

Hyundai Motor (005380 KS)

FUNDAMENTAL VIEW ¹

As of 15 Nov 2023

- Hyundai continued to post strong results in 3Q23 and reaffirmed FY23 guidance for double-digit consolidated operating profit growth. We expect the company to finish FY23 with strong 4Q23 results, we believe the profit growth in FY24 will be more challenging, owing to increased availability of light vehicles and rising incentive costs. However, we expect Hyundai to benefit from a broad array of affordable vehicle offerings that are more affordable than vehicles offered by most of its OEM competitors, along with a healthy supply of EV offerings. While both GM and Ford have recently announced a slowing trajectory of its EV transition plans, Hyundai plans to begin EV production at their U.S. plant in 2H24 to help take advantage of IRA tax credits that should help with customer affordability.

RISKS & CATALYSTS

As of 15 Nov 2023

- Hyundai management indicated it expects to achieve annual results near the upper end of its FY23 guidance for revenue and operating profit, both of which it previously raised with its 2Q23 earnings release. It expects consolidated revenue growth of 14% -15% and consolidated operating margin of 8% - 9%, which would represent margin expansion of 210 - 310 bp compared to FY22. Management expects its 4Q23 operating results to be driven by continued growth in key markets and product mix improvement, partially offset by modestly higher incentive spending.

CREDIT QUALITY SCORE (CQS)²

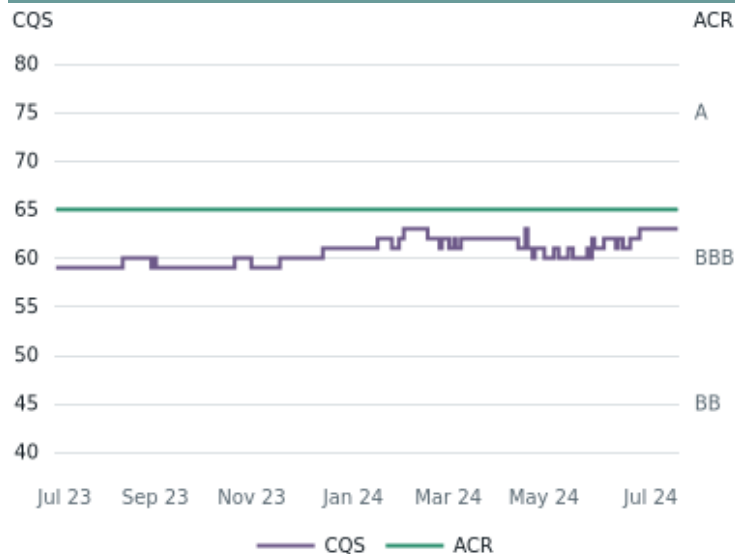
As of 04 Jul 2024

CURRENT CQS

63

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

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

KEY METRICS

As of 15 Nov 2023

KRW BN	FY19	FY20	FY21	FY22	LTM 3Q23
Revenue	82,487	80,577	94,143	113,718	128,310
EBIT	3,161	890	5,459	8,950	15,190
EBIT Margin	3.8%	1.1%	5.8%	7.9%	11.8%
EBITDA	6,993	5,076	10,015	13,998	20,339
EBITDA Margin	8.5%	6.3%	10.6%	12.3%	15.7%
Total Liquidity	15,975	17,082	19,745	26,639	26,407
Net Debt	(6,749)	(4,453)	(5,202)	(11,035)	(15,082)
Total Debt	7,628	10,920	12,569	12,940	8,685
Gross Leverage	1.1x	2.2x	1.3x	0.9x	0.4x
Net Leverage	-1.0x	-0.9x	-0.5x	-0.8x	-0.7x

BUSINESS DESCRIPTION

As of 15 Nov 2023

- 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. HCA's support agreement stipulates that HMC will make cash contributions to HCA if the fixed charge coverage is below 1.1x, allowing the company to mitigate the impact on capital from losses. Key provisions of the support agreement listed in the business update include (1) HMC agrees it, its controlled subsidiaries, and entities subject to joint control, will own 100% of HCA, (2) HMC will cause HCA and its subsidiaries to maintain positive consolidated tangible net worth, (3) HMC will take all necessary actions to ensure HCA maintains a minimum Fixed Charge Coverage of 1.1x, and (4) Third-party enforceability rights.

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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