

COMPANY UPDATE

Yangzijiang Shipbuilding (Holdings) (YZJSGD SP)

Another Quarter Of Strong Order Wins

YZJ's strong 3Q24 business update was due to US\$3.16b in new orders as well as shipbuilding margins remaining above 26% ytd. This continued spate of order wins has resulted in the company's orderbook hitting a historical high of US\$22.14b as at end-3Q24. Importantly, this gives YZJ revenue visibility into 2029. We upgrade earnings by 4-9% for 2024-26. Maintain BUY with a higher target price of S\$3.60.

WHAT'S NEW

- More new orders in 3Q.** Yangzijiang Shipbuilding (Holdings) (YZJ) reported 9M24 new order wins of US\$11.64b, implying that 3Q order wins were US\$3.16b. These new orders comprised two LNG dual-fuel 9,000TEU containerships, 12 LNG dual-fuel 17,000TEU and two 100,000cbm Very Large Ethane Carriers. As at end-1H24, the company had a US\$22.14b orderbook for 224 vessels of which 75% were green vessels. We note that our 2024 order win estimate of US\$10b has easily been exceeded.
- Order win target for 2025 will be higher than for 2024.** Importantly, management stated during the analyst briefing that it will guide for higher new order wins for 2025 (2024: US\$4.5b) given that it will have its new Yangzi Hongyuan yard ready for operation in 2H26. The new guidance will be revealed during its annual results announcement in Feb 25. Our estimates for 2025's new order win target could range at US\$6b-7b given the new capacity.
- Shipbuilding margins remain high.** During its analyst call, management stated that its 3Q shipbuilding margins were "a little bit higher" than 1H24's margin of 25.9% (2023: 21.9%). YZJ appears very comfortable that its current margin levels are sustainable, pointing to its steel prices which it has fixed for 2025 and should remain stable into 2026.
- Continues to execute well.** As at end-3Q24, the company delivered 57 vessels and thus has completed 90% of its target of 63 vessels this year. The key highlight for 3Q was the delivery of its first 16,000TEU LNG dual-fuel containership in October. It should be noted that a key reason for YZJ's success in attracting a continued flow of new orders is the company's ability to deliver its vessels on time and without compromising on quality. The inability of some Korean yards to deliver vessels in a timely manner due to labour unrest has arguably led to its loss of market share globally, in our view.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2022	2023	2024F	2025F	2026F
Net turnover	20,705	24,112	29,309	37,510	41,688
EBITDA	3,166	5,274	7,612	9,164	10,043
Operating profit	2,708	4,779	7,117	8,668	9,548
Net profit (rep./act.)	2,613	4,102	6,430	7,819	8,290
Net profit (adj.)	2,613	4,102	6,430	7,819	8,290
EPS (Fen)	67.0	104.7	164.1	199.5	211.5
PE (x)	21.7	13.9	8.9	7.3	6.9
P/B (x)	3.3	2.8	2.1	1.6	1.3
EV/EBITDA (x)	13.5	8.1	5.6	4.7	4.3
Dividend yield (%)	1.2	1.9	3.3	4.1	4.3
Net margin (%)	12.6	17.0	21.9	20.8	19.9
Net debt/(cash) to equity (%)	(35.4)	(52.4)	(53.3)	(54.4)	(56.0)
Interest cover (x)	29.6	54.9	64.7	351.0	710.8
ROE (%)	9.8	21.3	26.5	24.9	21.2
Consensus net profit	-	-	6,200	7,128	8,196
UOBKH/Consensus (x)	-	-	1.04	1.10	1.01

Source: Yangzijiang Shipbuilding (Holdings), Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.68
Target Price	S\$3.60
Upside	+34.3%
(Previous TP)	S\$3.40

COMPANY DESCRIPTION

Established in 1956, the company is based in Jiangsu, China, and is the country's largest private shipyard. It builds a broad range of ships including containerships, bulk carriers and LNG carriers, and its client network spans North America, Europe and Asia.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	YZJSGD SP
Shares issued (m):	3,950.6
Market cap (S\$m):	10,587.6
Market cap (US\$m):	7,994.2
3-mth avg daily t'over (US\$m):	42.9

Price Performance (%)

52-week high/low S\$2.73/S\$1.40

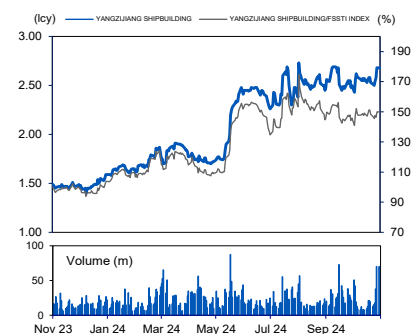
1mth	3mth	6mth	1yr	YTD
6.3	8.1	56.7	78.7	79.9

Major Shareholders

	%
Yangzi International	21.6
Lido Point Investments	9.8
T.Rowe Price	6.0

FY24 NAV/Share (Rmb)	6.93
FY24 Net Cash/Share (Rmb)	3.69

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Positive prospects for YZJ's new yard.** During the analyst briefing, YZJ disclosed that it has secured several new orders for the new Rmb3b Yangzi Hongyuan yard. The yard will have two new drydocks and be capable of constructing 12 new ships per year per dock. Importantly, the company commented that these drydocks will be capable of construction of mid- to large-sized vessels with one drydock to focus on containerships (ie vessels larger than 12,000TEU) and the other on gas carriers. This however may change depending on market demand. Recall that at its 1H24 analyst briefing, the company stated that no slots were sold; however, in three short months, YZJ managed to accept new orders for its new yard. Once fully operational, Yangzi Hongyuan could add US\$2.0b-3.6b of new orders to the company on an annual basis.
- Sanguine about competition.** Despite news of additional shipyard capacity coming online in China, either from previously mothballed yards or docks, YZJ remains sanguine about competition pointing out that Tier 1 shipyards are fully occupied until at least 2028, thus it does not envisage any negative impact on newbuilding prices for 2025. Importantly, while incremental orders have been won by these "new" yards, they remain unproven as YZJ pointed out that only time will tell if such orders can be executed on a timely basis and at a high-quality level.

EARNINGS REVISION/RISK

- Upgrading earnings.** We have upgraded our earnings for 2024-26 by 4-9% as seen in the table on the RHS. Our upgrade stems from higher shipbuilding margin assumptions of 26% for 2024 and 25% for 2025-26 vs our prior assumptions of 23-24%. We note that each 1% change in shipbuilding margins increases 2025 net profit by 3.7%.

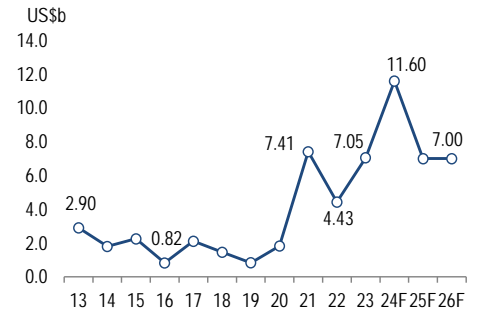
VALUATION/RECOMMENDATION

- We reiterate our BUY recommendation on the stock with a higher PE-based target price of S\$3.60** (previously S\$3.40) due to the earnings changes outlined above. We use a target PE multiple of 9.7x which is 1SD above the company's 10-year average of 6.9x and believe that this premium to its average PE multiple is justified given its earnings visibility that now extends into 2029 as well as its strong track record of safe and efficient shipbuilding for its international customer base. We note that YZJ remains inexpensive relative to its regional peers, trading at 2025F P/B of 1.6x with a forecast ROE of 25% while its Korean peers trade at 1.6-2.6x P/B with lower ROEs of 9-14%.

SHARE PRICE CATALYSTS

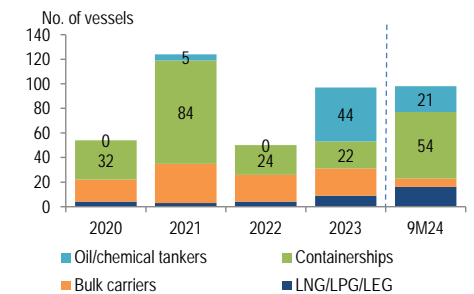
- Better capital management.
- New orders in higher-margin shipbuilding segments, eg dual-fuel containerships, oil and/or LPG tankers.
- Continued evidence that the company can maintain its high shipbuilding margins in excess of 20%.
- Shipowners exercising their shipbuilding options with YZJ in 1H25.

HISTORICAL AND FORECAST ORDER WINS



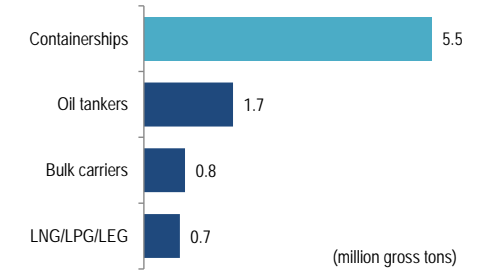
Source: YZJ

NO. OF VESSELS WON BY YEAR



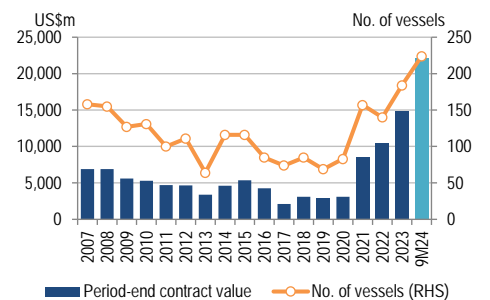
Source: YZJ

ORDERBOOK BY VESSEL TYPE (AS AT 30 JUN)



Source: YZJ

OUTSTANDING ORDERBOOK TREND



Source: YZJ

CHANGES TO EARNINGS FORECASTS

Rmb m	2024E	2025E	2026E
NPAT - was	6,207	7,747	7,622
NPAT - is	6,430	7,819	8,289
Change	3.6%	0.9%	8.7%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Net turnover	24,112	29,309	37,510	41,688
EBITDA	5,274	7,612	9,164	10,043
Deprec. & amort.	495	495	495	495
EBIT	4,779	7,117	8,668	9,548
Total other non-operating income	250	536	677	677
Associate contributions	198	540	500	200
Net interest income/(expense)	(96)	(118)	(26)	(14)
Pre-tax profit	5,131	8,076	9,819	10,411
Tax	(1,061)	(1,696)	(2,062)	(2,186)
Minorities	32	50	61	65
Net profit	4,102	6,430	7,819	8,290
Net profit (adj.)	4,102	6,430	7,819	8,290

CASH FLOW

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Operating	7,973	5,245	6,619	7,672
Pre-tax profit	4,069	6,380	7,756	8,224
Tax	0	0	0	0
Deprec. & amort.	495	495	495	495
Associates	(198)	(540)	(500)	(200)
Working capital changes	3,373	(590)	(634)	(348)
Non-cash items	0	0	0	0
Other operating cashflows	233	(500)	(499)	(499)
Investing	(2,290)	(790)	(790)	(790)
Capex (growth)	(790)	(790)	(790)	(790)
Investments	(2,142)	0	0	0
Proceeds from sale of assets	617	0	0	0
Others	24	0	0	0
Financing	99	(869)	(1,394)	(1,815)
Dividend payments	(1,053)	(1,369)	(1,896)	(2,317)
Proceeds from borrowings	3,308	2,000	2,001	2,001
Loan repayment	(2,280)	(1,500)	(1,499)	(1,499)
Others/interest paid	124	0	0	0
Net cash inflow (outflow)	5,782	3,585	4,435	5,067
Beginning cash & cash equivalent	10,778	16,561	20,146	24,581
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	16,561	20,146	24,581	29,648

BALANCE SHEET

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Fixed assets	7,219	7,518	7,817	8,116
Other LT assets	4,395	4,931	5,427	5,622
Cash/ST investment	16,561	20,146	24,581	29,648
Other current assets	12,689	15,250	18,856	21,858
Total assets	40,864	47,845	56,681	65,244
ST debt	3,965	3,965	3,965	3,965
Other current liabilities	13,611	14,166	15,440	16,055
LT debt	1,630	1,500	1,500	1,500
Other LT liabilities	515	515	515	515
Shareholders' equity	20,941	27,546	35,169	43,182
Minority interest	202	152	91	26
Total liabilities & equity	40,864	47,845	56,681	65,244

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	21.9	26.0	24.4	24.1
Pre-tax margin	21.3	27.6	26.2	25.0
Net margin	17.0	21.9	20.8	19.9
ROA	11.1	14.5	15.0	13.6
ROE	21.3	26.5	24.9	21.2
Growth				
Turnover	16.5	21.6	28.0	11.1
EBITDA	66.6	44.3	20.4	9.6
Pre-tax profit	55.4	57.4	21.6	6.0
Net profit	57.0	56.8	21.6	6.0
Net profit (adj.)	57.0	56.8	21.6	6.0
EPS	56.2	56.8	21.6	6.0
Leverage				
Debt to total capital	20.9	16.5	13.4	11.2
Debt to equity	26.7	19.8	15.5	12.7
Net debt/(cash) to equity	(52.4)	(53.3)	(54.4)	(56.0)
Interest cover (x)	54.9	64.7	351.0	710.8

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