

EV/Mobility Team

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► AT A GLANCE

Hyundai Motor (005380 KS, 367,000)

Target price **KRW500,000** **36.2%**

BUY

Kia (000270 KS, 121,800)

Target price **KRW170,000** **39.6%**

BUY



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Autos (OVERWEIGHT)

HMG's rivals raising equity at high valuations

- The era of AI-driven innovation has ushered in a new normal: High rates. The real bottleneck in AI development is capital access. Winners should be firms that can raise the most capital, at the lowest cost, for the longest duration.
- Tesla and Chinese EV makers have been funding their expansions primarily via rights offerings, leveraging their high valuations. For Tesla, maintaining a high stock price is also a key tool for attracting top engineering talent.
- If HMC/Kia's core operations remain outside of robotics (robotics are attracting significant market attention), they: 1) risk losing access to low-cost funding options; and 2) may find it hard to attract top talent.

WHAT'S THE STORY?

The age of mass investments: On Aug 31, Fed Chairman Kevin Warsh, in his first major international address (at the G20 summit in Asheville, US), declared that the world is seeing a surge in global investments.

- **High interest rates—new normal:** AI requires significant infrastructure (*ie*, data centers, electricity, and water). To build high-quality training datasets, real-world data (*eg*, from EVs and robots) are needed. Developing AI thus necessitates enormous capex and operating expenses. With investments outpacing operating cash inflows, an era of high interest rates has emerged.
- **Capital access—a must for victory:** The winners in this era should be companies that can raise the most capital at the lowest cost for the longest duration, which capital can be used to build durable technological moats. And in this new paradigm, the cheapest way to raise capital is no longer via issuing new debt but by carrying out rights offerings at high valuation multiples.

Tesla and Chinese EV makers using high valuations to raise capital:

Hyundai Motor (HMC)/Kia are primarily competing with Tesla and Chinese EV makers, not legacy automakers. If HMC/Kia's valuation multiples remain low, they will have a harder time (vs Tesla and Chinese EV makers) tapping low-cost capital and recruiting top-notch talent.

(Continued on the next page)

- **Tesla leveraging its high valuation—its P/E peaked at 200x—to raise capital, recruit talent, and accumulate data:** In 2019 (following its turn to profitability), the US giant raised USD15b over four rights offerings. Roughly 20% of its R&D spending is allocated to stock-based compensation. Post-pandemic stock-price surges have also cultivated a powerful, loyal customer base.
- **All of China's top-10 automakers now run robotics businesses:** China's top EV makers—*eg*, BYD, Xiaomi, and XPeng—have raised capital at P/Es of 20-80x during their business expansions.
- **HMC/Kia risking more than they could gain if they remain passive towards robotics:** HMC/Kia are likely to limit their roles in robotics to that of strategic investor. This passive stance (*ie*, remaining heavily anchored to their automobile operations) should make a valuation derating inevitable. Reverting to the legacy auto industry's multiple (7.7x 12-month forward P/E as of end-Aug 2026, Bloomberg) would effectively eliminate their access to low-cost capital, hinder their recruitment of competitive talent, and erode the strategic advantage of building consumer fandoms. The valuations of HMC/Kia and Boston Dynamics are interlinked. Boston Dynamics' valuation is negatively impacted if its major shareholders—*eg*, HMC—are financially constrained. Meanwhile, the absence of a strong fan base could raise the cost of accumulating autonomous driving data.

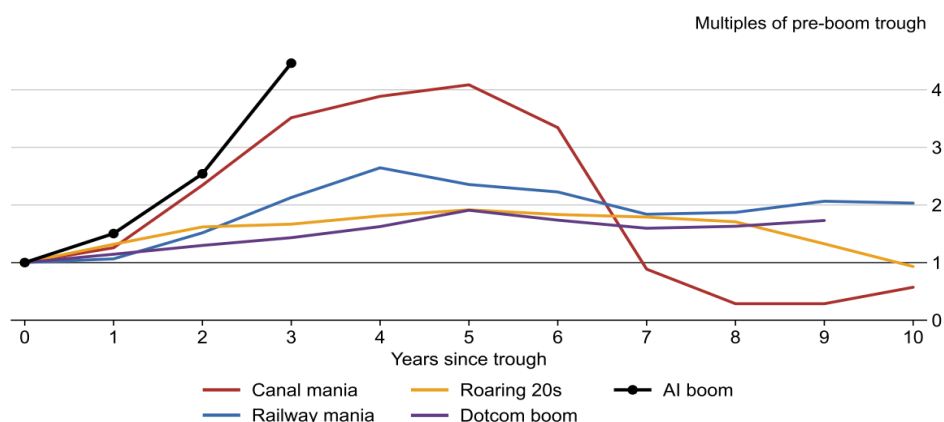
Age of massive investments—winning requires accessing capital markets

On Aug 31, US Fed Chairman Kevin Warsh, in his first major international address (at the G20 summit in Asheville, North Carolina), declared that: 1) the world is seeing a global investment surge that is helping to power economic growth, reversing past savings gluts (a previous concern); and 2) the notion of secular stagnation no longer applies in the current economy.

Three days earlier, at Jackson Hole, he laid out the evidence. US corporate capex has risen nearly 9% over the past four quarters—the fastest pace since 2021. More than half of this increase is attributable to AI infrastructure. Even as US big tech firms report negative operating cash flows, their AI data center spending continues to climb. In 2026, investments in US AI infra are projected to exceed USD700b. According to BIS data, current AI investments are more than 4x the investments seen during the late-1990s dot-com bubble. Given that the internet investment cycle lasted a decade, we appear to be still in the early innings of the AI era. The market is moving beyond LLMs to AI agents. The largest potential opportunity, physical AI, is set to enter a decisive growth phase in 2-3 years.

In the past, savings exceeded investments, capital flowed to firms (operating cash flows were positive), and interest rates were low. Today, investments outpace operating cash inflows. Firms must now go out and seek capital, and the price of that capital is structurally higher than it was. High rates have become the new normal. The US 10-year treasury yield is nearing 5%, while the 30-year yield stands at 5.3%. Korea is no exception. The Bank of Korea raised its policy rate for two consecutive months—in July and August—lifting the base rate to 3%. As of Sep 2, the 5-year KTB yield was 4.11% and the 3-year AA- corporate bond yield stood at 4.55%.

Investment booms: Investment levels relative to those seen during pre-boom troughs



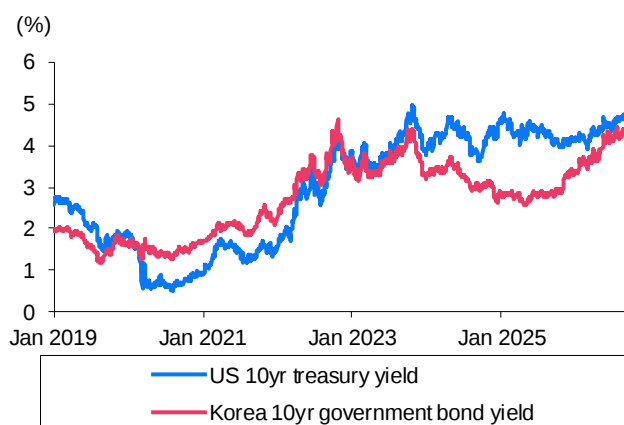
Source: BIS

US Big Tech: AI data center capex guidance

(USDb)	2025 Investment	2026 guidance (Feb)	2026 guidance (post-2Q results)	Growth (% y-y)
Amazon	125	200	~200	60%
Alphabet	91	175-185	195-205 (raised)	115-125%
Microsoft	90	110-120	~190 (raised)	110%
Meta	72	115-135	125-145 (raised)	75-100%
Total	388-410	630	725-760	77-85%

Source: Company data, Samsung Securities

US/Korea: 10-year government bond yields

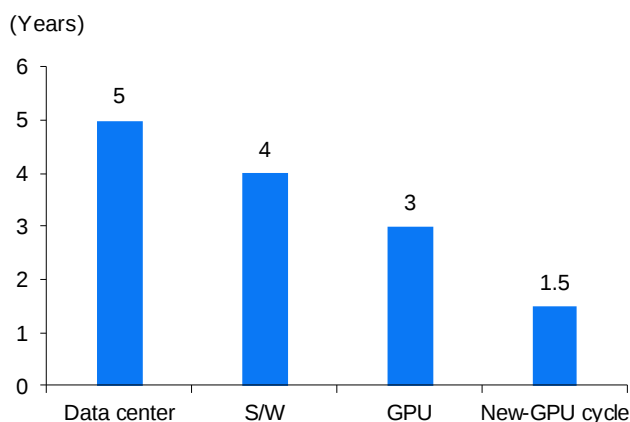


Source: Bloomberg, Samsung Securities

AI—especially physical AI—demands massive capital. Building and operating the infrastructure required to train AI models demands massive data centers, along with long-term operational expenses (to collect real-world data for training). Data centers cost USD11,000-20,000 per megawatt to build. Their depreciation period (5-6 years) is far shorter than that of an automobile plant (20-30 years).

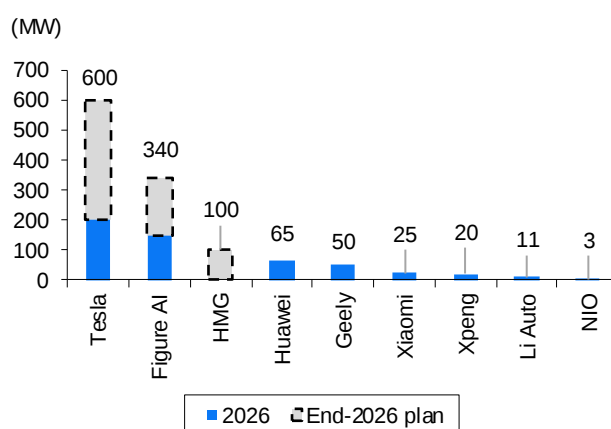
For autonomous driving and robotics, high-quality training data must be collected in the real world. Tesla equips all of its autos with sensors and chips (even for its autos that do not use FSD). Over seven years, this strategy has yielded over 100b miles of real-world driving data. In 2026, Tesla announced it would need an USD25b investment to advance its robotaxi and robotics AI models—a level of spending that is expected to continue for years. In 2Q26, Tesla's free cash flow turned negative (USD1.1b) for the first time since early 2024.

Data-center assets: Useful life



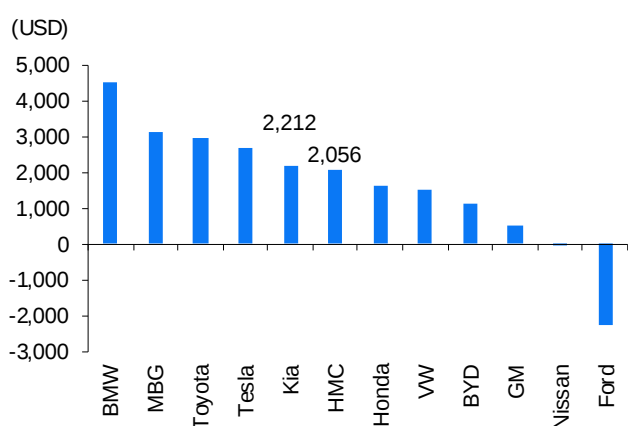
Source: Company data, Samsung Securities

Tesla/HMG/Chinese EV makers: Computing power



Source: CITIC, Samsung Securities estimates

Global automakers: Operating profit per vehicle (2025)



Source: Bloomberg, Samsung Securities

Tesla FSD: Estimated costs

Category		Cost (USD)	Remarks
Hardware	8 cameras	333	Resolution upgrade: 1.2MP → 5MP
	12 ultrasonic sensors	100	
	H/W 4.0	699	
Total		1,132	
Development cost		1,335	Assumes 50% of 2024 R&D expenses
Data center		118	5-yr amortization / 1.7m vehicles
FSD cost		2,585	

Source: Samsung Securities

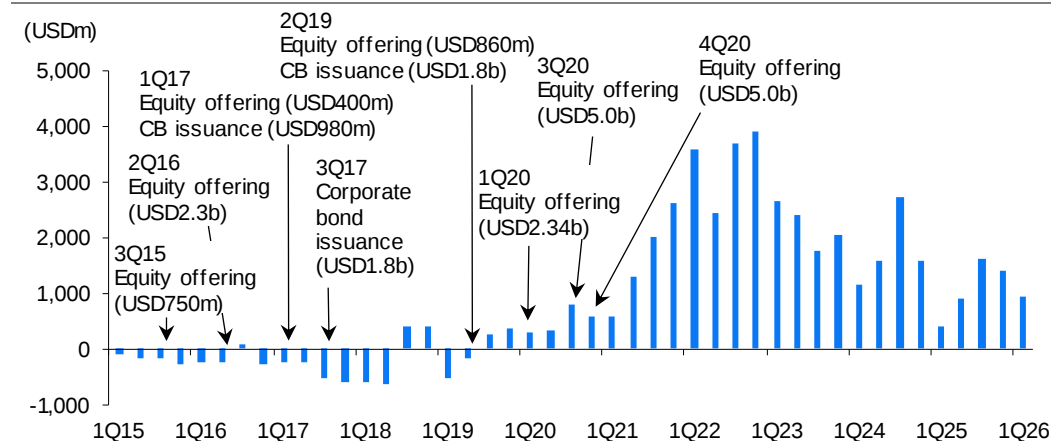
Tesla and Chinese EV giants leveraging high valuations to raise capital and acquire talent

Tesla and China's top EV makers—BYD, Xiaomi, and XPeng—have been using their elevated market valuations as a strategic tool to raise capital and attract talent. All of China's top-10 automakers have now entered the robotics space, and they are expected to further tap into investor optimism towards AI and robotics, combining aggressive rights offerings with government subsidies to secure capital.

When it comes to exploiting capital markets to advance a business strategy, Elon Musk is widely regarded as being one of the best in the industry. Tesla's ability to equip every vehicle with sensors and chips from the earliest stages of mass-production—accumulating vast driving data as a result—was made possible by the massive capital raised during the initial surge in EV enthusiasm. Capital markets consistently reward companies that achieve scale and commercial success far more than those merely develop novel technologies. Over 2019-2020, shortly after turning profitable, Tesla conducted four rights offerings, raising USD15b (KRW22t). At the time, Tesla's P/E was 80-100x. Each offering was

interpreted by investors as validation that Tesla had growth momentum. The USD12.3b raised in 2020 was sufficient to secure capacity to build 3.7m autos *pa* or purchase 200,000 Nvidia Blackwell GPUs.

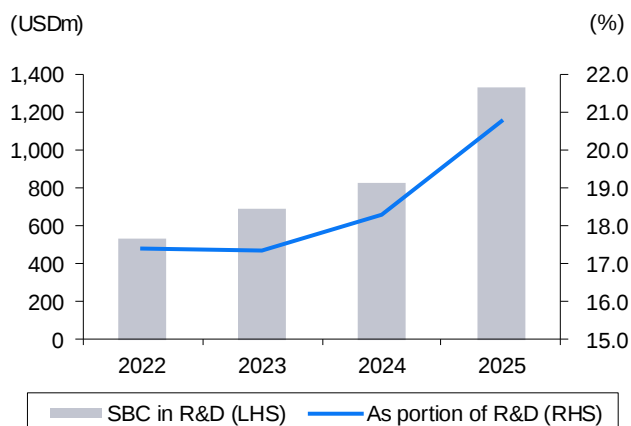
Tesla: Operating income vs funding timeline



Source: Bloomberg, Samsung Securities

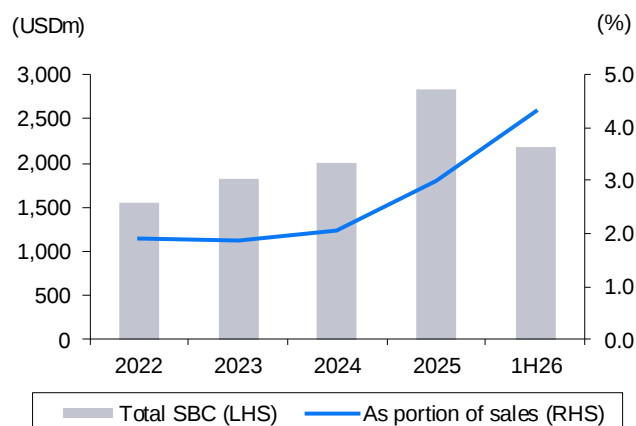
Tesla also leverages its high stock price to recruit and retain top talent. Stock-based compensation (SBC) accounts for 20% of Tesla's R&D expenses. Elon Musk himself receives no cash salary—his entire compensation is tied to stock performance, and his SBC is classified as an SG&A expense. Tesla's SBC as a percentage of revenue rose from 1.9% in 2022 to 4.3% in 1H26. Musk's public appearances, technical unveilings, and active use of X (Twitter) are deliberate mechanisms to sustain investor confidence and maintain a high valuation. This creates a self-reinforcing cycle: A high stock price helps Tesla attract elite talent, further enhancing its technological lead.

Tesla: Stock-based compensation as portion of R&D cost



Source: Company data, Samsung Securities

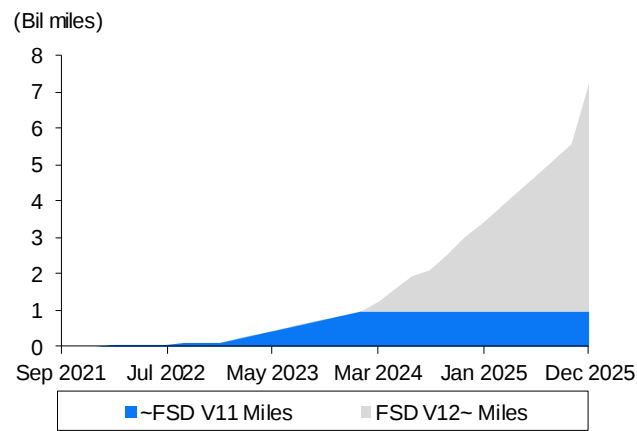
Tesla: Stock-based compensation as portion of sales



Source: Company data, Samsung Securities

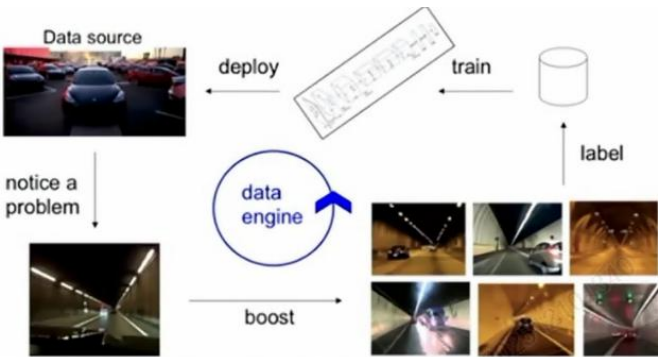
Tesla’s valuation is deeply rooted in its global fanbase. Even today, Tesla remains the most popular foreign stock owned by Korean retail investors. Tesla’s Data Engine (which it uses to train and improve FSD—its core competitive advantage) was built on this grassroots support. FSD updates are first distributed to influencers, test-drive videos go viral on YouTube and X, and user feedback is actively integrated into iterative development. By 2Q26, FSD had accumulated over 10b miles of real-world driving data, with V14 now live. In contrast, HMC and Kia plan to begin collecting autonomous driving data from 2028, with a primary focus on the domestic market. Without a comparable retail fanbase in Korea, HMC and Kia’s data acquisition costs may prove to be more expensive.

Tesla: Cumulative FSD (supervised) miles



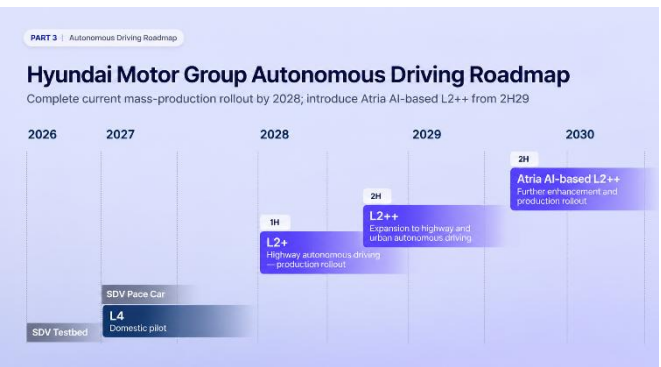
Source: Company data, Samsung Securities

Tesla: Fleet data loop



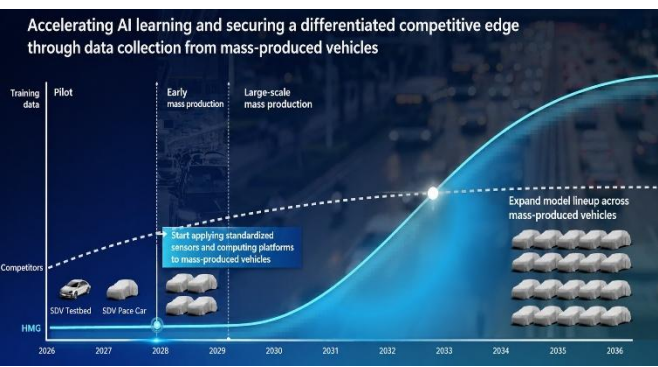
Source: Company data, Samsung Securities

HMC/Kia to accumulate autonomous driving from 2028



Source: Company data, Samsung Securities

HMC/Kia aim to have more driving data than peers by 2033



Source: Company data, Samsung Securities

Meanwhile, BYD and Xiaomi both capitalized on upbeat market sentiment in Mar 2025, raising USD5.5b and USD5.6b, respectively, within three weeks of each other. BYD raised the funds to build its European manufacturing facility, while Xiaomi raised the capital to finance the construction of a second EV plant in China. The private placements at a high P/E (18x BYD; 32x Xiaomi), resulted in minimal equity dilution (4% and 3%, respectively). Neither company was cash-strapped prior to the private placements: Xiaomi held CNY175.1b in cash and equivalents at end-2024, and BYD's offering was less about securing liquidity and more about locking in foreign currency at a high valuation. With China's auto demand showing signs of recovering in Sep 2026, both firms are expected to see their stock prices and valuation multiples rebound. They have also entered the robotics sector. Should their multiples rise further, they are likely to pursue additional rights offerings to fund robotics-related R&D.

In August, Xpeng raised capital with the goal of accelerating humanoid robotics development. It spun off its humanoid robotics division into a separate entity while retaining 82% control. The robotics subsidiary remains private and is valued independently. The parent Xpeng contributed only USD200m in initial capital, while outside investors injected USD600m and management added USD100m. Despite having only unveiled prototypes, the robotics subsidiary was valued at USD6.3b—roughly half of Xpeng's market cap of USD12b (as of early August).

Chinese EV makers: Raising equity for new businesses

	BYD	Xiaomi	XPeng
Date	Mar 4, 2025	Mar 25, 2025	Aug 24, 2026
Amount raised	HKD43.5b (USD5.6b)	HKD42.5b (USD5.5b)	USD900m (USD300m from insiders)
Issue price / discount	HKD335.2 / 7.8% discount to previous close	HKD53.25 / 6.6% discount	Post-money valuation of USD6.3b
Dilution	4.46% of total shares	3.2% of existing shares	Parent retains 82% control
Funds raised / market cap	4.1% (A+H shares combined)	3.00%	7.6% total / 5.9% external
P/E at issuance	2024A: Approx 22x / 2025E: Approx 18-20x	2024A adj P/E: Approx 45x / 2025E: Approx 32x	Pre-mass production
Use of proceeds	R&D; overseas expansion	Business expansion (EV / overseas); R&D	IRON humanoid mass production (end-2026); lead investor in IDG-led Tencent/Alibaba round

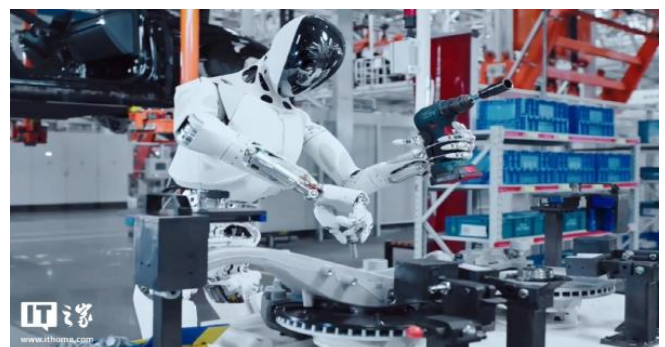
Source: Company data, Samsung Securities

Chinese EV makers: Robotics expansion

Chinese EV maker	Robotics initiative
BYD	Unveiled a humanoid robot in August
Geely	Conducting pilot tests of Tasha robots at its own plants
Changan	Established a dedicated robotics subsidiary
Chery	Selling and exporting humanoid robot AiMOGA; priced at around KRW25m
LeapMotor	Established a dedicated robotics subsidiary
Xiaomi	Unveiled CyberOne in Aug 2022; invested in a startup at an event in May 2026
Seres	Unveiled humanoid robot Xiaosai in Jun; plans to unveil an additional model by year-end
XPeng	Iron unveiled in late 2025; mass production from 2026; targets capacity of around 10,000 units per month
SAIC	Conducting Tasha robot pilot tests at its own plants
Li Auto	Developing humanoid robots through in-house research unit Nexus

Source: Company data, Samsung Securities

Xpeng: Iron (humanoid robot)



Source: Company data, Samsung Securities

HMC's path to raising capital from 2028

For the time being, HMC and Kia are expected to fund their new businesses primarily through internal cash flows, in contrast to Tesla and Chinese EV makers. As HMC's financial burden grows, Hyundai Motor Group (HMG) has increasingly turned to its group affiliates for support.

In late 2025, HMG announced a total investment plan of around KRW164t, comprising KRW125.2t for domestic initiatives (2026-2030) and USD26b for US projects (2025-2028). Historically, HMC has borne 50% of investment associated with HMG's new initiatives, with Kia and Hyundai Mobis shouldering the rest. At its 2025 CEO Investor Day, HMC announced a KRW77t investment plan over five years (averaging KRW15.4t *pa*). This represents a KRW4t increase *pa* vs its 2022-2024 average (KRW11.8t). However, HMC's operating cash flow peaked in 2024 and has since fallen. Due to growing competition with Chinese EVs, HMC's sales are under pressure outside of the US and India.

HMC: 2025 mid-to-long-term investment plan



Source: Company data, Samsung Securities

The appreciation of the won also poses a headwind to HMC's earnings. The average won/dollar rate fell (strengthened) 9% q-q from KRW1,500/USD in 2Q26 to KRW1,350 in 3Q26. Our macro analyst says the won could strengthen to around KRW1,250/USD by 2027, driven by strong semiconductor exports. Having grown accustomed to a high won/dollar rate (above KRW1,300/USD since 2023), companies need time to adjust to the sudden shift to a stronger won. As of end-1H26, HMC's net cash holdings (excluding financial subsidiaries) stood at KRW12.1t, suggesting that it will need external funding after 2028.

HMG's primary method for raising external capital should be corporate bond issuances, supplemented by selective equity investments from technology partners. Nvidia or Google DeepMind are likely to make equity investments in Boston Dynamics and/or the data center project in Saemangeum.

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

When comparing funding scenarios—between bond issuances and equity financing at a P/E of 20x—to cover HMC's KRW5t annual investment increase, bond issuances look more advantageous given current conditions. HMC's domestic credit rating is AAA and its international rating is A. Issuing five-year corporate bonds would carry an interest rate of around 4.5%. If the company were to raise KRW5t via a rights offering at a P/E of 20x, its annual cost would be roughly KRW84b higher than that if it raised the capital via issuing bonds. However, in a persistently high interest-rate environment, equity financing eliminates refinancing risk and removes the burden of fixed interest payments during potential earnings slowdown periods. Conversely, if earnings weakness continues, large-scale bond issuances could pressure HMC's credit rating, leading to higher borrowing costs.

HMC: KRW5t funding scenarios

Item	5-year bond @4.5%	Equity raised at 10x P/E (HMC-type)	Equity raised at 20x P/E (BYD-type)	Equity raised 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%	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%	5%	0.67%
5-year cumulative cost	KRW828b after tax + KRW5t principal repayment	KRW2.5t	KRW1.25t	KRW166.7b
Relative to corporate bonds	1x	3x as costly	1.5x as costly	5x cheaper
Maturity / Refinancing	Repay / refinance KRW5t in 2031	None	None	None

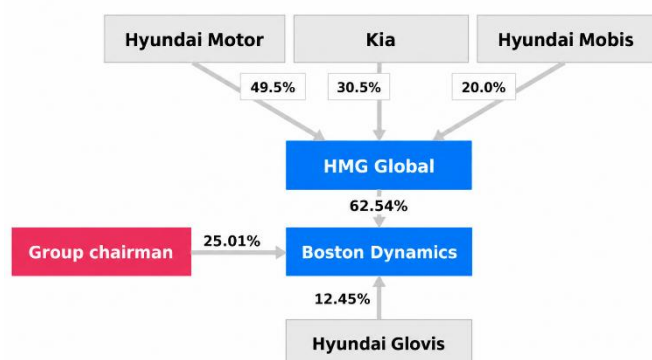
Note: *Issue prices based on 2026E consensus EPS of KRW37,867

Source: Samsung Securities

Given HMC/Kia's low valuations and the fragmented ownership structure of their physical AI initiatives, we do not think rights offerings are a viable capital-raising tool for them. Following the unveiling of Atlas at CES 2026, HMC rerated—its P/E climbed as high as 18x—thanks to optimism surrounding robotics. HMC is now widely seen as a potential platform leader in the physical AI era, alongside Tesla, particularly in Western markets. Yet, at its shareholder meeting in late February—just after CES 2026—HMC did not include robotics in its stated business objectives (only Hyundai Mobis did so). At its Aug 26 CEO Investor Day, HMC clarified that it does not intend to directly operate a robotics business, but rather act as a strategic investor in Boston Dynamics, leveraging its automotive expertise in production, safety, quality, cost control, and mass-production to support the robot maker.

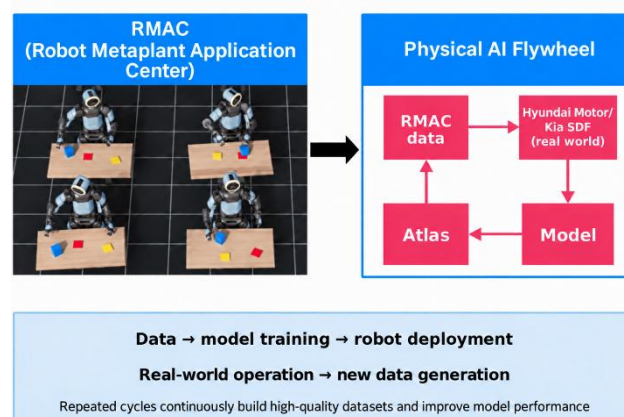
The robotics training center, once anticipated as a catalyst for share-price momentum, has likely already been launched and is being operated by Boston Dynamics. This diminishes the likelihood that HMC will build a standalone robotics data business, as previously expected. As for robotics manufacturing facilities, investments are more likely to come through HMC/Kia's subsidiaries (HMG Global, Hyundai Motor America, or Kia America), creating a layered corporate structure with HMC/Kia being indirect investors. Robotics Lab is also likely to be spun off as a separate entity, with equity stakes held by multiple group affiliates. In this case, the valuation of HMC/Kia's robotics exposure should be entirely contingent on Boston Dynamics' IPO price.

Boston Dynamics: Equity structure



Source: Company data, Samsung Securities

Boston Dynamics: Physical AI flywheel



Source: Samsung Securities

Boston Dynamics: Ownership and valuation

	Ownership (%)		Book values	Revaluation upon stake acquisition	Target value*	
	Stake before acquisition	Stake after acquisition	(USDm)	(USDm)	(USDm)	(KRWb)**
HMC	27.97	30.96	410	1,043	12,074	16,300
Kia	17.23	19.07	253	642	7,437	10,040
Hyundai Mobis	11.3	12.51	166	421	4,879	6,587
Group chairman	22.6	25.01	332	842	9,754	13,168
Hyundai Glovis	11.25	12.45	165	419	4,856	6,555
SoftBank	9.65	0	142	0	0	0
Total	100	100	1,467	3,368	39,000	52,650

Note: *Target value assumes Figure AI's valuation of USD39b. **KRW/USD of 1,350.

Source: Samsung Securities

Operating the robotics business as a sub-subsidiary or as a subsidiary under equity-method accounting offers a key advantage: Early-stage losses at the robotics business would not impact HMC's consolidated earnings, shielding its autos business. As HMC's operating cash flow slows, other group affiliates are stepping up, making robotics investments to help alleviate HMC's direct funding burden. Indeed, Boston Dynamics is already seeing its losses widen as it scales up humanoid robot development. Its losses should grow further in the process of its collaboration with Google, procurement of inference chips from Nvidia, and operation of global robotics training centers.

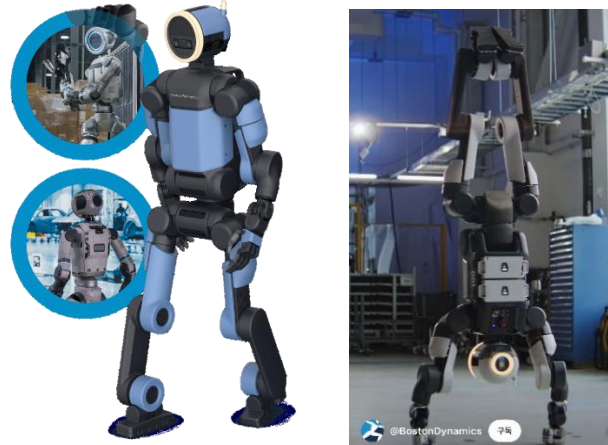
The downside, however, is that investors in HMC/Kia lose any direct accounting channel to apply a robotics multiple to HMC/Kia shares. As HMC/Kia's corporate structure grows more complex, investors face increasing difficulty accessing clear information about value creation, operating performance trends, or business progress. This explains why they increasingly favor pure-play companies over conglomerates when investing in emerging technologies. Currently, the financial results recorded by Boston Dynamics (a sub-subsidiary of HMC/Kia) are available only through footnote disclosures by Hyundai Glovis (a direct investor). Beyond occasional news articles or YouTube videos, there is no consistent or reliable source of information on Boston Dynamics' status. While Boston Dynamics' robot production is set to begin in 2028 through Robotics America (which is in charge of Boston Dynamics' robot manufacturing), the sub-subsidiary structure means investors will remain unable to track: 1) how many units are produced; or 2) what revenue or profit is generated.

Boston Dynamics: Earnings summary

(KRWb)	Sales	Operating income
2021	66.8	-197
2022	78.2	-225.1
2023	91	-334.8
2024	116.1	-440.5
2025	150.1	-528.4
1H26	81.2	-388.7

Source: Company data, Samsung Securities

Boston Dynamics: Atlas



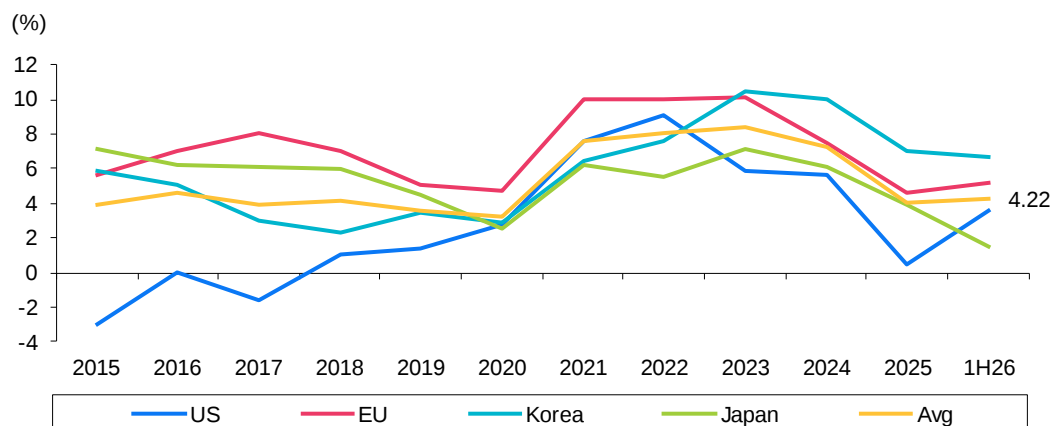
Source: Company data, Samsung Securities

Many pure-play robotics companies are preparing to go public in the US and China, and similar listings (centered on the robotics value chain) are expected in Korea. Over time, HMC/Kia should inevitably see declines in their valuation premiums as their robotics growth stories fade. HMC/Kia's automotive businesses—their core operations—face global demand growth of just 1-2%. In 1H, the average operating margin of global automakers fell to 4.2%, below government bond yields. Considering the flood of Chinese EV exports, the profitability of global automakers is likely to face further headwinds. As a result, pure automotive stocks have already lost their appeal as an investment asset.

By treating robotics as a lower-priority initiative, HMC/Kia: 1) risk losing access to low-cost capital; and 2) may find it harder to attract top-tier talent. As their share prices decline, the erosion of investor enthusiasm towards them may slow the pace at which HMC/Kia accumulate data (such data are critical for autonomous driving development). Meanwhile, their automotive businesses face global demand growth of just 1-2%. With autonomous driving technologies maturing and vehicle-sharing models expanding, there is growing concern that auto demand could contract further.

If HMC/Kia can rebuild strong domestic support, they should be able to effectively leverage the Korean stock market. As of end-August, the Korean market was the 8th largest globally, buoyed by semiconductor makers' outperformance. The market-cap gap between Korea and Hong Kong (4th) is only about USD1.5t—relatively narrow. In fact, when the Kospi surpassed 9,000 in late June, Korea's market cap briefly ranked 6th globally, surpassing both Taiwan and India's. Today, the Korean market is no longer driven solely by semiconductors—it is also being supported by power infra players and substrate companies (both are critical enablers of AI infrastructure) as well as defense firms and cosmetics players. As a beneficiary of the US-China AI rivalry, Korea is expected to enjoy further market growth. The government is actively working to create a more long-term investment-friendly environment through reforms such as amendments to the Commercial Act.

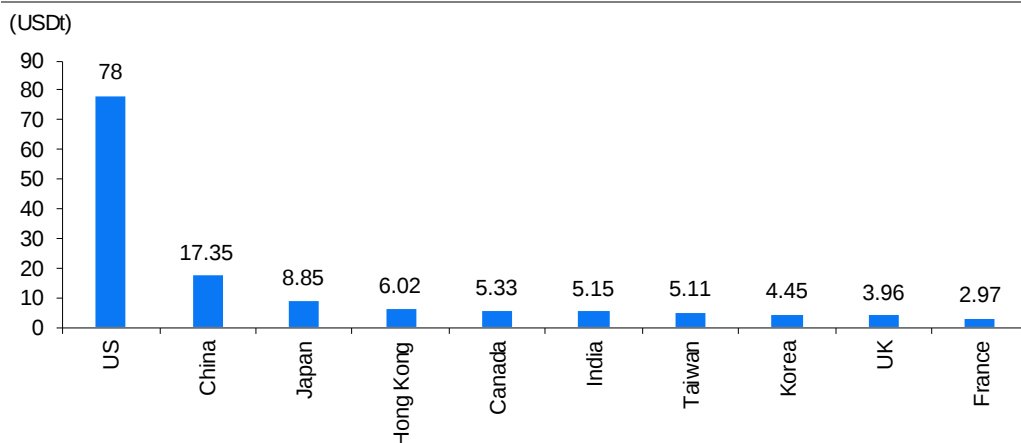
Global automakers: Average operating margins, by region



Note: Japanese automakers adjusted to calendar-year basis

Source: Bloomberg, Samsung Securities

Stock exchanges: Top-10 countries, by market cap



Source: Bloomberg, Samsung Securities

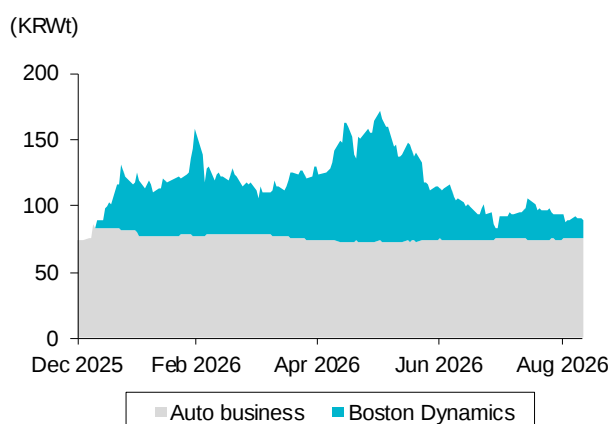
HMC and Boston Dynamics' valuations interlinked

Following CES 2026, HMC's stock price rose the most (among HMG's affiliates that had invested in Boston Dynamics), largely because it holds the largest equity stake in Boston Dynamics. Just as Boston Dynamics' valuation is critical to estimating a target price for HMC, we believe that HMC's current market cap reflects the market's implied valuation of Boston Dynamics.

According to FnGuide, HMC's 12-month forward EPS stands at KRW36,612. As of end-August, the global average 12-month forward P/E for legacy automakers was 7.7x (Bloomberg), implying that HMC's automotive business is valued at about KRW7.48t. As of Sep 11, HMC's total market cap stood at around KRW9t. Thus, the market-implied value of HMC's stake in Boston Dynamics is estimated at roughly KRW1.45t. Considering HMC's 30.96% stake, we estimate Boston Dynamics' total implied enterprise value at just KRW4.7t—Boston Dynamics' implied enterprise value surged beyond KRW300t after CES 2026 and its World Cup promotional campaign. However, it has since declined significantly due to HMC's automotive business (its earnings are slowing), SoftBank's divestment of its remaining stake in Boston Dynamics (KRW5t), and HMC's robotics business structure issues. HMC's 12-month forward P/E, which peaked at 18x in early June, has since settled at 10x (FnGuide). Further downwards pressure on HMC's valuation is possible if concerns over earnings performance and disappointment over the robotics business structure intensify.

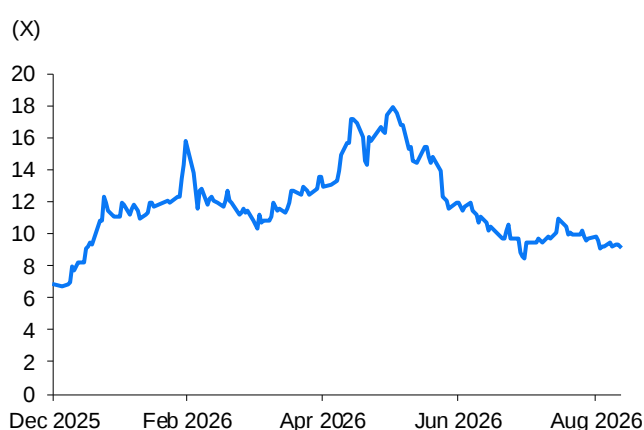
As previously noted, physical AI requires substantial capital, and the ability to secure funding is a key determinant of success. The more HMC dilutes its stake in Boston Dynamics (to ease initial capital outlays), the greater the pressure on its own valuation—and the more constrained its future capital-raising options become. This, in turn, is pushing down Boston Dynamics' valuation.

HMC market cap: Value of auto business + Boston Dynamics



Source: QuantWise, Samsung Securities

HMC: 12-month forward P/E



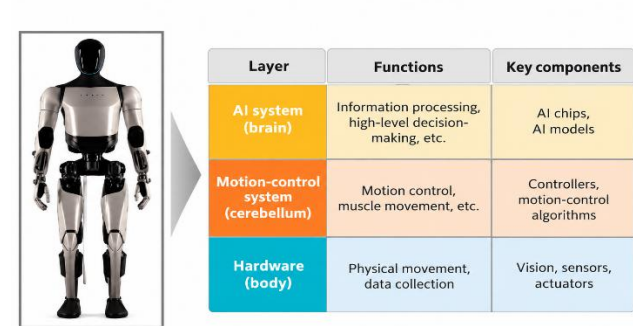
Source: QuantWise, Samsung Securities

As more and more robotics companies go public, the most critical valuation factor should be the degree of intelligence embedded within their systems. Robot intelligence is far more complex than autonomous driving and requires significantly more advanced models. Intuitively, driving is one of the simplest tasks among the vast array of actions carried out by humans. Elon Musk has stated that to advance AI models for general-purpose robots, over 10x more parameters (from 1b to over 10b) and training costs (from USD1b to over USD10b) are required compared to the parameters and training costs required for autonomous driving models. Figure AI, which is developing its own full-stack robot intelligence, has signed an agreement to lease 100,000 Nvidia Blackwell GPUs for robot training and AI model development, which should more than triple its computing capacity (HMG has deployed 50,000 Blackwell GPUs).

Robot intelligence consists of multiple hierarchical layers. Broadly, it can be divided into two key components: 1) high-level reasoning intelligence, akin to the human cerebral cortex, capable of general common sense and complex decision-making—referred to as a world model or foundation model; and 2) low-level motor control intelligence, analogous to the human cerebellum, responsible for executing physical actions. When a foundation model is fully developed, a robot can learn one task and generalize it to others by leveraging embedded common sense. Examples include GPT, Google's Gemini, and Nvidia's GR00T and Isaac Sim. Leading big tech firms are actively integrating world models into their systems. A world model encodes general physical knowledge of the real world and internally simulates and predicts future outcomes. This is essential because simulation-based foundation models alone—lacking physical interactions—often fail to perform reliably in real-world environments. Currently, world models remain incomplete, and their development is dominated by big tech companies with overwhelming AI and financial capabilities: Google, OpenAI, Nvidia, and Tesla. HMC's Robotics Lab is developing its own foundation models tailored to specific domains such as indoor and outdoor navigation. Except for a handful of big tech firms and robotics startups, most robotics companies currently rely on big tech for access to foundation or world models. Boston Dynamics, for instance, announced at CES 2026 its intention to develop a foundation model with Google.

Once a decision is made in the brain, it must be translated into physical motion—that is the domain of action intelligence or motion control models. These models function like the human cerebellum. Robotics firms typically develop motion control models in-house. With the advancement of simulation platforms such as Nvidia's Isaac Sim and Google DeepMind's MuJoCo—along with increasingly sophisticated physics engines—the difficulty of developing action models has decreased significantly.

Robot technology stack



Source: Media, Samsung Securities

Boston Dynamics-Google DeepMind partnership



Source: Company data

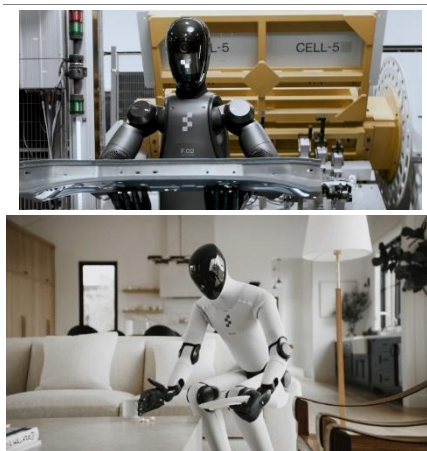
There is a significant technological gap between companies that internally develop robot intelligence from foundation models to control models, and those that rely on external providers for foundation models—a disparity that is clearly reflected in the valuations of private companies. Figure AI, which develops its own foundation model, is valued around 7x more than Apptronik (which depends on Google for its foundation model). Agility, which relies on Nvidia’s foundation model and specializes in logistics, has a valuation just 1/20th of Figure AI’s. Given that Boston Dynamics collaborates with Google DeepMind for its foundation model but develops its own action models, its valuation is unlikely to surpass Figure AI’s.

Humanoid robots: Figure AI vs Apptronik vs Agility

	Figure AI	Apptronik	Agility
Robot	Figure 02/03	Apollo	Digit
Valuation	USD39b	USD5.5b	USD2.1-2.8b → planned SPAC listing at USD3.1b
Capital raised	USD1.9b	USD1.0b	USD400m
Investors	OpenAI, Nvidia, Microsoft, Jeff Bezos	Google, Mercedes-Benz, John Deere	OpenAI, Nvidia, Microsoft, Jeff Bezos
Strengths	Proprietary AI; Nvidia chip-based training	Lower production costs; NASA-derived hardware reliability	Bird-like backward-bending leg design; efficient turning and stair climbing in confined spaces
Foundation model	In-house	Google DeepMind	Nvidia, SoftBank, Nvidia
Customers	BMW (manufacturing, precision tasks)	Mercedes-Benz (logistics/transportation)	Amazon (box transport/sorting), Schaeffler, GXO

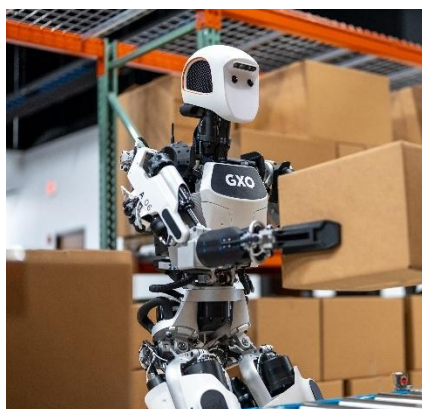
Source: Company data, Samsung Securities

Figure AI: 02 (BMW factory testing)



Source: Company data, Samsung Securities

Apptronik: Apollo (logistics testing)



Source: Company data, Samsung Securities

Agility: Digit



Source: Company data, Samsung Securities

Solution: If Kia leads HMG's robotics initiatives

Given its cash-generating capacity, Kia faces significantly lower investment burdens than HMC. Backed by strong operating cash flows and low capex and R&D spending (both are 30-40% lower than HMC's), Kia's free cash flow surpassed HMC's in 2025. As a result, Kia is accumulating substantial cash reserves—despite operating conditions proving adverse in 2025 due to US tariffs, Kia still generated over KRW1t in net cash. As of 1H26, Kia's net cash position stands at KRW21.6t, nearly double HMC's KRW12.1t. Over 2022-2024, Kia's annual capex, R&D, and equity investments averaged KRW6.5t—just 55% of HMC's KRW11.8t. According to Kia's 2026 Corporate Investor Day (CID) disclosures, its total investments through 2030 are projected at KRW49t (KRW3.3t higher *pa* vs the current level).

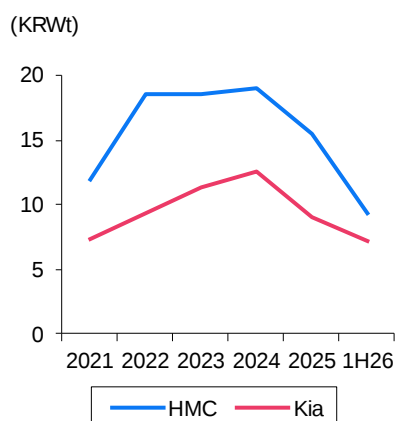
Kia: New five-year investment plan



Source: Company data, Samsung Securities

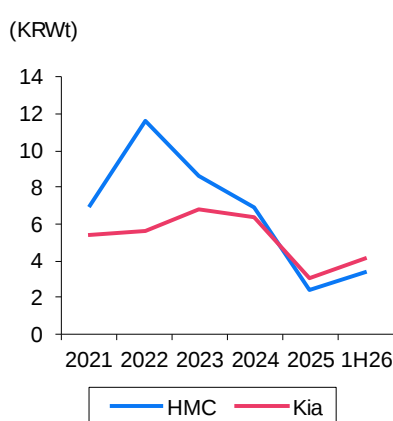
If this financial structure persists and the automaker continues to print money, Kia should face mounting pressure to return capital to shareholders. Both HMC and Kia have publicly committed to returning 35% of their net profit to shareholders over 2025-2027. Kia's 2026 DPS is expected to reach KRW7,000, for a dividend yield of 5.6%. In today's high-interest-rate environment, a 5% yield can provide downside support for its shares but is unlikely to result in a valuation premium.

HMC vs Kia: Operating cash flow



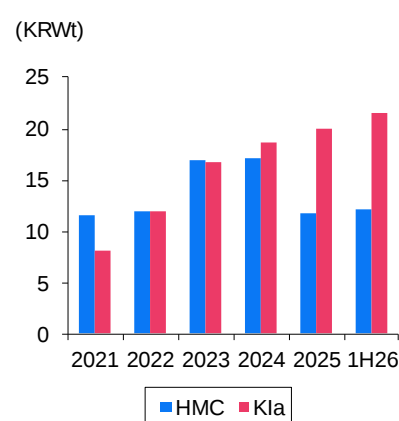
Source: Company data, Samsung Securities

HMC vs Kia: Free cash flow



Source: Company data, Samsung Securities

HMC vs Kia: Net cash



Note: HMC excludes financial subsidiaries
Source: Company data, Samsung Securities

One possible option—to diversify HMG's funding channels and reduce HMC's financial burden—is for Kia to acquire a 50% stake in Robotics Lab, bringing it under the firm's consolidated control. Under a spin-off scenario, the ownership structure could mirror that of Boston Dynamics: HMC retains a 30-40% stake (in Robotics Lab), while Kia, Hyundai Mobis, and Hyundai Glovis together hold the remainder. This would prevent the group's total robotics investments from being crimped by HMC's limited capital allocation—HMC bears the largest share of group investments in Boston Dynamics, data centers, and autonomous driving, all of which are being prioritized over Robotics Lab.

Crucially, among all of the business units operating within HMG, Robotics Lab is the only one with the potential to develop its own core intelligence. While it does not aim to build general-purpose world models (like those operated by big tech firms), it does focus on developing domain-specific AI technologies that are aligned with the group's core businesses: Manufacturing automation and autonomous driving. In the software segment, it develops cognitive AI, autonomous driving systems, embedded AI, customer interfaces (language models, facial recognition), and remote monitoring technologies. Its product pipeline began with wearables and has expanded to include EV charging robots, MobED, and Plug & Drive (PnD). It is currently developing quadrupedal robots and dual-arm manipulators with proprietary grippers. Robotics Lab also designs and manufactures its own sensors and actuators. Unlike Chinese robotics firms, which prioritize low-cost hardware deployment at scale to accumulate data for general-purpose robots, Robotics Lab targets specific industrial and mobility use cases. It generates strong synergies with HMC/Kia, and its commercialization pace is accelerating.

HMG ought to nurture Robotics Lab (Korea) separately from Boston Dynamics (US) because developing domestic capabilities in AI, actuators, and sensors—and building a complete value chain—is strategically critical. Although HMG owns 100% of Boston Dynamics, its role so far has mostly been that of strategic investor, with core AI development and robot production mainly happening in the US. After Boston Dynamics is listed, HMG’s influence over it is expected to diminish. Physical AI has profound national security implications, and it is inherently difficult to transfer related technologies across borders.

Robotic companies: Technology stack and degree of in-house development

Category	Company	World foundation model	model / Motion-control model	Inference chip	Body design	Mass production	Remarks
Full stack	Tesla	In-house (FSD)	In-house (FSD)	In-house (AI5)	In-house	2H26	
	Xiaopeng	In-house	In-house	In-house (Turing AI)	In-house	End-2026	
Model-led full stack	Figure AI	In-house	In-house	Nvidia Thor	In-house	2026	Decoupled foundation model from OpenAI
	Robotics Lab	In-house	In-house	DeepX	In-house	1H26	Based on the MobED mobile robot
	AgiBot	In-house	In-house	Nvidia Thor	In-house	2024	Cumulative production of 5,000 units
Big Tech collaboration	Boston Dynamics	Collaboration with Google DeepMind + in-house	In-house	Nvidia Thor	In-house	2028	Actuator standardization; collaboration with Hyundai Mobis
	Agility	Collaboration with Nvidia	In-house	Nvidia Thor	In-house	2026	5th generation by end-2026
	Apptronik	Collaboration with Google DeepMind	In-house	Nvidia Thor	In-house	2026	Planned deployment at a Mercedes-Benz plant
	1X	Collaboration with Nvidia	In-house	Nvidia Thor	In-house	2026	Subscription model launch in April
	Unitree	Collaboration with Nvidia	In-house	Nvidia Thor	In-house	2025	Production of 500 units in 2025

Source: Company data, Samsung Securities

Robotics Lab: Mobed



Source: Company data, Samsung Securities

Robotics Lab: PnD module



Source: Company data, Samsung Securities

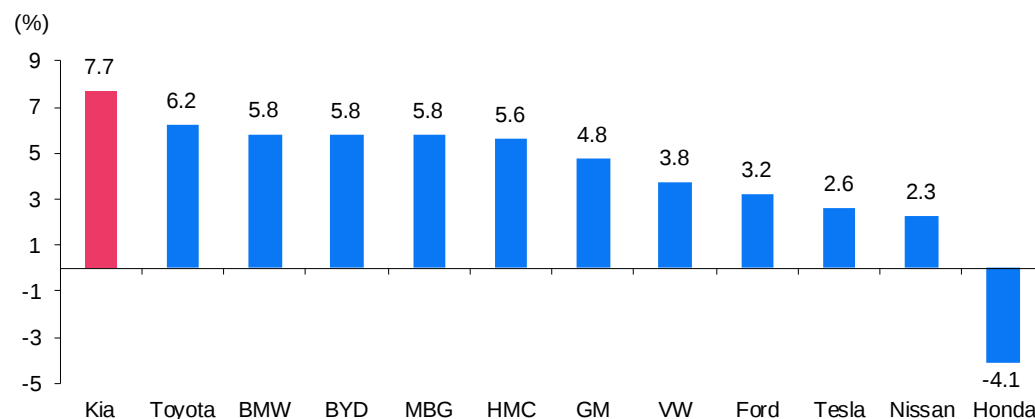
From Kia’s perspective, leading HMG’s domestic robotics initiative would allow it to capture value in the robotics space, expand its Platform Beyond Vehicle (PBV) business model, and unlock valuation upside. Kia’s PBV business—distinct from HMC’s—focuses on customizing vehicles, reducing aftermarket modification costs. Roughly 2,000-2,500 units of its first model, the PV5, have been sold in Korea and Europe (each), but related earnings growth has been limited due to Kia’s continued reliance on auto sales (its subscription sales remain limited and there has been a lack of scalable service

integration). By integrating Robotics Lab's charging robots, MobED, PnD, and fleet management technology, Kia could transform its PBV business into a full-service last-mile logistics platform.

Kia's PBV-exclusive plant in Hwasung targets a capacity of 200,000 units *pa* (232,000 units by 2030), but current output is only 50,000 units. As Robotics Lab's product portfolio expands, leveraging this underutilized facility should become a compelling opportunity.

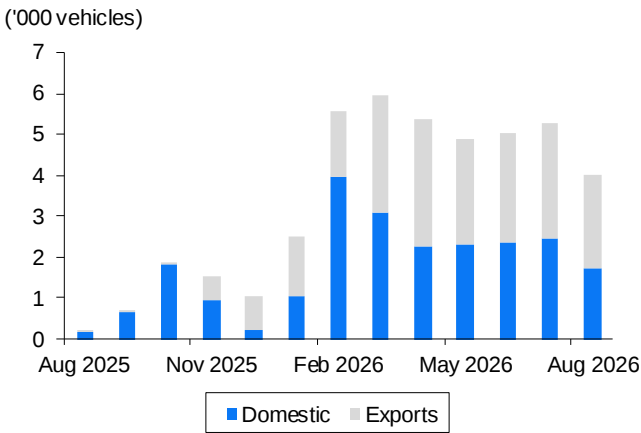
Meanwhile, Kia's EV sales—led by Europe—are growing twice as fast as HMC's. However, pricing pressure from Chinese EVs has resulted in lower-than-expected profitability. As the global EV market expands, HMC/Kia's market share looks set to shrink. The only viable path forward for HMC and Kia is for them to become platform players in the physical AI segment. Kia currently boasts the highest profitability among global automakers and has the financial capacity to lead HMG's robotics initiatives. By adopting a robotics narrative into its growth story, Kia would be able to raise capital in Korea's equity market at a low cost. HMG must clearly delineate the roles of HMC and Kia in advancing physical AI. By optimally allocating resources and structuring its physical AI ecosystem, the group can enhance its overall valuations and positively impact Korea's broader mobility industry.

1H26 global automakers: Operating margin



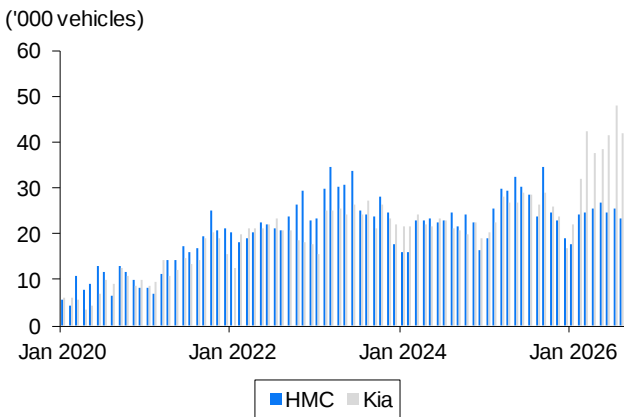
Source: Bloomberg, Samsung Securities

Kia: PBV sales volume



Source: Company data, Samsung Securities

HMC/Kia: EV sales volume



Source: Company data, Samsung Securities

Kia PV5: Remote autonomous driving



Source: Company data, Samsung Securities

Robotics Lab: EV-charging robot



Source: Company data, Samsung Securities

COMPANY UPDATE

2026. 9. 17

EV/Mobility Team

Esther Yim

Team Leader

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Dabin Moon

Research Associate

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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



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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

- **Negative impact of 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

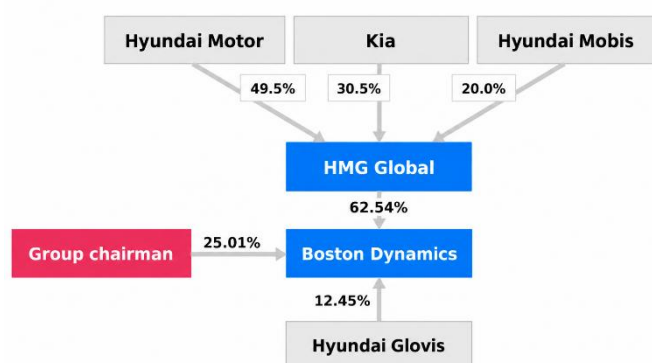
HMC: KRW5t funding scenarios

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%	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%	5%	0.67%
5-year cumulative cost	KRW828b after tax + KRW5t principal repayment	KRW2.5t	KRW1.25t	KRW166.7b
Relative to corporate bonds	1x	3x 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

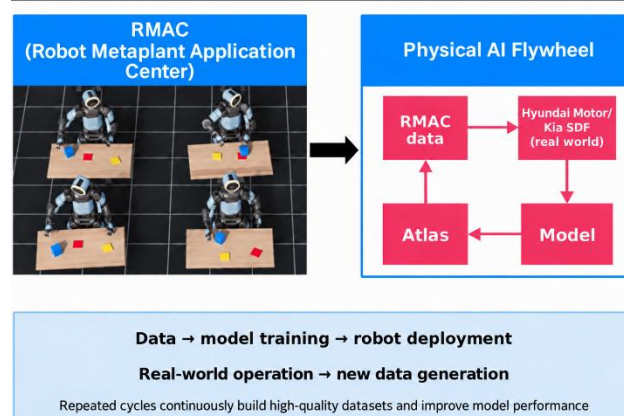
Source: Samsung Securities

Boston Dynamics: Equity structure



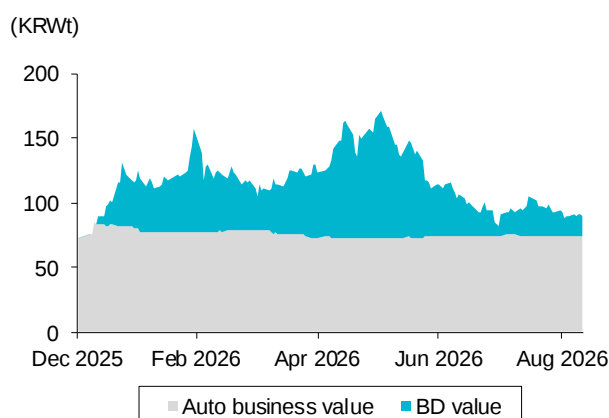
Source: Company data, Samsung Securities

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

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

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

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

COMPANY UPDATE

2026. 9. 17

EV/Mobility Team

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Research Associate

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► AT A GLANCE

BUY

Target price **KRW170,000** 36.9%

Current price **KRW124,200**

Market cap	KRW47.6t/USD35.0b
Shares (float)	390,412,998 (60.2%)
52-week high/low	KRW206,000/KRW100,200
Avg daily trading value (60-day)	KRW128.5b/ USD94.5m

► ONE-YEAR PERFORMANCE

	1M	6M	12M
Kia (%)	-12.4	-24.4	17.3
Vs Kospi (%pts)	-8.5	-37.9	-40.4

► KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	170,000	210,000	-19.0%
2026E EPS	19,331	22,885	-15.5%
2027E EPS	19,003	25,921	-26.7%

► SAMSUNG vs THE STREET

No of estimates	25
Target price	216,800
Recommendation	4.0
※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL	



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Kia (000270)

At a crossroads: Dividend stock vs value play

- Kia is able to accumulate cash to the tune of KRW2t-3t *pa* thanks to its relatively light investment burden and robust operating cash flow. As of end-1H26, its net cash position stood at KRW21.6t—double that of Hyundai Motor's (HMC; KRW12.1t).
- If Kia takes the lead on Hyundai Group's domestic robotics initiative, it could: 1) alleviate capital pressure for HMC; and 2) positively impact the group's and the domestic mobility sector's valuations.
- Should Kia's investment load continue to be only 50-60% of HMC's, upward pressure on dividends should intensify. In today's high-rate environment, an estimated dividend yield of 5-6% for 2026 offers limited appeal.

WHAT'S THE STORY?

Cutting target price 19% to KRW170,000: We cut our target price for Kia to KRW170,000, reflecting growing price competition with Chinese EVs and the impact of won appreciation.

- **Maintaining target P/E of 9x:** We cut our target price for Kia to KRW170,000 but continue to apply Toyota's 12-month forward P/E of 9x (Bloomberg) to our average 2026-2027 EPS forecast. Kia has built strong earnings credibility—akin to Toyota's in the 2000s—by delivering the highest profitability among global automakers through a diversified powertrain strategy.
- **Earnings sensitive to forex:** Kia has the highest earnings sensitivity to won appreciation among Hyundai Motor Group's (HMG) three flagship companies—a 1% won appreciation impacts its operating profit by an estimated 3.4%.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	114,141	124,117	121,856	127,880
Operating profit (KRWb)	9,078	9,249	9,131	10,104
Net profit (adj) (KRWb)	7,554	7,547	7,419	8,162
EPS (adj) (KRW)	19,111	19,331	19,003	20,907
EPS (adj) growth (% y-y)	-21.7	1.2	-1.7	10.0
EBITDA margin (%)	10.3	9.6	9.5	9.7
ROE (%)	12.9	11.9	10.8	11.1
P/E (adj) (x)	6.4	6.3	6.4	5.8
P/B (x)	0.8	0.7	0.7	0.6
EV/EBITDA (x)	2.4	2.0	1.6	1.0
Dividend yield (%)	5.6	5.7	6.2	6.2

Source: Company data, Samsung Securities estimates

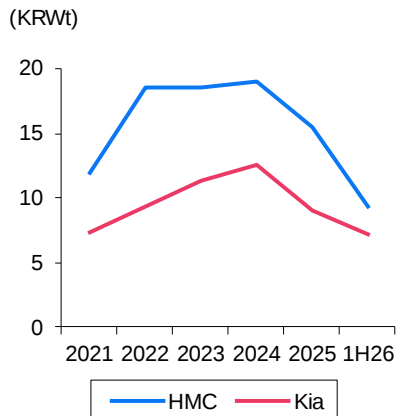
- **Low investment burden given earnings:** Behind Kia's cash-building structure lies its robust operating cash flow and significantly lower investment needs (vs HMC's). Over 2022-2024, Kia's capex and equity investments together averaged KRW6.5t *pa*—55% of HMC's (KRW11.8t *pa*). Kia's excess cash flow began to surpass HMC's in 2025.
- **Dividend pressure and dilemma:** If Kia is able to maintain its current financial structure, upwards pressure on dividends should grow. In today's high interest-rate environment, a 5-6% dividend yield may provide downside support, but it is unlikely to justify a valuation premium.

If Kia leads HMG's domestic robotics initiative: If Kia takes the lead on Hyundai Group's (HMG) domestic robotics initiative, it would diversify the group's funding options and reduce HMC's capital burden. One scenario would be for Kia to acquire 50% of Robotics Lab, incorporating it as a consolidated subsidiary.

- **Robotics Lab—only business within HMG able to develop proprietary intelligence:** While Robotics Lab does not build world models (big tech firms build them), it does focus on developing domain-specific AI technologies tailored to HMG's core business areas—manufacturing automation and autonomous driving. Within the AI software domain, it is actively developing capabilities in the areas of perception, autonomous navigation, embedded AI, human-machine interfaces (language models, facial recognition), and remote monitoring systems. It also designs and manufactures its own sensors and actuators for robotics applications.
- **HMG must separately nurture Robotics Lab:** HMG ought to nurture Robotics Lab (Korea) separately from Boston Dynamics (US) because developing domestic capabilities in AI, actuators, and sensors—and building a complete value chain—is strategically critical. Although HMG owns 100% of Boston Dynamics, its role so far has mostly been that of strategic investor, with core AI development and robot production mainly happening in the US. After Boston Dynamics is listed, HMG's influence over it is expected to diminish. Physical AI has profound national security implications, and it is inherently difficult to transfer related technologies across borders.
- **Overcoming HMC's capital constraints:** Under a future spin-off scenario, if Robotics Lab adopts a structure similar to Boston Dynamics—with HMC holding 30-40% equity in it and Kia, Hyundai Mobis, and Hyundai Glovis sharing the remainder—the size of investments in Robotics Lab would be constrained by HMC's financial capacity. Currently, HMC bears the largest share of HMG's investments in Boston Dynamics, data centers, and autonomous driving, all of which are prioritized above Robotics Lab.
- **Synergy with Kia's PBV business:** By leading HMG's domestic robotics initiative, Kia could establish its value in the sector and expand its Platform Based Vehicle (PBV) business model, potentially unlocking a valuation premium in the process. Currently, Kia's PBV business focuses on hardware, limiting its scalability. Integrating Robotics Lab's products—such as charging robots, MobED, PnD units, and fleet management software—could transform its PBV business into a comprehensive last-mile logistics platform. With Robotics Lab's product portfolio growing, leveraging Kia's existing PBV manufacturing facilities would be an efficient way of creating synergies.

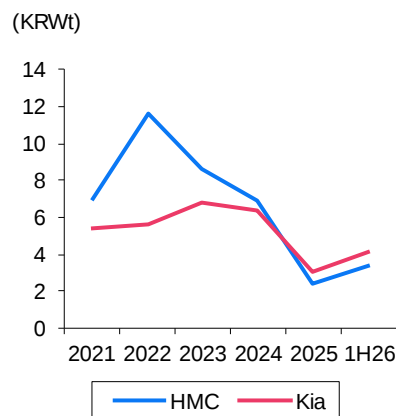
- **Becoming physical AI platform company—only way to overcome competition from Chinese EVs:** Kia's EV sales stand at 40,000-50,000 units per month, double HMC's. However, price competition with Chinese EVs has hurt profitability in the global EV segment. Yet, Kia remains the most profitable global automaker, giving it ample financial flexibility to lead HMG's domestic robotics initiative. By taking ownership of Robotics Lab and aligning the robotics company with Kia's growth narrative, Kia could tap Korea's expanded equity market to raise capital at scale.

HMC vs Kia: Operating cash flow



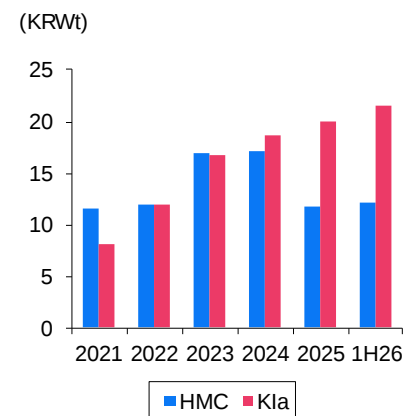
Source: Company data, Samsung Securities

HMC vs Kia: Free cash flow



Source: Company data, Samsung Securities

HMC vs Kia: Net cash



Note: HMC excludes financial subsidiaries
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%

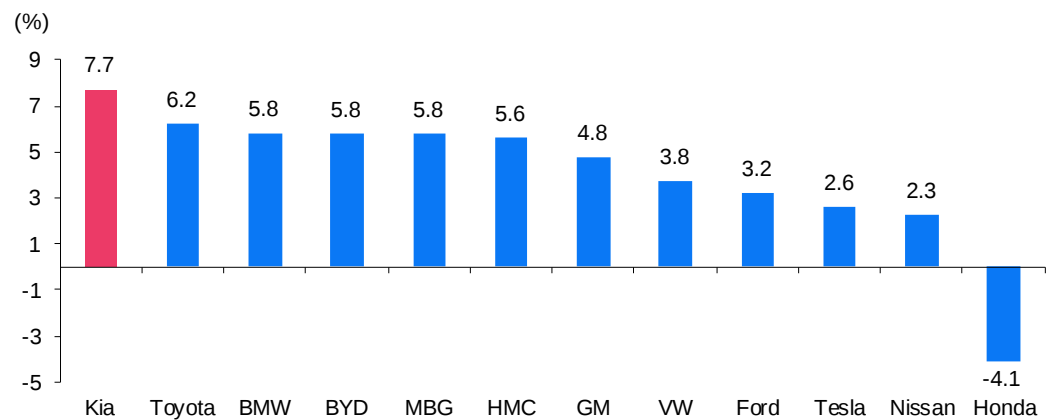
Note: *Hyundai Motor, Kia, and Hyundai Mobis
Source: Samsung Securities

Robot companies: Technology stack and degree of in-house development

Category	Company	World model / foundation model	Motion-control model	Inference chip	Body design	Mass production	Remarks
Full stack	Tesla	In-house (FSD)	In-house (FSD)	In-house (AI5)	In-house	2H26	
	Xiaopeng	In-house	In-house	In-house (Turing AI)	In-house	End-2026	
Model-led full stack	Figure AI	In-house	In-house	Nvidia Thor	In-house	2026	Decoupled foundation model from OpenAI
	Robotics Lab	In-house	In-house	DeepX	In-house	1H26	Based on the MobED mobile robot
	AgiBot	In-house	In-house	Nvidia Thor	In-house	2024	Cumulative production of 5,000 units
Big Tech collaboration	Boston Dynamics	Collaboration with Google DeepMind + in-house	In-house	Nvidia Thor	In-house	2028	Actuator standardization; collaboration with Hyundai Mobis
	Agility	Collaboration with Nvidia	In-house	Nvidia Thor	In-house	2026	5th generation by end-2026
	Apptronik	Collaboration with Google DeepMind	In-house	Nvidia Thor	In-house	2026	Planned deployment at a Mercedes-Benz plant
	1X	Collaboration with Nvidia	In-house	Nvidia Thor	In-house	2026	Subscription model launch in April
	Unitree	Collaboration with Nvidia	In-house	Nvidia Thor	In-house	2025	Production of 500 units in 2025

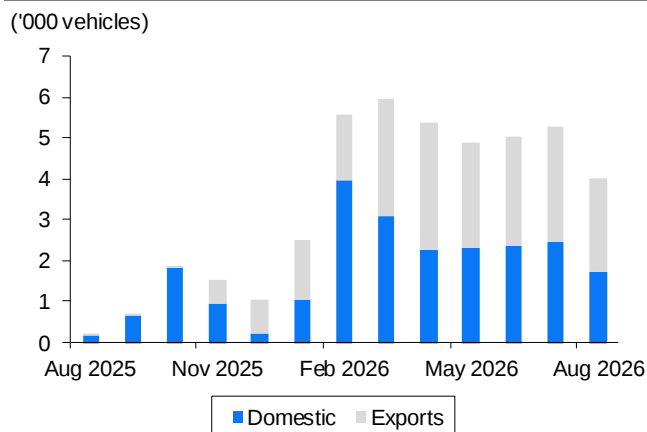
Source: Company data, Samsung Securities

1H26 global automakers: Operating margin



Source: Bloomberg, Samsung Securities

Kia: PBV sales volume



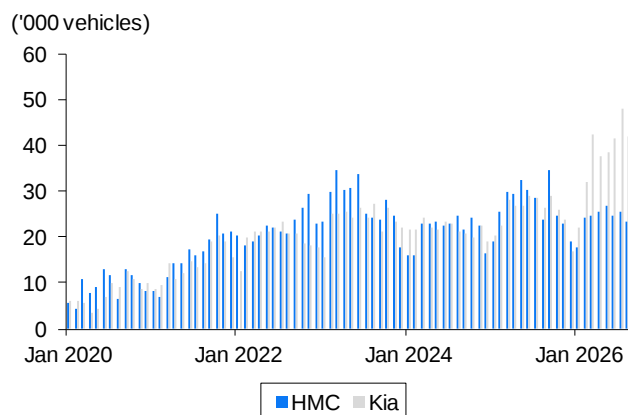
Source: Company data, Samsung Securities

Kia PV5: Remote autonomous driving



Source: Company data, Samsung Securities

HMC/Kia: EV sales volume



Source: Company data, Samsung Securities

Robotics Lab: EV-charging robot



Source: Company data, Samsung Securities

Kia: Global sales volume and forecasts

('000 vehicles)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E
Global plant sales	776	808	758	742	780	832	843	850	3,044	3,083	3,305	3,430
Domestic	394	417	397	379	404	431	418	432	1,547	1,587	1,685	1,700
Overseas	382	391	360	363	376	401	425	418	1,496	1,496	1,620	1,730
US (KMMG)	88	91	88	84	87	90	107	96	352	352	380	400
Europe (KMS)	89	86	64	56	73	77	84	96	351	295	330	350
China (DYK)	57	67	63	67	50	68	68	64	248	254	250	250
Mexico (KMM)	68	74	73	74	76	79	81	75	274	288	310	350
India (KMI)	81	73	72	82	90	87	87	86	270	307	350	380
Global retail sales	772	815	784	761	779	852	842	860	3,083	3,131	3,320	3,450
Global ASP (KRWm)	37.2	36.9	37.6	38.0	38.8	39.7	37.7	36.5	35.8	37.4	38.3	36.2

Source: Company data, Samsung Securities estimates

Kia: 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	28,018	29,350	28,686	28,088	29,502	33,037	31,021	30,557	107,449	114,141	124,117	121,856
Gross profit	6,081	5,875	5,409	5,143	5,804	6,043	5,165	5,192	24,771	22,508	22,204	21,537
Operating profit	3,009	2,765	1,462	1,843	2,205	2,629	2,328	2,087	12,667	9,078	9,249	9,131
Pre-tax profit	3,243	3,000	1,887	2,111	2,635	3,068	2,664	2,043	13,500	10,241	10,410	10,304
Net profit	2,393	2,268	1,422	1,471	1,830	2,328	1,918	1,471	9,775	7,554	7,547	7,419
Controlling profit	2,393	2,269	1,425	1,474	1,831	2,328	1,918	1,471	9,773	7,561	7,548	7,419
Margins (%)												
Gross profit	21.7	20.0	18.9	18.3	19.7	18.3	16.7	17.0	23.1	19.7	17.9	17.7
Operating profit	10.7	9.4	5.1	6.6	7.5	8.0	7.5	6.8	11.8	8.0	7.5	7.5
Net profit	8.5	7.7	5.0	5.2	6.2	7.0	6.2	4.8	9.1	6.6	6.1	6.1
Controlling profit	8.5	7.7	5.0	5.2	6.2	7.0	6.2	4.8	9.1	6.6	6.1	6.1

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	107,449	114,141	124,117	121,856	127,880
Cost of goods sold	82,678	91,633	101,913	100,319	104,661
Gross profit	24,771	22,508	22,204	21,537	23,219
Gross margin (%)	23.1	19.7	17.9	17.7	18.2
SG&A expenses	12,104	13,430	12,955	12,406	13,115
Operating profit	12,667	9,078	9,249	9,131	10,104
Operating margin (%)	11.8	8.0	7.5	7.5	7.9
Non-operating gains (losses)	833	1,163	1,162	1,174	1,232
Financial profit	1,351	1,300	1,023	1,216	1,458
Financial costs	610	578	51	38	38
Equity-method gains (losses)	395	415	342	354	371
Other	-304	26	-152	-359	-560
Pre-tax profit	13,500	10,241	10,410	10,304	11,337
Taxes	3,725	2,687	2,863	2,885	3,174
Effective tax rate (%)	27.6	26.2	27.5	28.0	28.0
Profit from continuing operations	9,775	7,554	7,547	7,419	8,162
Profit from discontinued operations	0	0	0	0	0
Net profit	9,775	7,554	7,547	7,419	8,162
Net margin (%)	9.1	6.6	6.1	6.1	6.4
Net profit (controlling interests)	9,773	7,561	7,547	7,419	8,162
Net profit (non-controlling interests)	2	-7	0	0	0
EBITDA	15,216	11,792	11,876	11,607	12,451
EBITDA margin (%)	14.2	10.3	9.6	9.5	9.7
EPS (parent-based) (KRW)	24,413	19,111	19,331	19,003	20,907
EPS (consolidated) (KRW)	24,418	19,094	19,331	19,003	20,907
Adjusted EPS (KRW)*	24,413	19,111	19,331	19,003	20,907

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	12,564	9,054	10,955	9,287	10,816
Net profit	9,775	7,554	7,547	7,419	8,162
Non-cash profit and expenses	9,666	8,455	3,984	3,636	3,536
Depreciation	2,010	2,070	2,060	1,977	1,906
Amortization	540	644	567	500	440
Other	7,116	5,741	1,357	1,160	1,189
Changes in A/L from operating activities	-4,287	-4,328	1,123	-255	678
Cash flow from investments	-10,153	-4,960	-2,876	-1,301	-2,029
Change in tangible assets	-3,424	-3,593	-2,000	-1,500	-1,500
Change in financial assets	-4,788	-1,940	-876	199	-529
Other	-1,941	573	0	-0	0
Cash flow from financing	-3,570	-4,175	-3,790	-2,722	-2,911
Change in debt	-525	-887	-1,147	-1	4
Change in equity	2	11	0	0	0
Dividends	-2,194	-2,559	-2,642	-2,721	-2,915
Other	-853	-740	0	0	0
Change in cash	-787	432	2,383	6,118	4,915
Cash at beginning of year	14,353	13,567	13,998	16,381	22,499
Cash at end of year	13,567	13,998	16,381	22,499	27,414
Gross cash flow	19,441	16,009	11,531	11,055	11,698
Free cash flow	9,079	5,290	8,955	7,787	9,316

Note: *Excluding one-off items

**Fully diluted, excluding one-off items

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	41,797	44,426	49,441	54,962	61,465
Cash & equivalents	13,567	13,998	16,381	22,499	27,414
Accounts receivable	3,561	3,552	3,862	3,792	3,979
Inventories	12,419	14,666	15,948	15,658	16,432
Other current assets	12,251	12,210	13,249	13,013	13,641
Fixed assets	50,958	54,553	56,316	54,798	55,395
Investment assets	27,223	28,149	30,539	29,998	31,441
Tangible assets	17,928	19,934	19,875	19,398	18,992
Intangible assets	4,094	4,806	4,238	3,738	3,298
Other long-term assets	1,713	1,664	1,664	1,664	1,664
Total assets	92,756	98,979	105,757	109,760	116,860
Current liabilities	26,977	28,378	29,586	29,051	30,476
Accounts payable	10,455	10,662	11,594	11,383	11,946
Short-term debt	221	211	211	211	211
Other current liabilities	16,302	17,505	17,780	17,456	18,319
Long-term liabilities	9,938	9,410	10,118	9,957	10,385
Bonds & long-term debt	2,176	979	979	979	979
Other long-term liabilities	7,763	8,431	9,139	8,978	9,406
Total liabilities	36,916	37,789	39,703	39,008	40,861
Owners of parent equity	55,831	61,188	66,051	70,749	75,997
Capital stock	2,139	2,139	2,139	2,139	2,139
Capital surplus	1,760	1,771	1,771	1,771	1,771
Retained earnings	50,241	54,520	59,424	64,123	69,370
Other	1,691	2,758	2,716	2,716	2,716
Non-controlling interests' equity	9	3	3	3	3
Total equity	55,840	61,190	66,053	70,752	75,999
Net debt	-15,303	-19,162	-23,385	-29,347	-34,675

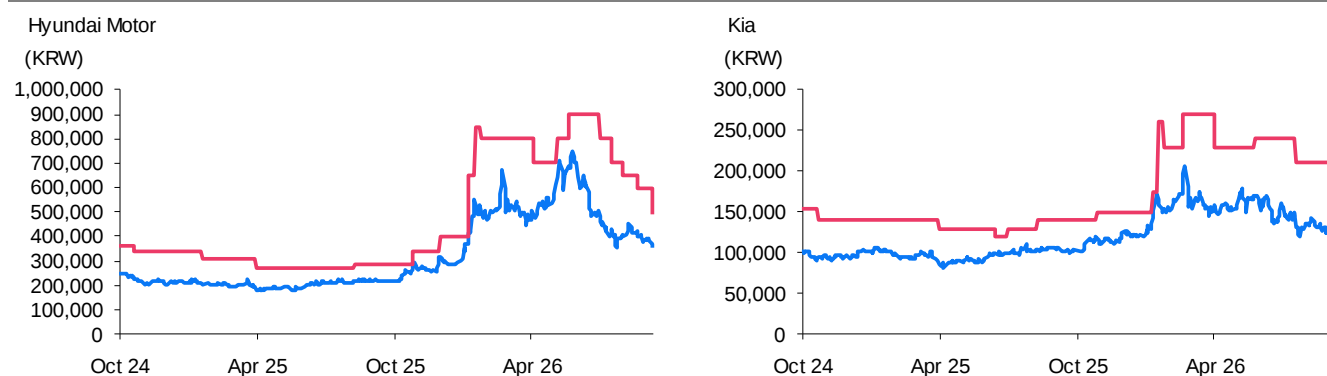
Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	7.7	6.2	8.7	-1.8	4.9
Operating profit	9.1	-28.3	1.9	-1.3	10.7
Net profit	11.4	-22.7	-0.1	-1.7	10.0
Adjusted EPS**	12.1	-21.7	1.2	-1.7	10.0
Per-share data (KRW)					
EPS (parent-based)	24,413	19,111	19,331	19,003	20,907
EPS (consolidated)	24,418	19,094	19,331	19,003	20,907
Adjusted EPS**	24,413	19,111	19,331	19,003	20,907
BVPS	141,812	157,456	169,947	182,036	195,537
DPS (common)	6,500	6,800	7,000	7,500	7,500
Valuations (x)					
P/E***	4.1	6.4	6.3	6.4	5.8
P/B***	0.7	0.8	0.7	0.7	0.6
EV/EBITDA	1.6	2.4	2.0	1.6	1.0
Ratios (%)					
ROE	19.1	12.9	11.9	10.8	11.1
ROA	11.3	7.9	7.4	6.9	7.2
ROIC	45.2	27.3	25.5	25.7	29.5
Payout ratio	26.2	34.9	36.0	39.3	35.7
Dividend yield (common)	6.5	5.6	5.7	6.2	6.2
Net debt to equity	-27.4	-31.3	-35.4	-41.5	-45.6
Interest coverage (x)	124.8	120.8	180.5	242.1	267.7

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Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Hyundai Motor												
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						
Kia												
Date	2024/7/29	10/28	2025/4/7	6/20	7/7	8/14	11/3	2026/1/14	1/22	1/29	2/25	4/7
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	155000	140000	130000	120000	130000	140000	150000	175000	260000	230000	270000	230000
Gap* (average)	-34.54	-30.66	-30.49	-17.88	-21.50	-24.00	-20.38	-7.53	-40.63	-30.12	-39.27	-30.51
(max or min)**	-27.68	-23.79	-23.38	-15.75	-15.08	-14.36	-9.33	-1.66	-38.85	-24.35	-23.70	-21.96
Date	6/1	7/24	9/15									
Recommendation	BUY	BUY	BUY									
Target price (KRW)	240000	210000	170000									
Gap* (average)	-36.89	-38.05										
(max or min)**	-29.08	-32.52										

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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