Yangzijiang Shipbuilding (YZJSGD SP)

Expect Strong 2H26 Order Win Momentum Underpinned By Active Enquiry Pipeline; Earnings Visibility Extending Into 2030

Highlights

- An investor meeting with YZJ was held during our Asian Gems Conference; the meeting was very well attended.
- Management sounded incrementally more positive, indicating confidence in meeting or even exceeding its US$4.5b contract win target for 2026. YZJ's delivery slots for large vessels have been fully booked through 1H30.
- YZJ remains disciplined in the competitions for newbuild orders, guiding that margin levels of its new contract wins are expected to be similar to that of its existing orderbook.
- 2H26 margins are is expected to be steady vs 1H26, underpinned by a similar project mix, with limited impacts from the recently strengthening renminbi.
- YZJ offers strong medium-term earnings growth visibility, underpinned by capacity expansion (the Hongyuan yard to officially commence operations in early-27) and strong orderbook that extends into 2030.
- Maintain BUY on YZJ with our target price raised to S$5.90, now based on 10.1x 2028F PE (+2SD above historical mean). YZJ offers 4.9-5.8% dividend yields in 2026-28.

Analysis

- **Management confident in meeting or even exceeding 2026 order win target.** During the meeting, management expressed confidence in meeting or even exceeding the 2026 new order win target of US$4.5b. We note that the tone is incrementally more positive than one and a half months ago during the 1H26 results briefing (with US$1.96b contract wins in 7M26), when management expressed confidence in meeting its full-year target.
- **Delivery slots for large vessels fully booked in 1H30, signalling good progress in new order wins.** While Yangzijiang Shipbuilding (YZJ) does not routinely disclose new order wins in between quarterly briefings, management shared that YZJ's delivery slots have been fully booked for 1H30. We note that this signals that YZJ is likely to have made some good progress in securing new contracts over the past one and a half months. According to shipbuilding industry news (unconfirmed by YZJ), YZJ is reported to have recently secured US$3.9b newbuild orders from CMA CGM (12 ultra-large containerships for about US$3b) and HMM (eight tri-fuel bulk carriers for US$0.8b-0.9b).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	26,542	28,505	35,213	40,688	40,879
EBITDA	7,469	9,611	12,067	14,210	13,976
Operating profit	7,008	9,081	11,462	13,446	13,172
Net profit (rep./act.)	6,634	8,637	10,532	12,235	12,095
Net profit (adj.)	6,543	8,425	10,338	12,044	11,905
EPS (Fen)	165.6	213.8	262.7	306.0	302.5
PE (x)	16.4	12.7	10.4	8.9	9.0
P/B (x)	4.1	3.3	2.8	2.4	2.1
EV/EBITDA (x)	12.1	9.4	7.5	6.4	6.5
Dividend yield (%)	2.3	3.9	4.9	5.7	5.6
Net margin (%)	25.0	30.3	29.9	30.1	29.6
Net debt/(cash) to equity (%)	(81.2)	(64.2)	(43.8)	(49.6)	(53.6)
ROE (%)	28.1	29.6	29.8	29.1	24.9
Consensus net profit	-	-	11,020	12,241	12,958
UOBKH/Consensus (x)	-	-	0.94	0.98	0.92

Source: YZJ, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S$5.18
Target Price	S$5.90
Upside	13.9%
Previous TP	S$5.30

Stock Data

Sector	Industrials
Bloomberg ticker	YZJSGD SP
Shares issued (m)	3,935.6
Market cap (S$m)	20,386.4
Market cap (US$m)	15,956.8
3-mth avg daily t'over (US$m)	58.7

Price Performance (%)

52-week high/low: S$5.41/S$3.06

1mth	3mth	6mth	1yr	YTD
8.8	45.9	32.8	56.5	48.9

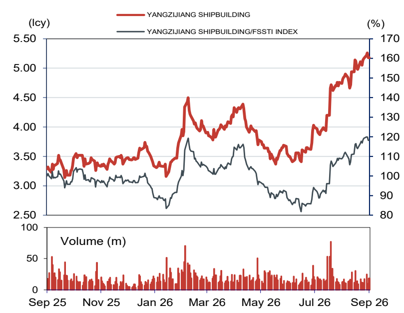
Major Shareholders (%)

Yangzi Int'l Hldgs	21.7
Lido Point Invt	9.6

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	9.79
FY26 Net Debt/Share (Rmb)	(4.29)

Price Chart



Source: Bloomberg

Company Description

Established in 1956, the company has four shipyards in Jiangsu, China, and is the country's largest private shipyard. Its products include containerships, oil/chemical tankers and bulk carriers with a client network across North America, Europe and Asia.

- **Sanguine tone about 2027 order win outlook.** When asked about the contract win outlook in 2027, management also sounded positive, believing that the current contract win momentum is likely to extend into 2027. Management shared that YZJ is seeing healthy enquiry pipelines across multiple types of vessels, including containerships, oil tankers and bulk carriers. Only the enquiries about LNG carriers are relatively quiet, but this is because the industry has seen a big chunk of LNG carrier orders in the past few years. On the other hand, management noted that YZJ would prioritise larger containership orders over LNG carrier orders when given the choices of both, due to the former's more favourable margin economies.
- **Expect stable 2H26 profit margins.** Following YZJ's spectacular margin performance in 1H26, investors are more focused on the sustainability of the company's margins during the meeting. Management shared that the project mix and revenue profile in 2H26 are largely similar vs 1H26, underpinned by some good-margin large containership contracts. While YZJ does not hedge steel prices and foreign exchange, steel prices in China remained at a low level today, and the current gradual pace of renminbi strengthening against the US dollar has only limited impacts on YZJ's margins.
- **Not engaging in aggressive price competition and expecting steady margins for new orders.** Management noted that YZJ is not engaging in aggressive price competitions for new orders, and expects margins for new contracts to be largely comparable with the margins of its existing orderbook (most of which are secured in the good years). Management shared that the industry's competition is now more centred on the earliest shipbuilding slot available, instead of just prices, given that most Chinese shipyards have secured a high level of orderbook that extends into 2029/30.
- **No major order cancellation risks.** Management noted that at the trough (2016-19) of the previous shipbuilding cycle, shipyards did face risks of customers (mainly shipping companies) not being able to take deliveries of their ordered vessels due to financial difficulties. Having said that, we note that shipping companies' financial positions are vastly different today, with many of them holding significant piles of net cash that were earned in the recent super shipping upcycle during the pandemic years. As such, there should be no major order cancellation risks for YZJ.
- **Hongyuan yard completion remains on track.** Management shared that the development of the Yangzi Hongyuan Shipbuilding (Hongyuan) yard remains on track. The yard is expected to commence full operations in early-27, contributing to about 20% of YZJ's 2027 revenue.

Valuation/Recommendation

- **Maintain BUY with a higher target price of S$5.90.** Our target price is now based on 10.1x 2028F PE (previously 9.1x), pegged to 2SD (previously 1.5SD) above YZJ's historical mean PE of 6.2x. The higher PE peg reflects further extension of YZJ's earnings visibility into 1H30 (four years ahead from today). Our new PE peg is still conservative, representing a 10% discount to regional peers' average 2028F PE of 11.1x.

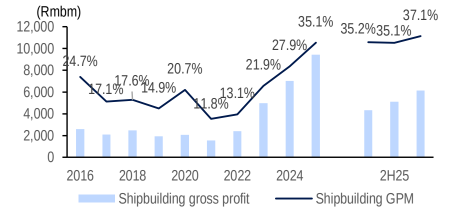
Earnings Revision/Risk

- **Trim our 2026 earnings forecast by 2%** to provide for higher cost of employee incentives (through phantom shares) that are linked to YZJ's share price performance (which has surged over 50% since 30 Jun 26). We note that this share price performance-linked employee compensation is non-recurring in nature.
- **Key risks:** a) possible re-escalation of the US-China trade tensions that led to discriminations over Chinese shipyards, and b) a sharp depreciation of the US dollar vs the renminbi.

Share Price Catalyst

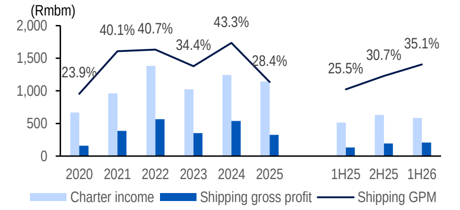
- Organic medium-term earnings growth underpinned by strong orderbook and capacity expansion.
- Potential new contract wins further extending YZJ's financial performance visibility beyond 1H30.

Shipbuilding Gross Profit Margins



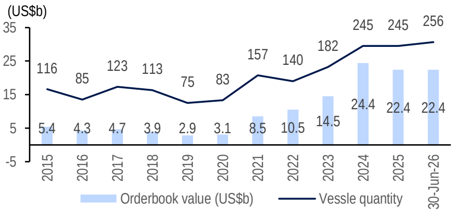
Source: YZJ

Shipping Revenue And Margins



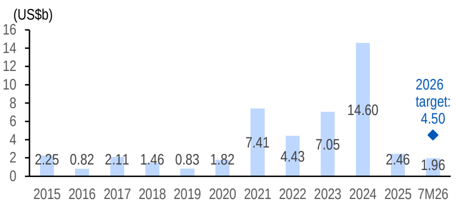
Source: YZJ

Orderbook Trend



Source: YZJ

Order Win Trend



Source: YZJ

PE-based Valuation

		2026F	2027F	2028F
EPS		Rmb2.73	Rmb3.11	Rmb3.07
		S$0.52	S$0.59	S$0.58
PE peg		-------------Target price ----------		
+2.0SD	10.1x	S$5.14	S$5.97	S$5.90
+1.5SD	9.1x	S$4.64	S$5.39	S$5.33
+1.0SD	8.1x	S$4.14	S$4.81	S$4.76
+0.5SD	7.1x	S$3.65	S$4.23	S$4.19
Mean	6.2x	S$3.15	S$3.66	S$3.61

Source: UOB Kay Hian

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	28,505	35,213	40,688	40,879
EBITDA	9,611	12,067	14,210	13,976
Deprec. & amort.	530	605	765	805
EBIT	9,081	11,462	13,446	13,172
Total other non-op. income	0	0	0	(0)
Associate contributions	861	1,133	1,290	1,287
Net interest income/(expense)	735	361	399	500
Pre-tax profit	10,677	12,956	15,135	14,959
Tax	(2,045)	(2,431)	(2,907)	(2,871)
Minorities	5	7	7	7
Net profit	8,637	10,532	12,235	12,095
Net profit (adj.)	8,425	10,338	12,044	11,905

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	11,334	13,058	13,248	13,448
Other LT assets	3,724	9,723	10,497	11,269
Cash/ST investment	26,144	19,366	22,580	27,595
Other current assets	17,131	19,120	22,082	22,185
Total assets	58,334	61,267	68,407	74,498
ST debt	5,500	2,500	0	0
Other current liabilities	19,040	18,578	21,255	21,348
LT debt	0	0	0	0
Other LT liabilities	1,536	1,536	1,536	1,536
Shareholders' equity	32,142	38,545	45,515	51,519
Minority interest	116	109	102	95
Total liabilities & equity	58,334	61,267	68,407	74,498

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,465	12,863	11,417	11,595
Pre-tax profit	10,677	12,956	15,135	14,959
Tax	(1,368)	(2,431)	(2,907)	(2,871)
Deprec. & amort.	530	605	765	805
Associates	(861)	(1,133)	(1,290)	(1,287)
Working capital changes	(4,422)	2,867	(285)	(10)
Non-cash items	0	0	0	0
Other operating cashflows	(91)	0	0	0
Investing	(8,482)	(7,194)	(438)	(490)
Capex	(2,138)	(2,329)	(955)	(1,005)
Investment	(833)	(5,318)	0	0
Proceeds from sale of assets	0	0	0	0
Others	(5,511)	453	516	515
Financing	(4,027)	(7,129)	(7,765)	(6,090)
Dividend payments	(2,608)	(4,129)	(5,265)	(6,090)
Proceeds from borrowings	0	0	0	0
Loan repayment	(1,300)	(3,000)	(2,500)	0
Others/interest paid	(119)	0	0	0
Net cash inflow (outflow)	(8,044)	(1,460)	3,214	5,015
Beginning cash & cash equiv.	28,120	20,076	18,616	21,830
Changes due to forex impact	0	0	0	0
Ending cash & cash equiv.	20,076	18,616	21,830	26,845

Key Metric

Year to 31 Dec	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	33.7	34.3	34.9	34.2
Pre-tax margin	37.5	36.8	37.2	36.6
Net margin	30.3	29.9	30.1	29.6
ROA	15.3	17.6	18.9	16.9
ROE	29.6	29.8	29.1	24.9
Growth (% yoy)				
Turnover	7.4	23.5	15.5	0.5
EBITDA	28.7	25.6	17.8	(1.6)
Pre-tax profit	30.5	21.4	16.8	(1.2)
Net profit	30.2	21.9	16.2	(1.1)
Net profit (adj.)	28.8	22.7	16.5	(1.2)
EPS	29.1	22.8	16.5	(1.2)
Leverage				
Debt to total capital	14.6	6.1	0.0	0.0
Debt to equity	17.1	6.5	0.0	0.0
Net debt/(cash) to equity	(64.2)	(43.8)	(49.6)	(53.6)

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