



# Closing the Gap

## Unlocking Value in Korea's Preferred Shares

October 13<sup>th</sup> 2026

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# Executive Summary: A \$60bn+ value unlocking opportunity



## Korea's Prefs are an overlooked Value-Up opportunity

Preferred shares ("Prefs") are effectively non-voting ordinary shares trading at an average 46% discount, significantly higher than international precedents, with recent technical factors temporarily widening an already persistent discount



## Governance reforms and cash generation support action now

Korea's evolving governance framework and improving business fundamentals create a timely opportunity for companies to explicitly incorporate Prefs into their Value-Up plans. Retiring equivalent economic rights at a lower price increases per-share value for both classes



Pref Discount

**26%**

## Record returns create near-term opportunity for discount compression and buyback driven accretion

Prefs offer compelling value, trading at a discount-on-a-discount while providing an attractive dividend yield pick-up

Samsung should use the unallocated balance of the KRW 90–110tn (USD 67–82bn) '26 shareholder return plan for Pref buybacks, restore a discount target in the '27–29 policy and explore premium ADR issuance to fund further Pref buybacks



Pref Discount<sup>(1)</sup>

**48%**

## Targeted buybacks and strong Pref protections can close the gap

Hyundai should direct most or all remaining buybacks under the KRW 4tn (USD 3bn) plan to Prefs while discounts stay wide. Set a discount ceiling and strengthen protections for Prefs in corporate transactions

# 1 Korea Preferred Shares

2 Samsung Electronics (“SEC”)

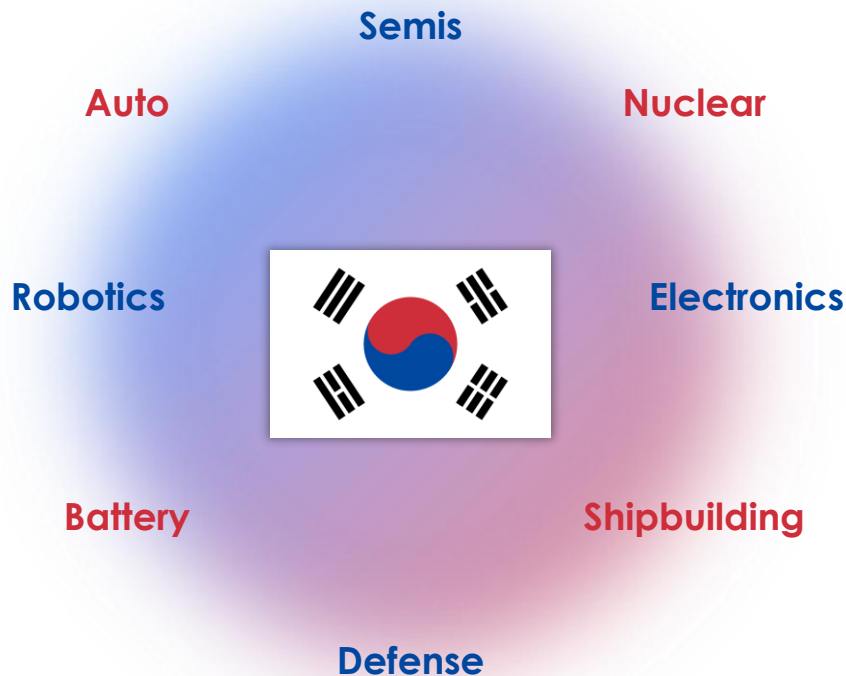
3 Hyundai Motor Corporation (“HMC”)

# Corporate governance reform in Korea is significant and beginning to encourage better corporate behavior, with further catalysts ahead...

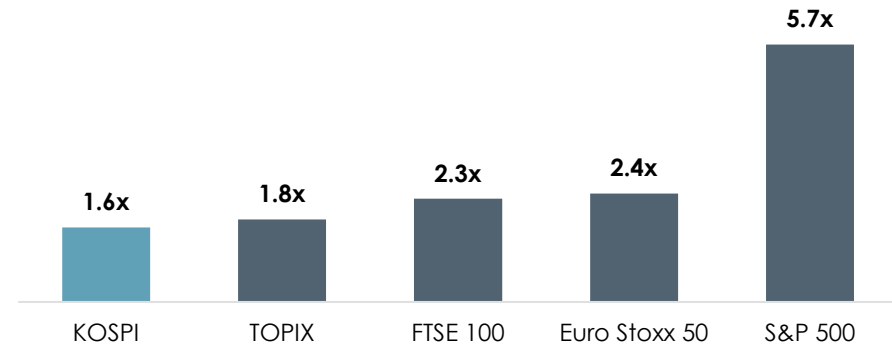
| Select Initiative                                   | Implementation         | Key Highlights                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Korea Corporate Value-Up Program                    | February '24           | <ul style="list-style-type: none"> <li>Voluntary disclosure and update of shareholder value-enhancement plans to ultimately help address the "Korea Discount"</li> </ul>                                                                                                                                                                                                                                                                                                                                                |
| 1st Amendment to the Korean Commercial Code ("KCC") | July '25               | <ul style="list-style-type: none"> <li>Expansion of directors' fiduciary duty to include all shareholders</li> <li>"Aggregate" 3% rule when appointing a member of the audit committee</li> </ul>                                                                                                                                                                                                                                                                                                                       |
| 2nd Amendment to the KCC                            | September '25          | <ul style="list-style-type: none"> <li>Adoption of cumulative voting</li> <li>Increase in separately-elected audit committee members from one to two</li> </ul>                                                                                                                                                                                                                                                                                                                                                         |
| 3rd Amendment to the KCC                            | March '26              | <ul style="list-style-type: none"> <li>Mandatory cancellation of existing and newly acquired treasury shares</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                 |
| Low PBR List                                        | Launch in November '26 | <ul style="list-style-type: none"> <li>Public naming and shaming of companies with low PBRs trading at the bottom 25% of the KOSPI or 10% of KOSDAQ for six consecutive half-year periods</li> </ul>                                                                                                                                                                                                                                                                                                                    |
| Stewardship Code Amendment                          | In Review              | <ul style="list-style-type: none"> <li>Strengthening of the Stewardship Code to enhance oversight, promote proactive stewardship activities and enhance transparency from institutional investors</li> </ul>                                                                                                                                                                                                                                                                                                            |
| M&A Reform                                          | In Review              | <ul style="list-style-type: none"> <li>Mandatory tender offer system to ensure control premiums received by majority shareholders are shared with minority shareholders</li> <li>Merger consideration to be calculated based on fair value and not solely on short-term market share prices</li> <li><u>Bear-Hug Bill</u>: Requires listed companies to disclose M&amp;A proposals that materially affect shareholder value and target boards to disclose a comprehensive assessment and opinion of fairness</li> </ul> |

# ...whilst fundamental tailwinds are driving earnings and cash flow growth; yet Korea remains inexpensive

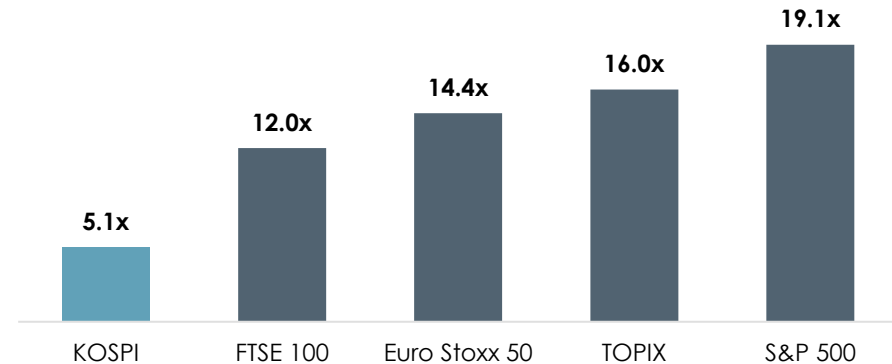
Korea is home to globally competitive industry leaders benefiting from powerful structural tailwinds, positioning corporate earnings, profitability and free cash flow ("FCF") to grow meaningfully in the years ahead



## LTM P/B



## 1BF P/E



Powerful fundamental tailwinds and ongoing governance reforms are prompting Korean companies to take decisive action to address the "Korea Discount" through improved governance, disciplined capital allocation and stronger shareholder returns

# Korean Prefs have, so far, remained an overlooked element of the Value-Up story

A class of non-voting shares that have the same economic rights as ordinary shares ("Ords") without any liquidation preference, but offer de minimis dividend top-up essentially non-voting ordinary shares

114

Total number of listed Prefs in Korea

KRW 182tn  
USD 135bn

Total value of listed Prefs in Korea

KRW 86tn  
USD 64bn

of trapped value at the Prefs<sup>(1)</sup>

46%

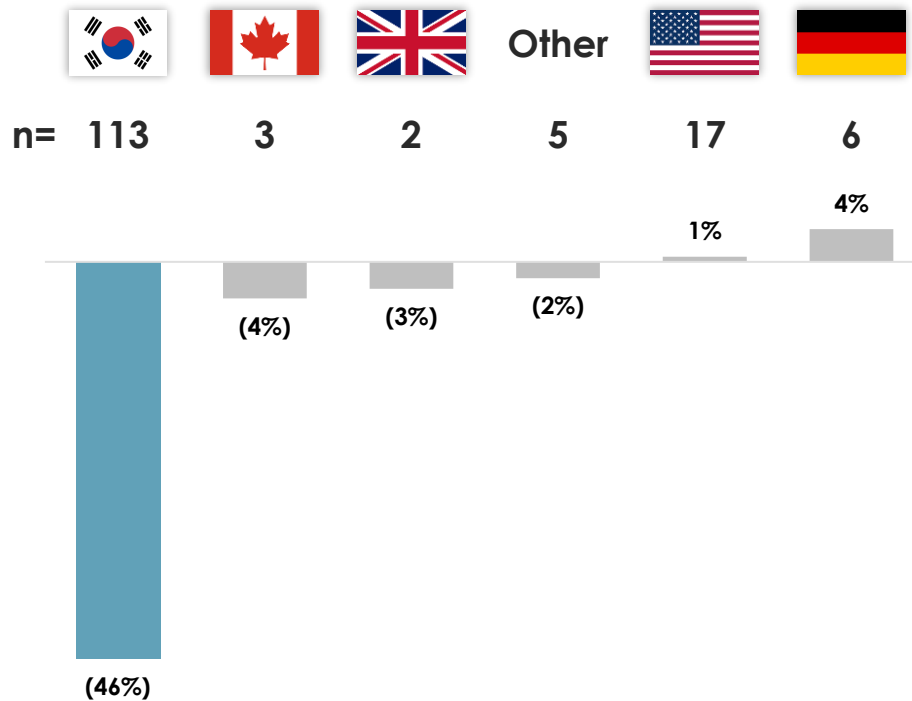
Average discount to respective Ords<sup>(2)</sup>

## Background

- **NOT** equivalent to preferred shares in US / UK markets which have hybrid stock and bond-like features
- Prefs rank pari passu and share all rights with Ords but voting and dividends
- Generally do not provide downside dividend protection and dividend preference over Ords is de minimis (often only 1% of par value), **rendering the term "Preferred" a misnomer**
- Effectively treated as common stock under K-IFRS and **included in share counts for EPS calculation purposes**
- Historically used as a method to raise equity capital without diluting voting power of controlling shareholders
- Majority of Prefs were issued during the 1980s and have rarely been used for new capital raising in the past 1-2 decades, likely reflecting a lack of investor interest given poor trading characteristics
- Have traded at a wide discount to Ord counterparts for decades

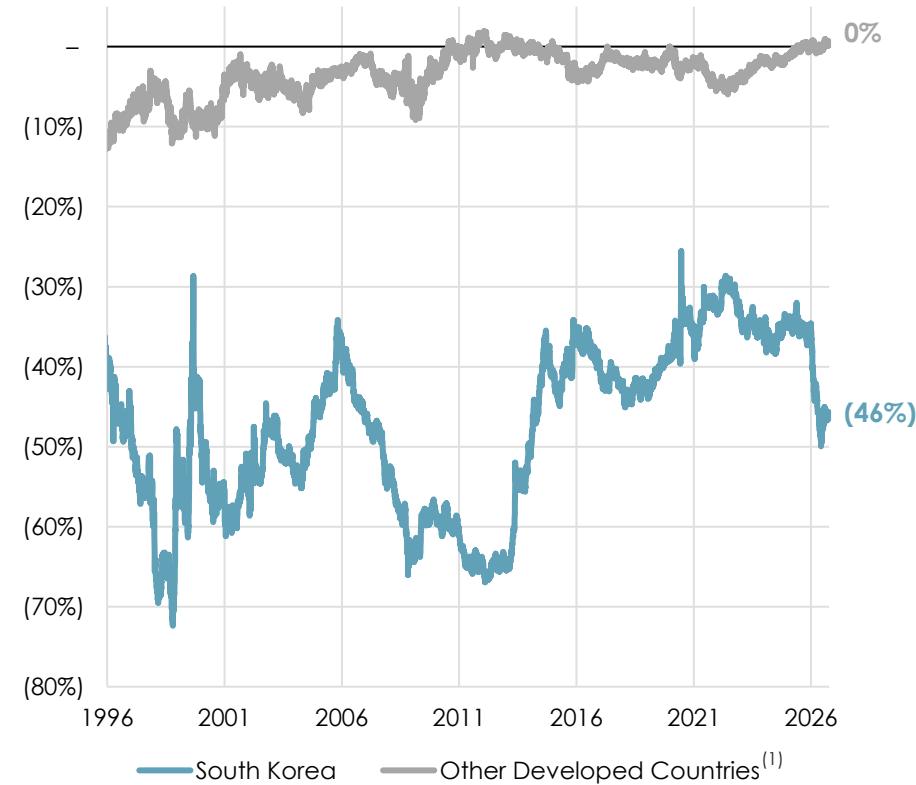
# Korean Prefs are an outlier in global markets - the largest both in size and scale of discount

## Average Pref Equivalent Discount Across Jurisdictions



Lack of voting rights alone appear insufficient to explain Korea's unusually wide Pref discount. The discount is not simply a valuation anomaly but results in a higher cost of equity for issuers and is a visible symbol of weakness in governance and capital allocation

## Average Pref Discount Over Time



Korea's Pref discount has widened recently in spite of Korea's Corporate Value-Up Program driven by a lack of explicit policy / corporate focus and "hot" flows into KOSPI

# Closing the Pref discount represents a natural next phase in Korea's Value-Up journey

Many of the key drivers of Korea's Pref discount stem from Korea-specific governance and oversight factors that companies can directly address through focused and transparent measures

## Key drivers of Korea's Pref discount

|                |                                      |                                                                                                                                                         |
|----------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Standard       | No Voting Rights                     | No voting rights in exchange for a de minimis dividend top-up; minority voting rights may have limited influence given controlling shareholder dynamics |
|                | Low Liquidity                        | Poor liquidity given minimal step up in dividends and lack of index inclusion                                                                           |
| Korea-Specific | Lack of Focus by Company             | Lack of focus with limited initiatives to tackle the discount and improve capital efficiency                                                            |
|                | Overlooked in Reforms                | Recent reforms and Value-Up measures more explicitly geared towards Ords with no explicit discussion on treatment of Prefs                              |
|                | Weak Shareholder Returns             | Low shareholder returns have reduced the incentive to attract buyers to close the discount                                                              |
|                | Lack of Corporate Action Protections | Risk of unfair treatment arising from gaps in the legal framework governing the treatment of Prefs in corporate actions / change of control situations  |

## Recommended actions for companies

### Analyze the current situation

Assess the company's cost of capital, return on capital and valuation on an ongoing basis, including the impact of Prefs, to optimize capital allocation and corporate value

### Plan and disclose (updated) "Value-Up" plan

Establish clear policies to address the discount, including regular disclosure of cost of capital / equity, transparent Pref valuation KPIs, alignment of management incentives with these KPIs and explicit Pref discount targets / action plans

### Implement near-term initiatives such as Pref buybacks

Buy back Prefs when trading at a significant discount to improve capital efficiency and lower the cost of capital

### Corporate governance improvements

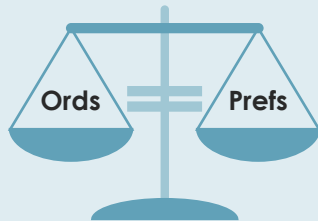
Introduce measures, such as Articles of Incorporation amendments, to explicitly enhance Pref rights to be in line with Ords

**Holistic solutions to collapse Pref structures are possible, but require proactive coordination between issuers and the government**

# Recent Value-Up initiatives and fiduciary duty expansion create a clear mandate for boards to assess and address the Pref discount

The July '25 KCC amendment (Article 382-3) extended directors' **duty of loyalty to include shareholders, requiring directors to protect all shareholders' interests and ensure their fair, equitable treatment**

## Equitable Treatment for Prefs



- **Prefs are minority holders in the purest sense**
- "Value-Up" has begun to benefit Ords, however the Pref valuation discount has widened sharply
- **Persistent Pref discount should serve as a cause for concern for boards and prompt urgent action**
- **Boards should discharge their fiduciary duties equitably and cater for Prefs explicitly in value-enhancement plans**

## Disciplined Capital Allocation



- When buying back shares, **directors have an effective "duty to seek best value"** to pursue the **most favorable terms for their remaining Ord & Pref shareholders**
- Supported by strong fundamentals and improving FCF dynamics, **buybacks of Prefs should be prioritized over Ords so long as there is a material discount** as they are economically equivalent shares available at a cheaper price

**Prioritizing buybacks of Prefs is not inconsistent with the principle of shareholder equality:** Pref buybacks at significant discounts benefit all shareholders by retiring economically identical shares at a lower cost, driving EPS accretion for both Ords and Prefs

(See Appendix)

# Momentum is building to address Korea's Pref discount

**Bloomberg**

[15 Sep '26](#)

**Samsung Faces Local Hedge Fund's Push to Cancel Preferred Shares**

**B!z watch**

[31 Aug '26](#)

**Preferred Shares: The Korea Discount's Blind Spot – Samsung Electronics' Share Buyback Program Draws Attention**

**매일경제**

Maeil Economic

[1 Sep '26](#)

**Preferred Shares Trade at Up to 81% Discount to Common Shares—"The Price of Governance Risk"**

**GF KCGF**  
가치인수포럼 Korean Corporate Governance Forum

[25 Aug '26](#)

**Samsung Electronics should retire all of its preferred shares, which carry a high cost of capital**

세상을 보는 또 다른 시선  
**Viewers**

[31 Aug '26](#)

**Preferred Share Discount at 45% - "End Discrimination in Share Buybacks and Tender Offers"**

**연합인포맥스**  
YONHAP infomax

[3 Feb '26](#)

**Ords up 80% · Prefs at half the price...Mirae looking for shareholder return solutions**

1 Korea Preferred Shares

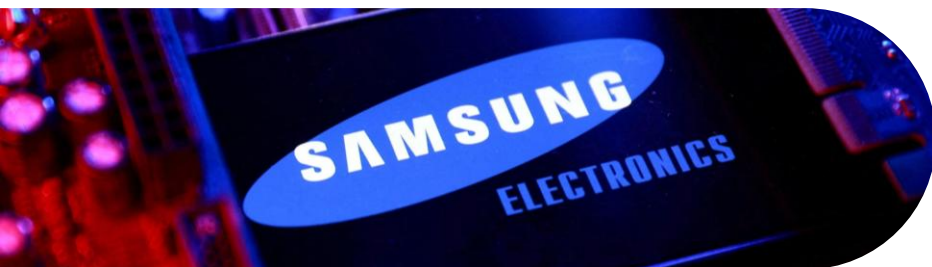
2 Samsung Electronics (“SEC”)

Ord: 005930 KP  
Pref: 005935 KP

3 Hyundai Motor Corporation (“HMC”)

# SEC: Flagship Korean company with a unique opportunity to address its Pref discount amid a strong fundamental backdrop

Palliser

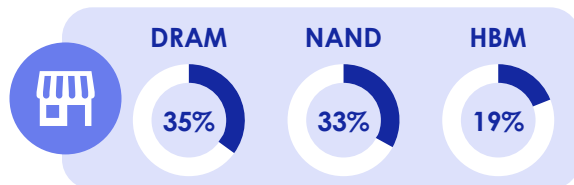


World's leading memory semiconductor manufacturer and a global technology powerhouse spanning smartphones, consumer electronics and digital infrastructure



Recently announced a record KRW 90-110tn (USD 67-82bn) shareholder return ("SHR") for FY '26, the largest ever by a Korean company

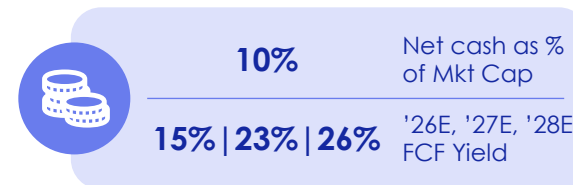
## Leading Global Memory Market Share<sup>(1)</sup>



## LTAs Driving Greater Earnings Durability<sup>(2)</sup>



## Strong Cash Position and Generation<sup>(3)</sup>



## Fundamental tailwinds driving earnings growth / durability...



Only scaled supplier **capable of delivering memory, logic, foundry and packaging under one roof** as AI architecture evolves from chip-centric to system-centric designs



Improving execution on SEC's targeted HBM market share expansion to high 30% levels in the medium term driven by improving yields and performance of its HBM4 products



**Recovering foundry business** on the back of 2nm node ramp-up, full-scale commercial production of the 4nm LPU node and potential to secure new major US HPC customers

## ...however, continued capital efficiency drag from Prefs

### Pref Discount

**26%**

|      | NOSH <sup>(4)</sup><br>m | Share Price<br>KRWk | Mkt Cap<br>USDbn |
|------|--------------------------|---------------------|------------------|
| Ord  | 5,764                    | 262                 | 1,123            |
| Pref | 802                      | 194                 | 116              |

- Substantially wide relative to historical target of 10% announced for its '15-'17 SHR policy
- Equal economic rights but **no voting rights**; Prefs provide a **de minimis dividend top-up** of KRW 1/sh, **effectively non-voting Ords**
- Material discount implies that **Prefs have a higher implied cost of equity relative to Ords** increasing balance sheet inefficiency



Considering the severely undervalued nature of the share price, we feel that a share buyback at these levels is the correct decision. All the shares we purchase will be cancelled, as cancelling the shares and thus reducing the capital stock of the Company will be the most effective method to returning value to existing and long-term shareholders.

Over the years many shareholders have expressed a view that buying back and cancelling preferred shares, which are traded at a discount to common shares, is more efficient use of capital as we can buy and cancel more number of shares with the same amount of money, thus increasing the effectiveness of any future capital return to the remaining shareholders. The Company shares the same view.

Therefore, we plan to increase the portion of preferred shares for repurchase and cancellation under this buyback program as long as the price discount to common share is greater than 10%. We expect this will bring further increase to the future dividend per share as we can reduce higher number of shares outstanding, therefore having positive impact on both common and preferred shareholders.

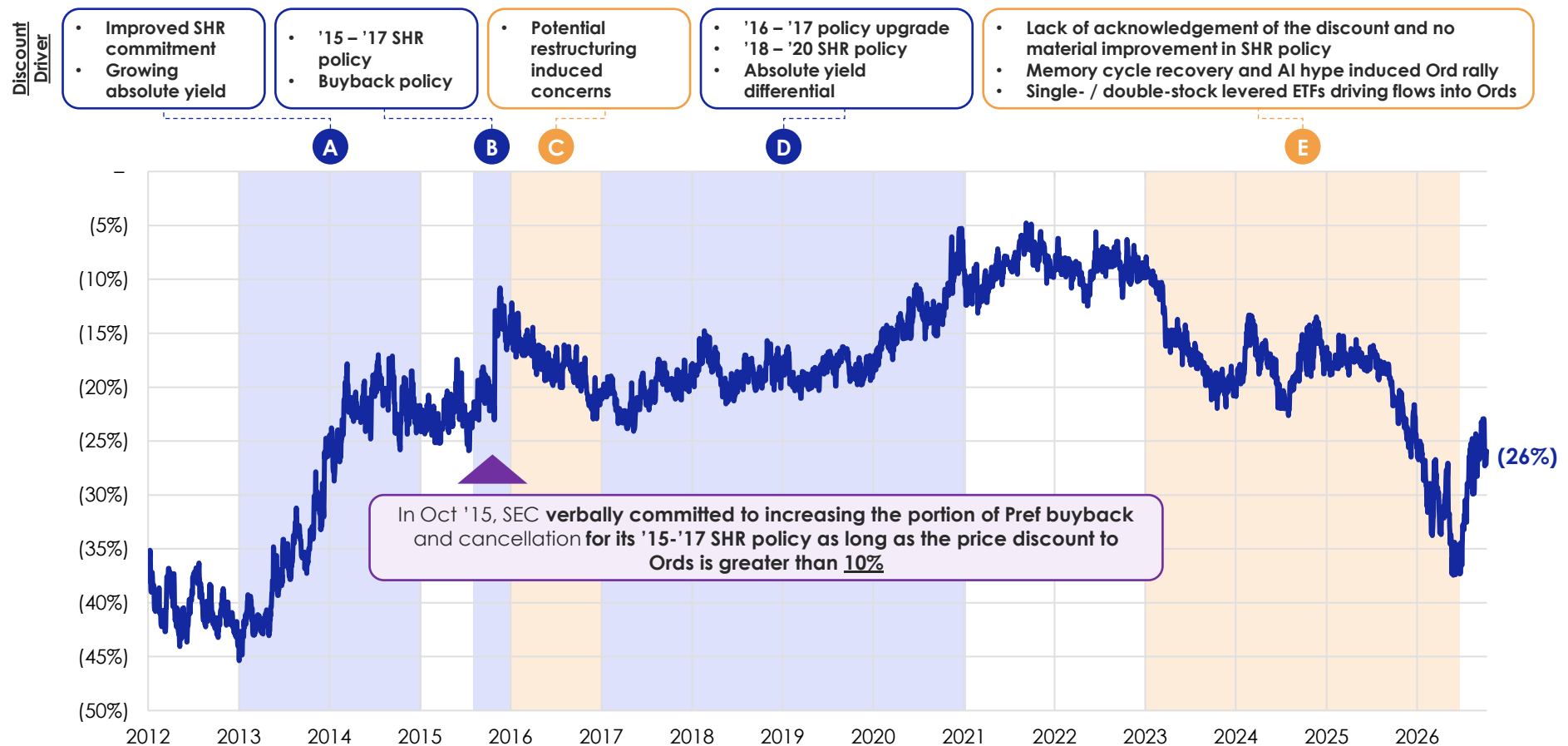
SEC | Q3 '15 Earnings Call | [Oct '15](#) | Pref Discount on Announcement: (19%)



# Recent Pref discount widening underscores the need for more proactive measures as seen in the company's '15-'17 shareholder return policy

Historically, enhanced shareholder return policies have helped to narrow SEC's Pref discount. Recent substantial financial strength means that solving the valuation gap is within the company's control

## SEC Pref Discount Since 2012



# Today, SEC has the ingredients and opportunity to close the Pref discount

**As part of its Value-Up and shareholder return policy, SEC should announce a Pref-focused buyback and introduce a dedicated Pref strategy, as it did in 2015, that would provide valuation benefits for all shareholders**

| Historical Discount Drivers                     | Today | Current Status                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>SHR Commitment</b>                           | ✓     | Longstanding commitment to shareholder returns since '13 supported by a clear SHR policy and regular updates every three years                                                                                                                                                                                                                   |
| <b>Dividend Predictability</b>                  | ✓     | Standing quarterly dividend structure beginning '15 with a base dividend commitment of KRW 9.8tn p.a.                                                                                                                                                                                                                                            |
| <b>Target Payout Policy</b>                     | ✓     | Clear 50% FCF target for total shareholder returns that has recently been reinforced with a KRW 90-110tn SHR package commitment for '26; target levels lower than peers and has flexibility to raise targets further in its upcoming '27-'29 plan                                                                                                |
| <b>SHR Growth</b>                               | ✓     | Historically strongest absolute SHR growth expected in the near term driven by unprecedented fundamental and FCF improvements from AI-induced tailwinds                                                                                                                                                                                          |
| <b>Absolute SHR Yield Differential vs. Ords</b> | ✓     | Current discount to Ords presents an attractive absolute yield differential for the Prefs vs. Ords, regardless of allocation decision between dividends or buybacks in the medium term                                                                                                                                                           |
| <b>Balanced Trading Flows</b>                   | ✓     | Regulators have cracked down on single- / double-stock levered ETF reducing hot flows and volatility in the Ords                                                                                                                                                                                                                                 |
| <b>Buyback</b>                                  | TBD   | SEC disappointed the market with the lack of a share buyback announcement at its Q3 update and a lack of clarity on the allocation of the remaining '26 SHR budget between buybacks and dividends; market participants continue to express a strong preference for buybacks, with Pref buybacks widely acknowledged as the most accretive option |
| <b>Pref-Specific Policy</b>                     | TBD   | Lacks a clear current Pref-specific policy similar to that in '15                                                                                                                                                                                                                                                                                |

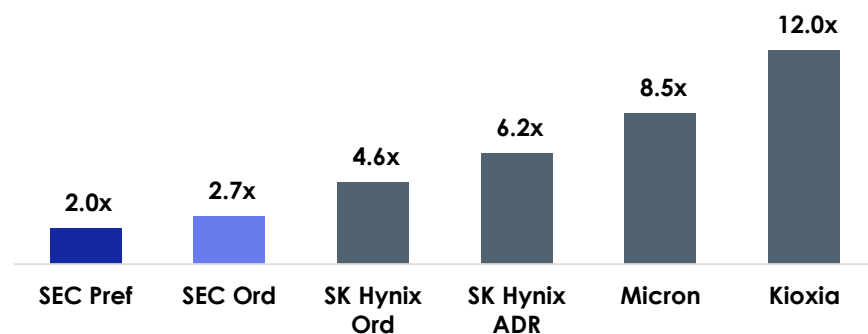
**With a record KRW 90-110tn shareholder return commitment (KRW 37tn of which is committed to dividends) and substantial flexibility remaining in its '26 budget, SEC has a timely opportunity to prioritize Pref buybacks and institutionalize a dedicated Pref discount management framework as part of its '27-'29 shareholder return policy, similar to that in '15**

# SEC currently trades at a substantial discount to peers, especially the Prefs which are essentially trading at a discount-on-a-discount...

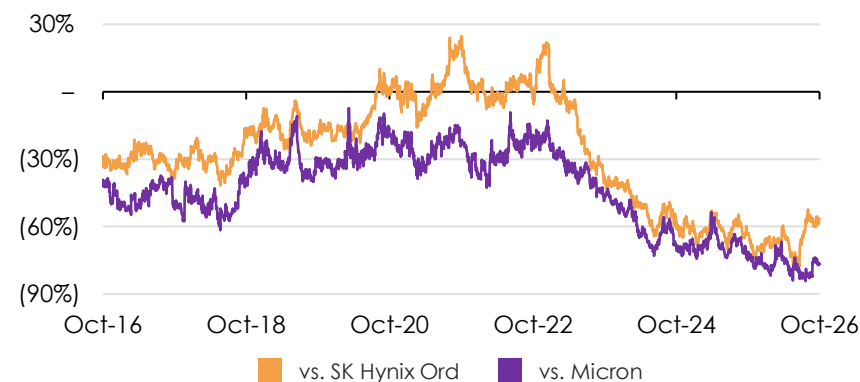
With trading multiples at historical wides compared to peers, SEC's valuation appears compelling, particularly given persisting memory shortages and growing use of LTAs which are improving earnings visibility

## LTM P/B

SEC Pref Discount: **-26%** **-57%** **-68%** **-77%** **-83%**

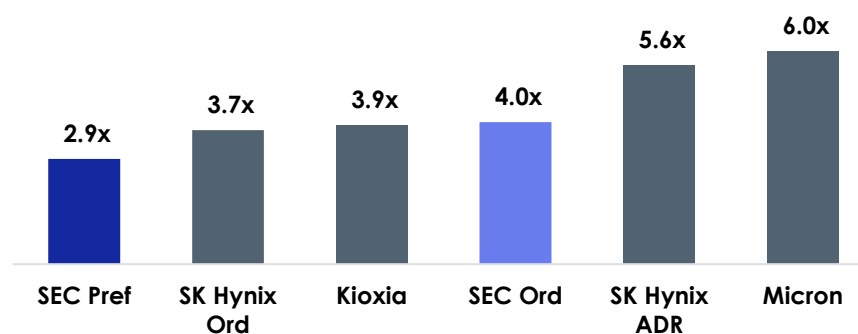


### L10Y SEC Pref Valuation Discount to Peers

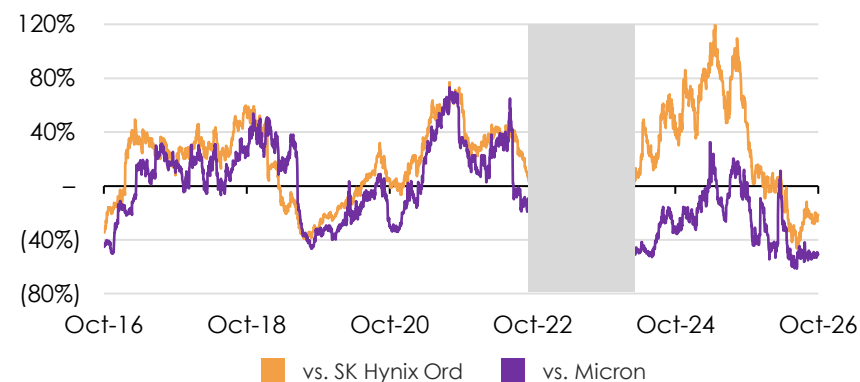


## 1BF P/E

SEC Pref Discount: **-22%** **-24%** **-26%** **-47%** **-51%**



### L10Y SEC Pref Valuation Discount to Peers



# ...therefore, Pref buybacks offer greater accretion from SEC's growing shareholder return budget...

SEC's growing FCF supports a highly attractive SHR yield outlook, particularly for Prefs. SEC should review its payout ratio, the lowest among peers, for its '27-'29 policy and prioritize discounted Pref buybacks to maximize accretion, support an Ord re-rating and narrow the Pref discount

| Consensus FCF Dynamics (KRWtn) |            |       |                          | EPS Accretion & Shareholder Return Yield <sup>(1)</sup>                                                                                                   |          |                           |                            |
|--------------------------------|------------|-------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------|----------------------------|
|                                |            |       |                          | Buyback scenarios assume remainder of '26 SHR used for buybacks (Buybacks: KRW 72tn   Dividends: KRW 37tn) and '27-'28E maintains dividend payout of ~25% |          |                           |                            |
| FY '26E                        | CFO        | 322   |                          | Pref SHR Yield:                                                                                                                                           | 9%       | 9%                        | 9%                         |
|                                | (-) CapEx  | (77)  |                          | Ord SHR Yield:                                                                                                                                            | 6%       | 6%                        | 6%                         |
|                                | (-) M&A    | (4)   | % Mkt Cap <sup>(2)</sup> | Accretion                                                                                                                                                 | -        | 3%                        | 5%                         |
|                                | FCF        | 242   | 15%                      |                                                                                                                                                           | 100% Div | 34% Div + 66% Ord Buyback | 34% Div + 66% Pref Buyback |
|                                | SHR Budget | 110   | High-end of 90-110tn     |                                                                                                                                                           |          |                           |                            |
| FY '27E                        | CFO        | 482   |                          | Pref SHR Yield:                                                                                                                                           | 15%      | 16%                       | 16%                        |
|                                | (-) CapEx  | (100) |                          | Ord SHR Yield:                                                                                                                                            | 11%      | 12%                       | 12%                        |
|                                | (-) M&A    | (4)   | % Mkt Cap <sup>(2)</sup> | Accretion                                                                                                                                                 | -        | 8%                        | 11%                        |
|                                | FCF        | 379   | 23%                      |                                                                                                                                                           | 100% Div | 60% Div + 40% Ord Buyback | 60% Div + 40% Pref Buyback |
|                                | SHR Budget | 189   | Assume 50% of FCF        |                                                                                                                                                           |          |                           |                            |
| FY '28E                        | CFO        | 556   |                          | Pref SHR Yield:                                                                                                                                           | 17%      | 18%                       | 19%                        |
|                                | (-) CapEx  | (112) |                          | Ord SHR Yield:                                                                                                                                            | 13%      | 14%                       | 14%                        |
|                                | (-) M&A    | (4)   | % Mkt Cap <sup>(2)</sup> | Accretion                                                                                                                                                 | -        | 12%                       | 16%                        |
|                                | FCF        | 440   | 26%                      |                                                                                                                                                           | 100% Div | 56% Div + 44% Ord Buyback | 56% Div + 44% Pref Buyback |
|                                | SHR Budget | 220   | Assume 50% of FCF        |                                                                                                                                                           |          |                           |                            |

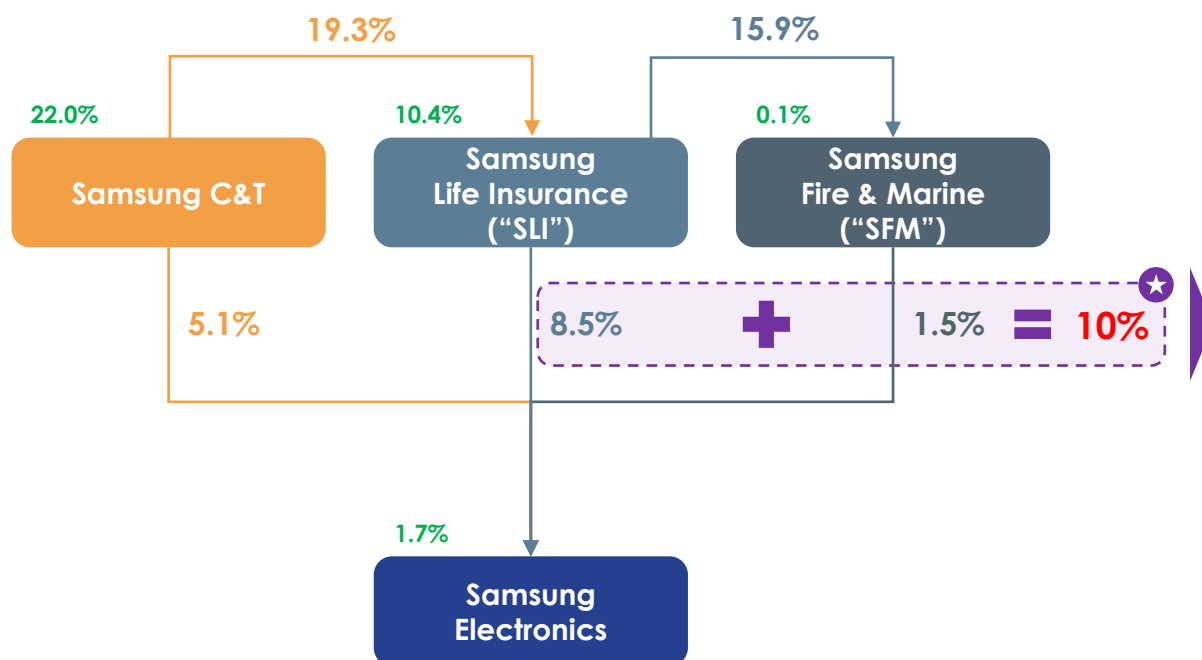
Source: Company Filings, Bloomberg, Sell-Side Research, Palliser Analysis. Note: Market data as of 9 October 2026; FCF calculation assumes M&A budget of KRW 3.5tn p.a. – in line with sell-side estimates. (1) FY '27E-'28E assumes SEC maintains 50% FCF TSR policy and dividend payout ratio of 25%, in line with FY '25 levels; 100% Div scenario assumes that the total SHR budget allocated only to dividends; EPS accretion is cumulative; Yield represents the sum of dividend yield and buyback per share yield for each class; Buyback per share yield includes both buybacks to Prefs and Ords for each class given equal economic ownership. (2) Based on total market cap (Ord + Pref market cap).

## ...and FISA ownership limits do not constrain buybacks of Prefs, unlike Ords

SEC should prioritize Pref buybacks in '26 and in its '27-'29 return framework to maximize accretion without triggering the insurer sell-downs associated with Ord buybacks diluting the impact to minority shareholders

### Key Ownership Highlights of SEC

#### JY Lee Ownership



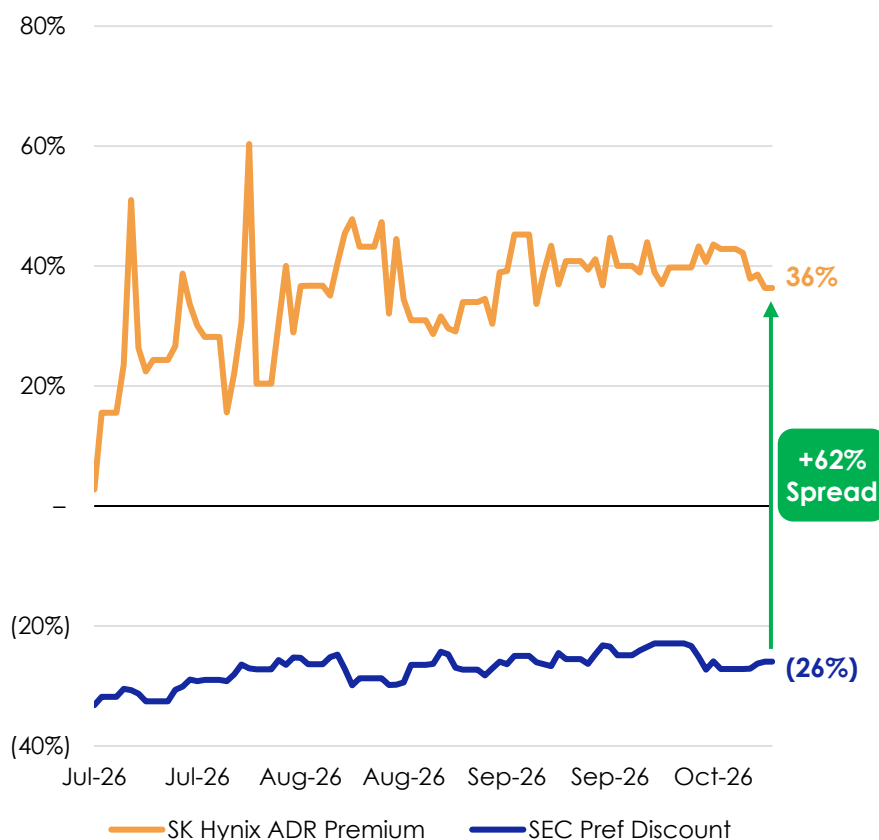
### Financial Industry Structure Improvement Act ("FISA")

- Article 24 of FISA **restricts a financial company belonging to a business group from holding 10% or more of the total voting shares** issued by a non-financial affiliate within the same conglomerate group without regulatory approval
- Applicable to the combined voting shares held by SLI and SFM, **which is currently at the 10% limit**
- A buyback of SEC Ords would therefore **be impermissible** without SLI and SFM selling shares
- This would result in the impact of the buyback to minority shareholders to be diluted by at least 10%

As Prefs are non-voting shares, buybacks of Prefs would not present an issue for the financial entities and would instead maximize their economic ownership of SEC

## SEC could additionally fund discounted Pref buybacks through premium ADR issuance

**ADR issuance could allow SEC to take advantage of a significant valuation arbitrage opportunity for the company to buy back its Prefs to benefit all shareholders**



Source: Bloomberg, Company Filings, Press. Note: Market data as of 9 October 2026.

# A clear roadmap to sustainable Pref discount compression...

**A combination of Pref-conscious capital allocation, explicit discount targets and innovative financing solutions provide a clear path to improving market confidence and long-term value for all shareholders**

## **Use remaining committed '26 shareholder return budget to buy back Prefs**

- Allocate all shareholder returns above the amount currently committed for dividends to the repurchase and cancellation of Prefs in '26
- SEC should capitalize on the current Pref discount with urgency as it allows the company to buy back its shares at a steep discount and maximize EPS accretion

## **Incorporate a Pref discount target as an explicit part of SEC's upcoming Value-Up plan**

- Similar to the 10% discount target announced for its '15-'17 SHR policy, formally acknowledge the Pref discount and establish a clear target range for reducing the discount over time in its upcoming '27-'29 Shareholder Return Plan
- Provide a commitment to the prioritization of Pref buybacks over Ords so long as the discount remains materially elevated to enhance the company's capital efficiency

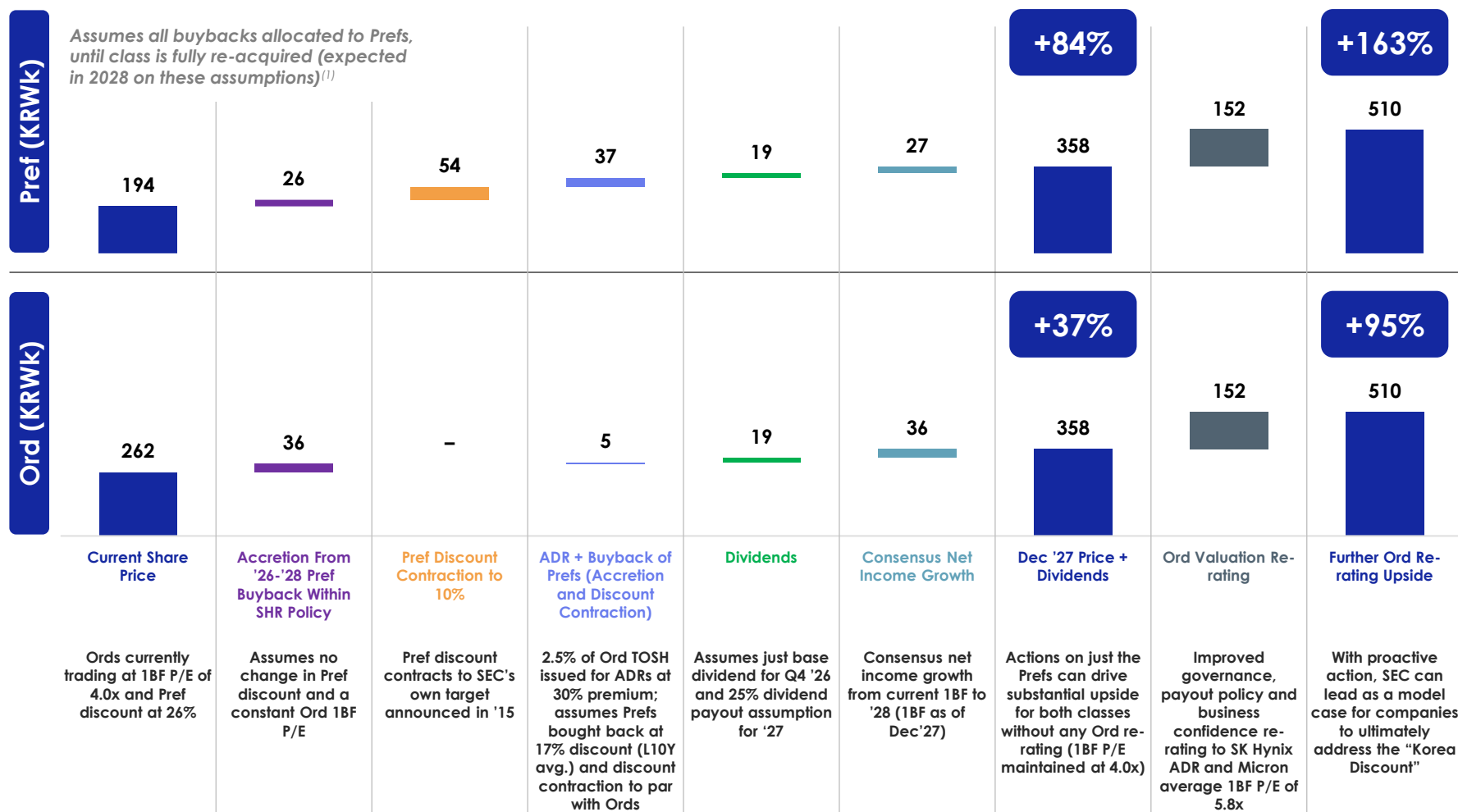
## **Issue ADRs and use all of the proceeds to execute Pref buybacks**

- SK Hynix's ADR listing and premium demonstrate an opportunity for SEC to capitalize on international demand for memory stocks to enhance capital efficiency and further raise Samsung's profile as a global technology leader

**SEC's SHR policy remains among the weakest in its peer group. With peers such as Micron committing 100% of excess FCF to shareholders and SK Hynix recently committing to payouts greater than 50% of FCF, SEC should consider increasing its 50% of FCF payout ratio to more competitive levels for its upcoming '27-'29 shareholder return policy**

# ...to unlock substantial value for all shareholders

Pref-focused buybacks offer a compelling "discount-on-a-discount" opportunity to drive substantial value creation for both Ords and Prefs before assuming any re-rating of the shares, while reinforcing progress toward closing the "Korea Discount"



Source: Company Filings, Bloomberg, Sell-Side Research, Palliser Analysis. Note: Market data as of 9 October 2026. FCF anchor assumes M&A budget of KRW 3.5tn p.a.. (1) FY '26E assumes high-end of SEC guidance of KRW 110tn of total shareholder return and remainder of '26 SHR used for Pref buybacks; FY '27E – '28E assumes SEC maintains 50% FCF payout policy in line with historical practice and a 25% dividend payout policy – in line with '25 levels; ADR issuance assumes 2.5% of current TOSH (total shares outstanding, including treasury) newly issued, issuance premium of 30%, underwriting and commission fee of 1% of proceeds and listing expense of 0.1% of proceeds.

1 Korea Preferred Shares

2 Samsung Electronics (“SEC”)

3 Hyundai Motor Corporation (“HMC”)

Ord: 005380 KP  
Pref A: 005385 KP  
Pref B: 005387 KP  
Pref C: 005389 KP

# HMC: Leading automotive company with an opportunity to address an even larger Pref discount in the medium term

Palliser



Leading global automotive manufacturer with a diversified portfolio of passenger vehicles, luxury automobiles and future mobility solutions

## Global Automotive Leader<sup>(1)</sup>



By Volume

#3

By EBIT

#2

## Stake in Boston Dynamics ("BD")<sup>(2)</sup>



~28%

Stake in Boston Dynamics, a leading global advanced robotics manufacturer

## FY '25-'27 Shareholder Return Policy<sup>(3)</sup>



35%

Total shareholder return ratio target

25%+

Minimum dividend payout ratio

## HMC has taken initial steps to address its Pref discount...



Excitement surrounding the embedded value of BD in the Ords and concerns regarding the Prefs' ability to capture this value catalyzed significant divergence of the Pref discount



In August '24, publicly acknowledged its Pref discount and the need to address the valuation gap for its '25-'27 policy period



Announced buyback program of up to KRW 4tn during '25-'27 that will take the Pref discount into consideration when determining the allocation between classes (the most recent Jan-Apr '26 program bought back 0.4% of Ords and 0.2% of Prefs outstanding<sup>(7)</sup>)

## ...however, requires bolder execution to address this gap

### Pref Discount<sup>(4)</sup>

48%

|                      | NOSH <sup>(5)</sup><br>m | Share Price<br>KRWk | Mkt Cap<br>USDbn |
|----------------------|--------------------------|---------------------|------------------|
| Ord                  | 202                      | 325                 | 49               |
| Prefs <sup>(6)</sup> | 59                       | 170                 | 7                |

- Its three Pref classes hold **equal economic rights but no voting rights** and carry a negligible dividend premium – **essentially non-voting ordinary shares**
- Despite Prefs' higher cost of capital to Ords (14% for the three Pref classes vs. 11% for Ords), higher overall blended cost of capital (12%) and balance sheet inefficiency, **HMC continues to buy back Ords over Prefs<sup>(8)</sup>**

# A more formal and ambitious approach is needed to address HMC's record Pref discount

Building on its existing shareholder return commitments, HMC should enhance market confidence by articulating a clear and measurable roadmap for reducing the Pref discount during the '25-'27 policy period



## Prioritize Prefs for future buybacks

- Allocate most or all remaining future buybacks from its KRW 4tn target to Prefs while the discount remains wide
- HMC's Pref discount provides an opportunity for the company to retire economically equivalent shares at half the price and drive strong EPS accretion (10%+ for '26-'28 assuming all outstanding Pref classes are bought back)



## Incorporate the Pref discount into HMC's "Value-Up" Plan

- Implement a discount management program where the company will target a maximum Pref discount during its current Value-Up timeline
- This will enhance market confidence in the company's ability to execute in line with their commitment to address the discount



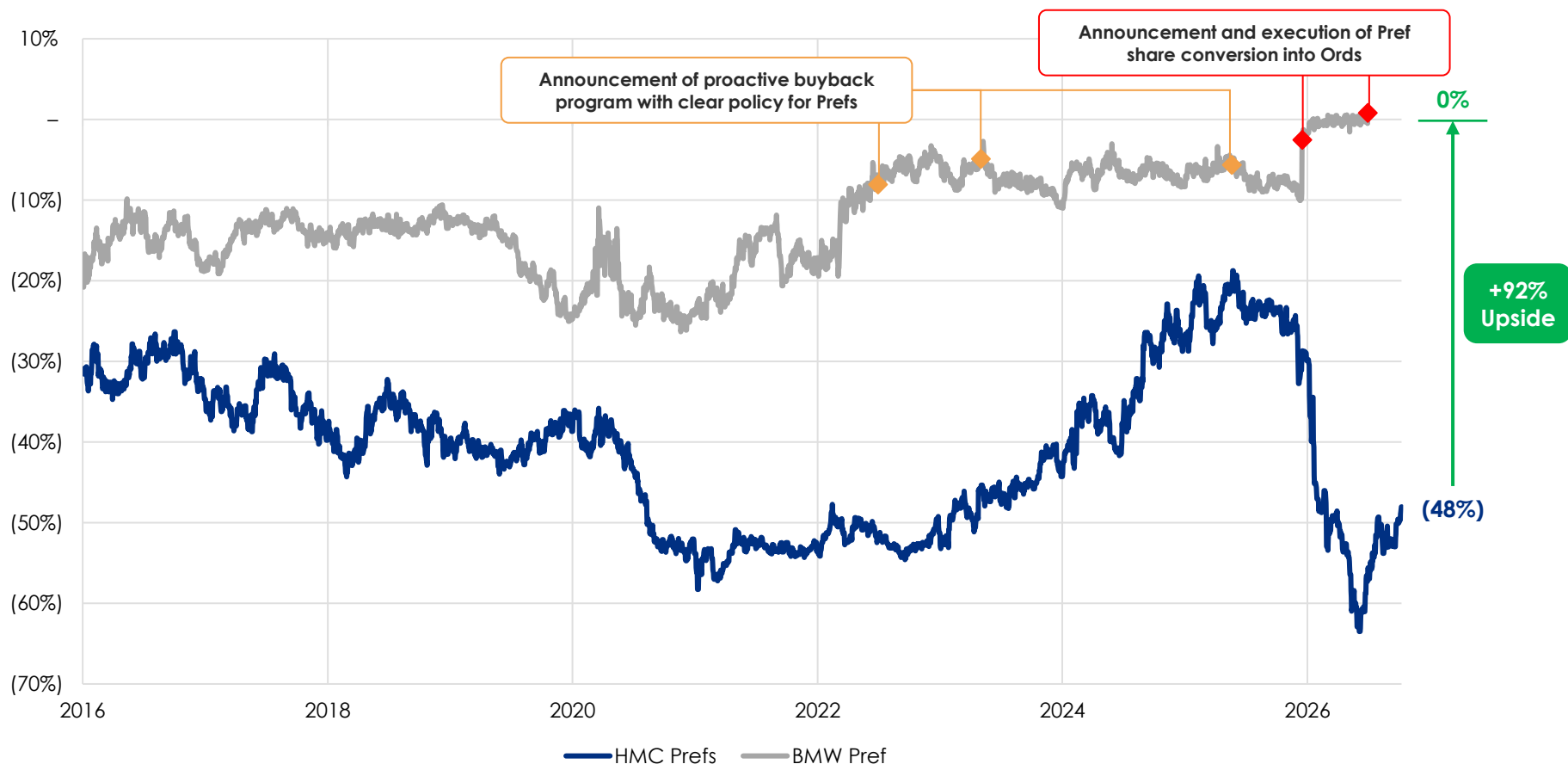
## Enhance governance protection for Pref shareholders

- Amend the company's Articles of Incorporation to create a Special Committee comprised of independent directors and external experts with a clear mandate to safeguard the fair and equitable treatment of all minority shareholders, including, specifically, Pref shareholders
- The Committee should review and provide recommendations to safeguard Pref shareholders' rights regarding any material corporate transactions, notably any corporate action related to Boston Dynamics or a broader restructuring of the Hyundai Motor Group

# Significant re-rating potential for HMC Prefs through decisive action

As demonstrated by BMW, proactive and sustained measures to address Pref valuation can drive meaningful discount narrowing, presenting HMC with a compelling opportunity to tackle its unprecedented Pref discount

## HMC Pref Discount Average Since 2016<sup>(1)</sup>



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## Appendix

# Pref-focused or all-Pref buybacks are consistent with Korean law and the principle of shareholder equality

## Fundamental principle of equality requires equal treatment among holders of the same class

- Under the KCC, the requirement to purchase shares on equal terms applies only within a relevant class
- Buybacks that target only, or predominantly Prefs, do not, in and of themselves, give rise to an issue under the principle of shareholder equality

## Korea's statutory and regulatory framework expressly contemplates buybacks of a particular class

- Article 10(1)(b) of the Enforcement Decree of the KCC requires the Board to determine the classes and number of shares to be acquired
- Article 5-4(1) of the Regulation on Issuance and Disclosure of Securities also expressly contemplates the acquisition of non-voting or limited-voting shares separately from Ords
- A class-specific buyback is therefore an accepted feature of the Korean legal framework

## Given their economic equivalence, all shareholders stand to benefit from Pref-focused buybacks

- The directors' duty to treat all shareholders equitably focuses on substantive fairness rather than formal equality – in particular, whether a decision is substantively fair when viewed in light of its economic effects on all shareholders
- Pref buybacks, especially at steep discounts, allow the company to retire a greater number of economically equivalent shares using the same amount of capital, meaning Ords also benefit through improved per-share metrics and enhanced capital efficiency
- No shareholder class is economically disadvantaged because the transaction enhances corporate value for all shareholders

## Historical precedents demonstrate that buyback allocations may differ between Ords and Prefs

- Many companies, including SEC and HMC, have been executing buybacks historically with different allocations between Ords and Prefs, both in nominal terms and as a % of shares outstanding
- The relevant question is therefore not whether the company may differentiate between classes, but whether the allocation is being determined in a manner that maximizes value creation and capital efficiency for all shareholders

**We believe blanket legal objections to Pref-only buybacks are unfounded. Disciplined capital allocation should prevail over misplaced legal concerns or fear of criticism, particularly where such buybacks benefit all shareholders**

# Key multi-class share discount in other developed countries

| Company                           | Country | Mkt Cap<br>(\$bn) | Premium/<br>(Discount) | Structural similarity with Korean Prefs                                                                                                                                        |
|-----------------------------------|---------|-------------------|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Volkswagen                        | DE      | 38                | (0.4%)                 | No voting rights but with equal economic rights and minimal dividend premium                                                                                                   |
| Henkel                            | DE      | 35                | 9.0%                   |                                                                                                                                                                                |
| Rogers Communications             | CA      | 17                | (1.7%)                 | No voting rights but with equal economic / dividend rights                                                                                                                     |
| CCL Industries                    | CA      | 11                | (1.0%)                 |                                                                                                                                                                                |
| Alphabet                          | US      | 4,239             | (1.0%)                 | Issued as a method to raise equity without diluting voting power; Close to no voting power relative to respective super-voting share class; equal economic and dividend rights |
| Fox Corp                          | US      | 25                | 11.6%                  |                                                                                                                                                                                |
| Liberty Media Corp                | US      | 24                | 8.6%                   |                                                                                                                                                                                |
| News Corp                         | US      | 16                | (9.2%)                 |                                                                                                                                                                                |
| McCormick                         | US      | 12                | (3.8%)                 |                                                                                                                                                                                |
| Brown-Forman                      | US      | 12                | (2.0%)                 |                                                                                                                                                                                |
| Zillow                            | US      | 7                 | (2.4%)                 |                                                                                                                                                                                |
| Berkshire Hathaway <sup>(1)</sup> | US      | 1,094             | (0.0%)                 | Class B shares hold 1/1,500 of economic and dividend rights, however, disproportionate voting rights at 1/10,000                                                               |
| Roche Holding                     | CH      | 348               | (2.3%)                 | Significantly lower voting rights to secure owner control but with equal economic / dividend rights                                                                            |
| Investor AB                       | SE      | 126               | 1.9%                   |                                                                                                                                                                                |
| Volvo                             | SE      | 64                | (0.2%)                 |                                                                                                                                                                                |
| Maersk                            | DK      | 53                | 4.0%                   |                                                                                                                                                                                |

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