

Hyundai Motor (005380 KS)

FUNDAMENTAL VIEW ¹

As of 21 Aug 2025

- While the profit headwind related to tariffs could become a rating event over time, we expect the rating agencies to maintain their patient stance on Hyundai based on its solid market position and healthy pre-tariff profit margins, giving the company time to implement and execute tariff mitigation strategies before contemplating negative rating actions. We note that Hyundai's biggest mitigation strategy involving the ramp of its US-based Metaplant is already underway and should reduce its reliance on vehicle imports for the US market from 60% to 30% over time.

RISKS & CATALYSTS

As of 21 Aug 2025

- On a combined basis, HMG's current FY25 guidance targets FY25 wholesale unit growth of 2% to 7.4 mn units, revenue growth of 5% to 6%, and a consolidated operating profit margin of 8.8% at the midpoint of the range for YoY margin contraction of 40 bp. Kia management expects 2H25 vehicle demand in the US to decline 10% YoY, which will likely lead to a reduction in HMG's FY25 wholesale unit target. Hyundai management stated it expects a bigger tariff impact in 3Q25 and 4Q25 than 2Q25, which we believe is likely due to a combination of vehicle tariffs being in effect for the entire quarter instead of just two months in 2Q25, along with lower volumes.
- HMG targets continued growth of NEVs in 2H25, including a target of 100% growth in HEV sales. Given the end of the US \$7,500 NEV consumer tax incentive at the end of 3Q25 and expected reduced emissions standards in the US, the company plans to leverage its flexible production system for ICE and NEVs to adapt to potential demand changes. Management previously noted its Metaplant in Georgia, which was originally designed to manufacture EVs, was being retooled to also produce HEVs and could potentially produce ICE vehicles in the future.

KEY METRICS

As of 21 Aug 2025

KRW BN	FY21	FY22	FY23	FY24	LTM 2Q25
Revenue	94,143	113,718	130,150	136,725	141,518
EBIT	5,459	8,950	15,440	14,189	12,233
EBIT Margin	5.8%	7.9%	11.9%	10.4%	8.5%
EBITDA	10,015	13,998	20,387	18,476	15,331
EBITDA Margin	10.6%	12.3%	15.7%	13.5%	8.5%
Total Liquidity	19,745	26,639	26,507	27,488	22,776
Net Debt	(5,202)	(11,035)	(10,916)	(11,799)	(17,730)
Total Debt	12,569	12,940	12,940	12,940	5,805
Gross Leverage	1.3x	0.9x	0.6x	0.7x	0.4x
Net Leverage	-0.5x	-0.8x	-0.5x	-0.6x	-1.0x

BUSINESS DESCRIPTION

As of 21 Aug 2025

- 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 Other. 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.

CREDIT QUALITY SCORE (CQS) ²

As of 25 Sep 2025

CURRENT CQS

56

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

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



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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