

SECTOR UPDATE

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Industrial Team

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Team Leader

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► Performance

(%)	1W	3M	YTD
KSOE	4.3	-3.6	-11.3
HD Hyundai Heavy	3.6	22.0	13.4
Samsung Heavy	3.1	-15.1	-2.3
Hanwha Ocean	7.3	-15.4	-5.9
HD Hyundai Marine Solution	0.7	22.0	11.9
HD Hyundai Electric	6.3	6.8	21.6
HD CE	8.6	-18.3	20.8
HD Hyundai	7.8	-15.5	10.1
Doosan Bobcat	8.0	6.2	12.3
KAI	13.3	-14.3	36.9
LIG D&A	8.5	-5.2	88.5
Hanwha Aerospace	17.6	-18.7	23.5
Hyosung Heavy	7.5	30.5	87.4
LS Electric	13.7	50.1	150.3

► Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	1.6	8.1	22.4
HD Hyundai Heavy	5.3	20.9	27.9
Samsung Heavy	4.2	20.1	22.8
Hanwha Ocean	4.3	22.5	21.1
HD Hyundai Marine Solution	10.4	27.4	40.2
HD Hyundai Electric	12.5	33.8	42.5
HD CE	1.3	11.4	16.0
HD Hyundai	1.3	6.4	22.8
Doosan Bobcat	0.8	11.2	7.5
KAI	7.3	42.3	18.4
LIG D&A	10.0	43.2	25.6
Hanwha Aerospace	5.3	28.9	nm
Hyosung Heavy	10.1	40.0	28.7
LS Electric	14.1	67.7	22.7

Note: 2026 estimates

Source: Samsung Securities estimates



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Shipbuilding/Machinery Weekly

Market still conservative on Canadian sub program

- The Clarksons Newbuilding Price Index held steady w-w at 185 last week, supported by firm prices for mid-sized bulk carriers and large LPG carriers. The Secondhand Price Index edged up 1pt w-w.
- The ClarkSea Index, which represents vessel earnings, rose 0.8% w-w to USD37,543/day. Weakness in tanker rates was offset by strength in the bulk and container vessel segments.
- In this week's report, we assess market expectations for Canada's submarine procurement program.

WHAT'S THE STORY?

Canada's submarine program: Potential momentum driver, but limited downside if Korea falls short

With the announcement of the preferred bidder for Canada's submarine program—the Canadian Patrol Submarine Program (CPSP)—imminent, investor inquiries have recently focused on Korea's chances of securing the contract. Media outlets in Korea and overseas expect the selection to be made before the NATO summit begins on Jun 6, local time. Canada plans to acquire 12 submarines of roughly the 3,000-tonne class, with total project costs estimated at KRW60t.

The competition is primarily between Korea and Germany. Korea's advantage lies in its ability to deliver a proven, operationally validated design at an earlier stage. Recent security incidents involving German contractors have further strengthened Korea's position. However, given the inherent complexity of defense procurement—where factors beyond performance and price play critical roles—it is premature to assume Korea is ahead. The outcome remains highly uncertain and largely speculative.

That said, investor expectations remain fluid. Our recent conversations suggest investors are cautious rather than optimistic, reflecting tempered public comments from Korean government officials and reports that Germany has strong backing from European allies. According to media reports, Germany and Norway have proposed a joint operational strategy to Canada that would reduce long-term operating costs and enhance military efficiency. By reallocating existing delivery slots, Germany and Norway have also accelerated their initial delivery timeline, narrowing the gap with Korea's proposed schedule to just one year.

(Continued on the next page)

From a stock market perspective, a successful bid could provide a near-term momentum boost for Korean shipbuilders. However, even if Korea loses the contract, the impact should be temporary and muted, largely because investor expectations have already been lowered. Evidence includes Korean shipbuilders' deeply discounted valuations, even relative to industrial goods peers such as machinery and defense companies. Hanwha Ocean, which previously traded at a defense premium, is now trading at valuations similar to those of its competitors. Investors appear to view the CPSP as a high-uncertainty event rather than a guaranteed catalyst. The core shipbuilding business also remains exceptionally strong: global shipbuilding orders rose 88% y-y in 1H, and vessel prices have recovered above early-year levels.

Canadian submarine program: Korea vs Germany

	Korea	Germany
Bidder (prime contractor)	Hanwha Ocean	TKMS
Proposed submarine	Canadian KSS-III	212 CD
Product competitiveness	Proven platform already in operation	Next-generation platform optimized for Arctic operations
Lead submarine delivery schedule	4 submarines by 2035	4 submarines by 2036
Post-lead submarine delivery schedule	1 submarine per year	Delivery schedule beyond the first 4 submarines not disclosed
Defense/diplomatic considerations	Potential participation in Canada's Defense, Security and Resilience Bank (DSRB) initiative; strategically favorable for expanding cooperation in the India-Pacific	Advantageous for joint operations with NATO members and allies
Claimed economic benefits	Creation of 43,000 jobs; CAD93.6b contribution to GDP	Creation of 65,000 jobs; CAD86.0b contribution to GDP

Note: Economic impact figures are based on claims made by each country as reported in the media

Source: Media reports, Samsung Securities

Industry news

Hanwha Ocean selected as preferred negotiator for KDDX program: The Defense Acquisition Program Administration has officially selected Hanwha Ocean as the preferred negotiator for the detailed design and lead ship construction of the Korean Next-Generation Destroyer (KDDX). The KDDX program aims to build six 7,000-tonne destroyers, with an estimated total project value of KRW7.8t.

Mozambique LNG project delayed again: Delivery of 17 LNGC newbuilds tied to the TotalEnergies-led Mozambique LNG project has been delayed, with shareholders asking shipyards HD Hyundai Samho and Samsung Heavy Industries (SHI) to defer declaration dates to Sep 2026. Since its provisional order in 2020, the project has faced multiple delays due to security concerns in the region. Even if construction proceeds, vessel prices will be renegotiated at current market rates—not the original contracted prices.

SHI wins oil tanker orders: SHI has secured orders for two crude oil tankers at USD88m each. With these contracts, the company's cumulative orders for the year have reached USD9.8b, or 71% of its full-year target, and 24% higher than last year's full-year total.

HD HHI and HD Hyundai Samho sustain order momentum: HD Hyundai Heavy Industries (HD HHI) has secured orders for a floating storage and regasification unit (FSRU) worth USD3.197b and an LNG carrier worth USD254m. HD Hyundai Samho has won orders for two LPG carriers at a combined USD237m. Combined, the two companies have achieved an estimated 55% and 67% of their respective full-year order targets, equivalent to 96% and 49% of last year's full-year volumes.

Ships for America Act proposal scaled down: US lawmakers have scaled down the proposed Ships for America Act headed for a vote in the House of Representatives. The latest version removes

key provisions, including creation of a fleet of up to 250 US flagships, tax incentives for the shipping and shipbuilding industries, and penalties for Chinese-linked ships.

SHI to invest KRW1t in Geoje: Samsung Group is investing KRW60t in the country’s southeast to create a cutting-edge industry hub. As part of this, SHI is investing KRW10t in Geoje to build a next-generation shipbuilding base.

SHI targets 2028 for first floating data center service: SHI expects to launch its first floating data center (FDC) service in 2Q28—the first publicly disclosed timeline from a shipbuilder in this emerging sector. At a recent maritime exhibition in Greece, the firm announced expanded global partnerships for FDC commercialization, including MOUs with Greek shipping firm Capital and UK-based Lloyd’s Register. It has also agreed with US-based AI server specialist Supermicro to co-develop FDC solutions.

Hanwha Aerospace and Hanwha Systems announce long-term investment plans: Hanwha Aerospace and Hanwha Systems have disclosed their long-term investment strategies. Hanwha Aerospace plans to invest KRW28t in space launch vehicles and defense AI. Hanwha Systems intends to allocate KRW23t toward space satellites and defense AI.

Hanwha Aerospace: Long-term investment plan

(KRWt)	Investment	Period
Space launch vehicles	23	2026-2040
Defense AI	2	2025-2040
Defense AI data centers	3	2026-2032
Total	28	

Source: Company data

Hanwha Systems: Long-term investment plan

(KRWt)	Investment	Period
Space satellites	20	2026-2040
Defense AI data systems	3	2026-2032
Total	23	

Source: Company data

Shipbuilding weekly indices

	This week	A week ago		Vs end-2025	
	Jul 3, 2026	Jun 26, 2026	Chg (%)	End-2025	Chg (%)
New building prices (USDm)					
Overall (indexed)	185.4	185.2	0.2	184.7	0.4
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	51.5	0.0	49.0	5.1
Containerships (22,000 TEU)	238.5	238.0	0.2	235.0	1.5
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	213.0	212.0	0.5	191.1	11.5
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)	34,200	31,750	7.7	24,850	37.6
Bulkers (Capesize, non-eco)	30,700	28,250	8.7	23,850	28.7
Tankers (VLCC, eco)	117,500	117,500	0.0	65,500	79.4
Tankers (VLCC, non-eco)	103,750	103,750	0.0	58,000	78.9
Freight rate index					
ClarkSea Index (USD/day)	37,543	37,260	0.8	29,856	25.7
BDI	2,717	2,524	7.6	1,877	44.8
WS (based on Saudi route)	303	353	-14.2	58	426.1
CCFI	1,811	1,710	5.9	1,147	57.9
SCFI	3,327	3,240	2.7	1,656	100.9
Energy prices***					
Natural gas (USD/mil BTU)	3.4	3.3	2.4	4.0	-15.5
Oil (USD/bbl)	68.7	69.2	-0.8	57.4	19.6
MGO-HSFO (USD/tonne)	462.0	416.3	11.0	262.8	75.8
VLSFO-HSFO (USD/tonne)	226.3	244.0	-7.3	71.8	215.3

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*	4.3	-6.6	-3.6	-11.3	1.6	8.1	22.4
HD Hyundai Heavy Industries*	3.6	-13.5	22.0	13.4	5.3	20.9	27.9
Samsung Heavy Industries*	3.1	-15.1	-15.1	-2.3	4.2	20.1	22.8
Hanwha Ocean*	7.3	-8.1	-15.4	-5.9	4.3	22.5	21.1
HD Hyundai Marine Solution*	0.7	-4.4	22.0	11.9	10.4	27.4	40.2
Yangzijiang	1.7	-0.6	-7.0	2.3	2.0	7.7	27.5
CSSC Holdings	11.2	2.3	21.8	11.7	1.7	14.7	12.7
CSSC Offshore	10.2	-2.0	-0.6	-4.9	n/a	n/a	n/a
ST Engineering	4.2	-3.7	-1.6	28.9	11.6	32.5	37.0
Seatrium	1.5	-5.3	-17.5	-8.3	0.9	13.9	6.8
Mitsubishi	6.3	6.1	-21.0	-1.3	4.9	44.2	11.6
Kawasaki	-0.6	-0.6	-10.8	35.8	3.1	25.3	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*	6.3	-5.1	6.8	21.6	12.5	33.8	42.5
HD Construction Equipment*	8.6	-19.9	-18.3	20.8	1.3	11.4	16.0
HD Hyundai*	7.8	-24.5	-15.5	10.1	1.3	6.4	22.8
Doosan Bobcat*	8.0	-0.5	6.2	12.3	0.8	11.2	7.5
KAI*	13.3	5.7	-14.3	36.9	7.3	42.3	18.4
LIG D&A*	8.5	10.7	-5.2	88.5	10.0	43.2	25.6
Hanwha Aerospace*	17.6	10.1	-18.7	23.5	5.3	28.9	nm
Hyosung Heavy*	7.5	-6.4	30.5	87.4	10.1	40.0	28.7
LS Electric*	13.7	-4.5	50.1	150.3	14.1	67.7	22.7
Lockheed Martin	7.6	6.6	-12.3	12.9	12.3	18.3	82.8
Raytheon	6.0	15.5	1.5	8.6	3.9	28.8	13.7
Siemens	6.2	3.3	33.2	18.8	3.3	25.9	13.4
Caterpillar	-3.4	4.0	34.3	68.2	21.1	39.1	59.4
Komatsu	4.7	-6.8	2.1	32.5	1.8	16.6	11.2
Kubota	-0.2	-7.4	8.9	23.9	1.1	13.8	8.2

Note: *Samsung Securities estimates

Source: Bloomberg, Samsung Securities estimates

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