

Hyundai Motor (005380 KS)

FUNDAMENTAL VIEW ¹

As of 15 Aug 2024

- Hyundai and Kia posted solid 2Q24 results that were ahead of Bloomberg consensus estimates and left their FY24 financial guidance unchanged. Automotive operating profit margins remained double-digits at both companies, although Hyundai's margins were adversely impacted in the quarter by higher warranty expenses. Eco-friendly vehicle sales accounted for a healthy share of total unit wholesales in 2Q24 for both Hyundai (18%) and Kia (21%), although sales of hybrids continued to grow for both companies during the quarter while Hyundai's EV sales declined YoY. Management teams at both Hyundai and Kia have stated hybrid vehicles generate double-digit profit margins that are "not that different" from ICE vehicle margins, while its EVs are profitable but generate low-single-digit margins.

RISKS & CATALYSTS

As of 15 Aug 2024

- FY24 guidance includes wholesale volume growth of less than 1% to 4.24 mn units. Revenue is projected to increase 4%-5% based primarily on growth in North American sales volumes and higher average selling prices (ASPs). Operating profit margins are expected to moderate based on limited industry demand growth, intensifying competition, higher sales incentives, and increased labor costs.
- For 2H24, management expects challenging market conditions will make it difficult to achieve sales growth in most markets except the U.S., which it expects to be characterized by continued strong performance and favorable exchange rates. Additional color will be provided during its 2024 CEO Investor Day at the end of August at which they will announce their short-term and long-term business strategies and financial goals.

CREDIT QUALITY SCORE (CQS) ²

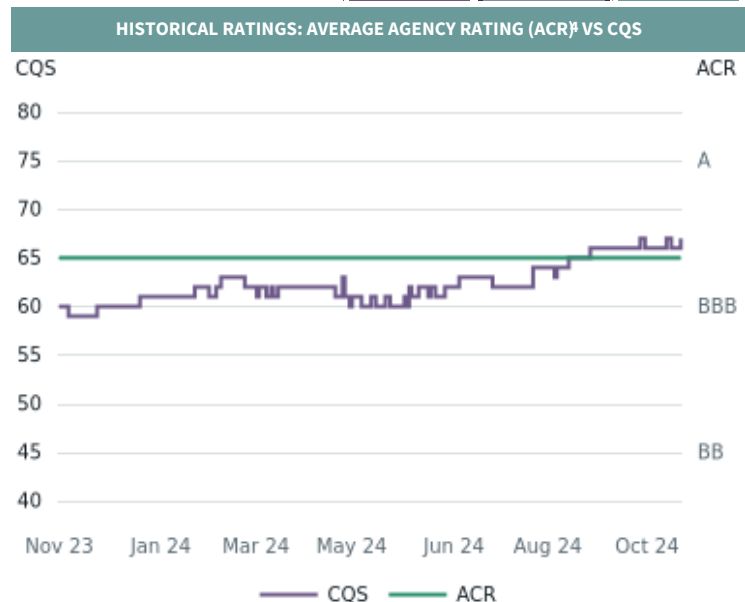
As of 22 Oct 2024

CURRENT CQS

67

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE



KEY METRICS

As of 15 Aug 2024

KRW BN	FY20	FY21	FY22	FY23	LTM 2Q24
Revenue	80,577	94,143	113,718	130,150	132,693
EBIT	890	5,459	8,950	15,440	15,628
EBIT Margin	1.1%	5.8%	7.9%	11.9%	13.8%
EBITDA	5,076	10,015	13,998	20,387	15,615
EBITDA Margin	6.3%	10.6%	12.3%	15.7%	17.4%
Total Liquidity	17,082	19,745	26,639	26,507	23,590
Net Debt	(4,453)	(5,202)	(11,035)	(10,916)	(12,546)
Total Debt	10,920	12,569	12,940	12,940	8,685
Gross Leverage	2.2x	1.3x	0.9x	0.6x	0.6x
Net Leverage	-0.9x	-0.5x	-0.8x	-0.5x	-0.8x

BUSINESS DESCRIPTION

As of 15 Aug 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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