

Hyundai Motor (005380 KS)

FUNDAMENTAL VIEW ¹

As of 20 Dec 2024

- Hyundai and Kia once again posted solid results in 3Q24, although they were somewhat tainted by an unexpected proactive warranty provision. The warranty provision lowered the combined automotive operating margin of the Hyundai Motor Group (HMG) by 160 bp, although the unadjusted operating margin of 8.5% was still solid. HMG's LTM operating margin of 10.3% is the highest in our automaker coverage universe.
- HMG continues to grow its new energy vehicle business with vehicle sales accounting for ~20% of sales at both Hyundai and Kia. Management has indicated its hybrid vehicle profitability is about the same as ICE vehicle profitability. This is an important point of differentiation between HMG and its peers that we attribute largely to the scale of its new energy vehicle business.

RISKS & CATALYSTS

As of 20 Dec 2024

- Hyundai Motor Co. did not update its FY24 financial guidance, which is customary for the automaker, unless it envisions a material change from its previous expectations. Kia, however, raised its FY24 guidance for consolidated revenue and operating profit by 6% and 8%, respectively. Kia now expects its FY24 consolidated operating margin of 12% at the midpoint of the guidance range compared to its previous expectation of 11.9%. Hyundai Motor Co. expects its consolidated operating margin to be in the range of 8% to 9%.
- Kia also provided 4Q24 retail sales guidance, which it expects to increase on both a sequential (+9%) and YoY (+5%) basis. The retail sales growth is based on increased production from the expansion of its Hwaseong plant and EV plant expansions, which it expects to increase production of Sorrento (+11k units) and EVs (+11k units). These plants were temporarily shut down in 3Q24 for expansion and conversion activities.

CREDIT QUALITY SCORE (CQS)²

As of 11 Feb 2025

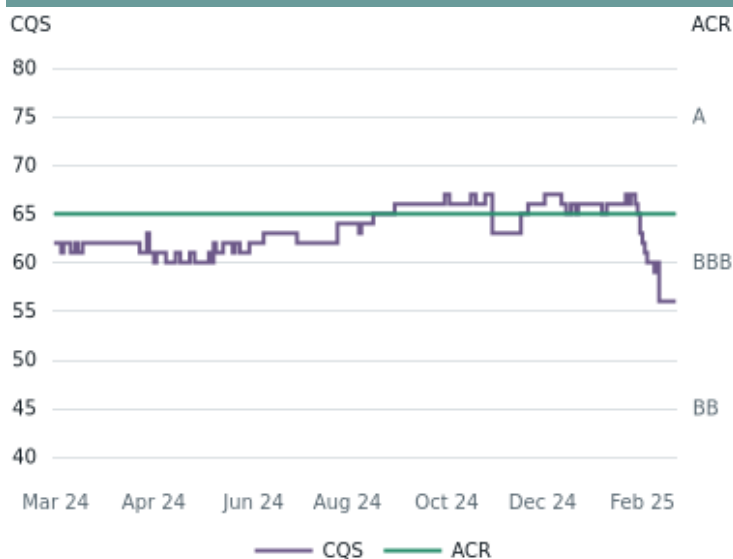
CURRENT CQS

56

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 20 Dec 2024

KRW BN	FY20	FY21	FY22	FY23	LTM 3Q24
Revenue	80,577	94,143	113,718	130,150	134,400
EBIT	890	5,459	8,950	15,440	14,883
EBIT Margin	1.1%	5.8%	7.9%	11.9%	9.0%
EBITDA	5,076	10,015	13,998	20,387	19,706
EBITDA Margin	6.3%	10.6%	12.3%	15.7%	12.5%
Total Liquidity	17,082	19,745	26,639	26,507	21,652
Net Debt	(4,453)	(5,202)	(11,035)	(10,916)	(18,136)
Total Debt	10,920	12,569	12,940	12,940	4,184
Gross Leverage	2.2x	1.3x	0.9x	0.6x	0.2x
Net Leverage	-0.9x	-0.5x	-0.8x	-0.5x	-0.8x

BUSINESS DESCRIPTION

As of 20 Dec 2024

- Hyundai Motor Co., Ltd. engages in the manufacture and distribution of motor vehicles and parts. It operates through the following business areas: Vehicle, Financial and Others. The Vehicle division offers motor vehicles. The Financial division provides financing, leasing and credit cards. The Other division includes manufacture of railways. The company was founded on December 29, 1967, and is headquartered in Seoul, South Korea.
- Hyundai Capital America benefits from a support agreement with Hyundai Motor (HMC). HCA investor relations confirmed its support (keepwell) agreement contains a fixed charge coverage provision that it views as particularly strong compared to other peers.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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