SECTOR
UPDATE

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Shipbuilding/Machinery Weekly

Data centers and power equipment firms

- The Clarksons Newbuilding Price Index remained unchanged w-w last week at 185 (but fell at the decimal-place level). The Secondhand Price Index also stayed flat w-w at 190.
- The ClarkSea Index (which represents vessels' earnings) rose 3% w-w last week to hit a three-year high, rising about 18% since early October. Data for oil tankers and bulk carriers remained strong.
- We look at the link between data centers and Korean power equipment firms.

WHAT'S THE STORY?

Link between data centers and Korean power equipment companies

Shares in Korean power equipment companies fell 7.9% last week. Since they have gained 1,335% over the last three years and 161% ytd, profit taking alone could explain last week's share-price action (the Kospi lost 6.5% last week). However, some investors see last week's correction as related to the AI bubble issue—growing AI demand and related increases in data center constructions are a key investment point for the power equipment sector. We also believe a pick & shovel strategy (buying infra stocks that support AI momentum) played its part. Overseas power equipment firms (with heavy sales exposure to data centers) also corrected last week.

However, we do not believe data centers are having a significant impact on Korean companies' operating performances. It is only in 2025 that LS Electric (which has the most exposure to data center-related business) won its first data center contract from a US big tech company, suggesting that its data-center business is just in the fledgling stage. HD Hyundai Electric and Hyosung Heavy Industries (both focus on ultra-high-voltage products) are known to have minimal exposure to data center-dedicated products.

(Continued on the next page)

Performance

(%)	1W	3M	YTD
KSOE	-3.5	16.1	83.6
HD Hyundai Heavy	-5.3	13.9	91.3
Samsung Heavy	-4.2	27.2	123.5
Hanwha Ocean	-8.7	3.7	216.5
HD Hyundai Mipo	-3.7	14.8	63.9
HD Hyundai Electric	-8.5	53.5	96.9
HD Hyundai CE	0.0	1.5	55.1
HD Hyundai	-7.2	56.5	153.8
HD Hyundai Infracore	-1.3	-3.7	100.9
Doosan Bobcat	-5.1	0.6	29.6
KAI	1.3	13.5	91.1
LIG Nex1	-2.8	-23.9	81.0
Hanwha Aerospace	-9.3	-2.4	170.6
Hyosung Heavy	-11.7	56.8	378.4
LS Electric	-3.1	55.6	172.4

Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	2.3	13.1	18.8
HD Hyundai Heavy	7.2	33.4	23.4
Samsung Heavy	5.1	35.4	15.3
Hanwha Ocean	6.4	41.2	16.7
HD Hyundai Mipo	3.8	24.7	16.3
HD Hyundai Electric	13.6	38.6	40.2
HD Hyundai CE	0.9	14.5	6.3
HD Hyundai	1.7	15.9	11.0
HD Hyundai Infracore	1.3	15.4	8.8
Doosan Bobcat	0.7	12.1	6.1
KAI	5.5	47.4	12.1
LIG Nex1	6.0	29.3	22.5
Hanwha Aerospace	4.6	33.0	18.5
Hyosung Heavy	7.4	36.1	22.7
LS Electric	6.4	45.4	14.9

Note: 2025 estimates
Source: Samsung Securities estimates

We thus take the view that shares in HD Hyundai Electric and Hyosung Heavy Industries are only indirectly impacted by data centers. When data-center issues affect the shares in overseas power equipment companies, it could prompt changes in the valuations of Korean companies (in terms of peer comparisons). All in all, we believe any share-price decline stemming from data-center issues should be used to buy companies whose valuations remain undemanding vs their overseas peers. In particular, we focus on companies that manufacture ultra-high-voltage products. Their earnings should be more affected by limited capacity, growing demand to replace aging power facilities, and expanding infra investments (driven by rising power prices). Considering their steady ASP hikes, order backlogs, and consensus, we believe they will enjoy additional earnings momentum next year.

Industry news

HD Hyundai Samho wins orders for LNGCs and VLCCs: HD Hyundai Samho has won an order to build two LNGCs for USD254m each and an order to build two VLCCs for USD130m each—both prices are higher than current market prices. In particular, we are upbeat to towards the high price of the LNGCs, despite their scheduled deliveries in 2028 (which is sooner than the market prefers). Including these orders, we estimate HD Hyundai Samho has won USD5.3b worth of new orders ytd, already exceeding its full-year target of USD4.57b.

SHI to construct new shipyard in Vietnam: The domestic press has reported that Samsung Heavy Industries (SHI) is considering constructing a new shipyard in Vietnam after finding out that it would be more efficient to construct a new shipyard than to acquire an existing facility.

HD HHI launches construction of multi-purpose frigate for Peruvian Navy: HD Hyundai Heavy Industries (HHI) held a steel-cutting ceremony at SIMA shipyard (Peru) to launch the construction of a new frigate for the Peruvian Navy, one of four ships (a frigate, an offshore patrol vessel, and two landing craft units) that the Korean shipbuilder was contracted to build for the Peruvian Navy in Apr 2025. Separate from this, HD HHI has been selected as a preferred bidder for Peru's other navy ship project, and is also seeking to co-develop submarines.

SHI wins order for seven containerships: SHI has won an order to build seven 14,000 TEU containerships for USD1.9t from an Asian shipowner, with the vessels scheduled for delivery by Nov 2029. It is reported that the shipowner is Evergreen, and the vessels are to employ LNG dual-fuel systems. Including this contract, we estimate SHI has secured a total of USD6.9b in new orders ytd, which is 70.4% of its full-year order target of USD9.8b (achieving its commercial order target of USD5.8b). If the firm ends up winning only one FLNG project (among the two that it is currently in discussions to build) it would achieve its full-year order target.

Hanwha Ocean launches MRO work for US Navy ship: Hanwha Ocean has begun MRO related work for the US Navy logistics support ship Willie Schirra. The work should be conducted in collaboration with US suppliers. In May, Hanwha Ocean established a naval MRO cluster council with 15 US shipyards and equipment suppliers.

Seaspan considering VLEC order: Seaspan plans to order up to six VLECs with Jiangnan Shipyard (China) as part of its efforts to diversify its container-focused fleet mix.

Korea and UAE to deepen cooperation in defense sector: Korean President Lee Jaemyung proposed in his state visit to the UAE that the two countries encompass in the defense sector co-development, local production, and co-exports to third countries. Such cooperation would raise the chances of Korean firms winning orders related to some of the massive defense projects that are underway in the UAE.

Credit rating upgrades for shipbuilding and machinery sectors: Credit ratings for the shipbuilding and machinery sectors have continued to be upgraded. NICE has raised its credit rating for Hanwha Aerospace from AA- (Positive) to AA (Positive). Korea Investors Service (KIS) has upgraded its credit outlook for HD HHI, HD Hyundai Electric, and HD Hyundai from Stable to Positive.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2024	
	Nov 21, 2025	Nov 14, 2025	Chg (%)	End-2024	Chg (%)
New building prices (USDm)					
Overall (indexed)	184.7	184.9	-0.1	189.2	-2.4
Bulkers (Capesize)	73.5	73.0	0.7	76.0	-3.3
Tankers (VLCC)	127.0	126.0	0.8	129.0	-1.6
Tankers (51,000 DWT PCs)	48.5	48.5	0.0	52.0	-6.7
Containerships (22,000 TEU)	236.0	236.0	0.0	244.0	-3.3
Containerships (13,000 TEU)	146.0	146.0	0.0	153.0	-4.6
LNG carriers (174,000m³)	248.0	248.0	0.0	260.0	-4.6
Secondhand prices (USDm)*					
Overall	190.0	190.0	0.0	176.0	8.0
Bulkers (Capesize)	65.5	65.0	0.8	62.0	5.6
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)	26,000	24,800	4.8	18,500	40.5
Bulkers (Capesize, non-eco)	25,000	23,800	5.0	17,500	42.9
Tankers (VLCC, eco)	63,750	63,000	1.2	41,000	55.5
Tankers (VLCC, non-eco)	57,000	56,000	1.8	37,250	53.0
Freight rate index					
ClarkSea Index (USD/day)	33,724	32,746	3.0	21,965	53.5
BDI	2,275	2,125	7.1	997	128.2
WS (based on Saudi route)	138	133	3.8	40	243.8
CCFI	1,123	1,094	2.6	1,515	-25.9
SCFI	1,394	1,451	-4.0	2,460	-43.4
Energy prices***					
Natural gas (USD/mil BTU)	4.1	3.5	18.3	3.4	21.5
Oil (USD/bbl)	58.3	60.1	-3.0	71.7	-18.7
MGO-HSFO (USD/tonne)	393.8	363.8	8.2	205.5	91.6
VLSFO-HSFO (USD/tonne)	96.0	85.8	12.0	87.0	10.3

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*	-3.5	-9.2	16.1	83.6	2.3	13.1	18.8
HD Hyundai Heavy Industries*	-5.3	-4.7	13.9	91.3	7.2	33.4	23.4
Samsung Heavy Industries*	-4.2	4.8	27.2	123.5	5.1	35.4	15.3
Hanwha Ocean*	-8.7	-9.1	3.7	216.5	6.4	41.2	16.7
HD Hyundai Mipo*	-3.7	-5.6	14.8	63.9	3.8	24.7	16.3
Yangzijiang	-2.9	2.4	16.7	12.0	2.3	8.6	28.5
CSSC Holdings	-0.1	-3.9	-7.2	-4.7	2.4	24.2	15.3
COMEC	14.9	14.5	1.6	26.8	n/a	43.5	5.2
ST Engineering	-0.8	-0.2	n/a	80.7	8.9	33.4	29.0
Sembcorp	-3.7	-1.4	-10.3	0.5	1.1	21.7	5.1
Mitsubishi	-7.6	-11.3	0.9	73.4	5.3	48.0	11.4
Kawasaki	-5.1	-5.0	5.2	37.3	2.4	20.8	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*	-8.5	9.5	53.5	96.9	13.6	38.6	40.2
HD Hyundai Construction Equipment*	0.0	-13.1	1.5	55.1	0.9	14.5	6.3
HD Hyundai*	-7.2	11.8	56.5	153.8	1.7	15.9	11.0
HD Hyundai Infracore*	-1.3	-13.5	-3.7	100.9	1.3	15.4	8.8
Doosan Bobcat*	-5.1	-9.2	0.6	29.6	0.7	12.1	6.1
KAI*	1.3	4.3	13.5	91.1	5.5	47.4	12.1
LIG Nex1*	-2.8	-11.5	-23.9	81.0	6.0	29.3	22.5
Hanwha Aerospace*	-9.3	-14.0	-2.4	170.6	4.6	33.0	18.5
Hyosung Heavy*	-11.7	8.7	56.8	378.4	7.4	36.1	22.7
LS Electric*	-3.1	36.2	55.6	172.4	6.4	45.4	14.9
Lockheed Martin	-1.1	-5.4	3.3	-5.2	6.5	44.7	15.1
Raytheon	-3.4	-4.7	8.6	46.6	18.3	20.7	87.5
Siemens	-4.9	-9.4	-7.5	16.2	3.5	27.4	13.2
Caterpillar	-0.6	7.1	26.3	51.7	3.0	19.0	16.4
Komatsu	-3.5	-9.4	2.4	16.3	13.9	29.6	50.1
Kubota	0.6	0.9	20.6	15.7	1.5	11.9	12.6

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

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