SECTOR UPDATE

2025. 11. 18

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Shipbuilding/Machinery Weekly

Takeaways from US investor meeting

- The Clarksons Newbuilding Price Index remained unchanged w-w last week at 185 (though rebounded at the decimal place). The Secondhand Price Index gained 1pt w-w, moving higher for a second consecutive week.
- The ClarkSea Index (which represents vessels' earnings) rose 4.4% w-w last week to hit its highest level since end-2022. Data for oil tankers were strong.
- We share the takeaways from our US investor meeting last week.

WHAT'S THE STORY?

Takeaways from US investor meeting

Last week, we met investors in the US. Most of them voiced optimism towards the Korean industrials sector. That said, the long share-price rallies have made investors a little nervous about their valuations, mirroring the responses made by the Asian investors that we met in September. Among the markets in the industrials sector we cover, the US investors seemed to be the most interested in the power equipment sector, followed by the defense, shipbuilding, and construction equipment sectors. We believe the shipbuilding sector is relatively unfamiliar to US investors—the Korean shipbuilding sector has no comparable overseas peer group.

We are most bullish towards the shipbuilding sector, given its clear earnings growth visibility and the strong likelihood of earnings estimates being revised up. We found two interesting aspects relating to how investors viewed the shipbuilding sector. First, US investors have disparate views towards the Korea-US shipbuilding collaboration—some expect the collaboration to provide new opportunities for shipbuilders, while others believe the collaboration will negatively impact Korean shipbuilders' overall profitability. It will be a long time until the Korea-US collaboration produces any visible results. Therefore, this issue should remain a point of uncertainty for both groups for the time being. We advise against selecting shipbuilders based solely on optimism towards the Korea-US collaboration.

(Continued on the next page)

Performance

(%)	1W	3M	YTD
KSOE	5.0	14.5	90.1
HD Hyundai Heavy	11.5	21.8	102.1
Samsung Heavy	-0.4	39.5	133.2
Hanwha Ocean	2.1	21.4	246.5
HD Hyundai Mipo	12.6	20.3	70.3
HD Hyundai Electric	2.2	68.6	115.2
HD Hyundai CE	2.5	-10.5	55.1
HD Hyundai	4.3	61.0	173.4
HD Hyundai Infracore	4.5	-13.8	103.5
Doosan Bobcat	-0.3	1.6	36.5
KAI	6.5	14.0	88.7
LIG Nex1	3.4	-18.9	86.2
Hanwha Aerospace	4.7	8.6	198.3
Hyosung Heavy	-1.1	75.1	441.5
LS Electric	4.8	47.2	181.1

Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	2.4	13.5	18.8
HD Hyundai Heavy	7.6	35.3	23.4
Samsung Heavy	5.3	37.0	15.3
Hanwha Ocean	7.0	45.1	16.7
HD Hyundai Mipo	3.9	25.6	16.3
HD Hyundai Electric	14.9	42.2	40.2
HD Hyundai CE	0.9	14.5	6.3
HD Hyundai	1.8	17.2	11.0
HD Hyundai Infracore	1.3	15.6	8.8
Doosan Bobcat	0.8	12.7	6.1
KAI	5.5	46.8	12.1
LIG Nex1	6.2	30.1	22.5
Hanwha Aerospace	5.1	36.4	18.5
Hyosung Heavy	8.4	40.9	22.7
LS Electric	6.6	46.9	14.9

Note: 2025 estimates
Source: Samsung Securities estimates

Second, some US investors still use historical P/B multiples to value shipbuilders, finding shipbuilders to be overvalued based on such mertics. However, we believe they will eventually shift to an earnings-based valuation (*eg*, P/E), as: 1) earnings at shipbuilders are now strong enough to use such metrics; and 2) shipbuilders' shareholder return policies mean that historical P/B multiple-based valuations are no longer valid. When their valuation method shifts to an earnings-based method, they should find shipbuilders' valuations not so demanding. This implies that there are still investors who can be motivated to buy shipbuilding stocks.

Industry news

US approves Korea's construction of nuclear-powered submarines: The Korean and US governments have finalized a joint fact sheet detailing the trade agreement. The fact sheet states that the US has approved Korea's construction of nuclear-powered submarines and supports procedures that will lead to Korea's uranium enrichment and spent nuclear fuel reprocessing. However, details (*eg*, where and who will construct the submarines) have yet to be determined.

China announces one-year suspension of sanctions on affiliates of Hanwha Ocean: The Chinese commerce ministry announced that it will lift sanctions against five US subsidiaries of Hanwha Ocean for one year, immediately suspending all of the sanctions that had been imposed since Oct 14.

Hanwha Ocean presents full KSS-III PN submarine package for Philippine Navy: Hanwha Ocean has offered a full package to build two 4,000 tonne-submarines and a submarine base, establish a local maintenance, repair, and overhaul (MRO) center, and provide comprehensive training for the Philippine Navy. According to a Philippine press report, the package is estimated at KRW1.99t-2.73t, with the delivery of submarines scheduled within seven years after the contract has been signed.

Hanwha Ocean wins more MRO projects: According to a domestic press report, Hanwha Ocean won more MRO projects from the UK and Canada in August and September, respectively. The MRO contract with the Royal Navy (UK) has already been fulfilled (according to the same report). The firm's successful completion of the US MRO project seems to be bringing in more orders.

HD Hyundai Group strengthens cooperation with India: HD Hyundai Group Chairman Chung Ki-sun met with a delegation that includes India's Minister of Petroleum and Natural Gas to discuss additional cooperation. The visit by the Indian delegation is believed to be related to the Indian government's ongoing plans to expand its shipbuilding and marine sectors. For reference, HD Group has been looking to enter India, recently signing an MOU with Cochin Shipyard, India's largest state-run shipbuilder, to collaborate on the Indian Navy's landing platform dock (LPD) project.

Hyosung Heavy Industries to make additional investment in US Memphis plant: Hyosung Heavy Industries plans to invest an extra USD157m (KRW230b) in its ultra-high-voltage power transformer manufacturing facility in Memphis. The move is expected to expand the US plant's production capacity by 50%. Of note, it announced plans to invest USD51m in the plant back in May.

LS Electric wins additional data center project: LS Electric secured a data center power supply project worth KRW130b from a US big tech firm. Considering the size and timing of the order, the

client is presumed to be the same company that awarded LS Electric a total of KRW310b worth of data center projects last winter. Delivery of this most recent order is scheduled for April next year.

Canada issues RFP for submarine project: The Canadian government has officially issued a request for proposal (RFP) for the Canadian Patrol Submarine Project (CPSP) to Hanwha Ocean. The deadline to submit the proposal is early Mar 2026, and the final candidate could be selected as early as end-2026. The Canadian government has shortlisted the Hanwha Ocean-HD HHI consortium and Germany's ThyssenKrupp Marine Systems as the two qualified suppliers for the next-generation submarine project. Meanwhile, Hanwha Ocean recently signed an MOU with Canadian constructor PCL Construction to prepare for building submarine maintenance, production, and training facilities.

LIG Nex1 nears first KM-SAM-II delivery to UAE: According to media reports, LIG Nex1 recently conducted a test launch of the Cheongung-II (Korean medium-range surface-to-air missile II, or KM-SAM-II) ahead of delivery to the UAE. Given the test schedule, the company is likely to deliver the first batch of Cheongung-II missile systems this year. For reference, it won the KRW2.59t contract to provide the missile systems to the UAE in Jan 2022.

Order momentum solid for Korean shipbuilders: HD HHI last week took orders to build two Suezmax-class crude oil carriers. Meanwhile, as part of its business diversification efforts, Hyundai Glovis is considering ordering two LNGCs from domestic shipyards. Hanwha Ocean and HD HHI are set to take this order, according to media reports. In another development, US-based Scorpio Tankers signed a letter of intent with Hanwha Ocean for two very large crude carriers.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2024	
	Nov 14, 2025	Nov 7, 2025	Chg (%)	End-2024	Chg (%)
New building prices (USDm)					
Overall (indexed)	184.9	184.8	0.0	189.2	-2.3
Bulkers (Capesize)	73.0	73.0	0.0	76.0	-3.9
Tankers (VLCC)	126.0	126.0	0.0	129.0	-2.3
Tankers (51,000 DWT PCs)	48.5	48.5	0.0	52.0	-6.7
Containerships (22,000 TEU)	236.0	236.5	-0.2	244.0	-3.3
Containerships (13,000 TEU)	146.0	146.3	-0.2	153.0	-4.6
LNG carriers (174,000m³)	248.0	248.0	0.0	260.0	-4.6
Secondhand prices (USDm)*					
Overall	190.0	189.0	0.5	176.0	8.0
Bulkers (Capesize)	65.0	65.0	0.0	62.0	4.8
Tankers (VLCC)	118.0	118.0	0.0	114.0	3.5
Tankers (51,000 DWT PCs)	43.0	43.0	0.0	42.0	2.4
Daily charter rates (USD)**					
Bulkers (Capesize, eco)	24,800	25,200	-1.6	18,500	34.1
Bulkers (Capesize, non-eco)	23,800	24,200	-1.7	17,500	36.0
Tankers (VLCC, eco)	63,000	63,000	0.0	41,000	53.7
Tankers (VLCC, non-eco)	56,000	56,000	0.0	37,250	50.3
Freight rate index					
ClarkSea Index (USD/day)	32,746	31,365	4.4	21,965	49.1
BDI	2,125	2,104	1.0	997	113.1
WS (based on Saudi route)	133	115	15.2	40	231.3
CCFI	1,094	1,058	3.4	1,515	-27.8
SCFI	1,451	1,495	-2.9	2,460	-41.0
Energy prices***					
Natural gas (USD/mil BTU)	3.5	3.8	-7.2	3.4	2.6
Oil (USD/bbl)	60.1	59.8	0.6	71.7	-16.2
MGO-HSFO (USD/tonne)	363.8	349.8	4.0	205.5	77.0
VLSFO-HSFO (USD/tonne)	85.8	79.5	7.9	87.0	-1.4

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*	5.0	1.4	14.5	90.1	2.4	13.5	18.8
HD Hyundai Heavy Industries*	11.5	14.6	21.8	102.1	7.6	35.3	23.4
Samsung Heavy Industries*	-0.4	21.7	39.5	133.2	5.3	37.0	15.3
Hanwha Ocean*	2.1	22.3	21.4	246.5	7.0	45.1	16.7
HD Hyundai Mipo*	12.6	14.0	20.3	70.3	3.9	25.6	16.3
Yangzijiang	2.4	7.8	18.6	15.4	2.3	9.0	28.2
CSSC Holdings	-4.2	-2.9	-10.9	-4.6	2.4	23.2	14.8
COMEC	-3.3	-4.1	-9.7	10.3	n/a	37.9	5.2
ST Engineering	2.4	1.6	n/a	82.2	8.9	30.4	31.8
Sembcorp	0.9	1.9	-6.1	4.3	1.1	22.5	5.1
Mitsubishi	-6.2	1.2	6.8	87.8	5.7	52.0	11.4
Kawasaki	-7.8	6.7	4.4	44.7	2.5	21.9	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*	2.2	23.4	68.6	115.2	14.9	42.2	40.2
HD Hyundai Construction Equipment*	2.5	-5.1	-10.5	55.1	0.9	14.5	6.3
HD Hyundai*	4.3	38.5	61.0	173.4	1.8	17.2	11.0
HD Hyundai Infracore*	4.5	-7.8	-13.8	103.5	1.3	15.6	8.8
Doosan Bobcat*	-0.3	-1.7	1.6	36.5	0.8	12.7	6.1
KAI*	6.5	3.1	14.0	88.7	5.5	46.8	12.1
LIG Nex1*	3.4	-10.5	-18.9	86.2	6.2	30.1	22.5
Hanwha Aerospace*	4.7	0.3	8.6	198.3	5.1	36.4	18.5
Hyosung Heavy*	-1.1	29.0	75.1	441.5	8.4	40.9	22.7
LS Electric*	4.8	47.2	47.2	181.1	6.6	46.9	14.9
Lockheed Martin	1.6	-6.7	6.4	-4.2	6.7	46.2	15.0
Raytheon	-0.8	11.8	13.9	51.7	18.1	20.9	85.6
Siemens	-2.9	-4.3	-1.7	22.2	3.6	28.3	12.9
Caterpillar	-1.6	3.7	35.9	52.7	3.2	20.0	16.4
Komatsu	1.6	-2.5	4.0	20.5	13.9	29.8	50.0
Kubota	2.4	3.3	17.8	15.1	1.5	12.3	12.6

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

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