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TRADE LENS

Focus on the economics of investing.

COMPANY RESEARCH / No.14

KRX 011200 · Freight, bulk shipping and capital recovery

HMM's KRW 1.4tn Operating Profit

How Durable Is Shipping Profitability?

Container operating leverage, bulk diversification and cash after investment

KRW1.3947tn	33.8%	18.8%
Q3 2026 operating profit [1]	Q3 2026 operating margin [1]	Bulk share of 9M profit [1]

A strong quarter is not a permanent margin.
Durability rests on cash earned after freight normalizes.

Separate quarterly operating leverage from diversification, investment and lease cash commitments.

Analysis date 2026.11.14

TRADELENS.KR

Business structure · profitability · cash flow · capital allocation

01 / RESEARCH VIEW

Strong earnings are not a permanent peak margin

TradeLens view | Diversification can cushion the cycle; it cannot abolish container-rate exposure.

Core conclusion

HMM is broadening its earnings base through bulk expansion and operating efficiency. Yet the 33.8% third-quarter operating margin should not be treated as a fixed normal level. **Our base case is margin pressure from freight normalization, partly absorbed by diversification.** Competitive strength is better tested by cash retained in a downturn than by peak-cycle profit. [1] [5] [8]

What changed

Q3 revenue rose 21.3% sequentially and operating profit 293.9%. Revenue growth coincided with falling operating costs. [1] [2]

What drove the surge

Bulk quarterly profit fell from KRW156.3bn in Q2 to KRW139.0bn in Q3. It did not move with the consolidated surge. [12]

Assets of durability

Long-term cargo commitments and integrated fleet/terminal networks may support utilization. Contract revenue is not net cash. [5] [6]

What would change the view

Lower unit costs and resilient post-investment cash during weaker rates strengthen the case. Deliveries ahead of demand and weaker collections undermine it.

The test that matters

We do not assign an arbitrary lifespan to the boom. Evaluate **realized freight multiplied by loaded volume, less operating costs and depreciation**, alongside cash left after investment and lease principal. Lower margins can coexist with durable business quality when cash generation and operating strength remain intact.

02 / EARNINGS BASELINE

Operating profit grew much faster than revenue

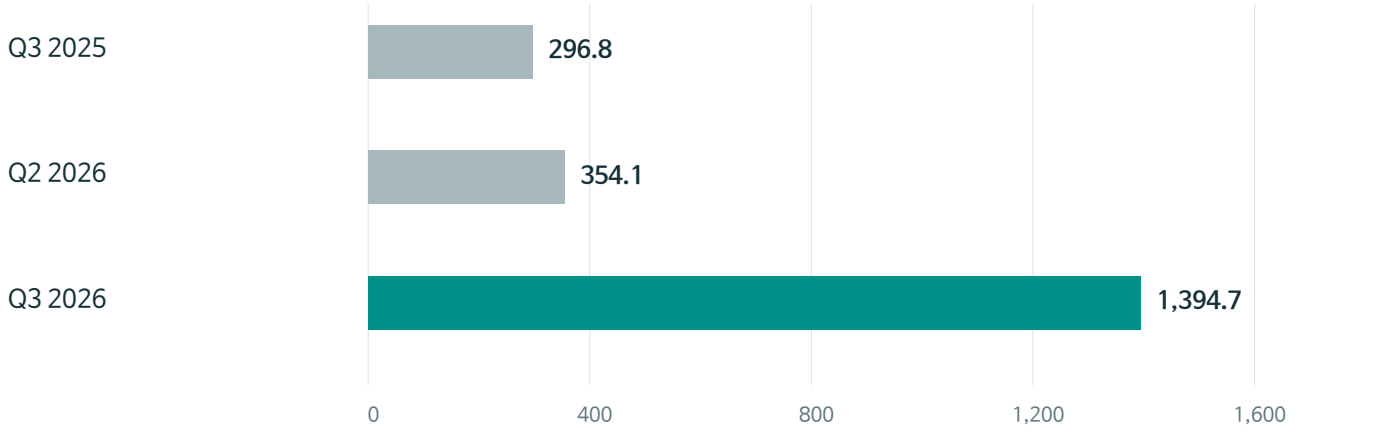
Issuer-release amounts, translated into KRW billion; ratios are recalculated from rounded figures.

Consolidated period	Revenue	Operating profit	Margin
Q3 2025	2,706.4	296.8	11.0%
Q2 2026	3,402.0	354.1	10.4%
Q3 2026	4,127.1	1,394.7	33.8%
9M 2026	10,247.8	2,017.9	19.7%

Unit: KRW bn. Q3 covers July-September; 9M covers January-September. Do not add the cumulative row to the quarterly rows. [1] [2] [3]

Quarterly operating profit

KRW bn



The third quarter generated **69.1%** of nine-month operating profit. Earnings are highly concentrated even within the same year. Multiplying a KRW1.4tn quarter by four would obscure seasonality and the freight cycle.

Interpretation

Strong quarterly results demonstrate current earnings power. The forward question is how much profit and cash survive normalized rates and costs, not whether the record quarter repeats mechanically.

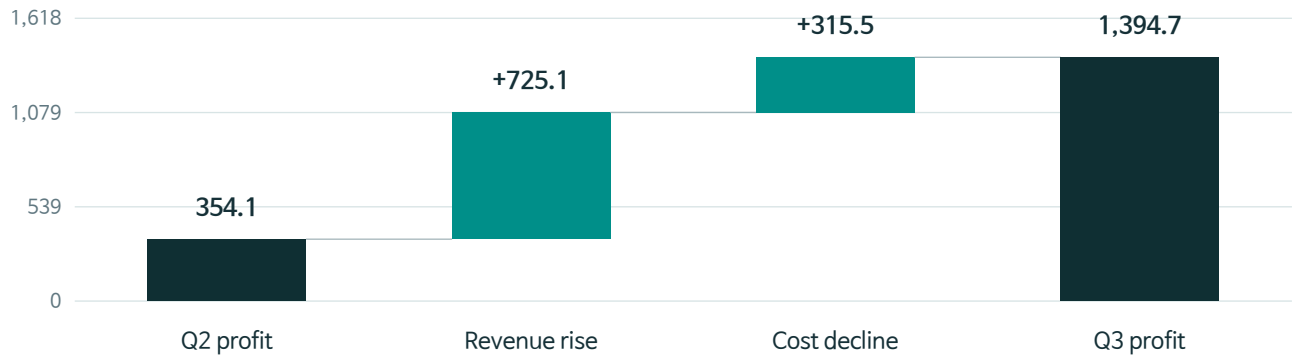
03 / PROFIT BRIDGE

Lower costs account for 30% of the profit increase

An accounting bridge, not a causal estimate of separate freight, FX or volume effects.

From Q2 to Q3 operating profit

KRW bn



Operating costs = revenue − operating profit: KRW3,047.9bn in Q2 versus KRW2,732.4bn in Q3. Profit change = 725.1 + 315.5 = KRW1,040.6bn. [1] [2]

Component	Change	Meaning
Revenue	+21.3%	Combined outcome of realized freight, volumes, route mix and FX
Operating costs	−10.4%	Revenue growth and lower costs amplified earnings together
Profit-growth bridge	Revenue 69.7% / costs 30.3%	Arithmetic shares, not a pure freight-rate attribution

External earnings research cited won appreciation and differences in cost-recognition timing as explanations for the cost decline. This is an analyst interpretation, not an issuer-disclosed factor-by-factor bridge. The full decline should not be treated as a permanent cost advantage. [11]

A durability test

Structural improvement requires repeatable reductions in fuel, port, charter and handling costs per unit on comparable freight and loading conditions. A recognition-timing difference can change the next quarter's comparison rather than reduce lifetime expense.

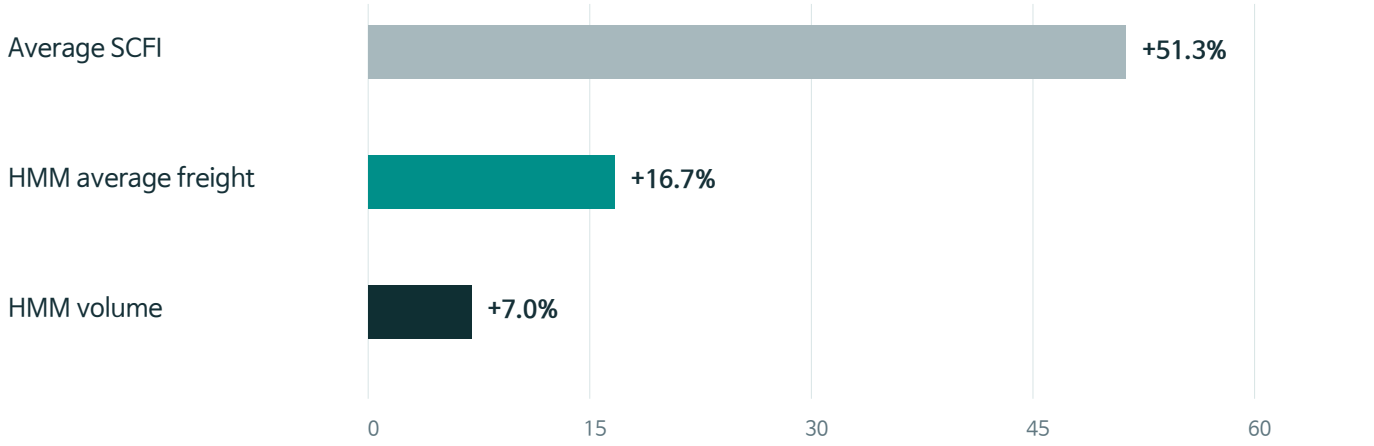
04 / FREIGHT REALIZATION

A 51% SCFI rise is not a 51% HMM rate increase

Even matched nine-month comparisons measure different markets, prices and quantities.

Market index versus company realization

YoY change, %



SCFI: 1,626 to 2,459; HMM freight: $1,270 to $1,482/TEU; volume: 3.134m TEU. Media report citing company earnings materials. [3]

Measure	What it captures	What it cannot replace
SCFI	Shanghai export spot freight and specified maritime surcharges	HMM's average across all routes and contracts
HMM average freight	Freight per carried unit on the company's stated basis	Consolidated revenue per TEU or net contribution
Volume × price	Key drivers of transport revenue	A complete identity for FX, ancillary revenue and accounting scope

Combining volume growth of 7.0% and freight growth of 16.7% gives approximately 24.9%. Reported container revenue grew 24.3%. **The direction is consistent; the residual is not assigned to an unreported factor.** Route and contract mix, cargo mix and recognition lags help explain why an index is not company pricing. [3] [7]

05 / MARGIN QUALITY

Separate the freight cycle from operating skill

Cargo quality and network efficiency are competitive pathways, not protection from every cycle.

Variable	Earnings pathway	Test of repeatability
Cargo / route mix	Higher net rates and load factors	Contribution after discounts, repositioning and transshipment
Hub and spoke	Concentrate cargo for mainline connections	Include feeder costs, transfer handling and missed connections
Fuel / port costs	Lower voyage cost and fuel consumption	Resilience to diversions, fuel prices and congestion
FX / cost timing	Changes in translation and quarterly expense	Permanent savings versus shifts between reporting periods

Network and cargo explanations are management statements [1] [2]; FX and cost timing are external research [11]. No undisclosed factor contribution is estimated.

01 **Cargo** Demand / rate › 02 **Voyage** Load / costs › 03 **Collection** Settlement / FX › 04 **Capital** Assets / leases

Efficiency does not eliminate new obligations

For EU ETS, emissions generated in 2026 reach the 100% phase-in requirement for verified emissions within scope; surrender occurs in 2027. This does not mean that all emissions on every international voyage are covered at 100%. Voyage scope and contractual recovery of costs remain separate questions. [9]

TradeLens interpretation

Evaluate unit operating-cost savings together with fuel and carbon-surcharge recovery. Margin can decline when net freight falls faster than costs. The relevant buffer is the spread between realized prices and costs, not costs in isolation.

06 / EFFECTIVE CAPACITY

Shorter routes release capacity without new ships

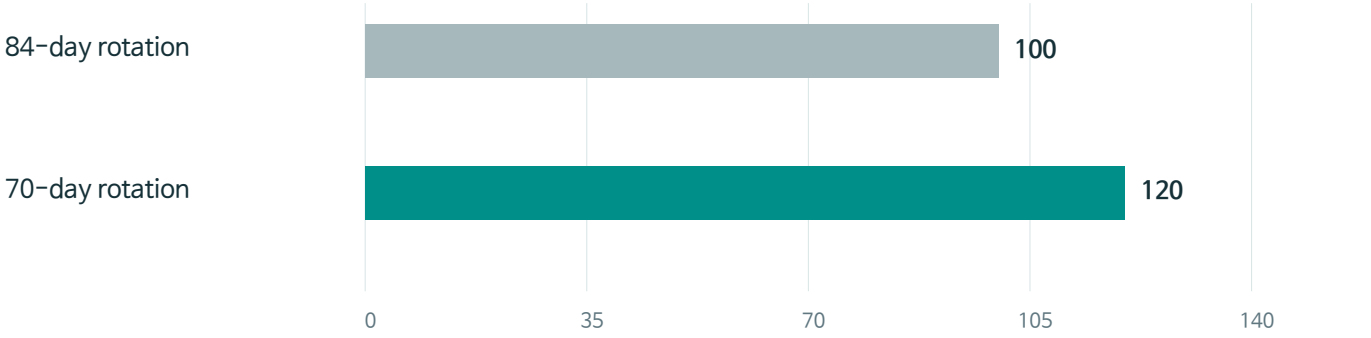
An illustrative voyage model is separate from the provider forecast; no reopening date is assumed.

Xeneta 2027 outlook	Range / estimate	Comparison basis
Container volumes	+2.5–4.0%	Global demand versus prior year
Fleet size	+6.8% (range 5.4–8.3%)	Installed capacity versus prior year
Average rates	Spot −30% / long-term −5%	2027 average versus Q3 2026

Provider forecast announced 5 Nov 2026. These are not HMM guidance, realized company rates or changes against the prior full-year average. [8]

Capacity from the same installed slots

84-day case = 100



Illustrative assumptions: identical ships, loading and available days; only rotation time changes from 84 to 70 days. Annual transport-capacity ratio = 84/70 = 1.20. Not an actual route forecast.

Supply-chain normalization can raise effective capacity without a sharp fall in demand. Renewed diversions and congestion do the opposite. **New deliveries and shorter voyage cycles must be assessed together** to judge the support beneath freight rates.

What to observe

Track sailing distance, cycle time, empty repositioning, blank sailings and loading, not just vessel count. Absorption of additional capacity determines how far peak-quarter margins can persist.

07 / BULK DIVERSIFICATION

Bulk cushions earnings, but did not drive the Q3 jump

Separate nine-month contribution from the sequential change between the second and third quarters.

9M operating profit	2025	2026	Change
Container	1,053.3	1,635.3	+582.0
Bulk	73.0	378.4	+305.4
Other / residual*	17.6	4.2	-13.4
Consolidated	1,143.9	2,017.9	+874.0

KRW bn. *Residual = consolidated less container and bulk; includes rounding and is not an estimated segment. 2025 total = H1 847.1 + Q3 296.8. [1] [2]

Cumulative cushioning

Bulk contributed KRW305.4bn, or about 34.9%, of the KRW874.0bn increase in nine-month profit. Its share of total profit rose from 6.4% to 18.8%.

A different quarterly path

Bulk profit fell by KRW17.3bn: Q2 156.3 to Q3 139.0. Consolidated profit excluding bulk rose from 197.8 to 1,255.7. [12]

Bulk expansion reduces container dependence, but not every bulk dollar is long-term fixed earnings. Dry bulk, tankers and gas vessels have different cargo and pricing structures, with spot exposure remaining. **Judge diversification by repeatable contractual cash, not vessel count alone.** [3]

The period distinction

The 18.8% share is a nine-month figure. For Q3 alone, bulk contributed approximately 10.0%. Using the cumulative share to explain the quarterly earnings surge confuses periods.

08 / CONTRACT ECONOMICS

KRW4.7tn is a revenue pathway, not current profit

Vale transport agreement: disclosed contract scope, monetized through vessel deployment and operation.

What was announced

In September 2026, HMM announced a Vale transport contract worth approximately KRW4.7tn. Eight new bulk carriers are to enter service progressively from 2030, with 25-year terms per ship. The agreement is not retroactively treated as a source of Q3 2026 earnings. [6]

01 **Contract** — Cargo terms
〉
02 **Delivery** — Build / invest
〉
03 **Operations** — Voyages / cost
〉
04 **Recovery** — Collect / reinvest

Economic test	Required conditions	False equivalence
Revenue stability	Cargo commitments, availability and payment performance	Long contract = risk-free profit
Cost allocation	Sharing of fuel, labour, maintenance and carbon costs	Contract value = operating profit
Capital recovery	Vessel price, financing, off-hire and residual value	Revenue / vessel cost = investment return

Long contracts can improve demand visibility while extending exposure to mismatches between fixed receipts and variable costs. The table lists **contract-review questions**; it does not assume that any undisclosed price-adjustment clause exists.

What this contributes to durability

Long-term cargo contracts can create an earnings base distinct from short-lived spot strength. Portfolio stabilization is complete only when operating receipts also cover vessel upkeep, working capital and the capital employed.

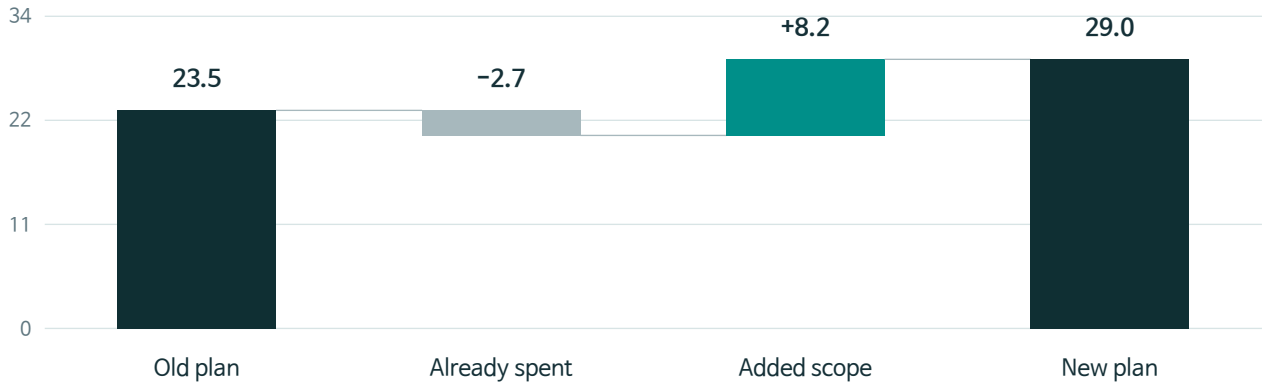
09 / CAPITAL ALLOCATION

Do not add KRW29tn to the previous plan

The 2026 plan replaces its predecessor. Align remaining expenditure periods before comparing.

Reconciling the remaining plan

KRW tn



2024 plan: 23.5tn (Sep 2024–Dec 2030), less 2.7tn spent by end-2025 = 20.8tn remaining. New plan: 29tn for Jan 2026–Dec 2030. [5]

2030 targets / plans	Disclosed scope	Economic test
Container fleet	166 vessels / 1.47m TEU	Demand, load factors and realized rates at delivery
Bulk fleet	110 vessels / 13.52m DWT	Committed cargo, vessel mix and contract earnings
Terminals / transition	Hub assets, digital and low-carbon investment	Savings in repositioning, congestion and fuel versus capital employed

The new KRW29tn plan exceeds the previous unspent KRW20.8tn by KRW8.2tn. Adding old and new plans exaggerates the burden; focusing only on the KRW5.5tn headline difference ignores elapsed expenditure. **A plan is neither cash already spent nor guaranteed future profit.** [5]

The capital-allocation test

The question is whether peak-cycle cash is converted into ships and contracts that remain competitive in a weaker market. A favourable purchase price creates value only when subsequent utilization and operating cash support it.

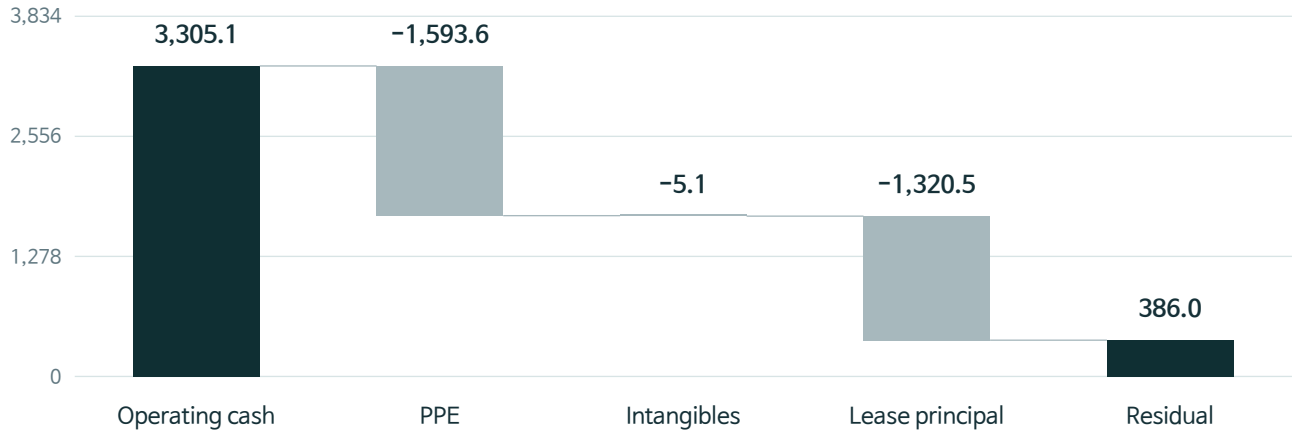
10 / CASH FLOW REFERENCE

Lease principal changes the picture of free cash

Historical FY2025 consolidated cash-flow example; not an estimate of 2026 cash generation.

Cash after asset purchases and lease principal

KRW bn · FY2025



Residual = operating cash flow − cash purchases of PPE and intangibles − lease repayments. Not company-defined FCF; excludes acquisitions, dividends, buybacks and debt repayments. [4]

FY2025 consolidated cash item	KRW bn	Interpretation
Operating cash less PPE / intangibles	1,706.429	Analytical subtotal before lease principal
After lease principal	385.965	77.4% below the pre-lease subtotal
Dividends paid plus share repurchases	2,672.257	Actual cash use, separate from same-year earnings

Proceeds from financial instruments exceeded purchases by KRW2,549.116bn in 2025. Maturing deposits or investments supply cash without creating new operating profit. Distinguish distributions funded from accumulated liquidity from those covered by recurring operations. [4]

Avoid double counting

Interest paid is already included in the reported operating cash flow and is not deducted again. Lease principal is classified in financing activities; looking only at operating cash can conceal part of the cash needed to use the fleet.

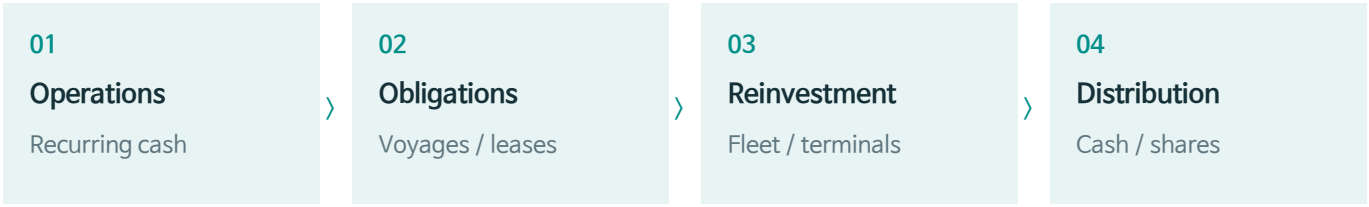
11 / SHAREHOLDER RETURNS

A clearer payout rule is not a fixed cash payment

Separate policy, accounting earnings and the execution of shareholder distributions.

Reporting on the 12 November policy revision states that HMM removed the 5% dividend-yield test from its previous rule based on the smaller of a 30% payout and a 5% yield. The revised criterion is **a payout ratio of at least 30%**. It does not fix a dividend amount or investor return. [10]

Decision layer	Question	Misinterpretation to avoid
Policy denominator	What annual earnings measure governs the policy?	Multiplying Q3 operating profit by 30% to forecast dividends
Distribution decision	What mix and timing are approved by the board?	Treating a policy announcement as completed cash payment
Cash funding	Can investment, leases, debt and liquidity buffers be funded?	Treating all accounting profit as freely available cash



Owned ships require acquisition cash and depreciation; leased ships require principal payments and contractual commitments. Financing format does not eliminate the economics of fleet use. A single earnings number cannot simultaneously guarantee distributions and growth.

TradeLens view

Good capital allocation is not the maximum possible payout. It preserves competitiveness, contractual payments and growth capacity when rates weaken. The value of a more predictable policy increases when matched with a credible cash plan.

12 / ILLUSTRATIVE SENSITIVITY

10% more volume need not offset 10% lower rates

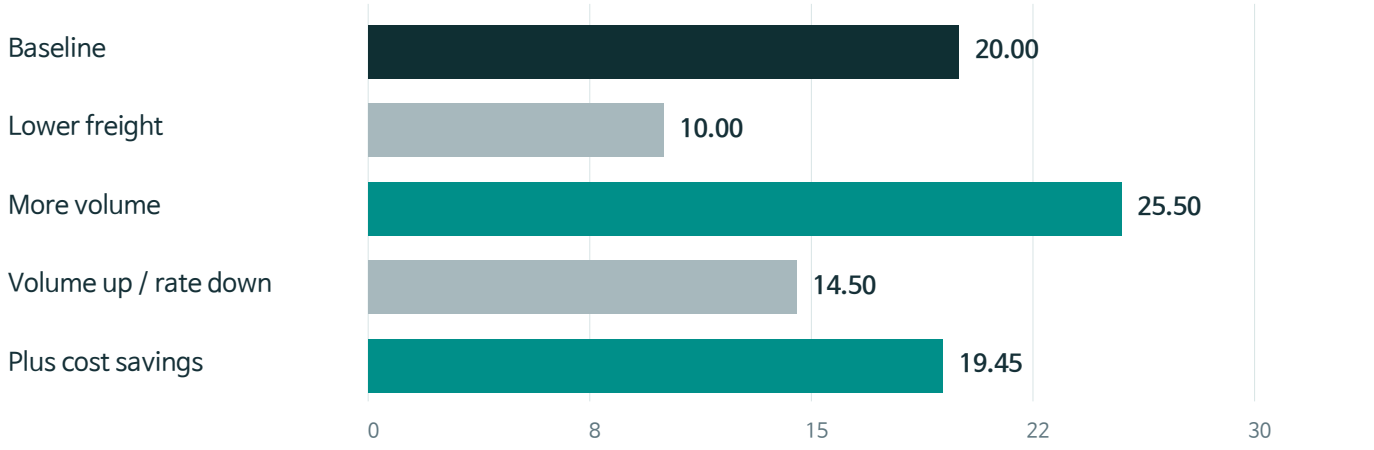
Illustration only: not HMM's actual cost structure, contract rates or earnings forecast.

Baseline assumptions: volume 1, net freight 100, variable cost per unit 45, fixed costs 35. Profit = volume × (net freight − unit variable cost) − fixed costs. Arbitrary units; excludes interest, tax and investment cash.

Assumption	Volume	Net rate	Profit	Change
Baseline	1.00	100	20.00	—
Net rate −10%	1.00	90	10.00	−50.0%
Volume +10%	1.10	100	25.50	+27.5%
Volume +10%, rate −10%	1.10	90	14.50	−27.5%
Above plus unit variable cost −10%	1.10	90	19.45	−2.8%

Calculated profit under the stated assumptions

Illustrative units



Extra volume from additional slots can be outweighed by lower rates. A further 10% unit-variable-cost saving is needed to approach baseline profit in this example. **Protecting net freight less variable cost matters more than a throughput record alone.**

Break-even net freight = 45 + 35 / volume: 88.75 at volume 0.8, 80.00 at 1.0 and 76.82 at 1.1. These are not HMM's break-even freight rates.

13 / SCENARIO FRAMEWORK

The base case is normalization with a buffer

Conditional business scenarios, not probabilities, price targets or arbitrary earnings forecasts.

Scenario	Conditions that must coexist	Profitability direction
Base | Buffered normalization	Less disruption, new deliveries and sustained bulk contract earnings	Bulk and efficiency partly absorb container pressure. Repeating 33.8% is not the base assumption
Upside | Rates stay elevated	Diversions / congestion persist, high loading and cost recovery	Operating leverage continues, after allowing for longer voyages, fuel and carbon costs
Downside | Supply meets capital burden	Weak volumes and rates coincide with deliveries and rising lease payments	Cash after investment may deteriorate faster than quarterly accounting profit

External forecasts for demand, installed slots and average freight inform scenario design; they are not translated directly into HMM earnings. [8]

Why this is the base case

Long-term contracting and diversification support downside resilience. Containers nonetheless remain the core profit engine, while ships and hubs require long-lived cash commitments. **We are constructive on the earnings base but cautious about locking in the peak quarterly margin.** [1] [5] [6]

Evidence that would weaken the positive case

A combination of falling realized rates, rising unit costs, lower loading, insufficient bulk cushioning and repeatedly weaker cash after investment and leases would undermine resilience. Defence of these measures would reduce the cost of normalization.

14 / OUTLOOK & MONITORING

Test cash in a downturn, not the size of the boom

Weekly freight, quarterly results and multi-year investment plans answer different questions.

Observation window	Measures	Strengthens / weakens the view
Weekly / monthly	Route spot and contract rates, diversions, congestion and deliveries	Rates hold and capacity is absorbed / shorter cycles coincide with pricing pressure
Next quarter	Realized freight, volume, costs and recognition timing	Loading and unit costs improve / fixed-cost burden meets weaker rates
By business	Bulk contract versus spot exposure, vessel-type earnings	Recurring cash expands / contribution depends on transient tanker strength
Cash disclosures	OCF, PPE / intangibles, lease principal and distributions	Post-investment cash holds / reliance on liquidation of financial assets
Delivery / execution	Vessel entry, cargo commencement and payment timing	Demand matches delivery / capital payments accumulate before receipts

Answer to the selected question

HMM's high profitability is not explained solely by spot freight, but repeated KRW1.4tn quarters are not assured. Q3 combined revenue growth and falling costs into powerful operating leverage. Bulk improved cumulative earnings, while long-term contracts can build a future revenue base.

Final assessment

Durability is not defined by an index peak or a fleet target. It is the ability to preserve unit contribution as freight falls and retain cash after ships, leases and shareholder distributions. If those conditions hold, margin normalization can coexist with sustained competitive strength.

15 / SOURCE REGISTER

Connect results, contracts and cash to evidence

Click a source title or the teal link to open the individual underlying item.

01. HMM | Q3 2026 earnings announcement

Open source

12 Nov 2026 · Issuer release, republished by Hankyung · Earnings and fleet

02. HMM | H1 2026 earnings announcement

Open source

13 Aug 2026 · Issuer release, republished by Hankyung · Q2 and H1 baseline

03. News2day | Report on HMM Q3 earnings materials

Open source

12 Nov 2026 · Media report · 9M volumes, freight rates and company outlook

04. HMM | FY2025 annual report

Open source

18 Mar 2026 · Issuer filing reproduced by FinancialFilings · III.2-4 consolidated cash flows

05. HMM | 2030 medium-term business plan disclosure

Open source

24 Jul 2026 · Issuer filing reproduced by FinancialFilings · Revised investment plan

06. HMM | Long-term transport contract with Vale

Open source

8 Sep 2026 · Issuer release via Newswire · About KRW4.7tn; 25 years per ship from 2030

Scope of evidence

Issuer releases establish reported results and management explanations, not future outcomes. Analyst views and company plans remain distinct. FY2025 cash flows are a historical reference only.

16 / SOURCE REGISTER

Separate forecasts from company results

Methodologies, provider forecasts, regulator guidance and cited reporting are explicitly labelled.

07. Shanghai Shipping Exchange | SCFI methodology FAQ

Open source

As of 14 Nov 2026 · Index provider · Shanghai export spot rates and scope

08. Xeneta | Ocean Outlook 2027 announcement

Open source

5 Nov 2026 · Provider forecast · 2027 average rates compared with Q3 2026

09. European Commission | Maritime EU ETS FAQ

Open source

As of 14 Nov 2026 · Regulator guidance · Voyage scope and surrender timetable

10. Herald Business | HMM shareholder-return policy change

Open source

12 Nov 2026 · Report citing company announcement · Revised 30% payout criterion

11. Newspim | Report quoting Hana Securities on HMM

Open source

13 Nov 2026 · Quoted analyst research · FX and cost-timing interpretation only

12. Edaily | Q3 earnings and quarterly bulk profit

Open source

12 Nov 2026 · Report citing company results · Quarterly bulk and consolidated YTD earnings

Reading the sources

Reproduced filings and media citations are explicitly identified. Each source number links to the same individual item throughout the report. Figures follow the stated rounding and period conventions.

17 / METHODOLOGY & USE

Methodology, disclaimer and permitted use

Separate reported facts, company plans, TradeLens analysis and illustrative assumptions.

Item	Basis
Date / scope	14 Nov 2026 · HMM (KRX 011200). Analysis focuses on results announced on 12 November.
Units / periods	English: KRW billion. Korean: units of KRW100 million, or 10 units per KRW1bn. Quarterly, YTD, annual and segment data are distinct.
Calculations	Calculated from rounded issuer-release amounts. Source precision varies. Residuals are not estimated segment results.
Historical cash	Page 11 uses FY2025 consolidated cash flows, not current liquidity, 2026 cash or distributable profit.
Plans / models	Investment, fleet and contracts retain their disclosed status. Pages 7 and 13 use illustrative assumptions, not HMM forecasts.
Service scope	Business, profitability, cash and capital allocation only. No buy/sell recommendation, timing, valuation target or personal advice.

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