COMPANY UPDATE

2026. 5. 8

Industrial Team

Youngsoo Han
Team Leader
han.youngsoo@samsung.com

Scan to go to
Research Center report database

HD Hyundai Heavy Industries

(329180)

Solid results, with no clutter

- HD Hyundai Heavy Industries (HD HHI) reported 1Q results that exceeded expectations, despite conservative cost recognition and no one-off gains.
- Operating margin improved across all business segments both q-q and y-y.
- We raise our target price based on the same P/E multiple as peers. Considering HD HHI's premium qualities, our target multiple is rather conservative. Yet, this leaves meaningful upside potential for the stock. It remains our top pick in the sector.

WHAT'S THE STORY?

Profitability improves across all business segments: HD Hyundai Heavy Industries (HD HHI) reported a 1Q operating profit that exceeded market expectations by 14%. The company said no one-off gains contributed to the result. Rather, considering that it began recognizing its conservatively estimated annual bonus in 1Q and accounted for a higher-than-expected currency hedge ratio (which limits forex gains), it actually delivered a surprise in 1Q. Profitability improved across all business segments both y-y and q-q. Operating margin in the shipbuilding business rose q-q and y-y, despite the merger with HD Hyundai Mipo. Some investors had worried that the merger with HD Hyundai Mipo, which added lower-margin midsize vessels to sales, might dilute the company's overall profitability. The offshore business showed significant y-y growth in both sales and profit, as major projects entered full-scale construction. The engine business also recorded an improvement in operating margin.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW1,030,000	48.6%
Current price	**KRW693,000**	
Market cap	KRW72.7t/USD50.0b	
Shares (float)	104,961,225 (30.6%)	
52-week high/low	KRW693,000/KRW372,000	
Avg daily trading value (60-day)	KRW219.7b/ USD151.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HD Hyundai Heavy Industries (%)	47.4	33.0	66.8
Vs Kospi (%pts)	8.2	-29.8	-42.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	1,030,000	890,000	15.7%
2026E EPS	27,837	26,603	4.6%
2027E EPS	37,398	36,804	1.6%

SAMSUNG vs THE STREET

No of estimates	17
Target price	817,118
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	5,916	54.8	13.9	2.2	2.9
Operating profit	905	108.8	57.5	12.1	13.6
Pre-tax profit	1,057	180.8	84.2	29.5	29.2
Net profit	774	172.3	58.0	26.7	29.9
Margins (%)					
Operating profit	15.3				
Pre-tax profit	17.9				
Net profit	13.1				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	51.4	24.9	18.5
P/B	7.8	6.3	5.0
EV/EBITDA	29.4	16.8	12.3
Div yield (%)	0.8	1.1	1.4
EPS growth (% y-y)	92.6	106.4	34.3
ROE (%)	18.8	27.9	30.1
Per-share data (KRW)			
EPS	13,486	27,837	37,398
BVPS	89,001	110,662	138,060
DPS	5,661	7,500	10,000

Premium factors abound: The 1Q earnings demonstrate the company's strong cost structure. Profitability is likely to improve further as sales are recognized on high-priced orders. As of end-1Q, net cash approached KRW3.7t, with additional cash inflows anticipated if the Gunsan shipyard sale is completed. Order intakes have also been robust. The shipbuilding division has secured an estimated 60% of last year's full-year new orders so far this year. The engine division has won orders for power generation engines used in North American data centers. Considering the high valuations of power engine manufacturers, this development is likely to have a positive impact on HD HHI's stock price. Moreover, rising demand for power generation engines implies tighter supply conditions for marine engines, which could lead to price increases. We raise our target price to KRW1,030,000, based on a 2026 P/E multiple of 37x (the industrial goods sector's post-Iran war average)—the same as peers. Considering HD HHI's premium qualities and the industrial goods sector's current average P/E (49x), our target P/E of 37x is rather conservative. Yet, this leaves meaningful upside potential for the stock.

HD Hyundai Heavy Industries: 1Q results

(KRWb)	1Q26	4Q25	Chg (% q-q)	1Q25	Chg (% y-y)	Consensus	Diff (%)	Samsung Securities	Diff (%)
Sales	5,916	5,193	13.9	3,823	54.8	5,751	2.9	5,787	2.2
Operating profit	905	575	57.5	434	108.8	797	13.6	807	12.1
Pre-tax profit	1,057	574	84.2	376	180.8	818	29.2	816	29.5
Net profit	774	490	58.0	284	172.3	596	29.9	611	26.7
Margins (%)									
Operating profit	15.3	11.1		11.3		13.9		14.0	
Pre-tax profit	17.9	11.0		9.8		14.2		14.1	
Net profit	13.1	9.4		7.4		10.4		10.6	

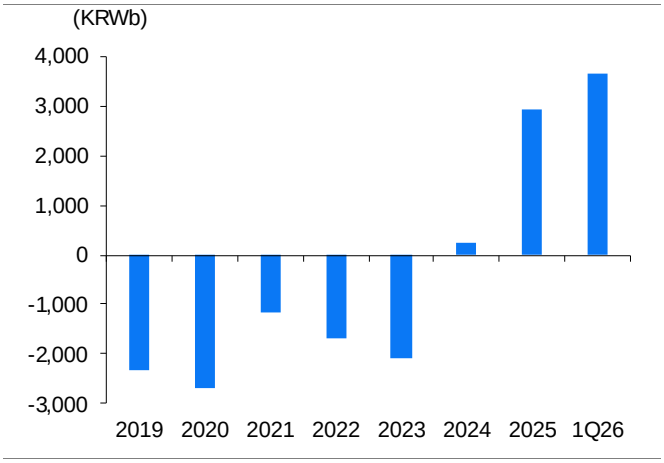
Source: FnGuide, Samsung Securities estimates

HD Hyundai Heavy Industries: Earnings, by division

(KRWb)	1Q26	4Q25	Chg (% q-q)	1Q25	Chg (% y-y)
Sales					
Shipbuilding	4,560	3,815	19.5	2,743	66.2
Offshore/Plant	458	553	-17.2	159	188.1
Engine & Machinery	879	801	9.8	901	-2.5
Operating profit					
Shipbuilding	713	437	63.2	355	100.5
Offshore/Plant	87	97	-10.5	9	918.8
Engine & Machinery	185	147	25.7	142	30.6
OPM (%)					
Shipbuilding	15.6	11.4		13.0	
Offshore/Plant	18.9	17.5		5.3	
Engine & Machinery	21.1	18.4		15.7	

Source: Company data

HD Hyundai Heavy Industries: Net cash



Source: Company data

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**14,486**	**17,581**	**24,166**	**28,468**	**29,525**
Cost of goods sold	12,993	14,616	19,369	22,276	22,895
Gross profit	**1,494**	**2,964**	**4,797**	**6,192**	**6,630**
Gross margin (%)	10.3	16.9	19.8	21.8	22.5
SG&A expenses	789	927	1,109	1,267	1,318
Operating profit	**705**	**2,038**	**3,688**	**4,925**	**5,312**
Operating margin (%)	4.9	11.6	15.3	17.3	18.0
Non-operating gains (losses)	**93**	**-237**	**156**	**240**	**134**
Financial profit	964	1,018	907	1,131	911
Financial costs	3,244	1,265	1,049	1,295	735
Equity-method gains (losses)	-0	-4	-4	-4	-4
Other	2,373	14	303	409	-38
Pre-tax profit	**798**	**1,801**	**3,845**	**5,165**	**5,446**
Taxes	177	385	923	1,240	1,307
Effective tax rate (%)	22.1	21.4	24.0	24.0	24.0
Profit from continuing operations	622	1,415	2,922	3,925	4,139
Profit from discontinued operations	0	0	0	0	0
Net profit	**622**	**1,415**	**2,922**	**3,925**	**4,139**
Net margin (%)	4.3	8.1	12.1	13.8	14.0
Net profit (controlling interests)	622	1,415	2,922	3,925	4,139
Net profit (non-controlling interests)	0	-0	0	0	0
EBITDA	1,011	2,371	4,104	5,354	5,748
EBITDA margin (%)	7.0	13.5	17.0	18.8	19.5
EPS (parent-based) (KRW)	7,001	13,486	27,837	37,398	39,432
EPS (consolidated) (KRW)	7,001	13,486	27,837	37,398	39,432
Adjusted EPS (KRW)*	7,001	13,486	27,837	37,398	39,432

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**10,403**	**14,980**	**19,709**	**25,133**	**30,187**
Cash & equivalents	1,258	1,870	3,364	5,950	10,515
Accounts receivable	1,393	1,431	1,986	2,340	2,427
Inventories	1,511	2,017	2,979	3,510	3,640
Other current assets	6,242	9,663	11,380	13,333	13,605
Fixed assets	**8,988**	**11,183**	**14,435**	**14,472**	**14,422**
Investment assets	1,070	1,214	1,210	1,206	1,202
Tangible assets	6,610	8,781	12,051	12,128	12,112
Intangible assets	128	161	146	112	82
Other long-term assets	1,180	1,027	1,027	1,026	1,026
Total assets	**19,391**	**26,163**	**34,144**	**39,604**	**44,609**
Current liabilities	**11,796**	**15,333**	**18,061**	**19,379**	**20,049**
Accounts payable	1,535	1,751	2,383	2,808	2,912
Short-term debt	28	4	700	500	500
Other current liabilities	10,233	13,577	14,977	16,071	16,637
Long-term liabilities	**1,890**	**1,489**	**4,468**	**5,734**	**7,189**
Bonds & long-term debt	752	488	348	248	148
Other long-term liabilities	1,139	1,000	4,119	5,486	7,041
Total liabilities	**13,686**	**16,821**	**22,529**	**25,113**	**27,238**
Owners of parent equity	**5,704**	**9,342**	**11,615**	**14,491**	**17,370**
Capital stock	444	525	525	525	525
Capital surplus	3,123	5,130	5,145	5,145	5,145
Retained earnings	1,288	2,394	4,650	7,526	10,405
Other	850	1,293	1,295	1,295	1,295
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**5,704**	**9,342**	**11,615**	**14,491**	**17,370**
Net debt	-238	-2,927	-3,953	-6,942	-11,473

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**2,884**	**3,510**	**2,437**	**3,371**	**5,070**
Net profit	622	1,415	2,922	3,925	4,139
Non-cash profit and expenses	149	937	630	662	884
Depreciation	293	315	394	408	421
Amortization	13	18	22	20	15
Other	-157	604	214	233	448
Changes in A/L from operating activities	2,114	1,158	-1,115	-1,216	47
Cash flow from investments	**-499**	**-2,040**	**-1,499**	**-485**	**-405**
Change in tangible assets	-452	-497	-1,499	-485	-405
Change in financial assets	-1,282	-1,081	-0	-0	-0
Other	1,235	-462	-0	-0	-0
Cash flow from financing	**-2,049**	**-860**	**556**	**-300**	**-100**
Change in debt	-532	-1,082	556	-300	-100
Change in equity	-1	2,088	0	0	0
Dividends	-186	-419	0	0	0
Other	-1,330	-1,448	0	0	0
Change in cash	330	612	1,494	2,586	4,565
Cash at beginning of year	928	1,258	1,870	3,364	5,950
Cash at end of year	1,258	1,870	3,364	5,950	10,515
Gross cash flow	**770**	**2,353**	**3,552**	**4,587**	**5,023**
Free cash flow	**2,420**	**2,998**	**923**	**2,871**	**4,650**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	21.1	21.4	37.5	17.8	3.7
Operating profit	294.8	188.9	81.0	33.5	7.9
Net profit	2,417.3	127.7	106.4	34.3	5.4
Adjusted EPS**	2,417.7	92.6	106.4	34.3	5.4
Per-share data (KRW)					
EPS (parent-based)	7,001	13,486	27,837	37,398	39,432
EPS (consolidated)	7,001	13,486	27,837	37,398	39,432
Adjusted EPS**	7,001	13,486	27,837	37,398	39,432
BVPS	64,259	89,001	110,662	138,060	165,492
DPS (common)	2,090	5,661	7,500	10,000	12,000
Valuations (x)					
P/E***	99.0	51.4	24.9	18.5	17.6
P/B***	10.8	7.8	6.3	5.0	4.2
EV/EBITDA	71.7	29.4	16.8	12.3	10.7
Ratios (%)					
ROE	11.4	18.8	27.9	30.1	26.0
ROA	3.4	6.2	9.7	10.6	9.8
ROIC	9.2	27.8	32.0	31.5	32.4
Payout ratio	29.9	42.0	26.9	26.7	30.4
Dividend yield (common)	0.3	0.8	1.1	1.4	1.7
Net debt to equity	-4.2	-31.3	-34.0	-47.9	-66.0
Interest coverage (x)	4.7	21.1	79.9	93.7	124.8

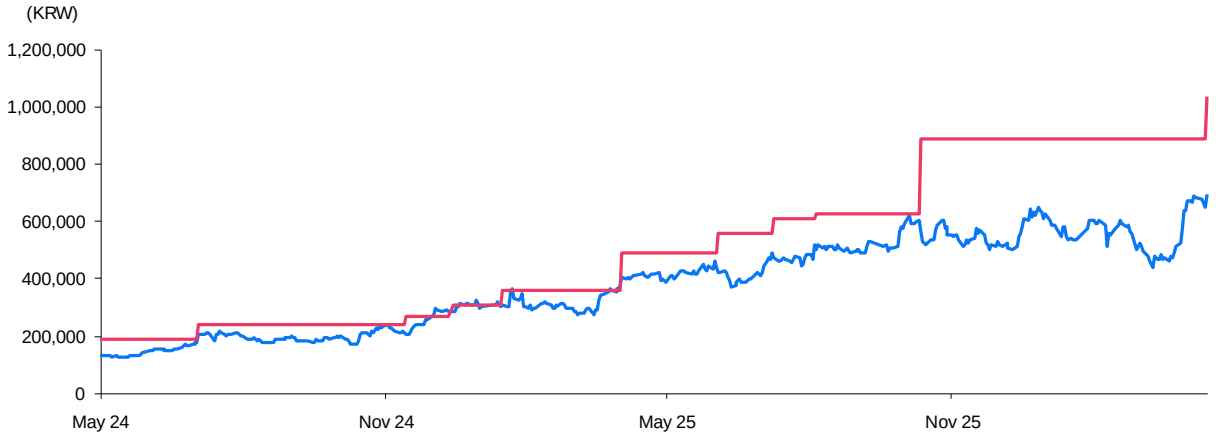
Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Compliance notice

- As of 5/7 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 5/7 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.

Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/7/13	2024/7/13	2024/7/26	12/6	2025/1/6	2/7	4/25	6/26	8/1	8/28	11/4	2026/5/8
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	189000	189000	240000	270000	310000	360000	490000	557000	610000	630000	890000	1030000
Gap* (average)	-33.76	-10.04	-16.98	-5.02	-0.44	-12.25	-14.73	-25.30	-22.82	-16.24	-37.08	
(max or min)**	-16.61	-6.08	0.83	10.37	5.48	4.44	-5.41	-11.94	-14.59	-0.95	-22.13	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings*

Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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