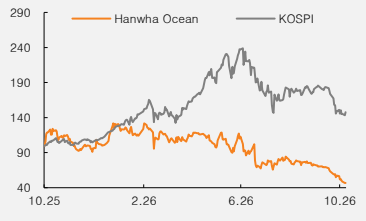
MIRAE ASSET Securities

Equity Research
October 28, 2026

(Maintain)	**Buy**
Target price	▼ **W90,000**
Current price (10/27/26)	W53,000
Upside	69.8%

OP (26F, Wbn)	2,083
Consensus OP (26F, Wbn)	2,213
EPS growth (26F, %)	35.3
Market EPS growth (26F, %)	278.0
P/E (26F, x)	9.6
Market P/E (26F, x)	5.5
KOSPI	5,638.34
Market cap (Wbn)	16,240
Shares (mn)	306
Free float (%)	53.5
Foreign ownership (%)	10.3
Beta (12M)	0.65
52-week low (W)	53,000
52-week high (W)	149,900

(%)	1M	6M	12M
Absolute	-33.4	-60.3	-62.1
Relative	-16.4	-53.4	-72.8



Mirae Asset Securities Co., Ltd.

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042660 KS • Shipbuilding

Hanwha Ocean

Breakthrough needed

3Q26 results miss consensus; offshore change order offsets naval weakness

For 3Q26, Hanwha Ocean posted revenue of W3.41tr (-37.3% QoQ, +12.9% YoY) and operating profit of W485.7bn (-34% QoQ, +67.6% YoY), missing consensus estimates by 1.7% and 10.2%, respectively. Nine fewer working days QoQ (due to summer vacations and the Chuseok holiday) and FX effects weighed on commercial shipbuilding earnings, with operating profit falling 35.9% QoQ to W471.8bn and OP margin contracting 5.3%p QoQ to 17.4%. The naval business reported an operating loss of W70.6bn (OP margin: -19.4%) following recognition of provisions for construction losses on certain vessels under construction. However, this loss was offset by operating profit of W91.4bn (OP margin: 17.3%) in the energy plant unit (EPU), supported by change order recognition on an offshore plant (FPSO) project and solid performance at drilling and operations and maintenance (O&M) subsidiaries.

Core earnings momentum to remain subdued in the near term

We view the commercial shipbuilding division's 3Q26 OP margin of 17.4% as a normalized baseline for profitability on the orders currently being executed. This is similar to the 17.9% recorded in 1Q26, when revenue and the average USD/KRW rate (1,467 in 1Q26 vs. 1,419 in 3Q26) were comparable. After a temporary margin hit of around 5%p from bonus expenses in 4Q26, we expect OP margin to remain in the 18% range through 2028. The average contracted USD/KRW rate was more favorable at end-2Q26 (1,472) than at end-3Q26 (1,353). Including additional hedges, the current hedge ratio exceeds 50%. Moving forward, the remaining unhedged exposure and the maturity profile of existing hedges will be key.

The expected slowdown in core OP margin improvement reflects several factors. First, the benefits of a shift toward higher-priced orders are nearing their peak: the share of vessels ordered in 2024 or later is set to rise from 78% in 3Q26 to 98.9% in 2027. Second, the vessel mix is weakening, with the LNG carrier share set to fall from 53.6% in 3Q26 to 35% in 2027. The container ship share is set to rise to 36.4%, but these vessels offer lower margins. Third, naval vessel construction remains concentrated on domestic projects, including the second Jangbogo Batch-II submarine and the fifth and sixth Ulsan-class frigates. We expect naval OP margin to remain in the low single digits until construction begins on KDDX vessels (4Q28) and the first Thai frigate (2H28). Currently, 2028 earnings growth drivers are limited to the new floating dock (from 3Q27) and production optimization. Follow-on Thai frigate orders (three to four vessels) and major submarine orders from markets such as Saudi Arabia and Greece would provide upside to our forecasts.

Cut TP to W90,000; maintain Buy

We maintain our Buy rating but lower our target price to W90,000 (from W128,000), reflecting cuts to our 2028F EPS (from W7,506 to W6,600) and target P/E (from 17x to 13.7x). With core earnings growth slowing, a valuation recovery hinges on progress in the US business. If the acquisition of Austal USA (currently under negotiation by a group affiliate) is completed, this would make Hanwha Ocean's bridge strategy of building lead vessels at Geoje and follow-on vessels in the US more viable. Given bipartisan support for expanding US domestic shipbuilding capacity, we expect order visibility to increase further as budget allocations take shape following the midterm elections.

(Dec.)	2024	2025	2026F	2027F	2028F
Revenue (Wbn)	10,776	12,784	15,751	14,657	15,171
OP (Wbn)	238	1,168	2,083	2,195	2,389
OP margin (%)	2.2	9.1	13.2	15.0	15.7
NP (Wbn)	528	1,246	1,686	1,954	2,022
EPS (W)	1,724	4,066	5,503	6,376	6,600
ROE (%)	11.5	22.6	23.8	21.7	18.4
P/E (x)	21.7	27.9	9.6	8.3	8.0
P/B (x)	2.4	5.6	2.0	1.6	1.4
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

Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the US.
Please see analyst certifications and important disclosures & disclaimers in Appendix 1 at the end of the report.

Table 1. Hanwha Ocean: 3Q26 review (Wbn, %, %p)

	3Q25	2Q26	3Q26P			Growth	
			Preliminary	Mirae Asset Securities	Consensus	YoY	QoQ
Revenue	3,023	5,443	3,414	3,441	3,472	12.9	-37.3
OP	290	736	486	555	541	67.6	-34.0
OP margin (%)	9.6	13.5	14.2	16.1	15.6	4.6	0.7
Pretax profit	273	669	112	489	460	-59.0	-83.3
NP	269	693	145	483	418	-46.1	-79.0

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, WISEfn, Mirae Asset Securities Research estimates

Table 2. Hanwha Ocean: Earnings forecast revisions (Wbn, %)

	Previous		Revised		% chg.		Notes
	26F	27F	26F	27F	26F	27F	
Revenue	15,736	14,714	15,751	14,657	0.1	-0.4	
OP	2,220	2,372	2,083	2,195	-6.2	-7.4	Lower USD/KRW rate; adj. to commercial shipbuilding margins
Pretax profit	2,098	2,233	1,653	2,056	-21.2	-7.9	Reflected 3Q26 FX losses
NP	2,105	2,121	1,686	1,954	-19.9	-7.9	
EPS (W)	6,870	6,922	5,503	6,376	-19.9	-7.9	

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

Table 3. Hanwha Ocean: Quarterly and annual earnings (Wbn, %)

		1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26P	4Q26F	2025	2026F	2027F	2028F
Revenue	Total	3,143	3,294	3,023	3,323	3,210	5,443	3,414	3,684	12,784	15,751	14,657	15,171
	Commercial	2,569	2,807	2,464	2,686	2,793	3,240	2,715	2,994	10,525	11,741	11,701	11,924
	Naval	303	237	375	369	318	327	363	363	1,284	1,372	1,343	1,648
	EPU	384	460	271	414	211	2,068	528	328	1,529	3,134	1,613	1,599
	Other	-113	-209	-87	-146	-112	-192	-192		-555	-495		
YoY	Total	37.6	29.9	11.8	2.1	2.1	65.2	12.9	10.9	18.6	23.2	-6.9	3.5
	Commercial	32.1	32.9	13.5	9.4	8.7	15.4	10.2	11.5	21.2	11.6	-0.3	1.9
	Naval	113.4	-28.0	91.2	-4.3	4.9	38.2	-3.2	-1.6	22.0	6.8	-2.1	22.7
	EPU	38.4	131.1	-37.6	-19.8	-45.0	349.7	94.4	-20.9	7.1	104.9	-48.5	-0.9
OP	Total	259	372	290	248	441	736	486	421	1,168	2,083	2,195	2,389
	Commercial	233	377	307	175	501	736	472	378	1,092	2,086	2,133	2,241
	Naval	41	18	29	3	-21	-3	-71	31	92	-64	37	91
	EPU	-18	-7	-53	28	-57	6	91	12	-50	52	26	57
	Other	2	-17	6	42	19	-3	-7		33	9		
OP margin (%)	Overall	8.2	11.3	9.6	7.4	13.7	13.5	14.2	11.4	9.1	13.2	15.0	15.7
	Commercial	9.1	13.4	12.5	6.5	17.9	22.7	17.4	12.6	10.4	17.8	18.2	18.8
	Naval	13.6	7.7	7.7	0.9	-6.5	-0.9	-19.4	8.4	7.1	-4.6	2.7	5.5
	EPU	-4.6	-1.5	-19.4	6.7	-27.2	0.3	17.3	3.7	-3.2	1.7	1.6	3.6
	Other	-1.6	8.1	-7.4	-28.9	-16.7	1.5	3.6		-6.0	-1.8		
Pretax profit		217	151	273	202	506	669	112	367	842	1,653	2,056	2,336
Tax		1	2	3	-410	6	-24	-33	18	-404	-33	103	313
NP attr. to owners		216	148	269	612	500	693	145	348	1,246	1,686	1,954	2,022

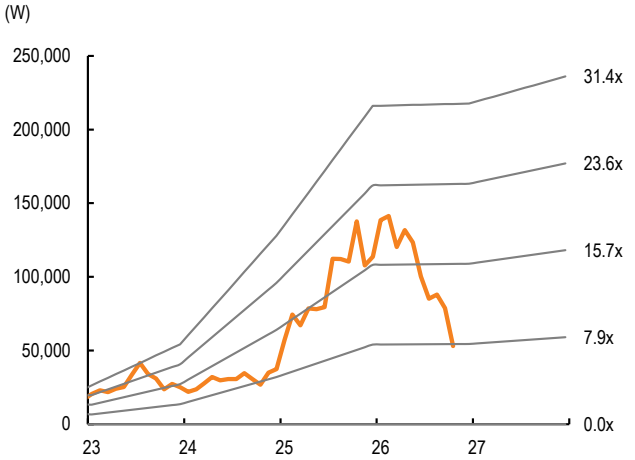
Note: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Mirae Asset Securities Research

Table 4. Hanwha Ocean: TP calculation

	Unit	Value	Notes
EPS	W	6,600	2028F
Target P/E	x	13.7	17x previously → 2007 cycle avg. (no US-related premium)
Target price	W	90,000	
Current price	W	53,000	
Target market cap	Wtr	27.6	
Current market cap	Wtr	16.2	
Upside	%	69.8	

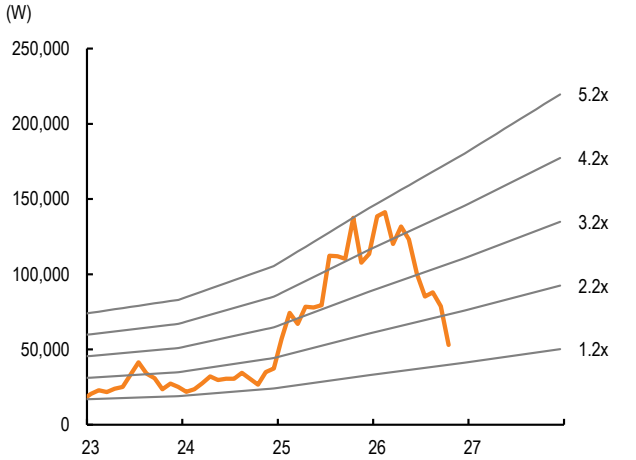
Source: FnGuide, Mirae Asset Securities Research

Figure 1. Hanwha Ocean: 12-month forward P/E band chart



Source: FnGuide, Mirae Asset Securities Research

Figure 2. Hanwha Ocean: 12-month forward P/B band chart



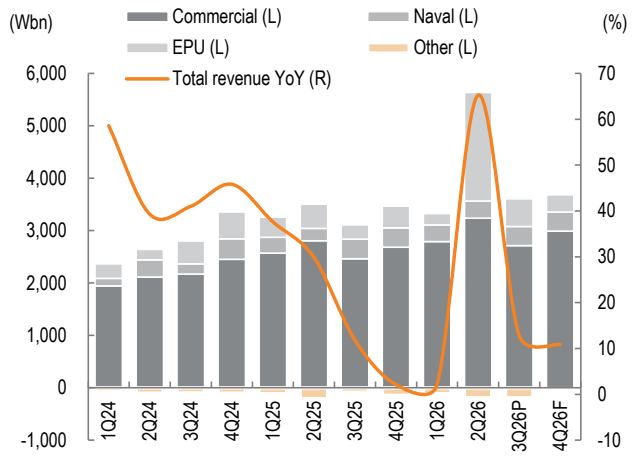
Source: FnGuide, Mirae Asset Securities Research

Table 5. Global peer group: Key valuation metrics (Wbn, x, %)

Country/sector	Company	Market cap	P/E				EV/EBITDA				P/B				ROE			
			FY0	FY1	FY2	FY3	FY0	FY1	FY2	FY3	FY0	FY1	FY2	FY3	FY0	FY1	FY2	FY3
Korea	Hanwha Ocean	16,240	7.9	8.1	8.3	7.3	18.0	8.5	7.7	6.8	2.2	2.0	1.6	1.3	32.3	27.8	21.2	19.7
	HD HHI	30,596	11.5	9.8	8.4	7.2	16.6	5.9	5.1	4.4	2.9	2.6	2.1	1.8	30.1	29.3	28.2	27.0
	HD KSOE	17,446	5.1	4.5	3.8	3.4	3.2	1.6	1.3	1.2	1.2	1.1	0.9	0.8	25.7	26.3	25.8	24.9
	SHI	14,423	24.7	15.2	9.7	7.9	14.0	8.5	6.2	5.2	2.9	2.8	2.1	1.7	13.4	20.0	24.7	23.9
	Daehan Shipbuilding	1,404	4.5	4.7	4.6	4.1	3.9	2.1	1.9	1.7	1.2	1.0	0.9	0.7	34.3	24.4	20.8	19.6
	Avg.		10.7	8.5	7.0	6.0	11.1	5.3	4.5	3.9	2.1	1.9	1.5	1.2	27.2	25.5	24.1	23.0
Japan	Mitsubishi	100,099	28.3	27.0	23.0	19.6	17.4	15.0	12.8	11.1	3.7	3.5	3.1	2.8	14.4	13.2	14.1	14.4
	Kawasaki	15,968	15.1	15.3	13.3	12.1	13.8	9.3	8.6	7.8	2.0	1.8	1.6	1.6	14.8	12.9	12.9	13.4
	Namura	2,460	12.0	11.3	10.4	8.4	4.1	5.0	4.4	3.6	2.1	-	-	-	19.7	18.2	-	-
	Avg.		18.5	17.8	15.6	13.3	11.8	9.8	8.6	7.5	2.6	2.6	2.4	2.2	16.3	14.8	13.5	13.9
China	CSSC	51,888	16.7	12.8	9.5	7.8	-	6.3	4.8	4.0	1.7	1.6	1.4	1.3	14.5	13.2	15.7	16.8
	Yangzijiang	34,495	28.9	19.7	10.6	7.3	-	14.3	8.5	6.0	12.6	8.0	4.8	3.0	67.7	50.1	47.2	41.8
	Hengli	19,440	9.9	8.9	7.8	7.3	-	6.5	5.8	5.4	2.9	2.5	2.1	1.9	32.2	31.4	29.9	27.7
	Avg.		18.5	13.8	9.3	7.5	-	9.1	6.3	5.1	5.8	4.1	2.8	2.1	38.1	31.6	31.0	28.8
US	General Dynamics	128,211	21.8	21.0	19.2	17.6	16.1	14.6	13.5	12.6	3.6	3.4	3.2	3.1	17.8	17.3	17.5	17.7
	Huntington Ingalls	14,699	18.5	15.1	13.4	11.6	13.7	12.8	11.1	9.9	2.1	2.0	1.9	1.7	13.0	13.8	14.3	14.9
	Avg.		20.2	18.1	16.3	14.6	14.9	13.7	12.3	11.3	2.8	2.7	2.6	2.4	15.4	15.6	15.9	16.3

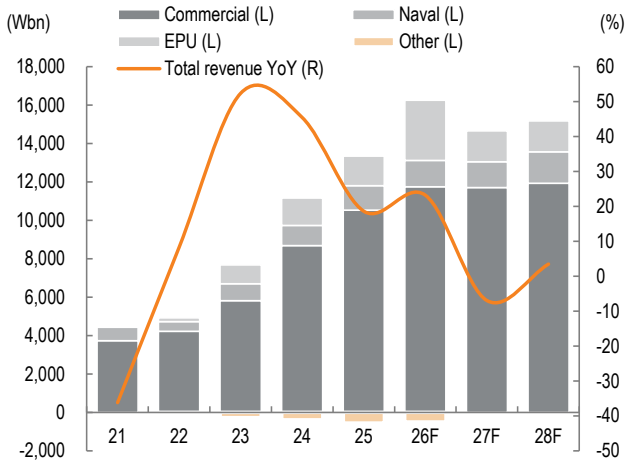
Source: Bloomberg, Mirae Asset Securities Research

Figure 3. Hanwha Ocean: Quarterly revenue and growth



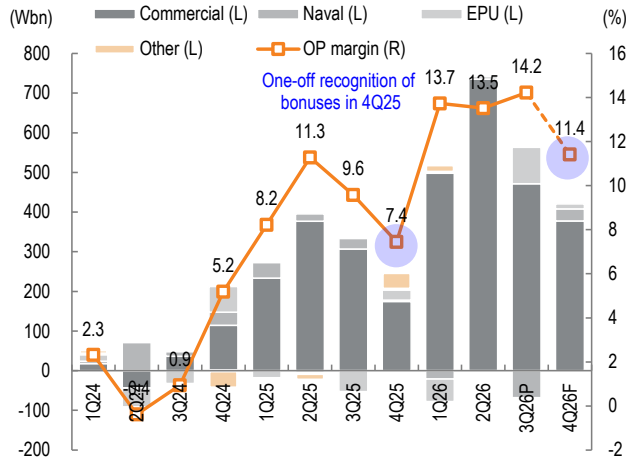
Source: Company data, Mirae Asset Securities Research estimates

Figure 4. Hanwha Ocean: Annual revenue and growth



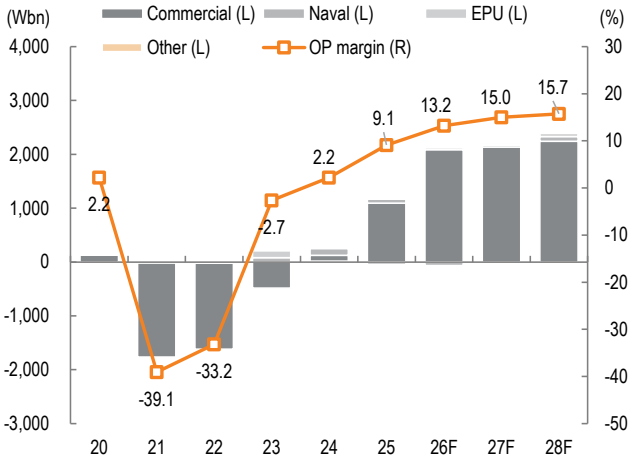
Source: Company data, Mirae Asset Securities Research estimates

Figure 5. Hanwha Ocean: Quarterly OP and OP margin



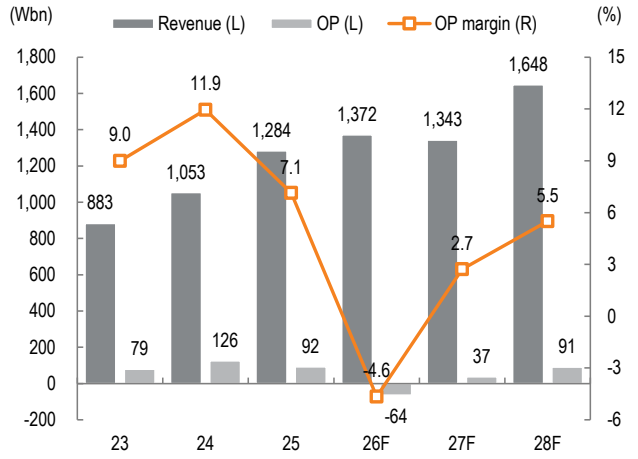
Source: Company data, Mirae Asset Securities Research estimates

Figure 6. Hanwha Ocean: Annual OP and OP margin



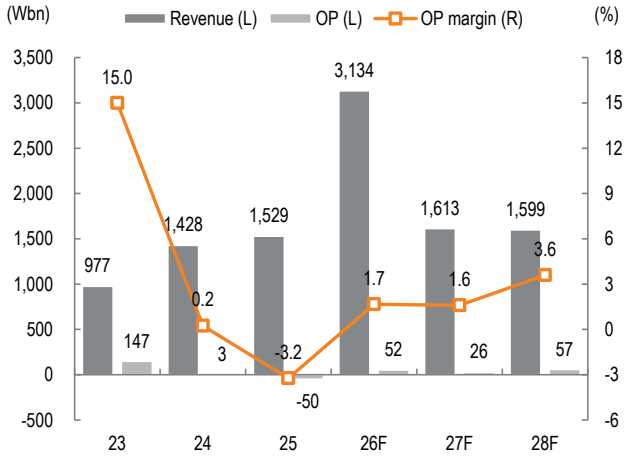
Source: Company data, Mirae Asset Securities Research estimates

Figure 7. Hanwha Ocean: Naval revenue and OP



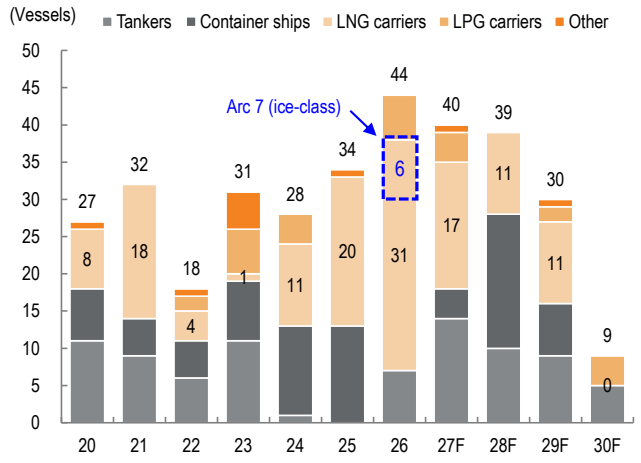
Source: Company data, Mirae Asset Securities Research estimates

Figure 8. Hanwha Ocean: EPU revenue and OP



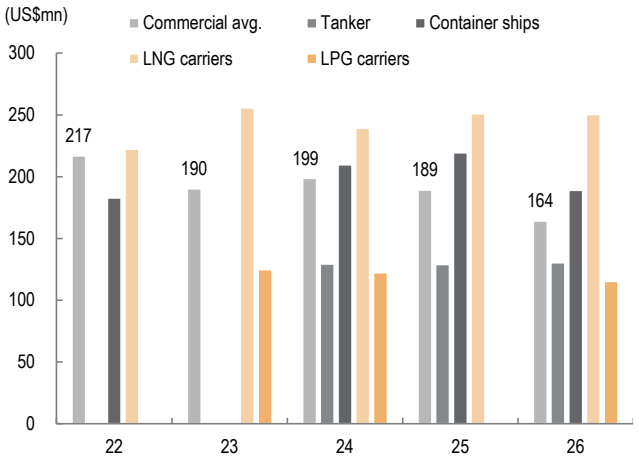
Source: Company data, Mirae Asset Securities Research estimates

Figure 9. Hanwha Ocean: Scheduled deliveries by year



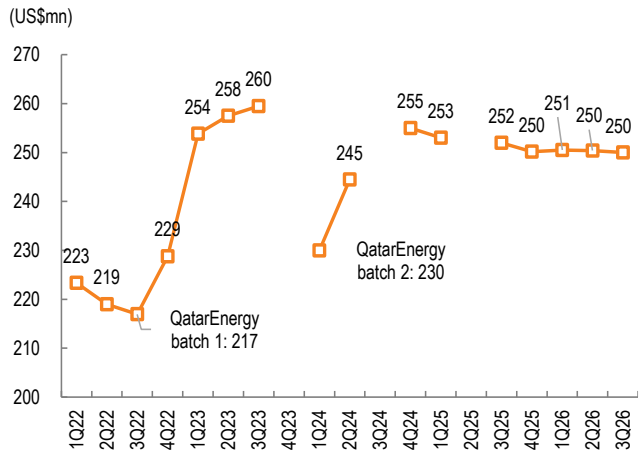
Source: Clarksons, Mirae Asset Securities Research

Figure 10. Hanwha Ocean: Avg. order price by year



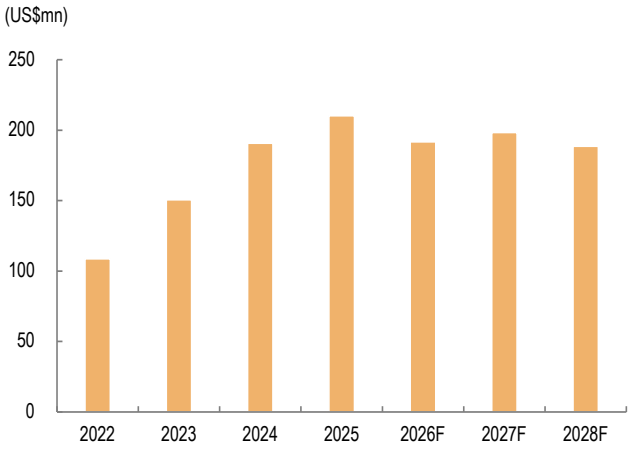
Note: 2026 data are YTD
Source: Clarksons, Mirae Asset Securities Research

Figure 11. Avg. quarterly LNG carrier contract price



Source: Clarksons, Mirae Asset Securities Research estimates

Figure 12. Hanwha Ocean: Annual avg. ASP of commercial revenue (est.)



Note: Based on current order backlog
Source: Clarksons, Mirae Asset Securities Research estimates

Hanwha Ocean (042660 KS)

Income statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Revenue	**12,784**	**15,751**	**14,657**	**15,171**
Cost of revenue	**10,943**	**12,890**	**11,729**	**12,047**
GP	**1,841**	**2,861**	**2,928**	**3,124**
SG&A expenses	**673**	**777**	**733**	**734**
OP (adj.)	**1,168**	**2,083**	**2,195**	**2,389**
OP	**1,168**	**2,083**	**2,195**	**2,389**
Non-operating profit	**-326**	**-430**	**-139**	**-53**
Net financial income	-120	-146	-71	-23
Net income from associates	-77	-90	0	0
Pretax profit	842	1,653	2,056	2,336
Income tax	-404	-33	103	313
Profit from continuing operations	1,246	1,686	1,954	2,022
Profit from discontinued operations	0	0	0	0
NP	**1,246**	**1,686**	**1,954**	**2,022**
Attributable to owners	1,246	1,686	1,954	2,022
Attributable to minority interests	0	0	0	0
Total comprehensive income	**1,266**	**1,836**	**1,954**	**2,022**
Attributable to owners	1,266	1,836	1,954	2,022
Attributable to minority interests	0	0	0	0
EBITDA	1,401	2,363	2,494	2,699
FCF	605	730	1,526	1,682
EBITDA margin (%)	11.0	15.0	17.0	17.8
OP margin (%)	9.1	13.2	15.0	15.7
Net margin (%)	9.7	10.7	13.3	13.3

Balance sheet (summarized)

(Wbn)	2025	2026F	2027F	2028F
Current assets	**12,082**	**14,525**	**15,346**	**16,376**
Cash & equivalents	778	1,676	2,549	3,581
AR & other receivables	869	1,038	1,034	1,034
Inventory	3,040	3,526	3,512	3,511
Other current assets	7,395	8,285	8,251	8,250
Non-current assets	**8,059**	**8,820**	**9,116**	**9,306**
Investments in associates	1,000	1,109	1,105	1,104
PP&E	5,273	5,814	6,136	6,348
Intangible assets	362	341	319	299
Total assets	**20,141**	**23,345**	**24,462**	**25,682**
Current liabilities	**11,200**	**12,106**	**11,270**	**10,468**
AP & other payables	1,589	1,762	1,755	1,755
Short-term financial liabilities	3,407	3,464	2,664	1,864
Other current liabilities	6,204	6,880	6,851	6,849
Non-current liabilities	**2,765**	**3,227**	**3,226**	**3,226**
Long-term financial liabilities	2,446	2,874	2,874	2,874
Other non-current liabilities	319	353	352	352
Total liabilities	**13,966**	**15,333**	**14,496**	**13,694**
Equity attributable to owners	**6,170**	**8,007**	**9,961**	**11,983**
Capital stock	1,537	1,537	1,537	1,537
Capital surplus	182	209	209	209
Retained earnings	1,552	3,197	5,151	7,173
Minority interests	**5**	**5**	**5**	**5**
Shareholders' equity	**6,175**	**8,012**	**9,966**	**11,988**

Cash flow statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Operating cash flow	**1,315**	**1,434**	**2,126**	**2,182**
NP	1,246	1,686	1,954	2,022
Non-cash income/expenses	338	-6	312	478
Depreciation	208	257	277	289
Amortization	25	23	22	20
Other	105	-286	13	169
Chg. in working capital	-121	-126	15	1
Chg. in AR & other receivables	17	283	0	0
Chg. in inventory	-94	-54	14	1
Chg. in AP & other payables	244	211	-4	0
Income tax	-8	4	-103	-313
Cash flow from investing activities	**-1,449**	**-777**	**-438**	**-332**
Chg. in PP&E	-706	-704	-600	-500
Chg. in intangible assets	13	-1	0	0
Chg. in financial assets	321	-9	0	0
Other	-1,077	-63	162	168
Cash flow from financing activities	**330**	**114**	**-820**	**-817**
Chg. in financial liabilities	57	485	-800	-800
Chg. in equity	63	27	0	0
Dividends	0	0	0	0
Other	210	-398	-20	-17
Chg. in cash	**190**	**898**	**873**	**1,033**
Beginning balance	588	778	1,676	2,549
Ending balance	778	1,676	2,549	3,581

Key valuation metrics/ratios

	2025	2026F	2027F	2028F
P/E (x)	27.9	9.6	8.3	8.0
P/CF (x)	22.0	9.7	7.2	6.5
P/B (x)	5.6	2.0	1.6	1.4
EV/EBITDA (x)	28.4	8.8	7.7	6.4
EPS (W)	4,066	5,503	6,376	6,600
CFPS (W)	5,168	5,484	7,393	8,159
BPS (W)	20,139	26,152	32,528	39,128
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 (%)	18.6	23.2	-6.9	3.5
EBITDA growth (%)	235.4	68.7	5.6	8.2
OP growth (%)	390.8	78.4	5.4	8.8
EPS growth (%)	135.9	35.3	15.9	3.5
AR turnover (x)	0.0	0.0	0.0	0.0
Inventory turnover (x)	4.4	4.8	4.2	4.3
AP turnover (x)	11.4	13.0	11.3	11.6
ROA (%)	6.6	7.8	8.2	8.1
ROE (%)	22.6	23.8	21.7	18.4
ROIC (%)	18.0	20.3	18.6	18.1
Debt-to-equity ratio (%)	226.2	191.4	145.5	114.2
Current ratio (%)	107.9	120.0	136.2	156.4
Net debt-to-equity ratio (%)	81.0	57.2	29.2	9.0
Interest coverage ratio (x)	6.0	9.2	10.3	12.9

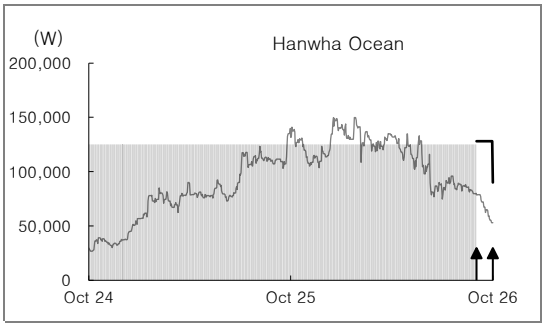
Source: Company data, Mirae Asset Securities Research estimates

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
Hanwha Ocean (042660)	10/28/26	Buy	90,000
	09/29/26	Buy	128,000



Stock ratings		Sector ratings	
Buy	Expected 12-month return: +20% or greater	Overweight	Expected to outperform the market over 12 months
Hold	Expected 12-month return: Greater than -10% and less than +10%	Neutral	Expected to perform in line with the market over 12 months
Sell	Expected 12-month return: -10% or less	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	89.66%	0%	9.77%	0.57%
Investment banking services	92.86%	0%	7.14%	0%

* Based on recommendations in the last 12-months (as of September 30, 2026)

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