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MIRAE ASSET Securities

2026 OUTLOOK REPORT

Shipbuilding/Defense (Overweight)

Another inflection point

Mirae Asset Securities Co., Ltd.

Dong-ho Jeong
dongho.jeong@miraeasset.com

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HD Hyundai Heavy Industries (329180 KS) - Top pick

Samsung Heavy Industries (010140 KS) – Stock to watch

Hyundai Rotem (064350 KS) – Top pick

Hanwha Aerospace (012450 KS) – Stock to watch

[Summary] Growth narrative playing out

Investment summary

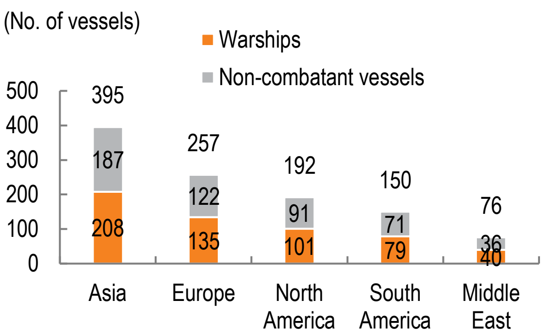
Shipbuilding **Expectations for naval vessel exports and LNG carrier orders**	• We maintain our Overweight stance on shipbuilding. New naval vessel and LNG carrier orders could lead to a prolonged earnings up-cycle, and profit growth in the commercial vessel segment should continue. • 2026 outlook: With over 1,000 naval vessels estimated to require replacement, naval vessel exports are expected to begin in earnest in 2026-27. In addition, the US is likely to place orders for 50-100 LNG carriers; for FID-approved projects alone, LNG carrier demand totals 117 units. Korean firms have 105 LNG carrier slots available for 2028-29. • Investment strategy: We favor HD Hyundai Heavy Industries (HD HHI) and Samsung Heavy Industries (SHI), which offer differentiated exposure to the naval, offshore, and engine businesses (in addition to the commercial segment). • Earnings: Aggregate operating profit is likely to display a CAGR of 20% during 2025-27, with OP margin in the mid-teens.
Defense **Potential large-scale deals with Middle Eastern countries**	• We maintain our Overweight stance on defense. Full-scale entry into the Middle East would provide a boost to order backlogs and earnings forecasts, leading to valuation re-ratings. • 2026 outlook: We project exports to grow 204% YoY to W39tr (bull case: W52tr). The key variable is demand from the Middle East, including potential large-scale deals with Saudi Arabia, Iraq, and the UAE. In Europe, key points to watch include follow-up contracts with Poland and potential new orders from Romania. • Investment strategy: We favor Hyundai Rotem and Hanwha Aerospace, given their expected earnings growth in 2026, export momentum, and potential for upward earnings forecast revisions. • Earnings: In 2026, we forecast aggregate revenue and operating profit to expand 20% and 40% YoY, respectively, driven by strength in both exports and domestic demand.
Top picks **HD HHI and Hyundai Rotem**	• Shipbuilding: We maintain our Buy rating and target price of W740,000 on HD HHI. We forecast 2026 operating profit at W3tr (+36% YoY; OP margin of 15.8%), supported by continued productivity gains and mix improvements in the commercial shipbuilding and engine segments. We estimate that average newbuilding prices will rise 12% for LNG carriers and 18% for container ships. Key potential catalysts include: 1) LNG carrier orders from the US; 2) progress in joint shipbuilding initiatives with the US (MASGA); and 3) an acceleration in naval vessel exports. • Defense: We maintain our Buy rating and target price of W300,000 on Hyundai Rotem. We forecast 2026 operating profit at W1.7tr (+55% YoY; OP margin of 22.3%). Assuming additional K2 export deals are secured, we expect the order backlog to extend to six years and K2 production capacity to double by 2027. A key catalyst is the likely signing of a K2 export deal with Iraq in 1H26, potentially followed by contracts with Romania, Peru, and Poland (EC3).

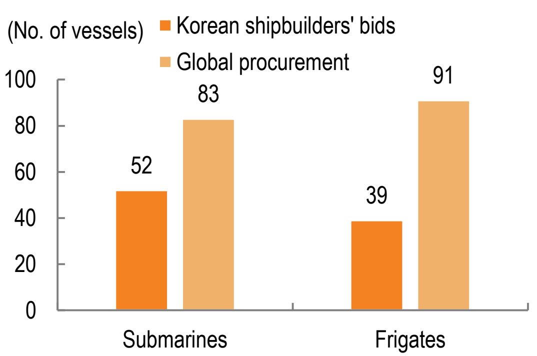
Key investment point for shipbuilding: Diversification

Rising naval export opportunities

- The 2026 global naval budget is estimated at W230tr.
- It is estimated that over 1,000 naval vessels require replacement.
- Korean shipbuilders have strong export pipelines, with bids underway for 52 submarines and 39 frigates.

Naval exports → improved earnings quality



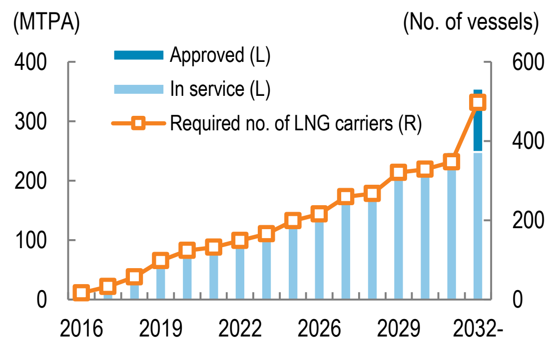


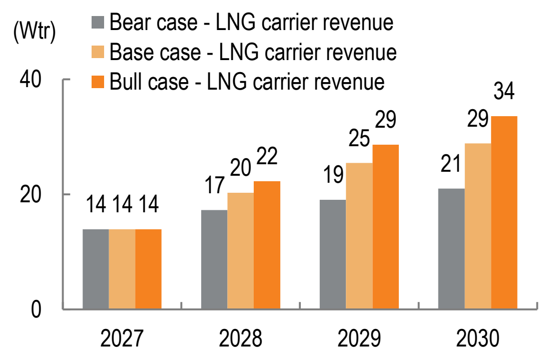
Source: IISS, media reports, Mirae Asset Securities Research

Potential US LNG carrier orders

- US LNG terminal capacity is estimated at 354 MTPA, requiring 497 LNG carriers.
- FID-approved US LNG export terminal capacity totals 84 MTPA (a record high), requiring an estimated 117 LNG carriers.

US LNG carrier orders would boost commercial ship earnings



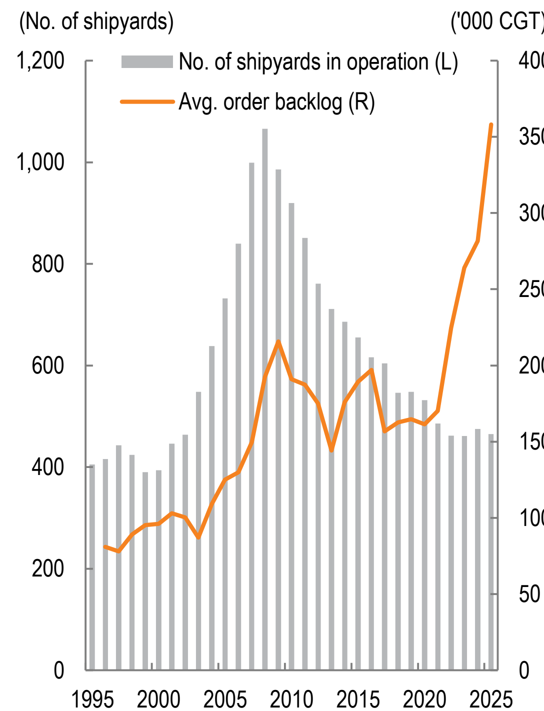


Source: Clarksons, EIA, Mirae Asset Securities Research

Commercial ships: Supplier-driven

- Order backlogs per shipyard remain at record highs; we expect the steady up-cycle to continue.
- If orders surge, newbuilding prices will rise, reinforcing suppliers' advantage.

Backlog per shipyard at an all-time high



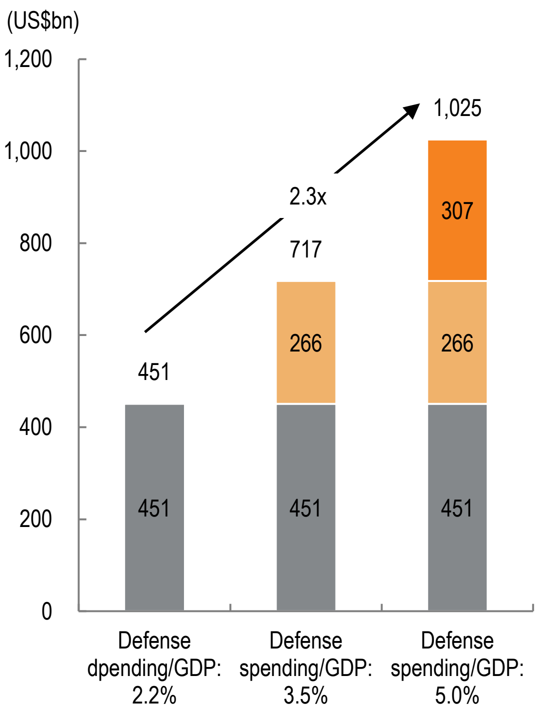
Source: Clarksons, Mirae Asset Securities Research

Key investment point for defense: Solid fundamentals

TAM expansion

- Europe is targeting an increase in defense spending to 5% of GDP by 2035, equivalent to W1tr (2.3x increase).
- This should lead to a surge in weapons acquisition programs, translating into higher earnings for defense players.

Defense players' TAM to double if NATO defense spending reaches 5% of GDP

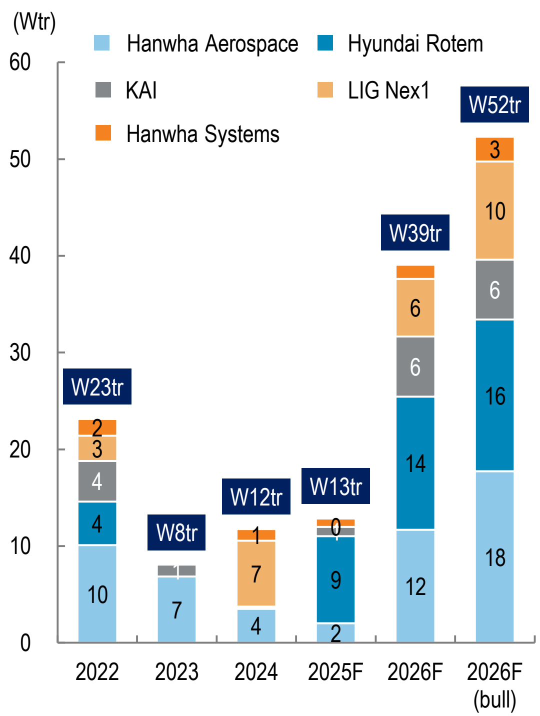


Source: SIPRI, Mirae Asset Securities Research

Strong export momentum

- We project Korea's 2026 defense exports to reach W39tr (bull case: W52tr), with Hyundai Rotem contributing 35% and Hanwha Aerospace 30%.
- The key variable is whether large-scale deals with Middle Eastern countries are secured.

2026 defense exports estimated at W39tr

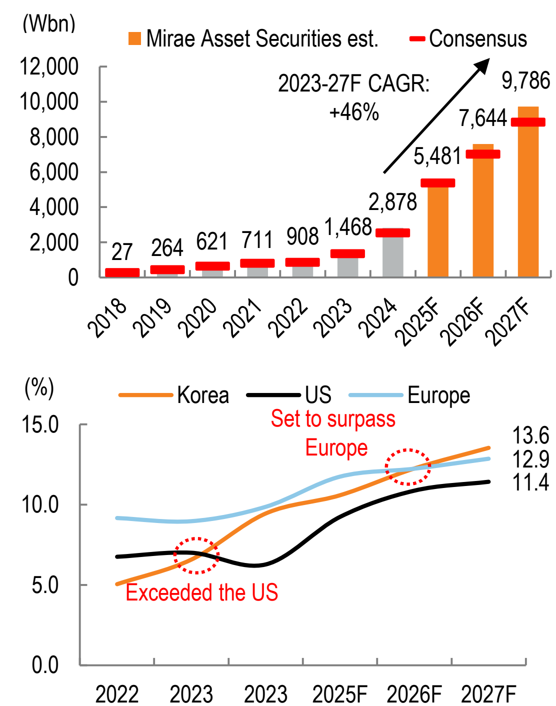


Source: Media reports, Mirae Asset Securities Research

Solid medium/long-term outlook

- The five major defense players' aggregate OP is estimated to grow at 46% CAGR over five years, backed by a rising export mix; 2026 OP margin is likely to surpass that of the European defense sector.
- Earnings growth should support re-ratings.

OP to grow at 46% CAGR; OP margin to surpass that of European defense sector



Source: Bloomberg, Mirae Asset Securities Research

I

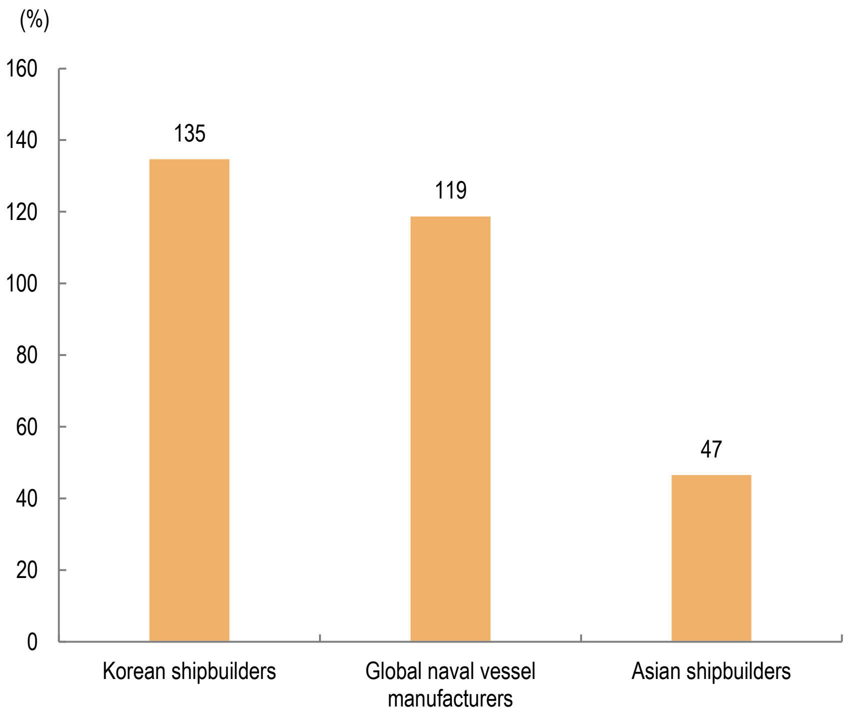
Shipbuilding

2025 review: Naval vessel theme stronger than expected

2025 outperformers: Global naval vessel manufacturers and Korean shipbuilders

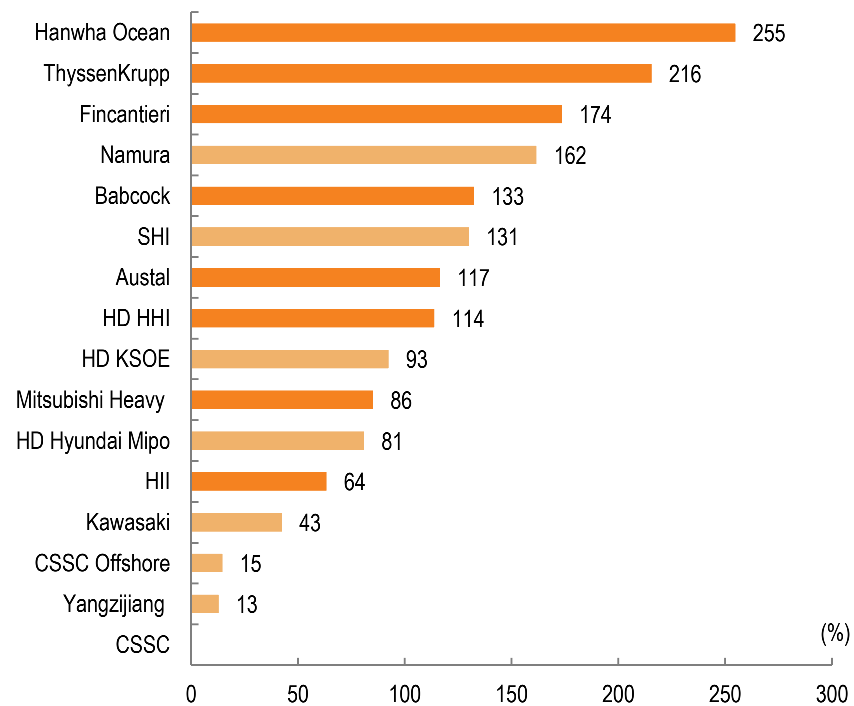
- YTD returns for shipbuilding stocks: +135% for Korean names, +119% for global naval vessel manufacturers, and +47% for Asian shipbuilders
- Global commercial ship orders have fallen 50% YoY to 37.89mn CGT, but the impact on shares has been limited.
- Meanwhile, naval-focused names have meaningfully outperformed, driven by positive developments in Europe (multiple naval contracts under negotiation amid the region's rearmament trend) and the US (renewed policy emphasis on rebuilding the domestic shipbuilding industry).
- With developed countries increasingly viewing naval fleet modernization as essential, we believe 2026 is likely to be the year in which the naval vessel narrative fully takes hold.

2025 outperformers: Global naval vessel manufacturers and Korean shipbuilders



Source: Bloomberg, Mirae Asset Securities Research

Of the five stocks with the highest YTD returns, four are naval vessel manufacturers



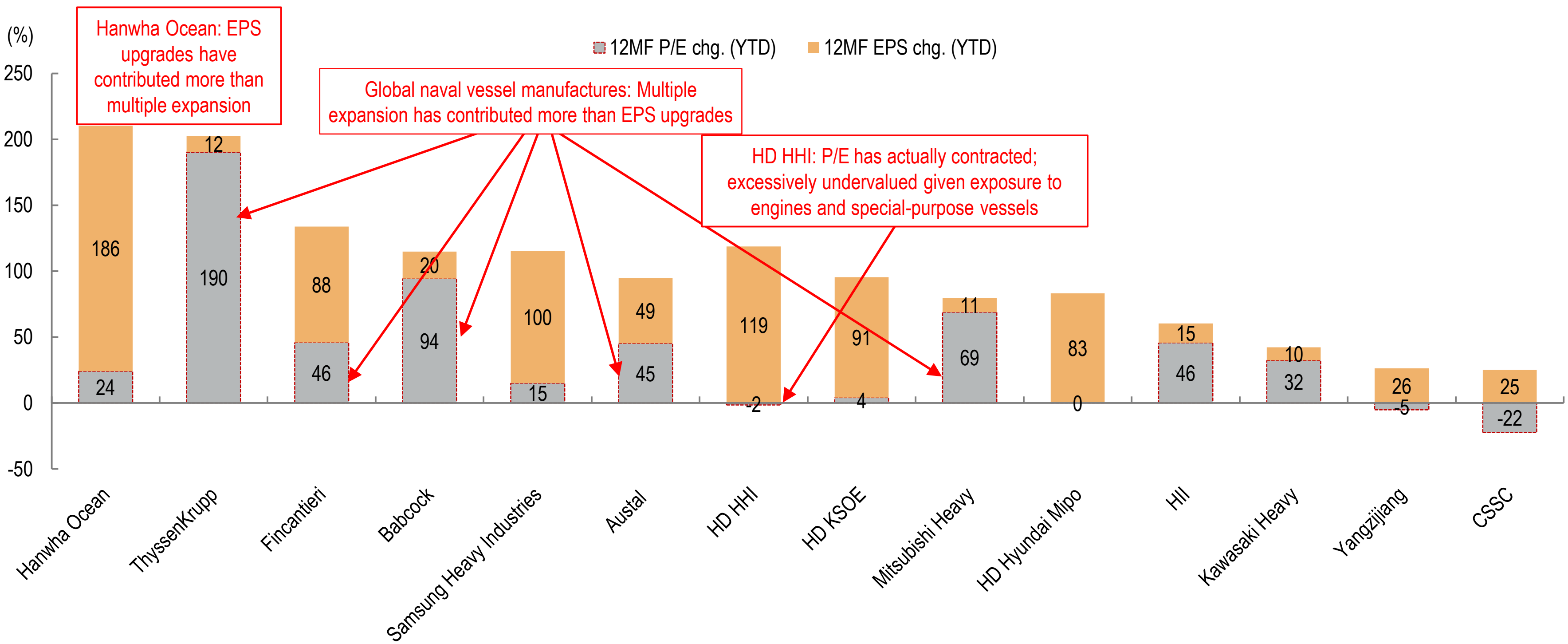
Source: Bloomberg, Mirae Asset Securities Research

2025 review: Gearing up for a re-rating

Korean shipbuilding names have experienced multiple contraction despite solid earnings momentum

- While global naval vessel manufacturers have seen share price rallies driven by multiple expansion, the rally in Korean shipbuilding stocks has been driven mainly by EPS upgrades.
- Despite ample potential catalysts for a re-rating, including Korea-US shipbuilding cooperation, Korean shipbuilders have seen little improvement in valuation multiples. For HD HHI and HD Hyundai Mipo, 12-month forward P/E multiples have actually fallen.
- This suggests that there remains significant room for multiple expansion. Given anticipated catalysts such as LNG carrier orders, special-purpose vessel orders, and deepening shipbuilding cooperation with developed countries, we expect 2026 to mark the beginning of a sector re-rating. At the same time, mix improvements should continue to drive EPS growth.

Share price gains driven by EPS upgrades for Korean shipbuilders vs. multiple expansion for global naval vessel manufacturers



Source: Bloomberg, Mirae Asset Securities Research

2026 outlook: Naval vessels

Korea-US shipbuilding cooperation kicks off, creating opportunities for commercial/naval vessel contracts

- Starting in 2026, Korean shipbuilders are expected to begin signing substantial commercial and naval vessel contracts with the US.
- The two countries agreed to a shipbuilding cooperation framework, with Korea pledging US$150bn to support collaboration in areas including MRO, workforce training, shipyard modernization, and supply chain resilience.
- The purpose of the initiative is to enhance US commercial and naval shipbuilding efficiency, and the agreement hints at the possibility of authorizing the construction of US-flagged vessels in Korea.
- The US has also given approval to Korea to build nuclear-powered submarines and signaled support for Korea's push to expand its authority over uranium enrichment and nuclear fuel reprocessing.
- In parallel, the US Department of War announced an acquisition transformation strategy focused on expediting procurement, rebuilding industrial capacity, and putting the system on a wartime footing.

Korea-US shipbuilding cooperation framework; Korea's push to build nuclear submarines gains US approval

FURTHERING OUR MARITIME AND NUCLEAR PARTNERSHIP: The United States welcomed the ROK's commitment to contribute to modernizing and expanding the capacity of American shipbuilding industries, including through investments in U.S. shipyards and America's workforce. The ROK welcomed the United States' support for the ROK's civil and naval nuclear power programs.

- Both countries committed to collaborate further through a shipbuilding working group, including on maintenance, repair, and overhaul, workforce development, shipyard modernization, and supply chain resilience.
- These initiatives will increase the number of U.S. commercial ships and combat-ready U.S. military vessels as quickly as possible, including the potential construction of U.S. vessels in the ROK.
- Consistent with the bilateral 123 agreement and subject to U.S. legal requirements, the United States supports the process that will lead to the ROK's civil uranium enrichment and spent fuel reprocessing for peaceful uses.
- The United States has given approval for the ROK to build nuclear-powered attack submarines. The United States will work closely with the ROK to advance requirements for this shipbuilding project, including avenues to source fuel.

Source: White House, Mirae Asset Securities Research

US Department of War seeks to expand production capacity and shift acquisition system to a wartime footing

Under this aggressive strategy, the Department will prioritize three overarching *outcomes for our transformed acquisition system:*

1. Field technology and modernize systems at a rate that outpaces our adversaries;
2. Increase production capacity and deliver wartime surge capacity for key capabilities, systems, weapons, and munitions to the U.S. warfighter and priority allies and partners;
3. Put the entire acquisition system and the industrial base on a wartime footing with the urgency and mandate to accept more risk, transition from a culture of compliance to one of speed and execution and rapidly tackle the strategic challenges facing the nation.

In transforming the existing acquisition processes, there are five pillars with nested actions to achieve the President's direction:

Rebuild the Arsenal of Freedom: Rebuild the Defense Industrial Base

Elevate and Empower the Acquisition Workforce to Rapidly Deliver Capability

Maximize Acquisition Flexibility through Reduced Regulations and Process

Develop High Performance Systems through Rigorous Enterprise Technical Execution Excellence

Improve Lifecycle Risk Management

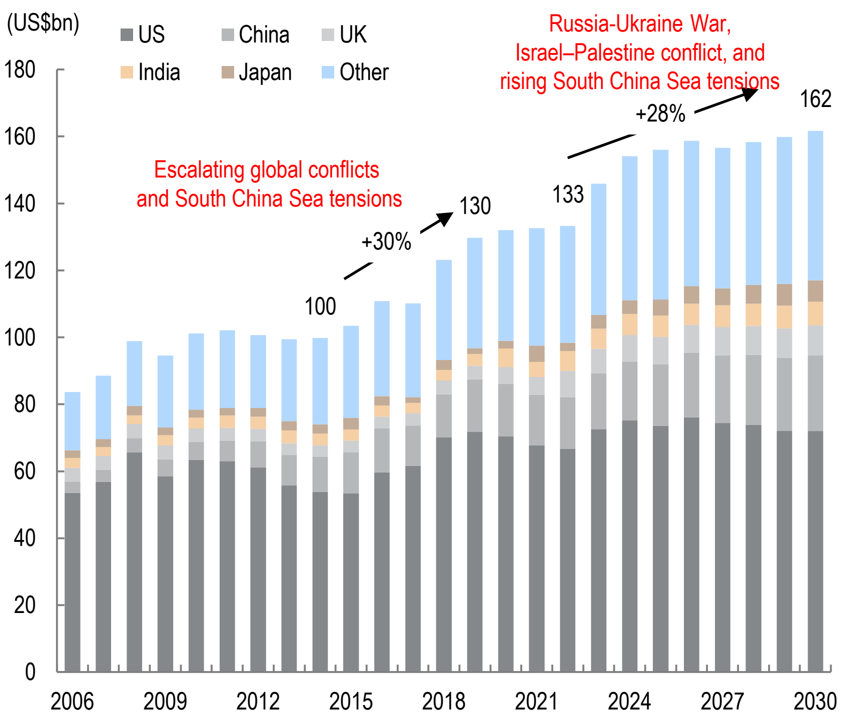
Source: DoW, Mirae Asset Securities Research

2026 outlook: Naval vessels

Rising naval procurement budgets and large-scale replacement needs

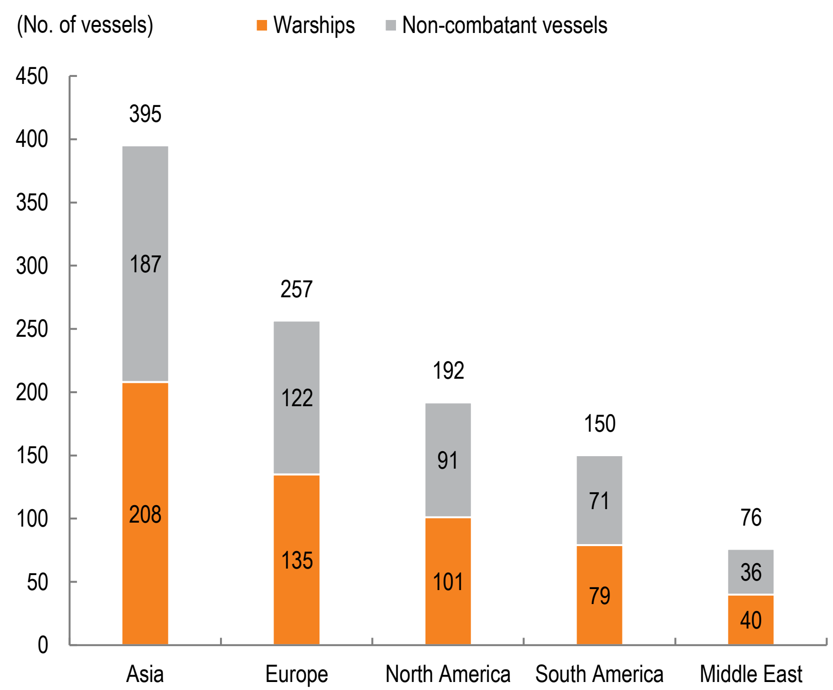
- In 2026, global naval procurement spending will likely reach US$159bn (W230tr), indicating a significant expansion in naval vessel export opportunities.
- Most naval vessels currently in active service were built before 2000, making them at least 25 years old.
- Over 1,000 naval vessels are estimated to require replacement. Notably, 56% of warships are classified as aged/outdated.
- With geopolitical risks intensifying, many countries are expected to accelerate naval modernization programs.

Global naval procurement spending trend and outlook



Source: IISS, SIPRI, Mirae Asset Securities Research estimates

Global replacement demand for naval vessels estimated at over 1,000 units



Notes: Non-combatants are assumed at 0.9x the number of warships; replacement demand is based on vessels aged 26+ years; export-restricted countries (e.g., China and Iran) excluded
Source: IISS, Mirae Asset Securities Research

2026 outlook: Naval vessels

If naval vessel exports materialize, their earnings contribution would be significant

- We estimate the size of the replacement markets for attack submarines, frigates, and corvettes—Korea's key target segments—at W108tr, W76.8tr, and W18.4tr, respectively.
- Assuming 20–25% OP margins and modest 5–10% market shares, Korean shipbuilders could generate trillions of won in operating profit.
- In estimating the market size by vessel type, we conservatively assumed unit prices at 20% above domestic mass production costs. Because defense export prices are typically about two times higher than domestic production costs, the actual market size could be much larger.

Est. replacement market for submarines, frigates, and corvettes and expected OP contributions

Replacement market est. for attack submarines (Wbn)

Region	Demand (units)	Acquisition cost	MRO	Total cost
Europe	24	28,800	67,200	96,000
Asia	43	51,600	120,400	172,000
Middle East	8	9,600	22,400	32,000
S. America	11	13,200	30,800	44,000
N. America	4	4,800	11,200	16,000
Total	90	**108,000**	252,000	360,000

Notes: Unit price = domestic production cost (W1tr) + 20% markup; MRO cost = 70% of total life-cycle cost; adversaries and countries with domestic naval shipbuilding capabilities excluded

Replacement market est. for frigates (Wbn)

Region	Demand (units)	Acquisition cost	MRO	Total cost
Europe	26	15,600	29,400	45,000
Asia	51	30,600	56,400	87,000
Middle East	13	7,800	14,200	22,000
S. America	26	15,600	29,400	45,000
N. America	12	7,200	13,800	21,000
Total	128	**76,800**	143,200	220,000

Notes: Unit price = domestic production cost (W0.5tr) + 20% markup; MRO cost = 65% of total life-cycle cost; adversaries and countries with domestic naval shipbuilding capabilities excluded

Replacement market est. for corvettes (Wbn)

Region	Demand (units)	Acquisition cost	MRO	Total cost
Europe	8	1,440	2,560	4,000
Asia	55	9,900	15,100	25,000
Middle East	13	2,340	3,660	6,000
S. America	26	4,680	7,320	12,000
N. America				
Total	102	**18,360**	28,640	47,000

Notes: unit price = domestic production cost (W0.15tr) + 20% markup; MRO cost = 60% of total life-cycle cost; adversaries and countries with domestic naval shipbuilding capabilities excluded

Expected OP based on M/S and OPM (Wbn)

M/S \ OPM	10%	15%	20%	25%
5%	540	810	1,080	1,350
10%	1,080	1,620	2,160	2,700
15%	1,620	2,430	3,240	4,050
20%	2,160	3,240	4,320	5,400

Note: Based on acquisition costs only; MRO costs excluded

Expected OP based on M/S and OPM (Wbn)

M/S \ OPM	10%	15%	20%	25%
5%	228	342	456	570
10%	456	684	912	1,140
15%	684	1,026	1,368	1,710
20%	912	1,368	1,824	2,280

Note: Based on acquisition costs only; MRO costs excluded

Expected OP based on M/S and OPM (Wbn)

M/S \ OPM	10%	15%	20%	25%
5%	92	138	184	230
10%	184	275	367	459
15%	275	413	551	689
20%	367	551	734	918

Note: Based on acquisition costs only; MRO costs excluded

Source: IISS, Mirae Asset Securities Research estimates

2026 outlook: Naval vessels

Korean shipbuilders' large pipeline of potential naval contracts

- Global procurement needs for submarines and frigates are estimated at 83 and 91 units, respectively. Korean shipbuilders are positioned to compete for 52 and 39 units, respectively.
- Key export markets for Korean shipbuilders include North America, the Middle East, Latin America, and Southeast Asia. Meanwhile, Europe remains difficult to penetrate due to the presence of established local players.
- Beyond submarines and frigates, procurement activity is expected to increase across a wide range of vessel types, including corvettes, offshore patrol vessels, and auxiliary ships.
- However, given the high value and technological complexity of naval vessels, final contract decisions typically take a long time. As such, related share momentum is likely to materialize only after deals are actually signed.

Potential contract pipeline for submarines

Region	Country	Type	Status	Korean participation	Timeline	No.
EU	Poland	Submarine	TBD	O	2026	3
	Italy	Submarine	TBD		2040	6
	Demark	Submarine	TBD		2026	6
	Greece	Submarine	TBD	O	2027	8
	Portugal	Submarine	TBD	O	2027	2
Middle East	Saudi Arabia	Submarine	TBD	O	2027	5
	Egypt	Submarine	TBD		2026	4
	Morocco	Submarine	TBD	O	2027	3
N. America	Canada	Submarine	TBD	O	2027	12
S. America	Chile	Submarine	TBD	O	TBD	2
	Columbia	Submarine	TBD	O	TBD	2
	Brazil	Submarine	TBD		2026	12
	Peru	Submarine	TBD	O	2025	4
Asia	Philippines	Submarine	TBD	O	TBD	2
	Ecuador	Submarine	TBD	O	TBD	2
	Bangladesh	Submarine	TBD	O	TBD	6
	India	Submarine	TBD	X	2026	6
Total						**83**
Potential contract pipeline						**52**

Source: Media reports, Mirae Asset Securities Research

Potential contract pipeline for frigates

Region	Country	Type	Shipbuilder	Korean participation	Timeline	No.
EU	Greece	Frigate	TBD	O	2026	7
	New Zealand	Frigate	TBD		2028	2
	Portugal	Frigate	TBD		2030	6
	Netherlands	Frigate	TBD		2028	4
	Norway	Frigate	BAE Systems	O	2025	5
	Denmark	Frigate	TBD		2027	4
Middle East	Saudi Arabia	Frigate	TBD	O	2026	5
	Egypt	Frigate	TBD		TBD	2
N. America	US	Frigate	TBD		2027	14
S. America	**Peru**	Frigate	**HD HHI**	**O**	**2025**	**4**
	Chile	Frigate	TBD	O	TBD	8
	India	Frigate	TBD	O	2026	7
	Bangladesh	Frigate	TBD	O	2030	6
Asia/ Oceania	Australia	Frigate	MHI	O	2025	11
	Thailand	Frigate	TBD	O	2026	2
	Vietnam	Frigate	TBD		2027	4
Total						**91**
Potential contract pipeline						**39**

Source: Media reports, Mirae Asset Securities Research

2026 outlook: Naval vessels

Global naval modernization projects since 2022

Recipient country	Vessel type	Status	Program type	Contract year	No.	Value (US$mn)	Price/vessel (US$mn)	Supplier country	Shipbuilder
Canada	Attack submarine	Potential	Production	2027F	12	14,286	1,191	TBD	TBD
Denmark	Frigate	Potential	Production	2027F	5	3,175	635	TBD	TBD
Saudi Arabia	Frigate	Potential	Production	2026F	5	2,500	500	TBD	TBD
Saudi Arabia	Attack submarine	Potential	Production	2026F	5	3,548	710	TBD	TBD
Thailand	Frigate	Potential	Production	2026F	2	1,000	500	TBD	TBD
Norway	Frigate	Awarded	Production	2025	5	13,500	2,700	UK	BAE Systems
India	Attack submarine	Potential	Production	2025F	6	10,000	1,667	TBD (Germany likely)	TBD (TKMS)
Australia	Frigate	Potential	Production	2025F	11	6,500	591	Japan	Mitsubishi Heavy Industries
Indonesia	Frigate	Awarded	Production	2025	2	1,000	500	Türkiye	TAIS
Spain	Fleet oiler	Awarded	Production	2025	1	700	700	Spain	Navantia
Singapore	Attack submarine	Awarded	Production	2025	2			Germany	ThyssenKrupp
Peru	Frigate	Awarded	Production	2025	4	463	116	Korea	HD HHI, SIMA
Saudi Arabia	Frigate	Awarded	Production	2024	3	1,090	363	Spain	Navantia
Indonesia	Frigate	Awarded	Production	2024	2	1,277	638	Italy	Fincantieri
UAE	OPV	Awarded	Production	2024	10	431	43	Italy, UAE	ADSB, Fincantieri
Korea	Frigate	Awarded	Production	2024	2	615	308	Korea	Hanwha Ocean
UK	Support vessel	Awarded	Production	2023	3	1,989	663	Spain, UK	Navantia
Spain	Survey vessel	Awarded	Production	2023	2	172	86	Spain	Navantia
Romania	Mine warfare vessel	Awarded	Production	2023	2	162	81	UK	Babcock, AEUK
France, Italy	Support vessel	Awarded	Upgrade	2023	4	1,622	406	France, Italy	Fincantieri, Naval Group, Eurosam
Israel	Attack submarine	Awarded	Production	2022	3	3,162	1,054	Germany	ThyssenKrupp
Ireland	OPV	Awarded	Production	2022	2	43	22	New Zealand	Babcock
Philippines	OPV	Awarded	Production	2022	6	621	103	Korea	HD HHI

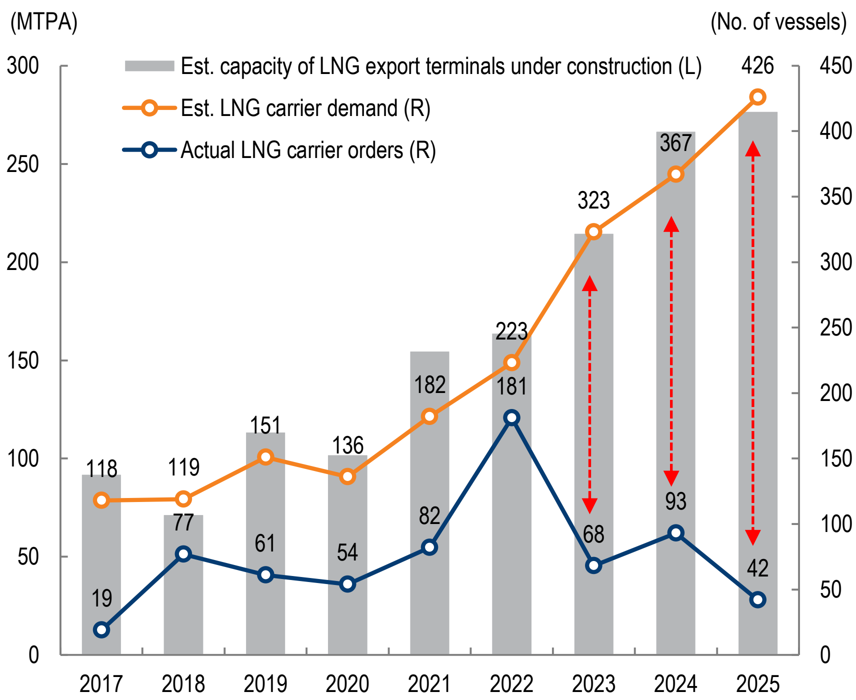
Source: IISS, Mirae Asset Securities Research

2026 outlook: LNG carriers

With global LNG export terminals expanding and 2029 slots becoming available, LNG carrier orders are likely to rise

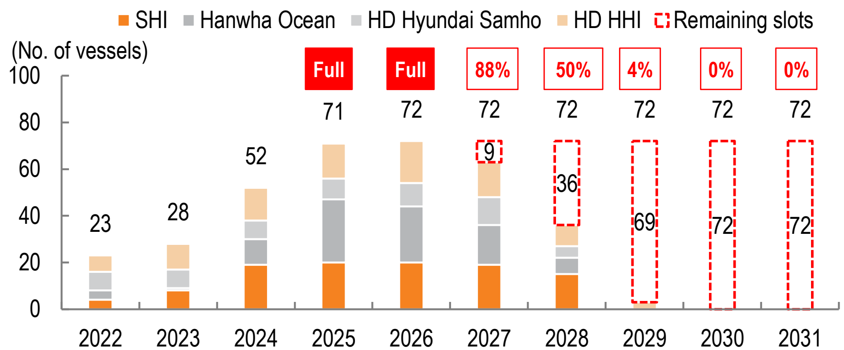
- In 2026, we project Korean shipbuilders to secure 100 LNG carrier orders, supported by FID approvals for US LNG export terminals and the opening of 2029 newbuilding slots.
- As of 2025, global LNG export terminals under construction have a combined capacity of 277 MTPA, implying demand for 426 LNG carriers.
- LNG carrier orders were subdued over the past two years, mainly due to a lack of newbuilding slots at shipyards.
- 2024–26 slots were filled in 2022, and 2027–28 slots were filled in 2023-25. 2029 slots have not yet been filled.
- A further reason for the slowdown in LNG carrier orders has been delays in project FIDs.

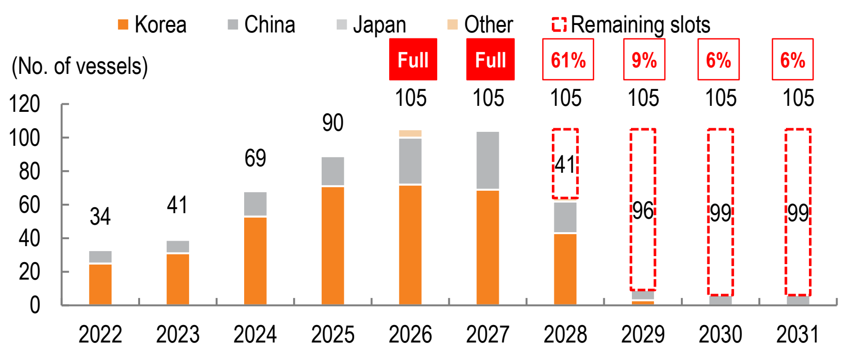
As global LNG export terminal capacity expands, LNG carrier demand will increase



Source: Clarksons, Mirae Asset Securities Research estimates

Order activity has been affected by limited newbuilding capacity for LNG carriers





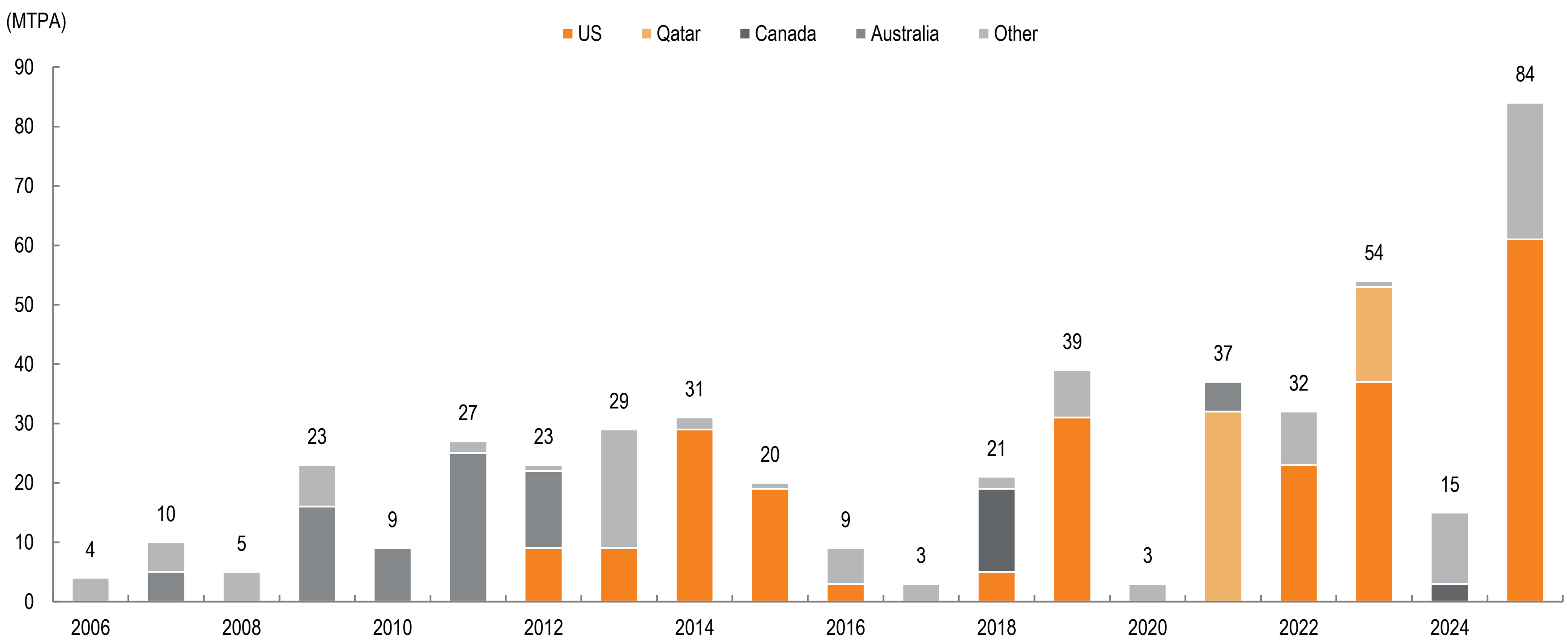
Source: Clarksons, Mirae Asset Securities Research estimates

2026 outlook: LNG carriers

US FIDs accelerating (with many still pending); Mozambique project resuming

- Time charter contracts related to LNG export terminals typically take shape after the FID stage.
- Until recently, delays in US LNG export terminal FIDs held back LNG carrier orders, but FIDs are now resuming.
- In 2025 alone, US LNG export terminals with capacity totaling 84 MTPA (a record high) passed the FID stage; this implies demand for 117 LNG carriers.
- There are numerous additional LNG export terminal projects awaiting FID, with a combined capacity of 122 MTPA (implying demand for 170 LNG carriers)
- Meanwhile, the Mozambique LNG project (13 MTPA; requiring an estimated 17–18 LNG carriers), which had been suspended due to attacks on the facility, has resumed.

FID-approved US LNG export terminal capacity reached a record high in 2025



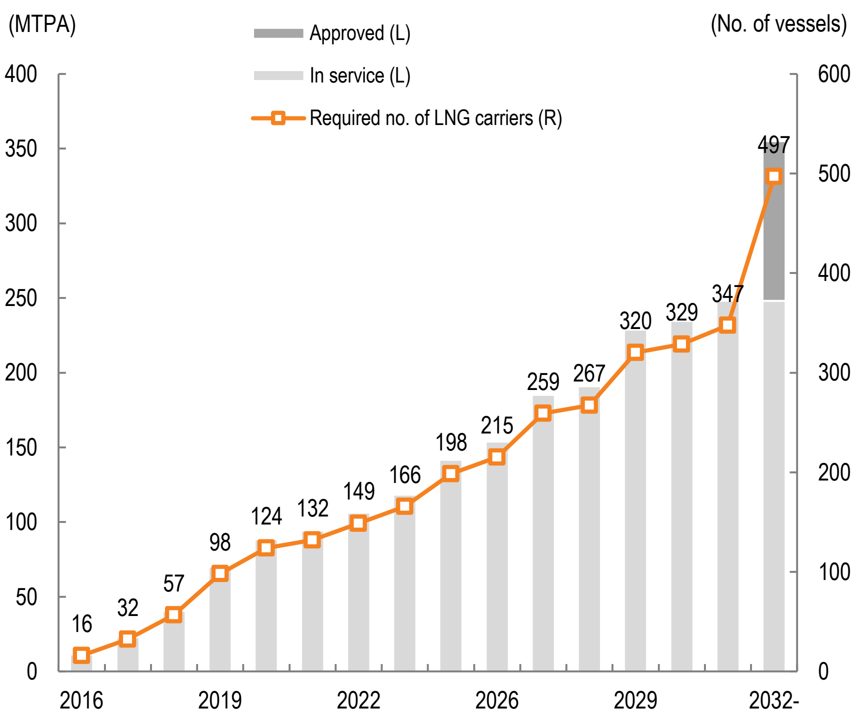
Source: GTT, IEA, Clarksons, Mirae Asset Securities Research

2026 outlook: LNG carriers

Korean shipbuilders likely to enjoy prolonged earnings up-cycle

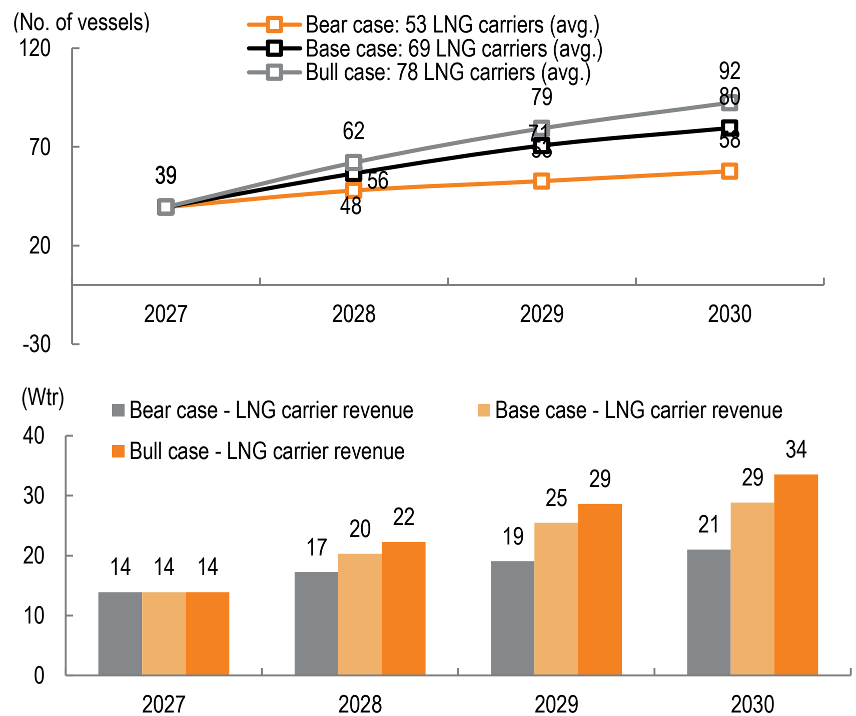
- LNG carrier demand related to US LNG export terminals that are completed or under construction is estimated at 347 vessels; including projects that have passed FID but not yet started construction, demand rises to 497 vessels.
- Korean shipyards typically build 50-70 LNG carriers per year.
- By scenario, we estimate revenue potential as follows:
  - 53 LNG carriers annually (bear case): W17tr in 2028F, W19tr in 2029F, and W21tr in 2030F
  - 69 LNG carriers annually (base case): W20tr in 2028F, W25tr in 2029F, and W29tr in 2030F
  - 78 LNGC carriers annually (bull case): W22tr in 2028F, W29tr in 2029F, and W34tr in 2030F

Planned US terminal capacity expansions require 497 LNG carriers



Source: EIA, Clarksons, Mirae Asset Securities Research estimates

LNG carrier revenue estimates for Korean shipbuilders by scenario



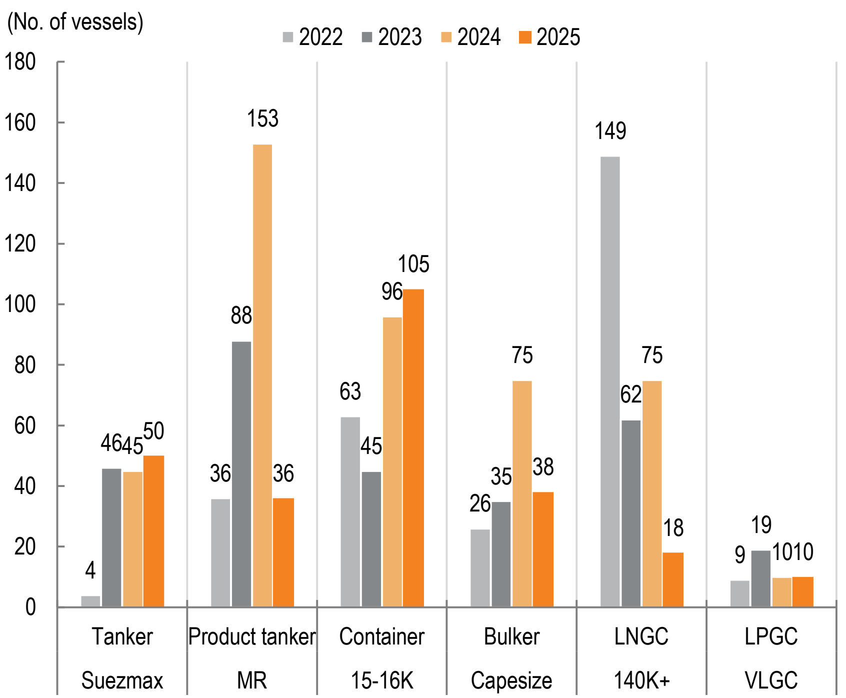
Source: Clarksons, Mirae Asset Securities Research estimates

2026 outlook: Commercial ships

Korean shipbuilders likely to enjoy prolonged earnings up-cycle

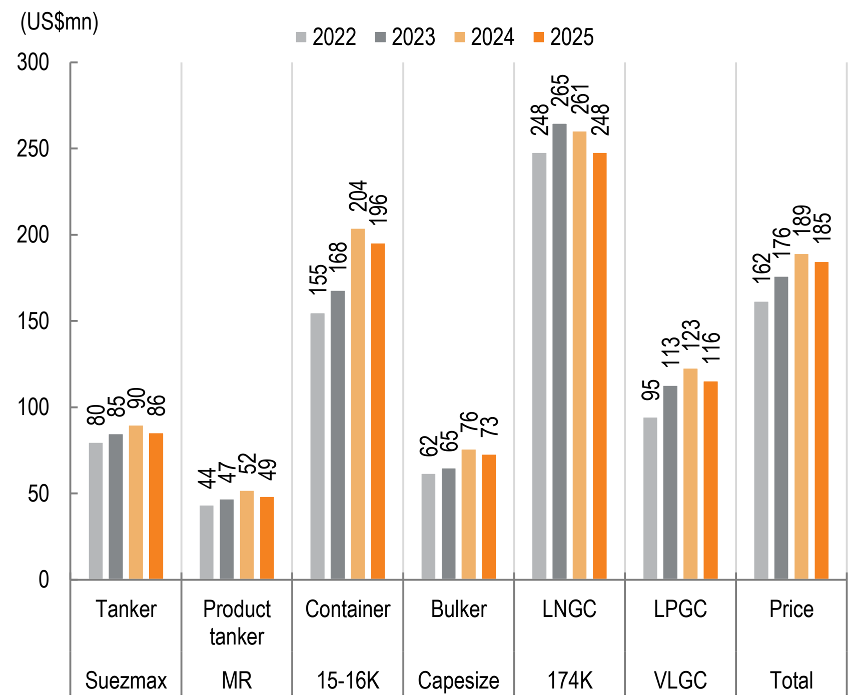
- Amid the current economic and geopolitical uncertainties, cargo demand remains limited, making a meaningful increase in commercial ship orders unlikely.
- In 2026, order activity is likely to remain flexible/selective, depending on shipping market conditions and geopolitical developments. The outlook for LNG carrier orders remains positive.
- LNG carriers: Order activity is likely to resume, given accelerating FIDs for US LNG export terminals and the restart of the Mozambique project.
- Container ships: Market conditions currently favor mid-sized container ships. Orders for large container ships should also continue as global carriers compete to expand/modernize their fleets.
- Tankers: Strong charter/freight rates, a large share of aged vessels (43%), and a low orderbook-to-fleet ratio (16%) point to a likely increase in orders.

Newbuilding order volume by year and by vessel type



Source: Clarksons, Mirae Asset Securities Research

Newbuilding price by year and by vessel type



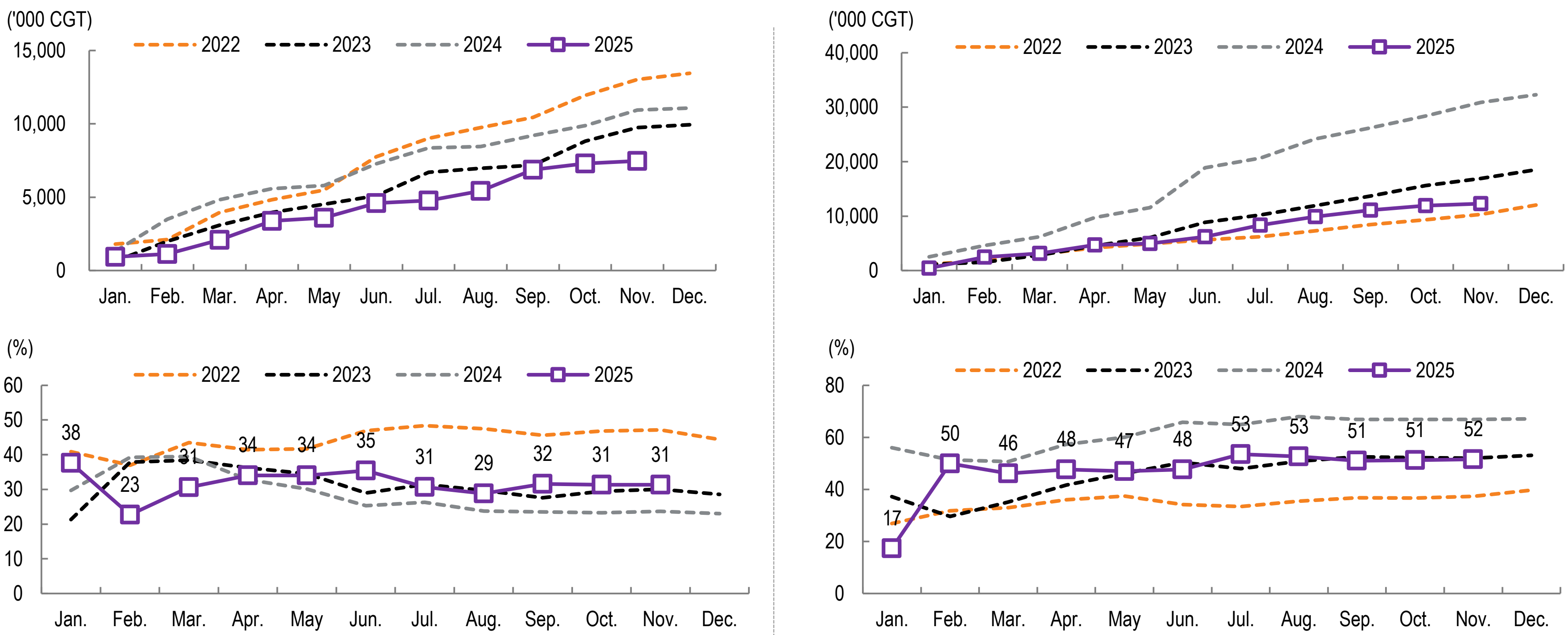
Source: Clarksons, Mirae Asset Securities Research

2026 outlook: Commercial ships

Korea's share of commercial ship orders is likely to recover as US LNG carrier orders resume in 2026

- In 2026, the resumption of US LNG carrier orders will likely allow Korea to overtake China in terms of the share of commercial ship order wins.
- We filtered Clarksons' order data by excluding domestic orders and narrowing the dataset to vessel categories in which Korean and Chinese shipbuilders directly compete.
  - YoY growth in orders from Jan. to Nov. 2025 (cumulative): -32% for Korea, -60% for China, and -52% for Japan
  - Share of new order wins: 31% (+8.3%p YoY) for Korea, 52% (-15.5%p YoY) for China
- Global shipping companies remain cautious about placing new orders due to elevated newbuilding prices, regulatory uncertainty, and geopolitical risks.

Cumulative new orders and share of new order wins: Korean (left) vs. Chinese shipbuilders (right)



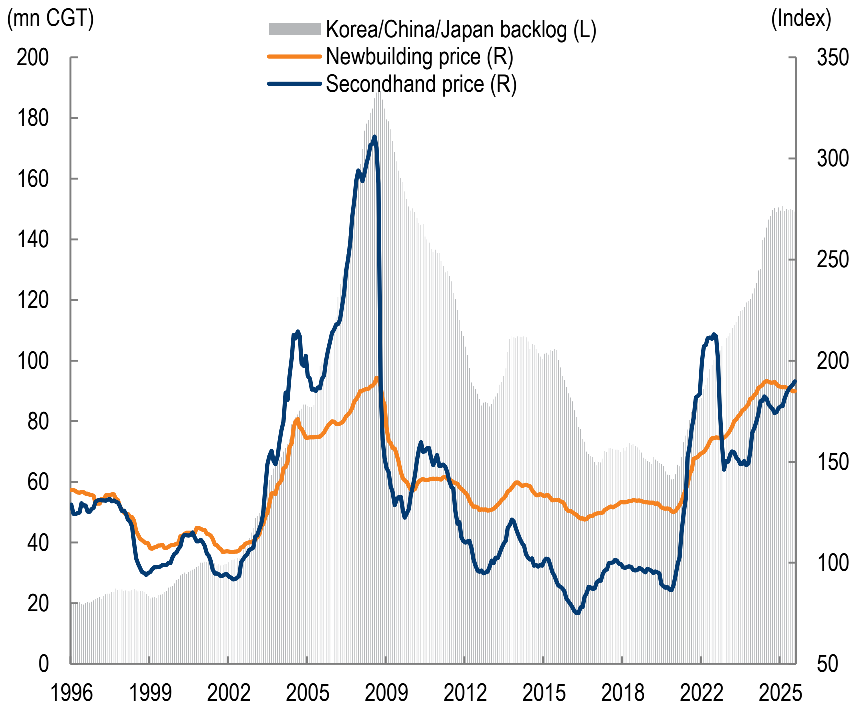
Note: Excluded domestic orders and narrowed dataset to categories in which Korean and Chinese shipbuilders directly compete
Source: Clarksons, Mirae Asset Securities Research

2026 outlook: Commercial ships

Market likely to remain supplier-driven for an extended period

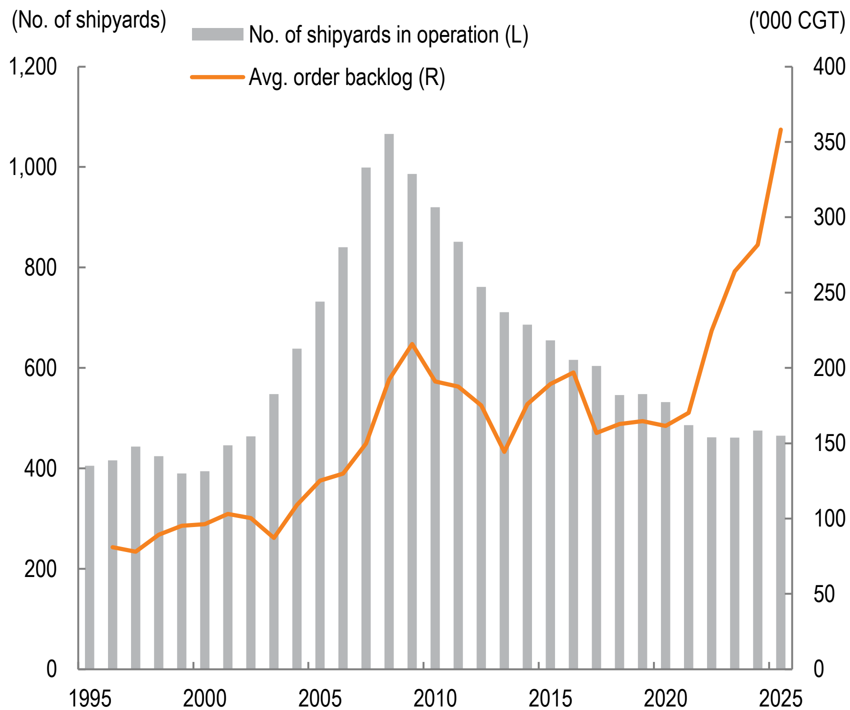
- The combined order backlog of Korean, Chinese, and Japanese shipbuilders stands at 14.92mn CGT (-0.3% YoY), reflecting both the subdued order environment and the lack of available newbuilding slots.
- As a result, the newbuilding price index has slipped to 184.9p (-2.3% YoY), while the secondhand vessel price index has risen to 189.7p (+7.8% YoY).
- Given the weak shipping market, shipyard capacity expansions are unlikely in the near term. Based on current backlogs, shipbuilders are likely to maintain two to three years' worth of work.
- Although commercial ship order activity remains muted, order backlogs per shipyard are still at record highs globally. This should support a prolonged, gradual up-cycle. And if orders surge, newbuilding prices will rise, reinforcing suppliers' advantage.

Order backlogs and newbuilding prices remain largely flat, while secondhand prices are rising



Source: Clarksons, Mirae Asset Securities Research

Order backlog per shipyard remains at a record-high level



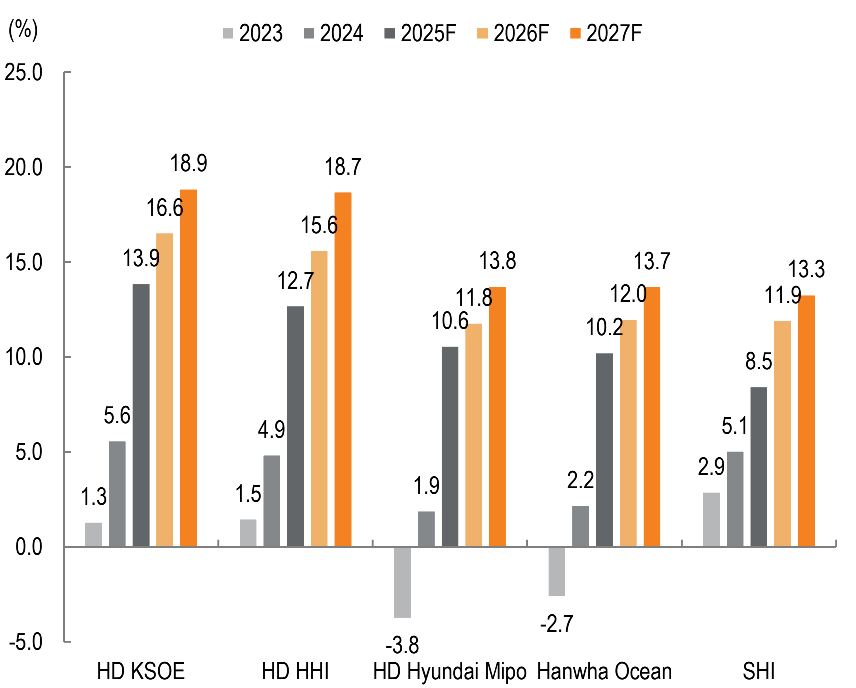
Source: Clarksons, Mirae Asset Securities Research

Investment strategy: Earnings growth on track

Maintain Overweight on shipbuilding; earnings growth to accelerate on mix improvements

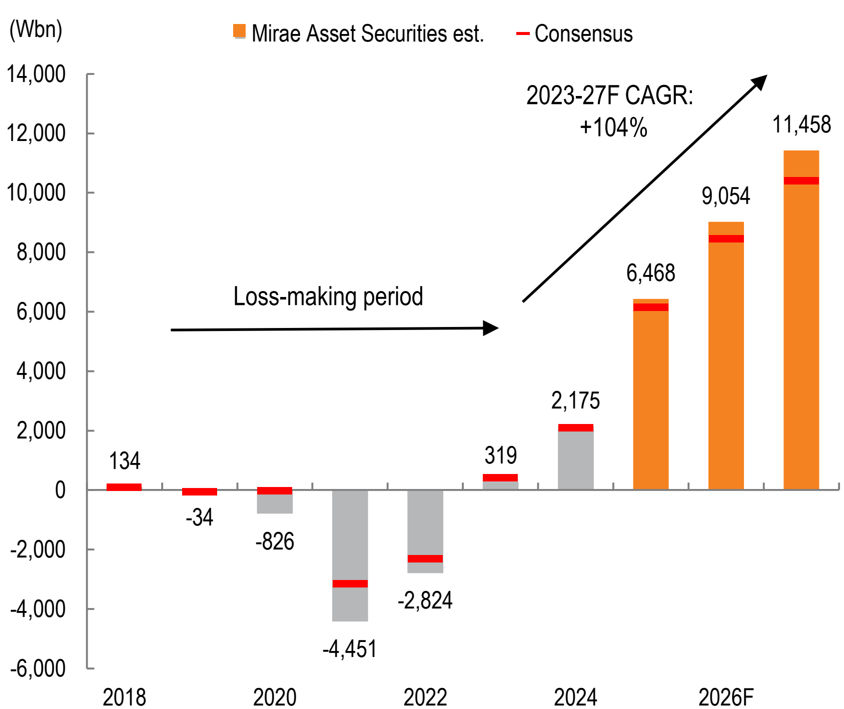
- In 2026, we expect earnings growth to be the key share price driver in the shipbuilding sector. In particular, the magnitude of QoQ improvements will be a key focus of the market.
- Our top pick is HD HHI, given its solid earnings outlook underpinned by strength in commercial ships and engines. Our second-most preferred pick is SHI, as profitability should improve steadily from 4Q25 on a rising mix of FLNG projects.
- The aggregate operating profit of Korean shipbuilders has increased nearly 20-fold since the sector's turnaround in 2023, and we see solid growth continuing in 2025-27 (20% CAGR). That said, for the sector to sustain growth beyond 2028 and re-rate higher, securing new LNG carrier and special-purpose vessel orders will be essential.

OP margins of Korean shipbuilders



Source: Company data, Mirae Asset Securities Research

Aggregate OP of Korean shipbuilders



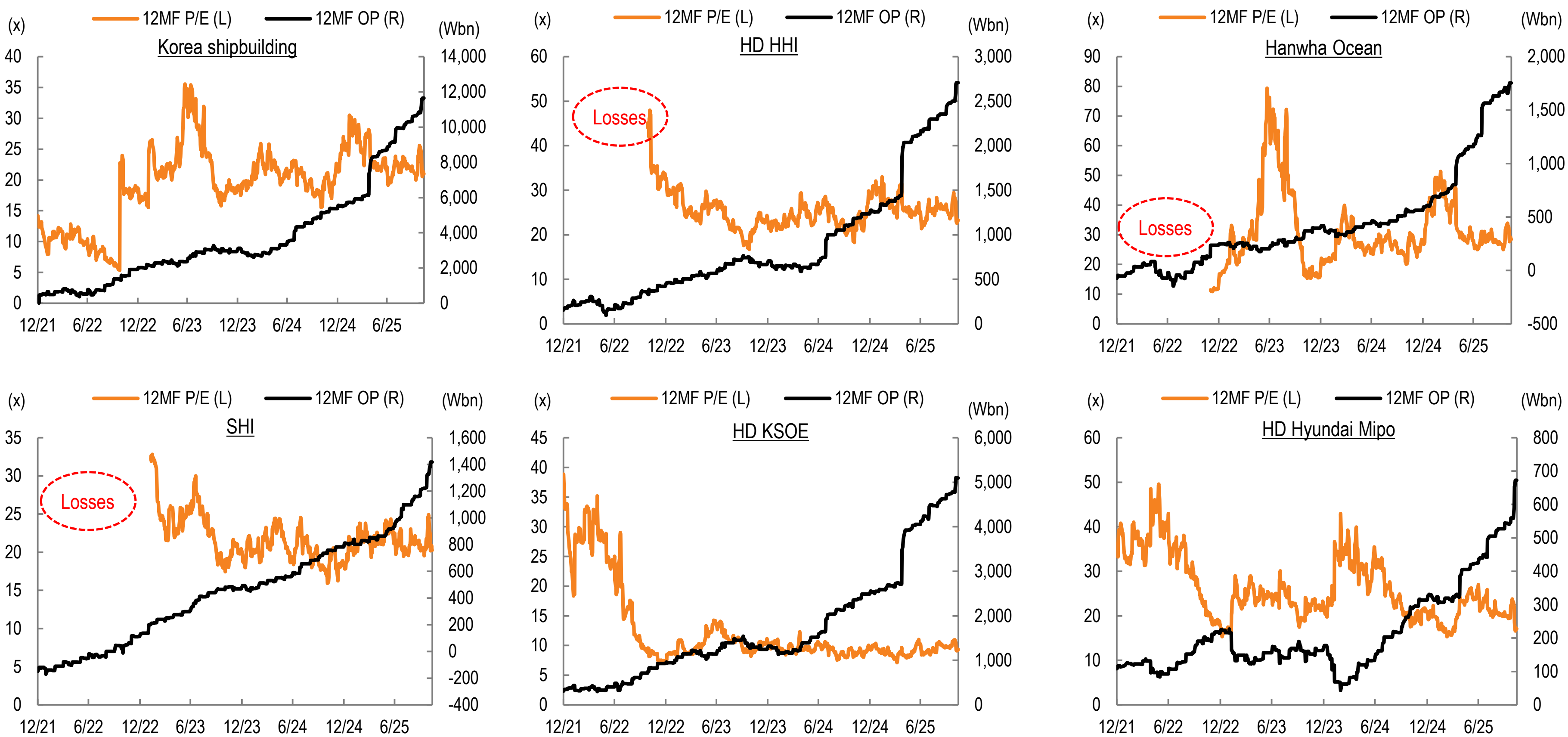
Source: Company data, Mirae Asset Securities Research

Investment strategy: Earnings momentum > multiple expansion

Multiples drifting lower even as upward earnings revisions accelerate

- The Korean shipbuilding sector is trading at a 12-month forward P/E of 21x (-3% YTD, -5% vs. end 1H25).
- Meanwhile, the sector's 12-month forward operating profit stands at W11.6tr (+109% YTD, +34% vs. end-1H25).

Korean shipbuilding sector: 12-month forward P/E vs. 12-month forward OP



Source: QuantiWise, Mirae Asset Securities Research

II

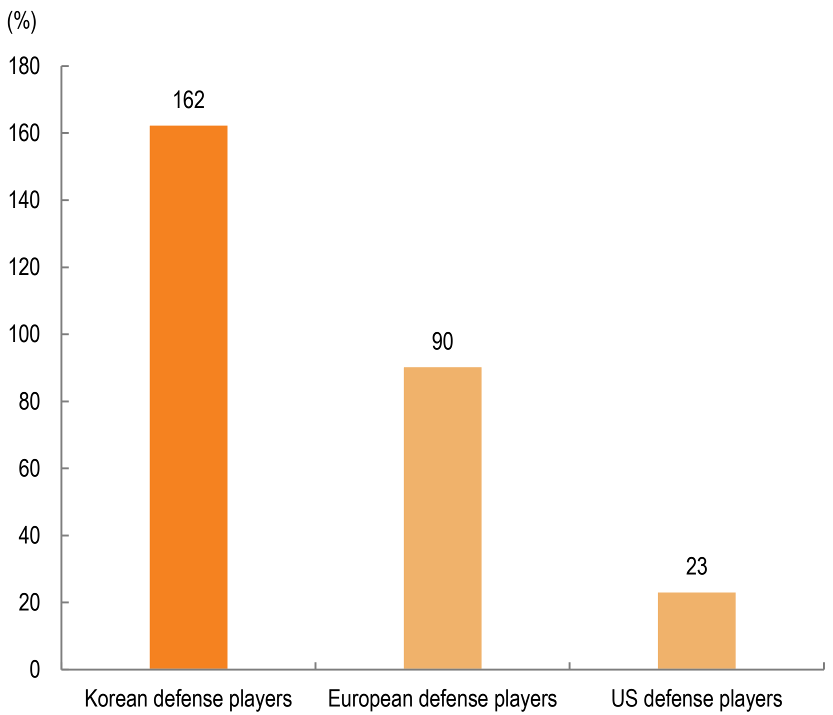
Defense

2025 review: Korea leads in stock returns

YTD return for Korean defense stocks: +162%

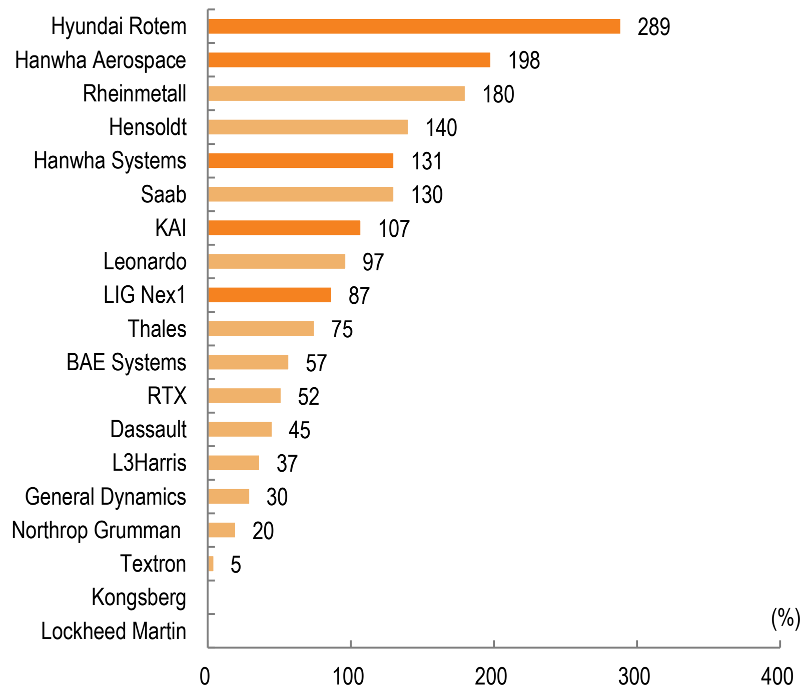
- YTD returns for defense stocks: +162% for Korean names, +90% for European names, and +23% for US names
- European defense stocks rallied on rearmament expectations, but Korean names still outperformed.
- Of the five stocks with the highest YTD returns, three are Korean.

Korean defense stocks outperform global peers, with YTD return of +162%



Source: Bloomberg, Mirae Asset Securities Research

Of the five stocks with the highest YTD returns, three are Korean



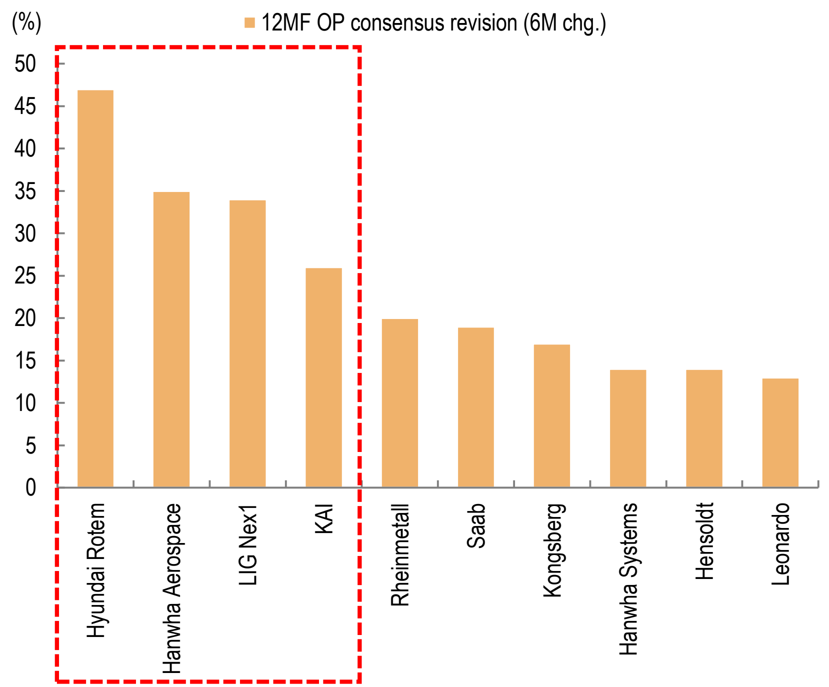
Source: Bloomberg, Mirae Asset Securities Research

2025 review: Continued earnings momentum

Korea's outperformance stems from strong earnings momentum and undemanding valuations

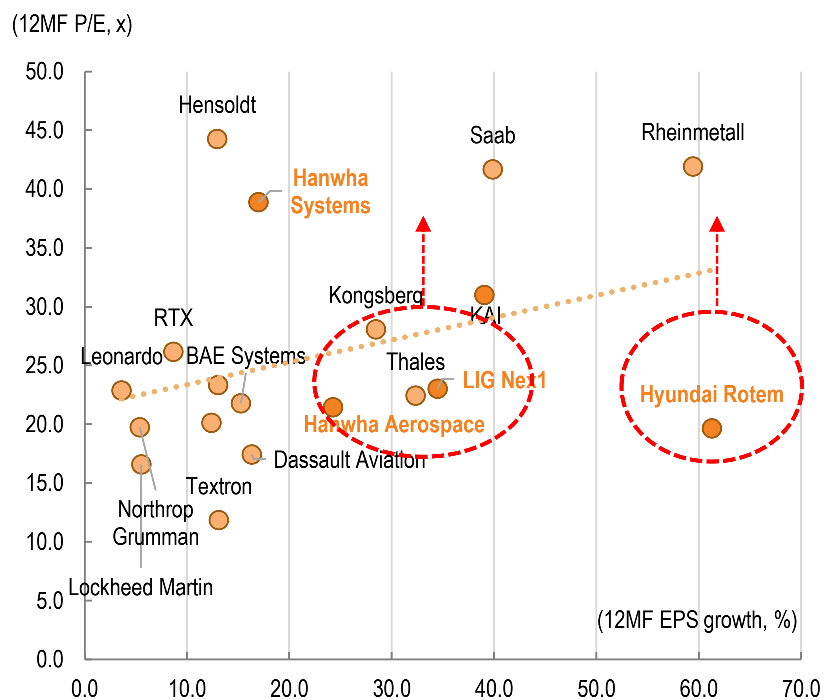
- Continuous upward revisions to earnings estimates have been the primary driver of the rally in Korean defense stocks this year.
- Looking at the 12-month forward operating profit revision trend vs. six months ago, Korean defense companies continue to see rapid earnings estimate upgrades.
- Despite the sharp rally, Korean defense firms remain undervalued, trading at a PEG multiple below 1x.
- In short, valuations remain attractive relative to fundamentals, leaving room for additional upside.

12-month forward OP consensus revisions



Source: Bloomberg, Mirae Asset Securities Research

With EPS growth above 30% and P/Es below 30x, PEG ratios are under 1x, indicating undervaluation



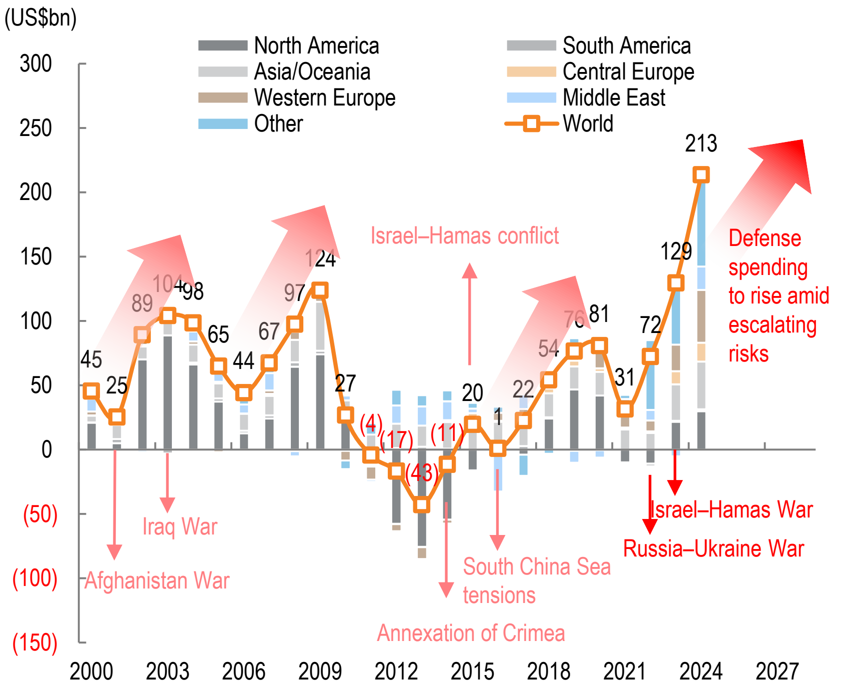
Source: Bloomberg, Mirae Asset Securities Research

2026 outlook: Defense TAM poised for full-scale expansion

Global rearmament trend points to expanding defense TAM

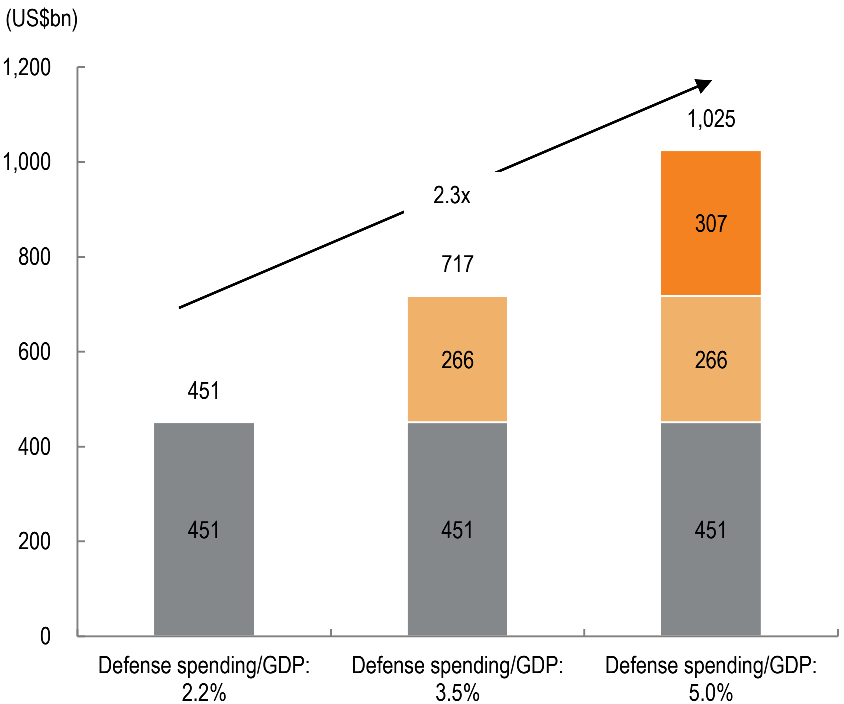
- Global defense spending is likely to continue growing, driven by heightened military threats worldwide and shortages of military supplies.
- The US is pushing NATO members to raise defense spending from 2% to 5% of GDP. To meet this target, Europe alone would need to spend an additional US$574bn. US allies in Asia are under similar pressure to raise defense spending.
- Given this trend, the total addressable market (TAM) for the global defense industry is poised to expand meaningfully, supporting strong growth in orders and revenue.

With global rearmament accelerating, demand for weapons acquisition to remain strong



Source: SIPRI, Mirae Asset Securities Research

TAM to double if European NATO members raise defense spending to 5% of GDP



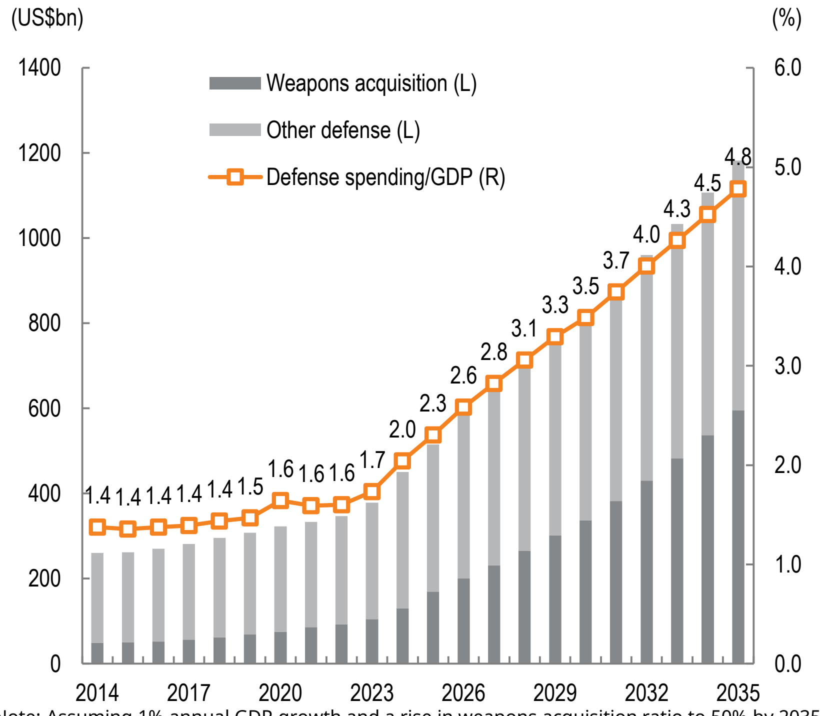
Notes: Based on 2024 data; estimates calculated by changing only the assumed ratios Source: NATO, Mirae Asset Securities Research

2026 outlook: Defense TAM poised for full-scale expansion

2026 to mark the beginning of Europe's rearmament cycle

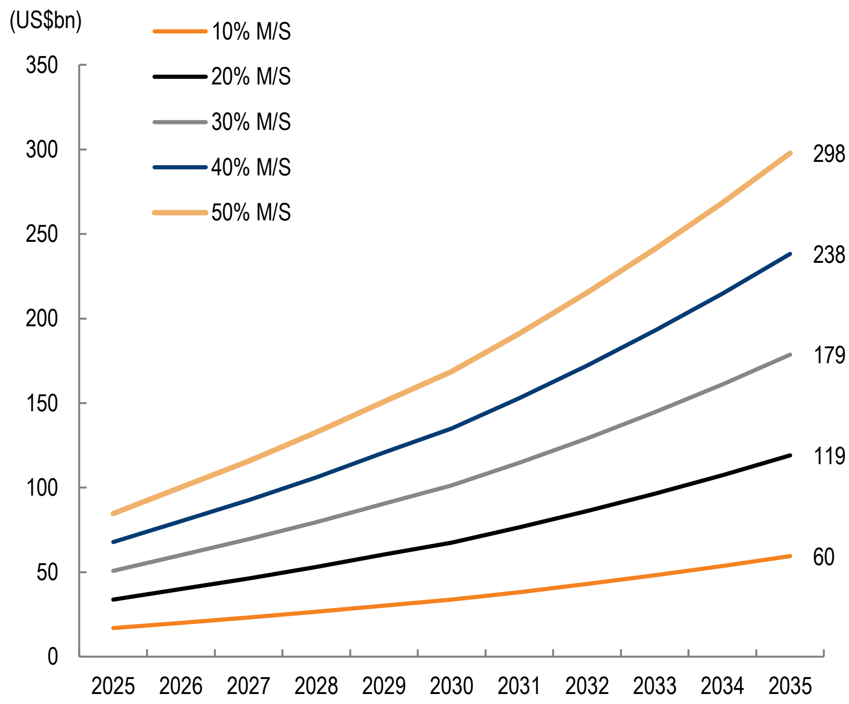
- Europe announced a rearmament initiative in early 2025, and NATO member countries are expected to begin meaningful defense budget increases from 2026 through 2035.
- NATO has set a defense spending-to-GDP guideline of at least 3.5% for core defense, with a total target of 5% (including other defense/security-related spending). Timelines for reaching the targets will vary by country.
- Based on these guidelines, European NATO members' defense spending is expected to increase by an average of US$67bn (W97tr) per year.
- If Europe raises the share of weapons acquisition in total defense spending to 50% by 2035, the region's weapons acquisition budget would expand from US$169.4bn currently to US$595.6bn in 2035—a 252% increase.

Est. increase in European NATO members' total defense spending and weapons acquisition spending



Note: Assuming 1% annual GDP growth and a rise in weapons acquisition ratio to 50% by 2035
Source: NATO, Mirae Asset Securities Research estimates

Est. scale of potential contracts in Europe for Korean defense sector under different M/S scenarios



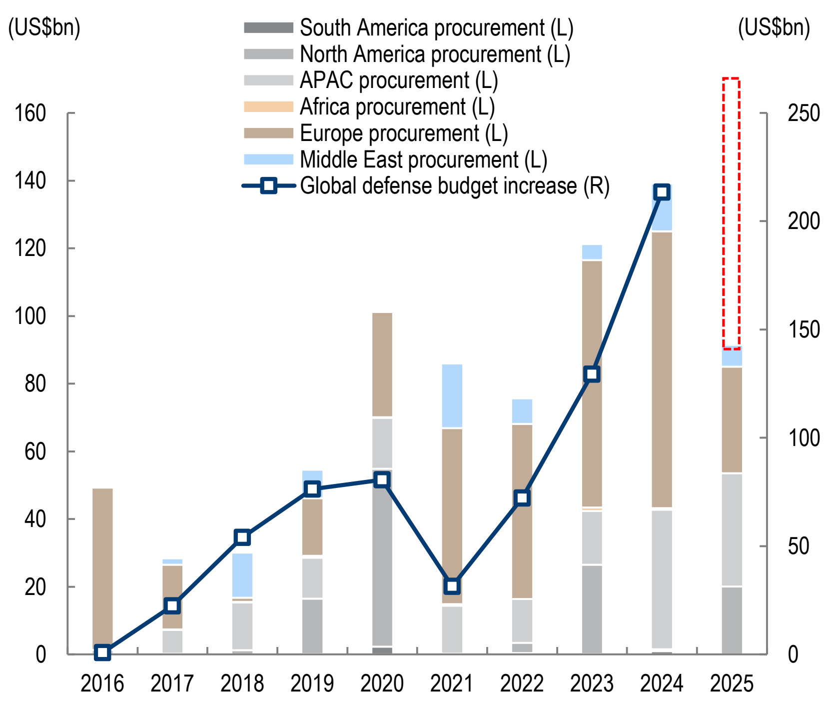
Source: NATO, media reports, Mirae Asset Securities Research estimates

2026 outlook: Defense acquisition programs to expand

Weapons acquisition programs to expand as defense budgets grow

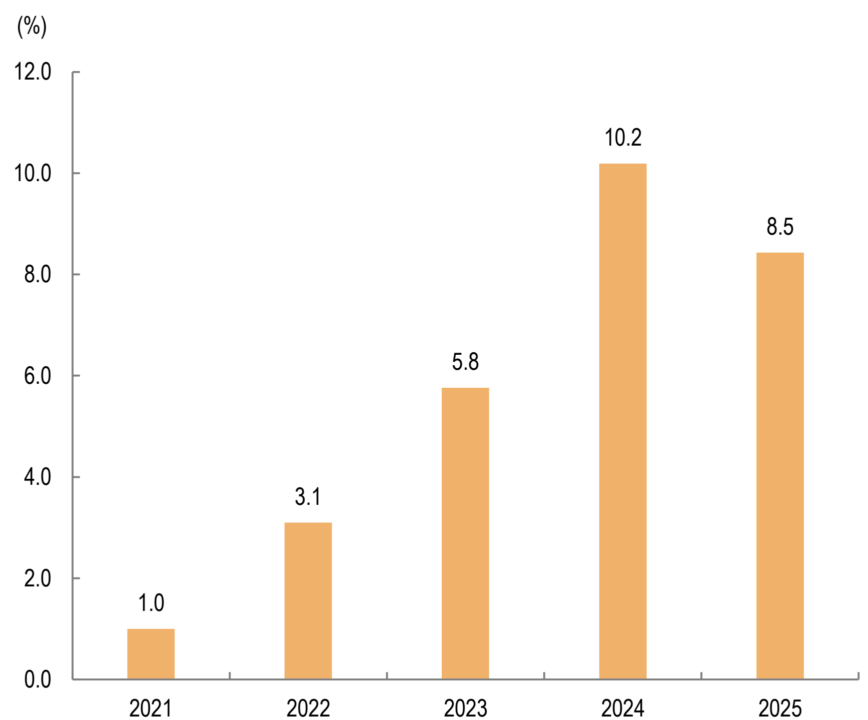
- Historically, changes in global defense spending affect the scale of weapons acquisition programs with a one-year lag.
- In 2025, procurement activity has been low relative to the scale of defense budgets. Some classified/off-book programs may exist, but even accounting for these, activity remains subdued.
- We believe this is due to procedural/coordination issues following Europe's rearmament initiative—namely still-pending inter-governmental agreements, incomplete implementation guidelines, and slow disbursement of funds under the SAFE loan program. We expect the bulk of deferred procurement programs to move ahead in 2026.
- We expect Korean defense players to capture a more than 10% share of global procurement contracts.

Global procurement volumes to rise in line with rising defense spending



Source: IISS, SIPRI, Mirae Asset Securities Research estimates

Korean defense players' share of global procurement contracts



Source: IISS, Mirae Asset Securities Research estimates

2026 outlook: Sharp acceleration in acquisition programs

Europe is a key market; Poland's K2 (EC2) program represents the largest single land defense contract

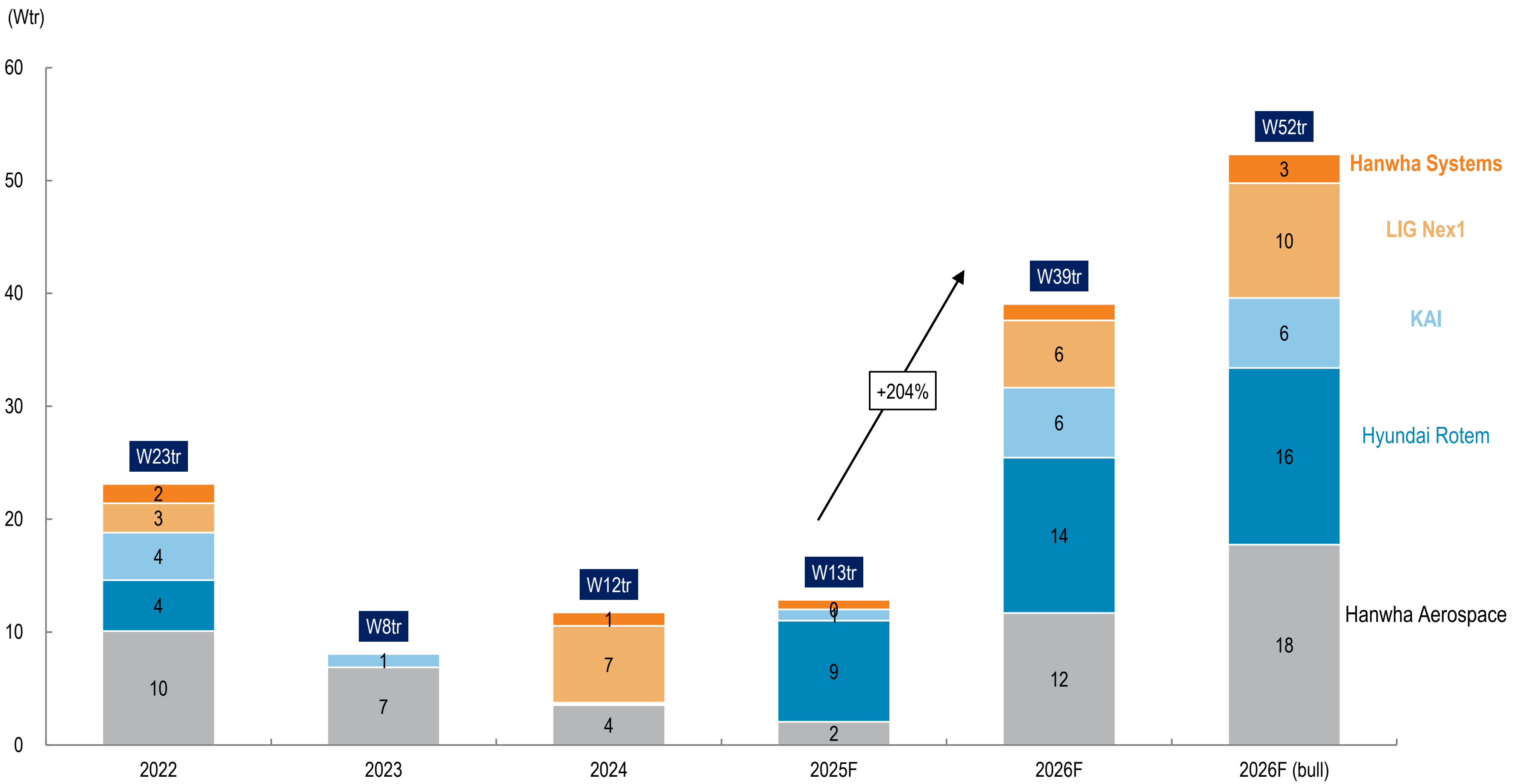
Contract date	Program	No.	Value (Wbn)	ASP (Wbn)	Domain	Category	Recipient country	Supplier country	Company
Nov. 2025	KF41 Lynx	21	481	23	Land	IFV	Italy	Germany, Italy	LRMV
Oct. 2025	Eurofighter Typhoon	20	5,735	287	Air	Fighter jet	Germany	Germany, Italy, Spain, UK	Eurofighter
Oct. 2025	KC-390	4	1,065	266	Air	Fighter jet	Sweden	Brazil	Embraer
Oct. 2025	Eurofighter Typhoon	20	10,151	508	Air	Fighter jet	Türkiye	UK	Eurofighter
Oct. 2025	Luchs 2 (Piranha 6x6)	274	4,588	17	Land	Armored reconnaissance	Germany	Germany, Switzerland	General Dynamics
Oct. 2025	M3 EVO	36	376	10	Land	Amphibious bridging	UK	Germany	General Dynamics
Oct. 2025	M3 EVO		85		Land	Amphibious bridging	Germany	Germany	General Dynamics
Sep. 2025	Ghost Shark		1,518		Naval	Unmanned submarine	Australia	US	Anduril
Sep. 2025	PRC Type-039A/B (Yuan)	1	565	565	Naval	Submarine	Thailand	China	CSSC
Sep. 2025	H225M	10			Air	Medium transport helicopter	Morocco	France	Airbus
Sep. 2025	A330 MRTT	1	499	499	Air	Transport aircraft	Thailand	Spain	Airbus
Sep. 2025	H225M	2	136	68	Air	CSAR helicopter	Thailand	France	Airbus
Sep. 2025	Jackal 3	18	109	6	Land	Multi-purpose armored vehicle	Czechia	Czechia, UK	LPP, VTÚ
Sep. 2025	M3 EVO				Land	Amphibious bridging	Denmark	Germany	General Dynamics
Sep. 2025	K9 howitzer	24	741	31	Land	155mm howitzer	Norway	Korea	Hanwha Aerospace
Sep. 2025	Leopard 2A8	44	2,093	48	Land	Main battle tank	Czechia	Germany	KNDS
Sep. 2025	SAR Satellite		242		Space	Satellite	Finland	Finland	ICEYE
Aug. 2025	Gripen E, Gripen F	4	696	174	Air	Fighter jet	Thailand	Sweden	Saab
Aug. 2025	EMB-314 Super Tucano	4	111	28	Air	Trainer aircraft	Panama	Brazil	Embraer
Aug. 2025	K2 Black Panther	261	9,230	35	Land	Main battle tank	Poland	Korea	Hyundai Rotem
Aug. 2025	CAMM (Land Ceptor)	6	222	37	Land	SR surface-to-air missile	UK	UK	MBDA
Jul. 2025	Hisar (MILGEM)	4	1,450	363	Naval	Patrol vessel	Türkiye	Türkiye	ASFAT
Jul. 2025	Istif (MILGEM)	2	1,400	700	Naval	Frigate	Indonesia	Türkiye	TAIS
Jul. 2025	Kaan	48	21,300	444	Air	Fighter jet	Indonesia	Türkiye	TAI
Jul. 2025	MQ-9B Sky Guardian	4	563	141	Air	Unmanned aerial vehicle	Denmark	US	General Atomics
Jul. 2025	Piorun		394		Land	Man-portable air-defense system	Sweden	Poland	MESKO
Jul. 2025	Titus	24	249	10	Land	Protected patrol vehicle	Czechia	Czechia, France	ELDIS
Jul. 2025	T-122				Land	122mm MLRS	Türkiye	Türkiye	Roketsan
Jul. 2025	IRIS-T SLM	6	426	71	Land	MR surface-to-air missile	Slovenia	Germany	Diehl Defense
Jul. 2025	RBS 70 NG	24	244	10	Land	Man-portable air-defense system	Czechia	Sweden	Saab
Jul. 2025	CAVS 6x6	129	390	3	Land	Armored personnel carrier	Denmark	Finland	Patria
Jul. 2025	NASAMS	3	411	137	Land	SR surface-to-air missile	Denmark	Norway	Kongsberg
Jul. 2025	IRIS-T SLM	3	411	137	Land	MR surface-to-air missile	Denmark	Germany	Diehl Defense
Jul. 2025	VL MICA	4	411	103	Land	SR surface-to-air missile	Denmark	France	MBDA
Jul. 2025	RBS 70 NG		197		Land	Man-portable air-defense system	Denmark	Sweden	Saab
Jul. 2025	GovSat-2	1			Space	Communication satellite	Luxembourg	France, Italy	Thales

Note: All values converted to Korean won at a USD/KRW rate of 1,400
Source: Bloomberg, media reports, Mirae Asset Securities Research

2026 outlook: Korean defense export momentum to continue

Export momentum remains strong across companies

In 2026, we project Korea's defense exports to reach W39tr (+204% YoY)



Source: Media reports, Mirae Asset Securities Research estimates

2026 outlook: Korean defense export momentum to continue

Overseas export pipeline continues to expand; key variable is whether mega-deals in the Middle East materialize

Order timelines for major Korean defense players

Company	Item	1H24	2H24	1H25	2H25	1H26	2H26	Potential contracts
Hanwha Aerospace	K9	Romania	Poland (follow-up)	India	Norway		Poland (third batch) Saudi Arabia	Vietnam, Romania (second batch), Bulgaria
	Chunmoo	Poland (second batch)			Norway	Norway		Romania, Bulgaria
	Redback				Romania Poland	Romania		Brazil, Latvia
Hyundai Rotem	K2				Poland EC2	Iraq Peru	Poland EC3 Romania	Saudi Arabia, Morocco, Croatia, India
	Wheeled armored vehicle	Peru EC1 (contract awarded)				Peru EC2		Chile
LIG Nex1	M-SAM II		**Iraq (contract awarded)**				Malaysia	Saudi Arabia (second batch)
	L-SAM				Middle East A	UAE	Saudi Arabia	Iraq
	Poniard surface-to-ship missile				United States (FCT)			US
	K-SAAM						Malaysia	
KAI	FA-50			**Philippines (contract awarded)**	Peru	Peru	Egypt	Bulgaria, Ireland Senegal, Japan
	Surion			UAE, Iraq			UAE, Iraq	
	KF-21							Poland, Saudi Arabia, Philippines, Malaysia, Peru

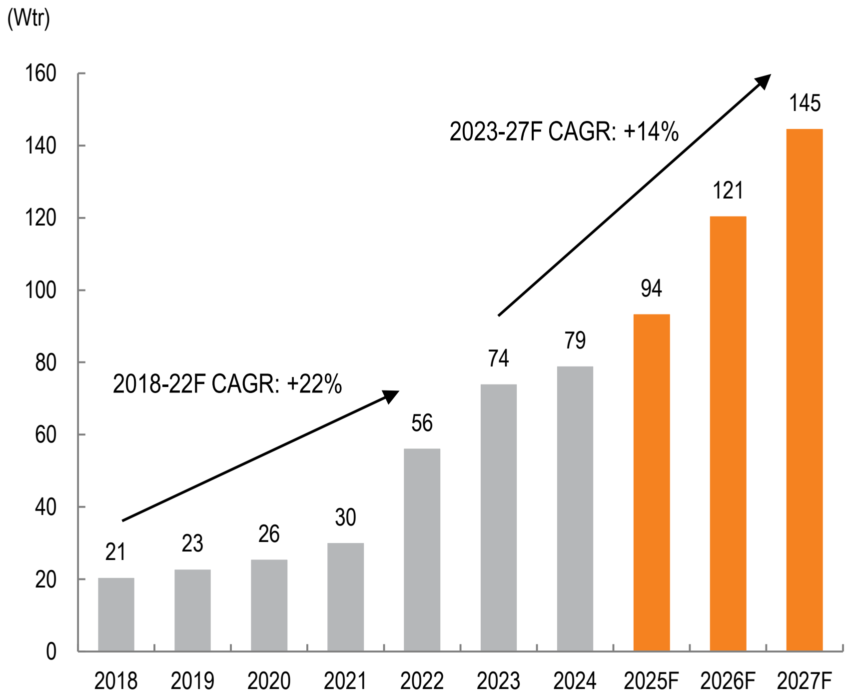
Source: Media reports, Mirae Asset Securities Research estimates

Investment strategy: Fundamentals remain strong

Maintain Overweight on defense; fundamentals remain strong

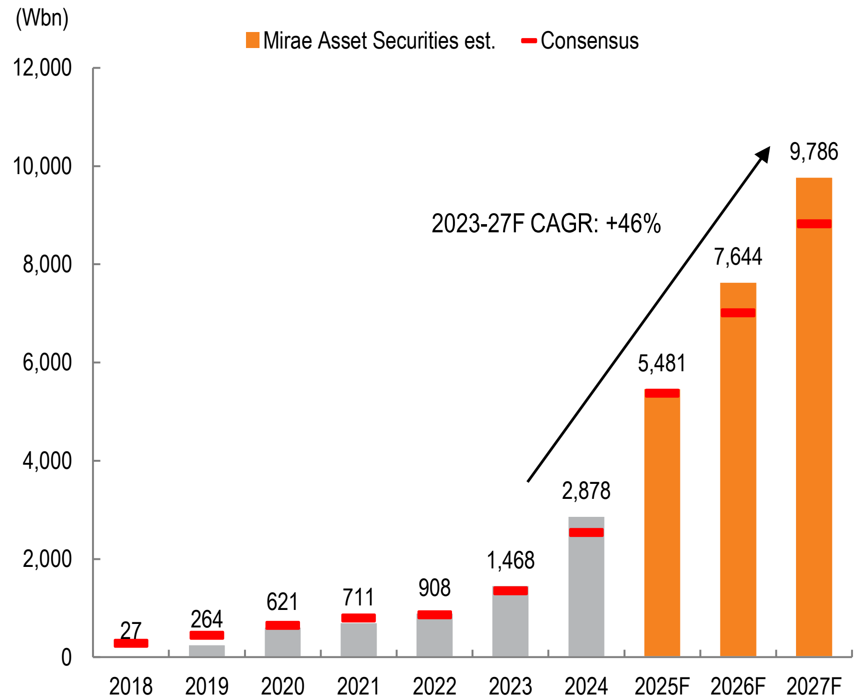
- The sector's fundamentals should continue to improve, driven by expanding export coverage and operating leverage.
- We recommend focusing on names with strong earnings momentum in 4Q25 and 2026 (with room for upward earnings forecast revisions) and robust export pipelines in Europe and the Middle East.
- Our top pick is Hyundai Rotem, while our second-most preferred pick is Hanwha Aerospace.
- For 2026, we forecast the combined order backlog of five major domestic defense companies to reach W121tr (+29% YoY), underscoring sustained export momentum.
- For 2026, we forecast aggregate revenue and operating profit to expand 20% and 39.5% YoY, respectively, supported by growth in both exports and domestic demand.

Combined order backlog of five major domestic defense firms to increase at 14% CAGR (5Y) through 2027



Source: Company data, Mirae Asset Securities Research estimates

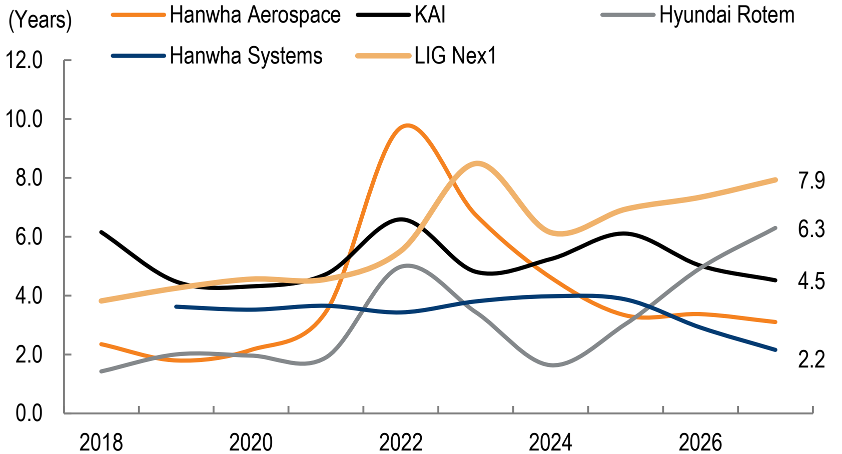
Aggregate OP of five major domestic defense firms to expand at 46% CAGR (5Y) through 2027



Source: QuantiWise, Mirae Asset Securities Research estimates

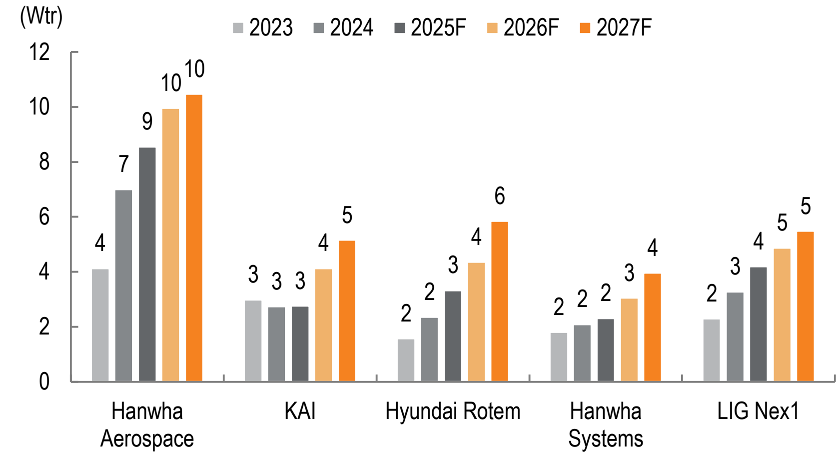
Investment strategy: Fundamentals remain strong

Order backlog trends of five major players



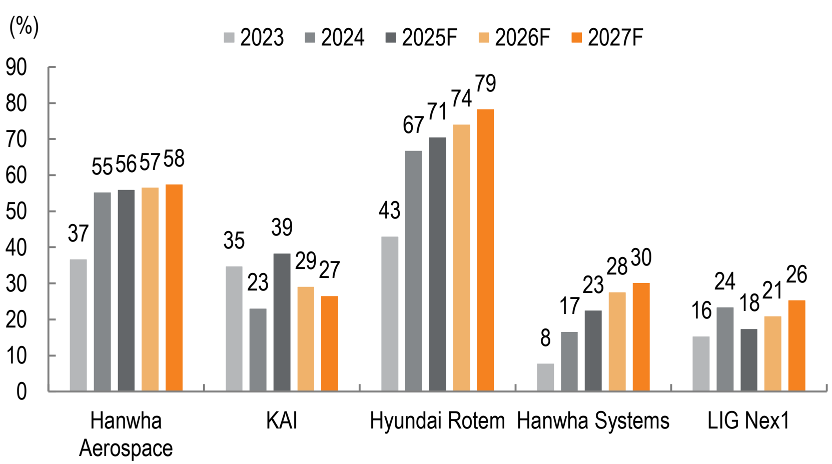
Source: Company data, Mirae Asset Securities Research estimates

Defense revenue trends of five major players



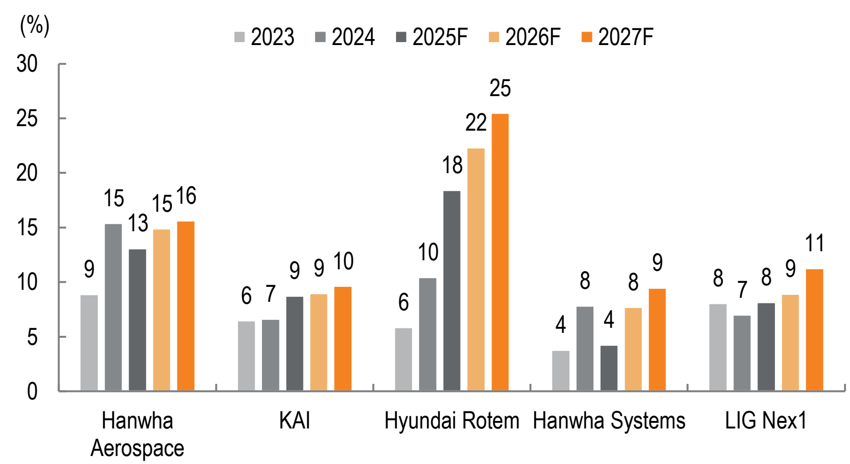
Source: Company data, Mirae Asset Securities Research estimates

Export share trends of five major players



Source: Company data, Mirae Asset Securities Research estimates

OP margin trends of five major players



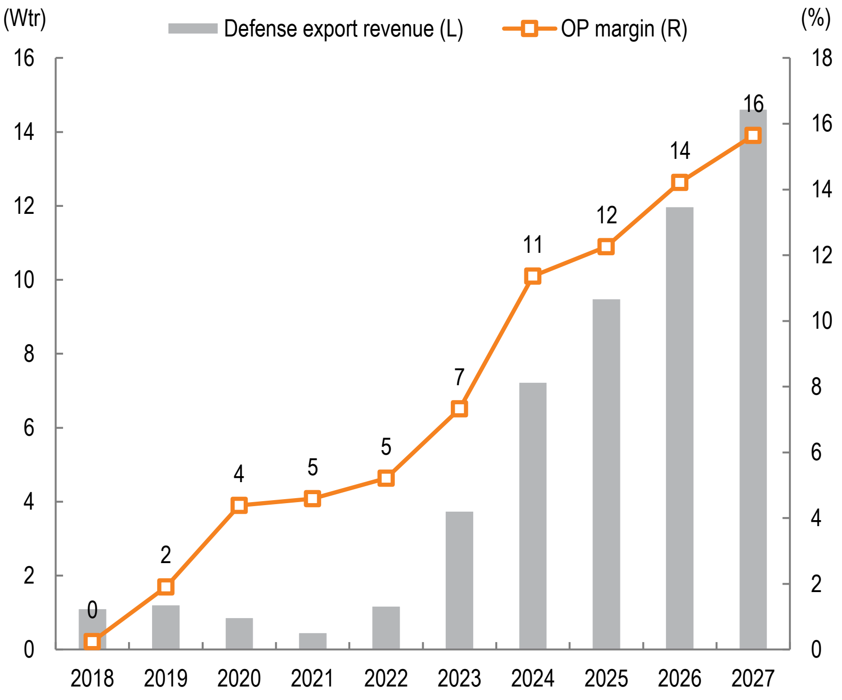
Source: Company data, Mirae Asset Securities Research estimates

Investment strategy: Still undervalued vs. global peers

Rising export share to support continued profit improvement

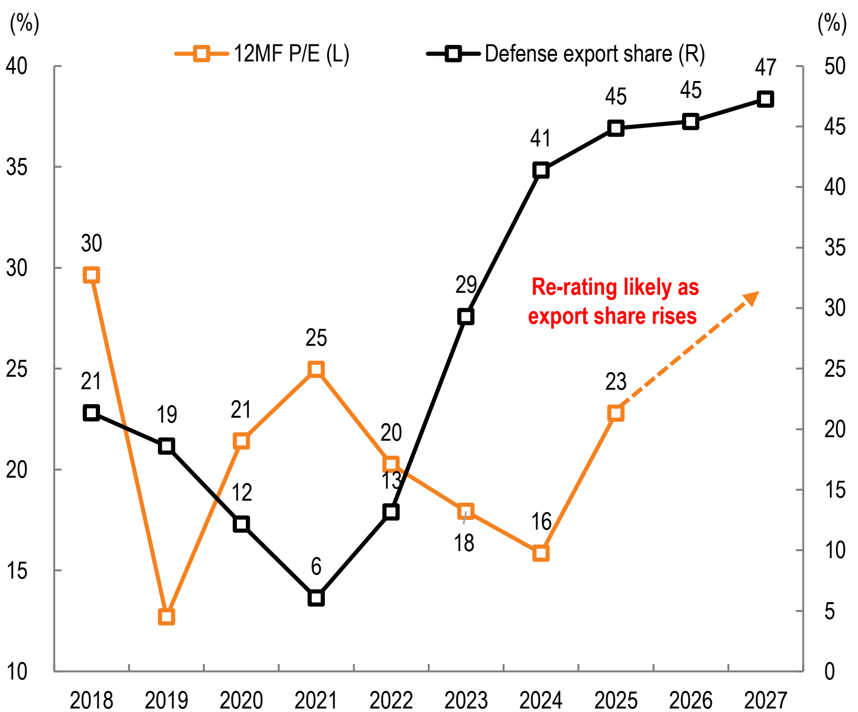
- For 2026, we forecast domestic defense firms' exports to account for 45.4% of their total revenue (+0.5%p YoY). We foresee only a modest YoY increase in the combined export share, mainly due to a higher domestic revenue mix at Korea Aerospace Industries (KAI). Nevertheless, the earnings improvement trend should remain intact.
- We forecast the export share to reaccelerate to 47% (+2%p YoY) in 2027 and gain further momentum thereafter, exceeding 60% over the medium to long term.
- Despite the growing contribution of exports, current sector multiples are similar to those seen when the export share stood at only 5–15%. With EPS growth far outpacing multiple expansion, the sector remains undervalued.

Rising defense export revenue to support continued profit improvement



Source: Company data, Mirae Asset Securities Research estimates

Defense export mix has risen, but multiples remain near historical levels



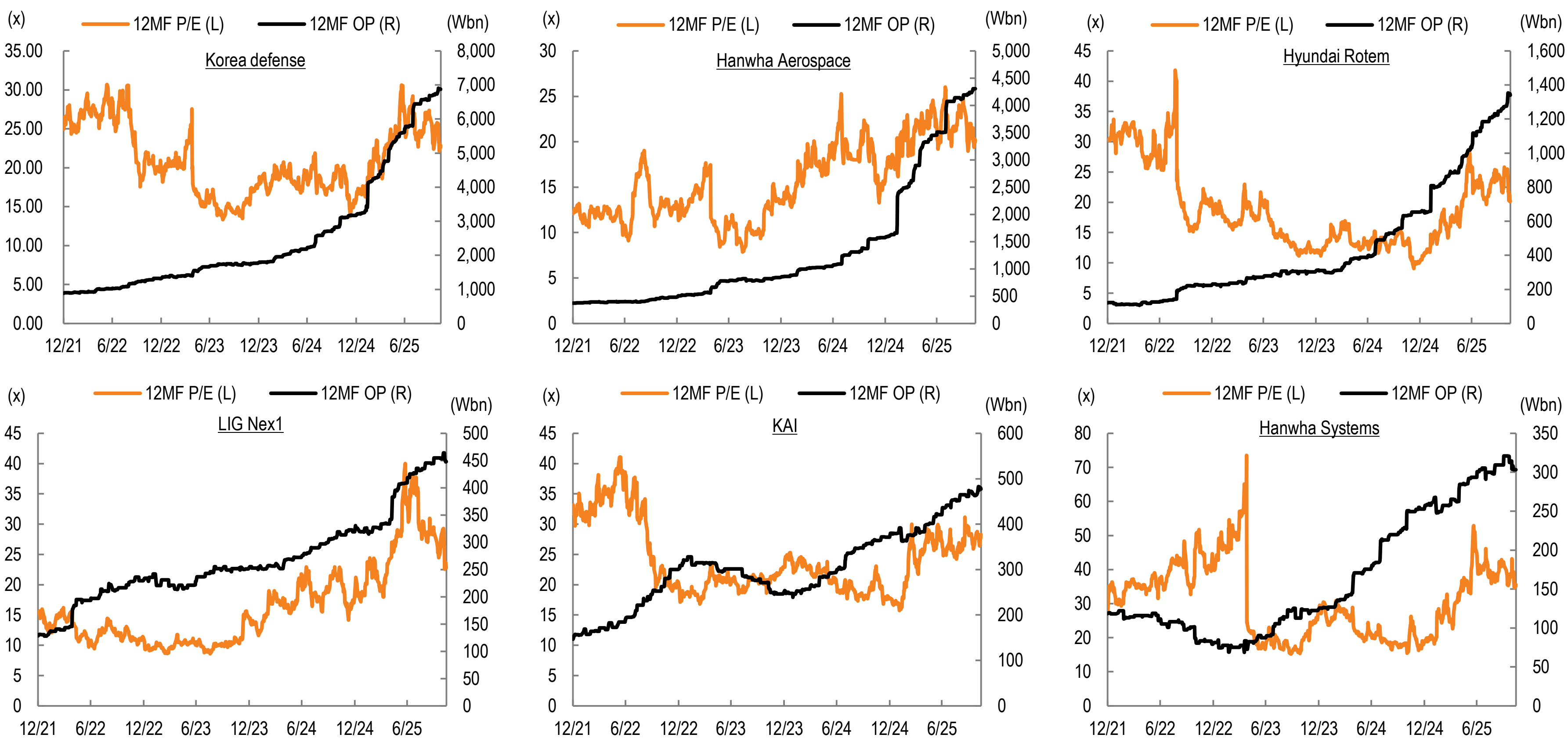
Source: Company data, Mirae Asset Securities Research estimates

Investment strategy: Earnings momentum > multiple expansion

Upward earnings forecast revisions outpacing multiple expansion

- The Korean defense sector is trading at a 12-month forward P/E of 22.8x (+35% YTD, -16% vs. end-1H25).
- Meanwhile, the sector's 12-month forward operating profit stands at W6.9tr (+114% YTD, +22% vs. end-1H25).

Korean defense sector: 12-month forward P/E vs. 12-month forward OP



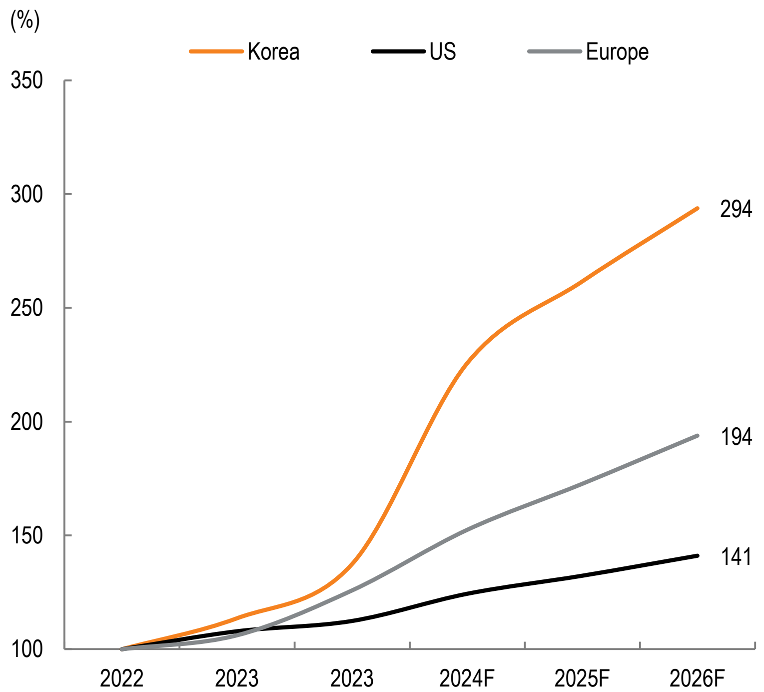
Source: QuantiWise, Mirae Asset Securities Research

Investment strategy: De-rating concerns unwarranted

Earnings fundamentals leave no room for a de-rating

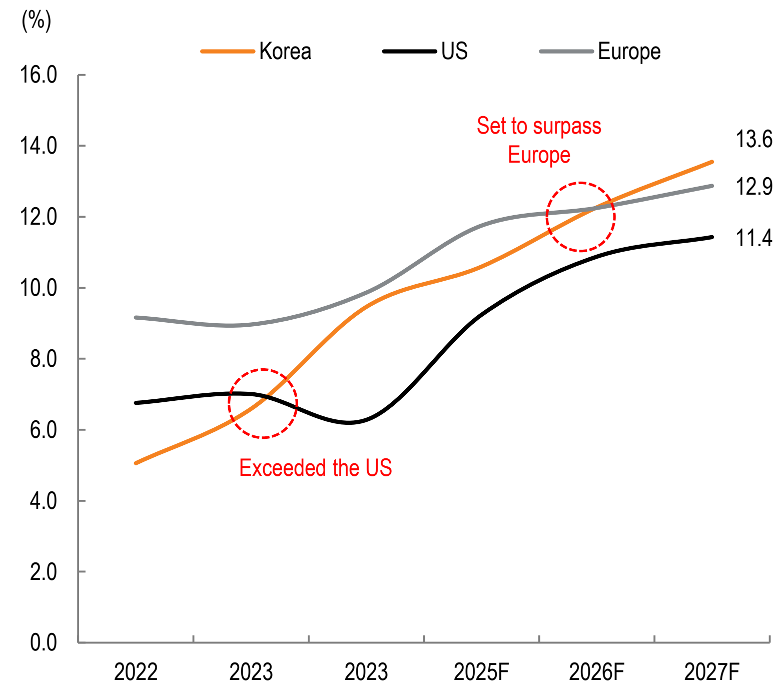
- Since 2022—when the Russia–Ukraine War began and Korea secured a major export deal with Poland—Korean defense companies have delivered robust growth.
- We expect the sector's cumulative revenue growth from 2022 to 2027 to reach +194%, compared with +94% for Europe and +41% for the US. Also, Korean defense players' average OP margin surpassed that of US peers in 2023 and is poised to exceed that of European peers in 2026.
- From a fundamental perspective, we see no justification for a valuation de-rating. As Korea broadens its export coverage and strengthens its diplomatic/global networking capabilities over the coming years, Korean defense companies should increasingly emerge as major global players, paving the way for a gradual re-rating.

Defense revenue growth by country/region



Note: 2025-27 estimates are based on Bloomberg consensus data
Source: Bloomberg, Mirae Asset Securities Research estimates

Korean defense players' avg. OP margin to exceed that of European peers in 2026



Note: 2025-27 estimates are based on Bloomberg consensus data
Source: Bloomberg, Mirae Asset Securities Research estimates

III

Company analysis

HD Hyundai Heavy Industries (329180 KS)

Top pick

A leading global shipbuilder

(Maintain)	Buy
Target price	**W740,000**
Current price (11/18/25)	W603,000
Upside	22.7%

OP (25F, Wbn)	2,198
Consensus OP (25F, Wbn)	2,066
EPS growth (25F, %)	140.7
Market EPS growth (25F, %)	32.0
P/E (25F, x)	35.8
Market P/E (25F, x)	14.1
KOSPI	3,953.62
Market cap (Wbn)	53,530
Shares (mn)	105
Free float (%)	25.8
Foreign ownership (%)	10.9
Beta (12M)	0.76
52-week low (W)	208,000
52-week high (W)	624,000

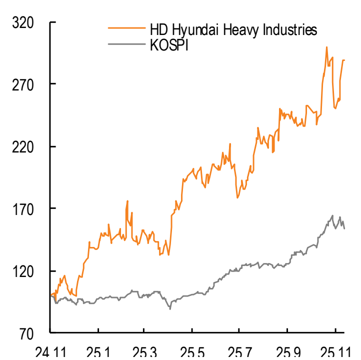
(%)	1M	6M	12M
Absolute	18.5	43.7	165.1
Relative	12.3	-4.5	65.5

Investment points

- We maintain our Buy rating and target price of W740,000 on HD Hyundai Heavy Industries (HD HHI).
- For 2026, we forecast revenue at W18.9tr (+10% YoY) and operating profit at W3tr (+36% YoY; OP margin of 15.8%).
- The commercial shipbuilding and engine segments should continue to benefit from productivity gains and mix improvements. We estimate that average newbuilding prices will rise 12% for LNG carriers and 18% for container ships.
- Key potential catalysts include: 1) LNG carrier orders from the US; 2) progress in joint shipbuilding initiatives with the US (MASGA); and 3) an acceleration in naval vessel exports.

Risk factors

- Potential softness in newbuilding prices or order activity
- A potential rise in Chinese shipyards' share of new order wins



(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (Wbn)	11,964	14,486	17,174	18,893	21,017
OP (Wbn)	179	705	2,198	2,976	3,961
OP margin (%)	1.5	4.9	12.8	15.8	18.8
NP (Wbn)	25	622	1,496	2,154	2,898
EPS (W)	278	7,001	16,852	24,269	32,643
ROE (%)	0.5	11.4	23.5	27.8	30.6
P/E (x)	463.9	41.1	35.8	24.8	18.5
P/B (x)	2.2	4.5	7.6	6.3	5.1
Dividend yield (%)	0.0	0.0	1.1	1.5	1.5

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Securities Research estimates

HD Hyundai Heavy Industries (329180 KS)

Top pick

Quarterly and annual earnings

(Wbn)		1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25F	2024	2025F	2026F	2027F
Order backlog	**Total**	**45,979**	**46,329**	**43,957**	**46,932**	**49,634**	**46,344**	**45,018**		**46,932**	**51,522**	**55,546**	**60,553**
	Shipbuilding	34,832	34,838	32,776	33,937	35,644	33,261	32,189		33,937			
	Offshore	3,517	3,516	3,184	3,630	3,473	3,020	2,842		3,630			
	Other	7,630	7,974	7,997	9,365	10,517	10,063	9,987		9,365			
Revenue	**Total**	**2,988**	**3,884**	**3,609**	**4,006**	**3,823**	**4,147**	**4,418**	**4,786**	**14,486**	**17,174**	**18,893**	**21,017**
	Shipbuilding	2,155	2,840	2,605	3,024	2,743	2,850	3,055	3,311	10,623	11,959	12,474	13,589
	Offshore	113	158	176	203	159	246	281	295	649	980	1,213	1,456
	Engine	703	865	810	757	901	1,029	1,060	1,147	3,134	4,137	5,064	5,858
Growth (%)	**Total**	**13.5**	**26.7**	**26.5**	**17.4**	**27.9**	**6.8**	**22.4**	**19.5**	**21.1**	**18.6**	**10.0**	**11.2**
	Shipbuilding	22.0	44.2	38.1	32.6	27.3	0.4	17.3	9.5	34.4	12.6	4.3	8.9
	Offshore	-75.6	-43.2	-30.8	-26.7	41.3	55.4	60.0	45.3	-48.9	51.0	23.8	19.9
	Engine	80.9	8.7	16.7	-9.0	28.2	18.9	30.9	51.6	15.7	32.0	22.4	15.7
OP		21	196	206	282	434	472	557	735	705	2,198	2,976	3,961
YoY (%)		TTB	185.5	1,496.8	103.5	1,940.0	141.0	170.3	160.6	294.8	211.6	35.4	33.1
OP margin (%)		0.7	5.0	5.7	7.0	11.3	11.4	12.6	15.4	4.9	12.8	15.8	18.8
NP attr. to owners of the parent		29	154	72	367	284	211	431	570	622	1,496	2,154	2,898
YoY (%)		TTB	540.3	TTB	1,082.5	893.0	36.9	496.7	55.5	2,417.3	140.7	44.0	34.5
Net margin (%)		1.0	4.0	2.0	9.2	7.4	5.1	9.8	11.9	4.3	8.7	11.4	13.8

Source: Company data, Mirae Asset Securities Research

HD Hyundai Heavy Industries (329180 KS)

Top pick

Income statement (summarized)

(Wbn)	2024	2025F	2026F	2027F
Revenue	14,486	17,174	18,893	21,017
Cost of revenue	12,993	14,186	15,450	16,756
GP	1,493	2,988	3,443	4,261
SG&A expenses	789	791	468	299
OP (adj.)	705	2,198	2,976	3,961
OP	705	2,198	2,976	3,961
Non-operating profit	93	-215	-120	-120
Net financial income	-96	-22	12	60
Net income from associates	0	49	312	365
Pretax profit	798	1,983	2,856	3,841
Income tax	177	487	701	943
Profit from continuing operations	622	1,496	2,154	2,898
Profit from discontinued operations	0	0	0	0
NP	622	1,496	2,154	2,898
Attributable to owners	622	1,496	2,154	2,898
Attributable to minority interests	0	0	0	0
Total comprehensive income	498	1,665	2,154	2,898
Attributable to owners	498	1,665	2,154	2,898
Attributable to minority interests	0	0	0	0
EBITDA	1,011	2,518	3,318	4,324
FCF	2,420	1,618	2,180	3,054
EBITDA margin (%)	7.0	14.7	17.6	20.6
OP margin (%)	4.9	12.8	15.8	18.8
Net margin (%)	4.3	8.7	11.4	13.8

Source: Company data, Mirae Asset Securities Research estimates

Balance sheet (summarized)

(Wbn)	2024	2025F	2026F	2027F
Current assets	10,403	12,613	15,059	18,596
Cash & equivalents	1,258	1,685	3,030	4,976
AR & other receivables	1,647	1,968	2,166	2,452
Inventory	1,511	1,805	1,987	2,250
Other current assets	5,987	7,155	7,876	8,918
Non-current assets	8,988	9,420	9,809	10,235
Investments in associates	1	1	1	2
PP&E	6,610	7,118	7,395	7,650
Intangible assets	128	125	109	95
Total assets	19,391	22,032	24,869	28,831
Current liabilities	11,796	13,977	15,350	17,332
AP & other payables	1,776	2,122	2,336	2,645
Short-term financial liabilities	1,514	1,690	1,824	2,018
Other current liabilities	8,506	10,165	11,190	12,669
Non-current liabilities	1,890	1,021	1,035	1,057
Long-term financial liabilities	1,766	872	872	872
Other non-current liabilities	124	149	163	185
Total liabilities	13,686	14,997	16,385	18,389
Equity attributable to owners	5,704	7,035	8,484	10,442
Capital stock	444	444	444	444
Capital surplus	3,123	3,123	3,123	3,123
Retained earnings	1,288	2,450	3,899	5,857
Minority interests	0	0	0	0
Shareholders' equity	5,704	7,035	8,484	10,442

Key valuation metrics/ratios

	2024	2025F	2026F	2027F
P/E (x)	41.1	35.8	24.8	18.5
P/CF (x)	30.8	21.0	16.5	12.8
P/B (x)	4.5	7.6	6.3	5.1
EV/EBITDA (x)	26.3	21.2	15.7	11.6
EPS (W)	7,001	16,852	24,269	32,643
CFPS (W)	9,342	28,702	36,524	47,226
BPS (W)	64,259	79,249	95,565	117,624
DPS (W)	0	6,726	8,952	8,952
Dividend payout ratio (%)	29.9	45.4	43.6	32.4
Dividend yield (%)	0.0	1.1	1.5	1.5
Revenue growth (%)	21.1	18.6	10.0	11.2
EBITDA growth (%)	121.4	149.1	31.7	30.3
OP growth (%)	294.8	211.6	35.4	33.1
EPS growth (%)	2,417.7	140.7	44.0	34.5
AR turnover (x)	11.6	11.2	10.8	10.8
Inventory turnover (x)	10.3	10.4	10.0	9.9
AP turnover (x)	9.2	8.4	8.0	7.8
ROA (%)	3.4	7.2	9.2	10.8
ROE (%)	11.4	23.5	27.8	30.6
ROIC (%)	9.2	34.9	42.1	56.3
Debt-to-equity ratio (%)	239.9	213.2	193.1	176.1
Current ratio (%)	88.2	90.2	98.1	107.3
Net debt-to-equity ratio (%)	18.7	-3.8	-18.7	-33.6
Interest coverage ratio (x)	4.7	21.8	28.6	36.6

Samsung Heavy Industries (010140 KS)

On a steady upward trajectory

(Maintain)	Buy
Target price	**W31,000**
Current price (11/18/25)	W25,300
Upside	22.5%

OP (25F, Wbn)	931
Consensus OP (25F, Wbn)	870
EPS growth (25F, %)	1,049.8
Market EPS growth (25F, %)	32.0
P/E (25F, x)	30.3
Market P/E (25F, x)	14.1
KOSPI	3,953.62
Market cap (Wbn)	22,264
Shares (mn)	880
Free float (%)	76.2
Foreign ownership (%)	30.9
Beta (12M)	1.10
52-week low (W)	9,990
52-week high (W)	30,300

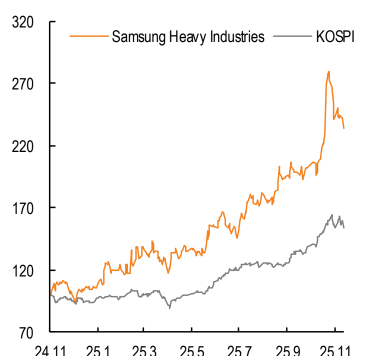
(%)	1M	6M	12M
Absolute	12.2	73.9	116.4
Relative	6.4	15.5	35.2

Investment points

- We maintain our Buy rating and target price of W31,000 on Samsung Heavy Industries (SHI).
- For 2026, we forecast revenue at W12.7tr (+16% YoY) and operating profit at W1.5tr (+63.3% YoY; OP margin of 11.9%).
- Earnings growth will likely be supported by: 1) an improved newbuilding mix (with average newbuilding prices likely to rise 17% for container ships and 16% for tankers); and 2) the construction of two FLNG units.
- Key potential catalysts include: 1) new FLNG orders; 2) LNG carrier orders form the US; and 3) progress in joint shipbuilding initiatives with the US (MASGA).

Risk factors

- Potential softness in newbuilding prices or order activity
- A potential rise in Chinese shipyards' share of new order wins



(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (Wbn)	8,009	9,903	11,002	12,725	13,874
OP (Wbn)	233	503	931	1,520	1,845
OP margin (%)	2.9	5.1	8.5	11.9	13.3
NP (Wbn)	-148	64	734	1,221	1,501
EPS (W)	-168	73	834	1,387	1,706
ROE (%)	-4.2	1.8	18.6	25.9	24.7
P/E (x)	-	155.7	30.3	18.2	14.8
P/B (x)	1.5	2.1	4.4	3.5	2.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Securities Research estimates

Samsung Heavy Industries (010140 KS)

Quarterly and annual earnings

(Wbn)		1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25F	2024	2025F	2026F	2027F
Order backlog	**Total**	**33,246**	**33,357**	**31,412**	**31,535**	**32,313**	**25,700**	**26,730**		**31,535**	**33,634**	**37,344**	**40,717**
	Shipbuilding/offshore	32,865	32,337	30,540	30,841	31,770	25,279	25,875		30,841			
	Civil engineering	381	1,020	872	694	543	465	855		694			
Revenue	**Total**	**2,348**	**2,532**	**2,323**	**2,700**	**2,494**	**2,683**	**2,635**	**3,190**	**9,903**	**11,002**	**12,725**	**13,874**
	Shipbuilding/offshore	2,165	2,205	2,359	2,581	2,399	2,522	2,613	2,870	9,310	10,404	11,865	12,973
	Civil engineering	183	327	112	171	145	161	197	320	792	823	860	901
Growth (%)	**Total**	**46.3**	**30.1**	**14.7**	**11.0**	**6.2**	**6.0**	**13.4**	**18.1**	**23.6**	**11.1**	**15.7**	**9.0**
	Shipbuilding/offshore	53.1	24.4	26.8	17.5	10.8	14.4	10.8	11.2	28.5	11.8	14.0	9.3
	Civil engineering	-4.1	89.5	-32.3	-27.6	-21.0	-50.7	77.0	87.7	3.7	4.0	4.4	4.8
OP		78	131	120	174	123	205	238	365	503	931	1,520	1,845
YoY (%)		298.1	121.9	58.0	120.5	58.1	56.7	98.6	109.4	115.4	85.1	63.3	21.4
OP margin (%)		3.3	5.2	5.2	6.5	4.9	7.6	9.0	11.4	5.1	8.5	11.9	13.3
NP attr. to owners of the parent		10	77	74	-97	92	214	142	286	64	734	1,221	1,501
YoY (%)		-12.9	199.1	94.2	RR	825.6	179.6	91.9	TTB	143.1	1,049.7	66.2	23.0
Net margin (%)		0.4	3.0	3.2	-3.6	3.7	8.0	5.4	9.0	0.6	6.7	9.6	10.8

Source: Company data, Mirae Asset Securities Research

Samsung Heavy Industries (010140 KS)

Income statement (summarized)

(Wbn)	2024	2025F	2026F	2027F
Revenue	9,903	11,002	12,725	13,874
Cost of revenue	8,983	9,630	10,693	11,542
GP	920	1,372	2,032	2,332
SG&A expenses	418	441	512	488
OP (adj.)	503	931	1,520	1,845
OP	503	931	1,520	1,845
Non-operating profit	-819	-150	-120	-120
Net financial income	-192	-126	-121	-105
Net income from associates	0	238	373	384
Pretax profit	-316	781	1,400	1,725
Income tax	-369	54	186	231
Profit from continuing operations	54	727	1,214	1,494
Profit from discontinued operations	0	0	0	0
NP	54	727	1,214	1,494
Attributable to owners	64	734	1,221	1,501
Attributable to minority interests	-10	-7	-7	-7
Total comprehensive income	340	284	1,214	1,494
Attributable to owners	355	288	1,225	1,508
Attributable to minority interests	-15	-4	-11	-14
EBITDA	792	1,218	1,817	2,143
FCF	481	897	1,088	1,341
EBITDA margin (%)	8.0	11.1	14.3	15.4
OP margin (%)	5.1	8.5	11.9	13.3
Net margin (%)	0.6	6.7	9.6	10.8

Source: Company data, Mirae Asset Securities Research estimates

Balance sheet (summarized)

(Wbn)	2024	2025F	2026F	2027F
Current assets	9,370	7,387	8,840	9,956
Cash & equivalents	956	440	1,350	1,815
AR & other receivables	1,186	841	891	968
Inventory	452	569	739	804
Other current assets	6,776	5,537	5,860	6,369
Non-current assets	7,825	8,197	8,161	8,286
Investments in associates	0	0	0	0
PP&E	5,116	5,116	4,973	4,929
Intangible assets	28	30	26	22
Total assets	17,195	15,584	17,001	18,243
Current liabilities	12,029	10,678	10,874	10,610
AP & other payables	724	802	849	923
Short-term financial liabilities	5,212	3,576	3,314	2,628
Other current liabilities	6,093	6,300	6,711	7,059
Non-current liabilities	1,416	846	853	864
Long-term financial liabilities	1,312	723	723	723
Other non-current liabilities	104	123	130	141
Total liabilities	13,445	11,524	11,727	11,475
Equity attributable to owners	3,794	4,109	5,329	6,830
Capital stock	880	880	880	880
Capital surplus	4,496	4,496	4,496	4,496
Retained earnings	-2,136	-1,402	-181	1,320
Minority interests	-45	-49	-55	-62
Shareholders' equity	3,749	4,060	5,274	6,768

Key valuation metrics/ratios

	2024	2025F	2026F	2027F
P/E (x)	155.7	30.3	18.2	14.8
P/CF (x)	12.9	25.7	13.3	10.8
P/B (x)	2.1	4.4	3.5	2.9
EV/EBITDA (x)	16.9	20.2	12.8	10.3
EPS (W)	73	834	1,387	1,706
CFPS (W)	876	983	1,908	2,335
BPS (W)	5,414	5,771	7,157	8,863
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	23.6	11.1	15.7	9.0
EBITDA growth (%)	67.1	53.8	49.2	17.9
OP growth (%)	115.4	85.2	63.3	21.4
EPS growth (%)	TTB	1,049.8	66.2	23.0
AR turnover (x)	14.0	12.7	17.4	17.7
Inventory turnover (x)	9.1	21.5	19.5	18.0
AP turnover (x)	12.3	14.8	15.3	15.3
ROA (%)	0.3	4.4	7.5	8.5
ROE (%)	1.8	18.6	25.9	24.7
ROIC (%)	-1.5	15.7	32.3	39.3
Debt-to-equity ratio (%)	358.6	283.9	222.4	169.5
Current ratio (%)	77.9	69.2	81.3	93.8
Net debt-to-equity ratio (%)	92.4	58.6	21.3	-2.4
Interest coverage ratio (x)	2.4	6.7	10.9	14.2

Hyundai Rotem (064350 KS)

Top pick

Poised to level up again

(Maintain)	Buy
Target price	**W300,000**
Current price (11/18/25)	W187,300
Upside	60.2%

OP (25F, Wbn)	1,084
Consensus OP (25F, Wbn)	1,066
EPS growth (25F, %)	96.1
Market EPS growth (25F, %)	32.0
P/E (25F, x)	25.6
Market P/E (25F, x)	14.1
KOSPI	3,953.62
Market cap (Wbn)	20,442
Shares (mn)	109
Free float (%)	66.2
Foreign ownership (%)	32.800
Beta (12M)	1.75
52-week low (W)	44,450
52-week high (W)	244,500

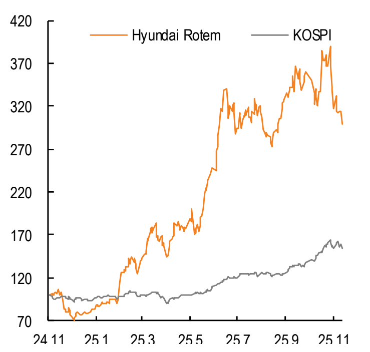
(%)	1M	6M	12M
Absolute	-7.0	64.4	193.1
Relative	-11.9	9.3	83.1

Investment points

- We maintain our Buy rating and target price of W300,000 on Hyundai Rotem.
- For 2026, we forecast revenue at W7.6tr (+28% YoY) and operating profit at W1.7tr (+54.8% YoY; OP margin of 22.3%).
- Assuming additional K2 export deals are secured, we expect the order backlog to extend to six years and the company to double its K2 production capacity by 2027, driving significant growth in defense earnings.
- A key catalyst is the likely signing of a K2 export deal with Iraq in 1H26, potentially followed by contracts with Romania, Peru, and Poland (EC3).

Risk factors

- Potential delays or failure to secure additional K2 export deals
- A potential de-escalation in geopolitical risks



(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (Wbn)	3,587	4,377	5,861	7,558	9,843
OP (Wbn)	210	457	1,084	1,686	2,509
OP margin (%)	5.9	10.4	18.5	22.3	25.5
NP (Wbn)	161	407	798	1,250	1,855
EPS (W)	1,475	3,728	7,312	11,452	17,000
ROE (%)	10.1	21.8	30.7	33.2	35.1
P/E (x)	18.0	13.3	25.6	16.4	11.0
P/B (x)	1.7	2.7	6.5	4.7	3.3
Dividend yield (%)	0.4	0.4	0.1	0.1	0.1

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Securities Research estimates

Hyundai Rotem (064350 KS)

Top pick

Quarterly and annual earnings

(Wbn)		1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25F	2024	2025F	2026F	2027F
Order backlog	**Total**	**18,589**	**18,773**	**18,993**	**18,758**	**21,119**	**21,637**	**29,609**	**29,450**	**18,758**	**29,450**	**45,048**	**67,528**
	Rail solutions	12,709	13,101	13,656	14,065	16,861	18,256	18,003	18,465	14,065	18,465	22,761	29,720
	Defense solutions	5,230	5,013	4,476	3,873	3,399	2,544	10,790	10,165	3,873	10,165	21,581	36,916
	Eco plants	650	659	862	821	859	837	816	820	821	820	705	892
Revenue	**Total**	**748**	**1,095**	**1,094**	**1,441**	**1,176**	**1,418**	**1,620**	**1,647**	**4,377**	**5,861**	**7,558**	**9,843**
	Rail solutions	276	391	408	419	403	527	541	538	1,496	2,009	2,560	3,287
	Defense solutions	318	565	585	898	658	761	936	924	2,365	3,280	4,364	5,855
	Eco plants	153	139	101	123	116	129	143	185	516	573	634	701
Growth (%)	**Total**	**9.3**	**10.9**	**18.0**	**45.7**	**57.3**	**29.5**	**48.1**	**14.3**	**22.0**	**33.9**	**29.0**	**30.2**
	Rail solutions	-25.1	-0.3	7.3	2.0	45.6	34.7	32.4	28.3	-3.7	34.3	27.4	28.4
	Defense solutions	22.3	16.5	41.2	114.1	106.9	34.9	60.1	2.9	49.9	38.7	33.1	34.2
	Eco plants	177.9	26.0	-23.9	-22.2	-24.6	-6.9	42.2	50.1	13.2	11.0	10.8	10.6
OP		45	113	137	162	203	258	278	346	457	1,084	1,686	2,509
YoY (%)		40.0	67.7	234.3	131.6	354.0	128.4	102.1	113.8	117.3	137.4	55.6	48.8
OP margin (%)		6.0	10.3	12.6	11.2	17.2	18.2	17.1	21.0	10.4	18.5	22.3	25.5
NP attr. to owners of the parent		56	101	104	145	158	191	198	251	407	798	1,250	1,855
YoY (%)		197.7	87.5	153.0	209.4	181.6	88.1	90.5	72.6	152.7	96.1	56.6	48.4
Net margin (%)		7.5	9.3	9.5	10.1	13.5	13.4	12.3	15.2	9.3	13.6	16.5	18.8

Source: Company data, Mirae Asset Securities Research estimates

Hyundai Rotem (064350 KS)

Top pick

Income statement (summarized)

(Wbn)	2024	2025F	2026F	2027F
Revenue	4,377	5,861	7,558	9,843
Cost of revenue	3,548	4,293	5,366	6,722
GP	829	1,568	2,192	3,121
SG&A expenses	372	484	506	612
OP (adj.)	457	1,084	1,686	2,509
OP	457	1,084	1,686	2,509
Non-operating profit	53	-37	-36	-60
Net financial income	11	31	59	70
Net income from associates	0	-61	-96	-130
Pretax profit	510	1,047	1,650	2,449
Income tax	104	253	405	601
Profit from continuing operations	405	795	1,245	1,849
Profit from discontinued operations	0	0	0	0
NP	405	795	1,245	1,849
Attributable to owners	407	798	1,250	1,855
Attributable to minority interests	-2	-3	-5	-7
Total comprehensive income	373	1,123	1,245	1,849
Attributable to owners	376	1,127	1,248	1,852
Attributable to minority interests	-3	-4	-2	-3
EBITDA	504	1,141	1,750	2,588
FCF	61	546	711	737
EBITDA margin (%)	11.5	19.5	23.2	26.3
OP margin (%)	10.4	18.5	22.3	25.5
Net margin (%)	9.3	13.6	16.5	18.8

Source: Company data, Mirae Asset Securities Research estimates

Balance sheet (summarized)

(Wbn)	2024	2025F	2026F	2027F
Current assets	3,686	4,605	6,420	8,591
Cash & equivalents	472	435	1,018	1,712
AR & other receivables	965	1,158	1,756	2,197
Inventory	316	599	847	1,325
Other current assets	1,933	2,413	2,799	3,357
Non-current assets	1,599	2,155	2,380	2,751
Investments in associates	1	1	2	2
PP&E	1,292	1,875	2,063	2,399
Intangible assets	104	122	143	174
Total assets	5,285	6,760	8,800	11,342
Current liabilities	3,020	3,368	4,108	4,737
AP & other payables	525	598	701	878
Short-term financial liabilities	329	35	-53	-51
Other current liabilities	2,166	2,735	3,460	3,910
Non-current liabilities	256	285	361	447
Long-term financial liabilities	22	20	20	20
Other non-current liabilities	234	265	341	427
Total liabilities	3,276	3,653	4,470	5,184
Equity attributable to owners	2,045	3,147	4,375	6,209
Capital stock	546	546	546	546
Capital surplus	520	520	520	520
Retained earnings	689	1,466	2,694	4,528
Minority interests	-36	-40	-44	-51
Shareholders' equity	2,009	3,107	4,331	6,158

Key valuation metrics/ratios

	2024	2025F	2026F	2027F
P/E (x)	13.3	25.6	16.4	11.0
P/CF (x)	7.9	18.7	12.4	8.3
P/B (x)	2.7	6.5	4.7	3.3
EV/EBITDA (x)	9.9	17.1	10.8	7.0
EPS (W)	3,728	7,312	11,452	17,000
CFPS (W)	6,298	9,991	15,152	22,525
BPS (W)	18,737	28,835	40,087	56,887
DPS (W)	200	200	200	200
Dividend payout ratio (%)	5.4	2.7	1.8	1.2
Dividend yield (%)	0.4	0.1	0.1	0.1
Revenue growth (%)	22.0	33.9	29.0	30.2
EBITDA growth (%)	101.4	126.6	53.3	47.9
OP growth (%)	117.4	137.4	55.6	48.8
EPS growth (%)	152.7	96.1	56.6	48.4
AR turnover (x)	7.0	5.8	5.4	5.2
Inventory turnover (x)	15.0	12.8	10.5	9.1
AP turnover (x)	7.9	9.3	10.2	10.6
ROA (%)	7.7	13.2	16.0	18.4
ROE (%)	21.8	30.7	33.2	35.1
ROIC (%)	22.7	38.7	46.0	50.6
Debt-to-equity ratio (%)	163.1	117.6	103.2	84.2
Current ratio (%)	122.1	136.7	156.3	181.4
Net debt-to-equity ratio (%)	-20.9	-29.0	-35.4	-35.5
Interest coverage ratio (x)	27.5	138.4	2,580.0	-1,562.0

Hanwha Aerospace (012450 KS)

A reliable pillar of Korea's defense industry

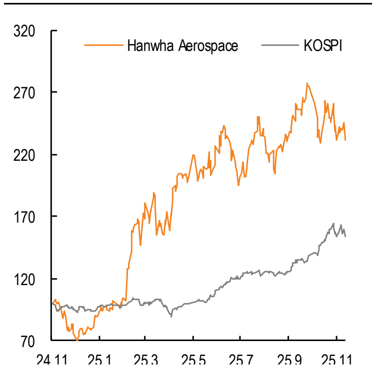
(Maintain)			**Buy**
Target price			**W1,400,000**
Current price (11/18/25)			W921,000
Upside			52.0%
OP (25F, Wbn)			3,562
Consensus OP (25F, Wbn)			3,486
EPS growth (25F, %)			-26.6
Market EPS growth (25F, %)			32.0
P/E (25F, x)			27.2
Market P/E (25F, x)			14.4
KOSPI			3,953.62
Market cap (Wbn)			47,490
Shares (mn)			52
Free float (%)			62.6
Foreign ownership (%)			44.300
Beta (12M)			0.9
52-week low (W)			274,733
52-week high (W)			1,107,000
(%)	1M	6M	12M
Absolute	1.0	11.2	138.3
Relative	-4.2	-26.1	48.8

Investment points

- We maintain our Buy rating and target price of W1,400,000 on Hanwha Aerospace.
- For 2026, we forecast revenue at W31.5tr (+15.6% YoY) and operating profit at W4.7tr (+31.6% YoY; OP margin of 14.9%).
- The defense export margin reached 41% in 3Q25. With revenue recognition for exports to Egypt and Australia set to begin in 2026, we anticipate solid top-line growth.
- Key potential catalysts include: 1) visibility on multiple contracts under discussion with Saudi Arabia; 2) contract signing for the Redback program in Romania; and 3) export opportunities in the US (K9 and modular charge systems) Spain (K9), and France (Chunmoo).

Risk factors

- Potential delays or failure to secure additional K9, Chunmoo, and Redback export deals
- A potential de-escalation in geopolitical risks



(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (Wbn)	7,890	11,240	27,201	31,456	35,198
OP (Wbn)	594	1,732	3,562	4,689	5,508
OP margin (%)	7.5	15.4	13.1	14.9	15.6
NP (Wbn)	818	2,299	1,617	2,853	3,472
EPS (W)	15,886	46,183	33,886	57,233	69,660
ROE (%)	25.6	53.9	27.1	34.5	30.8
P/E (x)	8.0	7.0	27.2	16.1	13.2
P/B (x)	1.8	3.0	6.4	4.9	3.7
Dividend yield (%)	1.4	1.1	0.4	0.4	0.4

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Securities Research estimates

Hanwha Aerospace (012450 KS)

Quarterly and annual earnings

(Wbn)		1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25F	2024	2025F	2026F	2027F
Order backlog	**Total**	**66,103**	**66,485**	**67,120**	**73,951**	**104,876**	**106,847**	**107,701**	**106,369**	**73,951**	**106,369**	**118,332**	**128,056**
	Aerospace	28,897	28,944	28,995	30,512	31,092	31,143	31,122	31,358	30,512	31,358	32,103	32,962
	Land systems	29,815	30,270	29,928	32,370	31,734	31,736	31,000	28,489	32,370	28,489	33,621	32,543
	Hanwha Systems	7,050	6,968	7,924	10,558	10,520	10,365	11,174	11,273	10,558	11,273	11,498	10,533
	Satrec Initiative	340	303	274	511	489	455	420	660	511	660	771	886
	Hanwha Ocean					31,040	33,149	33,986	34,588		34,588	40,338	51,133
Revenue	**Total**	**1,449**	**2,335**	**2,631**	**4,831**	**5,484**	**6,273**	**6,487**	**8,915**	**11,246**	**27,159**	**31,435**	**35,198**
	Aerospace	444	562	478	595	531	649	604	648	2,079	2,432	2,862	3,109
	Land systems	657	1,333	1,656	3,365	1,157	1,773	2,110	3,511	7,010	8,552	9,967	10,478
	Hanwha Systems	543	658	628	946	690	768	808	1,326	2,776	3,592	3,793	5,411
	Satrec Initiative	32	47	44	48	40	44	50	59	171	194	240	243
	Hanwha Ocean					3,143	3,294	3,023	3,547		13,008	14,609	16,287
Growth (%)	**Total**	**-12.4**	**54.3**	**61.9**	**56.0**	**278.4**	**168.7**	**146.5**	**84.5**	**42.5**	**141.5**	**15.7**	**11.9**
	Aerospace	13.7	40.0	22.5	38.9	19.7	15.4	26.4	8.9	29.1	17.0	17.7	8.6
	Land systems	-22.0	122.0	117.1	74.4	76.3	33.1	27.4	4.4	69.6	22.0	16.6	5.1
	Hanwha Systems	23.6	7.8	3.6	21.4	27.1	16.7	28.6	40.1	14.0	29.4	5.6	42.6
	Satrec Initiative	32.5	21.9	75.4	28.4	26.3	-6.2	15.4	23.0	36.5	13.6	23.7	1.0
	Hanwha Ocean					37.6	29.9	11.8	9.0		20.7	12.3	11.5
OP		18	337	477	892	561	864	856	1,281	1,725	3,562	4,689	5,508
YoY (%)		-90.7	727.8	457.7	222.1	3,060.4	156.3	79.5	43.5	145.8	106.5	31.6	17.5
OP margin (%)		1.2	14.4	18.1	18.5	10.2	13.8	13.2	14.4	15.3	13.1	14.9	15.7
NP attr. to owners of the parent)		-13	147	318	1,846	87	201	533	862	2,299	1,683	2,852	3,472
YoY (%)		TTR	-44.1	TTB	1,048.7	TTB	36.3	67.4	-53.3	181.2	-26.8	69.5	21.7
Net margin (%)		-0.9	6.3	12.1	38.2	1.6	3.2	8.2	9.7	20.4	6.2	9.1	9.9

Source: Company data, Mirae Asset Securities Research

Hanwha Aerospace (012450 KS)

Income statement (summarized)

(Wbn)	2024	2025F	2026F	2027F
Revenue	11,240	27,201	31,456	35,198
Cost of revenue	8,370	20,848	23,859	26,456
GP	2,870	6,353	7,597	8,742
SG&A expenses	1,138	2,790	2,908	3,233
OP (adj.)	1,732	3,562	4,689	5,508
OP	1,732	3,562	4,689	5,508
Non-operating profit	915	-802	-412	-303
Net financial income	-173	-305	-211	-70
Net income from associates	105	140	168	-232
Pretax profit	2,647	2,760	4,277	5,205
Income tax	136	484	525	640
Profit from continuing operations	2,511	2,276	3,752	4,566
Profit from discontinued operations	29	0	0	0
NP	2,540	2,276	3,752	4,566
Attributable to owners	2,299	1,617	2,853	3,472
Attributable to minority interests	241	660	899	1,093
Total comprehensive income	2,598	2,251	3,752	4,566
Attributable to owners	2,376	1,448	2,536	3,086
Attributable to minority interests	222	803	1,216	1,479
EBITDA	2,063	4,355	5,470	6,261
FCF	815	2,861	3,861	4,686
EBITDA margin (%)	18.4	16.0	17.4	17.8
OP margin (%)	15.4	13.1	14.9	15.6
Net margin (%)	20.5	5.9	9.1	9.9

Source: Company data, Mirae Asset Securities Research estimates

Balance sheet (summarized)

(Wbn)	2024	2025F	2026F	2027F
Current assets	22,868	28,776	36,062	45,562
Cash & equivalents	2,968	5,070	8,931	13,659
AR & other receivables	8,876	3,383	4,006	5,253
Inventory	6,290	7,921	8,915	10,278
Other current assets	4,734	12,402	14,210	16,372
Non-current assets	20,469	21,477	21,844	22,199
Investments in associates	964	1,300	1,660	1,780
PP&E	8,320	8,714	8,689	8,845
Intangible assets	7,744	7,631	7,584	7,559
Total assets	43,337	50,254	57,906	67,761
Current liabilities	25,516	29,337	32,889	37,785
AP & other payables	2,874	1,845	2,094	2,345
Short-term financial liabilities	6,566	6,932	7,654	8,025
Other current liabilities	16,076	20,560	23,141	27,415
Non-current liabilities	6,456	7,239	7,759	8,324
Long-term financial liabilities	4,558	4,939	5,149	5,401
Other non-current liabilities	1,898	2,300	2,610	2,923
Total liabilities	31,973	36,576	40,648	46,108
Equity attributable to owners	4,995	6,936	9,617	12,919
Capital stock	240	249	249	249
Capital surplus	207	690	690	690
Retained earnings	4,747	6,168	8,850	12,151
Minority interests	6,369	6,742	7,641	8,734
Shareholders' equity	11,364	13,678	17,258	21,653

Key valuation metrics/ratios

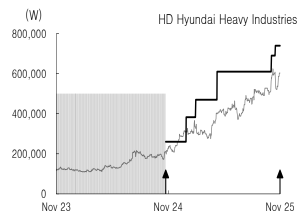
	2024	2025F	2026F	2027F
P/E (x)	7.0	27.2	16.1	13.2
P/CF (x)	6.3	9.6	8.5	7.6
P/B (x)	3.0	6.4	4.9	3.7
EV/EBITDA (x)	13.9	13.9	10.7	8.9
EPS (W)	46,183	33,886	57,233	69,660
CFPS (W)	51,113	95,511	108,396	120,473
BPS (W)	108,270	143,265	187,032	251,093
DPS (W)	3,443	3,443	3,443	3,443
Dividend payout ratio (%)	6.3	7.5	4.6	3.8
Dividend yield (%)	1.1	0.4	0.4	0.4
Revenue growth (%)	42.5	142.0	15.6	11.9
EBITDA growth (%)	121.0	111.1	25.6	14.5
OP growth (%)	191.4	105.7	31.6	17.5
EPS growth (%)	190.7	-26.6	68.9	21.7
AR turnover (x)	2.1	4.8	9.9	8.7
Inventory turnover (x)	2.5	3.8	3.7	3.7
AP turnover (x)	6.4	11.7	12.1	11.9
ROA (%)	8.1	4.9	6.9	7.3
ROE (%)	53.9	27.1	34.5	30.8
ROIC (%)	15.1	19.3	21.9	25.0
Debt-to-equity ratio (%)	281.3	267.4	235.5	212.9
Current ratio (%)	89.6	98.1	109.6	120.6
Net debt-to-equity ratio (%)	65.7	47.4	20.5	-2.8
Interest coverage ratio (x)	7.1	7.4	9.3	10.2

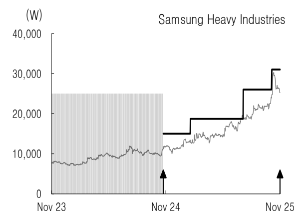
Appendix 1

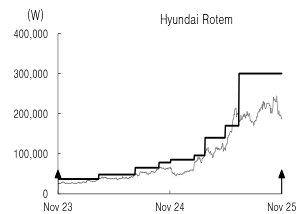
Important disclosures and disclaimers

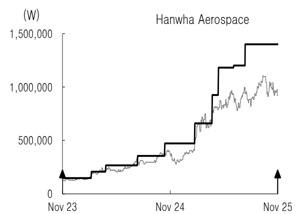
Two-year rating and TP history

Company	Date	Rating	TP (W)
HD Hyundai Heavy Industries (329180)			
	11/04/25	Buy	740,000
	10/22/25	Buy	690,000
	04/28/25	Buy	610,000
	02/17/25	Buy	470,000
	01/17/25	Buy	383,000
	11/11/24	Buy	260,000
Samsung Heavy Industries (010140)			
	10/24/25	Buy	31,000
	07/25/25	Buy	26,000
	02/06/25	Buy	18,700
	11/11/24	Buy	15,000
Hyundai Rotem (064350)			
	07/03/25	Buy	300,000
	05/19/25	Buy	170,000
	03/14/25	Buy	140,000
	02/07/25	Buy	96,000
	11/22/24	Buy	85,000
	10/15/24	Buy	78,000
	07/29/24	Buy	65,000
	04/01/24	Buy	48,000
	09/20/23	Buy	37,000
Hanwha Aerospace (012450)			
	08/01/25	Buy	1,400,000
	06/23/25	Buy	1,200,000
	05/02/25	Buy	1,181,647
	04/11/25	Buy	925,623
	02/11/25	Buy	659,753
	11/01/24	Buy	472,659
	08/01/24	Buy	354,494
	04/15/24	Buy	265,870
	02/26/24	Buy	206,788
	09/20/23	Buy	147,706









Appendix 1

Stock ratings	
Buy	Expected 12-month return: +20% or greater
Hold	Expected 12-month return: Greater than -10% and less than +10%
Sell	Expected 12-month return: -10% or less

Sector ratings	
Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

As of May 12, 2025, the Trading Buy rating category has been removed from our investment rating system.
Stocks expected to deliver a 12-month return between +10% and less than +20% may be rated either Buy or Hold at the discretion of the research analyst.

Rating and TP history: Share price (─), TP (▬), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (♦)
* Our investment rating is a guide to the expected return of the stock over the next 12 months.
* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.
* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.
* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	78.61%	1.73%	19.08%	0.58%
Investment banking services	84.62%	0%	15.38%	0%

* Based on recommendations in the last 12-months (as of September 30, 2025)

Disclosures
As of the publication date, Mirae Asset Securities Co., Ltd. has acted as a liquidity provider for equity-linked warrants backed by shares of HD Hyundai Heavy Industries, Samsung Heavy Industries, Hanwha Aerospace, Hyundai Rotem as an underlying asset; other than this, Mirae Asset Securities has no other special interests in the covered companies.
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Mirae Asset Securities International Network

Mirae Asset Securities International Network

Mirae Asset Securities Co., Ltd. (Seoul)
One-Asia Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (HK) Ltd.
Units 8501, 8507-8508, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong SAR
Tel: 852-2845-6332

Mirae Asset Securities (UK) Ltd.
41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Securities (USA) Inc.
810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

Mirae Asset Wealth Management (Brazil) CCTVM
Rua Funchal, 418, 18th Floor, E-Tower Building
Vila Olimpia
Sao Paulo - SP
04551-060
Brazil
Tel: 55-11-2789-2100

PT. Mirae Asset Sekuritas Indonesia
District 8, Treasury Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-54
Jakarta Selatan 12190
Indonesia
Tel: 62-21-5088-7000

Mirae Asset Securities (Singapore) Pte. Ltd.
6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Securities (Vietnam) LLC
7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Mirae Asset Securities Mongolia UTsK LLC
#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Mirae Asset Investment Advisory (Beijing) Co., Ltd
2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Beijing Representative Office
2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)

Shanghai Representative Office
38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai 200120
China

Tel: 86-21-5013-6392

Ho Chi Minh Representative Office
7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Capital Markets (India) Pvt Ltd
1st Floor, Tower 4, Equinox Business Park,
LBS Marg, Off BKC, Kurla (West), Mumbai - 400 070
India

Tel: 91-22-62661300 / 48821300