

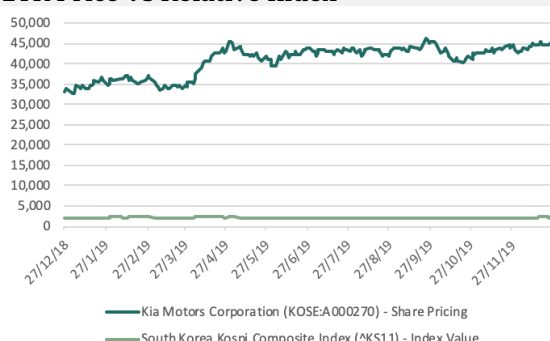
Analysts

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Nicholas Aw Yong Ke Hao
Christabelle Farand Effendy
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Basic Issuer Information

Issuer Kia Motors Corporation
Equity ticker 000270.KS
Corporate ticker KIMTF
Credit Rating (M/S/F) Baa / BBB+ / BBB+
Country of risk South Korea
Sector Auto Industry

1YR Price Vs Relative Index



Key Financials

(Korean Won)	<u>FY17A</u>	<u>FY18A</u>	<u>FY19E</u>	<u>FY20E</u>
Revenue	53.54 m	54.17 m	55.44 m	56.73 m
Gr Rate (%)	1.56%	1.18%	2.34%	2.34%
EBITDA	2.52 m	3.09 m	3.04 m	3.40 m
Margin (%)	4.70%	5.71%	5.49%	5.99%
FFO	1.10 m	2.80 m	3.54 m	3.99 m
CFO	2.59 m	4.47 m	2.52 m	2.97 m
Capex	0.24 m	1.23 m	0.59 m	0.60 m
FCF	-0.25 m	0.1 m	0.68 m	0.66 m
Debt/EBITDA	5.55	3.87	3.98	3.25
EBITDA/Int	11.43	15.18	13.73	15.33
D/E Ratio	0.36	0.36	0.36	0.36

Key Executives

Lee, Hyung-Keun CEO, Vice-Chairman & Publications Director
Park, Han-Woo CEO, President & Standing Director
Han, Chun-Soo CFO, Executive VP & Director

The Power to Surprise

We are initiating coverage of Kia Motors Corporation with a Hold rating on KIA Motors Corporation 3.00% 25-Apr-23.

Recent Developments

- 1) New Production Plants.** Kia's new India plant began production in 2H2019 as planned. Following the event, Hyundai Motor Company (owns 33.88% of Kia Motors Corporation) signed a US\$1.55 billion deal in November to build a plant in Bekasi, Indonesia.
- 2) Legal Settlement over Engine Issues.** In October 2019, Kia Motors Corp earmarked 300 billion won in its third quarter earnings to settle class action litigation over engine related problems. This settlement will affect 1.8 million vehicles.
- 3) Heavy investments in electrification and future mobility**
Kia Motors entered into a series of investments in joint ventures, with the biggest one so far with Aptiv, valued at \$4 billion. The group also invested in a self-driving car startup Aurora and ride hailing companies Grab and Ola.
- 4) Rating Downgrade to BBB+/Baa1**
S&P Global Ratings downgraded its rating for Kia Motors to BBB+ from A- with a stable outlook on 31 October 2018. Moody's Investor Service also downgraded the outlook for Kia Motors from stable to negative on 1 November 2018.

Key Credit Considerations

Prima facie, with muted growth outlook of the automotive industry, coupled with Kia Motor's trend of low profitability amidst deteriorating credit ratios, Kia Motors may seem to be credit negative. However, we believe that Kia Motors' expansion into the emerging markets such as India and Indonesia will drive future growth trajectory. We also believe its new range of EVs have yet to be fully priced in. Our Hold rating on KIA Motors Corporation 3.00% 25-Apr-23 is supported by Kia Motors' strong balance sheet that lays groundwork for growth and ability to generate free cash flows as well as relative valuation against its peers issuances.

Credit Negative

- 1) Deteriorating Interest Coverage Ratio and Quick Ratios
- 2) Muted and competitive automotive industry
- 3) Low Profitability

Credit Positive

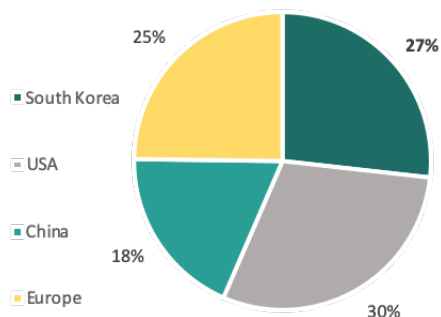
- 1) Strong Balance Sheet with support from parent company
- 2) SUV rollouts can bolster profitability
- 3) Earning Momentum of Kia Motors' foray into India
- 4) Kia Motors' positive prospect in the EV market

Figure 1. Kia Motors' Cars



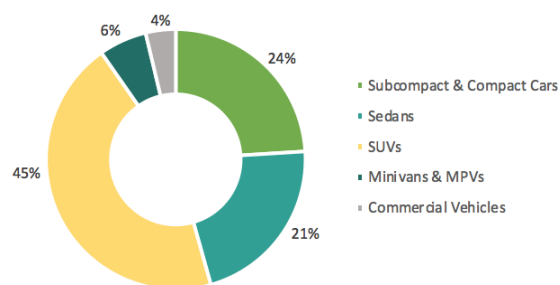
Source: Kia Motors

Figure 2. Revenue Breakdown by Regions



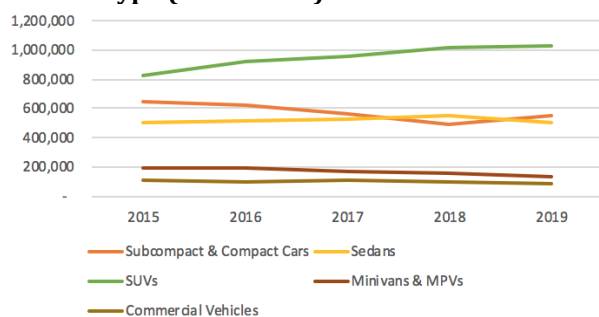
Source: Capital IQ, Annual Report

Figure 3. KIA Global Retail Sales by Vehicle Type



Source: KIA Investor Relations

Figure 4. KIA Global Retail Sales Growth by Vehicle Type (2015-2019)



Source: KIA Investor Relations

Company Overview

Headquartered in Seoul, South Korea, Kia Motors Corporation is a Korea-based company principally engaged in the manufacture and distribution of automobiles. Founded in May 1944, Kia Motors is South Korea's oldest manufacturer of motor vehicle and second-largest automobile manufacturer. In December 2015, Kia Motor Corporation became a subsidiary under Hyundai Motor Corporation, which owns a 33.88% stake in it. Currently, the company produces over 1.5 million vehicles a year in 13 manufacturing and assembly plants located in 8 countries, which are then sold and serviced through a network of distributors and dealers covering 172 countries.

Kia Motor Corporation distributes its products within domestic market and to overseas markets, such as North America, Europe and other Asian countries. In 2018, sales ratio of Korea, USA, China, Europe and Emerging Markets stood at 18.9% (531.7 million), 21.0% (590.583 million), 13.2% (370.575 million), 17.5% (491.797 million) and 29.4% (827.639 million) respectively.

As of 14 November 2019, the Corporation's market capitalization stood at USD15.13 billion. Today, the corporation has 40,000 full-time employees worldwide and annual revenues of over US\$14.6 billion. Its main business includes the manufacturing, sale and export of passenger cars, minivans, trucks, and commercial vehicles, and its products include passenger vehicles, recreational vehicles (RVs), taxi/bus/commercial vehicles as well as hybrid vehicles. The Corporation also engages in the manufacture of automobile components and tools, as well as provision of rental and maintenance services. However, this aspect of the business only constitutes a negligible percentage of their annual revenue and hence, are not disclosed in its annual reports. As such revenue by segment would encompass largely automobile manufacturing.

Kia Motor Corporation's main customers include Hertz Global Holdings Inc, Hyundai Motor Company and Avis Budget Group which contributes to 3.58%, 3.26% and 2.69% of the Corporation's annual revenue respectively.

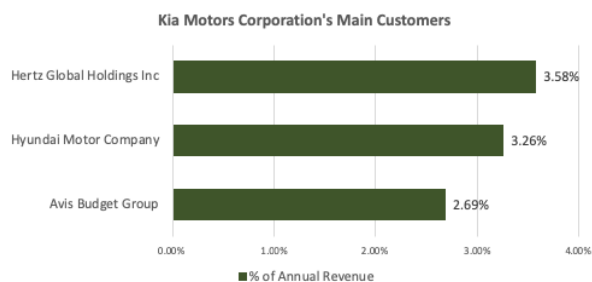
The Corporation's largest suppliers include Hyundai Mobis Co Ltd, Hyundai Glovis Co Ltd, Hanwha Corporation, Hyundai Motor Company, Hyundai Wia Corporation, Mando Corporation and Hyundai Transys Inc., which accounts for 23.83%, 8.43%, 7.45%, 5.79%, 5.76%, 2.41% and 2.46% of the Corporation's cost of goods sold respectively, of which most of the suppliers belongs to its parent company, Hyundai Motor Company. We can see in Figure 4 that the SUV segment has always been Kia Motors' main product followed by Compact & Subcompact Cars and Sedans.

Kia Motors has a complicated group structure with a total 28 subsidiaries as depicted in Figure 5.

Recent Earnings Review

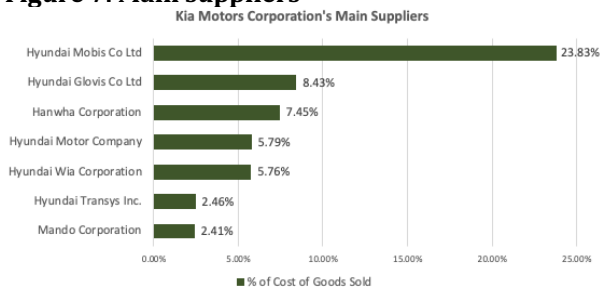
The following financial results were reported in the third quarter of 2019. Kia Motors Corporation saw a 7.2% yoy increase in sales revenue, totalling to 15.1 trillion won. Operating profit was at 291 billion won, a 148.5% yoy increase. Net profit was 326 billion won, 9.4% increase from the year before.

Figure 6. Main Customers



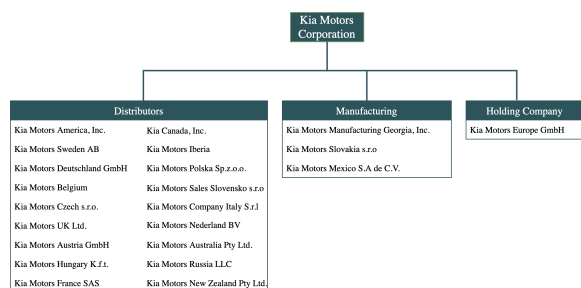
Source: Bloomberg

Figure 7. Main suppliers



Source: Bloomberg

Figure 8. Corporate Tree



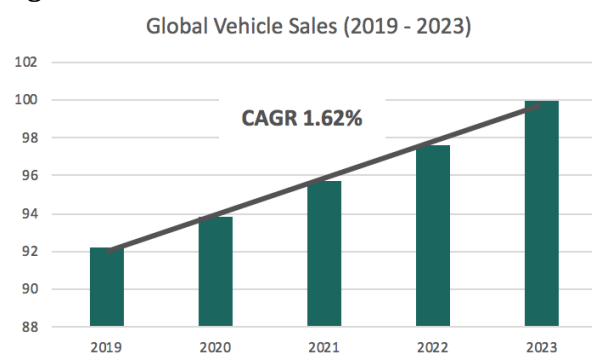
Source: Bloomberg

Figure 9. Top 5 Public Shareholders

Latest Holders		
Holder	Common Stock Equivalent Held	% Of CSO
Hyundai Motor Company	137,318,251	34.25
National Pension Service	26,320,084	6.565
First Eagle Investment	14,851,216	3.704
BlackRock, Inc.	8,734,079	2.178
The Vanguard Group, Inc.	7,150,324	1.783

Source: FactSet

Figure 10. Global vehicle sales forecast



Source: Fitch Connect

For the first 3 Quarters of 2019, Kia Motor Corporation's global retail sales fell by -1.0% from 1-3Q2018, less adverse than industry global retail sales fall of -5.6% from 1-3Q2018. The Corporation performed better than the industry average in Western Europe and the U.S., where retail sales from 1-3Q2018 to 1-3Q2019 increased by 0.9% and 2.6% respectively for the Corporation as opposed to -1.6% and -1.2% for industry average. On the other hand, retail sales in China and Korea from 1-3Q2018 to 1-3Q2019 fell by -11.0% and -4.9% respectively as compared to -8.8% and -3.1% for the industry. This could be attributed to the new model effect of Seltos & F/L effect of K7/Mohave which led to a successful turnaround in 3Q and made up for 1H in Korea. Additionally, despite a fall in industry demand, sales increased with new model Ceed CUV and there were sales improvement of Niro and Stonic as well as increased sales of green cars in Europe.

Sales revenue, gross profit, operating profit and net profit for 1-3Q2019 increased by 3.3%, 13.6%, 83.0% and 39.4% respectively from 1-3Q2018. Kia Motor Corporation's sales revenue by region increased by 3.3% overall from 1-3Q2018 to 1-3Q2019 due to an increase in domestic sales and export sales, as well as positive movements in the exchange rate for USD/KRW, EUR/KRW and RUB/KRW.

Ownership and management

Top 5 Public Shareholders

The top 5 shareholders are shown in Figure 9. We find a large proportion (34.25%) of common shares equivalent to be held by its parent company, Hyundai Motor Company. As they are related parties, we believe that Hyundai Motor Company would have vested interest in Kia Motors and a decrease of shareholders would thus be unlikely. The next in rank would be the National Pension Service which belongs to the Korean Government. Similarity, we view this shareholder vested interest in Kia Motors.

Major Shareholder - Hyundai Motor Company

Kia Motors' parent company, Hyundai Motor Corporation has a credit rating similar to Kia Motors' BBB+ (S&P Ratings) and Baa1 (Moody's). The company has a debt to capital ratio of 50.3%, slightly than the industry mean of 43.0%. Hyundai Motors has a substantial portion of its balance sheet in cash and cash equivalents with 1.6x of Percentage of Liabilities to Percentage of Cash as compared to 3.4x of its peers. As such, Hyundai Motors is considered to have a strong balance sheet in terms of liquidity.

Automotive Industry Outlook

GLOBAL OUTLOOK

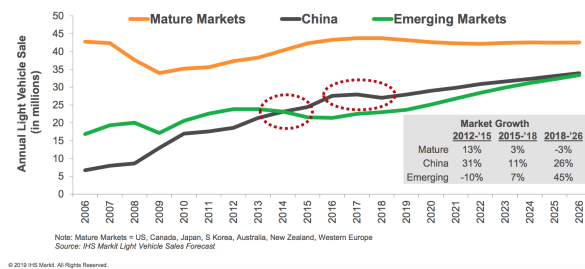
Stagnating Sales, Maturing Market and Shift towards Emerging Markets

Sales and production within the automotive industry are stagnating as a result of a maturing market cycle paired with shifts in consumer preferences, technological disruptions, tightening international regulations and the backdrop of political instability (US-China Trade War, Brexit) causing significant risks and uncertainties associated with increasing input prices and regulatory changes.

Fig 11. Stagnating growth in mature markets

The Changing Automotive World

Emerging Markets Outlook is Key to Growth; Limited Potential in Mature Markets



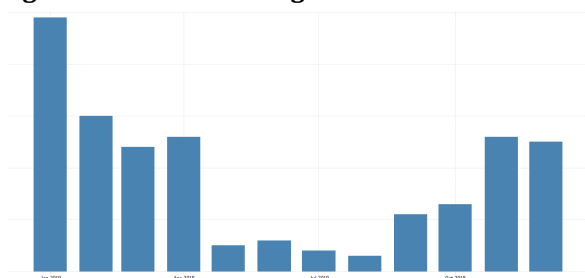
Source: IHS Markit

Currently, the global automotive industry's Vehicle Production is estimated to grow at a CAGR of 1.92% from 2019 to 2023 to reach 103.17 million units in production, where Passenger Car Production from 2019 to 2023 will grow at a CAGR of 1.68% to reach 73.8 million units and Commercial Vehicle Production from 2019 to 2023 will grow at a CAGR of 2.52% to reach 29.32 million units (Fitch Solutions, 2019).

On the other hand, Vehicle Sales in the global automotive industry is projected to increase at a **CAGR of 1.62% from 2019 to 2023, which would result in global sales of 99.92 million units in 2023** (Fitch Solutions, 2019). Global Passenger Car Sales is expected to increase at a CAGR of 1.47% from 2019 to 2023 to hit 69.04 million units, while global Commercial Vehicle Sales is projected to grow at a CAGR of 1.86% in the same period to hit 30.32 million units (Fitch Solutions, 2019).

As the market for vehicles sales starts to stagnant in the developed countries, automakers are now increasingly look for growth in emerging markets, particularly in Asia Pacific.

Fig 12. US Manufacturing PMI



Source: Tradingeconomics

Macroeconomic Factors, Environmental Regulations and Emission Laws Affecting Consumer Sentiments

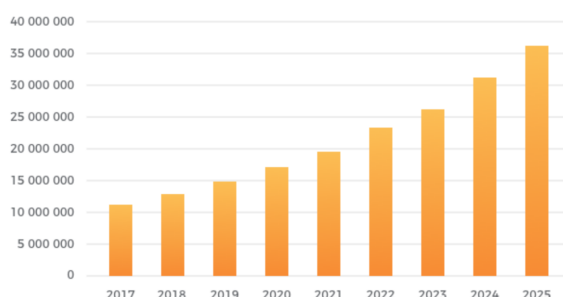
Original Equipment Makers for the auto industry or "OEMs" are facing multiple obstacles brought on by macroeconomic factors such as rising environmental regulations and emission laws, as well as uncertainties surrounding the US-China Trade War and the Brexit and USMCA deal.

With the increased pressures and environmental regulations surrounding car manufacturers, OEMs are being compelled to ensure that their vehicles adhere to the increasing fuel efficiency and carbon emissions laws. Moreover, the rising emission and pollution laws and regulations are also causing more car manufacturers to invest heavily in lower-emissions technology and electric vehicles in order to comply with impending regulations. The possible resounding effects of tariffs and quotas imposed by the US-China trade war also creates concern for manufacturers, as the imports and exports of automobiles and auto parts may become victims of the trade war causing profit margin erosion for manufacturers.

Uncertainties surrounding the US-China trade war and the Brexit and USMCA deal has also been dampening consumer sentiments as customers remain cautious amidst the changing political scenery. These macroeconomic factors affecting global markets are expected to continue in 2020 and would continue to stifle sales before recovery in about 2023.

Figure 13. Expected growth of car-sharing users

Number of car sharing users 2017 - 2025

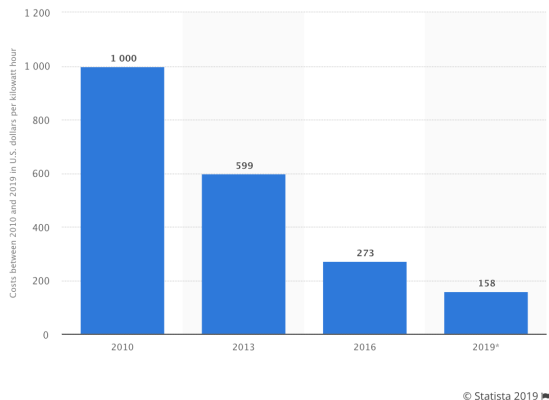


Source: Frost & Sullivan

Industry-Wide Restructuring Towards ACES and Emerging Forms of Vehicle Ownership

Dominant trends and technological disruptions in recent years such as decreasing sedan sales, rising alternative fuel powertrains, particularly electric vehicles (EVs), and higher demand for value-added services in digital retail is expected to persist. Currently, sales of traditional cars with internal combustion engines (ICEs) have been stable, but manufacturers now face the challenge with the emerging trends of autonomous, connected, electric and shared mobility (ACES).

Figure 14. Cost of automobile battery, 2010-2019



Source: Statista

Moreover, emerging forms of vehicle ownership, such as subscription services and e-powered ride-hailing services, are also becoming more popular. Hence, car manufacturers are investing more in research and development for electric and autonomous vehicles, both to meet changing regulatory standards, and in anticipation of future driving trends. However, this is proving to be expensive and may further dampen manufacturers' profits.

The Global Connected Car Market size is valued at \$63,026.0 million in 2017, and is projected to reach \$225,158.0 million by 2025, registering a CAGR of 17.1% from 2018 to 2025 (Valuates Reports). The 20th KPMG Global Automotive Executive Survey (GAES) named connectivity and digitization as the top trends in the automotive industry in 2019. IHS Markit forecasts that, in 2021, about 51,000 vehicles sold globally will be AVs.

Manufacturers are also challenged by the shift from personal vehicle ownership towards shared mobility. Frost & Sullivan expects the industry to maintain a 16.4% CAGR in the period 2017-2025, reaching 36 million users by 2025. Current market leaders are the U.S. and Western Europe, but Asia is forecasted to see the fastest growth in the coming years. As people continue to embrace car-sharing as a preferred mode of transport, companies must increasingly rely on fleet sales. According to a McKinsey report, by 2030, more than 30% of miles driven in new cars could be from shared mobility, where it is estimated that up to one out of ten new cars sold in 2030 would be a shared vehicle. This would, however, reduce sales of private-use vehicles. Hence, the outcome is uncertain as on the one hand, this means that there could be reduced demand for vehicle ownership, but on the other hand, cars would need to be replaced more often due to wear and tear.

Full Electrification Unlikely in the Near Future as Battery Costs Remains High

EV distribution has grown tremendously over the past 10 years, with global inventory of electric passengers surpassing 5 million in 2018, a 63% increase from 2017. While we see many big automakers expand their EV lineups, the takeup is still relatively modest as full electrification does not depend on the product value alone but also supporting industrial policies to increase adoption rates, access to raw materials and source of energy production.

Currently, batteries still make up a significant proportion of the cost of BEVs, raising consumers' concerns about the cost of electric vehicle ownership. A gradual reduction in battery cost will be key in addressing the commercial viability of electric cars moving forward. While the cost of an automotive battery pack has decreased steeply from 2010 to 2019, and will continue to decrease due to increased scale and experience, further reductions is limited by size as current battery technology is still volume-dependent.

Today, EVs cost approximately \$12,000 more than ICE vehicles, according to McKinsey, and battery cost stands to be the largest factor in the price differential. Hence, we expect to see more intensive capital outlay to invest in cost-saving technologies before electric vehicles fully take off. In the meantime, OEMs is likely to absorb losses in the short term, or seek alternatives by forming strategic joint ventures,

targeting niche segments or exploring new business models such as fleet sales or battery leasing.

U.S. OUTLOOK

The US Automotive Market is anticipated to grow at a CAGR of 1.56% for Vehicle Production and **0.82% for Vehicle Sales during the forecast period, 2019-2023** (Fitch Solutions, 2019), where S&P Global anticipates a sales decline in the light-vehicle segment by 3% yoy in 2019, and further declines in 2020 and 2021. However, the decline is ameliorated by a stronger product mix in favour of high volume models (CUVs, SUVs, minivans and pickups).

The used car segment recorded a 9% yoy sales growth in 1H2019 (JD Power), due to an influx of off-lease models this year, as well as all-time high new car prices. The preference for used cars is likely to continue given the impact of higher tariffs on new vehicles. The shift in preference away from new cars will induce companies to look for growth in emerging markets such as India.

US automakers faced industry-wide challenges that forced several companies to shut down unprofitable plants and cut jobs to get rid of excess capacity. This is likely due to tariffs that even led to a rise in domestic steel prices, and rising interest rates. GM closed down three plants in 2019 alone, including the large assembly plant in Ohio, which led to public backlash and strikes by the United Auto Workers (UAW). Ford also closed its Brazil plant, which was operating at 19% capacity (company figures), much below the industry's breakeven rate of 70-75%, according to AlixPartners.

EUROPE. OUTLOOK

The Europe Automotive Market is anticipated to grow at a CAGR of 1.09% for Vehicle Production and **0.73% for Vehicle Sales during the forecast period, 2019-2023** (Fitch Solutions, 2019).

1Q2019 data from the European Automobile Manufacturers' Association (ACEA) showed an increase in demand for Alternatively-powered Vehicles (APVs) by 25.9% yoy, driven mainly by a 40% increase in registrations in the EV segment and 33.3% increase in the HEV segment. Meanwhile, petrol and diesel vehicles saw a change in demand by +3.3% and -17.9% respectively. We foresee the APV segment is likely to continue growing at a rapid pace, especially coupled with supporting regulatory changes in the region.

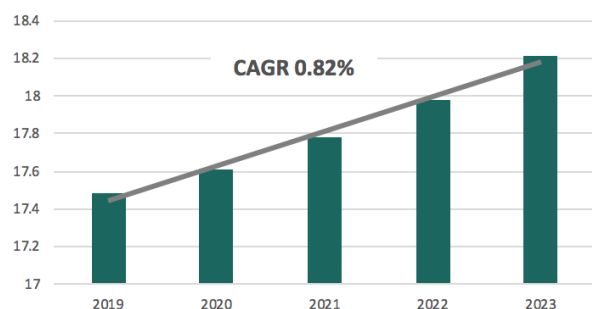
On the regulatory front, the EU has progressively introduced stricter CO2 limits and vehicle testing procedures. As of 2017, new cars must pass tests in both real driving conditions (Real Driving Emission (RDE)) and laboratory conditions (World Harmonised Light Vehicle Test Procedure (WLTP)). Furthermore, on 17 April 2019, the European Commission adopted new CO2 standards for light duty vehicles (LDVs) and heavy duty vehicles (HDVs), which will take effect from 1 January 2020. The tightening regulations have taken a toll on manufacturers' costs and eroded profit margins.

ASIA OUTLOOK

Asia-Pacific held the largest market share of 53.91%, sized at 52,249 thousand units in 2017. The Asia Automotive Market is anticipated to grow at a CAGR of 2.08% for Vehicle Production and **1.85% for Vehicle Sales during the forecast period, 2019-2023** (Fitch

Figure 15. U.S. vehicle sales forecast

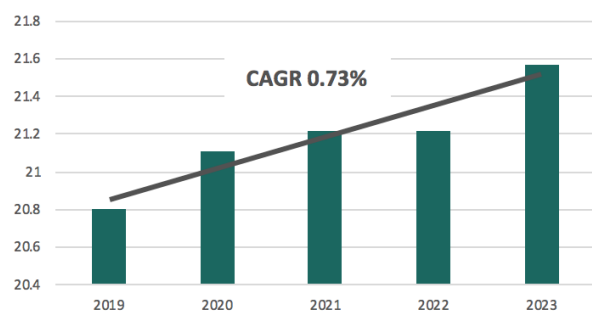
U.S. Vehicle Sales (2019 - 2023)



Source: Fitch Connect

Fig 16. Europe vehicle sales forecast

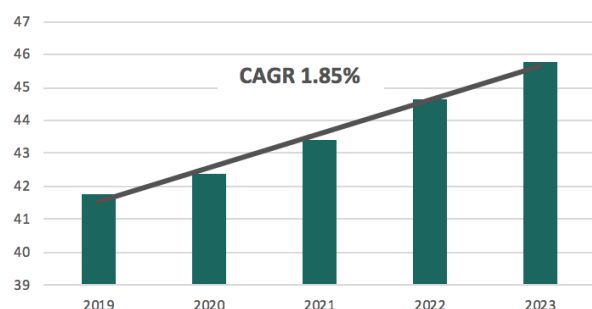
Europe Vehicle Sales (2019 - 2023)



Source: Fitch Connect

Fig 17. Asia vehicle sales forecast

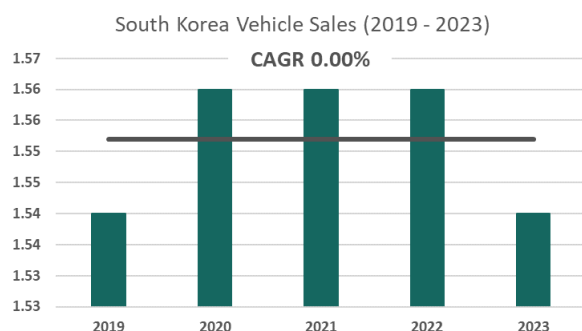
Asia Vehicle Sales (2019 - 2023)



Source: Fitch Connect

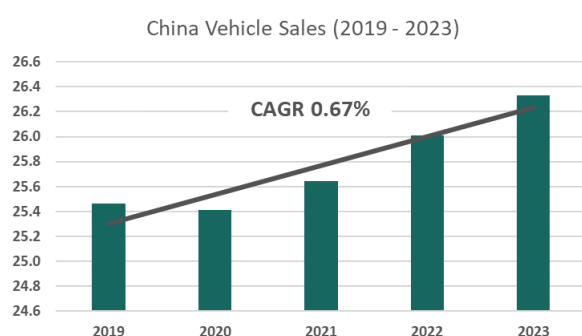
Solutions, 2019). There is increased interest in alternative powertrain technology across the region, according to Deloitte's 2019 Global Automotive Consumer Study: APAC.

Fig 18. South Korea Vehicle Sales Forecast



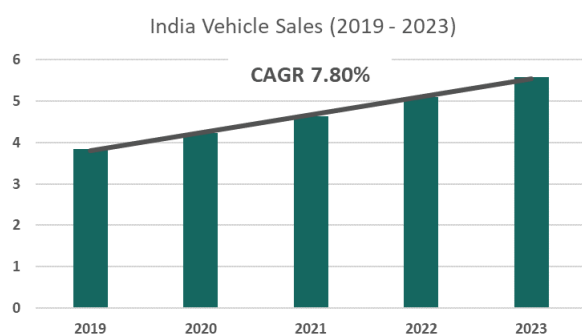
Source: Fitch Connect

Fig 19. China Vehicle Sales Forecast



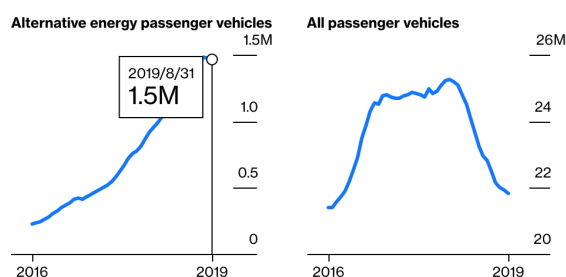
Source: Fitch Connect

Fig 20. India Vehicle Sales Forecast



Source: Fitch Connect

Fig 21. Overall passenger vehicle sales in China on the decline while sales of alternative energy powertrains rise



Source: Bloomberg

SOUTH KOREA OUTLOOK

The South Korea Automotive Market is anticipated to grow at a CAGR of 1.41% for Vehicle Production and **0.00% for Vehicle Sales from 2019-2023** (Fitch Solutions, 2019). Korean vehicle production continued to decline for the third consecutive year (-2.1% in 2018). Both sales and exports fell while imports grew. Being export-oriented, Korean automakers face declining exports due to uncertainties surrounding the trade war (US & China are key markets) as well as steel and automobile tariffs.

CHINA OUTLOOK

The China Automotive Market is anticipated to grow at a CAGR of 0.79% for Vehicle Production and **0.67% for Vehicle Sales during the forecast period, 2019-2023** (Fitch Solutions, 2019). Auto sales in China fell by 9.6% yoy to 2.06 million in 1H2019 (China Association of Automobile Manufacturers). This is in response to slowing growth and weakened confidence due to the trade war. The 3Q2019 GDP stood at 6%, the lowest since 1992. However, a McKinsey report suggested that the sluggish demand is short-term, and that underlying demand will "remain robust" in the long-run, driven by sustained demand for vehicle ownership. Segments that maintained healthy growth are the luxury, new energy and used car markets. This is also indicative of a shift in preference away from traditional vehicles.

INDIA OUTLOOK

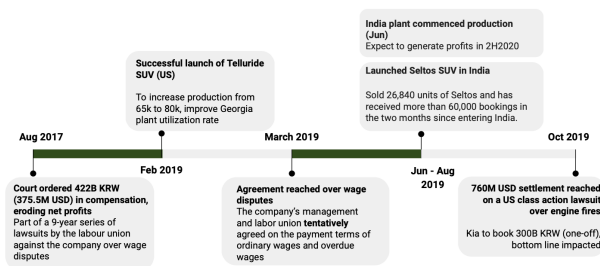
The Indian Automotive Market is anticipated to grow at a CAGR of 8.37% for Vehicle Production and **7.80% for Vehicle Sales during the forecast period, 2019-2023** (Fitch Solutions, 2019). At a glance, India seems to be the sweet spot for growth opportunities in emerging markets. GDP growth is well above 5% and the middle class is burgeoning. However, the non-bank financial companies (NBFCs) continued to show signs of weakness, following the default of the Infrastructure Leasing & Financial Services (IF&LS) in September 2018. This produced a domino effect on India's economy, including real estate and automobile. Prior to the scandal, mutual funds were a major source of liquidity for NBFCs, making up 45-50% of their funding. As the funds halt lending, the NBFCs faced a liquidity squeeze. The ripple effect was felt in the automotive sector as around 95% of auto loans were financed by NBFCs or agents, as opposed to banks (this is mainly due to the relative ease and speed of obtaining the loan). As a result, auto loans dropped 69% in 1H2019.

Recent developments

New Production Plants

Kia's new India plant began production in 2H2019 as planned. Following the event, Hyundai Motor Company (owns 33.88% of Kia Motors Corporation) signed a US\$1.55 billion deal¹ in November to build a plant in Bekasi, Indonesia, as the group's entry point into the ASEAN market. It has a targeted annual capacity of 250,000 vehicles a year. The company could take advantage of lower import tariffs between 5 to 8% in the ASEAN region and higher growth rates of ASEAN countries, especially Thailand and Indonesia.

Fig 22. Recent Developments



Source: Team Research

Legal Settlement over Engine Issues

In October 2019, Kia Motors Corp earmarked 300 billion won in its third quarter earnings to settle class action litigation over engine related problems². This settlement will affect 1.8 million vehicles from Kia's Sonata, Santa Fe Sport and Tucson range of models. These models are installed with Theta II gasoline injection (GDI) engines. Additionally, Kia will have to install engine failure monitors, compensation alternatives and lifetime warranties. This move comes shortly after National Highway Traffic Safety Administration (NHTSA) restarted investigation into Kia's non-crash fires in March 2019.

Rating Downgrade to BBB+/Baa1

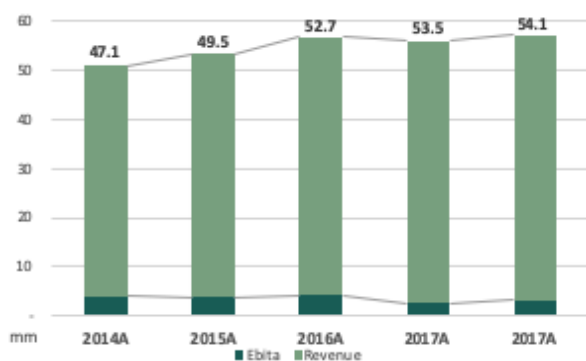
S&P Global Ratings downgraded its rating for Kia Motors to BBB+ from A- on October 31 2018, citing weakened profitability will continue over the next couple of years. This downgrade was largely due to intensifying competition in the U.S. and China, weak product mix and an overall stagnating growth in car demand. More specifically, macroeconomic volatility surrounding the trade war, quality-related provisions, labour union disputes and tightening environmental regulations are several major risks to Kia's recovery from its weak operating performance in 2017. It is to note that Kia's rating and outlook are closely linked to HMC's rating due to mutual support and considerable synergies between the two companies. S&P has maintained a stable outlook owing to Kia's strong balance sheet and net cash position.

Heavy investments in electrification and future mobility

With many global automakers undergoing mergers and forging alliances to share the financial burden of developing autonomous driving technology, Hyundai and Kia are finally catching up to their rivals in a series of investments in JV. The biggest one so far is with Aptiv, valued at \$4 billion. The group also invested in a self-driving car startup Aurora. In March, Hyundai Motor and Kia announced a plan to invest \$300 million in Indian ride-hailing platform Ola, following the \$275 million that the pair invested in Singapore-based ride-hailing firm Grab last year. We find that the problem of excess capacity that Kia (and other global car manufacturers) is facing, the JV and strategic partnerships will alleviate some of the financial burden of developing the technology in the short term.

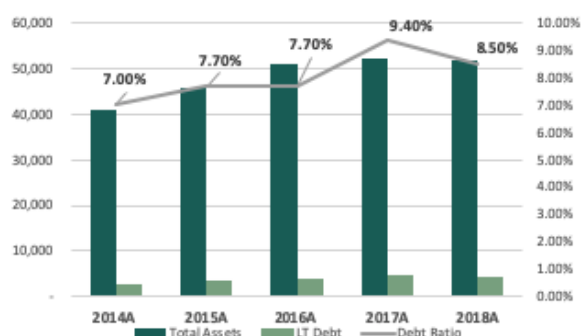
Stagnating Demand and Excess Capacity. With the slowing economy, trade war and newly implemented emission regulations⁴, China saw the 17th consecutive month of decline in vehicle sales in November 2019. Additionally, with the tightening of regulation of non-banking finance companies (NBFC) in India, vehicle sales logged the 11th straight month of decline in September 2019. This lackluster demand has resulted in under-utilisation of Kia Motor's DYK Manufacturing Plant in China, manufacturing at 32.5% of its capacity.

Figure 23. Revenue and EBITDA trend



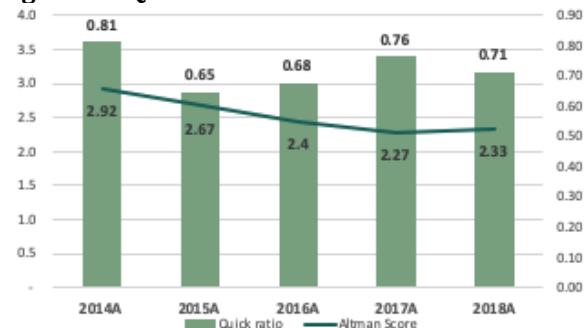
Source: Annual report

Figure 24. Long term debt to Total Assets



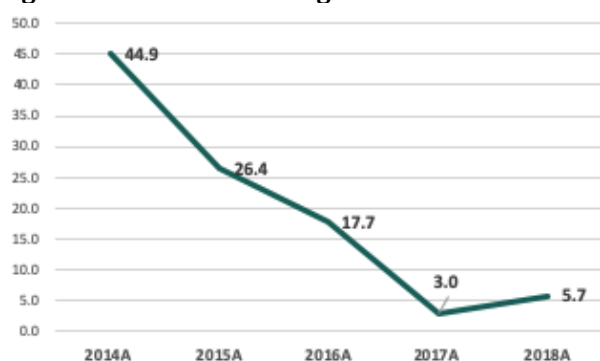
Source: Annual report

Figure 25. Quick Ratio and Altman's Z-score



Source: Annual report, Team Estimates

Figure 26. Interest Coverage Ratios



Source: Annual report, Team Estimates

Financial Analysis

Financial Ratios	FY 2016A	FY 2017A	FY 2018A	FY 2019E	FY 2020E	FY 2021E	FY 2022E	FY 2023E
Profitability								
Gross Profit Margin	19.8%	16.7%	14.8%	16.7%	17.2%	17.7%	18.2%	18.7%
EBITDA Margin	7.9%	4.7%	5.7%	2.3%	2.8%	3.3%	3.8%	4.3%
EBIT Margin	4.7%	1.2%	2.1%	2.1%	2.6%	3.1%	3.6%	4.1%
Net Profit Margin	5.2%	1.8%	2.1%	2.4%	2.8%	3.1%	3.5%	3.8%
Return on Equity	10.4%	3.6%	4.2%	4.7%	5.2%	5.7%	6.1%	6.4%
Return on Assets	5.4%	1.9%	2.2%	2.5%	2.9%	3.3%	3.7%	4.1%
Liquidity								
Current Ratio	1.3	1.4	1.3	1.3	1.2	1.3	1.2	1.3
Quick Ratio	0.7	0.8	0.7	0.6	0.6	0.6	0.6	0.7
Operating Cash Flow Ratio	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Activity								
Total Asset Turnover	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1
Fixed Asset Turnover	4.0	3.9	3.8	3.7	3.6	3.6	3.6	3.5
Inventory Turnover	6.4	6.2	6.9	7.3	7.0	7.0	7.1	7.1
Receivables Turnover	22.0	23.8	26.2	25.7	24.8	24.8	24.8	24.8
Payables Turnover	4.0	4.4	4.6	4.4	4.5	4.5	4.5	4.5
Working Capital Turnover	13.42	16.22	14.91	14.16	14.33	14.50	14.68	14.86
Cash Conversion Cycle	35.17	43.60	26.80	29.22	31.86	31.86	31.86	32.40
Financial Leverage								
LT Debt to Equity	0.15	0.18	0.16	0.17	0.14	0.11	0.08	0.04
LT Debt to Asset	0.08	0.09	0.09	0.09	0.08	0.06	0.05	0.03
Debt to Assets	0.16	0.17	0.13	0.16	0.16	0.14	0.14	0.09
Interest Coverage	17.69	3.01	5.68	5.20	6.60	8.06	9.59	11.18
Net Debt to EBITDA	(3.10)	(5.12)	(4.21)	(3.84)	(3.50)	(3.56)	(3.36)	(3.80)
Capital Structure								
DIO	71.43	71.16	62.36	60.35	63.00	63.00	63.00	63.53
DSO	16.64	14.27	13.81	14.90	14.90	14.90	14.90	14.90
DPO	52.90	41.83	49.36	46.04	46.04	46.04	46.04	46.04

The financial condition chart above shows Kia Motor's prospect moving 5 years forward, reflective of our assumptions (refer to model/appendix for more details).

Increasing revenue albeit falling trend of EBITDA

Revenue increased at a CAGR of 3% since 2014 with growth generally decreasing year on year. EBITDA on the other hand saw a -5% CAGR in the same period of 2014 to 2018. The company's profitability is reflective of its strategy to increase model lineups which incurs large R&D expenses for innovations under tightening environmental regulations. We found that Kia Motor's 2018 EBITDA was a huge 28% increase which may signify a turnaround for the company's future earnings. While management expects the opening of the production plant in India and Indonesia to complement its foray into the Indian and Indonesiamarket, we foresee the revenue growth of 2.3% CAGR in the near term due to the muted global auto industry outlook. As Kia Motors continues to expand its product offerings to include EVs, they are expected to become more profitable as shown in its growing return on asset and equity margins

Increasing financial leverage ratios

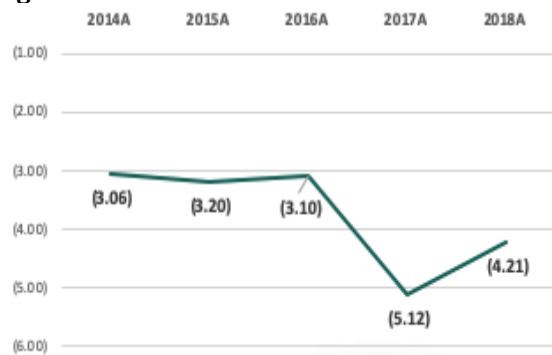
Total Asset and Long term debt increased in the past 5 years with LT debt taking up a higher proportion of assets. Due to Kia Motors efforts in increasing its product offerings as well as the construction of new production plant in India resulted in an increase in the debt ratio of 9% in FY 2018, up 2% from FY 2014 which is slightly above the industry average. Albeit that, debt ratio for the corporation remains stable within the range of 7% and 9%.

Deteriorating liquidity ratios

With KIA having a quick ratio of 0.71 which is below 1, there is a chance that kia may not be able to fully pay off its current liabilities in the short term. This ratio is slightly lower than the industry median of 0.77.

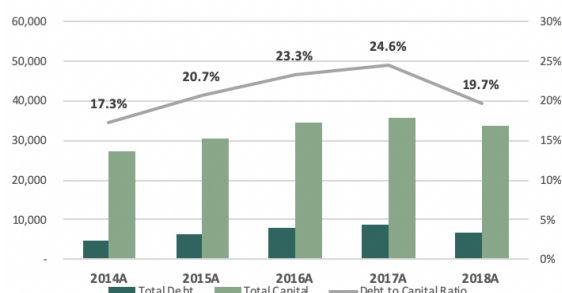
We expect to see this ratio dropping to 0.6 in the next year, reflecting the payment of KRW 550 billion to KRW 600 billion unpaid wages related to its ordinary wage lawsuit and thereafter staying in high end of 0.6 for the next 3 years in view of the muted growth outlook before recovering back to 0.7 in 2023.

Figure 27. Net Debt to EBITDA



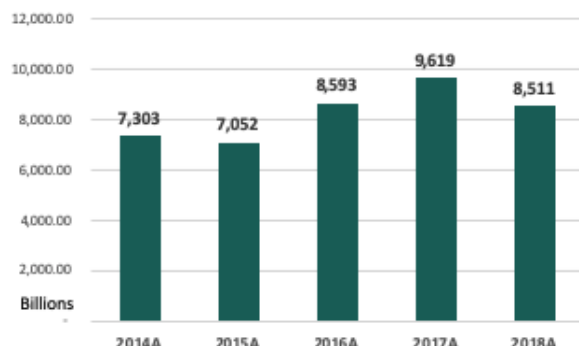
Source: Annual report, Team Estimates

Figure 28. Total Debt to Total Capital



Source: Annual report

Figure 29. Cash, Cash Equivalents and STI



Source: Annual report

Figure 30. Weighted Average Cost of Capital

WACC	
Cost of Equity	
Risk-free rate (10 year)	1.7%
Unlevered beta	1.09
Debt/Equity	35.6%
Tax rate	25.0%
Levered Beta	1.38
Market Risk Premium	6.0%
Country Risk Premium	0.3%
Cost of Equity	10.2%
Cost of Debt	
Cost of Debt (Pre-Tax)	6.7%
Tax rate	25.0%
Cost of Debt, after tax	5.0%
Equity/EV	73.7%
Debt/EV	26.3%
WACC	8.83%
Long-term growth rate	2.07%

Source: Bloomberg, FactSet, Team Estimates

Low to moderate risk of bankruptcy

A study of Kia Motor's probability of bankruptcy was also conducted using the Altman model. We found its Z-score to be hovering around 2.92 and 2.33 for the past 5yrs signals to us that the firm is said to be in the "grey zone" - low to moderate probability for bankruptcy.

Declining Interest Coverage Ratio

Kia Motors' Total Debt to Total Capital increased gradually from 17.4% to 24.6% from 2014 to 2018 before falling to 19.7%. Throughout the past 5 years, it could be said that Kia Motor's Total Debt to Total Capital has been generally healthy with their ratio at almost half of the peer median of 39.8%. Thus with a lower financial leverage throughout the years, Kia Motors is seen as less financially leveraged as compared to its peers and is considered a less risky investment.

Healthy Total Debt to Capital Ratio

Kia Motors' Total Debt to Total Capital increased gradually from 17.4% to 24.6% from 2014 to 2018 before falling to 19.7%. Throughout the past 5 years, it could be said that Kia Motor's Total Debt to Total Capital has been generally healthy with their ratio at almost half of the peer median of 39.8%. Thus with a lower financial leverage throughout the years, Kia Motors is seen as less financially leveraged as compared to its peer and is considered a less risky investment.

Strong Cash Balance Sheet with ability to generate FCF

We observe a negative value in the past 5yrs for Net Debt to EBITDA ratios. There is an inverted trend for the Net Debt to EBITDA ratio with 2018's ratio of -0.59 slightly higher than FY 2014's -0.67. With a ratio of -0.59, we found that this negative value is attributed to Kia Motor's cash and cash equivalents being higher than its debt. This shows that Kia is in a good credit position. We expect this ratio to remain in the negative region for the next 5 years due to Kia Motor's strong cash position. We believe the strong cash position of Kia Motors will allow it to tide throw the muted automotive outlook in the near term.

Other Considerations

Exposure to FX risks

Kia Motor's profitability is vulnerable to volatile exchange rates. This is due to the large number of exports from the company's Korean plants accounted for a significant portion of its sales. For 1H 2019 alone, a whopping 37% of total shipment from its Korean plants was bound overseas.

Other things to consider include: In light of the strategy you discussed in the thesis, will you expect capex, divestments, acquisitions etc? what are the impact on the financial ratios/margins?

Corporate governance issues

Kia Motors has a complicated group structure, reflective of the circular ownership among its major affiliates such as related party transactions with shareholder companies such as Hyundai Glovis Co., Ltd which has a Baa1 negative rating. Additionally, Kia Motors also faces frequent disputes with labour union which disrupted productions in Korean plants on numerous occasions.

Access to Capital Markets

Kia Motors largely stable liquidity position is also supported by its strong ability to raise funds in the domestic and international financial markets. We derived a Weight Average Cost of Capital of

Figure 31. Debt Maturity Profile



Source: Annual report, Team Estimates

8.83% with Cost of Debt and Cost of Equity to be 5.0% and 10.2% respectively.

High refinancing risk in FY 2020

Kia Motors will see a total of 780 billion KRW of debt to mature. Although its current cash position is more than sufficient to cover the aforementioned amount, Kia Motor is exposed to a high refinancing risk.

Issuer Credit Analysis

Negative

1. Muted and competitive automotive industry

In view of the muted growth slowing than the global gdp growth, herein lies an inherent challenge for Kia Motors in this cyclical and competitive automotive industry. With developed countries lagging in growth of automotive sales, is fortunate that Kia Motors decided to strengthen its market shares in emerging economies such as it's foray into India. However, with the NBFCs in India facing a liquidity squeeze. The ripple effect will be felt in the automotive sector as around 95% of auto loans were financed by NBFCs due to the relative ease and speed of obtaining the loan. Only time will tell if Kia Motor can stand out against its competitors in this saturated landscape.

2. Low Profitability trend

With Kia Motors' range of cars that seeks to target the lower to medium income earning households, it is of no surprise that its margins are at the lower end in the prior years. However, we feel that Kia Motors may very well improve its profitability with its recent product offerings of SUVs and EVs which are known to have higher margins.

3. Deteriorating Interest Coverage Ratio and Quick Ratios

KIA Motors' EBIT to Interest Expense has experienced an 87% drop from FY2014's 44.95 to FY2018's 5.68. This shows KIA's deteriorating ability to meet interest expenses using its earnings. However, it is to note that its ratio is still above 1.5 thus it may not be a huge issue.

From FY 2014 to FY 2018, quick ratio has been hovering within the range of 0.88 and 0.73 before settling at 0.71 in FY2018. With a quick ratio of 0.71 which is below 1, there is a chance that Kia may not be able to fully pay off its current liabilities in the short term

However, the company has existing credit lines available from banks such as the Korean Development Bank, Hana Bank and Woominto to help them with refinancing. Considering that their Corporate debentures are of IG credit, we find that they have a solid funding ability.

Positive

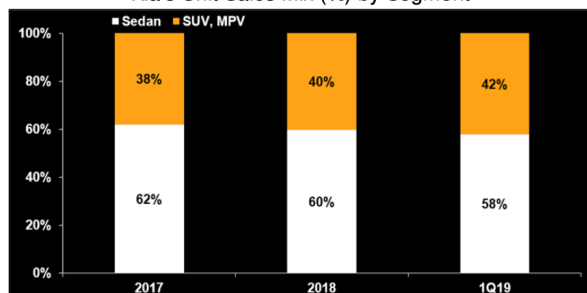
1. Strong Balance Sheet with support from parent company

Kia Motors have exhibited a strong cash position for the past 5 years and we expect Kia Motors to generate modest positive free cash flow to maintain its strong balance sheet in the next 3-5 years. We also consider its large liquidity holdings which accounted for about 119% of its debt as of 2H2019, providing a buffer against the cyclicity of the automobile industry.

Additionally, we also find synergies to be derived from Kia Motors; affiliation with its parent company, Hyundai Motor Corporation in

Figure 32. Sales Mix

Kia's Unit Sales Mix (%) by Segment

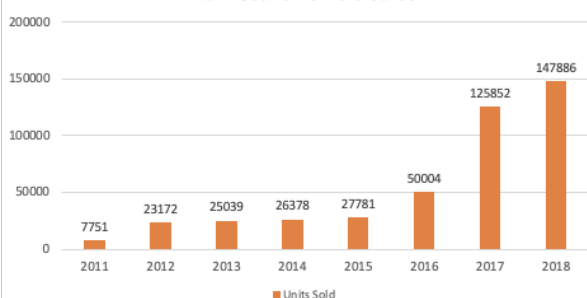


Source: Bloomberg Intelligence

Source: Bloomberg Intelligence

Figure 33. Kia Motors EV Sales

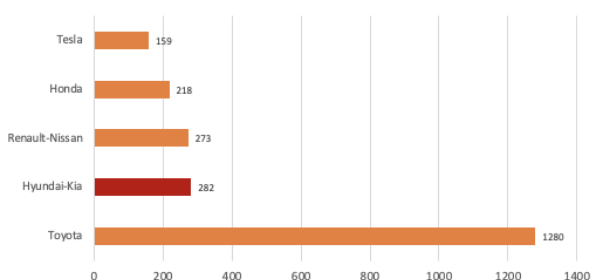
Kia Electric Vehicle Sales



Source: Bloomberg

Figure 34. EV Sales (thousands) among competitors

EV Units Sold (in thousands)



Source: Bloomberg Intelligence

terms of sharing platforms, auto parts and plants as well as joint research and development activities. Moreover, we are of the view that Hyundai Motors Corporation will come to Kia Motors' aid should Kia Motors encounter financial difficulties with its huge excess capital.

2. SUV rollouts can bolster profitability

Kia Motors' revenue could pick up in the coming months, with shipment growth traction gaining from its new models like Seltos and refreshed Mohave SUVs in its domestic market. Kia's domestic SUV sales mix rose to 46.5% in the first nine months this year vs 44.6% a year earlier.

Its Telluride SUV, launched in U.S. market in February, has been well-received. This particular model came in as the top SUV at the inaugural Texas Off-road Invitational recently held by the Texas Motor Press Association. Prior to that, it also swept first place at the "Mudfest" held by the Northwest Automotive Press Association and the "Texas Auto Roundup" held by the Texas Auto Writers Association.

Kia Motor's rising SUV sales may be attributed to shifts towards SUVs rather than sedans, as well as Americans' preference for larger vehicles. A market trend analysis recently conducted by Cox Automotive presented that SUVs have increased from 29% to reach nearly half of new vehicles sold nationwide over the past decade, while on the other hand, sedans have fallen to now only making up less than a third of new vehicle sales. In 2019, S.U.V.s and pickups constitute 70% of the market, while sales for sedans dropped from 3 million to 1.9 million from 2012 to 2018. As of now, it is estimated that barely 1 out of 10 cars sold are sedans, as compared to 1 out of 5 in 2012.

Recently in August, Kia also kicked off production for its Seltos SUV in India. Notwithstanding its low introductory price, the Seltos is considered a segment-leading SUV with features like "air purifier, connected car features through UVO app, heads-up display, 8-unit Bose sound system, 360° camera and ventilated seats"

Kia's operating margin could rebound in the months ahead as its sales mix of sport-utility vehicles (SUVs) rises (42% in 1Q19), which are priced higher than sedans. We believe Kia's 2H19 new model lineup is a major source of competitiveness and will bolster its profitability in the coming years.

Moreover, Kia's efficient value chain management, paired with a weak Korean Won in recent years helps to provide Kia Motors with an advantage in making their cars more affordable, attracting attention from middle class consumers who generally tend to place high regards to pricing. Moreover, having its headquarters in Seoul, South Korea has also enabled Kia Motors to tap onto the abundance of cost-effective labor and knowledge workers from their home country, with wages lower than other more advanced countries.

3. Earning Momentum of Kia Motors' foray into India

The India Automotive Market is anticipated to grow 7.80% for Vehicle Sales during the forecast period, 2019-2023. This strong growth forecast is indeed experienced by Kia Motors as the Seltos Model drew 22,000 pre-orders only three weeks after pre-orders started in July.

Kia should achieve its annual production goal of 52,000 units in 2019 and 300,000 units within three years.

Additionally, SUVs accounted for 31% of India's vehicle unit sales in 1Q19 vs. 28% for all of 2018. Indian consumers' shifting tastes toward sport-utility vehicles and away from sedans will benefit Kia due to its plethora of SUV offerings.

We are also of the view that the Modi administration's business-friendly policies such as the recent corporate tax cuts will drive demand growth over the medium and long term.

4. Kia Motors' positive prospect in the EV market

EV sales grew to more than 2m units globally in 2018 (+62% YOY). With Kia-Hyundai being Global 2nd for Green Car Sales, they are already in a good position capturing the EV market.

Kia's Niro EV/HEV won Best Fuel Efficiency and Furthest Driving Range awards in 2017 and 2019 respectively, showing its technological prowess in the EV market.

In addition, Kia has plans to increase its EV Models from 7 to 18 by 2025, with additional focus on BEV. With heavy investments in electrification and future mobility through a series of joint ventures and coupled with the increasing demand for EV in all of Kia's Markets, Kia will see substantial growth in the sales of EV which currently stands at 5.2% of total units sold.

Issuance Analysis – RV

Kia Motors Corporation's Outstanding Bonds

Description	Coupon	Issue Date	Issue Amount	Maturity Date	YTM	Price (221219)
KIA Motors Corporation 3.00% 25-Apr-23	3.00%	25-Oct-17	\$600,000,000	25-Apr-23	2.687	101.143
KIA Motors Corporation 3.50% 25-Oct-27	3.50%	25-Oct-17	\$300,000,000	25-Oct-27	3.372	101.487
KIA Motors Corporation 2.15% 15-Feb-22	2.15%	15-Feb-17	W290,000,000,000	15-Feb-22	1.780	100.995
KIA Motors Corporation 2.41% 15-Feb-24	2.41%	15-Feb-17	W160,000,000,000	15-Feb-24	1.918	101.965
KIA Motors Corporation 1.85% 15-Feb-20	1.85%	15-Feb-17	W50,000,000,000	15-Feb-20		42.97
KIA Motors Corporation 2.62% 21-Apr-21	2.62%	21-Apr-16	\$400,000,000	21-Apr-21	2.355	100.086
KIA Motors Corporation 3.25% 21-Apr-26	3.25%	21-Apr-16	\$300,000,000	21-Apr-26	3.167	100.194
KIA Motors Corporation 2.23% 05-Nov-20	2.23%	5-Nov-15	W200,000,000,000	5-Nov-20	1.718	100.439
KIA Motors Corporation 2.40% 05-Nov-22	2.40%	5-Nov-15	W130,000,000,000	5-Nov-22	1.861	101.49
KIA Motors Corporation 2.57% 04-Jun-22	2.57%	4-Jun-15	W250,000,000,000	4-Jun-22	1.813	101.799
KIA Motors Corporation 2.33% 04-Jun-20	2.33%	4-Jun-15	W250,000,000,000	4-Jun-20	1.685	100.288

KIA Motors Corporation 3.00% 25-Apr-23

KIAMTR 3.00% 25-Apr-23 is a 144A Senior Unsecured dominated in USD. This 3% fixed coupon bond has an issue price of \$99.18 and a spread of 120bps over the Korean Treasury of similar duration.

RV analysis: KIAMTR 3.00% 25-Apr-23 vs HYUCAP 3.75% 03/05/23

We find it is imperative to look into how Kia Motors is doing relative to its parent Company, Hyundai Motors. We used the HYUCAP 3.75% 03/05/23 bond from Hyundai Capital, the financial services unit of Hyundai Motor Group due to its similar duration.

As of 22 Dec 2019, HYUCAP 3.75% 03/05/23 has spread of 4.74bp over KIAMTR 3.00% 25-Apr-23 as shown in Figure 38. Looking at the yield history, we also find the spread of the bonds mostly hovering around 0 and -5bp with a maximum and minimum of +10bp and -15bp respectively.. This shows that the aforementioned KIAMTR and HYUCAP closely tracks one another.

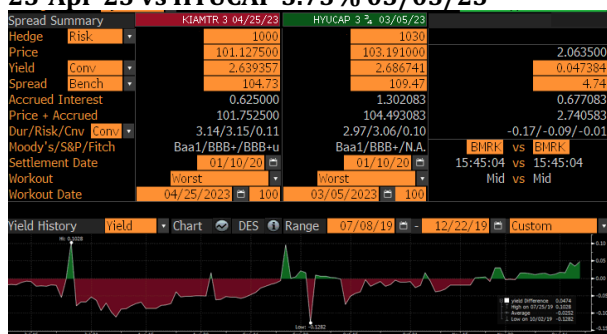
RV analysis: KIAMTR vs HYUCAP outstanding bonds

Figure 35. Bond Description

Issuer Information				Identifiers	
Name	KIA MOTORS CORP			ID Number	AP3638750
Industry	Automotive (BCLASS)			CUSIP	493738AE8
Security Information					
Mkt Iss	Priv Placement			ISIN	US493738AE83
Bond Ratings					
Country	KR	Currency	USD	Moody's	Baa1
Rank	Sr Unsecured	Series	144A	S&P	BBB+
Coupon	3.000000	Type	Fixed	Fitch	BBB+u
Cpn Freq	S/A	Iss Price 99.18300		Composite	BBB+
Day Cnt	ISMA-30/360				
Maturity	04/25/2023			Issuance & Trading	
Aggregated Amount Issued/Out					
BULLET	Iss Spd +120.00bp vs T 1 % 09/30/22			USD	600,000.00 (M) /
				USD	600,000.00 (M)
Calc Type	(1)STREET CONVENTION			Min Piece/Increment	
Pricing Date	10/19/2017			200,000.00 / 1,000.00	
Interest Accrual Date	10/25/2017			Par Amount 1,000.00	
1st Settle Date	10/25/2017			Book Runner JOINT LEADS	
1st Coupon Date	04/25/2018			Reporting TRACE	

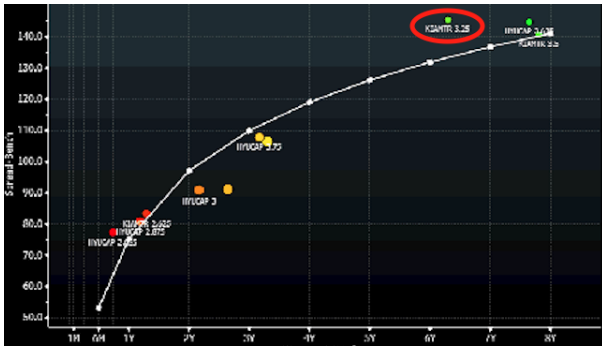
Source: Bloomberg

Figure 36. Spread Summary for KIAMTR 3.00% 25-Apr-23 vs HYUCAP 3.75% 03/05/23



Source: Bloomberg

Figure 37. RV for KIAMTR vs HYUCAP Outstanding



Source: Bloomberg

Figure 38. RV for KIAMTR 3.00% 25-Apr-23 vs NSANY 3.45% 03/15/23



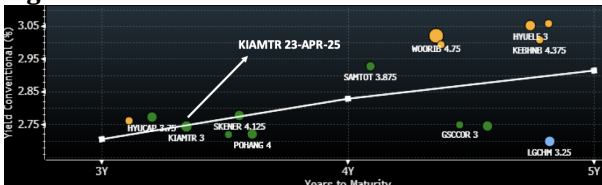
Source: Bloomberg

Figure 39. Bond Comps for Kia Motors

Security	Coupon	Amount	Cnrcy	S&P Rating	Rank	Price (2/21/21)	Yield
-Baa1 (14)							
HYUCAP 3 ¼ 03/05/23	3.75	500MM	USD	BBB+	Sr Unsecu	102.993	2.763
HYUCAP 3 ¼ 03/05/23	3.75	500MM	USD	BBB+	Sr Unsecu	102.993	2.763
KIAMTR 3 04/25/23	3	600MM	USD	BBB+	Sr Unsecu	100.868	2.725
KIAMTR 3 04/25/23	3	600MM	USD	BBB+	Sr Unsecu	100.868	2.725
GSCCOR 3 ¼ 06/27/23	3.875	300MM	USD	BBB+	Sr Unsecu	103.82	2.724
GSCCOR 3 ¼ 06/27/23	3.875	300MM	USD	BBB+	Sr Unsecu	103.82	2.724
SKENER 4 ¼ 07/13/23	4.125	500MM	USD	BBB	Sr Unsecu	104.588	2.758
POHANG 4 08/01/23	4	500MM	USD	BBB+	Sr Unsecu	104.346	2.723
POHANG 4 08/01/23	4	500MM	USD	BBB+	Sr Unsecu	104.346	2.723
SAMTOT 3 ¼ 01/23/24	3.875	400MM	USD	BBB	Sr Unsecu	103.644	2.92
GSCCOR 3 06/04/24	3	300MM	USD	BBB+	Sr Unsecu	101.083	2.739
GSCCOR 3 06/04/24	3	300MM	USD	BBB+	Sr Unsecu	101.083	2.739
POHANG 2 ¼ 07/15/24	2.75	500MM	USD	BBB+	Sr Unsecu	99.981	2.754
POHANG 2 ¼ 07/15/24	2.75	500MM	USD	BBB+	Sr Unsecu	99.981	2.754
-Baa2 (8)							
HANKTI 3 ¼ 01/30/23	3.5	300MM	USD	BBB	Sr Unsecu	102.176	2.761
WOORIB 4 ¼ 04/30/24	4.75	1MM	USD	BBB	Sub Unsecu	106.99	3.02
WOORIB 4 ¼ 04/30/24	4.75	1MM	USD	BBB	Sub Unsecu	106.99	3.02
DAESEC 3 ¼ 05/07/24	3.375	300MM	USD	BBB	Sr Unsecu	101.551	2.992
HYUELE 3 09/17/24	3	500MM	USD	BBB-	Sr Unsecu	99.864	3.031
KEBHNB 4 ¼ 09/30/24	4.375	300MM	USD	BBB+	Sub Unsecu	106.129	2.984
KEBHNB 4 ¼ 09/30/24	4.375	300MM	USD	BBB+	Sub Unsecu	106.129	2.984
KEBHNB 4 ¼ 10/14/24	4.25	300MM	USD	BBB+	Sub Unsecu	105.604	2.987
-A3 (2)							
LGCHM 3 ¼ 10/15/24	3.25	500MM	USD	BBB+	Sr Unsecu	102.485	2.694
LGCHM 3 ¼ 10/15/24	3.25	500MM	USD	BBB+	Sr Unsecu	102.485	2.694

Source: Bloomberg

Figure 40. RV for Kia Motors



Source: Bloomberg

A further relative valuation was conducted to determine the spread bench of all outstanding bonds from KIAMTR and HYUCAP that are denominated in USD Dollars. We proceeded to plot the Fixed Income Relative Valuation curve as shown in Figure 39.

From the curve, we observe KIAMTR 3.00% 25-Apr-23 to be above the curve. As compared to the 18 outstanding bonds from KIAMTR and HYUCAP, we find KIAMTR slightly riskier than the peer group.

RV analysis - KIAMTR 3.00% 25-Apr-23 vs NSANY 3.45% 03/15/23

NSANY 3.45% 03/15/23 was also identified as a suitable comparable bond due to its similarities in coupon, maturity, currency as well as issuer industry. As of 22 Dec 2019 NSANY 3.45% 03/15/23 has a 2.29bp spread over KIAMTR 3.00% 25-Apr-23 as per figure 40. This shows that KIAMTR is the less less risky bond. However, looking at the historical 3 month spread, we find that KIAMTR has been riskier than its counterpart with a lowest of -10bps from Sep 2019 to late Dec 2019.

RV analysis - KIA Motors Corporation 3.00% 25-Apr-23 vs Peers

We created a list of bond comparables with 3-5 years to maturity as well as S&P Rating ranging from BBB+ to BBB set out in Figure 41. We proceeded to plot the Fixed Income Relative Valuation curve as shown below.

Based on the Fixed Income Relative Valuation Graph as shown in Figure 42, we find KIA Motors Corporation 3.00% 25-Apr-23 to be **Neutral**.

We find the KIA Motors Corporation 3.00% 25-Apr-23 to be fairly priced against its peers.

Conclusion: Neutral

In view of the Kia Motors' debt replayability in the next 3-5 years due to its strong balance sheet coupled with tailwinds arising from regional expansion and its new EV product range as discussed in the aforementioned credit analysis; we would like to issue a **Hold Rating** on KIA Motors Corporation 3.00% 25-Apr-23.

Disclaimer

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Appendix:

Pro Forma Financial Statements (3FS)

Balance Sheet

In Billions of KRW except Per Share	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
12 Months Ending	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Assets															
+ Cash, Cash Equivalents & STI	2,768.80	2,889.00	3,915.70	4,268.90	6,322.70	7,302.90	7,052.20	8,592.70	9,618.70	8,510.90	7,985.17	7,940.91	8,105.72	8,489.64	9,103.03
+ Cash & Cash Equivalents	2,301.10	1,615.90	2,304.20	1,903.30	2,311.30	2,478.50	1,104.90	3,064.20	1,561.70	2,292.70	1,870.11	1,825.85	1,990.66	2,374.58	2,987.97
+ ST Investments	467.70	1,273.20	1,611.50	2,365.60	4,011.40	4,824.40	5,947.20	5,528.50	8,057.00	6,218.20	6,115.06	6,115.06	6,115.06	6,115.06	6,115.06
+ Accounts & Notes Receiv	2,496.80	2,278.60	2,178.70	1,801.70	2,072.80	2,419.30	2,388.90	2,402.50	2,093.00	2,049.20	2,263.71	2,317	2,371	2,426	2,483
+ Inventories	4,717.30	3,581.10	4,302.90	4,223.00	4,331.40	6,080.60	7,695.30	8,854.40	8,543.60	7,233.90	8,038.99	8,178	8,318	8,461	8,606
+ Other ST Assets	1,241.50	1,015.00	677.90	845.90	745.50	852.70	1,254.40	1,062.60	1,386.80	1,917.70	1,962.56	2,008.48	2,055.46	2,103.55	2,152.76
Total Current Assets	11,224.40	9,763.70	11,075.20	11,139.40	13,472.40	16,655.40	18,390.80	20,912.20	21,642.10	19,711.80	20,250.44	20,443.74	20,850.52	21,490.88	22,345.27
+ Property, Plant & Equip, Net	9,513.50	8,563.50	9,184.40	9,721.20	9,777.00	10,114.30	13,042.10	13,493.20	13,652.90	14,803.30	15,315.70	15,840.09	16,376.75	16,925.97	17,488.03
+ Property, Plant & Equip	14,287.00	13,326.50	14,436.50	15,458.30	16,230.20	17,281.70	20,874.90	22,295.90	23,297.10	25,365.20	25,958.61	26,565.90	27,187.40	27,823.43	28,474.35
- Accumulated Depreciation	4,773.50	4,762.90	5,252.20	5,737.10	6,453.20	7,167.40	7,832.80	8,802.70	9,644.20	10,561.90	10,642.90	10,725.80	10,810.64	10,897.47	10,986.32
+ LT Investments & Receivables	36.90	558.90	1,310.00	1,689.50	1,552.00	1,321.50	820.40	601.60	392.40	300.20	300.20	300.20	300.20	300.20	300.20
+ Other LT Assets	5,188.10	7,389.00	8,685.60	9,848.20	11,380.70	12,953.00	13,726.80	15,882.30	16,607.10	16,971.30	16,971.30	16,971.30	16,971.30	16,971.30	16,971.30
Total Noncurrent Assets	14,738.50	16,511.50	19,180.00	21,258.90	22,709.70	24,388.80	27,589.30	29,977.00	30,652.40	32,074.80	32,587.20	33,111.59	33,648.25	34,197.47	34,759.53
Total Assets	25,962.90	26,275.10	30,255.20	32,398.30	36,182.00	41,044.20	45,980.10	50,889.30	52,294.40	51,786.60	52,837.64	53,555.33	54,498.77	55,678.35	57,104.80
Liabilities & Shareholders' Equity															
+ Payables & Accruals	6,721.80	7,368.00	7,614.10	7,778.30	8,336.00	9,337.80	10,460.80	10,563.50	9,643.20	10,551.60	10,267.13	10,444.26	10,624.06	10,806.56	10,991.78
+ ST Debt	5,684.80	3,585.20	3,104.10	1,404.90	1,641.00	1,814.20	2,785.50	4,131.40	3,856.40	2,273.10	3707.444762	4164.562687	3958.083313	4700.871002	3561.816409
+ ST Borrowings	3,752.20	2,156.50	1,588.40	1,109.80	876.40	1,389.80	1,512.40	2,876.30	2,993.70	1,366.60	1,366.65	1,366.65	1,366.65	1,366.65	1,366.65
+ ST Lease Liabilities	80.90	-	5.80	5.70	5.90	5.30	4.40	-	1.30	1.40	1.40	1.40	1.40	1.40	1.40
+ ST Finance Leases	80.90	-	5.80	5.70	5.90	5.30	4.40	-	1.30	1.40	1.40	1.40	1.40	1.40	1.40
+ Current Portion of LT Debt	1,851.70	1,428.70	1,509.90	289.40	758.60	419.10	1,268.70	1,255.20	861.40	905.00	479	892	641	1,339	153
+ Other ST Liabilities	503.60	674.30	703.70	817.00	829.30	822.30	1,333.20	1,552.00	1,823.40	2,010.00	1,859.13	1,902.62	1,947.13	1,992.69	2,039.31
Total Current Liabilities	12,910.20	11,627.50	11,421.90	10,000.20	10,806.20	11,974.30	14,579.50	16,246.90	15,323.00	14,834.70	15,833.71	16,511.45	16,529.28	17,500.12	16,592.90
+ LT Debt	4,260.30	2,755.40	2,503.20	2,471.10	1,698.20	2,886.80	3,531.90	3,937.00	4,896.50	4,410.70	4,844.39	4,365.52	3,473.03	2,831.53	1,492.80
+ LT Borrowings	4,258.10	2,755.40	2,480.20	2,455.00	1,686.70	2,882.30	3,531.90	3,937.00	4,894.70	4,410.20	4,843.39	4,364.52	3,472.03	2,830.53	1,491.80
+ LT Lease Liabilities	2.20	-	23.00	16.20	11.40	4.60	-	-	1.80	0.50	0.50	0.50	0.50	0.50	0.50
+ LT Finance Leases	2.20	-	23.00	16.20	11.40	4.60	-	-	1.80	0.50	0.50	0.50	0.50	0.50	0.50
+ Other LT Liabilities	1,488.30	1,644.00	2,820.30	3,078.90	3,422.80	3,699.20	3,664.70	4,125.90	5,213.70	5,297.80	3,576.35	2,522.64	2,524.97	1,305.44	2,642.96
Total Noncurrent Liabilities	5,748.60	4,399.50	5,323.50	5,550.00	5,121.00	6,586.00	7,196.60	8,062.90	10,110.20	9,708.50	8,420.74	6,888.16	5,998.00	4,136.97	4,135.76
Total Liabilities	18,658.80	16,027.00	16,745.50	15,550.30	15,927.20	18,560.30	21,776.10	24,309.80	25,433.30	24,543.20	24,254.45	23,399.61	22,527.28	21,637.09	20,728.66
+ Preferred Equity and Hybrid Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
+ Share Capital & APIC	3,713.60	3,814.20	3,866.20	3,875.40	3,875.40	3,875.40	3,875.40	3,855.10	3,855.10	3,855.10	3,855.10	3,855.10	3,855.10	3,855.10	3,855.10
+ Common Stock	2,054.40	2,101.80	2,132.50	2,139.30	2,139.30	2,139.30	2,139.30	2,139.30	2,139.30	2,139.30	2,139.30	2,139.30	2,139.30	2,139.30	2,139.30
+ Additional Paid in Capital	1,534.20	1,546.60	1,558.00	1,560.70	1,560.70	1,560.70	1,560.70	1,560.70	1,560.70	1,560.70	1,560.70	1,560.70	1,560.70	1,560.70	1,560.70
+ Other Share Capital	125.00	165.80	175.80	175.50	175.50	175.50	175.50	155.10	155.10	155.10	155.10	155.10	155.10	155.10	155.10
- Treasury Stock	2.20	14.50	24.40	24.40	24.40	88.90	235.10	216.20	216.20	216.20	216.20	216.20	216.20	216.20	216.20
+ Retained Earnings	1,873.90	6,113.20	9,224.70	12,663.00	16,301.80	18,815.70	21,039.10	23,465.80	24,074.30	24,711.70	26,051.40	27,623.93	29,439.69	31,509.45	33,844.34
+ Other Equity	1,161.10	70.40	443.30	334.00	102.00	(118.30)	(475.40)	(525.20)	(852.00)	(1,107.10)	(1,107.10)	(1,107.10)	(1,107.10)	(1,107.10)	(1,107.10)
Equity Before Minority Interest	6,746.30	9,983.20	13,509.70	16,848.10	20,254.80	22,483.90	24,204.00	26,579.40	26,861.20	27,243.50	28,583.20	30,155.73	31,971.49	34,041.25	36,376.14
+ Minority/Non Controlling Interest	557.80	264.90	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	7,304.10	10,248.10	13,509.70	16,848.10	20,254.80	22,483.90	24,204.00	26,579.40	26,861.20	27,243.50	28,583.20	30,155.73	31,971.49	34,041.25	36,376.14
Total Liabilities & Equity	25,962.90	26,275.10	30,255.20	32,398.30	36,182.00	41,044.20	45,980.10	50,889.30	52,294.40	51,786.60	52,837.64	53,555.33	54,498.77	55,678.35	57,104.80

Profit and Loss

In Millions of KRW except Per Share	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
12 Months Ending	4	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Revenue	29,445,206.00	35,826,955.00	43,190,942.00	47,242,933.00	47,597,897.00	47,097,049.00	49,521,447.00	52,712,906.00	53,535,680.00	54,169,813.00	55,437,092.20	56,734,018.84	58,061,286.52	59,419,605.05	60,809,700.85
Sales & Services Revenue	29,445,206.00	35,826,955.00	43,190,942.00	47,242,933.00	47,597,897.00	47,097,049.00	49,521,447.00	52,712,906.00	53,535,680.00	54,169,813.00	55,437,092.20	56,734,018.84	58,061,286.52	59,419,605.05	60,809,700.85
Cost of Revenue	22,769,058.00	27,905,367.00	33,138,961.00	36,536,005.00	37,511,941.00	37,754,115.00	39,653,769.00	42,281,590.00	44,618,696.00	46,177,283.00	46,183,161.65	46,979,926.52	47,788,695.02	48,609,592.72	49,442,744.48
Gross Profit	6,676,148.00	7,921,588.00	10,051,981.00	10,706,928.00	10,085,956.00	9,342,934.00	9,867,678.00	10,431,316.00	8,916,984.00	7,992,530.00	9,253,930.55	9,754,092.32	10,272,591.50	10,810,012.33	11,366,956.37
Other Operating Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	5,480,942.00	5,544,581.00	6,550,439.00	7,184,340.00	6,907,497.00	6,770,047.00	7,512,120.00	7,968,868.00	8,254,708.00	8,385,055.00	8,101,286.60	8,291,005.02	8,485,189.48	8,683,948.45	8,887,393.50
Selling, General & Admin	5,273,376.00	5,478,780.00	6,474,559.00	7,092,781.00	6,804,215.00	6,671,570.00	7,402,040.00	7,847,476.00	8,141,438.00	8,254,708.00	7,974,514.31	8,161,074.60	8,351,999.39	8,547,390.78	8,747,353.26
Research & Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	201,717.00	67,045.00	76,571.00	91,050.00	104,555.00	106,825.00	112,011.00	122,470.00	116,011.00	122,314.00	125,175.48	128,103.91	131,100.84	134,167.89	137,306.69
Prov For Doubtful Accts	5,849.00	(1,244.00)	(691.00)	509.00	(1,273.00)	(8,348.00)	(1,931.00)	(1,078.00)	(2,741.00)	1,396.00	1,596.81	1,826.51	2,089.25	2,389.78	2,733.55
Other Operating Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income (Loss)	1,195,206.00	2,377,007.00	3,501,542.00	3,522,588.00	3,178,459.00	2,572,887.00	2,355,558.00	2,462,448.00	662,276.00	1,157,475.00	1,152,643.95	1,463,087.31	1,787,402.02	2,126,063.88	2,479,562.87
Non-Operating (Income) Loss	(54,442.00)	(978,299.00)	(1,254,391.00)	(1,602,385.00)	(1,494,239.00)	(1,277,036.00)	(802,639.00)	(1,049,566.00)	(481,958.00)	(381,963.00)	(633,618.36)	(633,618.36)	(633,618.36)	(633,618.36)	(633,618.36)
Interest Expense, Net	455,030.00	212,346.00	78,774.00	(12,149.00)	(82,950.00)	(149,342.00)	(84,905.00)	(12,103.00)	46,331.00	(10,154.00)	7,792.31	7,792.31	7,792.31	7,792.31	7,792.31
Interest Expense	560,239.00	289,752.00	192,494.00	156,808.00	89,673.00	57,240.00	89,060.00	139,211.00	220,250.00	203,747.00	221,693.31	221,693.31	221,693.31	221,693.31	221,693.31
Interest Income	105,209.00	77,406.00	113,720.00	168,957.00	172,623.00	206,582.00	173,965.00	151,314.00	173,919.00	213,901.00	213,901.00	213,901.00	213,901.00	213,901.00	213,901.00
Other Investment (Inc) Loss	(1,007.00)	(2,076.00)	(3,597.00)	(5,634.00)	(11,049.00)	(13,713.00)	(5,775.00)	(5,034.00)	(5,170.00)	(2,838.00)	-	-	-	-	-
Foreign Exch (Gain) Loss	30,686.00	(72,529.00)	77,529.00	(25,093.00)	19,804.00	62,073.00	898.00	(53,258.00)	(805.00)	53,276.00	-	-	-	-	-
(Income) Loss from Affiliates	(723,542.00)	(981,661.00)	(1,336,618.00)	(1,414,080.00)	(1,319,585.00)	(1,394,152.00)	(894,873.00)	(1,159,899.00)	(563,952.00)	(616,829.00)	(780,226.67)	(780,226.67)	(780,226.67)	(780,226.67)	(780,226.67)
Other Non-Op (Income) Loss	184,391.00	(134,379.00)	(70,479.00)	(145,429.00)	(100,459.00)	218,098.00	182,016.00	180,728.00	41,138.00	194,582.00	138,816.00	138,816.00	138,816.00	138,816.00	138,816.00
Pretax Income (Loss), Adjusted	1,249,648.00	3,355,306.00	4,755,933.00	5,124,973.00	4,672,698.00	3,849,923.00	3,158,197.00	3,512,014.00	1,144,234.00	1,539,438.00	1,786,262.31	2,096,705.66	2,421,020.38	2,759,682.24	3,113,181.23
Abnormal Losses (Gains)	28,934.00	32,259.00	34,283.00	(39,083.00)	(155,878.00)	33,607.00	57,931.00	69,980.00	4,181.00	70,794.00	-	-	-	-	-
Disposal of Assets	22,967.00	31,785.00	33,347.00	16,818.00	38,220.00	31,774.00	24,969.00	61,461.00	4,304.00	50,610.00	-	-	-	-	-
Early Extinguishment of Debt	164.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset Write-Down	28,760.00	-	-	-	-	-	175,746.00	-	-	-	-	-	-	-	-
Impairment of Intangibles	34,644.00	383.00	935.00	2,910.00	2,672.00	1,337.00	3,341.00	-	20,165.00	-	-	-	-	-	-
Gain/Loss on Sale/Acquisition of Bt	-	-	-	-	-	-	-	8,590.00	-	-	-	-	-	-	-
Sale of Investments	(58,290.00)	77.00	1.00	(58,811.00)	(212,125.00)	552.00	(145,864.00)	-	-	19.00	-	-	-	-	-
Unrealized Investments	689.00	14.00	-	-	15,355.00	(56.00)	(261.00)	(71.00)	(123.00)	-	-	-	-	-	-
Pretax Income (Loss), GAAP	1,220,714.00	3,323,047.00	4,721,650.00	5,164,056.00	4,828,576.00	3,816,316.00	3,100,266.00	3,442,034.00	1,140,053.00	1,468,644.00	1,786,262.31	2,096,705.66	2,421,020.38	2,759,682.24	3,113,181.23
Income Tax Expense (Benefit)	200,082.00	624,717.00	1,202,414.00	1,299,352.00	1,011,517.00	822,723.00	469,666.00	687,394.00	172,035.00	312,701.00	446,565.58	524,176.42	605,255.09	689,920.56	778,295.31
Current Income Tax	53,708.00	274,626.00	539,085.00	997,765.00	932,809.00	725,166.00	709,076.00	726,917.00	476,476.00	302,819.00	-	-	-	-	-
Deferred Income Tax	233,971.00	359,505.00	751,881.00	294,171.00	56,641.00	60,471.00	(343,315.00)	(49,103.00)	(294,315.00)	(73,447.00)	-	-	-	-	-
Tax Allowance/Credit	(87,597.00)	(9,414.00)	(88,552.00)	7,416.00	22,067.00	37,086.00	103,905.00	9,580.00	(10,126.00)	83,329.00	-	-	-	-	-
Income (Loss) from Cont Ops	1,020,632.00	2,698,330.00	3,519,236.00	3,864,704.00	3,817,059.00	2,993,593.00	2,630,600.00	2,754,640.00	968,018.00	1,155,943.00	1,339,696.73	1,572,529.25	1,815,765.28	2,069,761.68	2,334,885.92
Net Extraordinary Losses (Gains)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XO & Accounting Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income (Loss) Incl. MI	1,020,632.00	2,698,330.00	3,519,236.00	3,864,704.00	3,817,059.00	2,993,593.00	2,630,600.00	2,754,640.00	968,018.00	1,155,943.00	1,339,696.73	1,572,529.25	1,815,765.28	2,069,761.68	2,334,885.92
Minority Interest	41,215.00	16,211.00	103,659.00	17.00	-	-	-	-	-	-	-	-	-	-	-
Net Income, GAAP	979,417.00	2,682,119.00	3,415,577.00	3,864,687.00	3,817,059.00	2,993,593.00	2,630,600.00	2,754,640.00	968,018.00	1,155,943.00	1,339,696.73	1,572,529.25	1,815,765.28	2,069,761.68	2,334,885.92
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Adjustments	(118.50)	153.50	(26.60)	99.40	73.20	(0.60)	121.30	(100.60)	169.90	58.20	-	-	-	-	-
Net Income Avail to Common, GAAP	979,535.50	2,681,965.50	3,415,603.60	3,864,587.60	3,816,985.80	2,993,593.60	2,630,478.70	2,754,740.60	967,848.10	1,155,884.80	1,339,696.73	1,572,529.25	1,815,765.28	2,069,761.68	2,334,885.92

Cash Flow

In Millions of KRW except Per Share 12 Months Ending	FY 2009 12/31/2009	FY 2010 12/31/2010	FY 2011 12/31/2011	FY 2012 12/31/2012	FY 2013 12/31/2013	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019	FY 2020 12/31/2020	FY 2021 12/31/2021	FY 2022 12/31/2022	FY 2023 12/31/2023
Cash from Operating Activities															
Net Income	979,417.00	2,682,119.00	3,415,577.00	3,864,687.00	3,817,059.00	2,993,593.00	2,630,600.00	2,754,640.00	968,018.00	1,155,943.00	1,339,696.73	1,572,529.25	1,815,765.28	2,069,761.68	2,334,885.92
Depreciation & Amortization	962,457.00	928,407.00	990,800.00	1,063,844.00	1,201,324.00	1,337,265.00	1,422,497.00	1,686,576.00	1,855,725.00	1,934,877.00	1,891,838.20	1,936,096.93	1,981,391.08	2,027,744.86	2,075,183.07
Non-Cash Items	(214,697.00)	(137,881.00)	353,218.00	(1,175,900.00)	(442,093.00)	(688,318.00)	(177,558.00)	(517,295.00)	508,686.00	(352,471.00)	(125,997.56)	(128,945.22)	(131,961.84)	(135,049.03)	(138,208.44)
Deferred Income Taxes	37,634.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Cash Adj	(252,331.00)	(137,881.00)	353,218.00	(1,175,900.00)	(442,093.00)	(688,318.00)	(177,558.00)	(517,295.00)	508,686.00	(352,471.00)	(125,997.56)	(128,945.22)	(131,961.84)	(135,049.03)	(138,208.44)
Chg in Non-Cash Work Cap	2,579,749.00	1,799,892.00	(14,406.00)	592,794.00	200,303.00	(1,278,715.00)	(500,291.00)	(648,039.00)	(738,239.00)	1,732,415.00	(584,266.79)	(412,274.50)	(419,288.97)	(426,405.99)	(433,626.54)
(Inc) Dec in Accts Receiv	(518,906.00)	(243,454.00)	151,942.00	365,104.00	(273,770.00)	(356,238.00)	(4,931.00)	89,125.00	205,251.00	(10,132.00)	(214,512.36)	(52,958.57)	(54,197.51)	(55,465.44)	(56,763.02)
(Inc) Dec in Inventories	2,205,641.00	1,076,294.00	(703,739.00)	50,682.00	(80,758.00)	(1,814,936.00)	(1,579,777.00)	(1,273,494.00)	151,054.00	1,161,933.00	(805,092.61)	(138,690.96)	(140,780.40)	(142,891.70)	(145,024.74)
Inc (Dec) in Accts Payable	284,100.00	1,038,643.00	44,155.00	173,558.00	189,659.00	479,929.00	10,269.00	218,362.00	(1,017,529.00)	1,132,180.00	284,468.56	(177,131.43)	(179,800.00)	(182,496.48)	(185,220.72)
Inc (Dec) in Other	608,914.00	(71,591.00)	493,236.00	3,450.00	365,172.00	412,530.00	1,074,148.00	317,968.00	(77,015.00)	(551,566.00)	150,869.62	(43,493.55)	(44,511.06)	(45,552.38)	(46,618.05)
Net Cash From Disc Ops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash from Operating Activities	4,306,926.00	5,272,537.00	4,745,189.00	4,345,425.00	4,776,593.00	2,363,825.00	3,375,248.00	3,275,882.00	2,594,190.00	4,470,764.00	2,521,270.58	2,967,406.46	3,245,905.55	3,536,051.52	3,838,234.01
Cash from Investing Activities															
Change in Fixed & Intang	(1,333,281.00)	(1,278,916.00)	(1,773,050.00)	(1,776,490.00)	(1,585,598.00)	(1,977,708.00)	(4,500,525.00)	(2,304,288.00)	(2,291,867.00)	(3,000,069.00)	(2,899,483.39)	(2,967,315.55)	(3,036,734.60)	(3,107,777.69)	(3,180,482.79)
Disp in Fixed & Intang	17,147.00	47,913.00	120,936.00	124,927.00	158,324.00	41,743.00	75,504.00	68,819.00	99,830.00	81,641.00	86,434.04	88,456.13	90,525.52	92,643.33	94,810.68
Acq of Fixed & Intang	(1,350,428.00)	(1,326,829.00)	(1,893,986.00)	(1,901,417.00)	(1,743,922.00)	(2,019,451.00)	(4,576,029.00)	(2,373,107.00)	(2,391,697.00)	(3,081,710.00)	(2,985,917.44)	(3,055,771.68)	(3,127,260.13)	(3,200,421.01)	(3,275,293.47)
Net Change in LT Investment	(1,459.00)	-	(188,229.00)	(355,411.00)	(1,231,540.00)	(1,698,720.00)	1,066,426.00	(597,868.00)	(1,262.00)	-	-	-	-	-	-
Net Cash From Acq & Div	(24,008.00)	(175,731.00)	(525,844.00)	(147,299.00)	(81,934.00)	(156,098.00)	(26,991.00)	(629,935.00)	(125,124.00)	(3,638.00)	-	-	-	-	-
Other Investing Activities	(288,316.00)	(841,406.00)	(331,654.00)	(730,559.00)	(1,490,997.00)	381,940.00	612,413.00	(444,504.00)	(1,779,707.00)	1,849,525.00	123,933.40	123,933.40	123,933.40	123,933.40	123,933.40
Net Cash From Disc Ops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash from Investing Activities	(1,647,064.00)	(2,296,053.00)	(2,630,548.00)	(2,842,577.00)	(3,513,940.00)	(2,983,406.00)	(5,613,823.00)	(2,312,301.00)	(4,794,566.00)	(1,155,444.00)	(2,775,549.99)	(2,843,382.15)	(2,912,801.20)	(2,983,844.29)	(3,056,549.39)
Cash from Financing Activities															
Dividends Paid	-	(96,992.00)	(198,735.00)	(242,167.00)	(263,240.00)	(283,489.00)	(404,058.00)	(441,025.00)	(441,024.00)	(320,745.00)	(320,745.00)	(320,745.00)	(320,745.00)	(320,745.00)	(320,745.00)
Cash From (Repayment) Debt	(2,077,713.00)	(3,303,432.00)	(893,874.00)	(1,578,511.00)	(527,111.00)	1,337,957.00	1,456,141.00	1,516,844.00	1,169,652.00	(2,217,315.00)	157,394.67	157,394.67	157,394.67	157,394.67	157,394.67
Cash From (Repay) ST Debt	(3,082,724.00)	(83,178.00)	-	(5,546.00)	(5,860.00)	(6,962.00)	(5,278.00)	(4,392.00)	(1,343.00)	(1,366.00)	(1,366.00)	(1,366.00)	(1,366.00)	(1,366.00)	(1,366.00)
Cash From LT Debt	2,519,774.00	610,732.00	1,371,199.00	508,030.00	-	2,231,693.00	2,142,995.00	2,790,574.00	2,481,180.00	291,010.00	1,854,254.67	1,854,254.67	1,854,254.67	1,854,254.67	1,854,254.67
Repayments of LT Debt	(1,514,763.00)	(3,830,986.00)	(2,265,073.00)	(2,080,995.00)	(521,251.00)	(886,774.00)	(681,576.00)	(1,269,338.00)	(1,310,185.00)	(2,506,959.00)	(1,695,494.00)	(1,695,494.00)	(1,695,494.00)	(1,695,494.00)	(1,695,494.00)
Cash (Repurchase) of Equity	250,231.00	52,710.00	32,159.00	9,407.00	-	(64,495.00)	(146,211.00)	(131,813.00)	-	-	-	-	-	-	-
Increase in Capital Stock	250,231.00	215,031.00	210,948.00	9,407.00	-	-	-	-	-	-	-	-	-	-	-
Decrease in Capital Stock	-	(162,321.00)	(178,789.00)	-	-	(64,495.00)	(146,211.00)	(131,813.00)	-	-	-	-	-	-	-
Other Financing Activities	31,175.00	4,416.00	(380,506.00)	1,157.00	(856.00)	(3,482.00)	525.00	1,395.00	3,260.00	(4,939.00)	(4,939.00)	(4,939.00)	(4,939.00)	(4,939.00)	(4,939.00)
Net Cash From Disc Ops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash from Financing Activities	(1,796,307.00)	(3,343,298.00)	(1,440,956.00)	(1,810,114.00)	(791,207.00)	986,491.00	906,397.00	945,401.00	731,888.00	(2,542,999.00)	(168,289.33)	(168,289.33)	(168,289.33)	(168,289.33)	(168,289.33)
Effect of Foreign Exchange Rates	168,955.00	(18,532.00)	14,605.00	(93,594.00)	(63,491.00)	(199,704.00)	(41,364.00)	50,281.00	(33,965.00)	(41,400.00)	-	-	-	-	-
Net Changes in Cash	1,032,510.00	(385,346.00)	688,290.00	(400,860.00)	407,955.00	167,206.00	(1,373,542.00)	1,959,263.00	(1,502,453.00)	772,321.00	(422,568.75)	(44,265.02)	164,815.02	383,917.90	613,395.28

Outstanding Corporate Debentures

Bonds	2018A	2019F	2020F	2021F	2022F	2023F
Bonds Maturing:						
Within 1 Year	0	478,865	892,490	641,499	1,338,735	153,062
Between 1-2 years	478,865	892,490	641,499	1,338,735	153,062	0
Between 2-5 years	2,872,724	2,133,296	1,491,797	822,429	1,338,735	1,338,735
Over 5 years	1,491,797	1,338,735	1,338,735	669,367	0	0
Total	4,843,386	4,843,386	4,364,520	3,472,031	2,830,531	1,491,797
Maturity (yrs)						
1	0	478,865	892,490	641,499	1,338,735	153,062
2	478,865	892,490	641,499	1,338,735	153,062	0
3	892,490	641,499	1,338,735	153,062	0	669,367
4	641,499	1,338,735	153,062	0	669,367	669,367
5	1,338,735	153,062	0	669,367	669,367	0
Over 5 years	1,491,797	1,338,735	1,338,735	669,367	0	0
Total	4,843,386	4,843,386	4,364,520	3,472,031	2,830,531	1,491,797

Description	Coupon	Issue Date	Issue Amount	Maturity Date	YTM	Price (221219)
KIA Motors Corporation 3.00% 25-Apr-23	3.00%	25-Oct-17	\$600,000,000	25-Apr-23	2.687	101.143
KIA Motors Corporation 3.50% 25-Oct-27	3.50%	25-Oct-17	\$300,000,000	25-Oct-27	3.372	101.487
KIA Motors Corporation 2.15% 15-Feb-22	2.15%	15-Feb-17	W290,000,000,000	15-Feb-22	1.780	100.995
KIA Motors Corporation 2.41% 15-Feb-24	2.41%	15-Feb-17	W160,000,000,000	15-Feb-24	1.918	101.965
KIA Motors Corporation 1.85% 15-Feb-20	1.85%	15-Feb-17	W50,000,000,000	15-Feb-20		42.97
KIA Motors Corporation 2.62% 21-Apr-21	2.62%	21-Apr-16	\$400,000,000	21-Apr-21	2.355	100.086
KIA Motors Corporation 3.25% 21-Apr-26	3.25%	21-Apr-16	\$300,000,000	21-Apr-26	3.167	100.194
KIA Motors Corporation 2.23% 05-Nov-20	2.23%	5-Nov-15	W200,000,000,000	5-Nov-20	1.718	100.439
KIA Motors Corporation 2.40% 05-Nov-22	2.40%	5-Nov-15	W130,000,000,000	5-Nov-22	1.861	101.49
KIA Motors Corporation 2.57% 04-Jun-22	2.57%	4-Jun-15	W250,000,000,000	4-Jun-22	1.813	101.799
KIA Motors Corporation 2.33% 04-Jun-20	2.33%	4-Jun-15	W250,000,000,000	4-Jun-20	1.685	100.288

Credit Ratios

In Millions of KRW except Per Share 12 Months Ending	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	FY 2018 12/31/2018
Total Debt	4,701,046.00	6,317,414.00	8,068,468.00	8,752,974.00	6,683,714.00
Short-Term Debt	1,814,208.00	2,785,473.00	4,131,427.00	3,856,438.00	2,273,064.00
Long Term Debt	2,886,838.00	3,531,941.00	3,937,041.00	4,896,536.00	4,410,650.00
Total Debt/T12M EBITDA	1.2	1.67	1.94	3.48	2.16
Net Debt/EBITDA	-0.67	-0.19	-0.13	-0.34	-0.59
Total Debt/EBIT	1.83	2.68	3.28	13.22	5.77
Net Debt/EBIT	-1.02	-0.31	-0.21	-1.31	-1.58
EBITDA to Interest Expense	68.31	42.42	29.8	11.43	15.18
EBITDA-CapEx/Interest Expense	25.63	-0.92	15.51	3.63	3.03
EBIT to Interest Expense	44.95	26.45	17.69	3.01	5.68
EBITDA/Cash Interest Paid	43.11	31.7	27.31	12.83	20.15
EBITDA-CapEx/Cash Interest Paid	27.35	-1.15	17.04	4.22	4.67
EBIT/Cash Interest Paid	28.36	19.76	16.21	3.37	7.54
Cash Interest Paid	90,707.00	119,184.00	151,931.00	196,296.00	153,476.00
Interest Expense	57,240.00	89,060.00	139,211.00	220,250.00	203,747.00
Common Equity/Total Assets	54.78	52.64	52.23	51.37	52.61
Long-Term Debt/Equity	12.84	14.59	14.81	18.23	16.19
Long-Term Debt/Capital	10.62	11.57	11.36	13.75	13
Long-Term Debt/Total Assets	7.03	7.68	7.74	9.36	8.52
Total Debt/Equity	20.91	26.1	30.36	32.59	24.53
Total Debt/Capital	17.29	20.7	23.29	24.58	19.7
Total Debt/Total Assets	11.45	13.74	15.86	16.74	12.91
Net Debt/Equity	-11.62	-3.04	-1.97	-3.22	-6.71
Net Debt/Capital	-13.15	-3.13	-2.01	-3.33	-7.19
EBITDA	3,910,152.00	3,778,055.00	4,149,024.00	2,518,001.00	3,092,352.00
EBITDA-CapEx	2,480,556.00	-136,555.00	2,589,486.00	828,520.00	716,087.00
EBIT	2,572,887.00	2,355,558.00	2,462,448.00	662,276.00	1,157,475.00