COMPANY UPDATE

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HD Hyundai Heavy Industries

(329180)

CEO meeting takeaways: Sitting pretty

- HD Hyundai Heavy Industries has a positive 2026 outlook for both order intake and earnings, the firm shared at a New Year's management meeting.
- It expects a recovery in orders for LNG carriers—a segment in which it is strongly competitive—along with a rebound in overall shipbuilding prices. Despite using conservative assumptions in its earnings estimates, it still projects further profitability gains.
- Everything is looking positive for HD HHI. Also, from a valuation perspective, it is the sector's most attractive name.

WHAT'S THE STORY?

To enjoy strong order intake amid favorable market conditions: HD Hyundai Heavy Industries (HD HHI) expects global vessel orders in 2026 to remain at elevated levels similar to those seen in 2025. In particular, it expects a recovery in orders for LNG carriers—a segment in which Korea is particularly competitive—along with a rebound in overall shipbuilding prices. Recent data already point to a recovery in global shipbuilding orders, with a notable concentration of activity in the final two months of 2025.

In the LNG carrier segment, orders for 16 out of 36 large vessels placed last year were placed in December alone, signaling a clear rebound. During this period, Korean shipbuilders secured orders at prices that were favorable relative to prevailing market levels. Meanwhile, HD Group has already provided order guidance for the year, projecting y-y growth in order value (in contrast to market expectations). This guidance assumes increased orders for medium-sized commercial vessels, new orders at overseas yards, and growth in the specialized vessel segment.

SUMMARY FINANCIAL DATA

(Continued on the next page)

(KRWb)	2024	2025E	2026E	2027E
Revenue	14,486	17,652	24,343	27,978
Operating profit	705	2,171	3,609	4,913
Net profit (adj)	622	1,455	2,742	3,766
EPS (adj) (KRW)	7,001	13,858	26,127	35,880
EPS (adj) growth (% y-y)	2,417.7	97.9	88.5	37.3
EBITDA margin (%)	7.0	14.1	16.5	19.1
ROE (%)	11.4	23.3	30.2	29.5
P/E (adj) (x)	88.4	44.7	23.7	17.3
P/B (x)	9.6	9.5	5.7	4.6
EV/EBITDA (x)	64.0	25.4	15.1	10.7
Dividend yield (%)	0.3	0.6	1.1	1.5

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW890,000	44.7%
Current price	KRW615,000	
Market cap	KRW64.6t/USD43.7b	
Shares (float)	104,961,225 (30.6%)	
52-week high/low	KRW645,000/KRW275,500	
Avg daily trading value (60-day)	KRW157.7b/ USD106.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HD Hyundai Heavy Industries (%)	7.3	58.9	99.4
Vs Kospi (%pts)	-5.3	7.7	5.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	890,000	890,000	0.0%
2025E EPS	13,858	16,469	-15.9%
2026E EPS	26,127	25,533	2.3%

SAMSUNG vs THE STREET

No of estimates	6
Target price	775,000
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

Earnings to improve, even under conservative assumptions: HD HHI also presented a positive outlook for earnings, noting that high-priced orders will be gradually convert into sales. The company has used very conservative assumptions to make 2026 earnings projections. For example, it has used a group-wide exchange rate assumption of KRW1,350/USD and assumed a significant increase in steel plate prices. Still, it projects y-y profitability gains, indicating that it thinks high-priced orders will have an even more positive impact on sales than is widely expected.

Longer-term growth strategy centered on overseas expansion and specialized vessels: HD Group is actively expanding its global footprint: commercial shipbuilding operations in the Philippines are now in full swing; in Vietnam, efforts are underway to expand shipbuilding capacity; and the company is also considering building a new shipyard in India. In the defense industry, it is collaborating with a state-owned shipyard in Peru on a joint production initiative. It is also eying a stable entry into the US defense market through partnerships with strong local players.

Valuation not demanding, either: Given the group's traditionally conservative approach, the management's outlook on market conditions and earnings, as well as the guidance provided, everything is looking positive for HD HHI. Its longer-term growth strategies have been clearly defined, and progress on most initiatives is expected to be measurable by the market. This year, we expect the company to show visible momentum in maritime defense—something recently highlighted by some investors. The company is targeting USD3b in defense-related orders (*ie*, specialized vessels) for 2026, nearly triple the 2025 level. We believe HD HHI deserves to trade at a premium to its peers. Yet, even at current levels, its valuation looks far from demanding compared to competitors, at it still offer an attractive entry point. HD HHI remains our top pick in the shipbuilding sector.

HD Group shipbuilders: Order guidance

(USDm)	2026 guidance	2026 guidance vs 2025 guidance		2026 guidance vs 2025 actual		2025 guidance achieved (%)
		2025 guidance	Diff (%)	2025 actual	Diff (%)	
HD HHI*	20,420	16,377	24.7	15,045	35.7	91.9
Shipbuilding	14,486	11,667	24.2	11,496	26.0	98.5
(Naval)	*3,016*	*1,567*	*92.5*	*1,082*	*178.7*	*69.0*
Offshore & plant	3,259	1,884	73.0	133	2,350.4	7.1
Engine/Machinery	2,657	2,826	-6.0	3,416	-22.2	120.9
HD Hyundai 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
HD Group total	25,468	20,948	21.6	21,973	15.9	104.9

Note: *2025 figure also reflects the merger effect of HD Hyundai Mipo
Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**11,964**	**14,486**	**17,652**	**24,343**	**27,978**
Cost of goods sold	11,309	12,993	14,657	19,682	21,881
Gross profit	**655**	**1,494**	**2,995**	**4,662**	**6,097**
Gross margin (%)	5.5	10.3	17.0	19.1	21.8
SG&A expenses	476	789	823	1,053	1,184
Operating profit	**179**	**705**	**2,171**	**3,609**	**4,913**
Operating margin (%)	1.5	4.9	12.3	14.8	17.6
Non-operating gains (losses)	**-144**	**93**	**-265**	**57**	**122**
Financial profit	631	964	538	652	798
Financial costs	1,124	3,244	722	1,058	1,230
Equity-method gains (losses)	-0	-0	-0	-0	-0
Other	349	2,373	-80	463	554
Pre-tax profit	**34**	**798**	**1,906**	**3,666**	**5,035**
Taxes	10	177	452	880	1,208
Effective tax rate (%)	28.2	22.1	23.7	24.0	24.0
Profit from continuing operations	25	622	1,455	2,786	3,826
Profit from discontinued operations	0	0	0	0	0
Net profit	**25**	**622**	**1,455**	**2,786**	**3,826**
Net margin (%)	0.2	4.3	8.2	11.4	13.7
Net profit (controlling interests)	25	622	1,455	2,742	3,766
Net profit (non-controlling interests)	0	0	0	44	60
EBITDA	457	1,011	2,493	4,016	5,333
EBITDA margin (%)	3.8	7.0	14.1	16.5	19.1
EPS (parent-based) (KRW)	278	7,001	13,858	26,127	35,880
EPS (consolidated) (KRW)	278	7,001	13,858	26,545	36,454
Adjusted EPS (KRW)*	278	7,001	13,858	26,127	35,880

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**8,800**	**10,403**	**14,534**	**21,059**	**26,717**
Cash & equivalents	928	1,258	3,139	5,359	8,431
Accounts receivable	1,099	1,393	1,934	2,668	3,066
Inventories	1,310	1,511	1,934	3,001	3,449
Other current assets	5,463	6,242	7,526	10,030	11,772
Fixed assets	**8,334**	**8,988**	**9,282**	**12,554**	**12,521**
Investment assets	308	1,070	1,070	1,070	1,071
Tangible assets	6,452	6,610	6,721	9,994	9,984
Intangible assets	108	128	102	101	78
Other long-term assets	1,465	1,180	1,389	1,389	1,388
Total assets	**17,134**	**19,391**	**23,816**	**33,613**	**39,238**
Current liabilities	**9,945**	**11,796**	**14,421**	**18,772**	**19,939**
Accounts payable	1,299	1,535	1,934	2,734	3,143
Short-term debt	960	28	800	700	500
Other current liabilities	7,686	10,233	11,687	15,337	16,297
Long-term liabilities	**1,981**	**1,890**	**2,591**	**3,503**	**5,139**
Bonds & long-term debt	1,569	752	472	292	162
Other long-term liabilities	412	1,139	2,120	3,211	4,977
Total liabilities	**11,926**	**13,686**	**17,012**	**22,275**	**25,078**
Owners of parent equity	**5,207**	**5,704**	**6,804**	**11,338**	**14,160**
Capital stock	444	444	444	525	525
Capital surplus	3,123	3,123	3,123	5,145	5,145
Retained earnings	773	1,288	2,388	4,527	7,348
Other	868	850	850	1,142	1,142
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**5,207**	**5,704**	**6,804**	**11,338**	**14,160**
Net debt	2,067	-238	-1,721	-4,248	-7,661

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**169**	**2,884**	**1,866**	**4,003**	**3,799**
Net profit	25	622	1,455	2,786	3,826
Non-cash profit and expenses	222	149	715	1,044	1,181
Depreciation	268	293	307	395	409
Amortization	10	13	15	12	12
Other	-56	-157	394	637	760
Changes in A/L from operating activities	-77	2,114	-304	173	-1,208
Cash flow from investments	**-478**	**-499**	**-418**	**-1,502**	**-398**
Change in tangible assets	-469	-452	-418	-1,502	-398
Change in financial assets	244	-1,282	0	0	0
Other	-253	1,235	0	0	0
Cash flow from financing	**503**	**-2,049**	**433**	**-280**	**-330**
Change in debt	369	-532	433	-280	-330
Change in equity	5	-1	0	0	0
Dividends	0	-186	-207	-382	-630
Other	129	-1,330	207	382	630
Change in cash	184	330	1,881	2,220	3,071
Cash at beginning of year	744	928	1,258	3,139	5,359
Cash at end of year	928	1,258	3,139	5,359	8,431
Gross cash flow	**246**	**770**	**2,170**	**3,830**	**5,007**
Free cash flow	**-309**	**2,420**	**1,436**	**2,489**	**3,389**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	32.3	21.1	21.9	37.9	14.9
Operating profit	nm	294.8	207.9	66.2	36.1
Net profit	nm	2,417.3	134.0	91.5	37.3
Adjusted EPS**	nm	2,417.7	97.9	88.5	37.3
Per-share data (KRW)					
EPS (parent-based)	278	7,001	13,858	26,127	35,880
EPS (consolidated)	278	7,001	13,858	26,545	36,454
Adjusted EPS**	278	7,001	13,858	26,127	35,880
BVPS	58,660	64,259	64,823	108,021	134,902
DPS (common)	0	2,090	4,000	6,800	9,000
Valuations (x)					
P/E***	2,226.0	88.4	44.7	23.7	17.3
P/B***	10.6	9.6	9.5	5.7	4.6
EV/EBITDA	146.8	64.0	25.4	15.1	10.7
Ratios (%)					
ROE	0.5	11.4	23.3	30.2	29.5
ROA	0.1	3.4	6.7	9.6	10.3
ROIC	1.8	9.2	26.5	31.2	34.2
Payout ratio	0.0	29.9	28.9	26.0	25.1
Dividend yield (common)	0.0	0.3	0.6	1.1	1.5
Net debt to equity	39.7	-4.2	-25.3	-37.5	-54.1
Interest coverage (x)	1.4	4.7	24.1	38.4	66.3

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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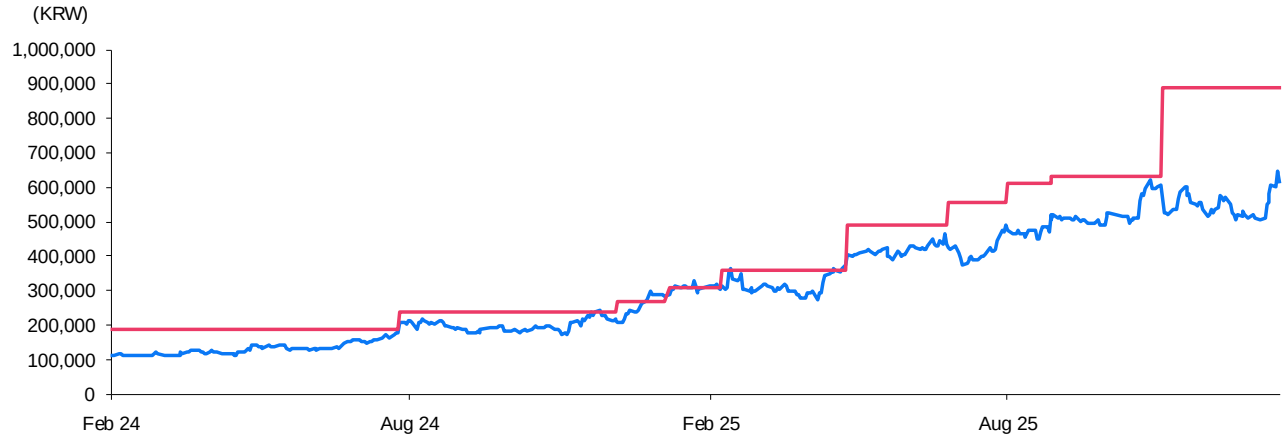
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/7/13	2024/7/13	2024/7/26	12/6	2025/1/6	2/7	4/25	6/26	8/1	8/28	11/4
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	189000	189000	240000	270000	310000	360000	490000	557000	610000	630000	890000
Gap* (average)	-33.76	-10.04	-16.98	-5.02	-0.44	-12.25	-14.73	-25.30	-22.82	-16.24	
(max or min)**	-16.61	-6.08	0.83	10.37	5.48	4.44	-5.41	-11.94	-14.59	-0.95	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
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Industry

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* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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