SECTOR
UPDATE

2025. 12. 22

Industrial Team

Youngsoo Han
Team Leader
han.youngsoo@samsung.com

Soyeon Chung
Research Associate
soyeon.chung@samsung.com

Scan to go to
Research Center report database

Shipbuilding/Machinery Weekly

Correlation between oil prices and shipbuilding shares weakening

- The Clarksons Newbuilding Price Index remained largely flat w-w last week, merely edging down from 184.6 to 184.57. In contrast, the Secondhand Price Index rose 1pt w-w to 191.
- The ClarkSea Index (which is used to determine vessels' earnings) declined 3% w-w due to weaker bulk carrier indicators.
- Unlike in the past, Korean shipbuilding and machinery stocks have not been significantly affected by the decline in oil prices. We expect the correlation to continue weakening.

WHAT'S THE STORY?

Why do oil prices still move in tandem with shipbuilding & machinery stocks?

On Dec 16, oil prices reached their lowest point in five years. Although they saw a slight rebound amid mounting geopolitical tensions between the US and Venezuela, the recovery was less pronounced compared to similar situations in the past. Given the historical correlation between Korean shipbuilding & machinery stocks and oil prices, recent oil price volatility may cause investors some concern. We, however, believe the correlation is no longer valid in the current market environment. We offer three reasons supporting this perspective.

First, oil prices no longer accurately reflect energy market conditions. Indeed, while oil prices have remained weak, electricity prices in the US (an oil-producing nation) have been on the rise, largely driven by growing demand for electricity, fueled by the expanding adoption of EVs and the development of data centers. Notably, oil is not a primary energy source for power generation: its main use being in transportation. Therefore, it would be a mistake to interpret current weakness in oil prices as an indicator of a broader energy market downturn.

(Continued on the next page)

Performance

(%)	1W	3M	YTD
KSOE	-6.1	3.3	84.6
HD Hyundai Heavy	-8.6	5.5	80.9
Samsung Heavy	-4.2	17.7	123.5
Hanwha Ocean	-3.6	-1.6	194.2
HD Hyundai Mipo	0.0	13.4	66.2
HD Hyundai Electric	-6.8	38.5	111.0
HD Hyundai CE	-8.4	-3.2	69.3
HD Hyundai	-5.1	22.6	149.7
HD Hyundai Infracore	-10.4	-8.3	120.8
Doosan Bobcat	-3.9	6.6	43.0
KAI	-5.4	-0.5	99.1
LIG Nex1	8.8	-19.0	88.4
Hanwha Aerospace	-7.1	-13.5	175.0
Hyosung Heavy	-6.3	29.6	369.7
LS Electric	-7.5	58.4	191.7

Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	2.3	13.1	18.8
HD Hyundai Heavy	6.8	31.6	23.4
Samsung Heavy	5.1	35.4	15.3
Hanwha Ocean	5.9	38.3	16.7
HD Hyundai Mipo	3.8	25.0	16.3
HD Hyundai Electric	14.6	41.4	40.2
HD Hyundai CE	1.0	15.9	6.3
HD Hyundai	1.7	15.7	11.0
HD Hyundai Infracore	1.4	16.9	8.8
Doosan Bobcat	0.8	13.3	6.1
KAI	5.7	49.4	12.1
LIG Nex1	6.3	30.5	22.5
Hanwha Aerospace	4.7	33.5	18.5
Hyosung Heavy	7.3	35.5	22.7
LS Electric	6.9	48.7	14.9

Note: 2025 estimates
Source: Samsung Securities estimates

Second, a key export market for Korean machinery companies is the US, and no longer the Middle East, which once was a significant export market for Korean industrial machinery. Middle Eastern countries' purchasing power was closely tied to oil prices and forecasts. This is why machinery companies' stock prices move in tandem with oil prices, even if their products were not directly related to the energy sector. These days, however, Korean machinery companies primarily export to the US, not to the Middle East. US economic conditions, infrastructure investment, and machinery demand are influenced by a broader range of factors than just energy prices.

Third, Korean shipbuilders' dependence on offshore structures has reduced significantly, and they now have zero exposure to drilling rigs. Moreover, recent weakness in oil prices is partially attributable to concerns about oversupply. The link between Korean shipbuilders and the energy market now lies more in transportation vessels rather than oil exploration equipment. Increases in oil and gas production typically boost demand for tankers, while supply shocks (*eg*, production cuts) that drive up oil prices can hurt tanker demand. The clear conclusion is that recent energy-price volatility is unlikely to have a significant effect on share performances of Korean shipbuilding and machinery companies. Any market adjustments caused by these concerns may present a buying opportunity.

Industry news

KDDX execution method to decision imminent: The Defense Acquisition Program Administration (DAPA) is scheduled to convene the Defense Acquisition Program Promotion Committee on Dec 22, a meeting that may finalize the method for selecting the lead-ship contractor for the Korean next-generation destroyer (KDDX) project. Some media outlets have reported that a joint development approach—under which HD Hyundai Heavy Industries and Hanwha Ocean would each build one lead ship, rather than proceeding via a private contract or competitive bidding—is now the most likely option. For reference, Hanwha Ocean was originally selected to conduct the conceptual design, while HD Hyundai Heavy Industries was chosen for the detailed design phase. The program is currently more than two years behind schedule due to a prolonged dispute over the contractor selection method.

Bidding on Canadian submarine project soon to be underway: The bidding process for Canadian Patrol Submarine Project is expected to commence within three months. Canada has requested proposals by Mar 2026, and a final decision on the preferred bidder is expected in 1H26. The project is currently a two-way competition between Korea's Hanwha Ocean/HD HHI and Germany's ThyssenKrupp Marine Systems.

HD HHI and Peru sign joint development contract for next-generation submarines: HD HHI has signed a contract with Peru's state-owned shipyard SIMA for the joint development of next-generation submarines. Korea and Peru had already had signed an LOI regarding submarine co-construction during the APEC summit in Gyeongju in November. Recently, Peru has shown strong interest in acquiring Korean defense systems, including the K2 tank. Korean companies, for their part, are strategically seeking to use Peru as a base for expanding into the South American market.

DAPA targeting USD20b in annual defense exports by 2030: During a presidential briefing, Korea's DAPA set out its goal of achieving USD20b in annual defense exports by 2030. To this end, it has formulated a regionally tailored strategy: 1) making the most of the Navy's Make American Shipbuilding Great Again project in the US; 2) offering technology transfers and joint-development arrangements in the Middle East; and 3) strengthening cooperation with NATO and establishing local production bases in Europe. Meanwhile, DAPA has allocated KRW5.84t for national defense R&D next year—a record-high budget—with a significant increase in investment in strategic technologies such as AI, space, and semiconductors.

Hanwha Aerospace to export Chunmoo MLRS to Estonia: The Korea Trade-Investment Promotion Agency last week said it has signed a government-to-government contract with the Estonian Center for Defense Investments for the export of the Chunmoo multiple-launch rocket system. Hanwha Aerospace, which manufactures Chunmoo, will reportedly supply six launchers and three types of missiles to Estonia over a three-year period, in a contract worth EUR300m.

HD Hyundai Electric secures ecofriendly GIS order from Denmark: HD Hyundai Electric has signed a contract with Denmark's NEXEL to export environmentally friendly gas-insulated switchgears (GIS). HD Hyundai Electric has already secured supply contracts with Sweden and Finland. Europe is introducing regulations that ban sulfur hexafluoride (SF_6) in new GIS installations. HD Hyundai Electric has developed Korea's first 145 kV eco-friendly GIS for export and is also working toward commercializing 420 kV systems.

Hanwha Ocean wins LNG carrier orders: Hanwha Ocean has secured an order for seven LNG carriers worth a combined USD1.75b, bringing its cumulative orders for 2025 to USD9.83b, surpassing the USD8.98b received in full-year 2024. The new order prices each LNG carrier at USD250m, which is slightly above the market price of USD248m.

Hanwha Engine acquiring Norwegian company: Hanwha Engine has inked a deal to acquire Norwegian electric propulsion company SEAM, in a deal valued at approximately NOK2b (KRW289b). SEAM specializes in integrated electric propulsion systems. Media reports suggest the acquisition is part of Hanwha Engine's longer-term strategic effort to diversify its business structure from traditional internal combustion engine propulsion to include electric and hybrid propulsion systems.

US National Defense Authorization Act omits preferential clause for Korean shipbuilders: Media reports indicate that the US National Defense Authorization Act for fiscal year 2026, passed by the US Congress, has removed a provision that would have given preferential treatment to Korean and Japanese shipbuilders. The earlier draft included a clause that would have prioritized Korean and Japanese companies when evaluating foreign-owned shipbuilders' investments in or establishments of subsidiaries in the US. However, the provision was removed from the final bill.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2024	
	Dec 19, 2025	Dec 12, 2025	Chg (%)	End-2024	Chg (%)
New building prices (USDm)					
Overall (indexed)	184.6	184.6	-0.0	189.2	-2.4
Bulkers (Capesize)	75.0	74.5	0.7	76.0	-1.3
Tankers (VLCC)	128.0	128.0	0.0	129.0	-0.8
Tankers (51,000 DWT PCs)	49.0	49.0	0.0	52.0	-5.8
Containerships (22,000 TEU)	235.0	236.0	-0.4	244.0	-3.7
Containerships (13,000 TEU)	145.5	146.0	-0.3	153.0	-4.9
LNG carriers (174,000m³)	248.0	248.0	0.0	260.0	-4.6
Secondhand prices (USDm)*					
Overall	191.0	190.0	0.5	176.0	8.5
Bulkers (Capesize)	66.0	66.0	0.0	62.0	6.5
Tankers (VLCC)	120.0	118.0	1.7	114.0	5.3
Tankers (51,000 DWT PCs)	43.0	43.0	0.0	42.0	2.4
Daily charter rates (USD)**					
Bulkers (Capesize, eco)	25,125	25,150	-0.1	18,500	35.8
Bulkers (Capesize, non-eco)	24,125	24,150	-0.1	17,500	37.9
Tankers (VLCC, eco)	65,500	64,250	1.9	41,000	59.8
Tankers (VLCC, non-eco)	58,000	58,000	0.0	37,250	55.7
Freight rate index					
ClarkSea Index (USD/day)	31,616	32,590	-3.0	21,965	43.9
BDI	2,023	2,205	-8.3	997	102.9
WS (based on Saudi route)	128	130	-1.9	40	218.8
CCFI	1,125	1,118	0.6	1,515	-25.8
SCFI	1,553	1,506	3.1	2,460	-36.9
Energy prices***					
Natural gas (USD/mil BTU)	3.6	4.1	-11.8	3.4	5.3
Oil (USD/bbl)	56.7	57.4	-1.4	71.7	-21.0
MGO-HSFO (USD/tonne)	268.8	296.0	-9.2	205.5	30.8
VLSFO-HSFO (USD/tonne)	73.8	80.5	-8.4	87.0	-15.2

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*	-6.1	0.1	3.3	84.6	2.3	13.1	18.8
HD Hyundai Heavy Industries*	-8.6	-9.7	5.5	80.9	6.8	31.6	23.4
Samsung Heavy Industries*	-4.2	-0.8	17.7	123.5	5.1	35.4	15.3
Hanwha Ocean*	-3.6	-11.0	-1.6	194.2	5.9	38.3	16.7
HD Hyundai Mipo*	0.0	-2.4	13.4	66.2	3.8	25.0	16.3
Yangzijiang	-3.4	0.6	2.1	12.7	2.3	8.7	28.5
CSSC Holdings	-3.0	-5.1	-5.7	-7.7	2.3	23.4	15.3
COMEC	-6.5	-5.4	3.3	15.5	n/a	39.7	5.2
ST Engineering	-1.9	-5.5	n/a	75.5	8.6	31.2	29.0
Sembcorp	-2.8	-2.8	-13.0	0.0	1.1	22.3	5.0
Mitsubishi	-6.6	-1.2	5.0	74.6	5.3	48.3	11.4
Kawasaki	-7.0	6.8	15.1	49.5	2.6	22.6	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*	-6.8	1.9	38.5	111.0	14.6	41.4	40.2
HD Hyundai Construction Equipment*	-8.4	10.0	-3.2	69.3	1.0	15.9	6.3
HD Hyundai*	-5.1	-6.3	22.6	149.7	1.7	15.7	11.0
HD Hyundai Infracore*	-10.4	10.6	-8.3	120.8	1.4	16.9	8.8
Doosan Bobcat*	-3.9	8.1	6.6	43.0	0.8	13.3	6.1
KAI*	-5.4	1.8	-0.5	99.1	5.7	49.4	12.1
LIG Nex1*	8.8	2.0	-19.0	88.4	6.3	30.5	22.5
Hanwha Aerospace*	-7.1	-3.2	-13.5	175.0	4.7	33.5	18.5
Hyosung Heavy*	-6.3	-9.1	29.6	369.7	7.3	35.5	22.7
LS Electric*	-7.5	-2.3	58.4	191.7	6.9	48.7	14.9
Lockheed Martin	-1.3	0.9	0.3	-2.4	6.9	48.2	15.0
Raytheon	1.9	4.7	15.0	57.3	18.5	21.4	86.0
Siemens	-0.4	8.0	3.3	25.2	3.8	29.4	13.2
Caterpillar	-3.6	4.2	23.5	58.8	3.2	20.5	16.4
Komatsu	-2.0	-0.0	-4.9	14.0	14.5	31.0	50.5
Kubota	0.7	13.9	23.2	24.3	1.4	11.7	12.6

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

Compliance notice

-As of Dec 19, 2025, Samsung Securities shared group affiliation with Samsung Heavy Industries.
-As of Dec 19, 2025, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
-As of Dec 19, 2025, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
-This report has been prepared without any undue external influence or interference, and accurately reflects the views of the analyst(s)covering the company or companies herein.
-All material presented in this report, unless specifically indicated otherwise, is under copyright to Samsung Securities.
-Neither the material nor its content (including copies) may be altered in any form, or by any means transmitted, copied, or distributed to another party, without prior express written permission from Samsung Securities.
-This memorandum is based upon information available to the public. While we have taken all reasonable care to ensure its reliability, we do not guarantee its accuracy or completeness. This memorandum is not intended to be an offer, or a solicitation of any offer, to buy or sell the securities mentioned herein. Samsung Securities shall not be liable whatsoever for any loss, direct or consequential, arising from the use of this memorandum or its contents. Statements made regarding affiliates of Samsung Securities are also based upon publicly available information and do not necessarily represent the views of management at such affiliates.
-This material has not been distributed to institutional investors or other third parties prior to its publication.

Global Disclosures & Disclaimers

General

This research report is for information purposes only. It is not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This report does not provide individually tailored investment advice. This report does not take into account individual client circumstances, objectives, or needs and is not intended as recommendations of particular securities, financial instruments or strategies to any particular client. The securities and other financial instruments discussed in this report may not be suitable for all investors. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser.

This report may not be altered, reproduced, distributed, transmitted or published in whole or in part for any purpose. References to "Samsung Securities" are references to any company in the Samsung Securities, Co., Ltd. group of companies.

Samsung Securities and/or other affiliated companies, its and their directors, officers, representatives, or employees may have long or short positions in any of the securities or other financial instruments mentioned in this report or of issuers described herein and may purchase and/or sell, or offer to purchase and/or sell, at any time, such securities or other financial instruments in the open market or otherwise, as either a principal or agent. Any pricing of securities or other financial instrument contained herein is as of the close of market for such day, unless otherwise stated. Opinions and estimates contained herein constitute our judgment as of the date of this report and are subject to change without notice.

The information provided in this report is provided "AS IS". Although the information contained herein has been obtained from sources believed to be reliable, no representation or warranty, either expressed or implied, is provided by Samsung Securities in relation to the accuracy, completeness or reliability of such information or that such information was provided for any particular purpose and Samsung Securities expressly disclaims any warranties of merchantability or fitness for a particular purpose. Furthermore, this report is not intended to be a complete statement or summary of the securities, markets or developments referred to herein.

Samsung Securities does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Samsung Securities, its affiliates, or any of its and their affiliates, directors, officers, employees or agents disclaim any and all responsibility or liability whatsoever for any loss (direct or consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Samsung Securities. Any analysis contained herein is based on numerous assumptions. Different assumptions may result in materially different results. Samsung Securities is under no obligation to update or keep current the information contained herein. Samsung Securities relies on information barriers to control the flow of information contained in one or more areas or groups within Samsung Securities into other areas or groups of Samsung Securities. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other financial instruments. Samsung Securities makes no representation that any transaction can or could have been effected at those prices and any prices contained herein may not reflect Samsung Securities' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Samsung Securities or any other source may yield substantially different results. Additional information is available upon request.

For reports to be distributed to US:

Securities research is prepared, issued and exclusively distributed by Samsung Securities Co., Ltd., an organization licensed with the Financial Supervisory Service of South Korea. This research may be distributed in the United States only to major institutional investors as defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended, and may not be circulated to any other person otherwise. All transactions by U.S. investors involving securities discussed in this report must be effected through Samsung Securities (America) Inc., a broker-dealer registered with the U.S. Securities & Exchange Commission and a member of the Financial Industry Regulatory Authority/SIPC, and not through any non-U.S. affiliate thereof. The analysts listed [on the front of this report] are employees of Samsung Securities Co., Ltd., or a non-U.S. affiliate thereof, and are not registered/qualified as research analysts under applicable U.S. rules and regulations and may not be subject to U.S. restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

For reports to be distributed to UK:

This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high-net-worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons").

Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

For reports to be distributed to Korea:

This report is for private circulation only, not for sale, and is issued and distributed only to persons permitted under the laws and regulations of Korea.

For reports to be distributed to Singapore:

This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Samsung Securities has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person.

Analyst certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of such analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. The analyst(s) principally responsible for the preparation of this research report receives compensation based on determination by research management and senior management (not including investment banking), based on the overall revenues, including investment banking revenues of Samsung Securities Co., Ltd. and its related entities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Copyright © 2010 Samsung Securities Co., Ltd. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of Samsung Securities America Inc

Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

**For more information,
please call our sales representatives:**

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA