SECTOR
UPDATE

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# Shipbuilding/Machinery Weekly

## Assessing exposure to Middle East risk

- The Clarksons Newbuilding Price Index remained flat w-w at 182 last week. Prices of oil tankers rose further w-w. The Secondhand Price Index held steady w-w.
- The ClarkSea Index, which represents vessels' earnings, surged 41.8% w-w to USD53,319/day, driven once more by escalating tanker rates.
- Amid escalation of the Iran conflict, in this report we assess shipbuilding and machinery sector exposure to Middle East risk.

**▶ Performance**

| (%) | 1W | 3M | YTD |
|---|---|---|---|
| KSOE | -9.9 | -5.9 | -0.6 |
| HD Hyundai Heavy | -7.5 | 5.7 | 8.4 |
| Samsung Heavy | -5.1 | 7.8 | 14.3 |
| Hanwha Ocean | -9.3 | 15.3 | 12.7 |
| HD Hyundai Marine Solution | -8.4 | -12.8 | -12.3 |
| HD Hyundai Electric | -9.2 | 15.4 | 23.4 |
| HD CE | -11.9 | 29.6 | 26.7 |
| HD Hyundai | -6.0 | 30.9 | 45.2 |
| Doosan Bobcat | -11.2 | -2.2 | 1.2 |
| KAI | -6.2 | 69.7 | 58.1 |
| LIG Nex1 | 60.9 | 120.3 | 94.1 |
| Hanwha Aerospace | 21.1 | 64.1 | 53.3 |
| Hyosung Heavy | -12.8 | 22.3 | 37.0 |
| LS Electric | -12.3 | 36.1 | 49.9 |

**▶ Valuation summary**

| (x, %) | P/B | P/E | ROE |
|---|---|---|---|
| KSOE | 1.9 | 8.9 | 23.9 |
| HD Hyundai Heavy | 5.3 | 21.1 | 31.3 |
| Samsung Heavy | 4.8 | 22.5 | 23.0 |
| Hanwha Ocean | 5.4 | 28.7 | 20.6 |
| HD Hyundai Marine Solution | 7.5 | 20.4 | 39.2 |
| HD Hyundai Electric | 12.8 | 33.7 | 43.9 |
| HD CE | 1.4 | 13.5 | 14.4 |
| HD Hyundai | 2.0 | 15.6 | 13.5 |
| Doosan Bobcat | 0.8 | 10.7 | 7.2 |
| KAI | 8.3 | 44.9 | 19.9 |
| LIG Nex1 | 11.0 | 54.4 | 21.8 |
| Hanwha Aerospace | 6.5 | 35.7 | nm |
| Hyosung Heavy | 7.3 | 28.5 | 28.9 |
| LS Electric | 8.5 | 40.6 | 23.0 |

Note: 2025 estimates
Source: Samsung Securities estimates

### WHAT'S THE STORY?

**Assessing shipbuilding and machinery sectors' exposure to Middle East risk**

The Iran conflict is increasingly dominating the market narrative, overshadowing other macro and geopolitical developments. Its effects on the real economy are also expanding beyond the region as Iran is targeting energy infrastructure in neighboring countries and has effectively closed the Strait of Hormuz. Kuwait has announced plans to reduce crude oil and refined product output, while Qatar has invoked *force majeure* regarding LNG supply. Should the conflict become prolonged, delays to Middle East-based investment projects cannot be ruled out. It is time to reassess the scale and significance of across key industrial sectors' exposure to Middle East risk.

In shipbuilding, prolonged instability in the Middle East could introduce uncertainty to LNG carrier (LNGC) delivery schedules. While Middle Eastern shipowners account for around 3.6% of global commercial vessel order backlogs, and offshore oil and gas projects in the region represent just 6% of total development activity, the primary concern lies in Qatar's large-scale LNGC procurement program. If it requests vessel delivery delays, this could weigh on Korean shipbuilders' revenue in the near term. Korea's top 3 shipbuilders are estimated to have 64 Qatar-linked LNGCs in their order backlogs, of which Clarksons estimates 25 are scheduled for delivery by year-end.

For Korean power equipment manufacturers, the Middle East remains the second-largest export market after North America. However, sales exposure to the region is estimated at only 16% (based on combined figures for HD Hyundai Electric and Hyosung Heavy Industries), and profitability remains heavily concentrated in North America, which continues to drive the majority of margins and growth.

*(Continued on the next page)*

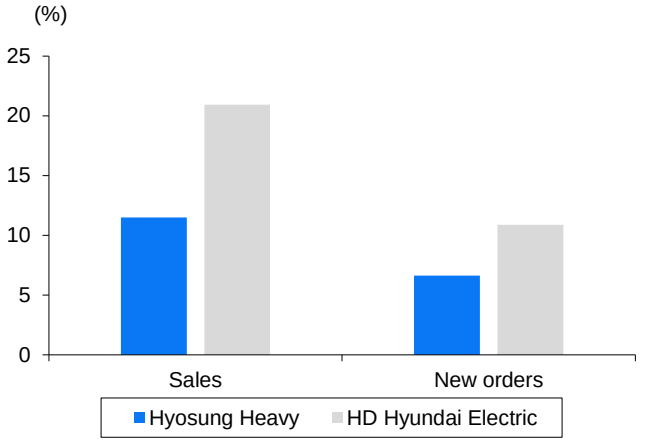
Despite these risks, we still have a positive outlook for both sectors, noting that: 1) these risks are contingent solely on the assumption of a prolonged Iran conflict—a scenario that has not yet materialized to a degree warranting aggressive repricing; 2) the conflict is not merely an issue for the shipbuilding and machinery sectors, but one with broad-market implications—which means there is limited justification for outsized downward pressure on the valuations of these sectors; 3) given the current market environment, even if the risks materialize, any sales disruption is likely to be temporary; 4) considering the long lead times inherent in shipbuilding and power equipment projects, it remains uncertain whether clients will immediately seek to revise existing contract schedules; and 5) notably, shipbuilders are already trading at a discount to other industrial machinery peers—further limiting downside sensitivity.

**Shipbuilders: Qatar-linked LNGCs in orderbooks**

| (Vessels) | |
|---|---|
| HD Hyundai Heavy | 26 |
| Samsung Heavy | 19 |
| Hanwha Ocean | 19 |
| Hudong-Zhonghua (China) | 27 |

Note: Based on data provided by Clarksons
Source: Clarksons

**Korean power equipment makers: Middle East exposure**




Note: As of 2025
Source: Company data, Samsung Securities estimates

## Industry news

**Hanwha Systems signs PRS agreement on Hanwha Ocean shares:** Hanwha Systems has agreed to sell 13.9m shares in Hanwha Ocean for KRW1.7t, primarily to improve liquidity and raise capital. After the sale, it should enter into a price return swap (PRS) agreement with the buyer. Given the structure of this transaction, the move seems unrelated to Hanwha Group's share-price outlook or industry outlook for Hanwha Ocean. Drawing from similar cases in the market, we believe the PRS agreement may be extended in the future. In short, this move should be interpreted not as a strategic exit from Hanwha Ocean by the group, but as a targeted capital-raising effort by Hanwha Systems.

**Chinese shipyard secures LNGC order:** Malaysia's MISC has ordered two LNGCs from China's Hudong-Zhonghua Shipbuilding, according to media reports. Delivery is scheduled for 2029-2030, though the contract value remains undisclosed. This order follows an agreement signed earlier in 2026 and was anticipated as part of that initial arrangement. The deal also includes options for additional vessels.

**HD Group secures LNGC and tanker orders:** HD Hyundai Heavy Industries has won an order from a North American shipping company for four LNGCs, with a total contract value of USD1.1b, averaging USD254m per vessel (still above current market prices). Delivery is scheduled for Nov 2029. Meanwhile, group affiliate HD Hyundai Samho has also won an order for two Suezmax crude tankers priced at USD89m each, which is also above prevailing market rates.

**President Trump urges US tech firms to fund electricity generation for data centers:** During a meeting at the White House, President Trump formally introduced 'rate payer protection pledges', calling on US tech firms to self-fund power supply for their data centers rather than rely on public utilities.

**US defense contractors expand production capacity:** President Trump on Mar 6 hosted leaders of major defense manufacturers at the White House, where they committed to quadrupling production capacity for high-performance weapons. He noted that production increases have already been underway for three months and that weapon and ammunition stockpiles remain adequate to meet existing demand.

### Shipbuilding weekly indices

| | This week | A week ago | | Vs end-2025 | |
|---|---|---|---|---|---|
| | Mar 6, 2026 | Feb 27, 2026 | Chg (%) | End-2025 | Chg (%) |
| **New building prices (USDm)** | | | | | |
| Overall (indexed) | 182.0 | 182.2 | -0.1 | 184.7 | -1.4 |
| Bulkers (Capesize) | 75.0 | 75.0 | 0.0 | 75.0 | 0.0 |
| Tankers (VLCC) | 129.0 | 128.5 | 0.4 | 128.0 | 0.8 |
| 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 | 248.5 | 0.0 | 248.0 | 0.2 |
| **Secondhand prices (USDm)*** | | | | | |
| Overall | 201.0 | 201.0 | 0.0 | 191.1 | 5.2 |
| Bulkers (Capesize) | 68.5 | 68.5 | 0.0 | 66.0 | 3.8 |
| Tankers (VLCC) | 140.0 | 138.0 | 1.4 | 120.0 | 16.7 |
| Tankers (51,000 DWT PCs) | 47.0 | 47.0 | 0.0 | 43.0 | 9.3 |
| **Daily charter rates (USD)**** | | | | | |
| Bulkers (Capesize, eco) | 28,500 | 33,600 | -15.2 | 24,850 | 14.7 |
| Bulkers (Capesize, non-eco) | 24,700 | 30,900 | -20.1 | 23,850 | 3.6 |
| Tankers (VLCC, eco) | 133,500 | 115,000 | 16.1 | 65,500 | 103.8 |
| Tankers (VLCC, non-eco) | 130,000 | 100,500 | 29.4 | 58,000 | 124.1 |
| **Freight rate index** | | | | | |
| ClarkSea Index (USD/day) | 53,319 | 37,591 | 41.8 | 29,856 | 78.6 |
| BDI | 2,010 | 2,140 | -6.1 | 1,877 | 7.1 |
| WS (based on Saudi route) | 503 | 328 | 53.4 | 58 | 773.9 |
| CCFI | 1,054 | 1,045 | 0.9 | 1,147 | -8.1 |
| SCFI | 1,489 | 1,333 | 11.7 | 1,656 | -10.1 |
| **Energy prices***** | | | | | |
| Natural gas (USD/mil BTU) | 3.1 | 3.0 | 3.7 | 4.0 | -22.3 |
| Oil (USD/bbl) | 90.9 | 67.4 | 34.8 | 57.4 | 58.2 |
| MGO-HSFO (USD/tonne) | 517.0 | 271.5 | 90.4 | 262.8 | 96.8 |
| VLSFO-HSFO (USD/tonne) | 67.5 | 75.8 | -10.9 | 71.8 | -5.9 |

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* | -9.9 | -4.7 | -5.9 | -0.6 | 1.9 | 8.9 | 23.9 |
| HD Hyundai Heavy Industries* | -7.5 | -4.9 | 5.7 | 8.4 | 5.3 | 21.1 | 31.3 |
| Samsung Heavy Industries* | -5.1 | -5.8 | 7.8 | 14.3 | 4.8 | 22.5 | 23.0 |
| Hanwha Ocean* | -9.3 | -11.2 | 15.3 | 12.7 | 5.4 | 28.7 | 20.6 |
| HD Hyundai Marine Solution* | -8.4 | -5.6 | -12.8 | -12.3 | 7.5 | 20.4 | 39.2 |
| Yangzijiang | -3.5 | 25.8 | 22.2 | 20.4 | 2.4 | 9.1 | 27.8 |
| CSSC Holdings | 3.1 | 10.9 | 15.3 | 17.0 | 2.5 | 16.6 | 18.6 |
| CSSC Offshore | -2.8 | 11.0 | 21.7 | 27.8 | n/a | 33.3 | 7.6 |
| ST Engineering | 9.8 | 10.1 | 34.0 | 30.0 | 11.4 | 33.3 | 36.0 |
| Seatrium | -2.9 | 11.5 | 9.9 | 7.9 | 1.1 | 16.3 | 6.8 |
| Mitsubishi | -5.0 | 0.1 | 16.6 | 24.0 | 6.1 | 58.2 | 11.1 |
| Kawasaki | -10.5 | 17.5 | 52.8 | 57.4 | 3.5 | 31.2 | 11.8 |

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* | -9.2 | 4.1 | 15.4 | 23.4 | 12.8 | 33.7 | 43.9 |
| HD Construction Equipment* | -11.9 | -2.0 | 29.6 | 26.7 | 1.4 | 13.5 | 14.4 |
| HD Hyundai* | -6.0 | 11.9 | 30.9 | 45.2 | 2.0 | 15.6 | 13.5 |
| Doosan Bobcat* | -11.2 | -9.2 | -2.2 | 1.2 | 0.8 | 10.7 | 7.2 |
| KAI* | -6.2 | 6.4 | 69.7 | 58.1 | 8.3 | 44.9 | 19.9 |
| LIG Nex1* | 60.9 | 75.5 | 120.3 | 94.1 | 11.0 | 54.4 | 21.8 |
| Hanwha Aerospace* | 21.1 | 10.4 | 64.1 | 53.3 | 6.5 | 35.7 | nm |
| Hyosung Heavy* | -12.8 | 3.4 | 22.3 | 37.0 | 7.3 | 28.5 | 28.9 |
| LS Electric* | -12.3 | 9.2 | 36.1 | 49.9 | 8.5 | 40.6 | 23.0 |
| Lockheed Martin | 2.1 | 11.4 | 48.6 | 38.9 | 8.8 | 46.7 | 20.1 |
| Raytheon | 3.5 | 6.6 | 22.6 | 14.4 | 17.1 | 22.6 | 84.3 |
| Siemens | -9.1 | -7.1 | -3.7 | -6.0 | 4.1 | 30.8 | 13.7 |
| Caterpillar | -8.3 | -1.6 | 12.9 | 18.9 | 2.6 | 20.7 | 13.4 |
| Komatsu | -4.8 | -2.5 | 40.1 | 43.5 | 14.3 | 29.9 | 54.4 |
| Kubota | -11.2 | 11.1 | 25.4 | 27.3 | 2.0 | 18.0 | 11.1 |

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

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