

SECTOR UPDATE

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Industrial Team

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Team Leader

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► Performance

(%)	1W	3M	YTD
KSOE	-16.8	-4.7	-15.0
HD Hyundai Heavy	-15.5	14.1	9.5
Samsung Heavy	-15.8	-10.2	-5.2
Hanwha Ocean	-22.2	-17.9	-12.3
HD Hyundai Marine Solution	-4.2	17.4	11.1
HD Hyundai Electric	-17.8	-2.0	14.4
HD CE	-20.1	-15.3	11.3
HD Hyundai	-16.7	-23.3	2.1
Doosan Bobcat	-6.2	2.2	4.0
KAI	-4.4	-24.6	20.8
LIG D&A	-14.5	1.9	73.6
Hanwha Aerospace	-10.7	-23.9	5.0
Hyosung Heavy	-18.9	16.9	74.2
LS Electric	-21.0	30.2	120.2

► Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	1.6	7.8	22.4
HD Hyundai Heavy	5.1	20.2	27.9
Samsung Heavy	4.1	19.5	22.8
Hanwha Ocean	4.0	21.0	21.1
HD Hyundai Marine Solution	10.3	27.2	40.2
HD Hyundai Electric	11.8	31.8	42.5
HD CE	1.2	10.5	16.0
HD Hyundai	1.2	6.0	22.8
Doosan Bobcat	0.8	10.4	7.5
KAI	6.4	37.3	18.4
LIG D&A	9.2	39.8	25.6
Hanwha Aerospace	4.5	24.5	nm
Hyosung Heavy	9.4	37.2	28.7
LS Electric	12.4	59.5	22.7

Note: 2026 estimates

Source: Samsung Securities estimates



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Shipbuilding/Machinery Weekly

Korean industrials correct—Implications

- The Clarksons Newbuilding Price Index remained flat w-w at 185 last week, buoyed by price hikes for MR tankers and mid-sized bulk carriers. The Secondhand Price Index also remained flat w-w.
- The ClarkSea Index, which represents vessel earnings, slipped 2.1% w-w to USD37,260/day, reflecting weakness in the tanker and bulk segments. Containership rates, however, remain strong.
- **Weekly comment:** This week we analyze the key causes of last week's sharp decline in Korean industrial goods share prices.

WHAT'S THE STORY?

Korea's industrial goods sector underperforms, driven more by supply-demand dynamics than by fundamentals

The Kospi 200 Industrial Goods Index last week suffered a sharp 14.3% decline. In our view, however, the correction does not reflect deterioration in fundamentals. Above all, earnings forecasts for companies in the sector have not been revised down. Also, underlying business conditions remain healthy. First, the shipbuilding sector continues to see reports of new potential orders extending beyond commercial vessels to offshore and defense projects, and shipbuilding indices have shown modest signs of recovery. Second, in defense, LIG D&A reportedly secured favorable funding from the National Growth Fund, signaling improved financial support. Third, in power equipment, reports indicate that the US is re-evaluating—and potentially relaxing—regulatory barriers established under the prior administration to accelerate transformer procurement, which could improve export conditions for Korean power equipment manufacturers.

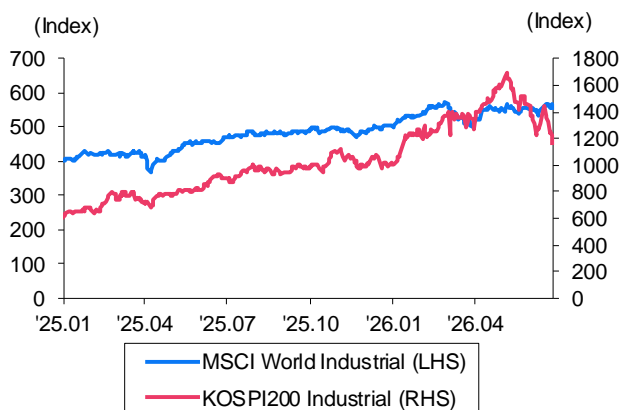
From a macroeconomic perspective, no severe negative catalysts capable of significantly affecting Korea's industrial goods sector have emerged. While uncertainties around Iran-related risks, global energy-price volatility, and interest-rate fluctuations persist, these are not new or Korea-specific. For reference, the global industrial goods sector (MSCI Industrial Index) also saw weakness last week, though its decline was limited to just 1.2%.

Thus, last week's sharp correction in Korea's industrial goods stocks is better interpreted as a liquidity-driven adjustment than a fundamentals-driven sell-off. The valuation premium the sector has enjoyed for some time was recently eroded, reflecting intensified domestic sector rotation toward semiconductors. Notably, while the Kospi also fell last week, the decline (7.1%) was less severe than that of the industrial goods sector. Korean industrial goods stocks have dropped 27% since early-May levels, while the broader market has risen 27%.

(Continued on the next page)

The recent correction has significantly alleviated valuation pressures. The industrial goods sector is now trading at 36x 2026 P/E, still above the global average of 26x. On 2027E P/E, however, it is trading at 24x, which is broadly in line with the global average of 23x. Given the strong earnings-growth outlook for Korean companies, this valuation no longer appears excessive. As underlying fundamentals remain solid, we expect share prices to gradually realign with fundamentals. We remain positive on the sector.

Industrial goods share performances: Korea vs global



Source: Bloomberg, Samsung Securities estimates

Industrial goods valuations & share performances:

Korea vs global

(%)	MSCI World Industrials	Kospi 200 Industrials
Share performance		
Last week	-1.2	-14.3
Ytd	11.8	16.4
Vs early-May	0.4	-27.1
Valuation (x)		
2026E P/E	25.8	35.8
2027E P/E	22.6	23.7

Source: Bloomberg, Samsung Securities

Industry news

HD HHI confirms sale value for Gunsan shipyard: HD Hyundai Heavy Industries (HD HHI) has signed a definitive agreement for the sale of its Gunsan shipyard. The sale price, which encompasses the land and related tangible assets, amounts to KRW780b. The transaction is scheduled for completion by Dec 31, 2026. Regarding this sale, the company previously signed an MOU in March with HJ Heavy Industries’ major shareholder.

Rheinmetall shares plunge as Germany cancels F126 frigate construction program: German defense contractor Rheinmetall fell sharply after the German government canceled its F126 frigate construction program in favor of procuring smaller frigates. Rheinmetall, which had made significant investments based on the assumption of winning the original frigate contract, now faces asset impairment risks. In contrast, ThyssenKrupp Marine Systems (TKMS) rebounded, as it is considered more likely to be awarded the contract for the new smaller frigates.

LIG D&A decides on preferred-share issuance: LIG D&A has decided to issue preferred shares worth KRW500b in a third-party allotment to the National Growth Fund. The shares are non-convertible, non-participating preferred shares with no additional rights. The company commits to paying annual dividends of at least 1% of the par value for five years following issuance, and it plans to list the preferred shares in the sixth year. Given LIG D&A’s recent need for substantial capital to expand production capacity and the favorable terms of this issuance, the transaction warrants close attention.

HD Hyundai Samho reports fatal accident: An accident at HD Hyundai Samho during wall construction work has resulted in the death of one worker, who was struck by a mooring line. The Ministry of Employment and Labor and Mokpo Coast Guard are currently investigating the circumstances of the incident.

Petrobras to order four oil tankers: Petrobras plans to order four product tankers through a subsidiary, with a total project value of USD430m. The vessels are to be delivered in 2029.

HD HHI expected to bid on Uruguay's naval patrol-vessel project: Following the collapse earlier this year of Uruguay's contract with a Spanish shipyard for two ocean patrol vessels (OPVs), a new procurement process is underway. Uruguayan media reported that likely bidders include HD HHI, Colombia's state-owned Cotemar, and France's Naval Group. The project, valued at around KRW200b, calls for the construction of two OPVs.

Hanwha Ocean likely to win Thailand's frigate contract: Thai media have identified Hanwha Ocean as a leading contender in the Royal Thai Navy's next-generation frigate program. Other bidders include HD HHI, Spain's Navantia, Singapore's ST Engineering, and Turkey's ASFAT/TAIS. The contract is estimated to be worth USD530m. Hanwha Ocean delivered a frigate to the Thai Navy in 2018. Securing the Thailand contract could create synergies with Korea's KDDX program, for which the firm is widely expected to be named the preferred bidder.

US administration submits bill to support maritime industry: The White House recently submitted a bill to Congress aimed at bolstering the maritime sector, marking the first step in implementing the Maritime Action Plan, which was announced in February. The core of the legislation involves establishing a Maritime Security Trust Fund of up to USD20b, to be used for US shipyard construction and maintenance, as well as expanding the US-flagged merchant fleet.

Namibia's Venus FPSO project narrowed to two contenders: Hanwha Ocean is competing against the Netherlands' SBM Offshore for the contract to build an FPSO for Namibia's ultra-large offshore oilfield development. The project operator is France's TotalEnergies, which will reportedly make its final investment decision (FID) this month.

Poland considers additional FSRU deployment: Poland is evaluating the addition of a second floating storage and regasification unit (FSRU) at its Gdansk LNG terminal on the Baltic Sea coast. The first FSRU at the site is currently under construction by HD HHI, raising the prospect of additional orders for the company.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2025	
	Jun 26, 2026	Jun 19, 2026	Chg (%)	End-2025	Chg (%)
New building prices (USDm)					
Overall (indexed)	185.2	184.9	0.1	184.7	0.3
Bulkers (Capesize)	76.0	76.0	0.0	75.0	1.3
Tankers (VLCC)	130.5	130.5	0.0	128.0	2.0
Tankers (51,000 DWT PCs)	51.5	51.0	1.0	49.0	5.1
Containerships (22,000 TEU)	238.0	238.0	0.0	235.0	1.3
Containerships (13,000 TEU)	150.5	150.5	0.0	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	212.0	0.0	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)	31,750	32,500	-2.3	24,850	27.8
Bulkers (Capesize, non-eco)	28,250	28,750	-1.7	23,850	18.4
Tankers (VLCC, eco)	117,500	117,500	0.0	65,500	79.4
Tankers (VLCC, non-eco)	103,750	102,500	1.2	58,000	78.9
Freight rate index					
ClarkSea Index (USD/day)	37,260	38,048	-2.1	29,856	24.8
BDI	2,524	2,722	-7.3	1,877	34.5
WS (based on Saudi route)	353	413	-14.5	58	513.0
CCFI	1,710	1,599	7.0	1,147	49.2
SCFI	3,240	3,122	3.8	1,656	95.6
Energy prices***					
Natural gas (USD/mil BTU)	3.3	3.1	7.0	4.0	-17.4
Oil (USD/bbl)	69.2	76.6	-9.6	57.4	20.6
MGO-HSFO (USD/tonne)	416.3	443.3	-6.1	262.8	58.4
VLSFO-HSFO (USD/tonne)	244.0	182.0	34.1	71.8	240.1

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*	-16.8	-21.1	-4.7	-15.0	1.6	7.8	22.4
HD Hyundai Heavy Industries*	-15.5	-24.6	14.1	9.5	5.1	20.2	27.9
Samsung Heavy Industries*	-15.8	-22.6	-10.2	-5.2	4.1	19.5	22.8
Hanwha Ocean*	-22.2	-26.3	-17.9	-12.3	4.0	21.0	21.1
HD Hyundai Marine Solution*	-4.2	-10.6	17.4	11.1	10.3	27.2	40.2
Yangzijiang	-5.1	-5.4	-9.1	0.6	1.9	7.6	27.5
CSSC Holdings	-7.6	-12.2	8.3	0.4	1.6	13.2	12.7
CSSC Offshore	-7.9	-14.2	-17.5	-13.7	n/a	n/a	n/a
ST Engineering	-3.9	-6.2	-5.2	23.6	11.1	31.2	37.0
Seatrium	-3.9	-11.4	-17.0	-9.7	0.9	13.7	6.8
Mitsubishi	-8.9	-8.5	-22.1	-7.1	4.6	41.6	11.6
Kawasaki	-11.1	-10.8	-6.7	36.6	3.1	25.5	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*	-17.8	-19.2	-2.0	14.4	11.8	31.8	42.5
HD Construction Equipment*	-20.1	-32.3	-15.3	11.3	1.2	10.5	16.0
HD Hyundai*	-16.7	-32.6	-23.3	2.1	1.2	6.0	22.8
Doosan Bobcat*	-6.2	-12.1	2.2	4.0	0.8	10.4	7.5
KAI*	-4.4	-16.8	-24.6	20.8	6.4	37.3	18.4
LIG D&A*	-14.5	-16.0	1.9	73.6	9.2	39.8	25.6
Hanwha Aerospace*	-10.7	-20.1	-23.9	5.0	4.5	24.5	nm
Hyosung Heavy*	-18.9	-16.2	16.9	74.2	9.4	37.2	28.7
LS Electric*	-21.0	-20.8	30.2	120.2	12.4	59.5	22.7
Lockheed Martin	-0.7	-4.5	-17.6	4.9	11.5	17.0	83.2
Raytheon	1.3	6.5	-0.9	2.5	3.7	27.2	13.7
Siemens	-2.6	-2.4	30.6	11.9	3.1	24.6	13.2
Caterpillar	1.2	9.6	43.4	74.1	21.8	40.5	59.4
Komatsu	-2.5	-2.3	-2.1	26.6	1.7	15.8	11.2
Kubota	-3.3	-0.2	6.5	24.1	1.1	13.7	8.2

Note: *Samsung Securities estimates

Source: Bloomberg, Samsung Securities estimates

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