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Shipbuilding/Machinery Weekly

Weak LNGC orders to lift shares

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- The Clarksons Newbuilding Price Index remained unchanged w-w last week at 186, though it edged down at the decimal level for a second week running. By vessel type, prices for small-sized oil tankers and large LPGCs fell w-w. The Secondhand Price Index stayed flat w-w.
- The ClarkSea Index (which represents vessels' earnings) rose 3.5% w-w last week as indicators for bulk carriers and oil tankers rebounded.
- We analyze the ramifications of strong containership orders and weak LNGC orders on shipbuilding shares.

WHAT'S THE STORY?

This year's sluggish LNGC orders to be seen as positive against the backdrop of strong containership orders

Korean shipbuilding shares have continued to rise ytd, as shipbuilders have announced stronger-than-expected earnings, and further as the external environment (*eg*, US tariffs and Korea-US shipbuilding cooperation) has lifted investor appetite for shipbuilding shares. Domestic shipbuilders' order performances ytd have also proven better than feared. Global shipbuilding orders over January-August reached 52m GT, plunging 48.5% y-y due to the high base (massive orders were placed in 2024). Korean shipbuilders, though, saw new shipbuilding orders decline 9.3% y-y—outperforming the global shipbuilding industry—on the back of increasing orders for eco-friendly containerships.

This year's shipbuilding market boom has been led by containerships. Over January-August, containership orders amounted to 2.7m TEU. Including recent disclosures (orders won by HD Hyundai Heavy Industries and HJ Shipbuilding & Construction) and orders for small containerships placed with Chinese players, we estimate this year's containership orders are approaching 3m TEU. Additional orders (from Maersk) are also expected. Full-year containership orders have only exceeded 3m TEU three times, and this year should mark the second consecutive year in which global containership orders top 3m TEU—a first. Meanwhile, orders for LNGCs (a segment in which Korea is strong) have been sluggish ytd. So far this year, only 17 large LNGCs have been ordered (vs 77 LNGCs in full-year 2024).

(Continued on the next page)

▶ Performance

(%)	1W	3M	YTD
KSOE	-2.8	18.8	82.7
HD Hyundai Heavy	-0.6	19.3	77.4
Samsung Heavy	4.3	24.4	94.7
Hanwha Ocean	0.6	33.6	203.1
HD Hyundai Mipo	-0.6	8.6	48.9
HD Hyundai Electric	15.1	38.4	55.8
HD Hyundai CE	1.6	36.1	61.7
HD Hyundai	2.6	21.8	87.5
HD Hyundai Infracore	1.5	52.1	124.1
Doosan Bobcat	0.9	7.1	29.4
KAI	5.0	1.4	80.5
LIG Nex1	5.9	-4.2	128.6
Hanwha Aerospace	8.9	6.0	211.7
Hyosung Heavy	17.3	112.5	267.7
LS Electric	7.8	22.5	96.5

▶ Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	2.3	14.0	17.3
HD Hyundai Heavy	6.8	34.7	21.1
Samsung Heavy	4.5	33.7	14.1
Hanwha Ocean	6.1	37.3	17.6
HD Hyundai Mipo	3.6	30.2	12.3
HD Hyundai Electric	10.9	32.1	38.5
HD Hyundai CE	0.9	15.5	6.2
HD Hyundai	1.2	11.8	11.0
HD Hyundai Infracore	1.5	16.8	9.0
Doosan Bobcat	0.7	9.7	7.5
KAI	5.1	38.9	13.8
LIG Nex1	7.6	36.4	22.9
Hanwha Aerospace	5.3	36.4	19.2
Hyosung Heavy	5.9	34.8	18.5
LS Electric	4.6	31.2	15.6

Note: 2025 estimates
Source: Samsung Securities estimates

Given the soft LNCG new-order figure ytd, investor interest in LNGC order momentum has grown as of late. Some investors are worried about the sluggish LNGC orders, while others expect to see momentum relating to a resumption in LNGC orders at end-2025. Indeed, it has been reported that: 1) both Mozambique and Qatar's LNG projects will resume construction in the near future; and 2) a Greek shipowner (GasLog) is considering placing an order for LNGCs.

All in all, we do not to worry about whether LNGC orders pick up this year—domestic shipbuilders have already secured enough shipbuilding orders ytd in the containership segment alone. Based on commercial vessels, HD Hyundai Group has achieved 73% of its full-year order target, and Samsung Heavy Industries has achieved 72% of its full-year target (Hanwha Ocean has yet to release its target). Whether shipbuilders achieve their full-year order targets should depend on offshore structures rather than on commercial vessels. Offshore structures should ease the breadth of controversy surrounding commercial vessel demand (and whether it has peaked). Anticipation of offshore structure orders (particularly FLNG) by year-2025 should remain valid. We believe the shipbuilding sector will enjoy solid order momentum in 2H25 and that the sluggish LNGC orders ytd will ironically prove positive for share prices. This year's LNGC order weakness should prove to be short lived and should also ease concerns over: 1) domestic shipbuilders' order momentum slowing next year; and 2) commercial vessel orders (and fears that they may have peaked).

Industry news

HJ Shipbuilding & Construction announces rights offering: HJ Shipbuilding & Construction has said that it will issue a total of 7m new shares at KRW28,456/share, a 9.7% discount to its Sep 12 closing price. All of these shares are expected to be bought by its largest shareholder: Echoprime Marine Pacific. Proceeds from the rights offering should be used to reinforce HJ Shipbuilding & Construction's financials and secure investment funds (to boost its competitiveness).

HD HHI union launches full strike: HD Hyundai Heavy Industries' labor union began an indefinite strike at 8pm on Sep 11 after wage talks collapsed. So far in 2025, the union has staged partial strikes 11 times, and this is its first full-scale strike. Workers have also started a high-altitude sit-in, occupying a key crane—the first such action in about 4 years. The union is reportedly demanding additional compensation, citing the Korea-US shipbuilding cooperation project and the merger between HD HHI and HD Hyundai Mipo.

Containership orders continue to flow in: Containership orders have been rising steadily. Last week, HD HHI secured a USD290m contract from an Asia-based carrier to build two 13,000 TEU containerships. HJ Shipbuilding & Construction also announced a USD460m order for four 8,850 TEU vessels. According to Clarksons, China's Hengli Shipbuilding and CMJL have received orders for medium-sized containerships. Looking only at the contracts signed so far this year, 2025 already ranks as the fourth busiest year on record in terms of containership orders, and momentum appears to be building. Media reports suggest that Maersk is considering ordering up to twelve 18,000 TEU containerships (including an option for 6 units; the 12 containerships are expected to cost USD2.8b).

COSCO Shipping prepares to place massive orders: Chinese shipping giant COSCO Shipping has reportedly secured building slots at Chinese shipyards for over 100 vessels and is preparing a new wave of orders, including for multipurpose vessels, MR tankers, bulk carriers and containerships.

ISS backs HD Hyundai Construction-Infracore merger: Institutional Shareholder Services (ISS), the world's largest proxy advisory firm, has given the green light to a merger between HD Hyundai Construction Equipment and HD Hyundai Infracore. The merged entity is expected to be launched in Jan 2026 after an extraordinary shareholder meeting (scheduled for Sep 16).

Hanwha Aerospace signs contract with DAPA: Hanwha Aerospace has signed a KRW270b deal with Korea's Defense Acquisition Program Administration (DAPA) to mass produce explosive detection robots that are able to detect and remove mines and improvised explosive devices (IEDs). Hanwha Aerospace and DAPA began joint development in 2017 and completed the project in 2023. The mass-production contract will mark the first deployment of home-grown military robots in Korea.

Korea's DCC conducts search and seizure operation at LIG Nex1 relating to reconnaissance unmanned surface vehicle project: The domestic press has reported that Korea's Defense Counterintelligence Command (DCC) conducted a search and seizure operation as part of a criminal investigation against LIG Nex1 for the alleged leaking of confidential information regarding its reconnaissance unmanned surface vehicle (USV) project. According to press reports, a navy insider leaked confidential information to the firm (regarding the USV project) around the time an MOU was signed in 2018 between LIG Nex1 and Korea Naval Academy.

SHI obtains approval for nuclear-powered LNGC: Samsung Heavy Industries announced at Gastech 2025 that it has obtained Approval in Principle (AIP) from the American Bureau of Shipping (ABS) and the Liberian Registry for a 174,000m^3 LNGC powered by a small modular molten salt reactor (MSR). The MSR method would boast increased stability and excellent energy efficiency—it would use molten salt that integrates nuclear fuel and coolant.

KAI signs contract with Korea Forest Service to provide four Surion helicopters: Korea Aerospace Industries (KAI) has signed a contract with the Korea Forest Service for four Surion helicopters to combat wildfires. The contract is worth about KRW130b and is the largest single contract that Korea Forest Service has ever signed.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2024	
	Sep 12, 2025	Sep 5, 2025	Chg (%)	End-2024	Chg (%)
New building prices (USDm)					
Overall (indexed)	185.7	185.8	-0.1	189.2	-1.9
Bulkers (Capesize)	73.5	73.5	0.0	76.0	-3.3
Tankers (VLCC)	126.0	126.0	0.0	129.0	-2.3
Tankers (51,000 DWT PCs)	48.5	48.8	-0.5	52.0	-6.7
Containerships (22,000 TEU)	240.0	240.0	0.0	244.0	-1.6
Containerships (13,000 TEU)	148.5	148.5	0.0	153.0	-2.9
LNG carriers (174,000m³)	250.0	250.0	0.0	260.0	-3.8
Secondhand prices (USDm)*					
Overall	186.0	186.0	0.0	176.0	5.7
Bulkers (Capesize)	62.0	62.0	0.0	62.0	0.0
Tankers (VLCC)	117.0	117.0	0.0	114.0	2.6
Tankers (51,000 DWT PCs)	42.0	42.0	0.0	42.0	0.0
Daily charter rates (USD)**					
Bulkers (Capesize, eco)	24,500	24,000	2.1	18,500	32.4
Bulkers (Capesize, non-eco)	23,500	23,000	2.2	17,500	34.3
Tankers (VLCC, eco)	49,500	46,750	5.9	41,000	20.7
Tankers (VLCC, non-eco)	44,250	43,250	2.3	37,250	18.8
Freight rate index					
ClarkSea Index (USD/day)	29,586	28,598	3.5	21,965	34.7
BDI	2,126	1,979	7.4	997	113.2
WS (based on Saudi route)	83	70	17.9	40	106.3
CCFI	1,125	1,149	-2.1	1,515	-25.7
SCFI	1,398	1,444	-3.2	2,460	-43.2
Energy prices***					
Natural gas (USD/mil BTU)	2.9	3.1	-6.2	3.4	-15.9
Oil (USD/bbl)	62.7	61.9	1.3	71.7	-12.6
MGO-HSFO (USD/tonne)	261.0	260.3	0.3	205.5	27.0
VLSFO-HSFO (USD/tonne)	72.3	86.3	-16.2	87.0	-17.0

Note: *Based on 5-year-old vessels
**1-year charters
***based on WTI spot (oil) and Henry Hub (natural gas) prices
Source: Clarksons, Bloomberg, Samsung Securities

Share performances and valuations

Shipbuilding: Share performance and valuations

(%)	Share performance				2025 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD KSOE*	-2.8	9.7	18.8	82.7	2.3	14.0	17.3
HD Hyundai Heavy Industries*	-0.6	9.2	19.3	77.4	6.8	34.7	21.1
Samsung Heavy Industries*	4.3	15.6	24.4	94.7	4.5	33.7	14.1
Hanwha Ocean*	0.6	6.5	33.6	203.1	6.1	37.3	17.6
HD Hyundai Mipo*	-0.6	5.2	8.6	48.9	3.6	30.2	12.3
Yangzijiang	2.9	10.4	41.8	6.7	2.2	8.5	28.0
CSSC Holdings	-3.6	-1.2	23.6	5.7	3.0	22.4	13.6
COMEC	-0.1	-7.8	7.9	14.3	n/a	39.2	5.2
ST Engineering	2.9	-9.0	n/a	74.9	8.5	28.8	31.7
Sembcorp	-0.4	-0.4	14.1	13.5	1.2	22.6	5.5
Mitsubishi	5.8	-7.1	8.7	71.7	5.2	47.5	11.4
Kawasaki	3.4	-14.9	-12.6	26.6	2.2	19.2	12.2

Note: *Samsung Securities estimates
Source: Bloomberg, Samsung Securities estimates

Machinery: Share performance and valuations

(%)	Share performance				2025 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD Hyundai Electric*	15.1	22.1	38.4	55.8	10.9	32.1	38.5
HD Hyundai Construction Equipment*	1.6	-6.9	36.1	61.7	0.9	15.5	6.2
HD Hyundai*	2.6	11.2	21.8	87.5	1.2	11.8	11.0
HD Hyundai Infracore*	1.5	-5.4	52.1	124.1	1.5	16.8	9.0
Doosan Bobcat*	0.9	-3.0	7.1	29.4	0.7	9.7	7.5
KAI*	5.0	10.9	1.4	80.5	5.1	38.9	13.8
LIG Nex1*	5.9	0.4	-4.2	128.6	7.6	36.4	22.9
Hanwha Aerospace*	8.9	14.1	6.0	211.7	5.3	36.4	19.2
Hyosung Heavy*	17.3	17.8	112.5	267.7	5.9	34.8	18.5
LS Electric*	7.8	2.8	22.5	96.5	4.6	31.2	15.6
Lockheed Martin	1.6	6.5	-3.1	-3.0	4.6	30.6	15.9
Raytheon	-1.1	0.1	7.0	34.7	20.9	21.5	89.5
Siemens	1.1	-0.7	6.3	21.2	3.3	26.2	12.6
Caterpillar	2.0	4.3	20.9	19.0	3.1	20.1	16.9
Komatsu	1.8	2.6	18.8	20.2	11.6	23.9	55.4
Kubota	0.5	2.3	16.0	-0.4	1.5	12.3	12.6

Note: *Samsung Securities estimates
Source: Bloomberg, Samsung Securities estimates

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