SECTOR UPDATE

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Shipbuilding/Machinery Weekly

Impact of US power policy on Korean power equipment suppliers

- The Newbuilding Price Index remained unchanged w-w last week, though prices in the large-containership segment continued to edge lower. The Secondhand Price Index also held steady w-w.
- The ClarkSea Index, which represents vessel earnings, fell 2.1% w-w to USD43,713/day. Indicators for bulk-carriers and oil tankers remained strong.
- In this report, we assess the implications for Korean power equipment suppliers of a recent US executive order declaring a national emergency over threats to critical power infrastructure.

WHAT'S THE STORY?

US declares national emergency over threats to power infrastructure; impact on near-term earnings of Korean power equipment makers

US President Donald Trump signed an executive order on Aug 26 declaring a national emergency to protect US bulk power systems. The order empowers the US Department of Energy to restrict the import, purchase, or installation of power equipment—specifically for transmission networks above 69 kV—from foreign entities and countries. Media reports indicate that the Trump administration also plans to revise procurement policies to prioritize US-made equipment, explicitly linking power infrastructure to national security.

The immediate impact on Korean power equipment manufacturers is likely to be limited. US import restrictions on high-voltage Chinese-made equipment are already in place. President Trump issued an executive order in 2020 to strengthen the security of the bulk power systems, banning the use of power infrastructure equipment manufactured by adversarial nations. This followed a 2019 incident in which a large ultra-high-voltage transformer produced by a Chinese company was seized at the Houston port after US authorities discovered it contained unauthorized electronic components—a key catalyst for the 2020 restrictions.

Chinese-made equipment accounts for only 3% of US imports of large transformers (rated 10,000 kVA and above). Despite China's growing global export experience and persistent US supply shortages, Chinese manufacturers' US market share has continued to decline, falling from 17.3% in 2017 to just 6.5% today across all transformer types (oil-immersed and dry-type). As the US power equipment market is already in a state of severe supply shortage, additional protectionist measures are unlikely to significantly alter the competitive landscape.

(Continued on the next page)

▶ Performance

(%)	1W	3M	YTD
KSOE	1.4	-17.2	-13.5
HD Hyundai Heavy	0.0	-35.5	-11.4
Samsung Heavy	4.2	-25.0	-12.8
Hanwha Ocean	5.0	-28.2	-22.2
HD Hyundai Marine Solution	11.1	-2.9	13.0
HD Hyundai Electric	12.2	-24.0	3.6
HD Construction Equipment	16.0	-10.8	37.5
HD Hyundai	3.1	-21.5	15.2
Doosan Bobcat	7.7	-3.5	8.5
KAI	2.1	-20.9	16.5
LIG D&A	4.6	-9.4	72.0
Hanwha Aerospace	5.4	-2.6	20.3
Hyosung Heavy	12.9	-16.5	73.5
LS Electric	13.8	-11.9	129.9

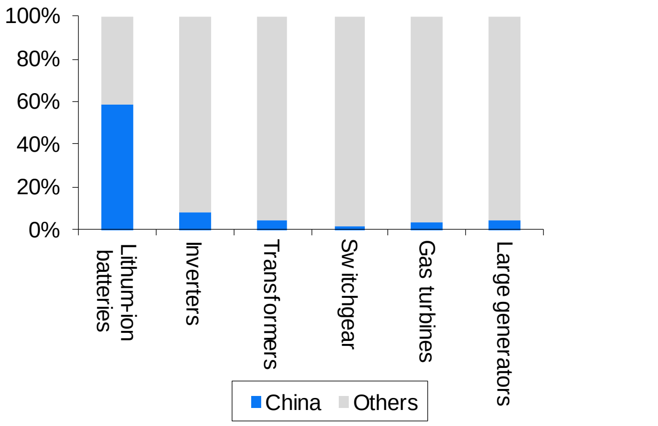
▶ Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	1.6	7.1	24.9
HD Hyundai Heavy	4.3	16.3	28.6
Samsung Heavy	3.8	19.3	21.4
Hanwha Ocean	3.4	14.6	26.3
HD Hyundai Marine Solution	10.5	27.9	40.0
HD Hyundai Electric	10.8	30.0	41.1
HD CE	1.4	11.0	18.5
HD Hyundai	1.4	6.7	22.8
Doosan Bobcat	0.8	10.2	7.9
KAI	6.4	45.3	14.9
LIG D&A	9.3	42.2	24.1
Hanwha Aerospace	5.2	28.7	19.6
Hyosung Heavy	9.4	36.9	28.9
LS Electric	12.7	56.2	24.8

Note: 2026 estimates
Source: Samsung Securities estimates

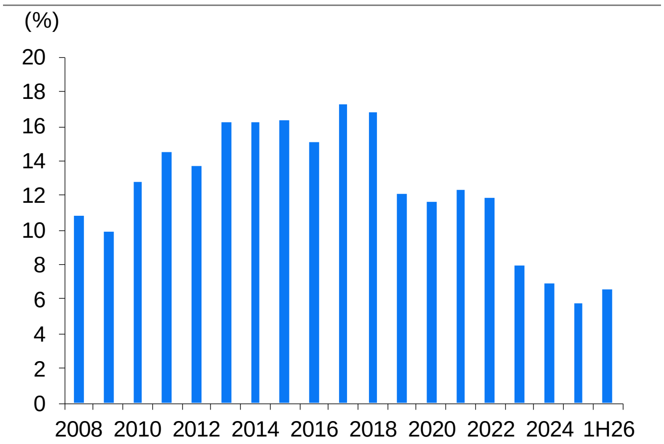
Despite this, the news sent Korean power equipment shares rebounding—a rally that reflects renewed investor attention towards the sector rather than expectations of material new business opportunities. The reaffirmation of existing policy trends—*ie*, the exclusion of Chinese suppliers and favoring of domestic sourcing—has helped alleviate concerns about the industry peaking, improving investor sentiment. This is particularly relevant for HD Hyundai Electric, which, despite having significant US manufacturing capacity and a focus on high-voltage equipment (sensitive to security concerns), has faced the most acute investor concerns regarding risk of a cyclical peak. Its valuation remains relatively undemanding compared to those of international peers.

Chinese portion of US power equipment imports (by volume)



Note: Transformers are those rated 650 kV or above
Source: BNEF

Chinese portion of US transformer imports



Note: Includes both dry-type and oil-filled transformers
Source: USITC

Industry news

HD HHI labor union votes in favor of industrial action: HD Hyundai Heavy Industries' (HD HHI) labor union has secured the legal right to strike after members approved industrial action in a three-day vote. The union reportedly plans to begin a phased, rotating strike beginning Sep 2. The union's core demands include: 1) a monthly base wage increase of KRW149,600; 2) a 100% raise in bonuses; and 3) a 30% share of operating profits to be distributed to workers. The union staged strikes for three consecutive years (2023-2025).

Poland takes delivery of 28 K2 tanks (as part of second contract): Hyundai Rotem has delivered the first 28 K2 tanks under a second contract with Poland, according to European defense media. The delivery, confirmed by Poland's Minister of National Defense via social media, is over six months ahead of schedule. Earlier this year, some investors expressed concerns that Hyundai Rotem's full-year earnings might slow due to reduced K2 tank deliveries to Poland. In fact, deliveries are currently ahead of the scheduled specified in the original contract terms.

Hanwha Ocean secures MRO contract with Korean Navy for Aegis destroyer: Hanwha Ocean has signed an MRO contract with the Korean Navy to carry out depot maintenance on the Sejong the Great. The overhaul is expected to last approximately six months. This marks the first time the Korean Navy has outsourced an Aegis destroyer's depot maintenance to a private company. Previously, such work was conducted exclusively at naval shipyards.

KF-21 long-range air-to-air weapon system development project announced: The Agency for Defense Development has issued a request for proposals to select a prime contractor for the development of a long-range air-to-air guided missile system for the KF-21. Proposals are due by Sep 7, with the preferred negotiator to be selected by October, following evaluation. The Defense Acquisition Program Promotion Committee plans to invest KRW753.5b through 2033 to complete development, followed by KRW1.15t from 2035 for mass-production—bringing the total project value to around KRW1.9t. Hanwha Aerospace, Hyundai Rotem, and LIG D&A will reportedly compete for the contract.

HD HHI secures LPG carrier orders: HD HHI has won an order for four LPG carriers valued at a combined USD370m. This brings HD HHI's total shipbuilding and offshore orders for the year to an estimated USD13b—or 64% of the firm's annual target and 120% of its 2025 full-year order performance.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2025	
	Aug 28, 2026	Aug 21, 2026	Chg (%)	End-2025	Chg (%)
New building prices (USDm)					
Overall (indexed)	186.34	186.25	0.0	184.7	0.9
Bulkers (Capesize)	76.0	76.0	0.0	75.0	1.3
Tankers (VLCC)	131.0	131.0	0.0	128.0	2.3
Tankers (51,000 DWT PCs)	52.0	52.0	0.0	49.0	6.1
Containerships (22,000 TEU)	230.0	231.5	-0.6	235.0	-2.1
Containerships (13,000 TEU)	150.0	150.5	-0.3	145.5	3.1
LNG carriers (174,000m³)	248.5	248.5	0.0	248.0	0.2
Secondhand prices (USDm)*					
Overall	214.0	214.0	0.0	191.1	12.0
Bulkers (Capesize)	72.5	72.5	0.0	66.0	9.8
Tankers (VLCC)	157.0	157.0	0.0	120.0	30.8
Tankers (51,000 DWT PCs)	49.0	48.0	2.1	43.0	14.0
Daily charter rates (USD)**					
Bulkers (Capesize, eco)	38,250	37,250	2.7	24,850	53.9
Bulkers (Capesize, non-eco)	35,500	34,500	2.9	23,850	48.8
Tankers (VLCC, eco)	131,250	119,000	10.3	65,500	100.4
Tankers (VLCC, non-eco)	115,000	103,750	10.8	58,000	98.3
Freight rate index					
ClarkSea Index (USD/day)	43,713	44,655	-2.1	29,856	46.4
BDI	3,186	2,841	12.1	1,877	69.7
WS (based on Saudi route)	603	578	4.3	58	947.8
CCFI	1,834	1,822	0.7	1,147	59.9
SCFI	3,510	3,410	2.9	1,656	111.9
Energy prices***					
Natural gas (USD/mil BTU)	2.8	2.8	0.9	4.0	-28.9
Oil (USD/bbl)	83.4	88.3	-5.6	57.4	45.2
MGO-HSFO (USD/tonne)	497.3	578.0	-14.0	262.8	89.2
VLSFO-HSFO (USD/tonne)	141.0	157.5	-10.5	71.8	96.5

Note: *Based on 5-year-old vessels;
**1-year charters;
***Based on WTI spot (oil) and Henry Hub (natural gas) prices
Source: Clarksons, Bloomberg, Samsung Securities

Share performances and valuations

Shipbuilding: Share performance and valuations

(%)	Share performance				2026 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD KSOE*	1.4	3.8	-17.2	-13.5	1.6	7.1	24.9
HD Hyundai Heavy Industries*	0.0	4.8	-35.5	-11.4	4.3	16.3	28.6
Samsung Heavy Industries*	4.2	9.0	-25.0	-12.8	3.8	19.3	21.4
Hanwha Ocean*	5.0	17.5	-28.2	-22.2	3.4	14.6	26.3
HD Hyundai Marine Solution*	11.1	18.0	-2.9	13.0	10.5	27.9	40.0
Yangzijiang	2.9	26.0	34.6	40.8	2.6	9.3	31.2
CSSC Holdings	3.3	0.1	-7.0	4.6	1.6	13.6	12.6
CSSC Offshore	2.9	-0.4	-6.7	-7.5	n/a	n/a	n/a
ST Engineering	-0.4	-0.7	-6.5	26.4	11.3	31.5	37.7
Seatrium	2.3	1.9	3.8	1.9	1.0	13.8	7.7
Mitsubishi	2.4	7.6	5.8	4.8	5.2	47.3	11.6
Kawasaki	0.7	-1.9	-16.4	26.3	2.9	23.6	12.7

Note: *Samsung Securities estimates
Source: Bloomberg, Samsung Securities estimates

Machinery: Share performance and valuations

(%)	Share performance				2026 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD Hyundai Electric*	12.2	35.9	-24.0	3.6	10.8	30.0	41.1
HD Construction Equipment*	16.0	12.5	-10.8	37.5	1.4	11.0	18.5
HD Hyundai*	3.1	11.4	-21.5	15.2	1.4	6.7	22.8
Doosan Bobcat*	7.7	6.6	-3.5	8.5	0.8	10.2	7.9
KAI*	2.1	12.0	-20.9	16.5	6.4	45.3	14.9
LIG D&A*	4.6	17.9	-9.4	72.0	9.3	42.2	24.1
Hanwha Aerospace*	5.4	39.8	-2.6	20.3	5.2	28.7	19.6
Hyosung Heavy*	12.9	53.2	-16.5	73.5	9.4	36.9	28.9
LS Electric*	13.8	29.5	-11.9	129.9	12.7	56.2	24.8
Lockheed Martin	0.0	-0.9	6.3	16.6	12.1	18.5	81.5
Raytheon	0.9	-1.6	17.8	15.4	4.2	29.2	14.4
Siemens	3.4	6.9	7.4	21.2	3.4	25.8	13.5
Caterpillar	-3.3	2.2	-8.6	39.7	17.1	29.5	64.3
Komatsu	6.7	3.8	14.6	50.8	2.1	18.8	11.2
Kubota	4.2	0.3	-0.5	27.5	1.2	12.7	9.0

Note: *Samsung Securities estimates
Source: Bloomberg, Samsung Securities estimates

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