COMPANY UPDATE

2026. 7. 28

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Industrial Team

Youngsoo Han
Team Leader
han.youngsoo@samsung.com

Hanwha Ocean (042660)

Plenty of near-term catalysts

- Hanwha Ocean delivered a stronger-than-expected 2Q earnings result, led by forex gains and the one-off recognition of large-scale revenue from an offshore structure project.
- The improvement in commercial vessel margins is not viewed as a one-off benefit, but rather as a sign of sustainable underlying strength.
- Additional order-side catalysts are expected in 2H, as shipbuilding order activity is poised to accelerate, with key bid results in offshore structures and defense projects likely to be announced.

AT A GLANCE

BUY

Target price	**KRW130,000**	**46.4%**
Current price	**KRW88,800**	
Market cap	KRW27.2t/USD18.5b	
Shares (float)	306,413,394 (46.4%)	
52-week high/low	KRW149,900/KRW76,800	
Avg daily trading value (60-day)	KRW230.2b/ USD156.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hanwha Ocean (%)	-9.4	-36.8	-1.3
Vs Kospi (%pts)	12.8	-52.4	-53.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	130,000	130,000	0.0%
2026E EPS	6,081	4,749	28.0%
2027E EPS	5,655	5,499	2.8%

SAMSUNG vs THE STREET

No of estimates	21
Target price	150,905
Recommendation	4.0

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

WHAT'S THE STORY?

Delivers another earnings surprise in 2Q on FX gains and offshore project recognition: Hanwha Ocean's 2Q operating profit exceeded consensus by 39%, driven by the recognition of about KRW1.5t in revenue from a single offshore project, which was recognized upon delivery (vs under the "percentage-of-completion" method). The revenue recognition coincided with favorable FX movements, amplifying profitability. For reference, all other offshore structures reportedly use the percentage-of-completion method, underscoring the non-recurring nature of the item. As a result, we significantly raise our full-year 2026 profit outlook. More meaningfully, the company's commercial vessel segment delivered strong underlying performance. The 2Q operating margin reached 22.7%, driven by FX benefits and a decline in the proportion of low-margin vessels contracted in 2022. This suggests that the profitability of recent contracts (awarded at higher prices and amid favorable FX movements) may be stronger than market expectations, signaling positive momentum both for Hanwha Ocean and the broader shipbuilding industry.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	5,443	65.2	69.6	36.0	38.0
Operating profit	736	98.0	66.9	35.9	39.2
Pre-tax profit	669	343.5	32.0	32.1	34.5
Net profit	693	366.6	38.5	82.5	62.3
Margins (%)					
Operating profit	13.5				
Pre-tax profit	12.3				
Net profit	12.7				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	21.8	14.6	15.7
P/B	4.4	3.4	2.8
EV/EBITDA	22.9	15.2	12.3
Div yield (%)	0.0	0.0	0.0
EPS growth (% y-y)	135.9	49.6	(7.0)
ROE (%)	22.6	26.3	19.5
Per-share data (KRW)			
EPS	4,066	6,081	5,655
BVPS	20,137	26,195	31,850
DPS	0	0	0

Samsung Securities

Additional near-term catalysts for 2H: Additional near-term catalysts are anticipated on the order front. In the commercial vessel segment, Hanwha Ocean's weak order intake ytd (vs peers) is, paradoxically, viewed as a potential catalyst, as global demand for ships has far exceeded expectations and Hanwha Ocean's competitive position remains among the world's best. The current order shortfall is attributed to the timing of its project pipeline, which is concentrated in 2H26. A strong order momentum should be sustained by year-end. In defense, the company anticipates the final contract award for the Korean next-generation destroyer (KDDX) program. Other defense export bids, including Thailand's frigate procurement, are also expected to be announced in 2H. In the offshore structures segment, Hanwha Ocean is in final bidding against SBM of the Netherlands for the USD3b Orange Basin project. A successful contract win would significantly boost investor sentiment. Valuation also remains reasonable due to corrections following the setback in the Canadian submarine project.

Hanwha Ocean: 2Q26 review

(KRWb)	2Q26	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Diff (%)	Samsung Securities	Diff (%)
Sales	5,443	3,210	69.6	3,294	65.2	3,943	38.0	4,002	36.0
Operating profit	736	441	66.9	372	98.0	529	39.2	542	35.9
Pre-tax profit	669	506	32.0	151	343.5	497	34.5	506	32.1
Net profit	693	500	38.5	148	366.6	427	62.3	380	82.5
Margins (%)									
Operating profit	13.5	13.7		11.3		13.4		13.5	
Pre-tax profit	12.3	15.8		4.6		12.6		12.6	
Net profit	12.7	15.6		4.5		10.8		9.5	

Source: FnGuide, Samsung Securities estimates

Hanwha Ocean: Divisional results

(KRWb)	2Q26	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)
Sales					
Commercial	3,240	2,795	15.9	2,807	15.4
Defense	327	318	2.8	237	38.2
EPU (Offshore+Plant)	2,068	179	1,055.9	460	349.7
Adj,	-192	-82	nm	-209	nm
Total	5,443	3,210	69.6	3,294	65.2
Operating profit			nm		nm
Commercial	736	502	46.5	377	95.1
Defense	-3	-21	nm	18	nm
EPU (Offshore+Plant)	6	-74	nm	-7	nm
Adj,	-3	34	nm	-17	nm
Total	736	441	66.9	372	98.0
Operating margin (%)					
Commercial	22.7	18.0		13.4	
Defense	-0.9	-6.5		7.7	
EPU (Offshore+Plant)	0.3	-41.3		-1.5	
Total	13.5	13.7		11.3	

Source: Hanwha Ocean

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**10,776**	**12,784**	**15,632**	**15,800**	**16,871**
Cost of goods sold	10,092	10,943	12,752	12,649	13,273
Gross profit	**684**	**1,840**	**2,879**	**3,151**	**3,599**
Gross margin (%)	6.3	14.4	18.4	19.9	21.3
SG&A expenses	446	673	791	814	863
Operating profit	**238**	**1,168**	**2,088**	**2,337**	**2,735**
Operating margin (%)	2.2	9.1	13.4	14.8	16.2
Non-operating gains (losses)	**-57**	**-325**	**-18**	**-115**	**-178**
Financial profit	697	643	897	1,040	678
Financial costs	1,172	767	1,099	1,370	841
Equity-method gains (losses)	15	-77	20	15	15
Other	403	-124	164	200	-30
Pre-tax profit	**181**	**842**	**2,071**	**2,222**	**2,557**
Taxes	-347	-404	207	489	563
Effective tax rate (%)	-191.8	-47.9	10.0	22.0	22.0
Profit from continuing operations	528	1,246	1,864	1,733	1,995
Profit from discontinued operations	0	0	0	0	0
Net profit	**528**	**1,246**	**1,864**	**1,733**	**1,995**
Net margin (%)	4.9	9.7	11.9	11.0	11.8
Net profit (controlling interests)	528	1,246	1,863	1,733	1,994
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	418	1,401	2,044	2,399	2,665
EBITDA margin (%)	3.9	11.0	13.1	15.2	15.8
EPS (parent-based) (KRW)	1,724	4,066	6,081	5,655	6,509
EPS (consolidated) (KRW)	1,724	4,066	6,082	5,655	6,510
Adjusted EPS (KRW)*	1,724	4,066	6,081	5,655	6,509

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**11,246**	**12,082**	**15,152**	**16,540**	**19,012**
Cash & equivalents	588	778	1,482	2,637	4,153
Accounts receivable	0	0	0	0	0
Inventories	2,780	3,040	3,854	3,896	4,160
Other current assets	7,878	8,263	9,816	10,007	10,699
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**	**23,818**	**25,467**	**28,129**
Current liabilities	**10,347**	**11,200**	**13,174**	**13,085**	**13,663**
Accounts payable	985	938	1,285	1,299	1,387
Short-term debt	3,195	3,055	3,000	2,800	2,700
Other current liabilities	6,166	7,208	8,889	8,986	9,576
Long-term liabilities	**2,634**	**2,765**	**2,613**	**2,619**	**2,708**
Bonds & long-term debt	2,028	2,346	2,151	1,956	1,761
Other long-term liabilities	606	419	462	662	947
Total liabilities	**12,980**	**13,966**	**15,787**	**15,703**	**16,371**
Owners of parent equity	**4,859**	**6,170**	**8,026**	**9,759**	**11,754**
Capital stock	1,537	1,537	1,537	1,537	1,537
Capital surplus	119	182	182	182	182
Retained earnings	236	1,552	3,415	5,148	7,143
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**	**8,031**	**9,764**	**11,758**
Net debt	4,660	4,892	3,813	2,180	340

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**-2,905**	**1,315**	**1,944**	**2,142**	**2,352**
Net profit	528	1,246	1,864	1,733	1,995
Non-cash profit and expenses	-174	338	293	448	608
Depreciation	173	208	282	306	328
Amortization	6	25	23	18	17
Other	-354	105	-12	125	263
Changes in A/L from operating activities	-3,158	-121	-213	-39	-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	703	1,155	1,515
Cash at beginning of year	1,799	588	778	1,482	2,637
Cash at end of year	588	778	1,482	2,637	4,153
Gross cash flow	**354**	**1,583**	**2,157**	**2,181**	**2,602**
Free cash flow	**-3,278**	**605**	**945**	**1,542**	**1,802**

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	45.5	18.6	22.3	1.1	6.8
Operating profit	nm	390.8	78.8	11.9	17.0
Net profit	230.0	135.9	49.6	-7.0	15.1
Adjusted EPS**	230.3	135.9	49.6	-7.0	15.1
Per-share data (KRW)					
EPS (parent-based)	1,724	4,066	6,081	5,655	6,509
EPS (consolidated)	1,724	4,066	6,082	5,655	6,510
Adjusted EPS**	1,724	4,066	6,081	5,655	6,509
BVPS	15,857	20,137	26,195	31,850	38,359
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	51.5	21.8	14.6	15.7	13.6
P/B***	5.6	4.4	3.4	2.8	2.3
EV/EBITDA	76.3	22.9	15.2	12.3	10.3
Ratios (%)					
ROE	11.5	22.6	26.3	19.5	18.5
ROA	3.3	6.6	8.5	7.0	7.4
ROIC	9.3	18.0	17.9	16.0	18.2
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	47.5	22.3	2.9
Interest coverage (x)	1.4	6.0	10.4	11.1	13.9

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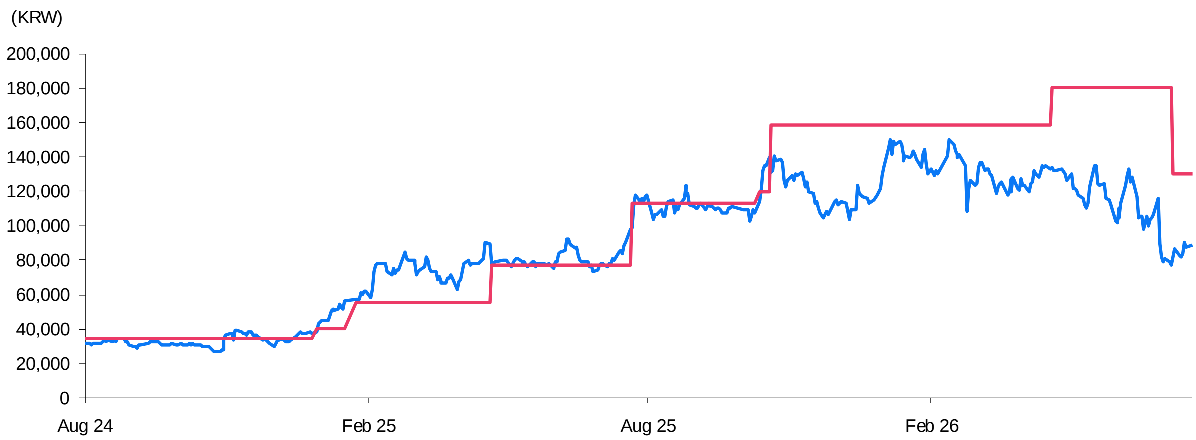

Rating changes over past two years (adjusted share prices)

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	

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

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Industry

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Percentage of ratings in 12 months prior to 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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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