SECTOR
UPDATE

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Shipbuilding/Machinery Weekly

The Strait of Hormuz and the oil tanker market

- The Clarksons Newbuilding Price Index stood at 182 last week, down 1pt w-w. Prices of LNGCs and oil tankers rose w-w. The Secondhand Price Index moved higher w-w for an eighth week running, this time by 2pts w-w.
- The ClarkSea Index, which represents vessels' earnings, hit USD37,591/day (up 10.4% w-w), driven once more by a surge in tanker rates.
- In this report, we assess the impact of the Iran situation on the shipbuilding and machinery industry.

WHAT'S THE STORY?

Fact-checking the Strait of Hormuz and the oil tanker market

Concerns are rising about increased stock market volatility due to the Iran situation. We, however, believe that the shipbuilding and machinery sectors will remain stable (vs other industries) for the following reasons. First, most core sectors in the shipbuilding and machinery space (*eg*, shipbuilding, power equipment, and defense) operate on an order-based model. Second, their current order backlogs are large, having already secured more than three years' worth of work.

Looking at specific industries, defense stocks should benefit first and foremost from changes in investor sentiment. However, shipbuilding stocks should also serve as a stable alternative, as the current situation may stimulate new oil tanker orders. Historically, geopolitical conflicts have been viewed by shipowners as temporary phenomena, sometimes leading to reduced vessel purchases due to increased uncertainty. However, this time the situation seems different. Since the arrest of Venezuelan President Maduro earlier this year, tanker freight rates have kept surging, driven by expectations that vessels sanctioned by the UN and Western countries will be reintegrated into the mainstream market (nb, these sanctioned vessels are mostly aging tankers, and their freight rates are not at normal levels; they account for 16% of the global fleet). The reintegration of these sanctioned vessels would lead to the scrapping of older vessels and the normalization of their freight rates. Over the longer term, oil tanker operators should see the Venezuela and Iran situations as the resolution of uncertainty over sanctioned vessels (for more details, see 'Geopolitical issues and the tanker industry' that was published on Jan 12).

(Continued on the next page)

Performance

(%)	1W	3M	YTD
KSOE	0.3	9.5	10.3
HD Hyundai Heavy	0.3	12.3	17.1
Samsung Heavy	-1.0	18.0	20.5
Hanwha Ocean	-5.2	30.3	24.2
HD Hyundai Marine Solution	2.8	-1.3	-4.2
HD Hyundai Electric	5.5	35.8	35.8
HD CE	-2.1	51.0	43.9
HD Hyundai	-0.9	47.7	54.5
Doosan Bobcat	-0.2	18.7	14.0
KAI	8.6	75.7	68.5
LIG Nex1	4.8	33.7	20.6
Hanwha Aerospace	-3.7	41.4	26.6
Hyosung Heavy	7.0	47.0	57.1
LS Electric	15.5	71.9	71.0

Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	2.1	9.9	23.9
HD Hyundai Heavy	5.7	22.8	31.3
Samsung Heavy	5.0	23.7	23.0
Hanwha Ocean	5.9	31.7	20.6
HD Hyundai Marine Solution	8.2	22.3	39.2
HD Hyundai Electric	14.1	37.1	43.9
HD CE	1.5	15.4	14.4
HD Hyundai	2.1	16.6	13.5
Doosan Bobcat	0.8	12.1	7.2
KAI	8.9	47.9	19.9
LIG Nex1	6.8	33.8	21.8
Hanwha Aerospace	5.4	29.5	nm
Hyosung Heavy	8.3	32.7	28.9
LS Electric	9.7	46.3	23.0

Note: 2025 estimates
Source: Samsung Securities estimates

For reference, the Strait of Hormuz handles 38% of global seaborne crude exports, as well as 19% and 13% of petroleum and chemical product exports, respectively. Iran accounts for 5% of global crude production and 4% of crude exports. Changes in shipping routes due to the Strait of Hormuz issue could lead to short-term freight rate increases, which hikes may be used by oil tanker operators to fund new vessel purchases.

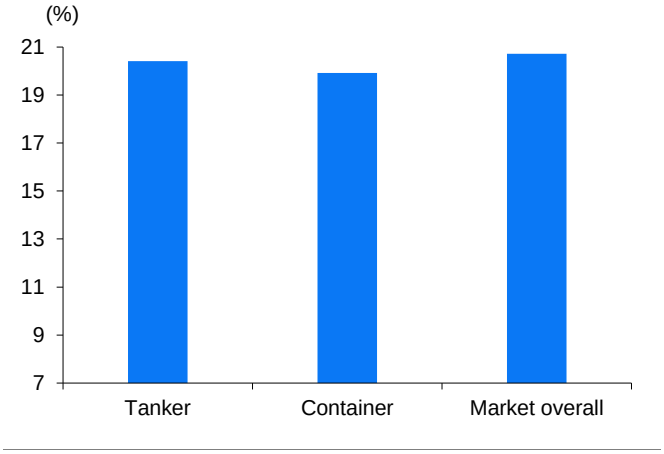
Contrary to the market's belief, a rebound in oil tanker demand bodes well for Korean shipbuilders. Korea's market share in the tanker segment is 20.4% (based on current order backlog value), which is similar to Korea's overall shipbuilding market share of 20.7% and higher than its 19.9% share of the containership market. Additionally, rising oil tanker prices could help support the newbuilding price index. From a risk perspective, Korean shipbuilders have no direct exposure to Iranian shipowners.

Products transiting Strait of Hormuz as portion of global total

(%)	
Crude oil	38
Oil product	19
Chemical	13
LNG	19
LPG	29
Container	2.8
Dry bulk	2.4

Source: Clarksons

Korean shipbuilders' market share, by vessel type



Source: Clarksons

Industry news

HD Hyundai Heavy Industries secures LNGC and containership orders: HD Hyundai Heavy Industries has received an order for one LNGC from an Oceania-based shipowner. The vessel is valued at USD254m and is scheduled for delivery in Sep 2028. Additionally, the Korean company has signed a contract with an Asian shipping company to build six containerships, with the total value of the order amounting to USD260m.

Singapore's Seatrium sells US shipyard: Seatrium, a Singaporean offshore and marine group, has sold its AmFELS shipyard in Texas (US) for SGD65m. The buyer is a Turkish firm specializing in offshore energy and ship operations. Seatrium had reportedly classified the shipyard as a non-core asset and plans to shift its US operations towards engineering services rather than physical construction.

US Big Tech firms to fund electricity generation for data centers: In his State of the Union address, US President Trump announced that US tech companies will be required to independently secure the electricity needed to operate their data centers. He plans to have major Big Tech firms sign 'rate payer protection pledges', committing them to self-funding their power supply rather than rely on public utilities. According to media reports, President Trump is scheduled to meet the top Big Tech executives on Mar 4 to discuss the initiative.

Korea Aerospace Industries appoints new CEO: Korea Aerospace Industries (KAI) held an interim board meeting and named Kim Jong-chul, former head of the defense technology protection bureau at the Defense Acquisition Program Administration, as its new CEO. The company plans to confirm Kim's appointment at an extraordinary shareholders' meeting on Mar 18. He has extensive experience in defense industry policy, having served in key roles such as head of the defense industry export support team and head of the industrial cooperation division.

Korea's defense exports surge in 2025: The media has reported that Korea's defense exports jumped 62% to USD15.4b in 2025 (vs USD9.5b in 2024). Meanwhile, the Ministry of Trade, Industry and Energy has set a national export target of USD740b for 2026 (up 4.3%). To achieve this goal, the ministry has identified eight key export sectors—*ie*, defense, nuclear power plants, autos, ships, steel products, biohealth, consumer goods, and electric power equipment.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2025	
	Feb 27, 2026	Feb 20, 2026	Chg (%)	End-2025	Chg (%)
New building prices (USDm)					
Overall (indexed)	182.2	182.7	-0.3	184.7	-1.4
Bulkers (Capesize)	75.0	75.0	0.0	75.0	0.0
Tankers (VLCC)	128.5	128.5	0.0	128.0	0.4
Tankers (51,000 DWT PCs)	49.5	49.5	0.0	49.0	1.0
Containerships (22,000 TEU)	234.0	234.0	0.0	235.0	-0.4
Containerships (13,000 TEU)	145.5	145.5	0.0	145.5	0.0
LNG carriers (174,000m³)	248.5	248.0	0.2	248.0	0.2
Secondhand prices (USDm)*					
Overall	201.0	199.0	1.0	191.1	5.2
Bulkers (Capesize)	68.5	68.5	0.0	3.0	3.8
Tankers (VLCC)	138.0	135.0	2.2	120.0	15.0
Tankers (51,000 DWT PCs)	47.0	45.0	4.4	43.0	9.3
Daily charter rates (USD)**					
Bulkers (Capesize, eco)	33,600	33,050	1.7	24,850	35.2
Bulkers (Capesize, non-eco)	30,900	29,800	3.7	23,850	29.6
Tankers (VLCC, eco)	115,000	100,000	15.0	65,500	75.6
Tankers (VLCC, non-eco)	100,500	92,500	8.6	58,000	73.3
Freight rate index					
ClarkSea Index (USD/day)	37,591	34,058	10.4	29,856	25.9
BDI	2,140	2,043	4.7	1,877	14.0
WS (based on Saudi route)	328	158	107.9	58	469.6
CCFI	1,045	1,088	-4.0	1,147	-8.9
SCFI	1,333	1,251	6.5	1,656	-19.5
Energy prices***					
Natural gas (USD/mil BTU)	3.0	3.2	-5.1	2.1	-25.1
Oil (USD/bbl)	67.4	66.4	1.5	61.7	17.4
MGO-HSFO (USD/tonne)	271.5	245.5	10.6	262.8	3.3
VLSFO-HSFO (USD/tonne)	75.8	52.8	43.6	71.8	5.6

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*	0.3	5.8	9.5	10.3	2.1	9.9	23.9
HD Hyundai Heavy Industries*	0.3	2.2	12.3	17.1	5.7	22.8	31.3
Samsung Heavy Industries*	-1.0	-3.6	18.0	20.5	5.0	23.7	23.0
Hanwha Ocean*	-5.2	-1.4	30.3	24.2	5.9	31.7	20.6
HD Hyundai Marine Solution*	2.8	-0.8	-1.3	-4.2	8.2	22.3	39.2
Yangzijiang	16.4	29.6	29.6	24.7	2.5	9.9	27.5
CSSC Holdings	3.9	8.8	9.8	13.5	2.5	16.2	18.6
CSSC Offshore	3.9	12.9	25.3	31.5	n/a	34.1	7.6
ST Engineering	-2.1	5.2	20.1	18.4	10.4	31.3	35.2
Seatrium	11.1	13.2	11.6	11.1	1.1	16.3	6.8
Mitsubishi	1.0	13.1	27.0	30.6	6.7	63.9	10.9
Kawasaki	1.9	44.0	84.7	75.9	4.0	35.6	11.4

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*	5.5	16.6	35.8	35.8	14.1	37.1	43.9
HD Construction Equipment*	-2.1	30.6	51.0	43.9	1.5	15.4	14.4
HD Hyundai*	-0.9	22.0	47.7	54.5	2.1	16.6	13.5
Doosan Bobcat*	-0.2	10.2	18.7	14.0	0.8	12.1	7.2
KAI*	8.6	16.1	75.7	68.5	8.9	47.9	19.9
LIG Nex1*	4.8	-3.0	33.7	20.6	6.8	33.8	21.8
Hanwha Aerospace*	-3.7	-6.0	41.4	26.6	5.4	29.5	nm
Hyosung Heavy*	7.0	10.6	47.0	57.1	8.3	32.7	28.9
LS Electric*	15.5	38.9	71.9	71.0	9.7	46.3	23.0
Lockheed Martin	-0.0	10.2	43.7	36.1	10.0	53.2	20.1
Raytheon	-1.1	1.6	15.8	10.5	17.3	22.7	84.3
Siemens	0.9	-1.4	8.4	3.4	4.2	31.1	13.7
Caterpillar	-2.2	15.5	29.0	29.7	2.8	22.1	13.5
Komatsu	-0.1	33.4	47.1	50.7	15.6	33.2	53.9
Kubota	4.3	38.2	40.9	43.3	2.1	19.1	11.1

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

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