

SECTOR UPDATE

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Industrial Team

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Team Leader

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► Performance

(%)	1W	3M	YTD
KSOE	6.0	3.0	2.2
HD Hyundai Heavy	2.5	18.7	29.6
Samsung Heavy	0.2	-4.9	12.6
Hanwha Ocean	13.2	-1.1	12.7
HD Hyundai Marine Solution	-8.8	23.4	16.1
HD Hyundai Electric	0.9	13.3	39.2
HD CE	-7.6	2.6	39.3
HD Hyundai	-6.5	-12.3	22.6
Doosan Bobcat	-2.9	1.3	10.9
KAI	2.0	-22.4	26.3
LIG D&A	11.4	29.8	103.1
Hanwha Aerospace	2.6	-14.8	17.6
Hyosung Heavy	13.5	41.4	114.7
LS Electric	13.1	46.0	178.7

► Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	1.9	9.3	22.4
HD Hyundai Heavy	6.0	23.9	27.9
Samsung Heavy	4.9	23.2	22.8
Hanwha Ocean	5.2	27.0	21.1
HD Hyundai Marine Solution	10.8	28.4	40.2
HD Hyundai Electric	14.3	38.6	42.5
HD CE	1.5	13.1	16.0
HD Hyundai	1.5	7.2	22.8
Doosan Bobcat	0.8	11.1	7.5
KAI	6.7	39.0	18.4
LIG D&A	10.8	46.5	25.6
Hanwha Aerospace	5.1	27.5	nm
Hyosung Heavy	11.6	45.9	28.7
LS Electric	15.7	75.4	22.7

Note: 2026 estimates

Source: Samsung Securities estimates



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Shipbuilding/Machinery Weekly

Implications of Hormuz Strait's reopening

- The Clarksons Newbuilding Price Index remained flat w-w at 185 last week, supported by rising prices of capesize bulk-carriers. The Secondhand Price Index edged up 1pt w-w.
- The ClarkSea Index, which represents vessel earnings, climbed 6.1% w-w to USD38,048/day. Containership indicators proved stronger than expected.
- In this week's report, we check on growing expectations that the Hormuz Strait will be reopened. Even if shipping traffic passing through the strait normalizes, we believe new-order momentum for tankers will persist.

WHAT'S THE STORY?

What will happen to the tanker market if the Hormuz Strait reopens?

The prospect of the Hormuz Strait reopening has grown after the US-Iran talks for a ceasefire began in Switzerland. While substantial uncertainty and potential flashpoints remain, market sentiment has increasingly priced in the prospect of de-escalation. The most concrete outcome of such a development would be the resumption of maritime traffic through the Hormuz Strait, which would draw renewed focus on the implications for shipbuilders. Over January-May, oil tanker orders reached 54m DWT, surpassing the full-year 2025 figure and ranking third when compared to full-year tanker orders taken over the last 25 years. Tankers have become a primary driver of new-order momentum for shipbuilders. Some investors interpret this order surge as a temporary reaction to route diversions caused by the Iran conflict, arguing that a ceasefire could reverse demand and dampen shipbuilders' future order prospects.

Upon the strait's reopening, an estimated 5% of global crude oil carriers and 2% of product tankers that are currently trapped in the Persian Gulf will return to the open market. An additional 1% of crude carriers and 1% of product tankers are idling outside of the gulf, awaiting clearance. The strait's reopening should lead to an immediate increase in the vessel supply.

However, reintegration of these vessels into active service should take some time due to operational, regulatory, and other requirements. In the near term, vessel demand from Middle Eastern exporters is expected to rebound sharply, outpacing the supply growth. As a result, short-term freight rates may rise. Over the longer term, we expect positive effects from the return of the shadow fleet (aging tankers that have been operated despite Western sanctions, primarily transporting crude from Russia, Iran, and Venezuela) to the mainstream shipping market.

(Continued on the next page)

If these older vessels re-enter the mainstream market, the effective tanker supply would increase and older ships would face greater competitive pressure. This could accelerate the scrapping of older tankers and drive a multi-year replacement cycle through orders for more environmentally compliant vessels. Notably, new-order momentum for tankers began in earnest over Jan-Feb 2026—well before the Iran war broke out. The strong new-order momentum was partially fueled by expectations that the US crackdown on the Venezuelan shadow fleet would prompt the old vessels (in the shadow fleet) to be reintegrated into the global tanker market.

Industry news

HD HHI selected as TerraPower’s key SMR equipment supplier: HD Hyundai Heavy Industries (HD HHI) has been named as the preferred bidder to supply key equipment to TerraPower’s (US) commercial-scale Sodium SMR. HD Hyundai Group invested approximately USD30m in TerraPower in 2022 and has since deepened their partnership, including signing a strategic agreement in 2025 to support the commercialization of TerraPower’s SMR model.

Boeing drops out of bidding for US Navy jet trainer contract: According to US media reports, Boeing has withdrawn from the bidding for the US Navy’s Undergraduate Jet Training System (UJTS), citing an inability to meet the required specifications within the given timeline. A consortium comprising Lockheed Martin and Korea Aerospace Industries (KAI) also withdrew its bid back in April. The program aims to replace aging jet trainers, with the Navy planning to acquire up to 216 units.

LIG D&A enters strategic partnership with Rheinmetall: LIG D&A has established a strategic partnership with Germany’s Rheinmetall. The two companies are reportedly considering the establishment of a joint venture in Germany as a first step in their partnership to jointly develop a multi-layered air defense system and supply it to Germany. Following the news, market expectations for LIG D&A’s expansion into Europe rose, driving up its stock price.

Bidding for Canadian submarine program to conclude soon: Multiple Korean media outlets have reported that the final bidder for the Canadian Patrol Submarine Program (CPSP) may be selected as early as this week. The bidding war has boiled down to Korea vs Germany. In response to Korea’s strength in early delivery capability, Germany has recently adjusted its delivery schedule for submarines assigned to itself and Norway, committing to an earlier timeline. Korea’s bid, led by HD Hyundai and Hanwha Group, includes assurances it will invest in Canada.

Hanwha Group to increase stake in KAI: Hanwha Group has disclosed plans to acquire additional shares in KAI. Currently, the group holds an estimated 9% stake in the firm: 6.5% is held by Hanwha Aerospace, 1.5% by Hanwha Systems, and 1% by Hanwha Aerospace USA. Hanwha Aerospace plans to invest around KRW0.5t more in KAI shares. Considering the projected acquisition price, Hanwha Group is expected to soon own a 12.5% stake in KAI.

Mexico’s new fighter jet program taking shape: The Korean media has reported that Mexico will soon issue a formal request for proposal (RFP) to purchase 12 new fighter jets. Mexico aims to have the aircraft delivered by end-2028. The media said that KAI’s FA-50, Lockheed Martin’s F-16, Leonardo’s M-346 FA, and Saab’s Gripen EF will vie for the contract.

Hyundai Rotem wins contract for Morocco's electric train fleet: Hyundai Rotem has signed a KRW748.2b deal to supply Morocco's national rail operator with electric train cars. The contract is denominated in euros. The delivery schedule and project timeline will be finalized after the establishment of a joint venture.

HD HHI revises wage system for foreign workers: HD HHI has proposed a revised wage structure for roughly 1,600 foreign workers employed directly under E-7-3 visas in Korea as general skilled workers. Under the plan, base pay and fixed allowances will be reduced, but a fixed overtime pay allowance—based on 30 hours of monthly overtime—will be introduced. The firm describes the change as an improvement in total compensation, including free meals and incentives, and that the change will support long-term employment. Labor unions, however, criticize the move as a *de facto* cut to base wages and an introduction of performance-based wages.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2025	
	Jun 19, 2026	Jun 12, 2026	Chg (%)	End-2025	Chg (%)
New building prices (USDm)					
Overall (indexed)	184.9	185.0	-0.1	184.7	0.1
Bulkers (Capesize)	76.0	75.5	0.7	75.0	1.3
Tankers (VLCC)	130.5	130.5	0.0	128.0	2.0
Tankers (51,000 DWT PCs)	51.0	51.0	0.0	49.0	4.1
Containerships (22,000 TEU)	238.0	237.5	0.2	235.0	1.3
Containerships (13,000 TEU)	150.5	150.0	0.3	145.5	3.4
LNG carriers (174,000m ³)	248.5	248.5	0.0	248.0	0.2
Secondhand prices (USDm)*					
Overall	212.0	211.0	0.5	191.1	11.0
Bulkers (Capesize)	71.5	71.5	0.0	66.0	8.3
Tankers (VLCC)	145.0	145.0	0.0	120.0	20.8
Tankers (51,000 DWT PCs)	51.0	51.0	0.0	43.0	18.6
Daily charter rates (USD)**					
Bulkers (Capesize, eco)	32,500	31,400	3.5	24,850	30.8
Bulkers (Capesize, non-eco)	28,750	27,532	4.4	23,850	20.5
Tankers (VLCC, eco)	117,500	117,750	-0.2	65,500	79.4
Tankers (VLCC, non-eco)	102,500	107,500	-4.7	58,000	76.7
Freight rate index					
ClarkSea Index (USD/day)	38,048	35,853	6.1	29,856	27.4
BDI	2,722	2,729	-0.3	1,877	45.0
WS (based on Saudi route)	413	373	10.7	58	617.4
CCFI	1,599	1,480	8.0	1,147	39.5
SCFI	3,122	2,985	4.6	1,656	88.5
Energy prices***					
Natural gas (USD/mil BTU)	3.1	3.1	0.7	4.0	-22.8
Oil (USD/bbl)	76.6	84.9	-9.8	57.4	33.4
MGO-HSFO (USD/tonne)	443.3	504.8	-12.2	262.8	68.7
VLSFO-HSFO (USD/tonne)	182.0	143.8	26.6	71.8	153.7

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*	6.0	3.1	3.0	2.2	1.9	9.3	22.4
HD Hyundai Heavy Industries*	2.5	4.2	18.7	29.6	6.0	23.9	27.9
Samsung Heavy Industries*	0.2	-2.9	-4.9	12.6	4.9	23.2	22.8
Hanwha Ocean*	13.2	14.6	-1.1	12.7	5.2	27.0	21.1
HD Hyundai Marine Solution*	-8.8	0.2	23.4	16.1	10.8	28.4	40.2
Yangzijiang	7.0	-3.1	-8.2	6.0	2.0	8.0	27.5
CSSC Holdings	3.6	-6.6	9.0	8.7	1.7	14.3	12.7
CSSC Offshore	2.6	-12.3	-11.8	-6.3	n/a	n/a	n/a
ST Engineering	2.5	-2.1	-1.0	28.6	11.6	32.4	37.0
Seatrium	4.6	-9.0	-14.3	-6.0	1.0	14.3	6.8
Mitsubishi	10.6	-2.7	-19.2	2.0	5.1	45.7	11.6
Kawasaki	12.6	13.6	-3.3	53.7	3.5	28.7	12.7

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*	0.9	-1.6	13.3	39.2	14.3	38.6	42.5
HD Construction Equipment*	-7.6	-11.8	2.6	39.3	1.5	13.1	16.0
HD Hyundai*	-6.5	-11.8	-12.3	22.6	1.5	7.2	22.8
Doosan Bobcat*	-2.9	-0.3	1.3	10.9	0.8	11.1	7.5
KAI*	2.0	-8.8	-22.4	26.3	6.7	39.0	18.4
LIG D&A*	11.4	3.0	29.8	103.1	10.8	46.5	25.6
Hanwha Aerospace*	2.6	-10.5	-14.8	17.6	5.1	27.5	nm
Hyosung Heavy*	13.5	5.0	41.4	114.7	11.6	45.9	28.7
LS Electric*	13.1	4.2	46.0	178.7	15.7	75.4	22.7
Lockheed Martin	-5.4	-2.2	-18.6	5.6	15.9	78.7	21.3
Raytheon	1.1	6.1	-6.3	1.2	11.5	17.1	83.2
Siemens	3.8	3.9	34.7	14.8	3.6	26.8	13.7
Caterpillar	8.3	13.0	44.8	72.1	3.2	25.1	13.2
Komatsu	-0.5	4.9	2.3	29.8	21.6	40.0	59.4
Kubota	5.1	6.9	10.3	28.4	1.8	16.2	11.2

Note: *Samsung Securities estimates

Source: Bloomberg, Samsung Securities estimates

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