mobility companies, unlike semiconductor firms, are not yet prepared for a strong currency. Cost-reduction initiatives are expected to ramp up significantly from 2027.
- **Potential late-year momentum catalyst:** Many still anticipate US Big Tech investing in Boston Dynamics and participating in the data center project in Saemangeum.

The age of big investment—the bottleneck is capital access: Major investments in AI-driven technologies are accelerating globally. In a high-interest-rate environment, where investments exceed savings, capital access has become the critical bottleneck. The winners in this era should be companies that can secure large-scale funding at the lowest cost and for the longest duration. The most cost-effective way to achieve this should be through rights offerings at a valuation premium of 20x P/E or higher.

- **Tesla and Chinese EV makers emphasizing growth potential, raising capital via rights offerings:** Tesla and Chinese EV makers are leveraging high valuations not just for funding but also for talent acquisition. Tesla's accumulation of driving data is underpinned by its loyal customer base.
- **HMG's affiliates are sharing burden:** HMC and Kia are funding new businesses primarily through internal cash flows generated by their core automotive businesses. As capital demands grow, HMG is expanding participation across its affiliates to dilute the funding burden. Starting in 2027, major investments in robotics, the Saemangeum data center project, smart factories, and autonomous driving should significantly increase HMC's capital burden.
- **HMC's annual investments to rise by KRW4t over the next five years:** At its 2025 CEO Investor Day, HMC announced a 5-year investment plan worth KRW77t. Averaging KRW15.4t *pa*, this constitutes a KRW4t annual increase on its average annual investment of KRW11.8t over 2022-2024. However, HMC's operating cash flow peaked in 2024 and has trended downwards since. Sharp won appreciation in 3Q26 is further weighing on profitability. At end-1H26, its net cash (excluding financial subsidiaries) stood at KRW12.1t, suggesting it is likely to require external funding after 2028. The primary means of securing such funds is expected to be corporate bond issuances, with potential minority equity investments from strategic technology partners.

Prioritizing autonomous driving over robotics: At its 2026 CEO Investor Day, HMC clarified that it will act as a strategic investor for the robotics business.

- **Distributing the capital burden:** As an automaker, HMC plans to focus its resource allocation more on autonomous driving, while the robotics business will be pursued through subsidiary HMG Global. Boston Dynamics operates the Robot Metaplant Application Center (RMAC). Production facilities for robotics are expected to be funded by HMG Global. Robotics LAB is also likely to be spun off as a separate entity—with equity stakes held by multiple group affiliates— and become an equity-method subsidiary for HMC. This structure should allow the carmaker to shield its consolidated earnings from the substantial early-stage losses of the robotics business.
- **Over-reliance on auto industry could limit strategic flexibility:** In a high-interest-rate environment (with yields on 10-year USTs above 4.8%), the auto industry offers limited investment appeal—demand is growing at just 1-2% *pa* and operating margins stand at around 4%. A valuation multiple reset to the auto sector average (12-month forward P/E of 7.7x as of end-Aug 2026;

Bloomberg) would undermine HMC's ability to: 1) raise capital through rights offerings; 2) attract top talent; and 3) win retail investor support.

- **HMC's and Boston Dynamics' valuation dynamics are interdependent:** A declining valuation for HMC directly constrains the financial capacity of its major shareholders—which bodes ill for Boston Dynamics' enterprise value. HMC's 12-month forward P/E has fallen 50% from 18x in early June to now stand at just 9x. The market's implied valuation for Boston Dynamics within HMC's market cap has similarly dropped from its peak, now estimated at approximately KRW47t.

Hyundai Motor Group's three major affiliates: Cash flows and net cash positions

(KRWb)	2021	2022	2023	2024	2025	1H26
Hyundai Motor*	11,928	14,819	16,888	18,978	15,543	9,382
Kia	7,360	9,333	11,297	12,564	9,054	7,167
Hyundai Mobis	2,609	2,154	5,343	4,253	4,473	2,333
Operating cash flow	21,896	26,307	33,527	35,795	26,276	26,276
Capex + equity investment + R&D capitalization	-7,571	-11,625	-15,742	-18,375	-21,143	-9,757
Dividends	-2,051	-2,926	-4,269	-6,514	-5,841	-6,478
Share buyback and cancellation	0	0	-650	-1,563	-1,972	-500
Cash outflow	-9,622	-14,551	-20,662	-26,452	-28,956	-16,734
Net cashflow	12,274	11,756	12,866	9,343	-2,680	9,542
Net cash	27,363	30,412	40,698	43,583	40,045	43,382

Note: *Hyundai Motor excludes financial subsidiaries from operating cash flow and net cash
Source: Company data, Samsung Securities

Hyundai Motor Group's three major affiliates*: Sensitivity to change in KRW/USD exchange rate

(USDm)	HMC	Kia	Hyundai Mobis
USD sales	97,076	66,983	22,316
USD costs	62,106	31,093	15,139
USD exposure	34,970	35,890	7,177
Hedge (10%)	3,497	3,589	718
Net USD exposure	31,473	32,301	6,459
Operating profit impact from 1% exchange rate move	315	323	65
2026E operating profit	9,593	9,544	3,838
Operating profit sensitivity	3.3%	3.4%	1.7%

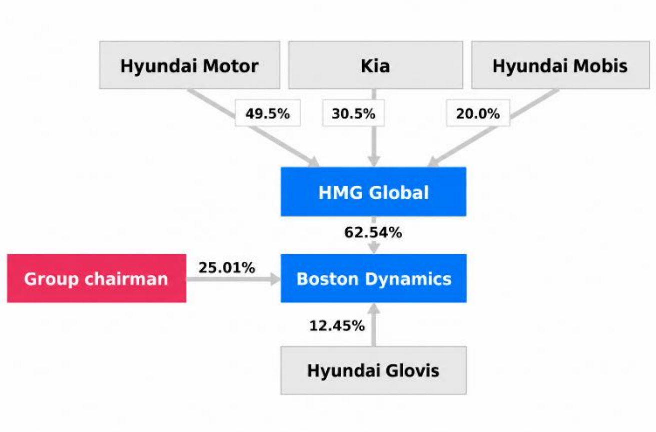
Note: *Hyundai Motor, Kia, and Hyundai Mobis
Source: Samsung Securities

HMC: KRW5t funding scenarios

Item	5-year bond @4.5%	Equity raise at 10x P/E (HMC-type)	Equity raise at 20x P/E (BYD-type)	Equity raise at 150x P/E (Tesla-type)
Issue price*	-	KRW378,670	KRW757,340	KRW5,680,050
Implied market cap	-	Approx. KRW100t	Approx. KRW200t	Approx. KRW1,505t
New shares / dilution	-	13.20m / 5.0%	6.6m / 2.5%	0.88m / 0.33%
Funds raised / market cap	-	5.00%	2.50%	0.33%
Annual cost	KRW225b interest → KRW166b after tax	KRW500b earnings claim (perpetual)	KRW250b earnings claim (perpetual)	KRW33.3b earnings claim (perpetual)
Cost of capital	3.3% after tax	10.0%	5.0%	0.67%
5-year cumulative cost	KRW828b after tax + KRW5t principal repayment	KRW2.5t	KRW1.25t	KRW166.7b
Relative to corporate bonds	1.0x	3.0x as costly	1.5x as costly	5x cheaper
Maturity / Refinancing	Repay / refinance KRW5t in 2031	None	None	None

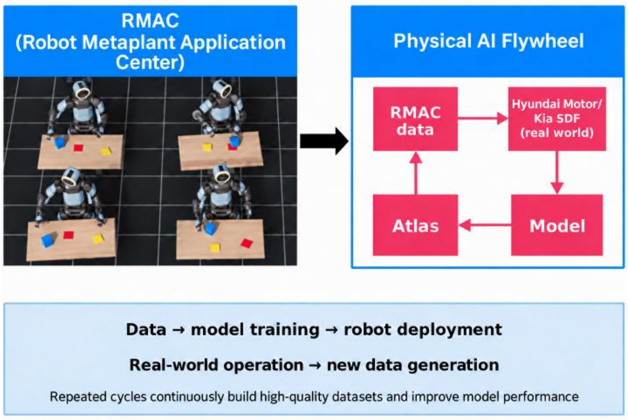
Note: *Issue prices based on 2026E consensus EPS of KRW37,867
Source: Samsung Securities

Boston Dynamics: Equity structure



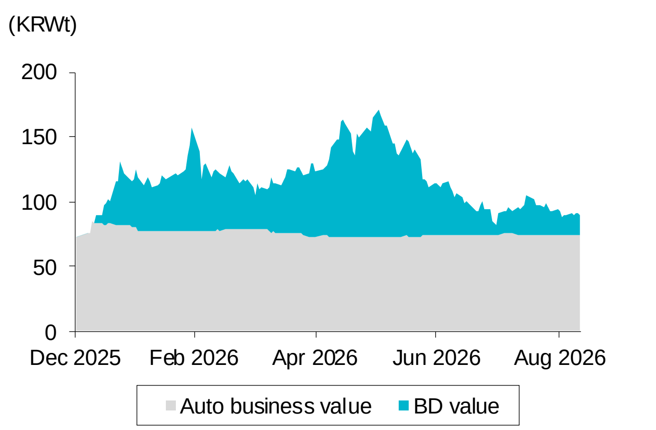
Source: Company data, Samsung Securities

Boston Dynamics: Physical AI flywheel



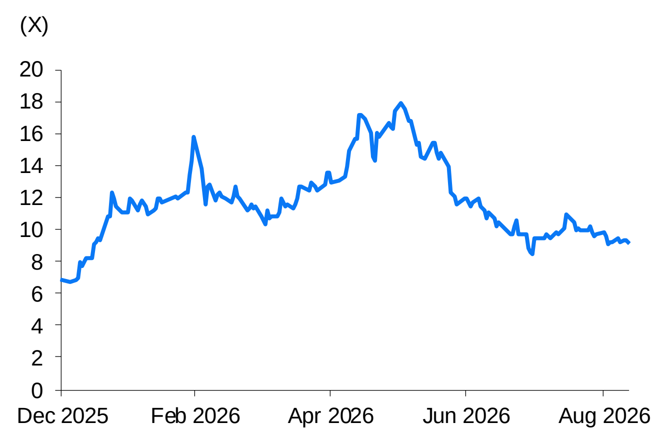
Source: Samsung Securities

HMC market cap: Value of auto business + Boston Dynamics



Source: QuantiWise, Samsung Securities

HMC: 12-month forward P/E



Source: QuantiWise, 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	984	901	1,000	4,174	4,111	3,873	3,969
Domestic	445	483	458	454	440	454	347	438	1,871	1,840	1,680	1,740
Overseas	561	580	563	567	548	530	554	562	2,303	2,271	2,193	2,229
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	101	115	105	361	422	420	450
Turkey (HAOS)	62	59	39	38	39	39	35	47	246	198	160	210
Czech (HMMC)	73	74	67	63	68	70	63	69	327	277	270	290
Russia (HMMR)	0	0	0	0	0	0	0	0	0	0	0	0
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	950	965	4,142	4,138	3,882	4,020
Global ASP (KRWm)	35.7	36.3	36.5	36.7	36.4	37.9	38.5	36.6	34.1	36.3	37.3	36.0

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	1,370	1,308	1,365	1,423	1,412	1,274
Revenue	44,408	48,287	46,721	46,839	45,939	49,215	45,967	45,274	175,231	186,254	186,395	188,596
Autos	34,718	37,609	36,715	36,590	34,538	36,833	35,572	34,681	136,725	145,632	141,625	141,260
Finance	7,398	8,214	7,189	7,432	8,992	9,503	7,549	7,817	28,447	30,233	33,861	35,554
Other	2,292	2,464	2,818	2,817	2,409	2,879	2,846	2,775	10,060	10,390	10,909	11,782
Gross profit	8,980	9,110	8,284	7,843	8,017	8,736	7,350	7,660	35,749	34,217	31,763	31,068
Operating profit	3,634	3,602	2,537	1,695	2,515	2,851	2,122	2,106	14,240	11,468	9,593	8,849
Pre-tax profit	4,465	4,385	3,326	1,666	3,522	3,646	2,772	2,608	17,781	13,842	12,548	12,045
Net profit	3,382	3,250	2,548	1,184	2,585	2,888	2,079	1,956	13,230	10,365	9,508	9,154
Controlling profit	3,157	2,998	2,261	1,029	2,335	2,521	1,871	1,760	12,527	9,446	8,488	8,239
Margins (%)												
Gross profit	20.2	18.9	17.7	16.7	17.5	17.8	16.0	16.9	20.4	18.4	17.0	16.5
Operating profit	8.2	7.5	5.4	3.6	5.5	5.8	4.6	4.7	8.1	6.2	5.1	4.7
Net profit	7.6	6.7	5.5	2.5	5.6	5.9	4.5	4.3	7.5	5.6	5.1	4.9
Controlling profit	7.1	6.2	4.8	2.2	5.1	5.1	4.1	3.9	7.1	5.1	4.6	4.4

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**175,231**	**186,254**	**186,395**	**188,596**	**194,617**
Cost of goods sold	139,482	152,038	154,632	157,528	161,686
Gross profit	**35,749**	**34,217**	**31,763**	**31,068**	**32,931**
Gross margin (%)	20.4	18.4	17.0	16.5	16.9
SG&A expenses	21,510	22,749	22,170	22,219	22,949
Operating profit	**14,240**	**11,468**	**9,593**	**8,849**	**9,983**
Operating margin (%)	8.1	6.2	5.1	4.7	5.1
Non-operating gains (losses)	**3,251**	**2,374**	**2,954**	**3,196**	**3,395**
Financial profit	1,531	1,299	915	831	872
Financial costs	899	1,010	628	678	730
Equity-method gains (losses)	3,114	2,510	2,794	2,999	3,159
Other	-496	-425	-126	44	94
Pre-tax profit	**17,490**	**13,842**	**12,548**	**12,045**	**13,378**
Taxes	4,232	3,477	3,039	2,891	3,211
Effective tax rate (%)	24.2	25.1	24.2	24.0	24.0
Profit from continuing operations	13,549	10,365	9,508	9,154	10,167
Profit from discontinued operations	-319	0	0	0	0
Net profit	**13,230**	**10,365**	**9,508**	**9,154**	**10,167**
Net margin (%)	7.5	5.6	5.1	4.9	5.2
Net profit (controlling interests)	12,527	9,446	8,488	8,239	9,151
Net profit (non-controlling interests)	703	919	1,020	915	1,017
EBITDA	18,527	16,484	14,731	14,093	15,195
EBITDA margin (%)	10.6	8.9	7.9	7.5	7.8
EPS (parent-based) (KRW)	46,042	35,331	32,085	31,340	34,808
EPS (consolidated) (KRW)	48,626	38,767	35,941	34,822	38,676
Adjusted EPS (KRW)*	46,042	35,331	32,085	31,340	34,808

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**115,764**	**120,777**	**118,928**	**118,119**	**140,467**
Cash & equivalents	19,015	18,361	10,108	2,827	17,434
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	74,224	75,741	77,312
Fixed assets	**224,034**	**248,067**	**275,257**	**304,521**	**318,077**
Investment assets	117,804	124,261	140,354	158,264	163,759
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**	**394,185**	**422,640**	**458,544**
Current liabilities	**79,510**	**88,579**	**96,041**	**106,895**	**124,480**
Accounts payable	12,550	12,287	12,297	12,442	12,839
Short-term debt	9,327	10,388	10,388	10,388	10,388
Other current liabilities	57,633	65,904	73,356	84,064	101,252
Long-term liabilities	**140,013**	**152,617**	**163,058**	**174,104**	**184,985**
Bonds & long-term debt	120,420	131,240	141,240	151,240	161,240
Other long-term liabilities	19,593	21,377	21,818	22,864	23,744
Total liabilities	**219,522**	**241,197**	**259,099**	**280,999**	**309,464**
Owners of parent equity	**109,103**	**115,447**	**121,864**	**127,503**	**133,925**
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	107,195	112,834	119,256
Other	3,362	4,865	5,400	5,400	5,400
Non-controlling interests' equity	**11,173**	**12,202**	**13,222**	**14,137**	**15,154**
Total equity	**120,276**	**127,648**	**135,086**	**141,641**	**149,079**
Net debt	130,142	152,127	174,614	196,826	197,032

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**-5,662**	**-5,991**	**9,117**	**11,896**	**18,132**
Net profit	13,230	10,365	9,508	9,154	10,167
Non-cash profit and expenses	23,950	25,920	4,064	3,950	4,089
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	-1,074	-1,293	-1,123
Changes in A/L from operating activities	-35,160	-34,325	-2,735	497	5,912
Cash flow from investments	**-14,623**	**-10,347**	**-16,342**	**-16,686**	**-13,511**
Change in tangible assets	-7,890	-8,121	-6,000	-5,000	-4,000
Change in financial assets	-1,842	2,832	-109	-87	-238
Other	-4,891	-5,059	-10,234	-11,599	-9,272
Cash flow from financing	**19,493**	**15,425**	**11,634**	**12,406**	**12,284**
Change in debt	32,090	18,624	14,239	15,005	15,013
Change in equity	3,278	124	0	0	0
Dividends	-3,913	-3,689	-2,605	-2,599	-2,729
Other	-11,961	366	0	0	0
Change in cash	-152	-654	-8,252	-7,281	14,607
Cash at beginning of year	19,167	19,015	18,361	10,108	2,827
Cash at end of year	19,015	18,361	10,108	2,827	17,434
Gross cash flow	**37,180**	**36,285**	**13,572**	**13,105**	**14,256**
Free cash flow	**-13,723**	**-14,358**	**3,117**	**6,896**	**14,132**

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	0.1	1.2	3.2
Operating profit	-5.9	-19.5	-16.3	-7.8	12.8
Net profit	7.8	-21.7	-8.3	-3.7	11.1
Adjusted EPS**	5.6	-23.3	-9.2	-2.3	11.1
Per-share data (KRW)					
EPS (parent-based)	46,042	35,331	32,085	31,340	34,808
EPS (consolidated)	48,626	38,767	35,941	34,822	38,676
Adjusted EPS**	46,042	35,331	32,085	31,340	34,808
BVPS	413,568	439,541	469,915	491,662	516,424
DPS (common)	12,000	10,000	10,000	10,500	11,000
Valuations (x)					
P/E***	4.6	8.4	11.4	11.7	10.5
P/B***	0.5	0.7	0.8	0.7	0.7
EV/EBITDA	10.5	14.4	18.6	21.1	19.6
Ratios (%)					
ROE	12.4	8.4	7.2	6.6	7.0
ROA	4.3	2.9	2.5	2.2	2.3
ROIC	12.3	7.8	5.7	4.8	5.1
Payout ratio	19.5	21.4	23.7	25.6	24.2
Dividend yield (common)	5.7	3.4	2.7	2.9	3.0
Net debt to equity	108.2	119.2	129.3	139.0	132.2
Interest coverage (x)	31.5	20.0	15.3	13.0	13.7

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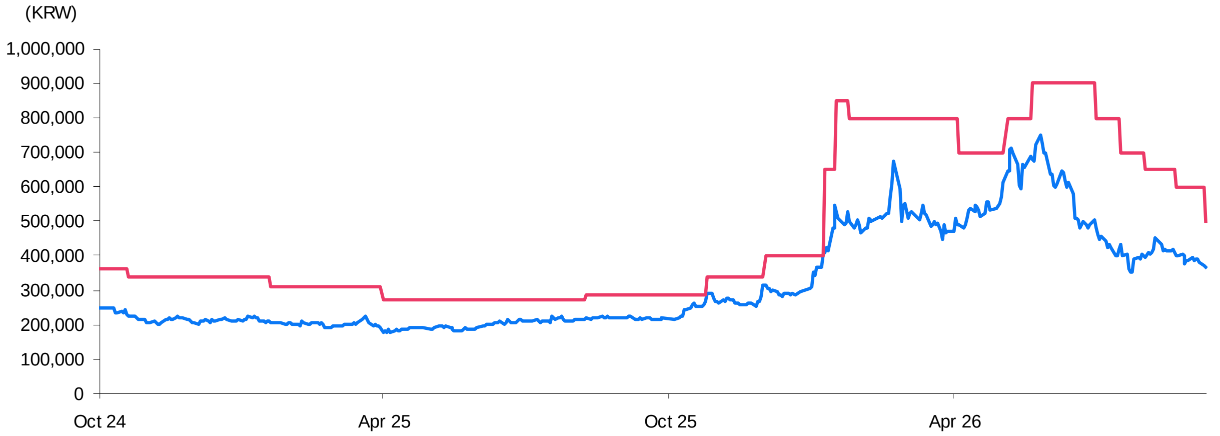
Target price changes in past two years



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	9/15					
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY					
Target price (KRW)	800000	900000	800000	700000	650000	600000	500000					
Gap* (average)	-17.04	-34.07	-46.14	-44.99	-35.69	-35.31						
(max or min)**	-11.00	-16.67	-50.13	-49.86	-38.00	-38.08						

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

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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