SECTOR
UPDATE

2026. 3. 30

Industrial Team

Youngsoo Han
Team Leader
han.youngsoo@samsung.com

Scan to go to
Research Center report database

Shipbuilding/Machinery Weekly

Review of major defense firms' business reports

- The Clarksons Newbuilding Price Index remained flat w-w at 182 last week. The Secondhand Price Index also remained unchanged w-w. By vessel type, secondhand prices for capesize bulk carriers rose.
- The ClarkSea Index, which represents vessels' earnings, climbed 9% w-w to USD49,141/day, now sitting just 8% below its all-time high.
- In this report, we review data from the 2025 business reports that were distributed by major domestic defense companies.

WHAT'S THE STORY?

Review of major defense companies' business reports: Long-term earnings determinants favorable

Defense companies have just published their annual business reports. These reports are valuable for assessing their financial health, facility utilization rates, and order backlogs (*ie*, orders which have yet to be converted into sales).

The combined order backlog of Hanwha Aerospace (land systems division), Korea Aerospace Industries (KAI), LIG Nex1, and Hyundai Rotem increased 31% in 2025, marking the third-fastest pace of growth over the past decade. This growth is even more impressive given the elevated base (due to strong orders taken in recent years). This backlog equates to roughly 4.9x the companies' 2025 full-year sales. Notably, last year saw the second-highest level of defense export orders taken in Korean history, suggesting that a significant portion of the orders taken in 2025 relate to high-margin overseas contracts, laying the foundations for steady profitability improvements in the coming years.

The combined net debt of these firms as of end-2025 fell 30% y-y. However, this decline was largely attributable to Hanwha Aerospace's substantial capital infusion from a new share issue. KAI and LIG Nex1 recorded higher net debt on investments for future growth and increased working capital needs (to support the manufacture of products scheduled for delivery this year), respectively. Overall, the indicators determining defense firms' future top-line growth remain robust.

(Continued on the next page)

Performance

(%)	1W	3M	YTD
KSOE	-10.1	-10.4	-10.8
HD Hyundai Heavy	-12.0	-4.4	-4.0
Samsung Heavy	-10.8	6.2	5.6
Hanwha Ocean	-6.2	4.5	6.9
HD Hyundai Marine Solution	0.7	-4.8	-5.3
HD Hyundai Electric	-5.0	18.7	16.7
HD CE	-3.2	38.7	31.4
HD Hyundai	-4.7	33.2	33.2
Doosan Bobcat	-7.1	3.7	1.7
KAI	-1.7	66.2	60.2
LIG Nex1	8.9	81.7	70.3
Hanwha Aerospace	-0.1	51.0	38.0
Hyosung Heavy	-1.9	51.6	49.1
LS Electric	-11.5	72.4	69.1

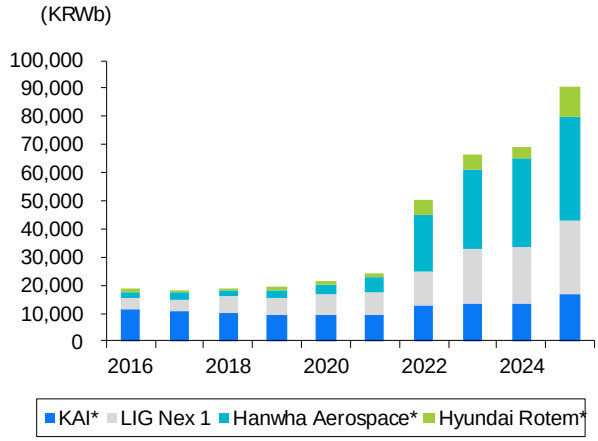
Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	1.7	8.0	23.9
HD Hyundai Heavy	4.7	18.7	31.3
Samsung Heavy	4.4	20.8	23.0
Hanwha Ocean	5.1	27.2	20.6
HD Hyundai Marine Solution	8.1	22.1	39.2
HD Hyundai Electric	12.1	31.8	43.9
HD CE	1.4	14.0	14.4
HD Hyundai	1.8	14.3	13.5
Doosan Bobcat	0.8	10.8	7.2
KAI	8.4	45.5	19.9
LIG Nex1	9.6	47.7	21.8
Hanwha Aerospace	5.9	32.1	nm
Hyosung Heavy	7.9	31.0	28.9
LS Electric	9.6	45.8	23.0

Note: 2026 estimates
Source: Samsung Securities estimates

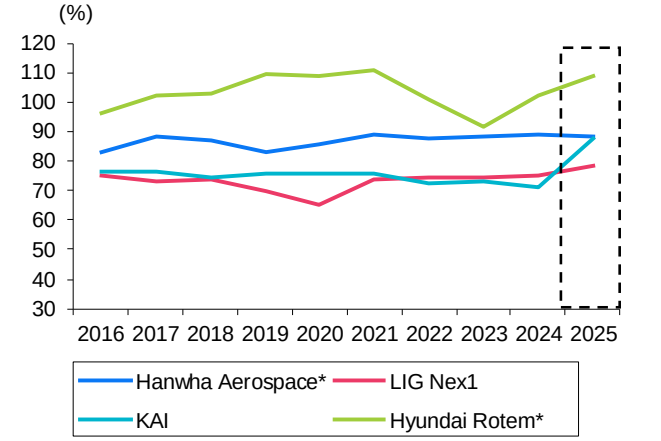
Utilization rates rose y-y at most Korean defense firms. But the increases in utilization were modest, except for KAI. Even over the past decade, utilization rates among defense firms have shown limited volatility, suggesting that near-term production spikes driven by geopolitical tensions in the Middle East are unlikely. Consequently, near-term sales and earnings growth expectations should be tempered. Notably, major Korean defense stocks have risen 47% ytd or 6% since the Iran conflict began. Several of these names now trade at significant premiums to their global peers, underscoring the need for a selective approach to defense stocks.

Korean defense companies: Orderbook trends



Note: *Defense business
Source: Company data

Korean defense companies: Utilization rates



Source: Company data

Industry news

Hanwha Ocean secures LNGC and oil tanker orders: Hanwha Ocean has just secured orders for two LNGCs and three very large crude carriers (VLCCs), with a total contract value of USD891m. The unit price for each LNGC is USD250m and each VLCC is USD130m, with both figures slightly above current market rates. Media outlets have identified Greece's Maran Tankers as the buyer.

US issues 60-day waiver of Jones Act: The US has issued a 60-day waiver of the Jones Act. US law requires goods moved between US ports to be carried on ships that are US-built and US-flagged. This move is widely seen as a response to soaring energy prices caused by the situation in the Middle East, and appears to be aimed at easing regulatory constraints on oil and gas transportation.

Samsung Heavy Industries nears FLNG order: Citing interviews with energy industry sources, the foreign media has reported that the final investment decision (FID) for the Delfin LNG project is imminent, likely within months at the latest. The project had been delayed due to a rupture in a gas supply pipeline, though repair work has now been completed. On a side note, Samsung Heavy Industries (SHI) has already received a letter of award (LOA) for the construction of the floating liquefied natural gas (FLNG) vessel for the Delfin LNG project.

HD Group's three companies receive credit rating upgrades: NICE Investors Service has upgraded the long-term credit ratings of HD Group's holding company, HD Hyundai, along with its affiliates HD Hyundai Heavy Industries and HD Hyundai Electric, from A+ (positive) to AA- (stable).

The upgrade was based on their: 1) improved earnings performance; 2) the sustainability of their medium- to long-term profitability; and 3) enhanced financial positions.

Ceremonial rollout for first production KF-21: The rollout ceremony for the first production KF-21 fighter jet was held on Mar 25. The KF-21 is Korea's domestically-developed supersonic fighter, making Korea the eighth country in the world to develop such an aircraft. The KF-21 program began development in 2015, with mass-production scheduled to commence in 2026. Recent media reports have highlighted potential export opportunities to countries such as Indonesia and the UAE.

Hyundai Rotem unveils Middle East-optimized K2 main battle tank: Hyundai Rotem held a ceremonial rollout for a Middle East-optimized K2 main battle tank. This export variant was developed under a project initiated in 2024, specifically engineered to operate reliably in the high temperature environment (50°C) of the Middle East.

Hanwha Aerospace joins Spain's self-propelled artillery development program: Hanwha Aerospace has signed a memorandum of understanding (MOU) with Spain's defense company Indra Group for the development of Spanish-tailored self-propelled artillery systems. Spain is advancing its artillery modernization program, with an estimated project value of EUR6.74b. The program includes 128 tracked self-propelled artillery vehicles and 86 wheeled self-propelled artillery vehicles.

HD Hyundai Marine Solution announces corporate value enhancement plan: HD Hyundai Marine Solution has just announced its corporate value enhancement plan. It believes that sales at its core businesses will grow at a CAGR of 20% through 2028, alongside a 20% enterprise-wide operating margin. Over the next three years, the company will pursue a dividend payout ratio of 50-70%, with a minimum DPS of KRW3,600. These targets represent upward revisions to its prior guidance across all key metrics: Core sales growth, profitability, and dividend commitment.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2025	
	Mar 27, 2026	Mar 20, 2026	Chg (%)	End-2025	Chg (%)
New building prices (USDm)					
Overall (indexed)	182.1	182.1	-0.0	184.7	-1.4
Bulkers (Capesize)	75.0	75.0	0.0	75.0	0.0
Tankers (VLCC)	129.5	129.5	0.0	128.0	1.2
Tankers (51,000 DWT PCs)	50.0	50.0	0.0	49.0	2.0
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	203.0	203.0	0.0	191.1	6.2
Bulkers (Capesize)	70.5	68.5	2.9	66.0	6.8
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)	29,200	28,750	1.6	24,850	17.5
Bulkers (Capesize, non-eco)	25,700	25,250	1.8	23,850	7.8
Tankers (VLCC, eco)	125,000	125,000	0.0	65,500	90.8
Tankers (VLCC, non-eco)	110,000	110,000	0.0	58,000	89.7
Freight rate index					
ClarkSea Index (USD/day)	49,141	44,968	9.3	29,856	64.6
BDI	2,031	2,056	-1.2	1,877	8.2
WS (based on Saudi route)	328	428	-23.4	58	469.6
CCFI	1,139	1,121	1.6	1,147	-0.7
SCFI	1,827	1,707	7.0	1,656	10.3
Energy prices***					
Natural gas (USD/mil BTU)	3.0	3.0	-1.6	4.0	-25.1
Oil (USD/bbl)	99.6	98.3	1.3	57.4	73.5
MGO-HSFO (USD/tonne)	991.5	1,064.0	-6.8	262.8	277.4
VLSFO-HSFO (USD/tonne)	156.8	244.3	-35.8	71.8	118.5

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*	-10.1	-21.4	-10.4	-10.8	1.7	8.0	23.9
HD Hyundai Heavy Industries*	-12.0	-16.9	-4.4	-4.0	4.7	18.7	31.3
Samsung Heavy Industries*	-10.8	-12.2	6.2	5.6	4.4	20.8	23.0
Hanwha Ocean*	-6.2	-14.6	4.5	6.9	5.1	27.2	20.6
HD Hyundai Marine Solution*	0.7	-2.3	-4.8	-5.3	8.1	22.1	39.2
Yangzijiang	-4.2	0.0	11.6	10.6	2.2	8.4	27.8
CSSC Holdings	-7.0	-19.1	-8.4	-7.3	2.0	13.1	18.6
CSSC Offshore	-1.5	-19.5	4.5	4.6	n/a	27.3	7.6
ST Engineering	0.4	7.3	31.2	30.4	11.6	33.2	37.0
Seatrium	-0.8	6.3	9.8	8.8	1.1	16.2	7.0
Mitsubishi	-5.6	-3.7	18.9	19.2	6.0	56.0	11.2
Kawasaki	-7.9	-12.7	43.3	46.4	16.3	144.0	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*	-5.0	-15.0	18.7	16.7	12.1	31.8	43.9
HD Construction Equipment*	-3.2	-8.5	38.7	31.4	1.4	14.0	14.4
HD Hyundai*	-4.7	-15.9	33.2	33.2	1.8	14.3	13.5
Doosan Bobcat*	-7.1	-9.1	3.7	1.7	0.8	10.8	7.2
KAI*	-1.7	0.3	66.2	60.2	8.4	45.5	19.9
LIG Nex1*	8.9	40.7	81.7	70.3	9.6	47.7	21.8
Hanwha Aerospace*	-0.1	8.0	51.0	38.0	5.9	32.1	nm
Hyosung Heavy*	-1.9	-3.4	51.6	49.1	7.9	31.0	28.9
LS Electric*	-11.5	3.7	72.4	69.1	9.6	45.8	23.0
Lockheed Martin	-1.8	-4.9	27.5	27.3	9.9	52.6	20.1
Raytheon	-4.3	-3.2	2.5	3.4	15.7	20.7	84.3
Siemens	0.6	-16.1	-13.8	-14.3	3.7	27.8	13.7
Caterpillar	2.1	-9.3	19.3	21.4	2.4	18.8	13.2
Komatsu	1.9	-15.2	29.9	29.3	14.8	30.5	54.4
Kubota	0.1	-16.8	16.4	16.5	1.8	16.3	11.2

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

Compliance notice

-As of Mar 27, 2026, Samsung Securities shared group affiliation with Samsung Heavy Industries.
-As of Mar 27, 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
-As of Mar 27, 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
-This report has been prepared without any undue external influence or interference, and accurately reflects the views of the analyst(s)covering the company or companies herein.
-All material presented in this report, unless specifically indicated otherwise, is under copyright to Samsung Securities.
-Neither the material nor its content (including copies) may be altered in any form, or by any means transmitted, copied, or distributed to another party, without prior express written permission from Samsung Securities.
-This memorandum is based upon information available to the public. While we have taken all reasonable care to ensure its reliability, we do not guarantee its accuracy or completeness. This memorandum is not intended to be an offer, or a solicitation of any offer, to buy or sell the securities mentioned herein. Samsung Securities shall not be liable whatsoever for any loss, direct or consequential, arising from the use of this memorandum or its contents. Statements made regarding affiliates of Samsung Securities are also based upon publicly available information and do not necessarily represent the views of management at such affiliates.
-This material has not been distributed to institutional investors or other third parties prior to its publication.

Global Disclosures & Disclaimers

General

This research report is for information purposes only. It is not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This report does not provide individually tailored investment advice. This report does not take into account individual client circumstances, objectives, or needs and is not intended as recommendations of particular securities, financial instruments or strategies to any particular client. The securities and other financial instruments discussed in this report may not be suitable for all investors. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser.

This report may not be altered, reproduced, distributed, transmitted or published in whole or in part for any purpose. References to "Samsung Securities" are references to any company in the Samsung Securities, Co., Ltd. group of companies.

Samsung Securities and/or other affiliated companies, its and their directors, officers, representatives, or employees may have long or short positions in any of the securities or other financial instruments mentioned in this report or of issuers described herein and may purchase and/or sell, or offer to purchase and/or sell, at any time, such securities or other financial instruments in the open market or otherwise, as either a principal or agent. Any pricing of securities or other financial instrument contained herein is as of the close of market for such day, unless otherwise stated. Opinions and estimates contained herein constitute our judgment as of the date of this report and are subject to change without notice.

The information provided in this report is provided "AS IS". Although the information contained herein has been obtained from sources believed to be reliable, no representation or warranty, either expressed or implied, is provided by Samsung Securities in relation to the accuracy, completeness or reliability of such information or that such information was provided for any particular purpose and Samsung Securities expressly disclaims any warranties of merchantability or fitness for a particular purpose. Furthermore, this report is not intended to be a complete statement or summary of the securities, markets or developments referred to herein.

Samsung Securities does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Samsung Securities, its affiliates, or any of its and their affiliates, directors, officers, employees or agents disclaim any and all responsibility or liability whatsoever for any loss (direct or consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Samsung Securities. Any analysis contained herein is based on numerous assumptions. Different assumptions may result in materially different results. Samsung Securities is under no obligation to update or keep current the information contained herein. Samsung Securities relies on information barriers to control the flow of information contained in one or more areas or groups within Samsung Securities into other areas or groups of Samsung Securities. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other financial instruments. Samsung Securities makes no representation that any transaction can or could have been effected at those prices and any prices contained herein may not reflect Samsung Securities' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Samsung Securities or any other source may yield substantially different results. Additional information is available upon request.

For reports to be distributed to US:

Securities research is prepared, issued and exclusively distributed by Samsung Securities Co., Ltd., an organization licensed with the Financial Supervisory Service of South Korea. This research may be distributed in the United States only to major institutional investors as defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended, and may not be circulated to any other person otherwise. All transactions by U.S. investors involving securities discussed in this report must be effected through Samsung Securities (America) Inc., a broker-dealer registered with the U.S. Securities & Exchange Commission and a member of the Financial Industry Regulatory Authority/SIPC, and not through any non-U.S. affiliate thereof. The analysts listed [on the front of this report] are employees of Samsung Securities Co., Ltd., or a non-U.S. affiliate thereof, and are not registered/qualified as research analysts under applicable U.S. rules and regulations and may not be subject to U.S. restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

For reports to be distributed to UK:

This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high-net-worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons").

Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

For reports to be distributed to Korea:

This report is for private circulation only, not for sale, and is issued and distributed only to persons permitted under the laws and regulations of Korea.

For reports to be distributed to Singapore:

This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Samsung Securities has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person.

Analyst certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of such analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. The analyst(s) principally responsible for the preparation of this research report receives compensation based on determination by research management and senior management (not including investment banking), based on the overall revenues, including investment banking revenues of Samsung Securities Co., Ltd. and its related entities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Copyright © 2010 Samsung Securities Co., Ltd. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of Samsung Securities America Inc

Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA