Yangzijiang Shipbuilding (YZJSGD SP)

Strong New Contract Wins Bring Orderbook To A New Record-high Level, Extending Earnings Visibility Through 2030

Highlights

- YZJ made good progress in contract wins, having secured US$6.98b in new orders in 10M26, 55% above its US$4.5b 2026 target. Its orderbook reached a record US$26.3b as of end-Oct 26, extending revenue visibility into 2030.
- Further order wins remain possible in the near term. However, visibility on the 2027 order win outlook appears more limited at this juncture, given the lack of earlier delivery slots before 2030, and continued uncertainties related to the unresolved US-China port charge measures.
- We maintain our earnings forecasts for YZJ, projecting 21% and 17% yoy earnings growth in 2027 and 2028, respectively, underpinned by its strong orderbook, stable margins and capacity expansion.
- Maintain BUY with a lower target price of S$5.30 based on 9.0x 2028F PE.

Analysis

- **Strong order wins of over US$5b in Aug-Oct 26...** According to Yangzijiang Shipbuilding's (YZJ) 3Q26 business update, the company secured US$6.98b in new orders in 10M26, or 55% above its US$4.5b full-year target. This implies that more than US$5b of orders were secured during Aug-Oct 26, a significant increase from the US$1.96b booked in 7M26. New wins were underpinned by ultra-large LNG dual-fuel containerships, which typically offer YZJ the highest margins among vessel types, and large bulk carriers.
- **…bringing the orderbook to a new record-high US$26.3b, extending revenue visibility in 2030.** Following these new orders, YZJ's orderbook increased to US$26.3b as of end-Oct 26, from US$22.4b as of end-Jun 26. Management shared that most of YZJ's 2030 delivery slots for large vessels have been taken up. The company is now focused on filling the remaining 2030 slots while opening delivery slots for 2031.
- **Likely to secure further orders in the near term.** Management shared that there are still contracts under active negotiation that could be signed later this year or early next year. This includes ongoing discussions with Seaspan to build six larger containerships.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	26,542	28,505	34,971	40,541	40,731
EBITDA	7,469	9,611	11,978	14,157	13,924
Operating profit	7,008	9,081	11,373	13,393	13,119
Net profit (rep./act.)	6,634	8,637	10,462	12,193	12,054
Net profit (adj.)	6,543	8,425	10,268	12,002	11,863
EPS (Fen)	165.6	213.8	260.9	305.0	301.4
PE (x)	14.5	11.2	9.2	7.9	8.0
P/B (x)	3.6	2.9	2.5	2.1	1.8
EV/EBITDA (x)	10.4	8.1	6.5	5.5	5.6
Dividend yield (%)	2.6	4.3	5.5	6.4	6.3
Net margin (%)	25.0	30.3	29.9	30.1	29.6
Net debt/(cash) to equity (%)	(81.2)	(64.2)	(43.7)	(49.6)	(53.6)
ROE (%)	28.1	29.6	29.6	29.0	24.9
Consensus net profit	-	-	10,999	12,294	13,238
UOBKH/Consensus (x)	-	-	0.93	0.98	0.90

Source: YZJ, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S$4.61
Target Price	S$5.30
Upside	14.9%
Previous TP	S$5.90

Stock Data

Sector	Industrials
Bloomberg ticker	YZJSGD SP
Shares issued (m)	3,935.6
Market cap (S$m)	18,143.1
Market cap (US$m)	14,152.2
3-mth avg daily t'over (US$m)	59.6

Price Performance (%)

52-week high/low				S$5.41/S$3.16
1mth	3mth	6mth	1yr	YTD
(9.6)	(1.1)	17.9	36.0	32.5

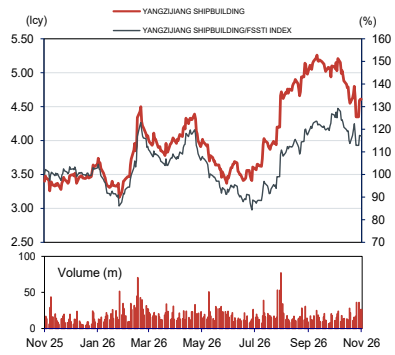
Major Shareholders (%)

Yangzi Int'l Hldgs	21.7
Lido Point Invt	9.6

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	9.79
FY26 Net Debt/(Cash)/Share (Rmb)	(4.28)

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.

- **Guiding for hoh stable gross profit margins.** Management expects 2H26 margins to remain comparable with the strong 1H26 level, when shipbuilding gross profit margin was 37.1%, supported by a similar vessel mix and still-benign steel prices, despite some unfavourable impact from renminbi appreciation. We believe YZJ's selective approach to new orders remains important, as the company continues to prioritise vessel types and contract terms that protect margins rather than compete aggressively on price. Looking beyond 2H26, our base case is that YZJ's favourable orderbook structure, with good-margin containerships accounting for approximately 74% of orderbook value, should continue to support decent margin levels over the medium term.
- **Hongyuan yard remains on track; new yard development is being explored.** The Hongyuan yard has commenced operations and remains on track to reach full operations in early-27. Management expects it to contribute approximately 20% of group revenue in 2027. In addition, YZJ has approached the local government to seek approval for the development of the Runze yard. If approved, the project could add new delivery slots as early as 2029, supported by client demand. However, discussions remain at an early stage, and there is no guarantee that YZJ will proceed with the development.
- **2027 order-win target remains comparable with 2026, but visibility is limited.** Management is targeting at least a similar level of contract wins in 2027 as in 2026, implying a target of at least US$4.5b. However, it also cautioned that visibility on 2027 order momentum remains limited at this juncture. In addition, recent order wins have largely filled YZJ's 2030 delivery slots, and the lack of earlier delivery slots may reduce its attractiveness when tendering for new projects with certain customers.
- **Unresolved US-China port charges may still add uncertainty to future contract awards.** Recall that the US introduced Section 301 fees on Chinese-owned, operated and China-built vessels in Oct 25, prompting reciprocal measures from China. Although the charges have been suspended, with the suspension recently extended into Jan 27, the underlying issue remains unresolved. Continued uncertainty and potential policy swings could delay customers' fleet-planning decisions and dampen sentiment towards placing new orders, particularly for China-built vessels serving US-linked trades. While management sees no cancellation risks for YZJ's secured orders, this policy uncertainty may still create volatility in the timing of future order wins, in our view.

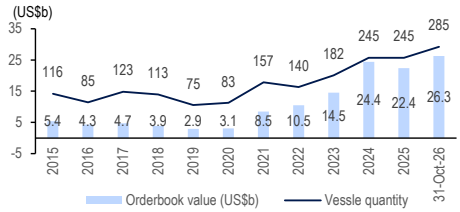
Earnings Revision/Risk

- **We keep our 2026-28 earnings forecast largely intact.**
- **Key risks:** a) renewed escalation in US-China trade tensions, including discriminatory charges on China-built vessels; b) adverse movements in steel prices and the USD:CNY exchange rate; and c) intensifying competition that erodes margins on new contracts.

Valuation/Recommendation

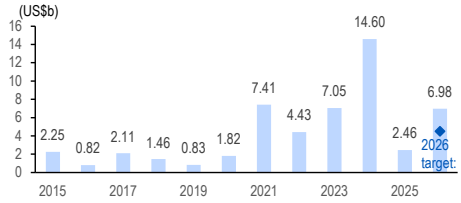
- **Maintain BUY with a lower target price of S$5.30.** Our updated target price is now based on a lower 9.0x 2028F PE peg (1.5SD above YZJ's historical mean PE of 6.1x), compared with the previous 10.1x PE peg (+2SD). Our lowered PE peg takes into accounts: a) more limited visibility for 2027 order win outlook, and b) recent valuation de-rating of the shipbuilding sector (share prices of YZJ's regional peers have re-treated 10-40% in the past two months).
- We continue to like YZJ for its strong medium-term earnings growth, underpinned by its strong orderbook, largely stable margins and capacity expansion. YZJ offers an attractive 5.5-6.4% yield in 2026-28F, by our estimate, based on a 50% payout ratio.

Orderbook On Hand



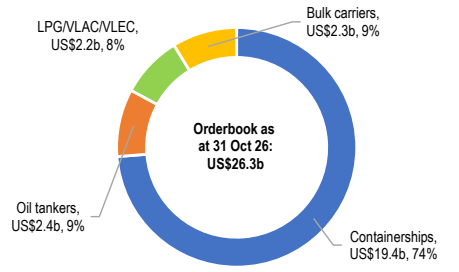
Source: YZJ

Order Win Trend



Source: YZJ

Orderbook Composition



Source: YZJ

PE-based Valuation

		2026F	2027F	2028F
EPS		Rmb2.66	Rmb3.10	Rmb3.06
		S$0.51	S$0.60	S$0.59
PE peg		---------- Target price ----------		
+2.0SD	10.0x	S$5.09	S$5.93	S$5.86
+1.5SD	**9.0x**	S$4.60	S$5.36	**S$5.30**
+1.0SD	8.0x	S$4.10	S$4.78	S$4.73
+0.5SD	7.1x	S$3.61	S$4.21	S$4.16
Mean	6.1x	S$3.12	S$3.64	S$3.59

Source: YZJ

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**28,505**	**34,971**	**40,541**	**40,731**
EBITDA	9,611	11,978	14,157	13,924
Deprec. & amort.	530	605	765	805
EBIT	9,081	11,373	13,393	13,119
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**	**12,867**	**15,082**	**14,907**
Tax	(2,045)	(2,413)	(2,896)	(2,860)
Minorities	5	7	7	7
Net profit	**8,637**	**10,462**	**12,193**	**12,054**
Net profit (adj.)	8,425	10,268	12,002	11,863

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	19,344	22,558	27,585
Other current assets	17,131	18,989	22,002	22,105
Total assets	**58,334**	**61,114**	**68,305**	**74,407**
ST debt	5,500	2,500	0	0
Other current liabilities	19,040	18,459	21,183	21,276
LT debt	0	0	0	0
Other LT liabilities	1,536	1,536	1,536	1,536
Shareholders' equity	32,142	38,511	45,485	51,501
Minority interest	116	109	102	95
Total liabilities & equity	**58,334**	**61,114**	**68,305**	**74,407**

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**4,465**	**12,806**	**11,370**	**11,554**
Pre-tax profit	10,677	12,867	15,082	14,907
Tax	(1,368)	(2,413)	(2,896)	(2,860)
Deprec. & amort.	530	605	765	805
Associates	(861)	(1,133)	(1,290)	(1,287)
Working capital changes	(4,422)	2,880	(290)	(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)**	**(7,093)**	**(7,719)**	**(6,037)**
Dividend payments	(2,608)	(4,093)	(5,219)	(6,037)
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)**	**(1,481)**	**3,213**	**5,027**
Beginning cash & cash equiv.	**28,120**	**20,076**	**18,594**	**21,808**
Changes due to forex impact	0	0	0	0
Ending cash & cash equiv.	**20,076**	**18,594**	**21,808**	**26,835**

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	17.5	18.8	16.9
ROE	29.6	29.6	29.0	24.9
Growth (% yoy)				
Turnover	7.4	22.7	15.9	0.5
EBITDA	28.7	24.6	18.2	(1.6)
Pre-tax profit	30.5	20.5	17.2	(1.2)
Net profit	30.2	21.1	16.5	(1.1)
Net profit (adj.)	28.8	21.9	16.9	(1.2)
EPS	29.1	22.0	16.9	(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)	(43.7)	(49.6)	(53.6)

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