SECTOR UPDATE

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EV/Mobility Team

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Autos (OVERWEIGHT)

July EV sales in Europe; Concerns over price competition from Chinese EVs ease

- European demand for EVs rose 46.8% y-y to 343,000 units in July. While total auto demand recovered to 1.085m units (up 5.9% y-y), the region's EV penetration reached 31.6%.
- Tesla's market share slumped again (down 6.2%pts m-m), while VW posted the biggest gain of 2.8%pts. Hyundai Motor (HMC)/Kia and BYD's market share rose 1.4%pts and 0.3%pts m-m, respectively.
- With price competition from China subsiding, the active rollout of affordable new models has emerged as the most critical driver of market share expansion.

WHAT'S THE STORY?

EV demand growth accelerating in Europe: EV growth is slowing in China, but picking up steam in Europe on supportive polices across major countries.

- **European demand for EVs in July:** In July, EV demand in Europe rose 46.8% y-y to hit 343,000 units for a penetration rate of 31.6% (ie, out of total auto sales of 1.085m units; up 5.1% y-y).
- **Tougher competition in Europe following US tariff policy:** The world's major traditional carmakers are losing market share to Chinese players in China, while higher tariffs are weighing on profitability in the US—resulting in heated competition for European market share. Incentive spending is climbing notably, particularly among European automakers including VW and Stellantis. Hyundai Motor (HMC) and Kia continue to enjoy high-single-digit margins in Europe, when for them, is second only to the US in terms of profitability. Kia is expanding its affordable EV lineup, and HMC plans to launch the Ioniq 2 in early 2026.

Major European countries rolling out EV incentives: Germany, UK, and now France have launched incentives to buy EVs.

- **EV legislation expected across key markets by 2026:** The EU is preparing to propose legislation by end-2025 to electrify corporate fleets. Given that corporate vehicles account for 60% of new-car sales in Europe, this would likely have a strong policy impact. The region targets 100% electrification of new-fleet purchases by 2030, potentially driving EV demand up by 2.1m units—equivalent to 65% of 2024 EV demand.

(Continued on the next page)

▶ AT A GLANCE

Hyundai Motor (005380 KS, 223,000)		
Target price	KRW285,000	27.8%
BUY		
Kia (000270 KS, 106,600)		
Target price	KRW140,000	31.3%
BUY		

- **France to reintroduce subsidized EV leasing scheme for low-income households:** France, Europe's third largest EV market, will re-introduce a subsidized EV leasing scheme for low-income households on Sep 30. The social leasing scheme, first introduced in Jan 2024, was suspended just after a month due to budget overrun (EUR650m). The scheme led to 50,000 approved leases in a matter of a month. French EV demand reached 243,000 units (down 11.5% y-y) in the first seven months of this year and should resume growth in 2H on government policies.
- **UK reintroduces EV purchase subsidies:** The UK, Europe's second-largest EV market, announced a GBP700m budget for EV purchase incentives, along with GBP63m for charging infrastructure and additional subsidies across the production value chain.
- **Germany launches incentives for corporate EV fleets in Jul 2025:** Germany's incentives include: 1) accelerated depreciation for corporate EVs purchased between Jul 2025-Dec 2028 (depreciation over six years, including 40% in the first year and 24% in the second year); 2) a tax deduction equal to 40% of the corporate EV's value in the year of purchase (up to EUR95,000); 3) an exemption from vehicle tax for EVs until 2035; and 4) a reduced Benefit-in-Kind tax rate of 0.25% on the private use of a corporate EV (vs 1% for ICE autos)—in Europe, it is common for companies to purchase vehicles that are then used by employees. Germany is also mulling subsidies for privately purchased EVs.

Price competition with China to becomes less of a concern: BYD, which was ratcheting up the price war, has cut production and reduced sales target.

- **BYD starts cutting production and reduces sales target:** To prevent cutthroat competition, the Chinese government has: 1) told automakers that they must pay suppliers within 60 days (vs 127 days previously); and 2) banned the resale of new vehicles within six months. Finding it impossible to push sales, BYD has moved from three shifts to two. As a result of the production cut, its July sales shrank 13.6% to 263,000 units. Its 2025 sales guidance has been lowered by 16% from 5.5m units to 4.6m units. A more realistic number, though, would be 4.3m units (up 7.5% y-y) in light of its monthly sales of 350,000-360,000 units (including exports).

  To maintain utilization rates at its Chinese plants, BYD has postponed the start of operations at its Hungary plant from Oct 2025 to 2026. Given that it barely breaks even within China, it won't be able to engage in fierce competition in overseas markets.
- **Led by BYD, Chinese EV brands gain European market share:** Despite the Nov 2024 imposition of countervailing duties on EVs from China, Chinese firms increased their European market share to 19.6%, second only to VW's. But BYD is the only Chinese automaker sustaining strong growth—Geely and SAIC are losing growth. In the early stages of EV market growth, Geely and SAIC captured relatively significant market shares, driven largely by the brand equity of Volvo (Sweden) and MG (UK), acquired during the global financial crisis. But Volvo and MG's lack of new models, combined with the launch of affordable EVs by major automakers (such as VW and Kia) led to their loss of market shares. BYD is spearheading Chinese EV growth in the European market as well. BYD cars are selling for triple their price in China and, given its low profitability within China, BYD will unlikely compete ferociously in Europe.

Market-share and sales performance, by company: Tesla erased market share gains made in June, while other automakers grew their market share m-m.

- **Tesla's market share falls back to 4% (down 2.6%pts y-y):** Tesla sold 13,586 units in July (down 11.2% y-y). Sales deteriorated sharply after a recovery in June. Its sales across France, Germany, and the UK dropped to 3,403 units (down 78% m-m and 49% y-y), outsold by BYD's 5,114 units (up 276% y-y).

  On Sep 5, Tesla's board proposed a second stock option plan for CEO Elon Musk. He will be awarded up to USD1t (12% stake) if he gets market cap to USD8.5t and meets operational milestones (20m vehicles delivered, 1m robots delivered, 1m robotaxis in commercial operation cumulatively). The proposed plan will be voted at the annual shareholder meeting on Nov 6. While there is debate over its feasibility, the clear articulation of a target is positive.

- **VW Group to enjoy base effect through August:** VW Group's EV sales rose 97% y-y to reach 93,000 units in July, giving the group a 27% market share (up 6.9%pts y-y). Sales of the ID.3 and ID.4 strengthened amid a backlash against Tesla, and there was favorable base effect from weak sales until Aug 2024. VW plans to launch the ID.2 (equipped with LFP batteries), an affordable EV priced at EUR25,000, in early 2026. To recover from its sluggish performance in China, VW has decided to license autonomous driving technology from XPeng and apply it to its EVs. The technology is also likely to be applied to vehicles sold outside of China.

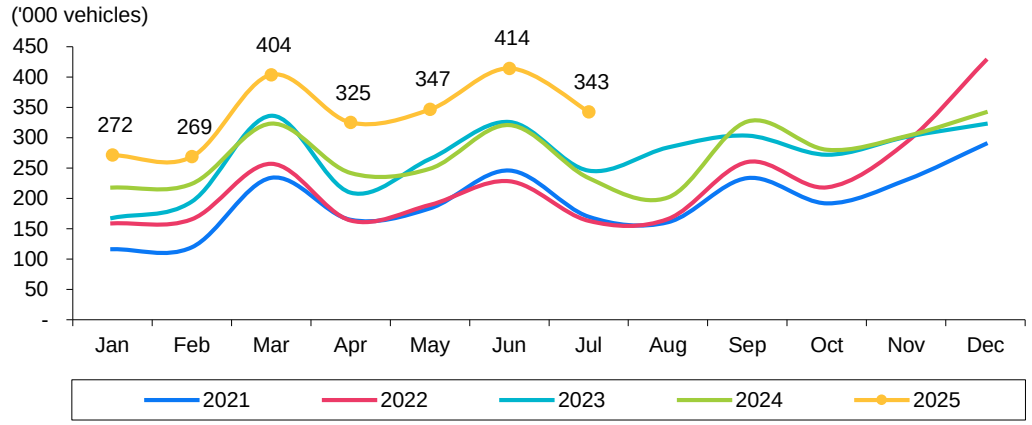
- **BYD's sales surge 244% y-y in July:** BYD sold 21,736 EVs in July (up 243.7% y-y), capturing a 6.3% market share (up 3.6%pts y-y and 0.2%pts m-m). BYD's sales in the Chinese market has begun to show clear signs of slowing since July, with volumes declining 20% y-y over July-August.

  To ease oversupply at its Chinese plants, BYD is focusing on exports, which remain on a strong growth trajectory—up 100% y-y to 80,000 units. It has revised its European strategy to accelerate the launch of its Turkish plant with cheap energy and labor (capacity: 150,000 units) while delaying mass production at its Hungarian plant, established as a strategic foothold in the European market, from Oct 2025 to 2026 (capacity: 150,000 units). To preserve its cost competitiveness demonstrated in China and improve utilization rates at its domestic factories, BYD intends to initially operate overseas plants as CKD facilities. It plans to produce all EVs for the European market locally by 2028.

- **HMC/Kia's EV exports to Europe on the rise:** Korea's auto exports reached USD5.4b in August (up 8.5% y-y), marking a third straight month of recovery. The figure has rebounded y-y since June on strong EV exports to Europe, after sliding to USD6.5b in April (down 3.9% y-y) and to USD6.2b in May (down 4.4% y-y) amid waning exports to the US. Korean factories' US-bound exports declined, as production of the: 1) Ioniq 5 and Ioniq 9 was moved to the Hyundai Motor Group Metaplant America; and 2) EV6 and EV9 was moved to Kia's Georgia plant. This decline is being offset by a rise in Europe-bound EV exports.

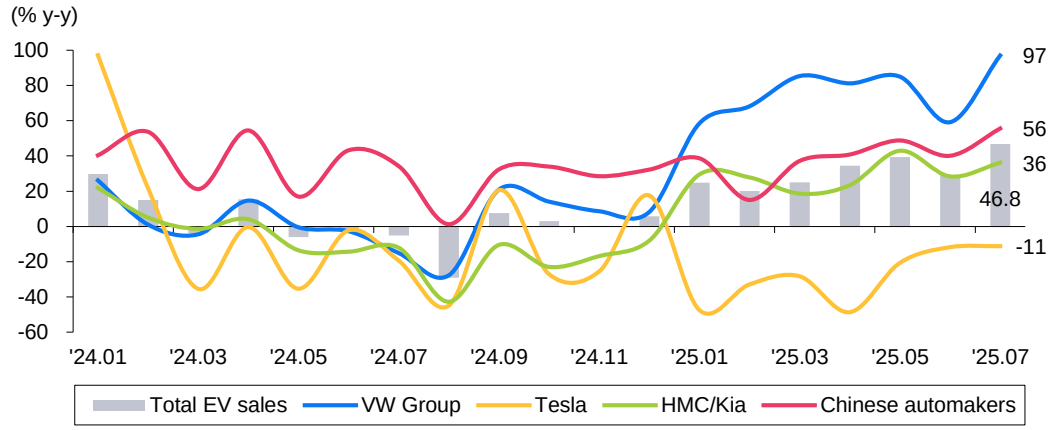
- **Kia to launch EV4 and EV5 in 2H:** HMC/Kia held a combined 7.8% share of the European EV market in July (down 0.6%pts y-y but up 1.4%pts m-m). HMC sold 14,258 units (up 60% y-y) while Kia sold 12,370 units (up 16% y-y). HMC and Kia received sales boosts from the launch of the Casper EV (Dec 2024) and EV3 (Oct 2024), respectively, but have not kept pace with market growth. HMC's Ioniq 9 arrived in Europe in June and Kia started producing the EV4 at its Slovakian plant in August. The EV5 and PV5 will be exported from Korea starting October. The EV2 is scheduled to be rolled out in Feb 2026. The EV3's base model (58.3 kWh) is priced at EUR36,000, while the EV2 is expected to be in the high EUR20,000 range.

Total Europe: Monthly EV demand



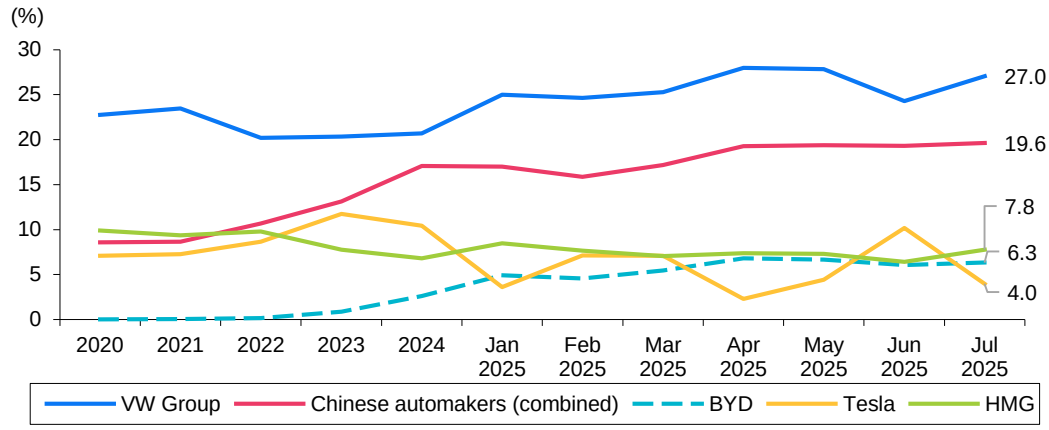
Source: EV-Volumes, Samsung Securities

European market: Change (y-y) in EV sales



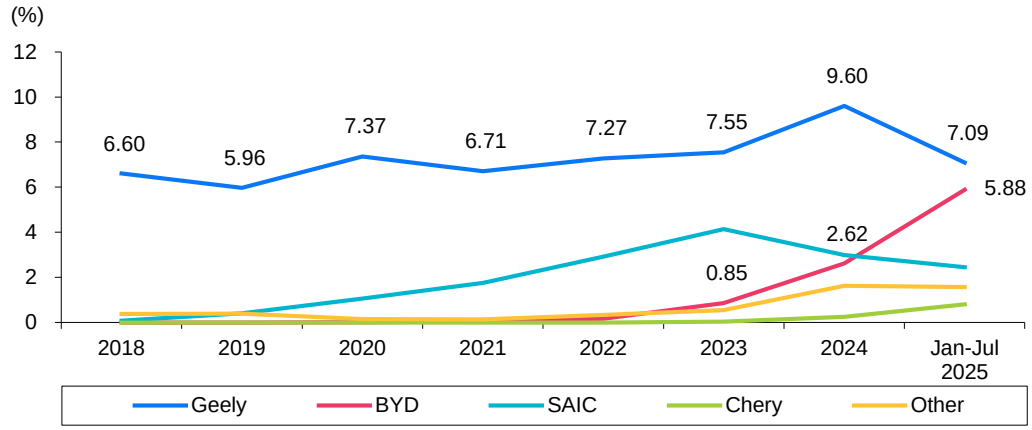
Source: EV-Volumes, Samsung Securities

Automakers: European market share, by company



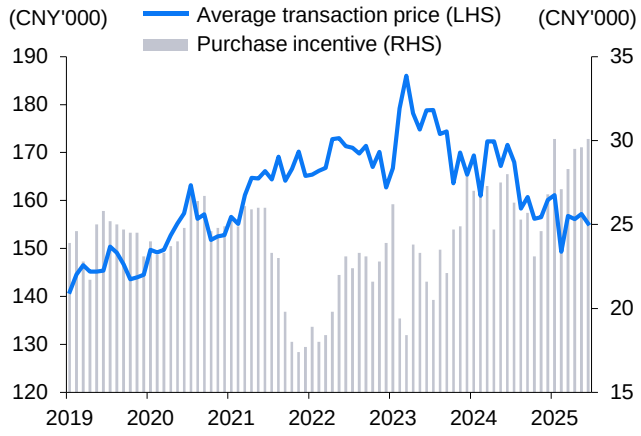
Source: EV-Volumes, Samsung Securities

Chinese automakers: European market share, by brand



Source: EV-Volumes, Samsung Securities

China market: Average transaction price

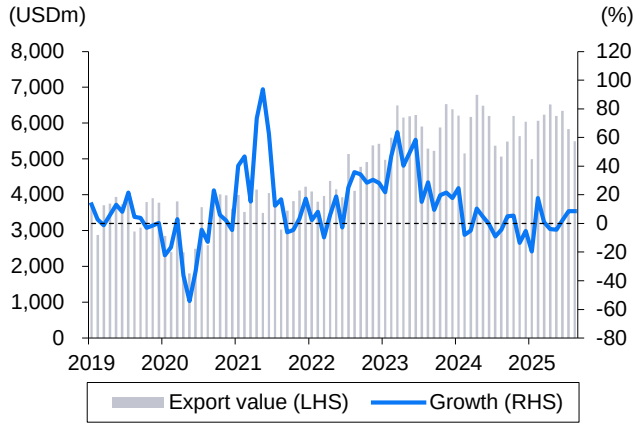


Source: Wind, Samsung Securities

BYD: Sales in China

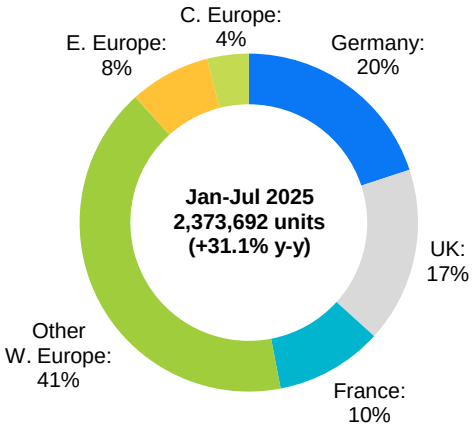
Source: CPCA, Samsung Securities

Korea: Monthly auto export value



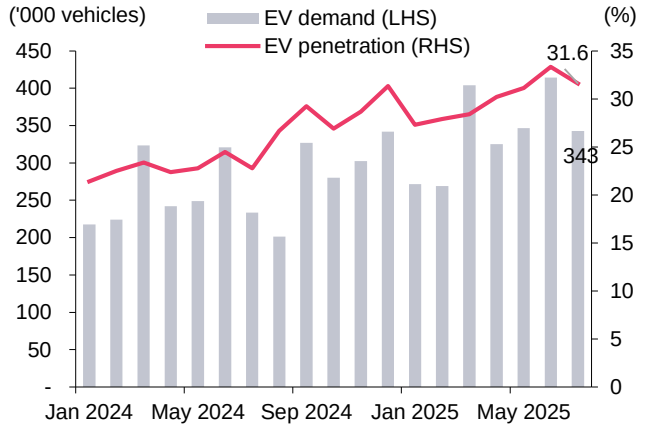
Source: CEIC, Samsung Securities

Europe: xEV demand, by country



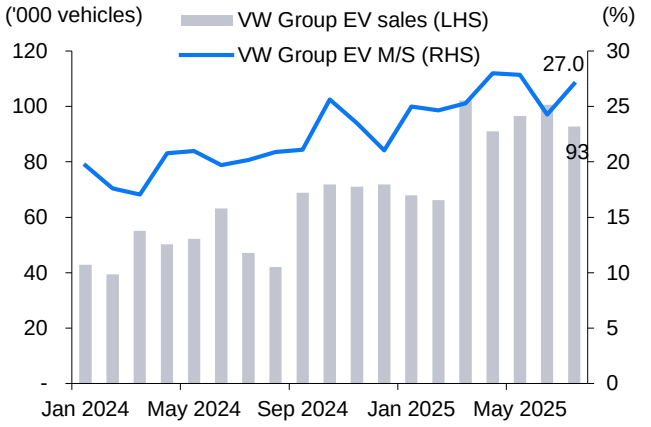
Source: EV-Volumes, Samsung Securities

Europe: EV demand vs penetration (new auto basis)



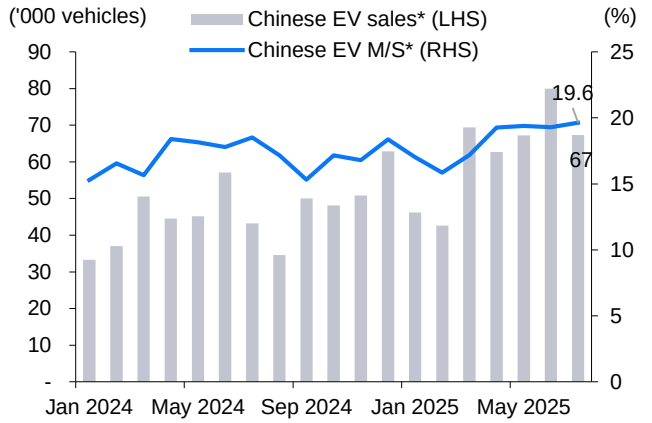
Source: EV-Volumes, Samsung Securities

Europe: VW Group sales volume vs market share



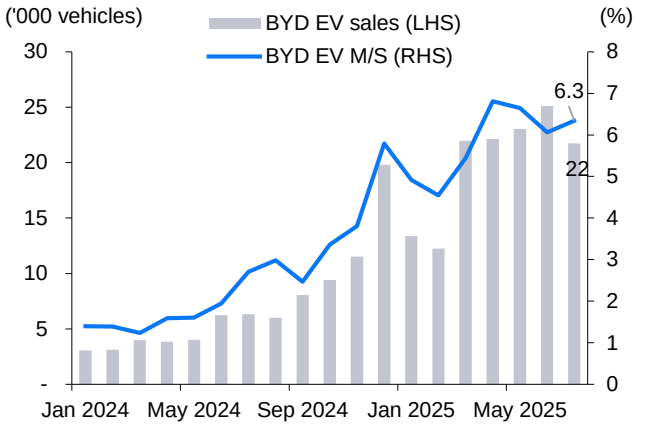
Source: EV-Volumes, Samsung Securities

Europe: Chinese EV sales volume vs market share



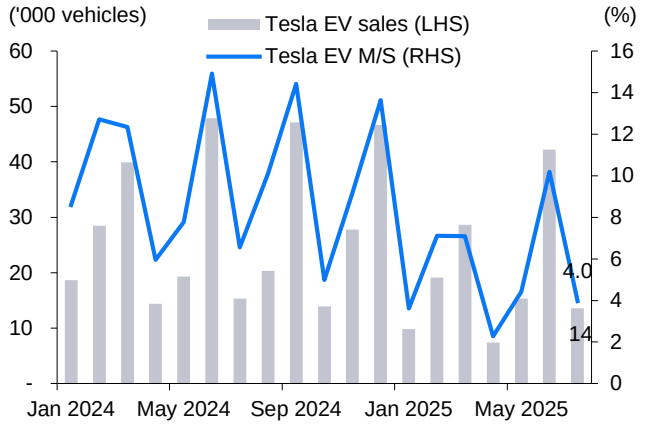
Note: Combined EV sales including BYD
Source: EV-Volumes, Samsung Securities

Europe: BYD sales volume vs market share



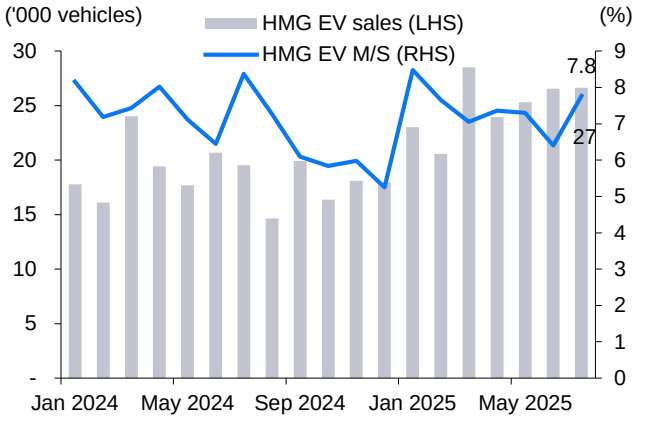
Source: EV-Volumes, Samsung Securities

Europe: Tesla's sales volume vs market share



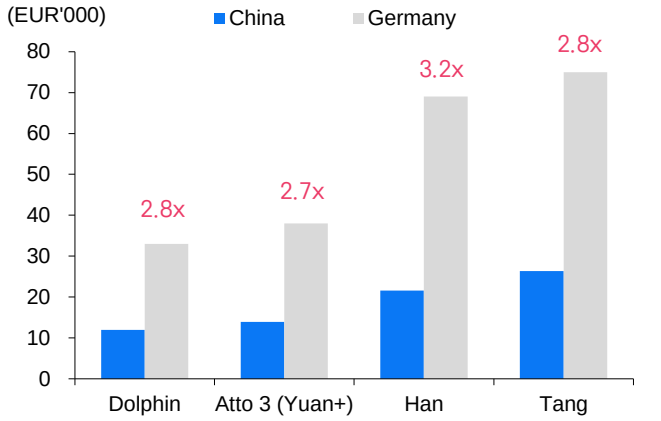
Source: EV-Volumes, Samsung Securities

Europe: HMG's sales volume vs market share



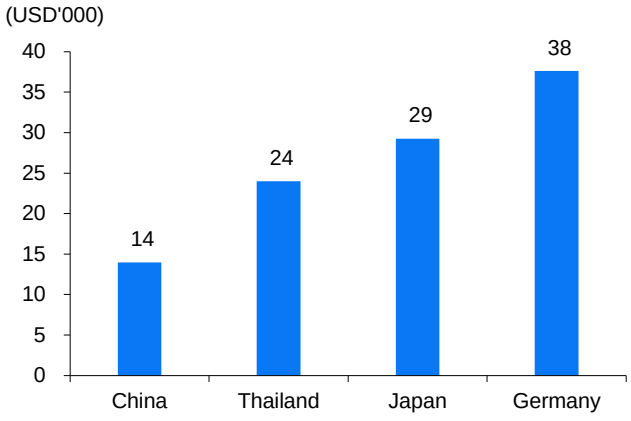
Source: EV-Volumes, Samsung Securities

Prices of BYD's flagship models: China vs Europe



Note: Chinese prices converted to euros at a rate of CNY1 = EUR0.12
Source: Company data, Samsung Securities

BYD: Atto 3 price, by country



Note: Exchange rate as of Apr 17
Source: Company data, Samsung Securities

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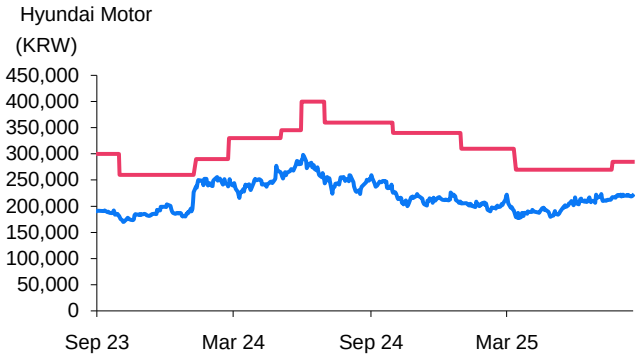
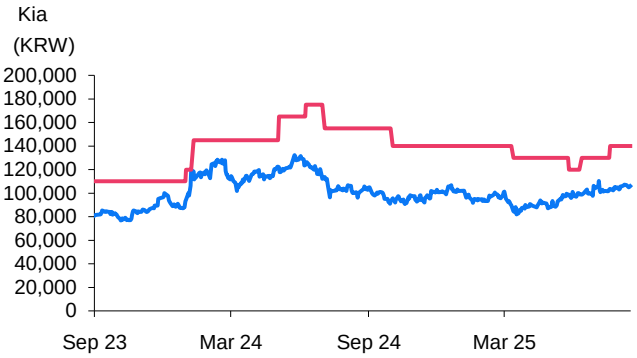
Target price changes in past two years





Rating changes over past two years (adjusted share prices)

Hyundai Motor											
Date	2023/4/26	10/26	2024/2/5	3/20	5/29	6/25	7/26	10/25	2025/1/24	4/7	8/14
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	300000	260000	290000	330000	345000	400000	360000	340000	310000	270000	285000
Gap* (average)	-34.65	-28.49	-15.25	-26.19	-21.52	-31.63	-32.30	-37.27	-34.90	-26.06	
(max or min)**	-30.00	-12.69	-11.90	-16.06	-16.96	-25.50	-28.06	-33.38	-28.39	-17.41	

Kia											
Date	2023/8/4	2024/1/26	2/5	5/29	7/4	7/29	10/28	2025/4/7	6/20	7/7	8/14
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	110000	120000	145000	165000	175000	155000	140000	130000	120000	130000	140000
Gap* (average)	-24.00	-12.23	-19.81	-24.20	-31.41	-34.54	-30.66	-30.49	-17.88	-21.50	
(max or min)**	-9.09	-0.42	-11.38	-19.82	-27.83	-27.68	-23.79	-23.38	-15.75	-15.08	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.06.30

BUY(81.8%)·HOLD(18.2%)·SELL(0%)

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