SECTOR
UPDATE

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Shipbuilding/Machinery Weekly

Middle East and LNGC market

- The Clarksons Newbuilding Price Index remained flat w-w at 182 last week. At the decimal level, it rebounded for the first time in 10 weeks. The Secondhand Price Index climbed 1%pt w-w.
- The ClarkSea Index, which represents vessels' earnings, rose 8% w-w to USD44,968/day, supported by oil tanker rates (which remained strong).
- In this report, we examine the growing concerns surrounding the potential for Qatar to declare *force majeure*, and assess how evolving dynamics in the Middle East may disrupt 'scheduled' future LNGC projects.

WHAT'S THE STORY?

Possibility of *force majeure* declaration by Qatar and its impact on LNGC order opportunities in Middle East

The CEO of Qatar Energy has indicated the possibility of invoking *force majeure* with regard to long-term LNG supply contracts with countries including Korea. In a media interview, the CEO stated that 17% of the company's LNG export capacity has been impaired, with recovery expected to take 3-5 years. This development has reignited concerns surrounding shipbuilders' LNGC businesses.

Middle East tensions threaten the LNGC market from two key angles. First, contracted vessels may face requests from Middle Eastern shipowners for delayed delivery or contract cancellation. While Korean shipbuilders hold a significant backlog of LNGC orders linked to Qatar, it is important to note that these contracts are typically not directly signed between Qatar and the shipyards. Instead, specialized shipping companies place orders and then charter them on long-term contracts to Qatar. Given that current profit estimates for shipbuilders are not overly aggressive, and with the US dollar remaining strong against the Korean won, there exists a meaningful buffer against potential losses (see our Mar 9 report).

Second, future LNGC orders may be delayed significantly. LNGCs are typically delivered in tandem with the completion of natural gas liquefaction facilities, as the vessels are only needed once production capacity is operational. Therefore, this risk can be assessed by examining the share of Middle Eastern projects as a portion of ongoing liquefaction facility developments.

(Continued on the next page)

Performance

(%)	1W	3M	YTD
KSOE	-2.2	-3.9	-0.7
HD Hyundai Heavy	-5.4	7.9	9.1
Samsung Heavy	-5.9	13.5	18.4
Hanwha Ocean	-4.2	17.8	13.9
HD Hyundai Marine Solution	5.1	-6.3	-6.0
HD Hyundai Electric	3.1	18.7	22.8
HD CE	1.8	35.4	35.8
HD Hyundai	0.4	33.2	39.9
Doosan Bobcat	5.0	5.7	9.5
KAI	2.9	70.4	62.9
LIG Nex1	-6.7	59.8	56.4
Hanwha Aerospace	-10.8	48.8	38.1
Hyosung Heavy	5.0	47.3	51.9
LS Electric	19.3	89.6	91.0

Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	1.9	8.9	23.9
HD Hyundai Heavy	5.3	21.2	31.3
Samsung Heavy	4.9	23.3	23.0
Hanwha Ocean	5.4	29.0	20.6
HD Hyundai Marine Solution	8.1	21.9	39.2
HD Hyundai Electric	12.8	33.5	43.9
HD CE	1.5	14.5	14.4
HD Hyundai	1.9	15.0	13.5
Doosan Bobcat	0.8	11.6	7.2
KAI	8.6	46.3	19.9
LIG Nex1	8.8	43.8	21.8
Hanwha Aerospace	5.9	32.2	nm
Hyosung Heavy	8.1	31.6	28.9
LS Electric	10.9	51.7	23.0

Note: 2025 estimates
Source: Samsung Securities estimates

The Middle East's share of ongoing LNG projects is smaller than commonly believed. The Middle East accounts for an estimated 19% of LNGC demand linked to liquefaction plants that are under construction. For liquefaction projects in the front-end engineering design (FEED) stage, the Middle East's share drops to just 2.6%. For projects still at the bidding stage, the Middle East's share is zero. When aggregating all three stages of liquefaction projects, Middle Eastern demand for LNGCs relating to LNG liquefaction projects amounts to only 6% (vs 66% from North America). In conclusion, the Middle Eastern conflict is unlikely to substantially disrupt 'scheduled future LNGC orders.' Rather, the conflict could accelerate North American LNG projects. We believe Korean shipyards hold a competitive edge over Chinese yards in securing contracts for these North American projects.

LNGC demand relating to LNG liquefaction projects

(Vessels)	Under construction phase	FEED phase	Proposed phase	Total
Middle East	84	7	0	91
North America	268	223	474	965
Russia	23	2	93	118
Mozambique	21	16	0	37
Australia	4	0	16	20
Others	44	23	160	227
Total	444	271	743	1,458
Portion (%)				
Middle East	18.9	2.6	0.0	6.2
North America	60.4	82.3	63.8	66.2
Russia	5.2	0.7	12.5	8.1
Mozambique	4.7	5.9	0.0	2.5
Australia	0.9	0.0	2.2	1.4
Others	9.9	8.5	21.5	15.6

Source: Clarksons

Industry news

Samsung Heavy Industries secures LNGC order: Samsung Heavy Industries (SHI) has won an order for one LNGC, with delivery set for Apr 2029 and a contract value of USD252m. Though above current market rates, the deal stems from Purus Marine's exercise of a pre-negotiated option. With this contract, SHI has won USD2.4b in new orders ytd—17% of its full-year target and 42% of its commercial vessel goal.

HD Hyundai Heavy Industries wins containership order: HD Hyundai Heavy Industries has secured an order for ten 2,800-TEU containerships, together valued at USD560m. Deliveries should be completed by end-2028, according to Clarksons.

Hanwha Aerospace completes UGV performance evaluation: Hanwha Aerospace's multi-purpose unmanned ground vehicle (UGV), Arion-SMET, has successfully passed the Korean Army's official performance evaluation (under its UGV program). The project pitted Arion-SMET against Hyundai Rotem's HR-Sherpa. Interestingly, Hyundai Rotem proposed stricter evaluation standards, and Hanwha agreed to the terms. Then, Hyundai Rotem withdrew from the evaluation, citing concerns over fairness, leaving Hanwha Aerospace as the sole participant.

KF-21 export deal imminent: Citing government sources, several Korean media outlets have reported that an export contract for the KF-21 fighter jet is nearing finalization. Reports indicate that the Indonesian President is expected to sign a framework agreement during a state visit to Korea on Apr 1, with a formal implementation contract to follow in 1H26. The proposed deal involves 16 aircraft.

Korea Aerospace Industries names new CEO: Korea Aerospace Industries (KAI) formally inaugurated its new president, Kim Jong-chul, on Mar 19. A seasoned leader with deep experience in the Republic of Korea Air Force and the Defense Acquisition Program Administration, Kim laid out four pillars for KAI's renewal: 1) continuous innovation and bold ambition; 2) strengthening cash-generating businesses and expanding its portfolio; 3) building a collaborative ecosystem with partners; and 4) fostering a unified 'One KAI' culture.

LS Electric secures tax incentives for US manufacturing expansion: The state of Utah has approved tax incentives for LS Electric's North American subsidiary, MSCM Engineering II. The incentive should reduce property tax increases (stemming from the company's expansion) by up to 30% over the next 25 years. The Korean company plans to invest USD168m to triple capacity at its switchgear facility in Utah.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2025	
	Mar 20, 2026	Feb 13, 2026	Chg (%)	End-2025	Chg (%)
New building prices (USDm)					
Overall (indexed)	182.1	182.0	0.1	184.7	-1.4
Bulkers (Capesize)	75.0	75.0	0.0	75.0	0.0
Tankers (VLCC)	129.5	129.5	0.0	128.0	1.2
Tankers (51,000 DWT PCs)	50.0	49.5	1.0	49.0	2.0
Containerships (22,000 TEU)	234.0	234.0	0.0	235.0	-0.4
Containerships (13,000 TEU)	145.5	145.5	0.0	145.5	0.0
LNG carriers (174,000m³)	248.5	248.5	0.0	248.0	0.2
Secondhand prices (USDm)*					
Overall	203.0	202.0	0.5	191.1	6.2
Bulkers (Capesize)	68.5	68.5	0.0	3.0	3.8
Tankers (VLCC)	140.0	140.0	0.0	120.0	16.7
Tankers (51,000 DWT PCs)	47.0	47.0	0.0	43.0	9.3
Daily charter rates (USD)**					
Bulkers (Capesize, eco)	28,750	29,250	-1.7	24,850	15.7
Bulkers (Capesize, non-eco)	25,250	27,350	-7.7	23,850	5.9
Tankers (VLCC, eco)	125,000	126,250	-1.0	65,500	90.8
Tankers (VLCC, non-eco)	110,000	113,250	-2.9	58,000	89.7
Freight rate index					
ClarkSea Index (USD/day)	44,968	41,670	7.9	29,856	50.6
BDI	2,056	2,028	1.4	1,877	9.5
WS (based on Saudi route)	428	358	19.6	58	643.5
CCFI	1,121	1,072	4.5	1,147	-2.3
SCFI	1,707	1,710	-0.2	1,656	3.1
Energy prices***					
Natural gas (USD/mil BTU)	3.0	3.3	-7.0	2.1	-23.8
Oil (USD/bbl)	98.3	98.7	-0.4	61.7	71.2
MGO-HSFO (USD/tonne)	1,064.0	862.0	23.4	262.8	304.9
VLSFO-HSFO (USD/tonne)	244.3	219.0	11.5	71.8	240.4

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*	-2.2	1.4	-3.9	-0.7	1.9	8.9	23.9
HD Hyundai Heavy Industries*	-5.4	2.7	7.9	9.1	5.3	21.2	31.3
Samsung Heavy Industries*	-5.9	3.1	13.5	18.4	4.9	23.3	23.0
Hanwha Ocean*	-4.2	-0.5	17.8	13.9	5.4	29.0	20.6
HD Hyundai Marine Solution*	5.1	5.0	-6.3	-6.0	8.1	21.9	39.2
Yangzijiang	1.0	15.9	19.3	15.5	2.3	8.8	27.8
CSSC Holdings	-5.8	-8.8	-0.2	-0.3	2.1	14.1	18.6
CSSC Offshore	-9.9	-16.0	10.4	6.3	n/a	27.7	7.6
ST Engineering	0.6	8.7	33.7	29.9	11.6	33.2	36.9
Seatrium	0.0	12.3	14.5	9.7	1.1	16.0	7.0
Mitsubishi	2.2	-2.1	24.9	26.3	6.3	59.3	11.1
Kawasaki	0.5	-2.6	51.6	59.0	3.5	31.3	11.8

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*	3.1	0.1	18.7	22.8	12.8	33.5	43.9
HD Construction Equipment*	1.8	-5.4	35.4	35.8	1.5	14.5	14.4
HD Hyundai*	0.4	2.5	33.2	39.9	1.9	15.0	13.5
Doosan Bobcat*	5.0	-2.6	5.7	9.5	0.8	11.6	7.2
KAI*	2.9	5.1	70.4	62.9	8.6	46.3	19.9
LIG Nex1*	-6.7	44.8	59.8	56.4	8.8	43.8	21.8
Hanwha Aerospace*	-10.8	18.1	48.8	38.1	5.9	32.2	nm
Hyosung Heavy*	5.0	14.0	47.3	51.9	8.1	31.6	28.9
LS Electric*	19.3	34.1	89.6	91.0	10.9	51.7	23.0
Lockheed Martin	-2.9	-3.4	32.3	29.7	11.1	59.5	20.2
Raytheon	-3.1	-3.2	8.9	8.0	16.0	21.1	84.3
Siemens	-7.5	-16.8	-13.7	-14.8	3.9	29.1	13.7
Caterpillar	-1.9	-9.5	18.2	18.9	2.4	18.8	13.1
Komatsu	-10.6	-16.5	27.9	26.9	14.3	29.9	54.1
Kubota	-3.8	-13.2	12.9	16.4	1.7	15.9	11.2

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

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