

# News Release

**FOR IMMEDIATE RELEASE**

## **Hyundai Motor Unveils Long-term Plans for Maximizing Shareholder Value, Securing Sustainable Growth**

- Company discloses long-term business targets prioritizing shareholder value
  - Invest KRW 45.3 trillion in R&D and future technologies
    - KRW 30.6 trillion for R&D and CAPEX
    - KRW 14.7 trillion for future-growth areas
- Company targets 7% operating profit margin; 9% ROE in automotive businesses
  - To achieve 7% operating profit margin, Hyundai will expand market share; improve cost & organizational efficiency; enhance product mix and brand value
  - To achieve 9% ROE, Hyundai will improve profitability and increase shareholder return based on balanced investment and efficient capital operation
- Secure KRW 14 ~ 15 trillion liquidity to guarantee sustainable growth

**SEOUL, Feb. 27, 2019** — Hyundai Motor Company today unveiled plans to invest more than KRW 45.3 trillion in research and development (R&D) and future technologies over the next five years, a move aimed at leading the paradigm change facing the automotive industry.

The company also suggested mid- to long-term profitability goals to reiterate its strong commitment to a management philosophy prioritizing shareholder value, and to engage in proactive communication with shareholders and markets.

In a meeting with investors hosted by President and Chief Executive Officer Wonhee Lee today in Seoul, Hyundai Motor said it will achieve a mid- to long-term operating profit margin of 7 percent, and a return on equity ratio of 9 percent in the automotive business division.

“With today’s announcement on our strategic investment plan, we re-emphasize Hyundai Motor’s commitment to enhancing shareholder value, improving competitiveness and profitability and stabilizing our financial structure to make it stable and healthy,” said President Lee.

### **Investment: R&D / Capital Expenditure**

Hyundai’s mid- to long-term investment plan will amount to KRW 45.3 trillion, including a KRW 30.6 trillion for R&D and capital expenditure on vehicle manufacturing, as well as a KRW 14.7 trillion in future-growth areas such as autonomous driving technologies, vehicle electrification and mobility services.

Through these investments, Hyundai will make concerted efforts to spearhead the fourth industrial revolution, being a game changer in the automotive industry.

Average annual investments are projected to top KRW 9 trillion over the next five years, a 58 percent increase from the last five year average of KRW 5.7 trillion.

Out of the KRW 30.6 trillion, a KRW 20.3 trillion will be spent on securing competitiveness in new vehicles and products, and a KRW 10.3 trillion will be earmarked for refurbishing outdated facilities and equipment.

A key part of the expenditure will be put into developing a new platform and powertrain, as well as new models embodying Hyundai’s new “Sensuous Sportiness” design philosophy. Investments will also be made for the Hyundai Motor SUV lineup. Following recent successful launches of the Kona compact SUV and the Palisade flagship mid-size SUV, a new Genesis brand SUV is set to join the range, doubling the number of SUVs from four in 2017 to eight by 2020.

This year’s introduction of a Genesis SUV will further broaden Hyundai Motor’s product mix, while enhancing its brand value. The new model will build on the significant success enjoyed by the Genesis G70 premium sedan, which has received widespread accolades from industry experts and customers, including the North American Car of the Year and *Motor Trend* Car of the Year. With an expanded U.S. dealership network and class-leading products such as G70, the Genesis brand will reach a 4.8 percent share in the U.S. premium vehicle market this year -- a goal of 31,000 units -- compared to 1.6 percent in 2018.

To pave the way for future growth totaling KRW 14.7 trillion, Hyundai earmarked KRW 6.4 trillion for smart mobility area, KRW 3.3 trillion for vehicle electrification, KRW 2.5 trillion in autonomous driving and connectivity technologies and KRW 2.5 trillion for the development of artificial intelligence and other advanced R&D activities.

With the automotive industry facing sea changes, a significant portion of Hyundai's investment will be allocated to developing future technologies and solutions. The company aspires to become a Smart Mobility Solutions Provider and has a vision for delivering clean mobility. Hyundai's global partners in smart mobility include Southeast Asia's largest ride-hailing enterprise Grab, India's car-sharing company Revv and a US-based mobility services provider Migo.

Hyundai is developing all types of electrified vehicles, from hybrid and plug-in hybrid to pure electric and fuel-cell electric models. Earlier this year, Hyundai Motor Group announced a plan to introduce 44 electrified models by 2025 with projected annual sales of 1.67 million units. Accelerated by its future investment strategy, the Group aims to spearhead global vehicle electrification and become one of the world's top three EV manufacturers by 2025.

In 2020, the company plans to introduce a new model built on a dedicated EV platform, while improving cost and technical efficiency in manufacturing EVs through wide-ranging innovations, such as battery system applications.

Hyundai will also reinforce its leadership in the global hydrogen fuel-cell vehicle market, moving beyond being the first automaker to successfully commercialize FCEVs in 2013. Earlier this year, Hyundai Motor Group introduced a plan to invest approximately KRW 8 trillion in securing a 500,000-unit-a-year FCEV manufacturing capability by 2030. By being the "first-mover," the company aims to accelerate the global community's transition toward a hydrogen society.

Hyundai is also blazing the trail in the development of autonomous and connected vehicles.

While continuously upping its technologies in Advanced Driver Assistance System (ADAS) and autonomous driving, it plans to run an autonomous robot taxi program in Korea by 2021 on a trial basis. In the connected car realm, which will function as a hub in the hyper-connected future economy, Hyundai will bolster competitiveness by partnering global firms with state-of-the-art competitiveness.

### **A clear road ahead toward reaching 7% operating profit margin, 9% ROE by 2022**

For the first time, the company also revealed specific and ambitious profitability targets, which reflect its commitment to enhance communication and increase shareholder value. Hyundai will also implement aggressive capital management strategies to grow shareholder returns and optimize capital operation efficiency through profitability improvements. The moves include raising the return-on-equity (ROE) ratio to a stable 9 percent by 2022, compared with 1.9 percent in 2018.

The strategies employed to grow the ROE ratio are designed to increase profit, boost shareholder returns, and promote policies for efficient capital management.

As part of the moves to improve ROE, the company plans to boost the core automotive businesses' operating profit margin to 7 percent by 2022, compared with 2.1 percent in 2018. To meet this target, Hyundai Motor will employ a series of strategies to improve cost structure and business efficiency, recover global market shares, and enhance its product mix and brand value across established and emerging markets.

“Hyundai will establish a platform for its sustainable growth by increasing competitiveness-enhancing investments. Through concerted efforts at increasing diverse shareholder values, we will also demonstrate that we can reach a return on equity well within the deadline,” said President Wonhee Lee.

The company will also continue its market-friendly efforts to boost shareholder return. Shortly after Hyundai Motor announced its progressive shareholder policy in 2014, the company bought back 1% of its shares and raised its dividend to KRW 4,000 in 2015 from KRW 1,000 per share in 2013. Despite weakened profitability, the company implemented major buyback and cancellation last year as part of its efforts to keep its commitment to shareholders and the market.

The company will maintain a payout equivalent to 30-50 percent of free cash flow (FCF) and similar rates of the average payouts of its peers while increasing total return to shareholders in line with profitability growth.

### **Liquidity Required**

The company needs to secure approximately KRW 14 ~ 15 trillion in liquidity for sustainable growth. Securing this liquidity will mean the company can ensure shareholder returns, invest in new capital expenditure and fund R&D spending. This also provides the company operating capital and buffers for contingencies, or one-off expenses, to ensure the company can enjoy sustainable and steady growth.

In addition to ensuring sufficient minimum working capital for operation, the company believes that more than KRW 1 trillion annually should be secured to enable a more market-friendly shareholder return.

The company also needs to maintain liquidity for investment into future technologies and the development of a new model line-up to strengthen its competitiveness. For comparison, other global automotive manufacturers maintain an average liquidity of KRW 24 to 25 trillion.

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### **About Hyundai Motor Company**

Established in 1967, Hyundai Motor Company is committed to becoming a lifetime partner in automobiles and beyond with its range of world-class vehicles and mobility services available in more than 200 countries.

Employing more than 110,000 people worldwide, Hyundai sold more than 4.5 million vehicles globally. Hyundai Motor continues to enhance its product line-up with vehicles that help to build a more sustainable future, such as NEXO – the world's first dedicated hydrogen-powered SUV.

More information about Hyundai Motor Company and its products can be found at:

<http://worldwide.hyundai.com> or <http://globalpr.hyundai.com>

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**Contact:**

**Jin Cha**

Global PR Team / Hyundai Motor

[sicar@hyundai.com](mailto:sicar@hyundai.com)

+82 2 3464 2128