

Industrial Team

Youngsoo Han

Team Leader

han.youngsoo@samsung.com

► AT A GLANCE

HD Hyundai Heavy Industries (329180 KS, 466,000)

Target price KRW900,000 93.1%

BUY

Samsung Heavy Industries (010140 KS, 21,250)

Target price KRW40,000 88.2%

BUY

Hanwha Ocean (042660 KS, 76,800)

Target price KRW130,000 69.3%

BUY

HD Hyundai Marine Solution (443060 KS, 193,500)

Target price KRW347,000 79.3%

BUY

HD KSOE (009540 KS, 327,000)

Target price KRW570,000 74.3%

BUY



Scan to go to
Research Center report database

Shipbuilding (OVERWEIGHT)

Factors to spark rebound for shipbuilders

- Korean shipbuilders have underperformed as of late despite industry indicators remaining strong.
- A recovery of the offshore market, the growing use of shipbuilding technology in the power generation market, and the solid long-term earnings outlook should rekindle investor interest in shipbuilders. We remain upbeat towards the shipbuilding industry.

WHAT'S THE STORY?

Shipbuilding sector needs a spark: This year's stock performance by shipbuilders has been disappointing, particularly given their record-breaking order intakes. Beyond broad-based valuation compression in the shipbuilding and industrial sectors, few explanations account for the recent underperformance. Even after adjusting down our valuation multiples (to reflect current market conditions), significant upside remains—the recent correction looks somewhat excessive. Now, shipbuilding stocks may be ready to rebound if a catalyst (*eg*, recovery in the offshore market, greater application of shipbuilding technology in the power generation sector, or clear long-term profit visibility) rekindles market interest. During periods of macroeconomic uncertainty, investors have historically favored shipbuilders with large orders backlogs, a dynamic we expect to re-emerge.

Fundamentals for a rebound already in place: Conditions for a share-price recovery have already been met in our view. More than anything else, shipbuilders' order intakes have continued to exceed expectations. Global vessel orders in 1H26 jumped 88% y-y (despite the high base), marking the highest-ever 1H figure. Korean shipbuilders have this year already secured orders equivalent to 81% of their full-year 2025 new orders. Shipbuilding prices have also rebounded, and with shipowners' investment sentiment improving, the uptrend looks sustainable. The Clarksons Newbuilding Price Index has also successfully reversed course (after falling recently). Given the improvement in shipowners' investment sentiment, this rise in the Clarksons Newbuilding Price Index is likely to be sustainable.

Momentum factors we expect: There are two potential sources of momentum for the shipbuilding sector. The first potential source is orders for offshore structures. Offshore orders could alleviate market concerns over commercial vessel demand softening, whilst simultaneously helping firms meet this year's new-order targets. They could also help lift shipbuilders' earnings next year.

(Continued on the next page)

Second is the growing application of shipbuilding technology in the power generation sector. Given power equipment manufacturers' high valuations, this technological diversification could generate positive stock-price momentum—*eg*, HD Hyundai Heavy Industries (HD HHI) secured an order in April for data-center power engines, which order news catalyzed its shares. We believe that both share-price catalysts will materialize. The offshore structure segment has already endured a decade-long downturn, and considering the length of industry cycles, the segment is likely approaching a recovery phase. Moreover, with energy security concerns growing amid a global trend towards electrification, demand for gas-fired power generation is expected to expand. The bringing of shipbuilding technology to areas such as data centers, floating data centers (FDCs), and small modular reactors (SMRs) should gain momentum—all three areas are domains where shipbuilders can help alleviate bottlenecks in North America. The time required to connect new power capacity to the grid in North America is currently estimated at over five years. In contrast, the shipbuilding industry's order backlog stands at around three years' worth of work—it could complete power generation projects significantly faster than traditional power developers could. Even if these catalysts fail to materialize, shipbuilders' earnings growth alone should support their share prices. Should valuation multiples not expand, improving long-term earnings forecasts should be sufficient to provide meaningful downside protection. Current market expectations for long-term profitability remain conservative relative to forex rates (favorable), ship prices (rising), and productivity (improving).

Introduction

Shipbuilding sector needs a spark

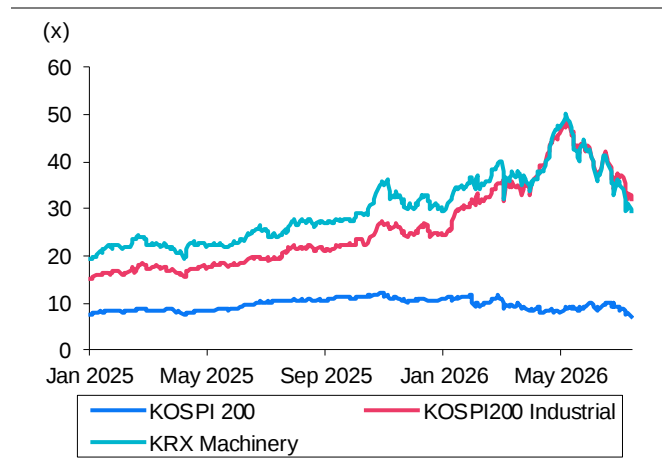
Shipbuilding share performance underwhelms

Shipbuilding stocks have declined 17% ytd, especially underwhelming given the Kospi's surge (up 63% ytd). While it is true that the market rally has been driven by a small group of semiconductor makers—and capital has overwhelmingly flowed into them—the reality is that most other stocks, including the majority of industrial goods companies, have also lagged behind the index. Moreover, shipbuilding stocks had delivered consistent, strong gains over many years prior to 2026. As a result, it seems natural that some investors have taken profit, especially after such a prolonged uptrend.

Yet, even after accounting for overall domestic market dynamics, shipbuilding stocks have still underperformed—particularly when compared to other industrial goods companies. For context, the broader industrial goods sector has risen 9% ytd. While this group, too, has failed to keep up with the Kospi, its performance has been far stronger than the shipbuilding sector's. Profit taking is a natural response to prolonged price gains, and this dynamic applies to the industrial goods sector too. But if we look solely at the past three years' performance, the most significant profit-taking pressure should have been for defense and power equipment stocks—both have outperformed shipbuilders.

Compounding the disappointment is the strength of the sector's fundamentals. New vessel orders (global basis) ytd have far exceeded early-year forecasts, despite persistent macroeconomic uncertainty. Concerns over lower vessel prices have been put to rest—spot rates and newbuilding prices have rebounded. Geopolitical risks, including the Iran conflict, have historically benefited shipbuilders through higher energy prices and increased demand for energy infrastructure, making this year's macro environment more supportive than adverse.

2026E P/E trends: Market vs industrials



Share performance and valuations (P/E), by sector

(%, x)	Kospi	Kospi 200 industrials	Shipbuilding	Defense	Power equip	Const- ruction equip
Share price return (%)						
2026 YTD	62.7	8.6	-17.3	3.5	40.4	21.3
P/E (x)						
2026E	7.3	31.8	15.8	25.6	36.2	11.4
2027E	5.3	21.0	12.9	18.9	26.9	9.3

Note: Based on the closing price of July 14

Source: FnGuide

Shipbuilding sector needs a spark

Fundamentally, the conditions for a rebound are in place. As already outlined, fundamentals for the shipbuilding sector are stronger than expected. Earnings estimates have held steady, while share prices have corrected—valuations have become attractive. What is missing is not fundamentals, but a spark to reignite investor interest. Recall that in April, HD Hyundai Heavy Industries' (HD HHI) contract to supply its proprietary 4-stroke HiMSEN engines to a US data center operator triggered a broad rally across HD Hyundai Group and the engine manufacturing sector. That event demonstrated how a single, well-timed application of shipbuilding technology can unlock a sector-wide rerating.

Despite its recent poor share performance, we remain upbeat towards the shipbuilding sector. The catalysts needed to drive a meaningful rerating remain viable and are likely to materialize before year-end: 1) the resumption of orders for traditional offshore structures; 2) growing applications of shipbuilding and marine technology in the power generation sector; and 3) sustained improvements in profitability at shipbuilders. Historically, shipbuilding stocks have outperformed during periods of macroeconomic uncertainty. Once the sector enters an upcycle, its momentum tends to be self-reinforcing. Crucially, shipbuilders' current order backlog alone supports revenue and earnings growth for at least the next two years.

Fundamentals update

Industry conditions better than expected

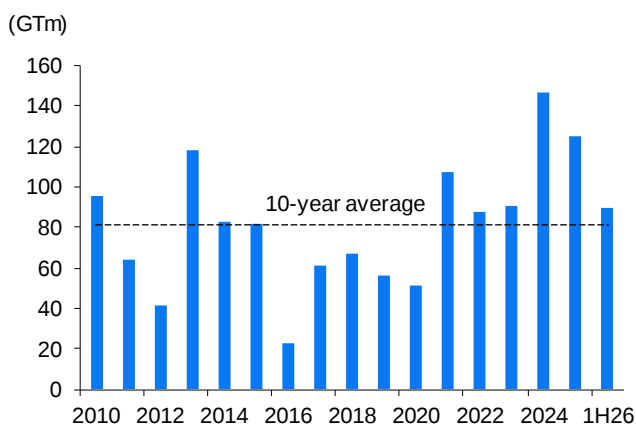
New-order momentum unprecedented

New orders—global basis—confirm strong demand

In late 2025, the industry outlook for 2026 was divided: Some financial investors expressed concerns that the sector might peak, while market analysts and industry insiders generally maintained a more positive view. However, even the bullish camp did not anticipate a significant increase in orders in 2026—the amount of new orders placed in 2025 (global; GT basis) was the second highest since the 2008 Global Financial Crisis. The prevailing expectation was that new orders in 2026 would moderate slightly y-y, but remain well above the historical average and current shipyard capacity.

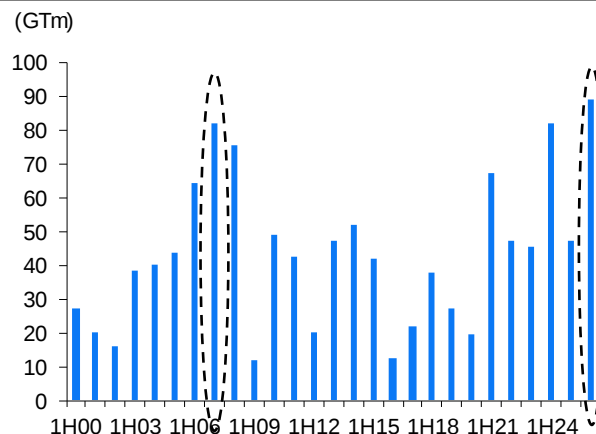
Actual results ytd have far exceeded expectations. In 1H26, global vessel orders reached 89.6m GT, a staggering 88% y-y increase. This figure already equals 72% of last year's full-year total. With numerous new contracts still waiting to be publicly announced, it is highly likely that full-year 2026 orders will rise y-y. What makes this even more remarkable is that 1H26's order volume exceeds the 10-year annual average of 82m GT. More striking still: It is the largest 1H new-order volume in its history, surpassing the previous peak of 82.5m GT set in 1H07 at the height of the last major cycle.

Global shipbuilding new orders (annual basis)



Source: Clarksons

Global shipbuilding new orders (1H basis)



Source: Clarksons

1H26: Global shipbuilding orders, by vessel type

(%)	Tanker (DWTm)	Bulk (DWTm)	Containership (‘000 TEU)	LNGC (Vessels)	Global (Mil GT)
1H26	71	28	2,078	54	89.6
1H25	13	15	2,427	8	47.6
Chg (% y-y)	456.6	83.4	-14.4	575.0	88.0
vs 2025 annual (%)	147.5	54.2	39.7	154.3	71.8

Source: Clarksons

Energy carrier orders despite geopolitical fears

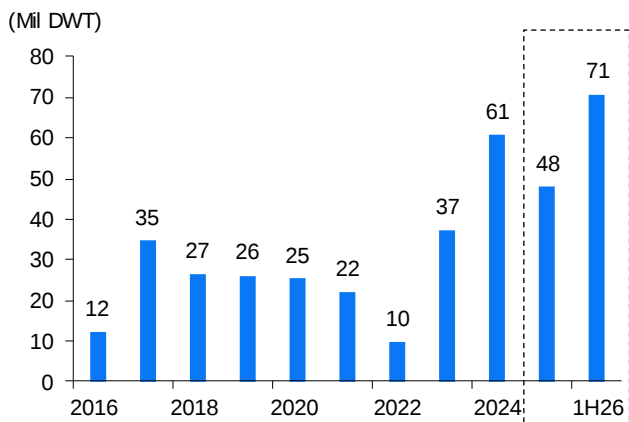
With geopolitical tensions heating up in the Middle East, there has been paradigm shift in the shipbuilding sector—these tensions are now seen as a catalyst for demand rather than a source of uncertainty. Historically, the shipbuilding sector has been viewed as a beneficiary of energy price spikes caused by supply shocks. Higher energy prices accelerate offshore oil and gas field development, driving up demand for offshore structures. In the commercial shipping segment, the rerouting of trade lanes (due to security concerns) increases voyage distances, which in turn boosts actual vessel demand. This relationship is well-documented: Global commercial ship orders have historically moved in tandem with global oil prices. Moreover, rising marine fuel costs benefit Korean firms—Korean-built vessels are recognized for their superior fuel efficiency, giving Korean shipbuilders a sharper competitive edge when it comes to landing new orders.

Despite these concerns, Korean shipbuilders’ shares have performed poorly since the early stages of the Iran war. This weakness has stemmed from Middle Eastern shipowners dragging their heels on placing new orders, coupled with the growing risk of order cancellations and delivery postponements on existing contracts. Some analysts also argued that heightened energy-price volatility could delay purchasing decisions for capital-intensive assets like ships.

Yet, contrary to these fears, order momentum for energy transportation vessels has remained robust. In 1H26 alone, tanker orders reached 71m DWT—exceeding last year’s full-year total by 47%. This 1H26 volume is the second-highest volume on record if compared to past full-year figures. Considering projected orders in 2H26, we believe that 2026 will see the highest annual tanker order volume ever.

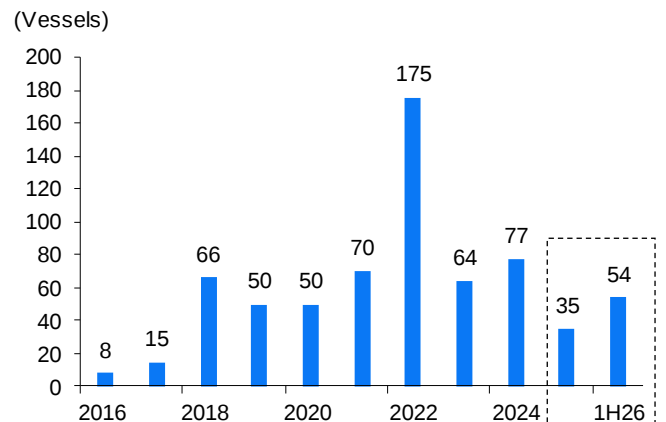
New-order momentum for LNGCs and LPG vessels remains exceptionally strong. In 1H26, 54 large LNGCs were ordered (vs 35 vessels in full-year 2025). Notably, there are no signs that Middle Eastern clients are cancelling orders or delaying deliveries. Shipowners have not requested delayed delivery timelines, suggesting confidence in long-term energy trade flows and a preference to honoring contracts. Similarly, LPGC orders in 1H26 were 2.6x the full-year 2025 volume.

Global tanker orders



Source: Clarksons

Global LNGC orders



Source: Clarksons

Demand for containerships unexpectedly strong, far exceeding market expectations

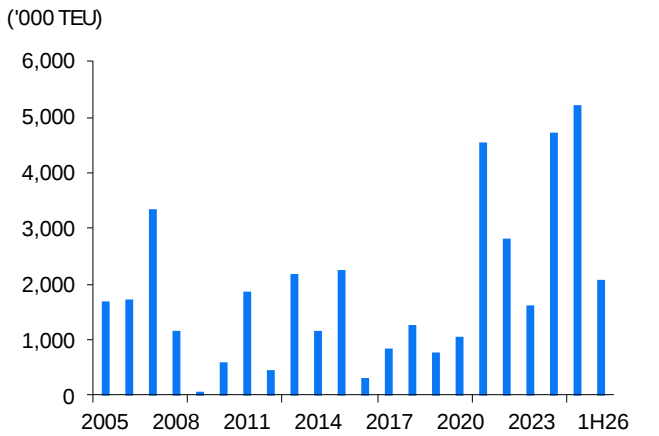
What is more surprising than the surge in energy-vessel orders is that containership orders have remained strong. Unlike tankers, where aging fleets and manageable order backlogs have made a rebound in new orders predictable, and unlike LNGCs, where this year's recovery was anticipated due to last year's low base and ongoing LNG project pipelines, the sustained flow of orders for containerships has defied all expectations—particularly given that this segment has historically been prone to cyclical, large-scale ordering booms followed by prolonged slumps.

Last year, global containership orders reached 5.2m TEU—the highest on record, surpassing the previous peak of 3.3m TEU (seen during the 2003-2008 boom) by 57%. For context, the second-highest year was 2024 at 4.7m TEU, followed by 2021 at 4.5m TEU. In just five years, the industry has broken its own all-time record three times. This relentless wave of orders has pushed up the global order backlog to an unprecedented level. By end-2025, the total backlog stood at 11.7m TEU, exceeding 10m TEU for the first time. As of end-1H26, this backlog represented 38% of the world's current operating fleet. If all of these contracted vessels are delivered as scheduled, the global containership fleet would grow 38%. For shipowners, this raises serious concerns about potential future oversupply.

Yet, an additional 2.1m TEU of containerships were ordered in 1H26. Although this represents a y-y decline (given last year's high base and the already bloated backlog), the strong new-order trend was unexpected. This is especially notable given that containerships are typically more sensitive to macroeconomic conditions than other vessel types. For context, the 1H26 new-order volume is comparable to the 20-year annual average. The strong new-order momentum in 1H26 has further increased the backlog, which now stands at twice the peak level seen during the previous boom.

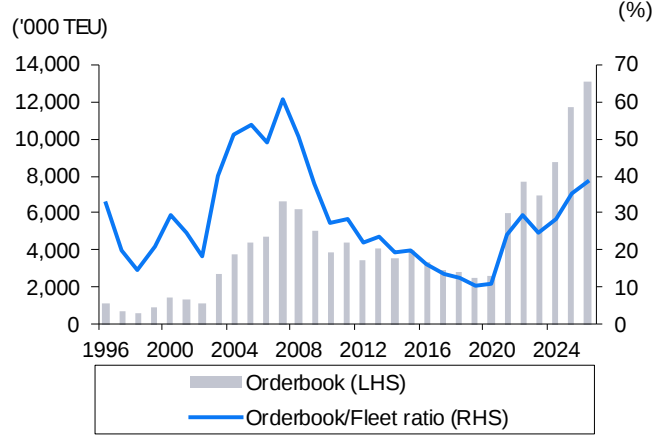
In conclusion, the continued strength in containership orders this year can only be interpreted as shipowners having a long-term bullish outlook on global shipping fundamentals. For Korean shipbuilders, the persistence of containership momentum—alongside a recovery in LNGC orders—is critically important. It signifies that shipbuilders still have multiple viable business options, enabling them to construct an optimal portfolio of orders that best aligns with yard operational efficiency.

Global containership orders



Source: Clarksons

Containership orderbook and orderbook/fleet ratio



Source: Clarksons

Vessel prices—Even the ship price index is turning up

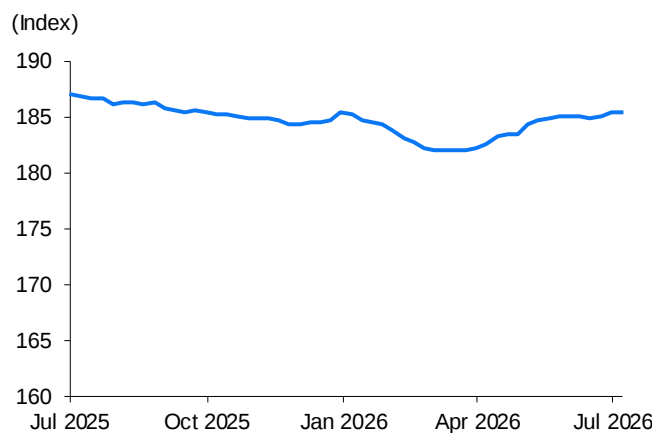
Ship price index has also rebounded

The ship price index (*ie*, the Clarksons Newbuilding Price Index) is rising again after declining. Although the recovery has been modest, ship prices have surpassed their early-year lows. Unlike the overall newbuilding price index, actual contract prices secured by Korean shipbuilders have not declined. First, the won has weakened against the dollar, meaning that won-denominated ship prices have risen steadily throughout the year. Second, major Korean shipyards have primarily secured orders for high-spec, eco-friendly vessels, which types command a premium to the ship price index. Prices for Korea’s key ship types—ultra-large containerships and LNGCs—have been rising since January.

In fact, while the overall newbuilding price index has flattened, price indices for some vessel types have been rising since January. This divergence stems from structural limitations of the index itself. According to Clarksons, the Clarksons Newbuilding Price Index is calculated as a basket of prices from a few representative vessel types. The problem is that contracts for these vessel types are not signed weekly or even monthly—yet the index is published every week. As a result, prices for some vessel types must be estimated based on surveys of shipbrokers’ opinions—essentially reflecting bid-level sentiment rather than actual transaction data.

Of course, these broker opinions carry meaning, as they ultimately reflect shipowners’ investment sentiment. This suggests that the recent rebound in the index may signal improving confidence among shipowners. Since shipowners’ sentiment is closely tied to freight rates, the current strength in global freight indices—driven by recent geopolitical developments—supports the likelihood that the upward trend in ship prices will persist in the near term. For reference, the ClarkSea Index, which measures vessel profitability, surged when the Iran conflict began and has since stabilized. Even after recent falls, the index in June was 15% higher than the end-2025 level and 70% above its 10-year average.

Weekly Clarksons shipbuilding index (last 1 year)



Source: Clarksons

Newbuilding Price Index, by major vessel type

(Index)	Bulker	Gas carrier	Tanker	Container-ship	All types
Last week of 2025	176.7	201.8	222.1	117.0	185.4
Current*	168.3	198.1	213.2	114.9	184.7
Chg (%)	5.0	1.9	4.2	1.8	0.4

Note: *Based on 2nd week of July

Source: Clarksons

Shipowners' investment sentiment recovering

Shipowners and shipbrokers are clearly becoming more optimistic—a development that suggests further upside exists for the newbuilding price index. This outlook is supported by two key indicators. First, Clarksons—the world's largest shipbroker and the official compiler of the newbuilding price index—has raised its global newbuilding order forecasts for both this year and next.

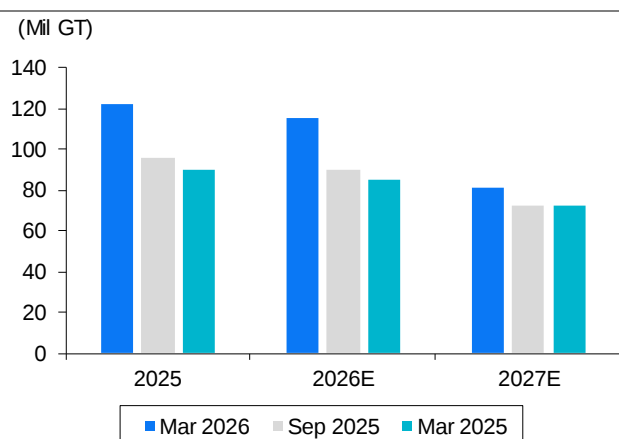
Clarksons typically revises its global order projections twice a year (in March and September), with updated estimates published in April and October. The most encouraging development is that its latest estimates have been revised up vs its prior forecasts (made in 2H25). Specifically, Clarksons raised its forecast for this year's new orders by 28% and next year's by 11%. The magnitude of these upward revisions is significant given that the prior forecasts were already quite optimistic.

Second, the improvement in buyer sentiment is further evidenced by the aggressive purchasing behavior by Greek shipowners this year. Greece accounts for less than 1% of global seaborne trade volume, yet it owns the second-largest fleet in the world—14% of the global fleet (based on GT). This reflects the fact that Greek owners are primarily professional ship investors and not operators. They have a long track record of successfully timing investments, and as a result, their activity is widely regarded as a leading indicator of shipping cycle trends.

This year, Greek shipowners have accounted for 18% of global ship purchases—significantly exceeding last year's 12% share and far surpassing the 10-year average of 10%. Despite rising ship prices and persistent macroeconomic uncertainty, Greek investors are actively acquiring vessels.

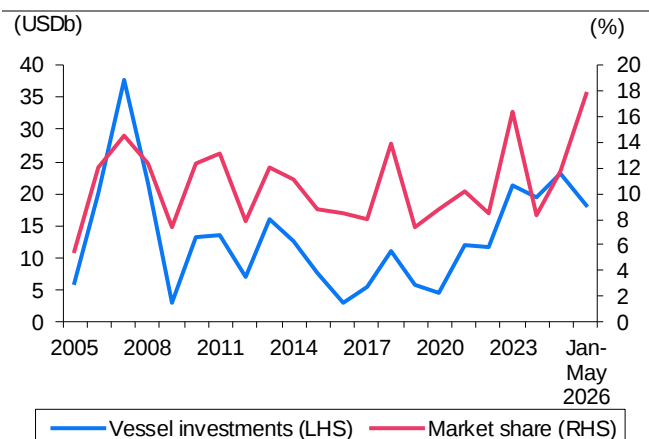
Even these seasoned, historically successful investors do not yet appear to be concerned about the shipping cycle peaking. When professional investors with strong track records throw caution to the wind, there is little justification for financial markets to preemptively price in a slowdown.

Clarksons' revision for global new order volume



Source: Clarksons

Greek shipowners' vessel investments



Source: Clarksons

Market share normalization in the LNGC segment

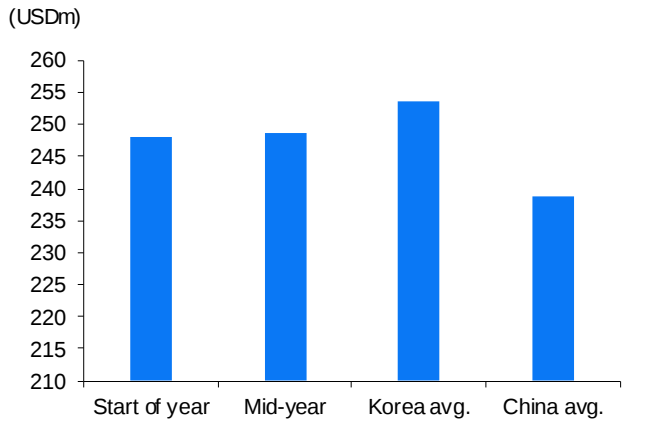
At the beginning of the year, financial markets attributed the stagnation in the newbuilding price index to intensifying competition in the LNGC segment. This was because, despite robust demand, Clarkson's official LNGC price index stalled—partly due to aggressive bidding by China's Hudong-Zhonghua Shipbuilding. As a result, for a brief period early this year, China temporarily surpassed Korea in terms of LNGC orders won.

Of course, given the nature of shipbuilding—where new orders often concentrate on specific months—it is unreasonable to draw long-term conclusions from just a few months' worth of early-year data. Additionally, Korea's relatively passive stance towards bidding at the start of the year could also be interpreted as a strategic decision: Korean shipyards may have chosen to wait for Chinese yards to fill their order books before securing higher-priced contracts later in the year. Nevertheless, most investors reacted strongly to the decline in Korea's LNGC market share (in terms of orders won), reflecting how dominant Korea had long been in the LNGC market. Concerns over intensified competition in this segment negatively impacted not only the newbuilding price index but also the broader performance of Korean shipbuilding stocks.

These concerns have since been alleviated. For reference, Korea's share of the global LNGC order backlog stands at 69%. Given that the backlog reflects orders built up over several years, this level is a reasonable indicator of normalized market positioning. Moreover, Korea's share of new global LNGC orders taken in 1H was 65%—closely aligned with its backlog share. The data also confirm that Korea's restrained bidding behavior earlier this year was a deliberate strategy. This year, average LNGC contract prices awarded to Korean shipbuilders have clearly diverged from those taken by Chinese shipbuilders. Korean firms' average LNGC contract price this year is estimated at USD254m per vessel. While Chinese shipbuilders do not publicly disclose their prices, estimates based on Clarkson's global data suggest an average of USD239m for Chinese LNGC vessels. Despite aggressive pricing strategies by Chinese companies at the start of the year, Korea elected not to bid for low-priced orders. The persistent price gap between Korean and Chinese LNGCs signals that shipowners continue to recognize and pay a premium for Korean-built vessels.

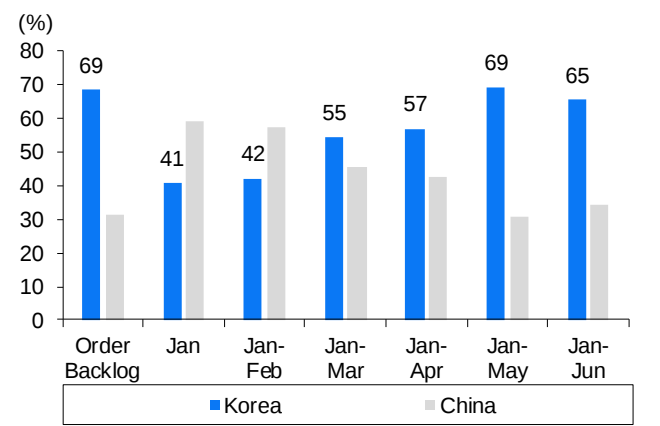
Furthermore, the official price for LNGCs has recently risen, reflecting the increased portion of orders won by Korean shipbuilders—Korean prices now serve as the market benchmark. Coupled with the recovery in shipowners' investment sentiment, the overall newbuilding price index is also on an upward trend. Consequently, prior concerns of a slowdown in the newbuilding price index due to intensifying competition with China and stagnant LNGC prices have now been alleviated.

Korea vs China: 1H LNGC order prices



Source: Clarksons, Samsung Securities estimates

Portion of LNGC orders won: Korea vs China (backlog vs LNGC orders taken in 2026)



Source: Clarksons

Assessing stock price momentum

Momentum factors

Importance of orders for offshore structures recovering

Why resumption of orders for offshore structures can create momentum

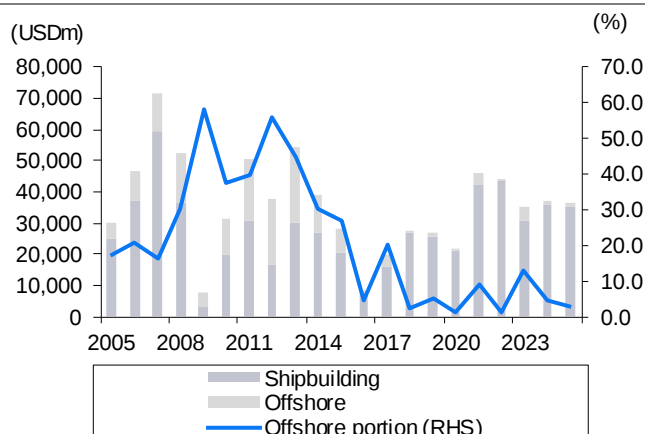
Offshore structures could provide momentum for Korea's large shipbuilders for three reasons. First, they could ease concerns about a commercial vessel downturn: Over 2010-2014, when commercial vessel demand slowed, offshore orders successfully filled the gap. At the time, offshore projects made up an average of 42% of new orders at major Korean shipbuilders, rising to 56% in 2012 and surpassing the commercial vessel portion. At the time, Korean shipbuilders relied on offshore orders to absorb fixed-cost pressure. If the offshore structure market recovers, investors will have fewer reasons to fear the inevitable future slowdown for the commercial vessel segment. As a result, the valuation discount that is typically applied to cyclical industries during boom periods may also ease.

Second, a recovery in the offshore market could lead to higher bidding prices for commercial vessels. Although it takes some time to retool lines, shipbuilders can shift production capacity from commercial vessels to offshore projects. As offshore order volumes grow, shipyards' commercial vessel production capacity—especially for high-value ships like LNGCs, where Korean shipbuilders hold a strong market position—will naturally decline. As these shipyards fill their offshore order books, they have less room to take new commercial ship orders, reducing the commercial ship supply and pushing up prices. The result would cause prices of both commercial ships and offshore structures to rise.

Third, offshore structure orders could provide clear, short-term visibility in terms of meeting this year's order targets and enhancing shipbuilders' earnings performance. This means offshore orders can act as a near-term share-price catalyst. For reference, HD HHI and Samsung Heavy Industries (SHI) have achieved 56% and 72% of their full-year order targets, respectively. But in the offshore segment, they have met only 3% and 55% of their goals. Securing new offshore orders could bring them much closer to meeting guidance.

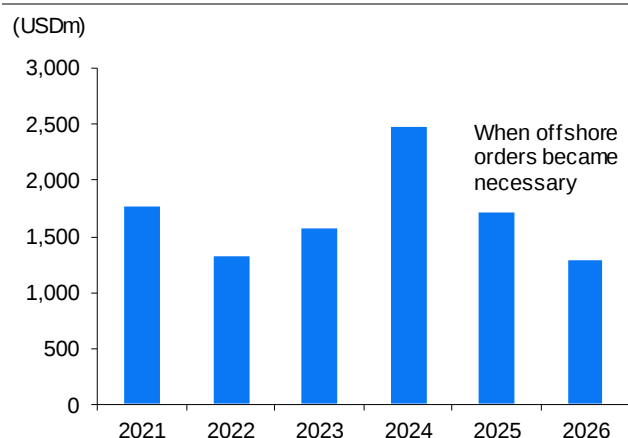
Offshore structure orders could also lift outlooks for next year's earnings. HD HHI has USD6.2b in offshore orders in its backlog (based on delivery schedules), but only USD1.3b of that is recognized as sales on its books. If no additional offshore orders are secured this year, the company may face renewed fixed-cost pressure at its offshore business in 2H. Conversely, securing offshore orders this year would significantly enhance the visibility of earnings growth in 2027 and could lead to an upward revision in profit forecasts.

Major Korean shipbuilders: Offshore orders in the order backlog as a portion of total



Note: Based on HD group, Samsung Heavy and Hanwha Ocean
Source: Company data, Samsung Securities estimates

HD HHI: Offshore order backlog (sales recognition basis)



Source: HD Hyundai Heavy Industries

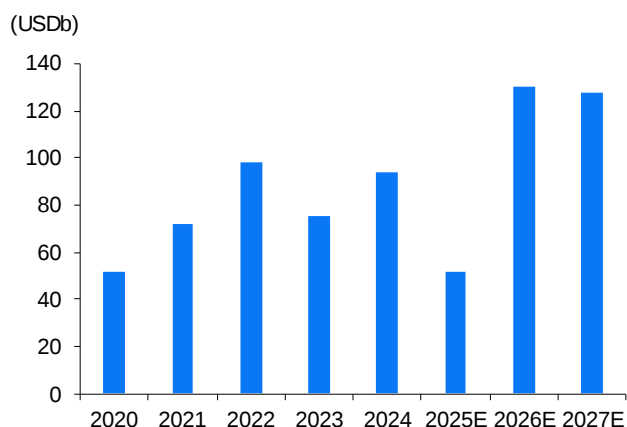
Plausible timing for recovery

The key rationale behind anticipating a recovery in the offshore structure market is time. Both production equipment and drilling rigs experienced their last major boom over 2010-2014—the sector has been in a rut for more than a decade. A prolonged dearth of orders for offshore structures/drilling vessels has significantly eased oversupply concerns in the drilling segment, while existing production assets are aging and need to be replaced. Globally, offshore investments hit a trough in 2020 and are now rebounding, with the number of approved offshore projects steadily increasing.

Breaking it down by segment: For deepwater drillships, large-scale orders were placed over 2010-2014, but since then, zero newbuilding orders have been placed (none for 12 years). This is due to lower oil prices and the delivery of vessels built during the boom, which new vessels intensified the supply glut. Meaningful new orders for drillships remain unlikely in the near term. However, the extreme oversupply condition is gradually being resolved. Rebounding drillship charter rates and industry restructuring are helping drillship operators restore their earnings and financial stability. Meanwhile, industry consolidation is advancing, with major players such as Transocean and Valaris announcing merger plans. Notably, Clarksons assumes new drillship orders will resume from next year.

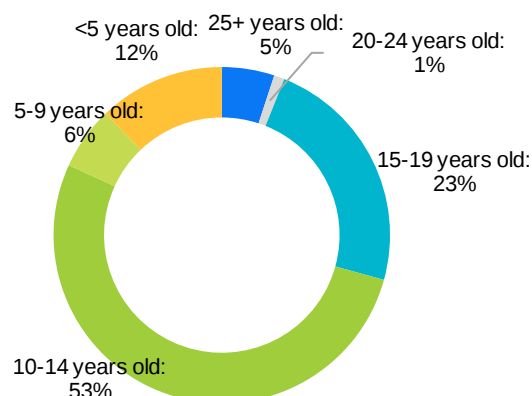
For FPSOs—Korea's flagship offshore production asset—the boom period (2010-2014) saw an average of 12 units ordered *pa*. This was followed by a severe slump (2015-2020), with only five units ordered *pa* on average. Over 2021-2025, the market showed a modest recovery, with eight units ordered on average per year. Looking ahead, 2026-2028 is expected to see FPSO orders return to level seen during the last boom (around 12 FPSOs *pa*).

Offshore project final investment decision (FID) outlook



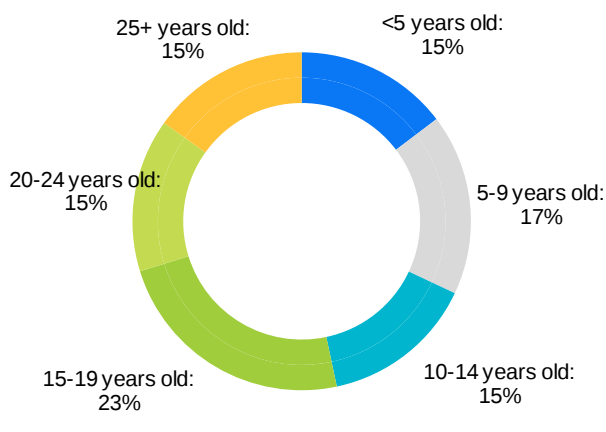
Note: Rystad Energy data reclassified by Seadrill
Source: Seadrill

Drillship fleet age analysis



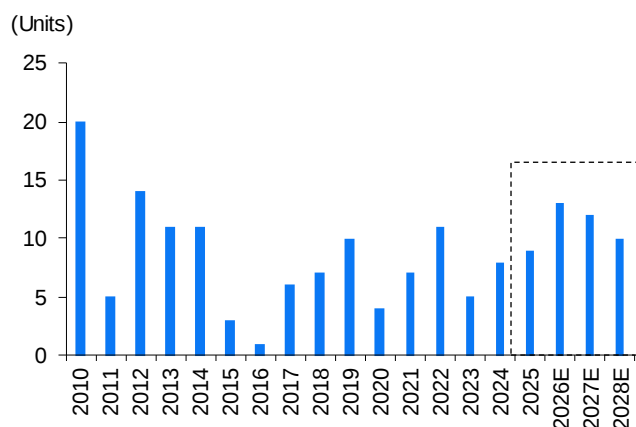
Source: Clarksons

FPSO fleet age analysis



Source: Clarksons

FPSO orders and outlook



Source: Clarksons

Energy security

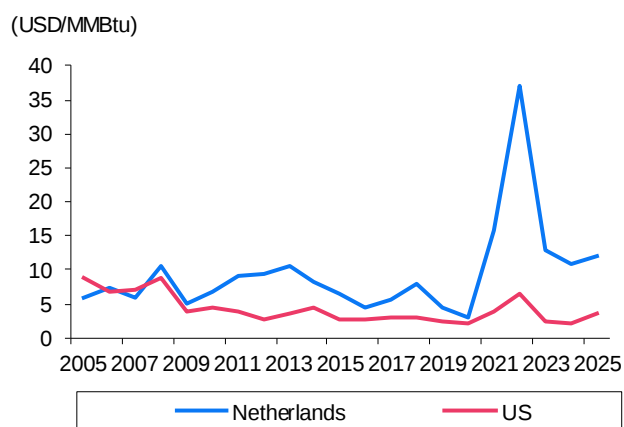
The concept of energy security—recently emphasized due to the emergence of various geopolitical conflicts—and the renewed momentum behind the energy transition (which is being driven by a similar logic), are expected to serve as tailwinds for shipbuilders' traditional offshore structure businesses. Russia's (with the world's largest natural gas reserves and third-largest oil reserves) invasion of Ukraine, along with the war in Iran (holding the world's second-largest gas reserves and third-largest crude reserves) have reawakened energy-importing nations to the importance of energy security. Indeed, Europe, which had been heavily reliant on Russian natural gas, has already experienced a severe energy crisis. This year, fears of global disruptions in the supply of crude and petroleum products emerged due to the war in Iran. The term 'energy risk' now encompasses not only short-term price volatility but also the potential for complete supply interruptions.

The key lesson from these conflicts for energy-importing nations is the necessity to diversify both the types of energy they use and their geographic supply channels. Regionally, investments are expected to

shift away from the Middle East and towards oil and gas fields in other parts of the world. From energy companies' perspective, the incentive to invest in deepwater oil and gas fields, both of which are less exposed to geopolitical risks, is likely to grow substantially. In fact, global energy majors have recently expanded their investments in Latin America and Africa, including Nigeria and Venezuela, to mitigate their Middle East exposure. ExxonMobil, whose operations in the Middle East account for 20% of its portfolio, is reportedly: 1) evaluating a USD24b investment in deepwater oil fields in Nigeria; 2) advancing procedures for offshore drilling off the coast of Greece; and 3) initiating seismic surveys for deepwater oil and gas exploration in Trinidad and Tobago.

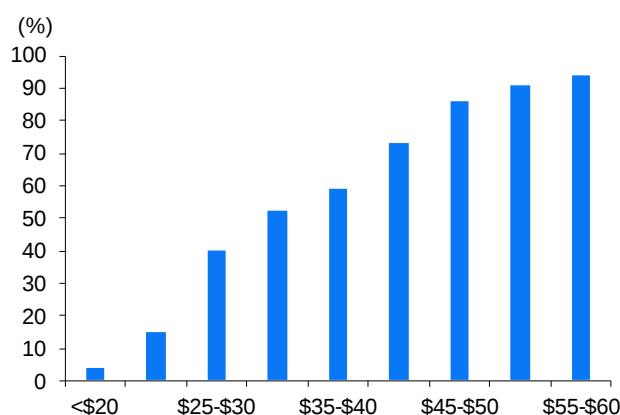
In fact, 73% of global offshore oil fields break even at a crude price of just USD45/bbl; at USD60/bbl, 94% of these oil fields become profitable. This indicates that a significant number of offshore oil fields remain competitive even at low oil prices. Yet, the offshore structure market has remained in a rut because energy companies have hesitated to commit capital due to the existence of multiple uncertainties. Developing offshore fields requires long time horizons and massive capital outlays. In an environment of tightening environmental regulations and risks of falling fossil fuel prices, firms have been reluctant to undertake large-scale, long-term projects. However, the combination of rising energy prices (triggered by geopolitical conflicts) and the renewed investment impetus (driven by energy security concerns) is likely to significantly accelerate energy companies' offshore energy investments.

Natural gas prices: Europe (TTF) vs US (Henry Hub)



Source: Energy Institute

Portion of global offshore oilfields that break even, by oil price



Source: Rystad Energy

Electrification positively impacts Korean shipbuilders' offshore structure orders

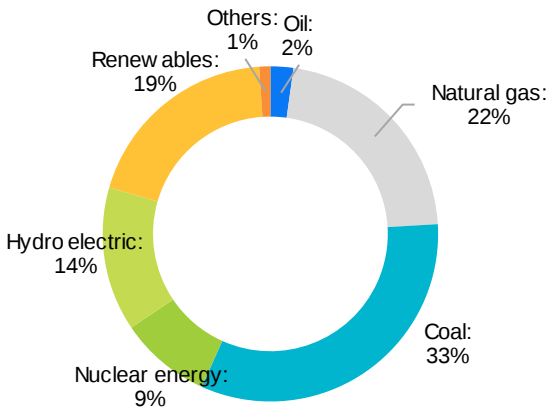
The global trend towards electrification is positively influencing Korean companies' ability to secure orders for offshore structures. It is not global efforts to address climate change, but rather the war in the Middle East that is accelerating the energy transition. From a perspective of energy security, major energy-importing nations are actively seeking to reduce their dependence on oil. A logical step towards meeting this goal is replacing oil-powered equipment with electricity driven alternatives. Electricity is a secondary energy source that can be generated from diverse primary sources. For example, unlike ICE autos, EVs can run even if oil supplies are disrupted—electricity can be generated from energy sources such as nuclear power and gas. As consumers have experienced sharp fluctuations in oil prices, demand for EVs is likely to surge. Given the overwhelming dominance of oil in the transportation

market, increased EV sales would signify a shift in demand from oil to electricity. In conclusion, the trend towards electrification is accelerating.

The accelerating electrification trend should inevitably drive demand for gas-fired power generation infrastructure, as oil is rarely used for power generation—globally, oil accounts for only 2% of electricity production. Excluding renewables and nuclear, the primary energy sources currently available for power generation are natural gas and coal. Considering the likelihood of stricter environmental regulations over the longer term, natural gas is effectively the most stable of these two options.

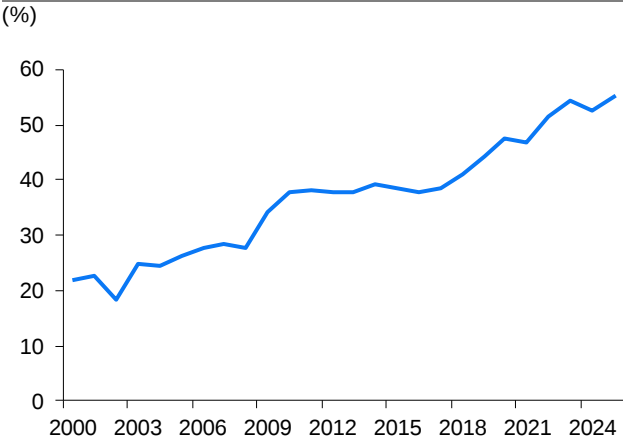
Transporting natural gas over long distances requires liquefied natural gas (LNG) infrastructure. This is an area where major Korean shipbuilders hold an overwhelming competitive advantage. In particular, floating LNG liquefaction facilities (FLNG) represent a high-value, high-barrier segment within offshore structures. Globally, only nine FLNG vessels are in operation, half of which (four) were built by Korean shipyards. Of the seven FLNG projects currently in order backlog, four are held by Korean companies. Notably, all orders for large-scale (3 MTPA+) newbuild FLNG vessels—not conversions—have been secured and fulfilled by SHI. Equally important is the fact that the region with the fastest-growing natural gas production is the Americas. Considering US energy security policies and US efforts to constrain China's shipbuilding industry, US-bound LNG infrastructure needs can effectively only be met by Korean firms. Beyond FLNG, Korean shipbuilders are also well-positioned to expand their market share in other LNG-related segments, including floating storage and regasification units (FSRUs) and LNGCs.

Global power generation mix, by energy source



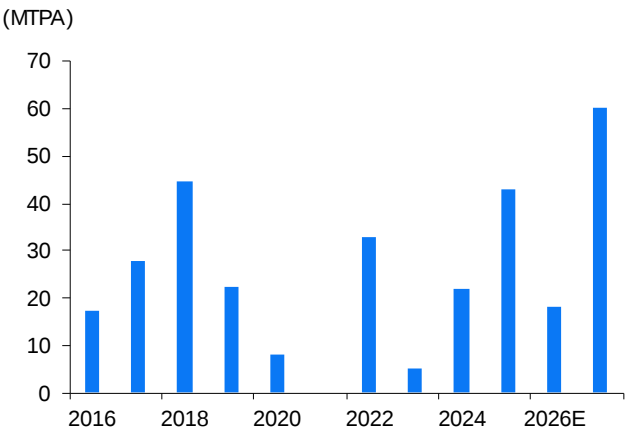
Note: Based on data in 2025
Source: Energy Institute

LNG's share of global natural gas trade



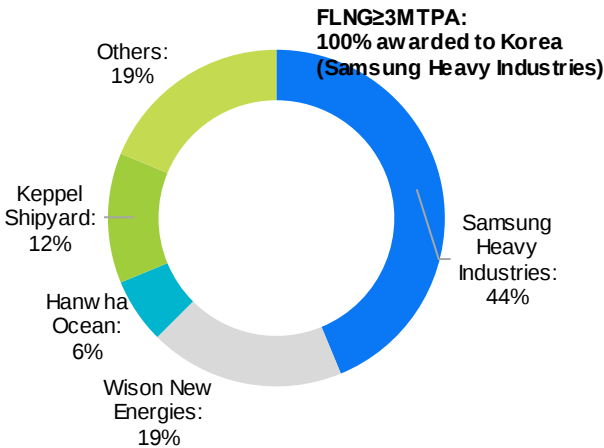
Source: Energy Institute

Global net LNG liquefaction capacity additions



Source: Clarksons

FLNG market share, by order backlog and fleet



Source: Clarksons

More offshore structure orders being reported

More and more orders for offshore structures are being placed, and news flows relating to orders for gas-related facilities remain in the spotlight. This year, SHI (a global leader in FLNG) has already secured two FLNG contracts, totaling USD5.4b. By year-end, the company is expected to finalize contracts for up to two more FLNG units—Port Delfin2 in the US and Ksi Lisims in Canada.

Moreover, according to recent media reports, the Mozambique Rovuma Venture (MRV), led by Italy's ENI, has initiated an expression of interest for additional FLNG constructions. MRV had previously placed contracts to build two FLNG projects—both were built by SHI. Meanwhile, Hanwha Ocean recently signed a memorandum of understanding (MOU) with Kanata Clean Power & Climate Technologies (Canada) to collaborate on LNG infrastructure projects, including FLNG and LNGCs.

Beyond FLNG, demand for gas storage and regasification facilities remains steady. Recent reports indicate that South Africa is advancing its first LNG import terminal, which includes a floating storage unit (FSU). Poland has also decided to add a second floating storage and regasification unit (FSRU) in the Baltic Sea. For reference, HD HHI delivered Poland's first FSRU project.

Regarding oil FPSOs, six units have already been ordered this year, bringing the global total close to the five-year average. However, Korean shipbuilders have not won any of these oil FPSO projects. That said, this is not particularly concerning, as Korean firms are currently prioritizing gas-related facilities over oil FPSOs. Moreover, Korean companies are not entirely absent from oil FPSO bidding. Hanwha Ocean is now in the final stage of bidding (against Dutch firm SBM Offshore) for Total's Venus FPSO project in Namibia. Additionally, bidding for multiple other FPSO projects is underway. As the number of projects in which Korean firms are participating grows, the likelihood of their securing new contracts should increase.

Application of shipbuilding technology in the power generation sector

The significance of bringing shipbuilding technology to new domains

Expectations are growing that shipbuilding technology will increasingly be applied to the power generation sector. Specific examples include repurposing marine auxiliary engines for land-based power generation and deploying data centers on floating offshore structures. Demand is also rising for mobile, floating power generation units.

Shipbuilders taking their expertise to the power industry offers two key positives. First, from a business perspective, it can mitigate concerns that the traditional shipbuilding market might be peaking. By leveraging existing core competencies, shipbuilders can enter entirely new segments. This diversification should also help strengthen their bargaining power in traditional markets. Given that shipbuilding remains a seller's market, increased demand from the power generation sector should tighten supply dynamics for marine engines, vessels, and offshore structures, ultimately supporting upwards pricing pressure for these products.

Second, from a stock valuation standpoint, the impact should be even more pronounced. Most of all, both domestic and international power infrastructure companies are trading at high valuations. Korean shipbuilders are currently trading at an average 2026 P/E of 16x, while major Korean power equipment manufacturers trade at around 36x. Shipbuilders entering the power infrastructure space are likely to receive a valuation premium (vs pure shipbuilders). A clear example is HD Construction Equipment, which trades at a premium to the construction equipment sector given its exposure to data center backup generators—it leveraged its heavy equipment engineering expertise to enter the segment.

Industrials: P/E valuations

(x)	Kospi 200	Kospi 200 industrials	KRX Machinery & equipment	Shipbuilding	Defense	Power equipment	Construction equipment
2026E	7.3	31.8	29.3	15.8	25.6	36.2	11.4
2027E	5.3	21.0	20.9	12.9	18.9	26.9	9.3

Source: FnGuide

Bringing shipbuilding technology to power generation sector: Data centers, floating data centers, powerships, and SMRs

The integration of shipbuilding technology into the power generation sector is not a speculative idea—it is already a commercial reality, with active contracts, deliveries, and installations underway. First, using marine engines to power data centers is already supported by numerous real-world case studies.

In fact, from the perspective of shipbuilders and engine manufacturers, land-based power generation engines are not a new business. After all, marine engines are designed to generate electricity (albeit on ships). Typically, large commercial vessels are equipped with one main propulsion engine (usually a two-stroke low-speed engine) and three or four auxiliary engines (typically four-stroke medium-speed engines). Using four-stroke auxiliary engines for land-based power generation is itself not a novel practice—engine manufacturers have long supplied power generation units for this purpose. But in the past, demand for such engines came primarily from emerging markets (EMs; given their limited infrastructure), remote island communities disconnected from the grid, or regions facing seasonal

power shortages (such as during the dry season for areas heavily reliant on hydropower). Today, however, the primary driver of demand has shifted to data centers in North America.

Wärtsilä Corporation, a global leader in four-stroke medium-speed engine technology, is securing major contracts to power US data centers. In 2025, the company won orders for two data center power projects totaling 282 MW and 507 MW, respectively. In April this year, it secured two contracts: A 412 MW project in Ohio (40 gas engines) and a 790 MW project in Texas. Similarly, HD HHI, Korea's largest and most advanced engine maker and shipbuilder, signed a KRW630b contract this year to supply engines for data-center power-generation purposes. Under this agreement, HD HHI will deliver 34 power generation units based on its 20 MW HiMSEN engine platform.

Floating data centers (FDCs) are also gaining traction. SHI has completed the basic design of a 50 MW FDC and obtained class approval. It has also signed an MOU with ABB to co-develop power systems for FDCs, becoming the first shipbuilder globally to announce a commercial service timeline for FDCs. In late 2025, SHI, alongside SEC and Samsung C&T, entered a partnership with OpenAI to build data-center infrastructure. Media reports suggest SHI may leverage this partnership to jointly develop FDCs. HD Hyundai Group also positively views FDCs given its potential to leverage its unique power solutions. The group owns its own HiMSEN engine technology and is actively entering the small modular reactor (SMR) market (this should enable it to propose multiple power source options—engine-based, nuclear, or hybrid—to customers). Moreover, it can pursue both newbuild and retrofit FDC projects simultaneously, as it owns HD Hyundai Marine Solution, an affiliate specializing in ship conversion.

The application of shipbuilding expertise to nuclear power is equally advanced. The UK-based offshore nuclear firm Core Power has initiated feasibility studies for floating SMRs (FSMRs). In Korea, HD Hyundai Group has invested in Terra Power, a US-based SMR developer, and HD HHI has been selected as a preferred bidder to supply the SMR's main engine system. SHI is jointly developing a FSMR platform with the Korea Atomic Energy Research Institute (KAERI) and has secured Approval in Principle (AiP) from the American Bureau of Shipping (ABS) for its newly developed FSMR. Hanwha Ocean has also signed an MOU with Kepco E&C to co-develop and commercialize marine nuclear technology. The concept of SMRs is not foreign to shipbuilders: It originated from naval nuclear propulsion systems. In fact, Hanwha Ocean explored offshore nuclear projects in Indonesia in the late 2000s, and HD HHI conducted conceptual design studies for marine nuclear plants with KAIST and KAERI as early as 2011.

Demand for powerships—marine-based power plants installed on ships or barges—is also expected to rise. While not a new product, powerships have traditionally served remote islands and EMs (which have unreliable grids). As FDCs proliferate, so too should the need for mobile, scalable power supply, making powerships a natural complement. Karpowership (Turkey), the world's largest powership operator, recently signed MOUs with Korean SME equipment suppliers and the city of Busan to expand its supply chain and local collaboration efforts.

Why the power industry needs shipbuilders

The technical and economic efficiency of applying shipbuilding technologies to the power industry—compared to conventional approaches—remains a subject of debate. From the power generation sector's perspective, adopting technologies from shipbuilders represents a novel approach—traditional methods of data-center construction and conventional power source procurement are generally seen as more stable and proven. Economically, it is difficult to assert that marine engine-based power generation clearly outperforms large-scale coal-fired power plant construction. Nevertheless, sufficient incentives remain for the power industry to adopt shipbuilding technologies.

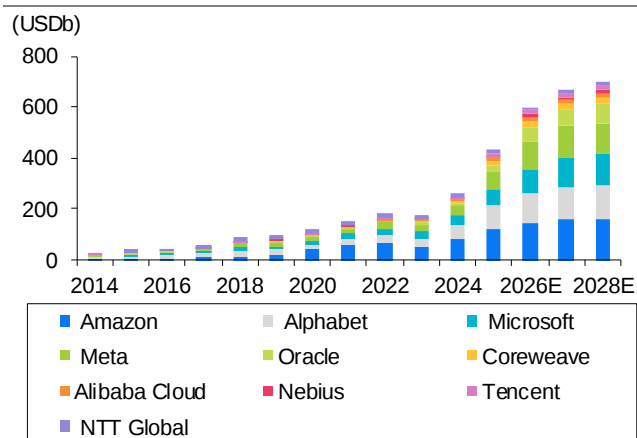
The reason the power industry is turning to shipbuilders' technologies is straightforward: Korean shipbuilders can deliver solutions faster than traditional power infrastructure construction timelines in North America. For businesses that cannot afford to fall behind in the data-center race, shipbuilding-based technology offers the fastest path to rapid deployment.

In the US, the world's largest power equipment market, the current grid interconnection wait time exceeds five years. Last year, the average interconnection delay was 5.2 years, and most projects today must still plan for wait times of five years or more. In particular, large AI data centers are increasingly encountering interconnection delays of 5-8 years, with such cases becoming more common.

This bottleneck is structural and unlikely to be resolved in the near term. An estimated 42% of current US power infrastructure investments are directed towards replacing aging assets, not expanding capacity. Power infrastructure demand has already surged beyond levels seen during the height of previous industry booms. Now, new demand from EVs and, more critically, data centers is adding unprecedented pressure. Data-center power demand, in particular, shows no sign of slowing: According to BNEF, global investments in data centers by the top-16 tech firms grew at a 27% CAGR over the past five years—eg, in 2025, their data-center investments were 10x their 2015 data center investments. Even after this massive expansion, projections indicate that their data-center investments will grow at a CAGR of 17% over the next three years. As electricity demand continues to outstrip supply in the US, power prices have been steadily rising. In response, the US government now requires data-center operators to secure their own power sources to alleviate the public's financial burden. The massive investments driving the data-center industry are extending beyond facility construction into the broader power generation sector. This opens up diverse business opportunities for the shipbuilding industry—not only in the field of FDCs, but also across a range of related applications.

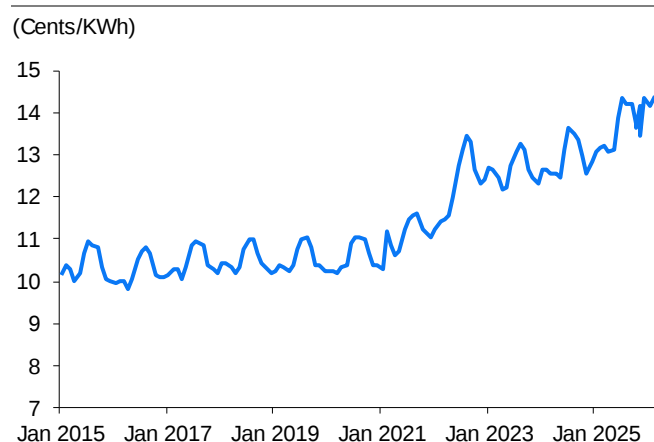
True, the shipbuilding industry maintains a substantial order backlog—equivalent to 3.6 years' worth of work based on projected deliveries in 2027—yet remains well-positioned to deliver large-scale power infrastructure projects significantly faster than traditional power generation developers. In particular, utilization in the offshore segment is lower than that for traditional shipbuilding businesses. Moreover, shipbuilders face lower risks of cost overruns and schedule delays compared to on-site power project developers, as their industrial model relies on constructing vessels and structures in controlled shipyard environments using established workforces, then delivering them to installation sites—rather than building on-site. This significantly reduces exposure to local variables.

Data-center capex, by major tech company



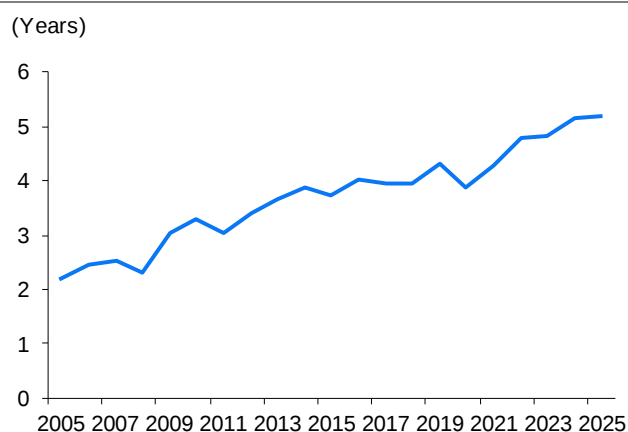
Note: Based on top 10 companies in data center capex
Source: BNEF

US retail electricity price



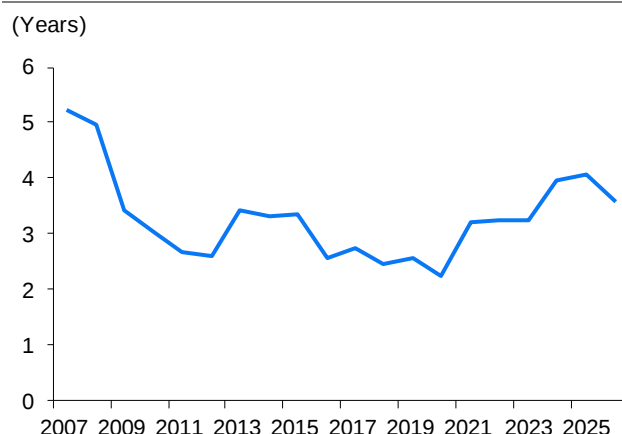
Source: EIA

Time required to get connected to the grid in the US



Note: Based on mean value
Source: LBNL

Shipbuilding workload (backlog/deliveries)



Note: Calculated by dividing the current year's order backlog by the following year's expected deliveries
Source: Clarksons

Conclusion

Shipbuilding sector attractive

The ultimate share-price recovery catalyst is earnings—earnings as the third momentum driver

Why earnings still matter

The momentum factors discussed earlier should help rekindle interest in the shipbuilding industry as they will likely highlight the sector's robust indicators and attractive valuation. Yet even if these catalysts materialize, a positive market response is not guaranteed. The market environment, stock supply-demand conditions, and investor sentiment are inherently dynamic. That said, the shipbuilding sector remains compelling primarily because long-term earnings estimates still carry significant upside.

If the current momentum factors successfully capture investor attention, the result could be an expansion of valuation multiples. But even if the factors fall short of igniting investor appeal, sustained earnings growth alone could still lift stock prices—corporate value is ultimately determined by the interplay of earnings outlooks and valuation multiples. This is particularly true for cyclical sectors: During the late phase of a cycle, shares often rise despite multiples shrinking, as companies benefit from strong earnings momentum driven by revenue from high-margin contracts signed in prior years.

Earnings improvement: Magnitude, not just trend, is key

Shipbuilders' profitability has been on a sustained upwards trajectory, driven primarily by the completion (and clearing) of low-margin contracts (from order backlogs) and the rising recognition of sales from high-value vessels. Yet this is not new information. Profitability improvements have been unfolding for years, and investors have long grown accustomed to them. As a result, most now assume that general earnings improvement alone will no longer act as a meaningful share-price catalyst.

Yet, when earnings materially exceed consensus—not merely y-y or q-q improvement, but a clear upside surprise—they remain a potent driver of share-price momentum. Crucially, current market estimates for peak profitability at Korean shipbuilders look mild rather than aggressive.

Consider Hanwha Ocean's 1Q26 operating margin of 18%—a level that, even after accounting for limited forex hedging, suggests underlying contract profitability is stronger than widely perceived. Notably, this margin was achieved despite the continued recognition of revenue from low-margin contracts (won in 2022). Once its revenue stems fully from orders taken post-2024 (*ie*, orders signed at significantly higher prices), the company's margin may exceed 18%.

Of course, near-term headwinds exist: Rising wages and performance bonuses, higher raw-material costs (especially steel plates), rising equipment prices, and potential cost spikes stemming from safety incidents (eg, fires). Yet even when these negatives are fully factored in, earnings consensus figures remain well within reach. In short, we believe the shipbuilding sector is positioned to deliver earnings-driven momentum.

Major shipbuilders: 1Q26 operating margin

(%)	HD HHI		HD Hyundai	Samsung	Hanwha
	Large sized	Mid sized (Mipo)	Samho	Heavy	Ocean
2022	14	0	5	23	20
2023	53	26	43	43	23
2024	29	71	49	34	47
2025	4	3	3		10
OPM (%)	15.3		18.6	9.4	13.7
OPM at shipbuilding businesses (%)	15.6		18.6	n/a	18

Source: Company data

Peak-profitability forecast continues to be pushed back

Given this year's robust order intake and the continued won weakness, we think that the timing of Korean shipbuilders' peak profitability has been further delayed. Based on end-2025 backlog levels, peak quarterly profitability was previously expected to occur in 1H27.

However, with the orders won ytd already reaching 81% of the full-year 2025 level, and average contract prices for key vessel types rising (in USD terms), we now think that this earnings peak will happen in 2H27. Moreover, the Korean won in 1H26 was 4.4% weaker against the US dollar than last year's full-year average—newly booked, hedged orders are already generating higher margins than orders that were signed in 2025. Our new peak-earnings projection is based solely on current order backlogs. If shipbuilders maintain their robust order momentum in 2H26, as expected, the peak-profitability window could be delayed further.

The Clarksons Newbuilding Price Index adjusted for forex rates

Chg (% y-y)	Clarksons Newbuilding Price Index		USD/KRW change*	Won-denominated ship price
	End-period	Monthly average		
2023	10.2	7.2	1.1	8.3
2024	6.0	9.0	4.5	13.9
2025	-2.4	0.0	4.2	4.2
1Q26	-1.4	-2.0	3.2	1.1
2Q26	0.3	-1.1	2.4	4.5

Note: *Based on annual average exchange rates; a positive number denotes a weaker won

Source: Clarksons, Samsung Securities, Bank of Korea

Only downside factor—market-wide valuation compression

Considering the industry's strong fundamentals and resilient earnings estimates, we believe the recent correction in shipbuilding stocks is attributable to the broader compression of market multiples. To reflect this, we conservatively adjust our valuation multiples for large shipbuilders. Our new target valuation applies 24x P/E (the average observed since 2024) to the period during which shipbuilders began generating meaningful, sustainable earnings and the market shifted decisively to earnings-based valuations (P/E and EV/EBITDA). Given that: 1) shipbuilders' 2026 earnings are on track to be the strongest of this cycle; and 2) our 24x multiple aligns closely with the domestic industrial goods sector's average P/E and global peers' 2027 consensus, we see this multiple as being reasonable.

Even with this conservative multiple adjustment, the downward revisions to our target prices are modest. This is because our targets are anchored to 2027 EPS, a year in which earnings are set to grow strongly. As previously noted, earnings momentum remains the primary driver of share performance.

That said, the target-price adjustments are larger for Hanwha Ocean and HD Korea Shipbuilding & Offshore Engineering (HD KSOE). For Hanwha Ocean, we factored in the near-term loss of its defense-related premium (following its recent failure to secure a submarine contract). As a holding company, HD KSOE's valuation must reflect the recent underperformance of its listed subsidiaries, a factor unrelated to its core shipbuilding fundamentals. Yet even after these adjustments, both companies have over 60% upside. This underscores two key points: 1) the recent sell-off has been excessive; and 2) current valuations across the sector remain highly attractive.

Target price summary for major shipbuilders

(KRW)	New	Previous	Chg (%)	Applied 2027E P/E (x)	Upside (%)
HD HHI	900,000	1,030,000	-12.6	24.0	93.1
Samsung Heavy	40,000	43,000	-7.0	24.0	88.2
Hanwha Ocean	130,000	180,000	-27.8	24.0	69.3

Source: Samsung Securities estimates

HD KSOE: Sum-of-the-parts valuation

(KRWb)		
Listed companies' value*	$A=(b+c+d+e) \times 60\%$	19,328
HD Hyundai Heavy Industries	(b)	30,817
HD Hyundai Energy Solution	(c)	658
HD Hyundai Marine Engine	(d)	659
HD Hyundai HYMS	(e)	80
Unlisted companies' value	$F=(g+h) \times 50\%$	16,870
HD Hyundai Samho*	(g)	33,077
Affiliates/Joint ventures**	(h)	662
EB***	I	2,936
Net cash (parent)	J	1,489
EV	$K=A+F+I+J$	40,623
Shares (float, ex treasury shares) ('000)	L	70,715
Target price (KRW)	$M=(K/L)$	570,000

Note: *Sector target P/E 24x applied to HD Hyundai Samho 2027E net profit;

**HD Hyundai Asia Holdings valued at book value;

**Assumed EBs be fully exchanged and reflected without discount

Source: Samsung Securities estimates

HD Hyundai Heavy Industries remains our sector top pick

In the shipbuilding sector, our top pick is HD HHI as has uniquely positioned itself to capture multiple, synergistic growth catalysts. The company is the only major Korean shipbuilder with its own engine manufacturing business, which is not only a strong complement to its shipbuilding operations but also ranks as the world's largest ship engine manufacturer by production capacity. Crucially, it is among the very few global players with proprietary engine technology—it does not rely on licensed designs.

Recently, the company signed a contract to supply proprietary 4-stroke HiMSEN engines to a US data center operator—the engines will be used for power generation purposes. This highlights HD HHI's growing strength in land-based power generation, a segment where it can distinguish itself from its domestic rivals. Unlike most Korean engine makers, which focus exclusively on either two-stroke or four-stroke engines, HD HHI produces both types: Two-stroke low-speed engines for ship propulsion and four-stroke medium-speed engines for power generation. The HiMSEN engine, its flagship four-stroke model, is specifically designed for land-based power generation. Furthermore, most domestic engine makers rely on licensed technology from foreign firms. This creates barriers to entering global power markets, as they must negotiate with foreign licensors. In contrast, as HD HHI owns its core technology, it can avoid royalty payments and supply constraints, granting it superior pricing flexibility.

HD HHI can also benefit from a uniquely powerful ecosystem within HD Hyundai Group. The group includes HD Hyundai Electric (which specializes in power equipment), HD Construction Equipment (small engines for emergency generators), and HD Hyundai Marine Solution (ship repair and conversions). This ecosystem means that HD HHI can offer integrated solutions to its clients—beyond just shipbuilding. For instance, for data-center projects, HD HHI can bundle its HiMSEN engines with power equipment and backup generators as a turnkey solution. HD Group is also uniquely positioned to lead both newbuild and conversion projects for FDCs. Even if a client chooses to retrofit an existing vessel, HD HHI could remain a key participant by supplying core power generation systems. Specifically, the firm can provide solutions such as powerships that are powered by HiMSEN engines or floating SMRs. Notably, it has already been selected as a preferred bidder to supply the main machinery for TerraPower's SMR project.

Meanwhile, the company's core shipbuilding business continues to perform well. As of mid-2026, HD HHI has secured an estimated USD11.5b shipbuilding and offshore structure orders ytd—99% of last year's full-year total and 56% of its ambitious 2026 annual target. Profitability remains healthy: The core shipbuilding business posted an operating margin of 15.6% in 1Q, despite relatively modest currency hedging gains and limited recognition of sales from high-margin orders (won over 2024-2026). Further margin growth is expected as sales from these higher-value orders are gradually logged.

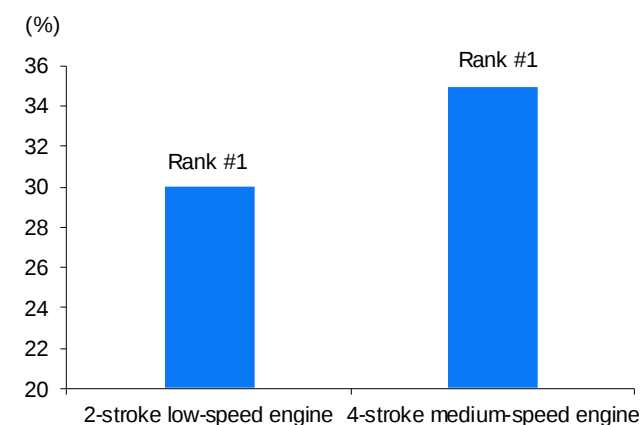
Despite this combination of growth potential and strong operating results, HD HHI's valuation remains broadly in line with its peers—the market appears not to have fully priced in its unique competitive advantages.

Comparison of major Korean engine manufacturers

		HD Hyundai Heavy (engine division)	HD Hyundai Marine Engine	Hanwha Engine	STX Engine
Product mix		2-stroke low-speed engine 4-stroke medium-speed engine	2-stroke low-speed engine	2-stroke low-speed engine 'Partial' 4-stroke medium-speed engine	4-stroke medium-speed engine Defense/high-speed engine
In-house model	2-stroke	x	x	x	x
	4-stroke	✓ (HiMSEN engine)	x	x	x
License model	2-stroke	MAN ES, WinGD	Everlence	Everlence, WinGD	Everlence
	4-stroke	In-house (HiMSEN engine)		Everlence, WinGD	Everlence, Rolls-Royce, Cummins

Source: Company data, Samsung Securities

HD HHI's market share and global industry ranking in two marine engine segments



Source: HD Hyundai Heavy Industries

Major Korean shipbuilders: Ytd order performance

(USDm)	2026 ytd	2026 guidance		2025 orders	
		Target	Achieved (%)	Orders	2026 ytd/2025 orders (%)
HD HHI	5,207	20,420	25.5	11,644	44.7
Shipbuilding	5,174	17,502	29.6	11,511	44.9
Offshore	33	3,259	1.0	133	24.8
HD Samho	2,885	5,048	57.2	6,948	41.5
HD Group	8,092	25,468	31.8	18,592	43.5
SHI	2,759	13,900	19.9	7,900	34.9
Shipbuilding	2,759	5,700	48.4	7,100	38.9
Offshore		8,200	-	800	n/a
Hanwha	2,567	n/a	n/a	10,050	25.5
Shipbuilding	2,567	n/a	n/a	9,810	26.2
Offshore		n/a	n/a	240	-
Total	13,418	n/a	n/a	36,542	36.7

Source: Media, Samsung Securities estimates

COMPANY UPDATE

2026. 7. 24

Industrial Team

Youngsoo Han

Team Leader

han.youngsoo@samsung.com

▶ AT A GLANCE

BUY		
Target price	KRW900,000	93.1%
Current price	KRW466,000	
Market cap	KRW48.9t/USD32.8b	
Shares (float)	104,961,225 (30.6%)	
52-week high/low	KRW745,000/KRW387,000	
Avg daily trading value (60-day)	KRW307.6b/ USD206.1m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
HD Hyundai Heavy Industries (%)	-28.3	-24.2	20.4
Vs Kospi (%pts)	-15.1	-47.8	-43.8

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	900,000	1,030,000	-12.6%
2026E EPS	27,837	27,837	0.0%
2027E EPS	37,518	37,398	0.3%

▶ SAMSUNG vs THE STREET

No of estimates	21
Target price	921,048
Recommendation	4.0
※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL	



Scan to go to
Research Center report database

HD Hyundai Heavy Industries (329180)

Diversified portfolio, strong momentum

- HD Hyundai Heavy Industries' recent data-center engine order highlights its unique position as Korea's sole shipbuilder with proprietary medium-speed engine technology. Its orders won this year (to build commercial vessels) remain robust in comparison with those landed by its peers.
- Despite the existence of several upside factors, the stock is trading at a valuation that is only in line with its industry rivals'. The shares look attractive.

WHAT'S THE STORY?

Engine business comes under the spotlight: In April, HD Hyundai Heavy Industries (HD HHI) signed a contract to supply its proprietary 4-stroke HiMSEN engines to a US data center operator. These engines should be used to power the data centers. The shipbuilder is among a handful of global players with fully proprietary engine designs. Unlike its domestic peers, who are reliant on licensed technology from foreign firms, HD HHI does not need to make royalty payments and is not bound by supply constraints, granting it superior pricing flexibility. The recent data-center order has reasserted this competitive edge as a key differentiator.

Broad and diversified business portfolio: HD HHI is the only Korean shipbuilder with an in-house engine business. Beyond shipbuilding, it runs offshore, land-based power generation, and defense system businesses, and its overseas shipyard operations are supported by group affiliates. This diversification positions it to benefit from any emerging momentum within the shipbuilding industry.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	17,581	24,166	28,468	29,525
Operating profit (KRWb)	2,038	3,688	4,941	5,422
Net profit (adj) (KRWb)	1,415	2,922	3,938	4,224
EPS (adj) (KRW)	13,486	27,837	37,518	40,242
EPS (adj) growth (% y-y)	92.6	106.4	34.8	7.3
EBITDA margin (%)	13.5	17.0	18.9	19.8
ROE (%)	18.8	27.9	30.2	26.4
P/E (adj) (x)	34.6	16.7	12.4	11.6
P/B (x)	5.2	4.2	3.4	2.8
EV/EBITDA (x)	19.4	11.0	7.8	6.4
Dividend yield (%)	1.2	1.6	2.1	2.6

Source: Company data, Samsung Securities estimates

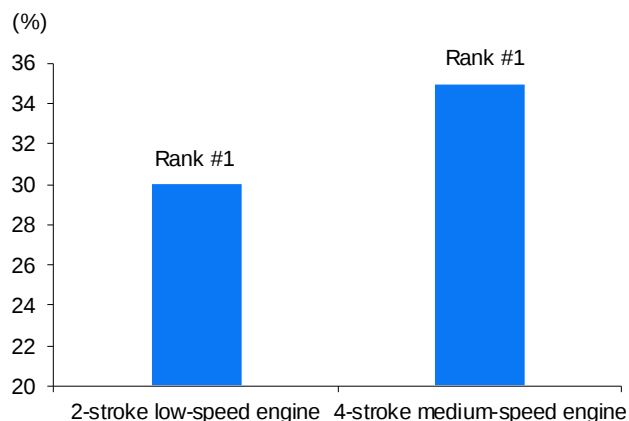
Its core businesses remain highly competitive: 1) it has the largest marine engine business in the world (number one in terms of global market share); 2) new orders for commercial vessels won ytd already match its full-year 2025 volume; and 3) its land-based power generation business benefits from its running an engine business and from synergies with group affiliates like HD Hyundai Electric and HD Hyundai Marine Solution. HD HHI is actively exploring its entry into new businesses such as floating data centers, land-based engines, and small modular reactors (SMRs)—all of these new businesses are potential catalysts for a valuation re-rating. Yet despite its compelling advantages, the firm is trading at a valuation that is only in line with its industry peers'. The stock looks attractive.

Comparison of major Korean engine manufacturers

		HD Hyundai Heavy (engine division)	HD Hyundai Marine Engine	Hanwha Engine	STX Engine
Product mix		2-stroke low-speed engine 4-stroke medium-speed engine	2-stroke low-speed engine	2-stroke low-speed engine 'Partial' 4-stroke medium-speed engine	4-stroke medium-speed engine Defense/high-speed engine
In-house model	2-stroke	x	x	x	x
	4-stroke	✓ (HiMSEN engine)	x	x	x
License model	2-stroke	MAN ES, WinGD	Everlence	Everlence, WinGD	Everlence
	4-stroke	In-house (HiMSEN engine)		Everlence, WinGD	Everlence, Rolls-Royce, Cummins

Source: Company data, Samsung Securities

HD HHI's market share and industry ranking in global marine engine market



Source: HD Hyundai Heavy Industries

HD Hyundai Heavy: 2Q26 preview

(KRWb)	2Q26E	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Diff (%)
Sales	6,331	5,916	7.0	4,147	52.7	6,328	0.1
Operating profit	994	905	9.8	471	110.8	1,000	-0.6
Pre-tax profit	984	1,056	-6.8	280	251.3	1,009	-2.4
Net profit	758	774	-2.1	211	259.3	792	-4.3
Margins (%)							
Operating profit	15.7	15.3		11.4		15.8	
Pre-tax profit	15.5	17.9		6.8		15.9	
Net profit	12.0	13.1		5.1		12.5	

Source: HD Hyundai Heavy, FnGuide, Samsung Securities estimates

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	22,259	22,785
Gross profit	1,494	2,964	4,797	6,208	6,740
Gross margin (%)	10.3	16.9	19.8	21.8	22.8
SG&A expenses	789	927	1,109	1,267	1,318
Operating profit	705	2,038	3,688	4,941	5,422
Operating margin (%)	4.9	11.6	15.3	17.4	18.4
Non-operating gains (losses)	93	-237	156	240	135
Financial profit	964	1,018	907	1,131	913
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	5,181	5,558
Taxes	177	385	923	1,244	1,334
Effective tax rate (%)	22.1	21.4	24.0	24.0	24.0
Profit from continuing operations	622	1,415	2,922	3,938	4,224
Profit from discontinued operations	0	0	0	0	0
Net profit	622	1,415	2,922	3,938	4,224
Net margin (%)	4.3	8.1	12.1	13.8	14.3
Net profit (controlling interests)	622	1,415	2,922	3,938	4,224
Net profit (non-controlling interests)	0	-0	0	0	0
EBITDA	1,011	2,371	4,104	5,370	5,858
EBITDA margin (%)	7.0	13.5	17.0	18.9	19.8
EPS (parent-based) (KRW)	7,001	13,486	27,837	37,518	40,242
EPS (consolidated) (KRW)	7,001	13,486	27,837	37,518	40,242
Adjusted EPS (KRW)*	7,001	13,486	27,837	37,518	40,242

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	2,884	3,510	2,437	3,384	5,155
Net profit	622	1,415	2,922	3,938	4,224
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	2,599	4,650
Cash at beginning of year	928	1,258	1,870	3,364	5,963
Cash at end of year	1,258	1,870	3,364	5,963	10,613
Gross cash flow	770	2,353	3,552	4,600	5,108
Free cash flow	2,420	2,998	923	2,884	4,735

Note: *Excluding one-off items

**Fully diluted, excluding one-off items

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	10,403	14,980	19,709	25,145	30,283
Cash & equivalents	1,258	1,870	3,364	5,963	10,613
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	13,603
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	39,617	44,705
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	7,188
Bonds & long-term debt	752	488	348	248	148
Other long-term liabilities	1,139	1,000	4,119	5,486	7,039
Total liabilities	13,686	16,821	22,529	25,113	27,237
Owners of parent equity	5,704	9,342	11,615	14,503	17,468
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	7,538	10,503
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	14,503	17,468
Net debt	-238	-2,927	-3,953	-6,955	-11,569

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	34.0	9.7
Net profit	2,417.3	127.7	106.4	34.8	7.3
Adjusted EPS**	2,417.7	92.6	106.4	34.8	7.3
Per-share data (KRW)					
EPS (parent-based)	7,001	13,486	27,837	37,518	40,242
EPS (consolidated)	7,001	13,486	27,837	37,518	40,242
Adjusted EPS**	7,001	13,486	27,837	37,518	40,242
BVPS	64,259	89,001	110,662	138,179	166,421
DPS (common)	2,090	5,661	7,500	10,000	12,000
Valuations (x)					
P/E***	66.6	34.6	16.7	12.4	11.6
P/B***	7.3	5.2	4.2	3.4	2.8
EV/EBITDA	48.1	19.4	11.0	7.8	6.4
Ratios (%)					
ROE	11.4	18.8	27.9	30.2	26.4
ROA	3.4	6.2	9.7	10.7	10.0
ROIC	9.2	27.8	32.0	31.6	33.1
Payout ratio	29.9	42.0	26.9	26.7	29.8
Dividend yield (common)	0.4	1.2	1.6	2.1	2.6
Net debt to equity	-4.2	-31.3	-34.0	-48.0	-66.2
Interest coverage (x)	4.7	21.1	79.9	94.0	127.4

COMPANY UPDATE

2026. 7. 24

Industrial Team

Youngsoo Han

Team Leader

han.youngsoo@samsung.com

▶ AT A GLANCE

BUY		
Target price	KRW40,000	88.2%
Current price	KRW21,250	
Market cap	KRW18.7t/USD12.5b	
Shares (float)	880,000,000 (76.2%)	
52-week high/low	KRW34,400/KRW17,440	
Avg daily trading value (60-day)	KRW184.1b/USD123.3m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Samsung Heavy Industries (%)	-21.0	-25.0	21.8
Vs Kospi (%pts)	-6.4	-48.4	-43.1

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	40,000	43,000	-7.0%
2026E EPS	1,165	1,176	-0.9%
2027E EPS	1,689	1,713	-1.4%

▶ SAMSUNG vs THE STREET

No of estimates	20
Target price	39,900
Recommendation	4.0
※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL	



Scan to go to
Research Center report database

Samsung Heavy Industries (010140)

High hopes for its next flagship product

- Samsung Heavy Industries (SHI) has been enjoying solid new-order momentum, led by its flagship product: FLNG. Given its technical leadership in offshore structures, high market expectations towards floating data center (FDCs), possibly SHI's next growth pillar, appear to be well-founded.
- Concerns relating to the firm's lower profitability (vs its peers') and limited exposure to the US defense market should be addressed gradually.

WHAT'S THE STORY?

Solid new orders driven by FLNGs: Samsung Heavy Industries (SHI) has secured USD10b worth of new orders ytd, exceeding last year's full-year total by 26% and achieving 72% of its 2026 target. A key driver has been its dominance in the floating liquefied natural gas (FLNG) segment—related orders account for 45% of its orders won ytd. SHI maintains a near-monopoly in the mega FLNG market, with Chinese firms mostly unable to compete for US-backed projects.

FDC to emerge as next strategic catalyst: Faced with yard capacity limitations, SHI has consistently pursued high-value, specialized products to differentiate its portfolio—drillships during the last cycle, FLNG in the current cycle. The market expects floating data centers (FDC) to become the firm's next flagship product in the next cycle, given its core competency in building floating offshore structures—essentially the engineering challenge of relocating land-based data centers to the dynamic, space-constrained marine environment.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	10,650	12,952	14,956	15,625
Operating profit (KRWb)	862	1,522	2,090	2,343
Net profit (adj) (KRWb)	536	1,035	1,501	1,757
EPS (adj) (KRW)	620	1,165	1,689	1,977
EPS (adj) growth (% y-y)	754	88	45	17
EBITDA margin (%)	10.8	14.0	15.9	16.9
ROE (%)	13.7	22.6	26.9	25.3
P/E (adj) (x)	34.3	18.2	12.6	10.7
P/B (x)	4.5	3.8	3.0	2.5
EV/EBITDA (x)	17.2	9.9	7.2	5.9
Dividend yield (%)	0.0	1.4	1.4	1.4

Source: Company data, Samsung Securities estimates

Indeed, SHI is the first major shipbuilder to publicly outline a commercial timeline for FDC services. It should be able to generate synergies in the FDC segment with its Samsung affiliates, and has partnered with OpenAI and other groups to co-develop FDC infrastructure.

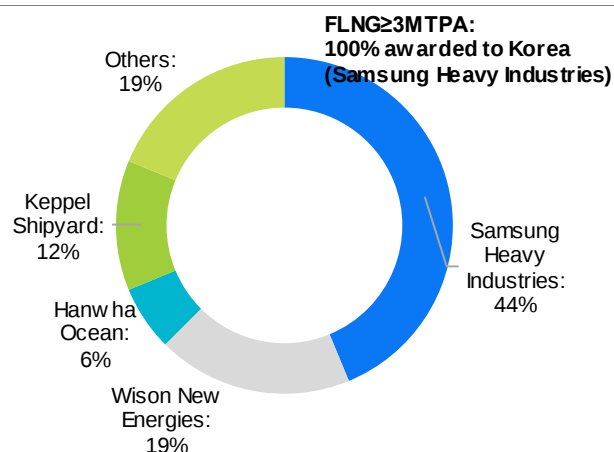
Profitability to catch up with that at its peers: SHI's earnings should improve more slowly than those at its peers given favorable forex rates. We believe SHI's 3Q operating results will underperform its peers'. However, its orders—priced in US dollar and hedged against won appreciation—should be progressively recognized as sales as delivery schedules advance. We also note that SHI is now a serious contender for US Navy programs—eg, next-generation auxiliary support vessels and medium-sized auxiliary oilers.

Samsung Heavy Industries: 2Q26 preview

(KRWb)	2Q26E	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Diff (%)
Sales	3,287	2,902	13.3	2,683	22.5	3,251	1.1
Operating profit	353	273	29.1	205	72.2	393	-10.3
Pre-tax profit	335	130	158.2	215	55.9	359	-6.7
Net profit	248	102	144.5	214	16.0	262	-5.1
Margins (%)							
Operating profit	10.7	9.4		7.6		12.1	
Pre-tax profit	10.2	4.5		8.0		11.0	
Net profit	7.6	3.5		8.0		8.1	

Source: Samsung Heavy, FnGuide, Samsung Securities estimates

FLNG market share (based on order backlog+fleet)



Source: Clarksons

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	9,903	10,650	12,952	14,956	15,625
Cost of goods sold	8,983	9,276	10,778	12,124	12,504
Gross profit	921	1,374	2,174	2,833	3,121
Gross margin (%)	9.3	12.9	16.8	18.9	20.0
SG&A expenses	418	512	652	743	778
Operating profit	503	862	1,522	2,090	2,343
Operating margin (%)	5.1	8.1	11.7	14.0	15.0
Non-operating gains (losses)	-818	-212	-141	-88	0
Financial profit	182	641	163	215	138
Financial costs	362	597	244	301	284
Equity-method gains (losses)	0	-0	-0	-0	-0
Other	-639	-256	-60	-2	146
Pre-tax profit	-316	650	1,381	2,002	2,343
Taxes	-369	115	345	500	586
Effective tax rate (%)	117.1	17.6	25.0	25.0	25.0
Profit from continuing operations	54	536	1,035	1,501	1,757
Profit from discontinued operations	0	0	0	0	0
Net profit	54	536	1,035	1,501	1,757
Net margin (%)	0.5	5.0	8.0	10.0	11.2
Net profit (controlling interests)	64	546	1,025	1,486	1,740
Net profit (non-controlling interests)	-10	-10	10	15	18
EBITDA	792	1,146	1,808	2,382	2,641
EBITDA margin (%)	8.0	10.8	14.0	15.9	16.9
EPS (parent-based) (KRW)	73	620	1,165	1,689	1,977
EPS (consolidated) (KRW)	61	609	1,177	1,706	1,997
Adjusted EPS (KRW)*	73	620	1,165	1,689	1,977

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	655	1,563	1,626	749	1,564
Net profit	54	536	1,035	1,501	1,757
Non-cash profit and expenses	483	450	378	422	519
Depreciation	286	279	281	283	284
Amortization	4	5	5	10	14
Other	194	166	92	129	221
Changes in A/L from operating activities	118	577	212	-1,174	-711
Cash flow from investments	311	-480	-48	-48	-48
Change in tangible assets	210	-195	-48	-48	-48
Change in financial assets	-1,770	951	0	0	0
Other	1,870	-1,237	0	0	0
Cash flow from financing	-599	-1,267	356	-100	-200
Change in debt	1,889	-2,642	356	-100	-200
Change in equity	0	0	0	0	0
Dividends	0	-1	0	0	0
Other	-2,488	1,377	0	0	0
Change in cash	372	-183	1,933	600	1,316
Cash at beginning of year	584	956	773	2,706	3,306
Cash at end of year	956	773	2,706	3,306	4,622
Gross cash flow	537	986	1,414	1,923	2,276
Free cash flow	481	1,347	1,516	639	1,454

Note: *Excluding one-off items

**Fully diluted, excluding one-off items

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	9,370	7,407	11,081	13,283	15,511
Cash & equivalents	956	773	2,706	3,306	4,622
Accounts receivable	1,030	1,310	1,065	1,229	1,284
Inventories	452	490	710	820	856
Other current assets	6,931	4,835	6,601	7,928	8,748
Fixed assets	7,825	7,542	7,336	7,124	6,906
Investment assets	1,680	1,532	1,532	1,532	1,532
Tangible assets	5,116	5,107	4,875	4,640	4,404
Intangible assets	28	32	59	81	99
Other long-term assets	1,001	871	871	871	871
Total assets	17,195	14,949	18,417	20,406	22,417
Current liabilities	12,029	9,422	11,608	11,812	11,704
Accounts payable	623	584	816	942	985
Short-term debt	2,156	1,454	1,800	1,700	1,500
Other current liabilities	9,251	7,383	8,992	9,170	9,219
Long-term liabilities	1,416	1,432	1,953	2,516	3,159
Bonds & long-term debt	137	316	326	326	326
Other long-term liabilities	1,279	1,116	1,627	2,190	2,833
Total liabilities	13,445	10,854	13,561	14,328	14,863
Owners of parent equity	3,795	4,149	4,910	6,132	7,608
Capital stock	880	880	880	880	880
Capital surplus	4,496	4,496	4,496	4,496	4,496
Retained earnings	-2,136	-1,603	-842	380	1,856
Other	554	376	376	376	376
Non-controlling interests' equity	-45	-54	-54	-54	-54
Total equity	3,749	4,095	4,856	6,078	7,554
Net debt	2,214	963	-728	-1,551	-3,176

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	23.6	7.5	21.6	15.5	4.5
Operating profit	115.4	71.5	76.5	37.3	12.1
Net profit	nm	894.4	93.3	45.0	17.1
Adjusted EPS**	nm	754.1	87.9	45.0	17.1
Per-share data (KRW)					
EPS (parent-based)	73	620	1,165	1,689	1,977
EPS (consolidated)	61	609	1,177	1,706	1,997
Adjusted EPS**	73	620	1,165	1,689	1,977
BVPS	4,312	4,715	5,580	6,968	8,645
DPS (common)	0	0	300	300	300
Valuations (x)					
P/E***	292.8	34.3	18.2	12.6	10.7
P/B***	4.9	4.5	3.8	3.0	2.5
EV/EBITDA	26.4	17.2	9.9	7.2	5.9
Ratios (%)					
ROE	1.8	13.7	22.6	26.9	25.3
ROA	0.4	3.4	6.1	7.7	8.1
ROIC	-1.5	14.0	23.0	28.5	28.2
Payout ratio	0.0	0.0	25.8	17.8	15.2
Dividend yield (common)	0.0	0.0	1.4	1.4	1.4
Net debt to equity	59.0	23.5	-15.0	-25.5	-42.0
Interest coverage (x)	2.4	6.1	13.7	17.8	21.3

COMPANY UPDATE

2026. 7. 24

Industrial Team

Youngsoo Han

Team Leader

han.youngsoo@samsung.com

▶ AT A GLANCE

BUY		
Target price	KRW130,000	69.3%
Current price	KRW76,800	
Market cap	KRW23.5t/USD15.7b	
Shares (float)	306,413,394 (46.4%)	
52-week high/low	KRW149,900/KRW76,600	
Avg daily trading value (60-day)	KRW244.1b/ USD163.5m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Hanwha Ocean (%)	-31.9	-45.9	0.3
Vs Kospi (%pts)	-19.3	-62.7	-53.2

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	130,000	180,000	-27.8%
2026E EPS	4,749	4,749	0.0%
2027E EPS	5,499	5,499	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	20
Target price	161,150
Recommendation	4.0
※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL	



Scan to go to
Research Center report database

Hanwha Ocean (042660)

Shares reflect Canada submarine program miss

- The impact of Hanwha Ocean's failure to secure a Canadian submarine project has already been priced into its shares. The firm's prior defense-related valuation premium has effectively been erased.
- Still, the company retains multiple near-term catalysts. It should post solid 2Q results, led by favorable forex rates and a flexible forex hedging policy. Also, order momentum in the commercial vessel segment remains robust.
- Additional upside for the shares could materialize if it successfully bids for major offshore projects or lands the Thai frigate procurement program.

WHAT'S THE STORY?

Failure to land Canadian submarine contract already priced in: Hanwha Ocean's recent announcement that it had failed to land a Canadian submarine project led to a sharp stock-price decline. Had it been successful, the contract could have served as a springboard for additional export orders. We, however, note that this negative now appears to be fully reflected in its share price. Even if awarded, the Canadian contract would have had minimal near-term impact on its sales or profit—*ie*, the win would have primarily influenced its valuation multiples rather than its near-term earnings outlook. The failure has essentially erased the premium Hanwha Ocean previously commanded, bringing its valuation back in line with industry norms. Given Hanwha Ocean's status as a top-tier global shipbuilder, there is little fundamental justification for further multiple compression.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	12,784	13,728	15,800	16,871
Operating profit (KRWb)	1,168	1,836	2,288	2,638
Net profit (adj) (KRWb)	1,246	1,455	1,685	1,905
EPS (adj) (KRW)	4,066	4,749	5,499	6,215
EPS (adj) growth (% y-y)	135.9	16.8	15.8	13.0
EBITDA margin (%)	11.0	12.9	14.9	15.2
ROE (%)	22.6	21.1	19.9	18.6
P/E (adj) (x)	18.9	16.2	14.0	12.4
P/B (x)	3.8	3.1	2.5	2.1
EV/EBITDA (x)	20.3	15.4	11.1	9.5
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

Multiple near-term catalysts remain: The company retains multiple near-term catalysts. First, it should post solid 2Q results, in line with high earnings expectations. Thanks to its flexible forex hedging policy, the company's commercial vessel business is well-positioned to benefit from favorable forex movements. One-off costs recognized in 1Q likely did not recur in 2Q. Second, new-order momentum is building. Compared to its peers, Hanwha Ocean's order intake in 1H was weak. Considering the surge in global vessel demand, we believe that a significant number of new orders will be placed in 2H and that Hanwha Ocean is well-positioned to secure numerous orders for commercial vessels (*eg*, for LNGCs). In the offshore sector, the company is a leading contender for major FPSO projects. In defense, it is also a top candidate for Thailand's frigate procurement program. Winning either of these bids would enhance its earnings improvement visibility—the orders would help it reduce its fixed costs at both the offshore and defense businesses. Additionally, expectations are rising that the company will:

- 1) secure the KDDX program contract, following its selection as the preferred bidder; and
- 2) announce shipbuilding cooperation with the US.

Hanwha Ocean: 2Q26 preview

(KRWb)	2Q26E	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consen sus	Diff (%)
Sales	4,002	3,210	24.7	3,294	21.5	3,943	1.5
Operating profit	542	441	22.8	372	45.7	529	2.4
Pre-tax profit	506	506	-0.1	151	235.7	497	1.8
Net profit	380	500	-24.1	148	155.7	427	-11.1
Margins (%)							
Operating profit	13.5	13.7		11.3		13.4	
Pre-tax profit	12.6	15.8		4.6		12.6	
Net profit	9.5	15.6		4.5		10.8	

Source: Hanwha Ocean, FnGuide, Samsung Securities estimates

Major Korean shipbuilders: New orders won ytd

(USDm, %)	2026 YTD	2026 target		2025 orders	
		Guidance	Met	Orders	Met
HD HHI	11,487	20,420	56.3	11,644	98.7
Shipbuilding	11,379	17,502	65.0	11,511	98.9
Offshore	108	3,259	3.3	133	81.2
HD Samho	3,750	5,048	74.3	6,948	54.0
HD Group	15,236	25,468	59.8	18,592	82.0
SHI	9,955	13,900	71.6	7,900	126.0
Shipbuilding	5,429	5,700	95.2	7,100	76.5
Offshore	4,527	8,200	55.2	800	565.8
Hanwha	4,476	n/a	n/a	10,050	44.5
Shipbuilding	3,936	n/a	n/a	9,810	40.1
Offshore	540	n/a	n/a	240	225.0
Total	29,668	n/a	n/a	36,542	81.2

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	10,776	12,784	13,728	15,800	16,871
Cost of goods sold	10,092	10,943	11,173	12,703	13,375
Gross profit	684	1,840	2,555	3,096	3,496
Gross margin (%)	6.3	14.4	18.6	19.6	20.7
SG&A expenses	446	673	719	808	858
Operating profit	238	1,168	1,836	2,288	2,638
Operating margin (%)	2.2	9.1	13.4	14.5	15.6
Non-operating gains (losses)	-57	-325	-61	-128	-197
Financial profit	697	643	796	1,033	660
Financial costs	1,172	767	1,042	1,375	841
Equity-method gains (losses)	15	-77	20	15	15
Other	403	-124	164	200	-30
Pre-tax profit	181	842	1,775	2,160	2,442
Taxes	-347	-404	319	475	537
Effective tax rate (%)	-191.8	-47.9	18.0	22.0	22.0
Profit from continuing operations	528	1,246	1,455	1,685	1,905
Profit from discontinued operations	0	0	0	0	0
Net profit	528	1,246	1,455	1,685	1,905
Net margin (%)	4.9	9.7	10.6	10.7	11.3
Net profit (controlling interests)	528	1,246	1,455	1,685	1,904
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	418	1,401	1,775	2,350	2,568
EBITDA margin (%)	3.9	11.0	12.9	14.9	15.2
EPS (parent-based) (KRW)	1,724	4,066	4,749	5,499	6,215
EPS (consolidated) (KRW)	1,724	4,066	4,750	5,499	6,216
Adjusted EPS (KRW)*	1,724	4,066	4,749	5,499	6,215

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	-2,905	1,315	1,993	1,647	2,260
Net profit	528	1,246	1,455	1,685	1,905
Non-cash profit and expenses	-174	338	306	446	605
Depreciation	173	208	282	306	328
Amortization	6	25	23	18	17
Other	-354	105	1	123	261
Changes in A/L from operating activities	-3,158	-121	232	-484	-250
Cash flow from investments	-1,110	-1,449	-995	-597	-547
Change in tangible assets	-372	-706	-999	-600	-550
Change in financial assets	41	321	0	0	0
Other	-779	-1,064	3	3	3
Cash flow from financing	2,803	330	-245	-390	-290
Change in debt	3,213	57	-245	-390	-290
Change in equity	-2,621	63	0	0	0
Dividends	0	0	0	0	0
Other	2,212	209	0	0	0
Change in cash	-1,211	190	753	661	1,423
Cash at beginning of year	1,799	588	778	1,531	2,192
Cash at end of year	588	778	1,531	2,192	3,615
Gross cash flow	354	1,583	1,761	2,131	2,510
Free cash flow	-3,278	605	994	1,047	1,710

Note: *Excluding one-off items

**Fully diluted, excluding one-off items

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	11,246	12,082	13,571	16,114	18,509
Cash & equivalents	588	778	1,531	2,192	3,615
Accounts receivable	0	0	0	0	0
Inventories	2,780	3,040	3,385	3,896	4,160
Other current assets	7,878	8,263	8,655	10,027	10,734
Fixed assets	6,598	8,059	8,667	8,927	9,117
Investment assets	617	1,196	1,176	1,161	1,146
Tangible assets	4,648	5,273	5,986	6,275	6,493
Intangible assets	394	362	278	264	251
Other long-term assets	939	1,227	1,227	1,227	1,227
Total assets	17,844	20,141	22,237	25,042	27,626
Current liabilities	10,347	11,200	11,978	13,085	13,663
Accounts payable	985	938	1,128	1,299	1,387
Short-term debt	3,195	3,055	3,000	2,800	2,700
Other current liabilities	6,166	7,208	7,850	8,986	9,576
Long-term liabilities	2,634	2,765	2,636	2,649	2,751
Bonds & long-term debt	2,028	2,346	2,151	1,956	1,761
Other long-term liabilities	606	419	485	693	990
Total liabilities	12,980	13,966	14,614	15,734	16,414
Owners of parent equity	4,859	6,170	7,618	9,303	11,208
Capital stock	1,537	1,537	1,537	1,537	1,537
Capital surplus	119	182	182	182	182
Retained earnings	236	1,552	3,007	4,692	6,597
Other	2,966	2,899	2,892	2,892	2,892
Non-controlling interests' equity	5	5	5	5	5
Total equity	4,863	6,175	7,623	9,308	11,212
Net debt	4,660	4,892	3,753	2,605	844

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	45.5	18.6	7.4	15.1	6.8
Operating profit	nm	390.8	57.2	24.6	15.3
Net profit	230.0	135.9	16.8	15.8	13.0
Adjusted EPS**	230.3	135.9	16.8	15.8	13.0
Per-share data (KRW)					
EPS (parent-based)	1,724	4,066	4,749	5,499	6,215
EPS (consolidated)	1,724	4,066	4,750	5,499	6,216
Adjusted EPS**	1,724	4,066	4,749	5,499	6,215
BVPS	15,857	20,137	24,863	30,362	36,577
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	44.6	18.9	16.2	14.0	12.4
P/B***	4.8	3.8	3.1	2.5	2.1
EV/EBITDA	67.5	20.3	15.4	11.1	9.5
Ratios (%)					
ROE	11.5	22.6	21.1	19.9	18.6
ROA	3.3	6.6	6.9	7.1	7.2
ROIC	9.3	18.0	14.7	16.0	17.5
Payout ratio	0.0	0.0	0.0	0.0	0.0
Dividend yield (common)	0.0	0.0	0.0	0.0	0.0
Net debt to equity	95.8	79.2	49.2	28.0	7.5
Interest coverage (x)	1.4	6.0	8.1	10.6	13.5

COMPANY UPDATE

2026. 7. 24

Industrial Team

Youngsoo Han

Team Leader

han.youngsoo@samsung.com

▶ AT A GLANCE

BUY		
Target price	KRW347,000	79.3%
Current price	KRW193,500	
Market cap	KRW8.7t/USD5.8b	
Shares (float)	44,833,460 (43.0%)	
52-week high/low	KRW280,500/KRW159,100	
Avg daily trading value (60-day)	KRW75.0b/USD50.2m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
HD Hyundai Marine Solution (%)	-21.8	1.1	5.0
Vs Kospi (%pts)	-7.4	-30.4	-51.0

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	347,000	347,000	0.0%
2026E EPS	7,882	7,882	0.0%
2027E EPS	9,874	9,874	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	10
Target price	327,000
Recommendation	4.0
※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL	

Samsung Securities



Scan to go to
Research Center report database

HD Hyundai Marine Solution (443060)

Business model stands out

- HD Hyundai Marine Solution is well positioned to capitalize on the emergence of floating data centers (FDCs), one of the hottest new themes in the shipbuilding market. FDCs can be deployed through vessel retrofits, not just newbuilds, with shorter lead times (for retrofits) making it likely that the firm will land FDC contracts.
- The company's core business is characterized by stable, recurring demand. In periods of heightened market volatility or concerns (that the industry is peaking), it is well suited to serve as a defensive play in the sector.

WHAT'S THE STORY?

FDC momentum growing: One of the most alluring themes in the shipbuilding market is floating data centers (FDCs). HD Hyundai Marine Solution is well positioned to excel in this emerging field—FDCs can be implemented not only through newbuilds but also via retrofitting existing vessels. In fact, retrofit projects may offer faster delivery timelines than new constructions, making them more responsive to changes in market demand. Beyond FDCs, the company also has a viable business model for entering the power generation sector. Notably, in May, the company signed a service agreement with US infrastructure developer AEG to provide maintenance for engines used in data-center power systems.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	1,983	2,340	2,638	3,017
Operating profit (KRWb)	350	430	553	654
Net profit (adj) (KRWb)	270	353	443	528
EPS (adj) (KRW)	6,013	7,882	9,874	11,773
EPS (adj) growth (% y-y)	18.3	31.1	25.3	19.2
EBITDA margin (%)	18.3	18.9	21.4	22.1
ROE (%)	33.7	40.2	44.6	46.9
P/E (adj) (x)	32.2	24.5	19.6	16.4
P/B (x)	10.5	9.3	8.3	7.2
EV/EBITDA (x)	22.4	17.8	13.3	10.6
Dividend yield (%)	2.0	2.8	3.7	4.4

Source: Company data, Samsung Securities estimates

Core business stable: The company's traditional business focuses on maintenance services for vessels that are in operation, creating greater earnings stability for the firm (vs shipbuilders that focus on new builds). While its short-term earnings can be volatile, this is primarily due to the shorter duration of maintenance projects (vs shipbuilding cycles, which span multiple years). Another factor affecting its quarterly earnings volatility is the projects that are recognized as sales that quarter—margins differ by project. Bunkering operations, which are sensitive to oil prices, also contribute to near-term variability—eg, its sales growth likely slowed q-q in 2Q due to temporary oil supply disruptions caused by the Middle East conflict. However, on an annual basis and from a core business perspective, the company still possesses superior earnings stability than traditional shipbuilders. Long-term growth and profit visibility remain strong, driven by two key factors: 1) the growing portion of vessels it services out of the vessels that have been delivered by group affiliates; and 2) the upcoming wave of maintenance cycles for dual-fuel propulsion engines. Both of these factors should naturally push up the value of the projects it undertakes. In periods of heightened market volatility or concerns (that the industry is close to peaking), the company deserves recognition as a defensive player within the sector, supporting a sustained valuation premium. This resilience underpins our decision to keep our target price for the stock unchanged. Furthermore, overhang risk related to KKR's stake has been fully resolved following KKR's recent sale of its remaining shares.

HD Hyundai Marine Solution: 2Q26 preview

(KRWb)	2Q26E	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Diff (%)
Sales	581	575	1.1	468	24.2	582	-0.1
Operating profit	100	93	7.1	83	20.5	104	-3.7
Pre-tax profit	104	120	-12.8	68	52.7	109	-4.3
Net profit	79	98	-19.3	53	49.5	83	-4.5
Margins (%)							
Operating profit	17.2	16.3		17.7		17.9	
Pre-tax profit	17.9	20.8		14.6		18.7	
Net profit	13.6	17.1		11.3		14.3	

Source: HD Hyundai Marine Solution, FnGuide, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	1,745	1,983	2,340	2,638	3,017
Cost of goods sold	1,383	1,528	1,808	1,975	2,242
Gross profit	362	455	532	663	775
Gross margin (%)	20.7	22.9	22.7	25.1	25.7
SG&A expenses	90	105	102	110	121
Operating profit	272	350	430	553	654
Operating margin (%)	15.6	17.7	18.4	20.9	21.7
Non-operating gains (losses)	25	5	29	22	31
Financial profit	67	69	39	32	42
Financial costs	39	61	7	10	11
Equity-method gains (losses)	-0	-0	-0	-0	-0
Other	-3	-3	-4	1	1
Pre-tax profit	297	355	459	575	685
Taxes	69	85	106	132	158
Effective tax rate (%)	23.2	24.0	23.0	23.0	23.0
Profit from continuing operations	228	270	353	443	528
Profit from discontinued operations	0	0	0	0	0
Net profit	228	270	353	443	528
Net margin (%)	13.1	13.6	15.1	16.8	17.5
Net profit (controlling interests)	228	270	353	443	528
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	284	363	443	565	668
EBITDA margin (%)	16.2	18.3	18.9	21.4	22.1
EPS (parent-based) (KRW)	5,085	6,013	7,882	9,874	11,773
EPS (consolidated) (KRW)	5,085	6,013	7,882	9,874	11,773
Adjusted EPS (KRW)*	5,085	6,013	7,882	9,874	11,773

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	247	324	253	421	496
Net profit	228	270	353	443	528
Non-cash profit and expenses	77	85	9	19	21
Depreciation	12	13	13	13	13
Amortization	0	0	0	0	0
Other	65	72	-4	7	7
Changes in A/L from operating activities	-59	-30	-109	-41	-52
Cash flow from investments	-196	-21	-18	-22	-22
Change in tangible assets	-193	-20	-18	-22	-22
Change in financial assets	0	0	0	0	0
Other	-3	-1	0	0	0
Cash flow from financing	149	-223	5	3	2
Change in debt	0	0	5	3	2
Change in equity	365	22	0	0	0
Dividends	-100	-177	-247	-323	-381
Other	-116	-68	247	323	381
Change in cash	203	79	240	402	476
Cash at beginning of year	96	298	378	618	1,020
Cash at end of year	298	378	618	1,020	1,497
Gross cash flow	305	355	362	462	548
Free cash flow	51	303	235	399	474

Note: *Excluding one-off items

**Fully diluted, excluding one-off items

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	1,076	1,187	1,539	2,022	2,598
Cash & equivalents	298	378	618	1,020	1,497
Accounts receivable	249	303	359	405	463
Inventories	273	271	333	376	430
Other current assets	255	235	228	221	209
Fixed assets	77	86	92	102	112
Investment assets	3	3	3	3	3
Tangible assets	20	30	34	44	52
Intangible assets	5	5	7	8	9
Other long-term assets	50	48	48	48	48
Total assets	1,152	1,272	1,631	2,124	2,710
Current liabilities	343	409	430	485	554
Accounts payable	152	175	206	232	266
Short-term debt	0	0	3	4	4
Other current liabilities	191	234	221	249	285
Long-term liabilities	36	39	269	588	958
Bonds & long-term debt	0	0	2	4	6
Other long-term liabilities	36	39	267	584	952
Total liabilities	379	448	699	1,072	1,512
Owners of parent equity	774	825	932	1,051	1,198
Capital stock	22	22	22	22	22
Capital surplus	385	404	404	404	404
Retained earnings	324	377	484	604	750
Other	43	21	21	21	21
Non-controlling interests' equity	0	0	0	0	0
Total equity	774	825	932	1,051	1,198
Net debt	-481	-564	-785	-1,169	-1,622

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	22.0	13.6	18.0	12.7	14.4
Operating profit	34.9	28.9	22.9	28.4	18.4
Net profit	50.8	18.3	31.1	25.3	19.2
Adjusted EPS**	49.6	18.3	31.1	25.3	19.2
Per-share data (KRW)					
EPS (parent-based)	5,085	6,013	7,882	9,874	11,773
EPS (consolidated)	5,085	6,013	7,882	9,874	11,773
Adjusted EPS**	5,085	6,013	7,882	9,874	11,773
BVPS	17,255	18,397	20,780	23,454	26,727
DPS (common)	3,150	3,950	5,500	7,200	8,500
Valuations (x)					
P/E***	38.1	32.2	24.5	19.6	16.4
P/B***	11.2	10.5	9.3	8.3	7.2
EV/EBITDA	28.9	22.4	17.8	13.3	10.6
Ratios (%)					
ROE	45.0	33.7	40.2	44.6	46.9
ROA	25.2	22.2	24.3	23.6	21.8
ROIC	66.5	85.9	94.4	97.2	101.8
Payout ratio	62.0	65.7	69.8	72.9	72.2
Dividend yield (common)	1.6	2.0	2.8	3.7	4.4
Net debt to equity	-62.2	-68.4	-84.2	-111.2	-135.4
Interest coverage (x)	59.8	330.2	2,458.3	1,214.4	1,038.8

COMPANY UPDATE

2026. 7. 24

Industrial Team

Youngsoo Han

Team Leader

han.youngsoo@samsung.com

▶ AT A GLANCE

BUY		
Target price	KRW570,000	74.3%
Current price	KRW327,000	
Market cap	KRW23.1t/USD15.5b	
Shares (float)	70,773,116 (63.2%)	
52-week high/low	KRW479,500/KRW325,000	
Avg daily trading value (60-day)	KRW106.6b/ USD71.4m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
HD KSOE (%)	-17.8	-23.5	0.6
Vs Kospi (%pts)	-2.7	-47.3	-53.0

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	570,000	700,000	-18.6%
2026E EPS	44,561	44,561	0.0%
2027E EPS	60,721	60,584	0.2%

▶ SAMSUNG vs THE STREET

No of estimates	14
Target price	598,571
Recommendation	4.0
※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL	



Scan to go to
Research Center report database

HD KSOE (009540)

Changes in value of equity holdings unavoidable

- All of HD KSOE's subsidiaries have been reporting strong new-order momentum and delivering robust operating results. Its overseas operations have also been progressing smoothly, and the holding company retains ample financial flexibility to fund additional investments.
- The recent correction appears excessive. A sector-wide multiple expansion should drive HD KSOE's recovery, though it will likely follow—rather than precede—the rebound in its listed subsidiaries' share prices.

WHAT'S THE STORY?

Strong order book and growth momentum: So far in 2026, HD KSOE has secured an estimated 82% of last year's full-year order volume (at its shipbuilding and offshore divisions). HD Hyundai Samho and HD Hyundai Heavy Industries (HD HHI) have continued to log profitability growth. New orders and earnings at its other subsidiaries have remained solid as well. Its overseas expansion efforts with HD HHI are underway. HD KSOE is expanding capacity at the Vietnamese shipyard and stabilizing production at the Philippine facility. Notably, its Philippine subsidiary won a product tanker order on its own earlier this year. It is reportedly in talks with Cido Shipping for very large crude carriers (VLCC). HD KSOE has sufficient financial capacity to support further investments, reinforcing its position as a stable long-term investment vehicle.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	29,933	33,350	39,068	40,711
Operating profit (KRWb)	3,904	5,307	7,052	7,789
Net profit (adj) (KRWb)	2,928	4,043	5,510	6,189
EPS (adj) (KRW)	30,639	44,561	60,721	68,208
EPS (adj) growth (% y-y)	85.0	45.4	36.3	12.3
EBITDA margin (%)	15.0	17.2	19.3	20.3
ROE (%)	18.9	22.4	26.6	25.6
P/E (adj) (x)	10.7	7.3	5.4	4.8
P/B (x)	1.7	1.5	1.2	1.0
EV/EBITDA (x)	4.4	2.8	1.3	0.4
Dividend yield (%)	3.8	4.6	6.1	6.7

Source: Company data, Samsung Securities estimates

Impact of sector-wide correction unavoidable: As a holding company with minimal direct revenue, HD KSOE's valuation is intrinsically linked to the market performance of its listed subsidiaries. Consequently, any downward pressure on subsidiaries' share prices—regardless of their fundamentals—directly impacts HD KSOE's share price. This explains why target-price revisions for the company have been more pronounced than those for its peers during sector-wide corrections. Conversely, a sector-wide recovery will likely lift HD KSOE's share price, albeit with a lag. For the stock to outperform shares in its subsidiaries, one of two conditions need to be met: 1) HD Hyundai Samho (unlisted) needs to gain a unique growth catalyst; or 2) HD KSOE should announce a shareholder return policy stronger than the market expects. In short, investors would need a compelling reason to buy HD KSOE rather than its listed subsidiaries. At this point, however, there is insufficient evidence to confidently anticipate either scenario developing. A more prudent approach may be to wait for a recovery in the valuations of its subsidiaries and of the sector.

HD KSOE: 2Q26 preview

(KRWb)	2Q26E	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Diff (%)
Sales	8,453	8,141	3.8	7,428	13.8	8,633	-2.1
Operating profit	1,406	1,356	3.7	954	47.4	1,421	-1.1
Pre-tax profit	1,436	1,568	-8.4	546	163.0	1,474	-2.6
Net profit	873	844	3.4	356	144.9	904	-3.5
Margins (%)							
Operating profit	16.6	16.7		12.8		16.5	
Pre-tax profit	17.0	19.3		7.3		17.1	
Net profit	10.3	10.4		4.8		10.5	

Source: HD KSOE, FnGuide, Samsung Securities estimates

HD KSOE: Sum-of-the-parts valuation

(KRWb)		
Listed companies' value*	$A=(b+c+d+e) \times 60\%$	19,328
HD Hyundai Heavy Industries	(b)	30,817
HD Hyundai Energy Solution	(c)	658
HD Hyundai Marine Engine	(d)	659
HD Hyundai HYMS	(e)	80
Unlisted companies' value	$F=(g+h) \times 50\%$	16,870
HD Hyundai Samho*	(g)	33,077
Affiliates/Joint ventures**	(h)	662
EB***	I	2,936
Net cash (parent)	J	1,489
EV	$K=A+F+I+J$	40,623
Shares (float, ex treasury shares) ('000)	L	70,715
Target price (KRW)	$M=(K/L)$	570,000

Note: *Sector target P/E 24x applied to HD Hyundai Samho 2027E net profit;

**HD Hyundai Asia Holdings valued at book value;

**Assumed EBs be fully exchanged and reflected without discount

Source: Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	25,539	29,933	33,350	39,068	40,711
Cost of goods sold	22,943	24,605	26,675	30,432	31,247
Gross profit	2,595	5,328	6,675	8,636	9,464
Gross margin (%)	10.2	17.8	20.0	22.1	23.2
SG&A expenses	1,161	1,424	1,368	1,584	1,675
Operating profit	1,434	3,904	5,307	7,052	7,789
Operating margin (%)	5.6	13.0	15.9	18.1	19.1
Non-operating gains (losses)	389	-338	84	294	463
Financial profit	1,877	1,723	1,252	1,759	783
Financial costs	5,179	2,094	1,569	1,944	93
Equity-method gains (losses)	-0	0	0	0	0
Other	3,690	32	400	478	-227
Pre-tax profit	1,823	3,566	5,391	7,346	8,252
Taxes	368	638	1,348	1,837	2,063
Effective tax rate (%)	20.2	17.9	25.0	25.0	25.0
Profit from continuing operations	1,455	2,928	4,043	5,510	6,189
Profit from discontinued operations	0	0	0	0	0
Net profit	1,455	2,928	4,043	5,510	6,189
Net margin (%)	5.7	9.8	12.1	14.1	15.2
Net profit (controlling interests)	1,172	2,168	3,154	4,297	4,827
Net profit (non-controlling interests)	282	760	890	1,212	1,362
EBITDA	1,960	4,488	5,733	7,543	8,250
EBITDA margin (%)	7.7	15.0	17.2	19.3	20.3
EPS (parent-based) (KRW)	16,565	30,639	44,561	60,721	68,208
EPS (consolidated) (KRW)	20,553	41,377	57,129	77,847	87,446
Adjusted EPS (KRW)*	16,565	30,639	44,561	60,721	68,208

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	4,289	4,422	4,710	7,732	7,400
Net profit	1,455	2,928	4,043	5,510	6,189
Non-cash profit and expenses	465	1,637	1,521	1,645	1,045
Depreciation	504	556	587	617	648
Amortization	22	28	38	40	41
Other	-60	1,053	896	988	357
Changes in A/L from operating activities	2,369	-143	-854	578	166
Cash flow from investments	-1,233	-3,604	-868	-848	-848
Change in tangible assets	-866	-915	-868	-848	-848
Change in financial assets	-2,437	-1,490	0	0	0
Other	2,071	-1,199	0	0	0
Cash flow from financing	-2,359	-792	528	-260	40
Change in debt	323	-1,630	528	-260	40
Change in equity	140	417	0	0	0
Dividends	-1	-715	0	0	0
Other	-2,821	1,136	0	0	0
Change in cash	699	25	4,370	6,624	6,592
Cash at beginning of year	3,018	3,717	3,742	8,112	14,736
Cash at end of year	3,717	3,742	8,112	14,736	21,328
Gross cash flow	1,920	4,565	5,564	7,154	7,234
Free cash flow	3,398	3,475	3,810	6,852	6,520

Note: *Excluding one-off items

**Fully diluted, excluding one-off items

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	20,431	23,424	29,347	38,357	45,238
Cash & equivalents	3,717	3,742	8,112	14,736	21,328
Accounts receivable	1,264	1,454	1,620	1,898	1,978
Inventories	2,232	2,766	3,107	3,639	3,792
Other current assets	13,218	15,463	16,509	18,084	18,140
Fixed assets	16,288	16,118	16,413	16,657	16,870
Investment assets	2,173	1,597	1,598	1,598	1,598
Tangible assets	11,111	12,025	12,307	12,537	12,738
Intangible assets	375	519	533	546	558
Other long-term assets	2,629	1,976	1,976	1,976	1,976
Total assets	36,719	39,542	45,760	55,014	62,108
Current liabilities	19,325	20,011	21,472	24,557	25,530
Accounts payable	2,247	2,328	2,594	3,039	3,167
Short-term debt	187	97	600	300	300
Other current liabilities	16,891	17,585	18,278	21,218	22,063
Long-term liabilities	3,238	2,623	5,129	8,122	10,649
Bonds & long-term debt	854	792	817	857	897
Other long-term liabilities	2,385	1,831	4,313	7,265	9,752
Total liabilities	22,563	22,634	26,602	32,679	36,180
Owners of parent equity	11,099	13,286	15,536	18,712	22,306
Capital stock	354	354	354	354	354
Capital surplus	2,600	3,017	3,017	3,017	3,017
Retained earnings	15,084	16,668	18,980	22,156	25,750
Other	-6,938	-6,752	-6,815	-6,815	-6,815
Non-controlling interests' equity	3,056	3,622	3,622	3,622	3,622
Total equity	14,155	16,908	19,158	22,334	25,928
Net debt	-4,230	-7,142	-10,724	-17,189	-23,224

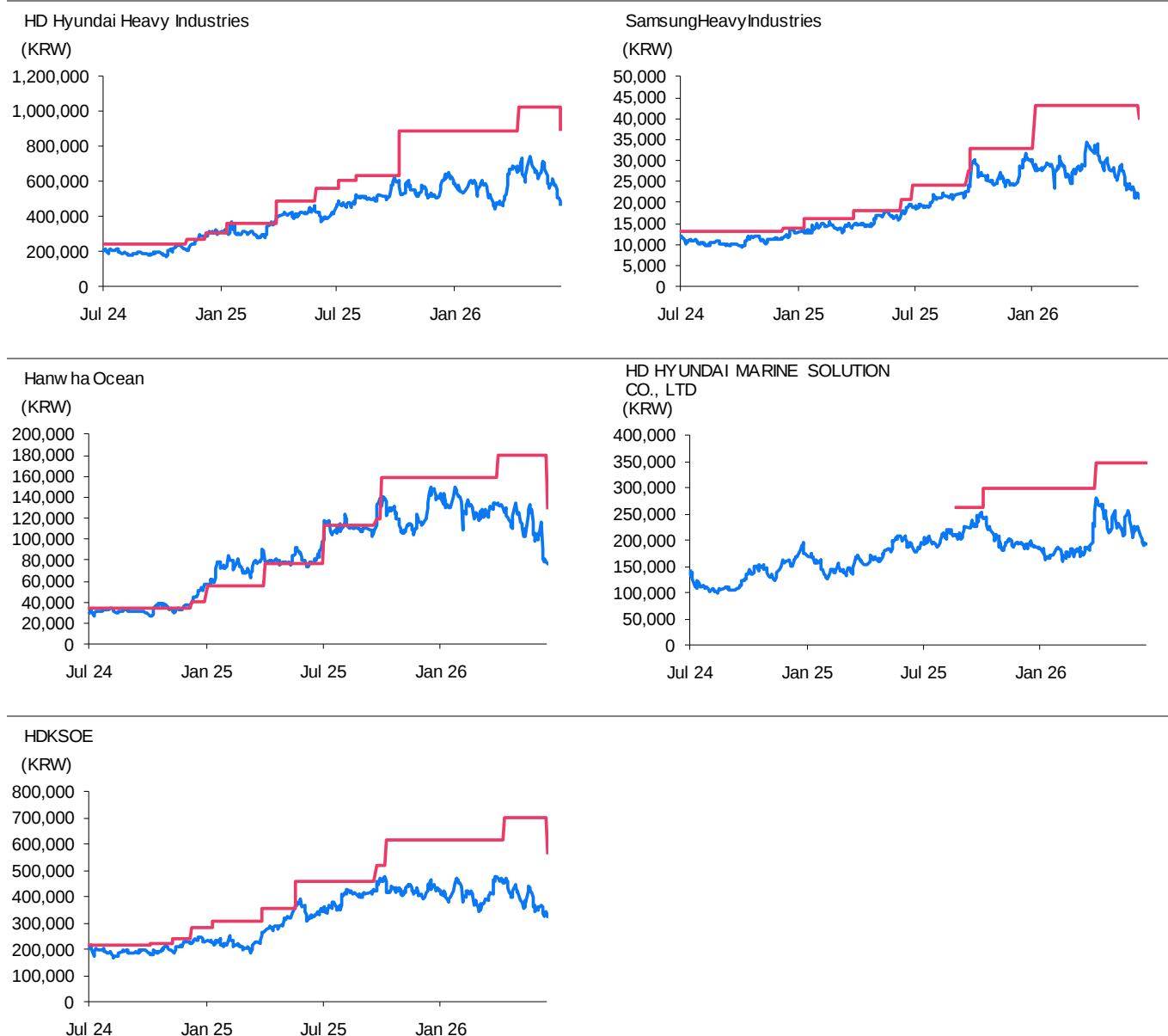
Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	19.9	17.2	11.4	17.1	4.2
Operating profit	408.1	172.3	35.9	32.9	10.4
Net profit	903.6	101.3	38.1	36.3	12.3
Adjusted EPS**	428.8	85.0	45.4	36.3	12.3
Per-share data (KRW)					
EPS (parent-based)	16,565	30,639	44,561	60,721	68,208
EPS (consolidated)	20,553	41,377	57,129	77,847	87,446
Adjusted EPS**	16,565	30,639	44,561	60,721	68,208
BVPS	156,831	187,728	219,519	264,397	315,178
DPS (common)	5,100	12,300	15,000	20,000	22,000
Valuations (x)					
P/E***	19.7	10.7	7.3	5.4	4.8
P/B***	2.1	1.7	1.5	1.2	1.0
EV/EBITDA	11.2	4.4	2.8	1.3	0.4
Ratios (%)					
ROE	11.0	18.9	22.4	26.6	25.6
ROA	3.4	5.7	7.4	8.5	8.2
ROIC	11.8	33.1	36.1	44.2	49.4
Payout ratio	30.8	40.1	33.7	32.9	32.3
Dividend yield (common)	1.6	3.8	4.6	6.1	6.7
Net debt to equity	-29.9	-42.2	-56.0	-77.0	-89.6
Interest coverage (x)	7.0	24.6	58.0	69.9	83.5

Compliance notice

- As of 7/23 2026, Samsung Securities shared group affiliation with Samsung Heavy Industries.
- As of 7/23 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 7/23 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)

HD Hyundai Heavy Industries

Date	2024/7/26	12/6	2025/1/6	2/7	4/25	6/26	8/1	8/28	11/4	2026/5/8	7/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	240000	270000	310000	360000	490000	557000	610000	630000	890000	1030000	900000
Gap* (average)	-16.98	-5.02	-0.44	-12.25	-14.73	-25.30	-22.82	-16.24	-37.08	-38.78	
(max or min)**	0.83	10.37	5.48	4.44	-5.41	-11.94	-14.59	-0.95	-22.13	-27.67	

Samsung Heavy Industries

Date	2024/4/29	7/26	2025/1/6	2/6	4/25	7/8	7/25	10/20	10/24	2026/2/2	7/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	12000	13200	14000	16200	18000	20600	24000	27600	33000	43000	40000
Gap* (average)	-19.43	-18.76	-8.59	-13.15	-11.28	-10.26	-13.95	-13.41	-18.53	-35.20	
(max or min)**	-7.58	-8.86	-2.36	-4.69	0.39	-5.00	-6.04	-12.68	-3.48	-20.00	

Hanwha Ocean

Date	2024/4/25	2025/1/6	1/31	4/29	7/30	10/20	10/28	2026/4/28	7/15
Recommendation	HOLD	HOLD	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	34000	40000	55000	77000	113000	120000	159000	180000	130000
Gap* (average)	-5.92	23.37	33.92	5.22	-1.68	10.48	-19.82	-37.02	
(max or min)**	15.29	41.75	3.82	-5.06	9.03	16.42	-5.72	-25.06	

HD Hyundai Marine Solution

Date	2025/9/19	10/31	2026/4/27
Recommendation	BUY	BUY	BUY
Target price (KRW)	264000	300000	347000
Gap* (average)	-13.54	-36.51	
(max or min)**	-4.17	-15.50	

HD KSOE

Date	2024/7/15	7/26	11/1	12/6	2025/1/6	2/7	4/25	6/17	10/20	11/4	2026/5/8	7/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	155000	216000	223000	242000	280000	310000	353000	460000	520000	620000	700000	570000
Gap* (average)	17.56	-11.83	-11.64	-10.75	-15.81	-29.33	-14.91	-18.45	-11.47	-32.31	-44.07	
(max or min)**	12.32	-1.39	-2.91	-2.69	-11.25	-19.03	4.11	-6.85	-7.79	-22.74	-32.29	

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 2026.06.30

BUY (85.5%)-HOLD (14.5%)-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