SECTOR
UPDATE

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Shipbuilding/Machinery Weekly

HD HHI proposes sale of Gunsan shipyard

- The Clarksons Newbuilding Price Index remained flat w-w at 182 last week. Prices of oil tankers increased further w-w. The Secondhand Price Index climbed 1%pt w-w.
- The ClarkSea Index, which represents vessels' earnings, tumbled 22% w-w to USD41,670/day. This reflects a partial correction following a sharp rally driven by Iran-related tensions.
- In this report, we analyze the impact of HD Hyundai Heavy Industries' proposed sale of the Gunsan shipyard.

WHAT'S THE STORY?

Evaluation of impact of HD HHI's proposed sale of Gunsan shipyard

HD Hyundai Heavy Industries (HD HHI) announced that it has signed a memorandum of agreement (MOA) with EcoPrime Marine Pacific—the major shareholder of HJ Heavy Industries—regarding the potential sale of the Gunsan shipyard. The Gunsan shipyard, completed in 2010, ceased operations in 2017 due to a prolonged industry downturn. It was partially restarted in 2022, with work centering on block production. As of end-2021, HD HHI classified the facility as an idle asset, with a book value of KRW665b (its current book value is undisclosed).

The sale process is still in its early stages—only an MOA has been signed—and the final sale price should be determined through due diligence and valuation assessments. The deal itself is not yet binding. Despite this uncertainty, we see the pursuit of the sale as positive for HD HHI. The company is already expanding production capacity through overseas shipyards and enhancing defense sector efficiency via the merger with HD Hyundai Mipo. In this context, the Gunsan shipyard is no longer considered essential infrastructure for HD HHI. Assuming the proceeds from the sale are reinvested, this would likely enhance the company's future profitability, representing a positive step towards better asset efficiency.

(Continued on the next page)

Performance

(%)	1W	3M	YTD
KSOE	2.1	-7.8	1.5
HD Hyundai Heavy	6.5	4.2	15.4
Samsung Heavy	10.1	15.6	25.8
Hanwha Ocean	5.5	18.6	18.9
HD Hyundai Marine Solution	2.1	-14.7	-10.5
HD Hyundai Electric	-3.4	7.3	19.1
HD CE	5.2	21.7	33.3
HD Hyundai	-4.0	25.9	39.3
Doosan Bobcat	3.1	-3.2	4.3
KAI	0.2	56.6	58.4
LIG Nex1	-13.6	86.4	67.7
Hanwha Aerospace	1.0	54.8	54.8
Hyosung Heavy	5.6	31.4	44.7
LS Electric	6.7	46.9	60.0

Valuation summary

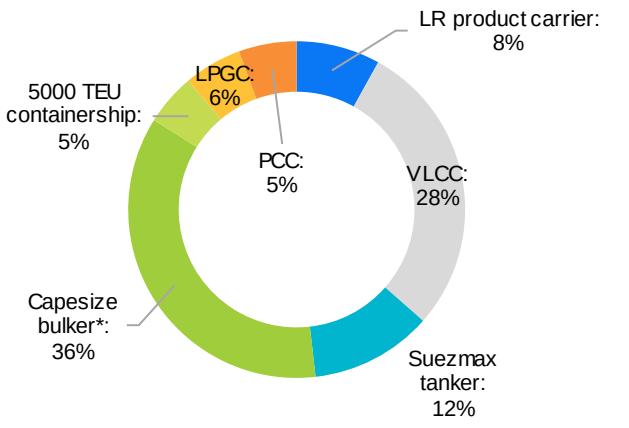
(x, %)	P/B	P/E	ROE
KSOE	1.9	9.1	23.9
HD Hyundai Heavy	5.6	22.4	31.3
Samsung Heavy	5.2	24.8	23.0
Hanwha Ocean	5.7	30.3	20.6
HD Hyundai Marine Solution	7.7	20.8	39.2
HD Hyundai Electric	12.4	32.5	43.9
HD CE	1.4	14.2	14.4
HD Hyundai	1.9	14.9	13.5
Doosan Bobcat	0.8	11.1	7.2
KAI	8.3	45.0	19.9
LIG Nex1	9.5	47.0	21.8
Hanwha Aerospace	6.6	36.0	nm
Hyosung Heavy	7.7	30.1	28.9
LS Electric	9.1	43.3	23.0

Note: 2025 estimates
Source: Samsung Securities estimates

Even if HJ Heavy Industries reactivates the Gunsan shipyard, the risk it poses to major shipbuilders would be limited. Although HJ Heavy Industries has a long history and prior experience building high-value vessels (*eg*, LNGCs), the prolonged facility shutdown should make its immediate resumption of LNGC construction highly challenging. Similarly, the firm's military shipbuilding activities are somewhat distinct from those of HD HHI and Hanwha Ocean. Historically, the Gunsan shipyard accounted for around 4% of Korea's total shipbuilding capacity (CGT basis) at its peak, and its primary product lines were large tankers, bulk carriers, and some medium-sized containerships. Given this profile, any reactivation is likely to prioritize commercial vessel orders (vs competing directly in niche or high-end segments). Additionally, Korea's current acute labor shortage in the shipbuilding industry further suggests that full-scale reactivation of the Gunsan shipyard would require considerable time.

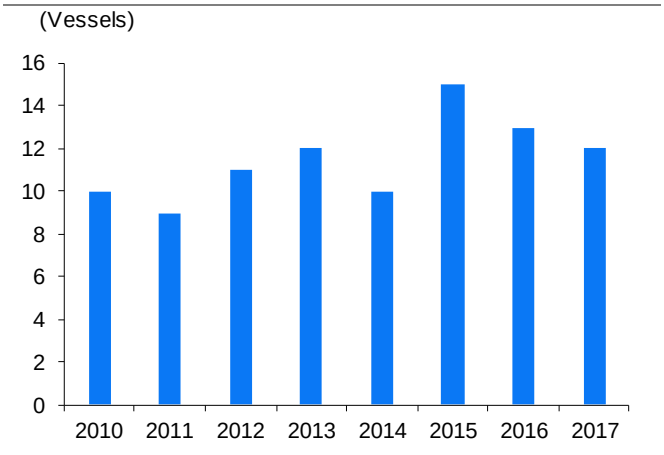
The acquisition would also be favorable to HJ Heavy Industries, as: 1) considering the long cycle of the shipbuilding industry, HJ Heavy Industries still requires additional capacity to overcome the limitations of its Yeongdo facility; and 2) it would also support the firm's newly-launched maintenance, repair, and overhaul (MRO) business. Overall, the transaction would be mutually beneficial.

Gunsan shipyard: Breakdown of delivered vessels, by type



Note: Based on data provided by CGT
Source: Clarksons

Gunsan shipyard: Historical vessel deliveries, by year



Source: Clarksons

Industry news

Hanwha Systems acquires stake in Korea Aerospace Industries: Hanwha Systems has disclosed in its latest business report that it has acquired a 0.58% stake in Korea Aerospace Industries (KAI), purchasing 0.567m shares for a total of KRW59.8b. The transaction implies a per-share price of KRW105,654. KAI's current share price, however, is roughly 73% higher than this figure. For reference, Hanwha Systems recently announced plans to raise around KRW1.7t through price return swap (PRS) agreements tied to its stake in Hanwha Ocean.

Samsung Heavy Industries secures tanker orders: Samsung Heavy Industries (SHI) has just secured orders for three tankers totaling USD270m. According to media reports, the client is J.P. Morgan, and the vessels are Suezmax-class tankers. Including this order, SHI has secured orders worth USD2.1b ytd—15% of its 2026 new-order target and 37% of its commercial vessel order target.

US LNG projects on track: According to media reports, US-based Venture Global LNG has completed the final investment decision (FID) for Phase 2 of its Louisiana CP2 LNG project. Texas LNG Brownsville has also signed an EPC contract related to its Texas LNG export terminal project. Amid heightened uncertainty in the energy market, LNG-related investments are proceeding as originally scheduled.

Hanwha Aerospace completes Phase 2 expansion of Australian facility: Hanwha Aerospace has finished the Phase 2 expansion of its factory in Australia. Since the opening of Phase 1 facilities in 2024, the plant has been producing self-propelled howitzers and ammunition transport vehicles. With the Phase 2 expansion, it now has the capability to produce self-propelled howitzers and Redback armored vehicles simultaneously.

Volkswagen denies involvement in Canadian submarine project: Volkswagen Group's CEO has denied any connection between the company's operations and a Canadian submarine project, in which German defense contractor Thyssenkrupp Marine Systems is bidding. Some media outlets had reported that Germany proposed a package deal linking submarine contract awards with investments in Canada's auto industry. The Canadian government has stated it will consider local economic contributions when selecting the submarine builder.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2025	
	Mar 13, 2026	Mar 6, 2026	Chg (%)	End-2025	Chg (%)
New building prices (USDm)					
Overall (indexed)	182.0	182.0	-0.0	184.7	-1.5
Bulkers (Capesize)	75.0	75.0	0.0	75.0	0.0
Tankers (VLCC)	129.5	129.0	0.4	128.0	1.2
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	202.0	201.0	0.5	191.1	5.7
Bulkers (Capesize)	68.5	68.5	0.0	66.0	3.8
Tankers (VLCC)	140.0	140.0	0.0	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)	29,250	28,500	2.6	24,850	17.7
Bulkers (Capesize, non-eco)	27,350	24,700	10.7	23,850	14.7
Tankers (VLCC, eco)	126,250	133,500	-5.4	65,500	92.7
Tankers (VLCC, non-eco)	113,250	115,000	-1.5	58,000	95.3
Freight rate index					
ClarkSea Index (USD/day)	41,670	53,319	-21.8	29,856	39.6
BDI	2,028	2,010	0.9	1,877	8.0
WS (based on Saudi route)	358	503	-28.9	58	521.7
CCFI	1,072	1,054	1.7	1,147	-6.5
SCFI	1,710	1,489	14.9	1,656	3.3
Energy prices***					
Natural gas (USD/mil BTU)	3.3	3.1	5.5	4.0	-18.0
Oil (USD/bbl)	98.7	90.9	8.6	57.4	71.9
MGO-HSFO (USD/tonne)	862.0	517.0	66.7	262.8	228.1
VLSFO-HSFO (USD/tonne)	219.0	67.5	224.4	71.8	205.2

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				2026 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD KSOE*	2.1	6.7	-7.8	1.5	1.9	9.1	23.9
HD Hyundai Heavy Industries*	6.5	10.6	4.2	15.4	5.6	22.4	31.3
Samsung Heavy Industries*	10.1	8.6	15.6	25.8	5.2	24.8	23.0
Hanwha Ocean*	5.5	4.1	18.6	18.9	5.7	30.3	20.6
HD Hyundai Marine Solution*	2.1	3.5	-14.7	-10.5	7.7	20.8	39.2
Yangzijiang	-5.0	17.1	14.0	14.4	2.3	8.7	27.8
CSSC Holdings	-9.6	0.5	2.8	5.8	2.3	15.0	18.6
CSSC Offshore	-7.7	-1.8	14.7	17.9	n/a	30.8	7.6
ST Engineering	-0.6	7.7	30.5	29.2	11.3	33.1	36.0
Seatrium	1.7	10.7	11.3	9.7	1.1	16.6	6.8
Mitsubishi	-0.3	-7.1	14.1	23.6	6.2	58.1	11.1
Kawasaki	0.5	-10.0	40.3	58.2	3.5	31.1	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*	-3.4	-6.5	7.3	19.1	12.4	32.5	43.9
HD Construction Equipment*	5.2	-6.2	21.7	33.3	1.4	14.2	14.4
HD Hyundai*	-4.0	5.6	25.9	39.3	1.9	14.9	13.5
Doosan Bobcat*	3.1	-4.1	-3.2	4.3	0.8	11.1	7.2
KAI*	0.2	11.5	56.6	58.4	8.3	45.0	19.9
LIG Nex1*	-13.6	55.6	86.4	67.7	9.5	47.0	21.8
Hanwha Aerospace*	1.0	30.4	54.8	54.8	6.6	36.0	nm
Hyosung Heavy*	5.6	8.4	31.4	44.7	7.7	30.1	28.9
LS Electric*	6.7	12.5	46.9	60.0	9.1	43.3	23.0
Lockheed Martin	-3.8	2.8	34.5	33.6	9.3	49.8	20.1
Raytheon	-2.5	4.1	14.5	11.5	16.5	21.7	84.3
Siemens	-2.0	-14.0	-7.0	-7.9	4.0	30.0	13.7
Caterpillar	1.9	-10.5	16.1	21.1	2.6	20.4	13.1
Komatsu	-1.1	-4.5	40.2	41.9	14.6	30.5	54.1
Kubota	-4.9	-2.2	18.1	21.0	1.9	17.8	11.2

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

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