
Hyundai says in early talks with Apple after electric vehicle tie-up report

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South Korea's Hyundai Motor Co said on Friday it was in early talks with Apple, after local media reported the firms were discussing an electric car and battery tie-up, sending Hyundai shares surging 25%.

The report comes weeks after Reuters reported that Apple was moving forward with self-driving car technology and was aiming to produce a passenger vehicle that could include its own breakthrough battery technology as early as 2024.

Earlier on Friday, Korea Economic Daily TV said the iPhone maker and Hyundai were in discussions to develop self-driving electric vehicles by 2027 and develop batteries at U.S. factories operated by either Hyundai or its affiliate Kia Motors Corp. The broadcaster didn't cite sources.

"Apple and Hyundai are in discussion, but as it is early stage, nothing has been decided," Hyundai said in a statement. It didn't say what the talks were about and omitted a reference in an earlier statement to Apple being in discussions with other global automakers as well as Hyundai.

In a regulatory filing issued later, the automaker said it was "getting requests for cooperation on joint development of autonomous electric vehicles from various companies", without identifying any of them.

Apple declined to comment. The iPhone maker is known to keep product plans under tight wraps.

An Apple-branded car could be a big challenge to electric vehicle (EV) market leader Tesla Inc. It remains unclear who would assemble such a car, but analysts have said they expect the company to rely on a manufacturing partner.

"We continue to strongly believe Apple ultimately announces an EV strategic partnership in 2021 that lays the groundwork to enter the burgeoning EV space," Wedbush analysts said in a note.

LOWER COSTS

Hyundai and Apple already work together on CarPlay, Apple's software for connecting iPhones to a variety of vehicles.

"Apple outsourcing car production to Hyundai makes sense, because (the Korean firm) is known for quality," said Jeong Yun-woo, a former designer at Hyundai and a professor at UNIST in South Korea.

"But I'm not sure whether it is a good strategy for automakers to be like the Foxconn of Apple as automakers face risks of losing control to tech firms," he added, referring to the Taiwanese contract chip manufacturer's supply contract with Apple on iPhones.

Analysts said Apple may be interested in using Hyundai's electric car platform and facilities to cut costs to develop and make vehicles.

"Apple could see Hyundai as an ideal partner, because when it comes to legacy U.S. automakers, they all have strong unions, which Apple would like to avoid," said Kevin Yoo, an analyst at eBEST Investment & Securities.

"Moreover, their (legacy U.S. automakers) labour cost is much higher than that of Hyundai, which often plays a big role when it comes to car production."

TIE-UP BOOST

A tie-up with Apple would be a major boost to Hyundai, whose global sales last year fell more than 15% as the pandemic took a toll on demand. Friday's share price surge added nearly \$8 billion to Hyundai's market value.

A longtime champion of rival hydrogen fuel cell cars, Hyundai recently increased bets on battery-powered electric cars, a move welcomed by investors eyeing the recent success of Tesla.

The South Korean company, which sources batteries from SK Innovation Co Ltd and LG Chem Ltd and others, is expected to launch its first car based on a dedicated electric car platform known as E-GMP early this year.

In 2019, Hyundai and auto parts supplier Aptiv launched a \$4 billion venture to develop self-driving technologies, naming it Motional. Last month, ride-hailing firm Lyft and Motional said they would launch a multi-city U.S. robo-taxi service in 2023.

Hyundai does not have dedicated electric car factories in the United States and it may have to gain consent from its powerful union in South Korea were it to seek to build

EVs overseas, analysts said.

It is not known whether Apple is in talks with other carmakers.

Japanese automaker Honda Motor has not held talks with the iPhone maker, a spokesman told Reuters. Bigger rival Toyota Motor Corp said it does not comment on speculation, as did Foxconn.

Shares in Hyundai Motor jumped as much as 24.8%, hitting a more than seven-year high of 255,000 won, before closing up 19%. Auto parts maker Hyundai Mobis Co Ltd ended the session 18% higher, while Kia shares jumped 8.4%.

Battery makers also gained ground, with SK Innovation closing up 7.6%. The broader KOSPI market closed up 3.97%.

(Reuters)