SECTOR
UPDATE

2026. 4. 7


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# Shipbuilding (OVERWEIGHT)

## Orders in 1Q sound

- Global vessel orders expanded 68% y-y to 37m GT in 1Q26, which is quite strong even when factoring in the base effect.
- LNGCs and oil tankers led the charge, with their 1Q orders equivalent to 92% and 72% of their respective full-year 2025 figures. Containership orders, while down 24% y-y, still beat expectations given the extremely high base.
- The shipbuilding sector is trading at a significant discount to the industrial goods sector. We, however, expect the discount to narrow given favorable industry indicators. We remain upbeat towards the sector.

### WHAT'S THE STORY?

**1Q global ship ordering data**: According to Clarksons' data for 1Q26, global ship orders jumped a remarkable 68% y-y to 36.9m GT. While part of this surge reflects a low base effect—last year's orders were heavily concentrated in 4Q25—the underlying trend remains robust. After all, 2025 saw global ship orders reach their highest level since the global financial crisis, and 1Q26 alone accounted for 31% of last year's total order volume.

**Strong demand for energy carriers**: By vessel type, demand for LNGCs and oil tankers was particularly robust. In 1Q, 35 large LNGCs were ordered—equivalent to 92% of the full-year 2025 figure. Tanker orders reached 32.5m DWT, representing 72% of last year's full-year volume. Containership orders came to 0.905m TEU, down 24% y-y. However, this drop came after 2025 saw containership orders hit a record-breaking 5m TEU, following five years of unprecedentedly strong orders (which raised oversupply concerns). Notably, the global backlog of containerships has reached a record 12m TEU, nearly double that seen at end-2023. Given that container shipping is among the most sensitive segments to external economic uncertainty, the 1Q order volume is actually a positive surprise.

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**Strong new orders not yet priced in:** Backed by strong new orders, the global shipbuilding order backlog increased 18% y-y in 1Q and by 5% vs end-2025. Global shipbuilders maintain an average order backlog exceeding four years' worth of work (a development limiting incentives to pursue low-margin contracts). Despite growing macroeconomic uncertainties, the industry is well-positioned to sustain stable growth (vs other manufacturing sectors). Also noteworthy is the likely additional robust order momentum from tankers and LNGCs. Despite these favorable order trends and positive industry outlooks, shipbuilding stock valuations remain weak. This contrasts with other Korean industrial equipment companies, which have maintained their traditional valuation premiums amid rising geopolitical uncertainties, supported by strong operational indicators and stable order backlogs. Currently, major shipbuilders are trading at a 2026 P/E of 21x (a 43% discount to the industrial equipment sector average of 37x). This discount appears excessive. We expect shipbuilders' valuations to gradually align with their robust fundamentals.

**Global 1Q new orders, by country**

| (m GT, %) | | Korea | China | Japan | Global |
|---|---|---|---|---|---|
| New orders | 1Q25 | 5.4 | 11.1 | 2.5 | 22.0 |
| | 1Q26 | 6.3 | 28.7 | 0.4 | 36.9 |
| Chg (% y-y) | | 17.4 | 157.8 | -82.0 | 67.8 |
| M/S | 1Q25 | 24.4 | 50.6 | 11.4 | |
| | 1Q26 | 17.1 | 77.7 | 1.2 | |

Source: Clarksons

**Global 1Q new orders, by vessel type**

| (%) | Tankers (m DWT) | Bulkers (m DWT) | Containerships (k TEU) | LNGCs over 147K (units) |
|---|---|---|---|---|
| 1Q25 | 5.1 | 6.2 | 1,182.7 | 3 |
| 1Q26 | 32.5 | 8.3 | 905.2 | 35 |
| Chg (% y-y) | 532.4 | 34.0 | -23.5 | 1,066.7 |
| Vs 2025 full-year orders | 72.0 | 17.1 | 17.9 | 92.1 |

Source: Clarksons

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