SECTOR UPDATE

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Shipbuilding/Machinery Weekly

Geopolitical issues and the tanker industry

- The Clarksons Newbuilding Price Index edged down 1pt w-w to 185 last week, but the Secondhand Price Index rose 2pts w-w.
- The ClarkSea Index (which represents vessels' earnings) climbed 1% w-w on strong performance of oil tanker indicators. In contrast, bulk-carrier indicators declined w-w.
- In this report, we examine the impact of developments in Venezuela on the tanker market.

WHAT'S THE STORY?

Venezuela and the oil tanker market

Geopolitical developments in key oil-producing countries are back in focus this week. Reports indicate that the US may seek to exert greater control over Venezuela's oil exports and encourage energy companies to invest in the Latin American country. Meanwhile, anti-government protests in Iran are escalating. These developments have sparked a range of opinions in the market regarding their potential impact on related industries. Last week, energy, defense, and machinery stocks experienced significant price movements. However, the oil tanker market has received relatively less attention—largely because Korea does not have any publicly listed tanker companies. By contrast, shares in overseas tanker companies performed strongly last week.

One key takeaway from the Venezuela situation is the potential decline in demand for the so-called "shadow fleet" or "dark fleet"—a network of tankers that operates covertly to evade international sanctions.

Currently, tankers sanctioned by the UN and Western countries account for 16% of the global fleet (or 19% when considering only crude oil carriers). These sanctioned vessels have an average age of 21 years—well above the global fleet average of 14 years—indicating that most are aging ships. Including vessels that are not yet sanctioned but are considered part of the shadow fleet, the total portion rises to nearly 24% of the global fleet. Restrictions on the use of the shadow fleet, and the potential reintegration of these vessels into the mainstream market, could lead to the scrapping of older ships and a normalization of freight rates. Moreover, changes in the Venezuelan oil export destinations and shipping routes could result in longer transport distances. Currently, Venezuelan oil exports account for around 2% of global seaborne oil trade, with approximately 60% of that volume going to China. From oil tanker operators' perspective, these changes could reduce uncertainty. Ultimately, this could encourage shipowners to purchase more oil tankers, which would be a positive development for the shipbuilding industry.

Performance

(%)	1W	3M	YTD
KSOE	12.6	7.6	9.6
HD Hyundai Heavy	20.2	18.1	18.3
Samsung Heavy	18.3	28.3	18.8
Hanwha Ocean	17.5	23.4	18.6
HD Hyundai Marine Solution	-1.3	-14.7	-0.8
HD Hyundai Electric	3.8	28.6	9.0
HD Hyundai CE	11.7	13.5	11.4
HD Hyundai	11.5	30.4	9.3
Doosan Bobcat	0.5	0.4	-0.9
KAI	28.3	40.2	31.2
LIG Nex1	24.0	14.2	29.1
Hanwha Aerospace	28.6	16.6	27.6
Hyosung Heavy	2.2	25.8	5.3
LS Electric	-3.0	57.9	2.5

Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	2.0	9.6	24.0
HD Hyundai Heavy	5.6	23.8	29.6
Samsung Heavy	4.9	24.4	21.8
Hanwha Ocean	5.9	29.6	21.9
HD Hyundai Marine Solution	8.4	22.5	40.6
HD Hyundai Electric	11.3	31.6	41.3
HD Hyundai CE*	1.0	10.8	9.6
HD Hyundai	1.6	12.6	13.1
Doosan Bobcat	0.7	9.3	8.0
KAI	6.9	39.1	18.8
LIG Nex1	6.7	28.8	25.8
Hanwha Aerospace	5.5	30.2	nm
Hyosung Heavy	5.8	24.9	26.2
LS Electric	6.1	33.8	19.2

Note: 2026 estimates; *Does not reflect merger effects
Source: Samsung Securities estimates

Industry news

HD HHI wins order for four LNG carriers: In a regulatory filing on Jan 6, HD Hyundai Heavy Industries (HHI) said it had signed a contract to build four ultra-large LNG carriers for a shipowner in the Americas. The total value of the contract is USD1.04b, which equates to USD260m per vessel. That the contract price is higher than current market rates is attributable to the carriers being 200,000 cubic meter-class vessels (whereas market rates are based on 174,000 cubic meter-class vessels). The carriers are scheduled for delivery by Mar 2029.

President Trump proposes 50% increase to US defense budget: President Trump has called for a USD1.5t defense budget in 2027, a 50% jump from the 2026 budget. He plans to fund the additional defense spending through tariff revenues. Following reports on this, global defense stocks surged last week.

HD Hyundai Group announces shipbuilding guidance: HD HHI and HD Hyundai Samho have released their 2026 order guidance. Despite last year's high base, the group expects order intakes to rise y-y this year—assuming stronger orders in the midsized-vessel and marine-defense (special vessels) segments. The guidance is more bullish than market expectations.

HD Group: Shipbuilding business guidance

(USDm)	2026	Guidance comparison		2025 actual vs 2025 guidance		2025 guidance achieved
	guidance	2025 guidance	Diff (%)	2025 actual	Diff (%)	(%)
HD HHI*	20,420	16,377	24.7	15,045	35.7	91.9
Commercial/naval/offshore	17,745	13,551	30.9	11,629	52.6	85.8
Engine	2,657	2,826	-6.0	3,416	-22.2	120.9
HD Samho	5,048	4,572	10.4	6,928	-27.1	151.5
Shipbuilding/offshore	22,793	18,123	25.8	18,557	22.8	102.4
Group total	25,468	20,949	21.6	21,973	15.9	104.9

Note: *Reflecting merger with HD Hyundai Mipo
Source: Company data, Samsung Securities estimates

HD Hyundai Electric's guidance: HD Hyundai Electric has announced 2026 guidance, targeting sales of KRW4.35t, which is 9% below the previous consensus. Shares fell following the announcement. In our view, however, the guidance must be understood in the context of: 1) the company's history of presenting conservative targets; and 2) the notable gap between the forex rate assumptions used in this year's business plan and market consensus.

HD Hyundai Electric: 2026 guidance

	2026 guidance	2025 guidance	Chg (%)	Consensus	Diff (%)
Sales (KRWb)	4,350	3,892	11.8	4,786	-9.1
Orders (USDm)	4,222	3,822	10.5	n/a	n/a

Source: Company data, FnGuide

HD Hyundai Electric: Guidance achievement

(KRWb)	Guidance	Actual	Diff (%)
2022	2,070	2,104	1.7
2023	2,546	2,703	6.2
2024*	3,302	3,322	0.6
2025E	3,892	4,092	5.1

Note: *Significant downward adjustment at year-end due to accounting policy changes
Source: Samsung Securities

Hanwha Group discussing expansion of Philly Shipyard: In a media interview, Hanwha Group said it is exploring the expansion of its shipyard in Philadelphia and the potential acquisition of other US shipyards. The group is reportedly in discussions with federal, state, and local authorities about the expansion. Options under consideration include gaining access to unused docks at nearby shipyards or purchasing a new facility.

LIG Nex1 in talks with Saudi defense ministry for Poniard exports: Media reports indicate that LIG Nex1 is in talks to export a guided imaging rocket, known as the Poniard, to Saudi Arabia. The talks are in the drafting phase of an MOU, and the company is even considering local production. Back in Oct 2022, Saudi Arabia introduced new patrol boats armed with the Poniard, designed specifically to counter small attack boats.

Hanwha pursues development of autonomous vessels: Hanwha Defense USA, a subsidiary of Hanwha Aerospace, is advancing the development of unmanned autonomous surface vessels (ASVs). Hanwha Systems, Hanwha Ocean, and HavocAI, a US-based company specializing in AI-driven maritime autonomy solutions, will reportedly participate in the project. The group is considering building the ASVs at its Philly Shipyard.

Tamil Nadu delegation visits HD Hyundai Heavy Industries' Ulsan shipyard: On Jan 8, a delegation from Tamil Nadu, India, including the state's Minister of Industries and the Director of the Investment Promotion Agency, visited HD Hyundai Heavy Industries' Ulsan shipyard. For reference, HD Hyundai signed an exclusive MOU with the Tamil Nadu state government in Dec 2025 to build a new shipyard in the region. Tamil Nadu is one of the candidate locations selected by the Indian government for establishing a shipbuilding cluster.

STX Engine signs generator engine supply contract with Hanwha Ocean: STX Engine has signed a KRW44.4b contract to supply generator engines to Hanwha Ocean. The contract period extends until Dec 20, 2027.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2024	
	Jan 9, 2025	Jan 2, 2025	Chg (%)	End-2024	Chg (%)
New building prices (USDm)					
Overall (indexed)	185.3	185.5	-0.1	189.2	-2.1
Bulkers (Capesize)	75.0	75.0	0.0	76.0	-1.3
Tankers (VLCC)	128.0	128.0	0.0	129.0	-0.8
Tankers (51,000 DWT PCs)	49.5	49.5	0.0	52.0	-4.8
Containerships (22,000 TEU)	235.0	235.0	0.0	244.0	-3.7
Containerships (13,000 TEU)	145.0	145.0	0.0	153.0	-5.2
LNG carriers (174,000m³)	248.0	248.0	0.0	260.0	-4.6
Secondhand prices (USDm)*					
Overall	193.0	191.0	1.0	176.0	9.7
Bulkers (Capesize)	67.0	67.0	0.0	62.0	8.1
Tankers (VLCC)	124.0	120.0	3.3	114.0	8.8
Tankers (51,000 DWT PCs)	44.0	43.0	2.3	42.0	4.8
Daily charter rates (USD)**					
Bulkers (Capesize, eco)	24,775	24,400	1.5	18,500	33.9
Bulkers (Capesize, non-eco)	23,775	23,400	1.6	17,500	35.9
Tankers (VLCC, eco)	59,000	57,500	2.6	41,000	43.9
Tankers (VLCC, non-eco)	51,500	52,500	-1.9	37,250	38.3
Freight rate index					
ClarkSea Index (USD/day)	28,364	28,090	1.0	21,965	29.1
BDI	1,688	1,882	-10.3	997	69.3
WS (based on Saudi route)	73	58	26.1	40	81.3
CCFI	1,195	1,147	4.2	1,515	-21.1
SCFI	1,647	1,656	-0.5	2,460	-33.0
Energy prices***					
Natural gas (USD/mil BTU)	2.9	4.0	-27.6	3.4	-15.0
Oil (USD/bbl)	59.1	57.3	3.1	71.7	-17.6
MGO-HSFO (USD/tonne)	236.5	255.8	-7.5	205.5	15.1
VLSFO-HSFO (USD/tonne)	65.5	73.8	-11.2	87.0	-24.7

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				2026 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD KSOE*	12.6	0.9	7.6	9.6	2.0	9.6	24.0
HD Hyundai Heavy Industries*	20.2	6.9	18.1	18.3	5.6	23.8	29.6
Samsung Heavy Industries*	18.3	9.5	28.3	18.8	4.9	24.4	21.8
Hanwha Ocean*	17.5	19.9	23.4	18.6	5.9	29.6	21.9
HD Hyundai Marine Solution*	-1.3	-3.4	-14.7	-0.8	8.4	22.5	40.6
Yangzijiang	4.9	6.8	6.5	4.0	2.0	8.2	26.6
CSSC Holdings	7.5	3.2	2.3	7.5	2.4	15.4	18.4
CSSC Offshore	10.0	2.9	15.0	10.0	n/a	28.7	7.6
ST Engineering	6.7	9.1	4.9	6.5	8.6	28.3	32.4
Seatrium	1.4	6.8	-3.5	1.9	1.1	14.8	7.3
Mitsubishi	11.1	0.5	5.7	11.1	5.5	53.4	11.0
Kawasaki	19.2	5.5	27.2	19.2	2.7	25.1	10.9

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

Machinery: Share performance and valuations

(%)	Share performance				2026 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD Hyundai Electric*	3.8	-0.2	28.6	9.0	11.3	31.6	41.3
HD Hyundai Construction Equipment*	11.7	9.8	13.5	11.4	1.0	10.8	9.6
HD Hyundai*	11.5	-1.0	30.4	9.3	1.6	12.6	13.1
Doosan Bobcat*	0.5	-2.9	0.4	-0.9	0.7	9.3	8.0
KAI*	28.3	37.4	40.2	31.2	6.9	39.1	18.8
LIG Nex1*	24.0	42.5	14.2	29.1	6.7	28.8	25.8
Hanwha Aerospace*	28.6	31.6	16.6	27.6	5.5	30.2	nm
Hyosung Heavy*	2.2	-2.9	25.8	5.3	5.8	24.9	26.2
LS Electric*	-3.0	-4.3	57.9	2.5	6.1	33.8	19.2
Lockheed Martin	9.2	16.0	7.5	12.3	6.0	33.7	19.2
Raytheon	0.7	7.9	19.5	2.8	18.4	18.6	107.3
Siemens	5.4	9.8	4.9	6.3	3.7	28.0	13.7
Caterpillar	3.2	0.4	25.7	7.8	3.0	23.2	13.6
Komatsu	3.7	3.2	-2.6	3.7	13.9	27.4	56.1
Kubota	7.0	2.6	24.9	7.0	1.4	13.3	10.9

Note: *Samsung Securities estimates; The figure of HD HCE does not reflect the merger with HD Hyundai Infracore, which is currently suspended from trading
Source: Bloomberg, Samsung Securities estimates

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