

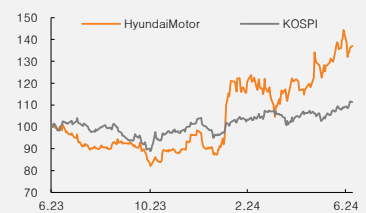
| | |
|------------------------|-------------------|
| (Maintain) | Buy |
| Target price | ▲ W385,000 |
| Current price (7/8/24) | W283,000 |
| Upside | 36.0% |

| | |
|-------------------------|--------|
| OP (24F, Wbn) | 16,070 |
| Consensus OP (24F, Wbn) | 15,129 |

| | |
|----------------------------|----------|
| EPS growth (24F, %) | 13.5 |
| Market EPS growth (24F, %) | 83.4 |
| P/E (24F, x) | 5.7 |
| Market P/E (24F, x) | 11.2 |
| KOSPI | 2,857.76 |

| | |
|-----------------------|---------|
| Market cap (Wbn) | 59,265 |
| Shares (mn) | 209 |
| Free float (%) | 65.5 |
| Foreign ownership (%) | 40.8 |
| Beta (12M) | 1.14 |
| 52-week low (W) | 169,700 |
| 52-week high (W) | 298,000 |

| (%) | 1M | 6M | 12M |
|----------|-----|------|------|
| Absolute | 6.8 | 52.4 | 38.7 |
| Relative | 1.7 | 36.9 | 22.7 |



Mirae Asset Securities Co., Ltd.

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Hyundai Motor

2Q24 preview: Solid earnings and multiple recovery

Raise TP by 10% to W385,000; still our top pick in autos

We maintain our Buy rating on Hyundai Motor (HMC) and raise our target price from W350,000 to W385,000 (36% upside), as we lifted our earnings estimates and changed our valuation base to 2024-25F average EPS (target P/E of 7.6x unchanged). Our target price implies a P/B of 1x. (For reference, our 2024-25F average ROE of 13.3% corresponds to a P/B of 0.96x.) Our target P/E is the stock's average multiple in 2012-13, when the firm sustained solid earnings (following robust growth in the previous years).

Ahead of the release of 2Q24 earnings, we expect the stock to see positive momentum due to the potential for above-consensus results. A multiple recovery should also be supported by expectations for key upcoming events, including: 1) the CEO Investor Day event (August-September) and the potential announcement of shareholder return measures (buyback/retirement); 2) the listing of the Indian subsidiary (October); and 3) the operation of a new US production facility eligible for tax credits under the Inflation Reduction Act (IRA). Against this backdrop, we think the recent pullback (caused by reduced US sales stemming from the CDK Global cyberattack) offers a good entry point.

2Q24 preview: OP to top consensus by 9%

For 2Q24, we expect HMC to post operating profit of W4.48tr (+5.6% YoY), beating the consensus (W4.11tr) by 9%. We estimate revenue grew 4.3% YoY to W44.1tr and OP margin inched up 0.1%p YoY to 10.2%. Consolidated wholesale volume was 1.02mn units (+2.0% YoY), in line with the guidance. We believe solid earnings were supported by lower material costs as well as product/geographical mix improvements (with the mix of SUV and Genesis sales rising 3.4%p YoY and the share of the North America market rising 3.9%p YoY). Also, FX effects were favorable (USD/KRW rate rose 57 YoY, translating to a W300bn increase in operating profit) despite an increase in provisions for warranties stemming from higher end-of-period FX rates.

Increased incentives likely had a limited impact on bottom line. According to Autodata, HMC's per-vehicle incentives roughly doubled YoY to around US\$3,130 (+US\$1,569 YoY), but the firm's MoM incentive growth was slower than the industry level (difference vs. industry: -2.5%p in April, -3.1%p in May, and -17.4%p in June). We also note that incentive figures reflect government subsidies for BEV leases/rentals; as such, the growing mix of BEVs in HMC's US sales (+1.2%p YoY to 8.2% in 2Q24) has likely widened the difference between total incentives and incentives actually paid by the firm.

Solid fundamentals in the US

Growth in incentives should continue to slow MoM. While the new Santa Fe helped reduce incentive pressures in March-June, the new Tucson should contribute to lower incentives from June. Also, HMC should qualify for IRA tax credits in 2H24. Backed by new model launches (especially HEVs/BEVs), HMC should gain share in the US market.

| (Dec.) | 2021 | 2022 | 2023 | 2024F | 2025F |
|--------------------|---------|---------|---------|---------|---------|
| Revenue (Wbn) | 117,611 | 142,151 | 162,664 | 171,756 | 178,397 |
| OP (Wbn) | 6,679 | 9,825 | 15,127 | 16,070 | 16,396 |
| OP margin (%) | 5.7 | 6.9 | 9.3 | 9.4 | 9.2 |
| NP (Wbn) | 4,942 | 7,364 | 11,962 | 13,462 | 13,969 |
| EPS (W) | 17,846 | 26,592 | 43,589 | 49,479 | 51,465 |
| ROE (%) | 6.8 | 9.4 | 13.7 | 13.7 | 12.8 |
| P/E (x) | 11.7 | 5.7 | 4.7 | 5.7 | 5.5 |
| P/B (x) | 0.8 | 0.5 | 0.6 | 0.7 | 0.7 |
| Dividend yield (%) | 2.4 | 4.6 | 5.6 | 4.5 | 4.7 |

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

Table 1. TP calculation

| | Value | Notes |
|------------------------|---------|---|
| TP (W) | 385,000 | Previously W350,000; EPS forecasts raised; P/E unchanged |
| CP (W) | 283,000 | Jul. 8 closing price; 12MF P/E of 6.0x |
| Upside (%) | 36.0 | Maintain Buy rating |
| 2024-25F EPS (avg., W) | 50,472 | W49,479 (+6%) for 2024F; W51,465 (+7%) for 2025F |
| Target P/E (x) | 7.6 | Avg. P/E in 2012-13, when earnings resilience was confirmed following a period of robust growth |

Source: Mirae Asset Securities Research

Table 2. 2Q24 results likely to top consensus; earnings beats also likely for 2024-25

(Wbn)

| | 2Q23 | 1Q24 | 2Q24F | | | | 2024F | | | | 2025F | | | | |
|--------------------------------|--------|--------|-------------|-------|-------|-----------|-------|-------------|-------|-----------|-------|-------------|--------|-----------|-------|
| | | | Mirae Asset | YoY | QoQ | Consensus | Diff. | Mirae Asset | YoY | Consensus | Diff. | Mirae Asset | YoY | Consensus | Diff. |
| Revenue | 42,250 | 40,659 | 44,068 | 4.3% | 8.4% | 43,807 | 0.6% | 171,756 | 5.6% | 169,960 | 1.1% | 178,397 | 3.9% | 176,163 | 1.3% |
| OP | 4,238 | 3,557 | 4,476 | 5.6% | 25.8% | 4,106 | 9.0% | 16,070 | 6.2% | 15,129 | 6.2% | 16,396 | 2.0% | 15,321 | 7.0% |
| NP (attr. to owners of parent) | 3,235 | 3,231 | 3,671 | 13.5% | 13.6% | 3,358 | 9.3% | 13,462 | 12.5% | 12,840 | 4.8% | 13,969 | 3.8% | 13,134 | 6.4% |
| OP margin | 10.0% | 8.7% | 10.2% | 0.1%p | 1.4%p | 9.4% | 0.8%p | 9.4% | 0.1%p | 8.9% | 0.5%p | 9.2% | -0.2%p | 8.7% | 0.5%p |
| Net margin | 7.7% | 7.9% | 8.3% | 0.7%p | 0.4%p | 7.7% | 0.7%p | 7.8% | 0.0%p | 7.6% | 0.3%p | 7.8% | 0.0%p | 7.5% | 0.4%p |

Source: Company data, QuantiWise, Mirae Asset Securities Research

Table 3. 2024-25 earnings forecasts

(Wbn)

| | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24F | 3Q24F | 4Q24F | 2021 | 2022 | 2023 | 2024F | 2025F |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|
| Revenue | 37,779 | 42,250 | 41,003 | 41,632 | 40,659 | 44,068 | 42,169 | 44,861 | 117,611 | 142,528 | 162,664 | 171,756 | 178,397 |
| Automotive | 30,646 | 33,766 | 32,312 | 33,425 | 31,718 | 34,977 | 33,372 | 36,313 | 94,143 | 113,718 | 130,150 | 136,380 | 142,062 |
| Finance | 5,089 | 5,749 | 5,902 | 5,662 | 6,656 | 6,292 | 5,793 | 5,860 | 16,782 | 20,038 | 22,401 | 24,602 | 24,970 |
| Other | 2,043 | 2,735 | 2,789 | 2,545 | 2,285 | 2,798 | 3,004 | 2,688 | 6,685 | 8,771 | 10,113 | 10,774 | 11,365 |
| YoY (%) | 24.7 | 17.4 | 8.7 | 8.1 | 7.6 | 4.3 | 2.8 | 7.8 | 13.1 | 21.2 | 14.1 | 5.6 | 3.9 |
| Automotive | 27.3 | 18.5 | 9.3 | 5.8 | 3.5 | 3.6 | 3.3 | 8.6 | 16.8 | 20.8 | 14.4 | 4.8 | 4.2 |
| Finance | 16.4 | 5.5 | 0.9 | 29.6 | 30.8 | 9.5 | -1.8 | 3.5 | -0.4 | 19.4 | 11.8 | 9.8 | 1.5 |
| Other | 10.4 | 33.5 | 21.2 | -1.0 | 11.8 | 2.3 | 7.7 | 5.6 | 1.7 | 31.2 | 15.3 | 6.5 | 5.5 |
| OP | 3,642 | 4,238 | 3,822 | 3,408 | 3,557 | 4,476 | 3,969 | 4,066 | 6,679 | 9,820 | 15,127 | 16,070 | 16,396 |
| Automotive | 3,054 | 3,473 | 3,113 | 3,037 | 2,904 | 3,814 | 3,326 | 3,522 | 4,182 | 7,464 | 12,677 | 13,566 | 13,780 |
| Finance | 368 | 425 | 383 | 209 | 425 | 382 | 343 | 276 | 2,195 | 1,844 | 1,386 | 1,426 | 1,537 |
| Other | 171 | 340 | 325 | 228 | 228 | 280 | 300 | 269 | 329 | 548 | 1,064 | 1,077 | 1,080 |
| YoY (%) | 88.8 | 42.2 | 146.3 | 1.4 | -2.3 | 5.6 | 3.9 | 19.3 | 178.9 | 47.0 | 54.0 | 6.2 | 2.0 |
| OP margin (%) | 9.5 | 10.0 | 9.3 | 8.2 | 8.7 | 10.2 | 9.4 | 9.1 | 5.7 | 6.9 | 9.3 | 9.4 | 9.2 |
| NP (attr. to owners of parent) | 3,312 | 3,235 | 3,190 | 2,225 | 3,231 | 3,671 | 3,366 | 3,194 | 4,942 | 7,364 | 11,962 | 13,462 | 13,969 |
| YoY (%) | 108.9 | 15.4 | 150.8 | 30.6 | -2.4 | 13.5 | 5.5 | 43.5 | 247.0 | 49.0 | 62.4 | 12.5 | 3.8 |
| Net margin (%) | 8.8 | 7.7 | 7.8 | 5.3 | 7.9 | 8.3 | 8.0 | 7.1 | 4.2 | 5.2 | 7.4 | 7.8 | 7.8 |

Source: Company data, QuantiWise, Mirae Asset Securities Research

Hyundai Motor (005380 KS)

Income statement (summarized)

| (Wbn) | 2022 | 2023 | 2024F | 2025F |
|-------------------------------------|----------------|----------------|----------------|----------------|
| Revenue | 142,151 | 162,664 | 171,756 | 178,397 |
| Cost of revenue | 113,880 | 129,179 | 134,488 | 139,761 |
| GP | 28,271 | 33,485 | 37,268 | 38,636 |
| SG&A expenses | 18,447 | 18,357 | 21,199 | 22,240 |
| OP (adj.) | 9,825 | 15,127 | 16,070 | 16,396 |
| OP | 9,825 | 15,127 | 16,070 | 16,396 |
| Non-operating profit | 1,356 | 2,492 | 3,464 | 3,543 |
| Net financial income | 71 | 440 | 559 | 386 |
| Net income from associates | 1,558 | 2,471 | 3,123 | 3,286 |
| Pretax profit | 11,181 | 17,619 | 19,534 | 19,939 |
| Income tax | 2,979 | 4,627 | 5,148 | 5,342 |
| Profit from continuing operations | 8,202 | 12,992 | 14,386 | 14,596 |
| Profit from discontinued operations | -219 | -720 | -319 | 0 |
| NP | 7,984 | 12,272 | 14,066 | 14,596 |
| Attributable to owners | 7,364 | 11,962 | 13,462 | 13,969 |
| Attributable to minority interests | 619 | 311 | 604 | 627 |
| Total comprehensive income | 9,034 | 12,429 | 15,755 | 14,596 |
| Attributable to owners | 8,234 | 12,204 | 15,052 | 13,945 |
| Attributable to minority interests | 800 | 224 | 703 | 652 |
| EBITDA | 14,873 | 20,073 | 20,804 | 20,960 |
| FCF | 6,612 | -9,590 | 8,378 | 15,303 |
| EBITDA margin (%) | 10.5 | 12.3 | 12.1 | 11.7 |
| OP margin (%) | 6.9 | 9.3 | 9.4 | 9.2 |
| Net margin (%) | 5.2 | 7.4 | 7.8 | 7.8 |

Balance sheet (summarized)

| (Wbn) | 2022 | 2023 | 2024F | 2025F |
|--------------------------------------|----------------|----------------|----------------|----------------|
| Current assets | 58,352 | 58,604 | 69,679 | 58,538 |
| Cash & equivalents | 20,865 | 19,167 | 26,583 | 13,990 |
| AR & other receivables | 7,288 | 6,887 | 7,421 | 7,619 |
| Inventory | 14,291 | 17,400 | 18,750 | 19,475 |
| Other current assets | 15,908 | 15,150 | 16,925 | 17,454 |
| Non-current assets | 107,027 | 116,172 | 122,915 | 124,563 |
| Investments in associates | 25,199 | 28,476 | 30,684 | 31,871 |
| PP&E | 36,153 | 38,921 | 40,832 | 42,381 |
| Intangible assets | 6,102 | 6,219 | 5,273 | 4,160 |
| Total assets | 255,742 | 282,463 | 305,675 | 296,182 |
| Current liabilities | 74,236 | 73,362 | 72,739 | 51,364 |
| AP & other payables | 19,075 | 19,595 | 21,114 | 21,931 |
| Short-term financial liabilities | 37,434 | 34,390 | 30,784 | 7,786 |
| Other current liabilities | 17,727 | 19,377 | 20,841 | 21,647 |
| Non-current liabilities | 90,609 | 107,292 | 119,167 | 119,820 |
| Long-term financial liabilities | 76,037 | 91,609 | 102,273 | 102,273 |
| Other non-current liabilities | 14,572 | 15,683 | 16,894 | 17,547 |
| Total liabilities | 164,846 | 180,654 | 191,906 | 171,184 |
| Equity attributable to owners | 82,350 | 92,497 | 103,511 | 114,112 |
| Capital stock | 1,489 | 1,489 | 1,489 | 1,489 |
| Capital surplus | 4,241 | 4,378 | 4,375 | 4,375 |
| Retained earnings | 79,954 | 88,666 | 98,030 | 108,631 |
| Minority interests | 8,547 | 9,312 | 10,258 | 10,885 |
| Shareholders' equity | 90,897 | 101,809 | 113,769 | 124,997 |

Cash flow statement (summarized)

| (Wbn) | 2022 | 2023 | 2024F | 2025F |
|--|---------------|---------------|---------------|----------------|
| Operating cash flow | 10,627 | -2,519 | 13,936 | 20,303 |
| NP | 7,984 | 12,272 | 14,066 | 14,596 |
| Non-cash income/expenses | 20,256 | 21,192 | 12,936 | 9,516 |
| Depreciation | 3,181 | 3,284 | 3,325 | 3,451 |
| Amortization | 1,867 | 1,663 | 1,410 | 1,112 |
| Other | 15,208 | 16,245 | 8,201 | 4,953 |
| Chg. in working capital | -13,923 | -30,365 | -7,874 | 1,144 |
| Chg. in AR & other receivables | -1,326 | -99 | -59 | -195 |
| Chg. in inventory | -2,721 | -3,250 | -874 | -725 |
| Chg. in AP & other payables | 3,333 | 984 | -873 | 456 |
| Income tax | -2,394 | -3,894 | -4,778 | -5,342 |
| Cash flow from investing activities | -1,203 | -8,649 | -7,708 | -5,344 |
| Chg. in PP&E | -3,878 | -6,926 | -5,514 | -5,000 |
| Chg. in intangible assets | -1,711 | -1,778 | -379 | 0 |
| Chg. in financial assets | 657 | -1,131 | -640 | -344 |
| Other | 3,729 | 1,186 | -1,175 | 0 |
| Cash flow from financing activities | -1,324 | 9,393 | 2,342 | -26,365 |
| Chg. in financial liabilities | 4,641 | 12,527 | 7,018 | -22,997 |
| Chg. in equity | 171 | 137 | -3 | 0 |
| Dividends | -1,355 | -2,499 | -1,577 | -3,368 |
| Other | -4,781 | -772 | -3,096 | 0 |
| Chg. in cash | 8,069 | -1,698 | 7,416 | -12,592 |
| Beginning balance | 12,796 | 20,865 | 19,167 | 26,583 |
| Ending balance | 20,865 | 19,167 | 26,583 | 13,990 |

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

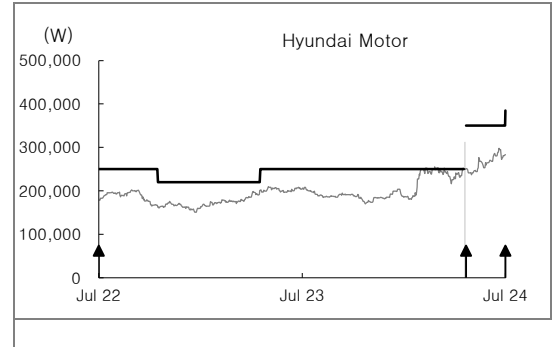
| | 2022 | 2023 | 2024F | 2025F |
|------------------------------|---------|---------|---------|---------|
| P/E (x) | 5.7 | 4.7 | 5.7 | 5.5 |
| P/CF (x) | 1.5 | 1.7 | 2.9 | 3.2 |
| P/B (x) | 0.5 | 0.6 | 0.7 | 0.7 |
| EV/EBITDA (x) | 8.9 | 7.9 | 8.4 | 7.9 |
| EPS (W) | 26,592 | 43,589 | 49,479 | 51,465 |
| CFPS (W) | 101,970 | 121,947 | 99,245 | 88,835 |
| BPS (W) | 303,544 | 341,739 | 384,618 | 423,676 |
| DPS (W) | 7,000 | 11,400 | 12,800 | 13,250 |
| Dividend payout ratio (%) | 17.7 | 18.9 | 18.5 | 18.5 |
| Dividend yield (%) | 4.6 | 5.6 | 4.5 | 4.7 |
| Revenue growth (%) | 20.9 | 14.4 | 5.6 | 3.9 |
| EBITDA growth (%) | 32.4 | 35 | 3.6 | 0.7 |
| OP growth (%) | 47.1 | 54 | 6.2 | 2 |
| EPS growth (%) | 49 | 63.9 | 13.5 | 4 |
| AR turnover (x) | 38.3 | 36.3 | 35.3 | 34.7 |
| Inventory turnover (x) | 11 | 10.3 | 9.5 | 9.3 |
| AP turnover (x) | 11.4 | 11.9 | 11.8 | 11.6 |
| ROA (%) | 3.3 | 4.6 | 4.8 | 4.9 |
| ROE (%) | 9.4 | 13.7 | 13.7 | 12.8 |
| ROIC (%) | 10.3 | 15 | 15.1 | 15.2 |
| Debt-to-equity ratio (%) | 181.4 | 177.4 | 168.7 | 137 |
| Current ratio (%) | 78.6 | 79.9 | 95.8 | 114 |
| Net debt-to-equity ratio (%) | 95 | 97.4 | 83.5 | 67.4 |
| Interest coverage ratio (x) | 18.8 | 27.1 | 33.9 | 36.8 |

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

| Company | Date | Rating | TP (₩) |
|------------------------|----------|-------------|---------|
| Hyundai Motor (005380) | 07/09/24 | Buy | 385,000 |
| | 04/29/24 | Buy | 350,000 |
| | 04/26/24 | No Coverage | |
| | 04/26/23 | Buy | 250,000 |
| | 10/24/22 | Buy | 220,000 |
| | 01/25/22 | Buy | 250,000 |



Stock ratings

| | |
|-------------|--|
| Buy | Expected 12-month performance: +20% or greater |
| Trading Buy | Expected 12-month performance: +10% to +20% |
| Hold | Expected 12-month performance: -10% to +10% |
| Sell | Expected 12-month performance: -10% or worse |

Sector ratings

| | |
|-------------|--|
| Overweight | Expected to outperform the market over 12 months |
| Neutral | Expected to perform in line with the market over 12 months |
| Underweight | Expected to underperform the market over 12 months |

Rating and TP history: Share price (—), TP (■), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

| | Buy | Trading Buy | Hold | Sell |
|-----------------------------|--------|-------------|-------|------|
| Ratings distribution | 85.36% | 9.15% | 5.49% | 0% |
| Investment banking services | 80.96% | 9.52% | 9.52% | 0% |

* Based on recommendations in the last 12-months (as of March 31, 2024)

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