

Singapore

July 7, 2022 - 12:02 PM

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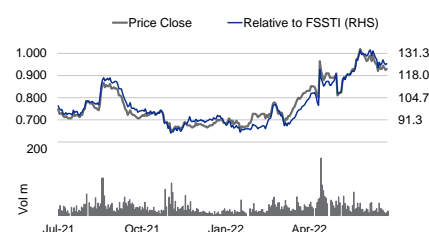
Consensus ratings*: Buy 7 Hold 1 Sell 0

Current price:	S\$0.93
Target price:	S\$1.63
Prevoustarget:	S\$1.63
Up/downside:	75.3%
CGS-CIMB / Consensus:	26.8%
Reuters:	YAZG.SI
Bloomberg:	YZJSGD SP
Market cap:	US\$2,616m
	S\$3,674m
Average daily turnover:	US\$19.76m
	S\$27.23m
Current shares o/s	3,923m
Free float:	61.0%

*Source: Bloomberg

Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (Rmbm)	2,410	3,020	3,352
Core EPS (Rmb)	0.62	0.78	0.87
Core EPS Growth	13.3%	25.3%	11.0%
FD Core P/E (x)	7.23	5.77	5.20
Recurring ROE	14.5%	16.6%	16.7%
P/BV (x)	1.01	0.91	0.83
DPS (Rmb)	0.24	0.31	0.35
Dividend Yield	5.48%	7.04%	7.82%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7	13.3	25.2
Relative (%)	-3.2	22.6	27.9

Major shareholders

Yangzi International Holdings Ltd 21.5% held

Analyst(s)

LIM Siew Khee

T (65) 6210 8664

E siewkhee.lim@cgs-cimb.com

Izabella TAN

T (65) 6210 8897

E izabella.tan@cgs-cimb.com

Yangzijiang Shipbuilding

Riding the LNG momentum

- YZJ has secured orders for 4 units of 8,000 TEU LNG dual-fuel containerships from PIL. We estimate that these are worth US\$100m/vessel.
- YZJ's YTD order wins total US\$990m, which is a positive surprise. Its orderbook currently stands at US\$8.15bn with revenue visibility till mid-FY25.
- Reiterate Add and TP of S\$1.63, still based on 10x CY23F P/E (2-year historical average). We see positive share price movement from this news.

YTD order wins of US\$990m; US\$8.15bn orderbook for 137 vessels

- YZJ has won orders for 4 units of 8,000 TEU liquefied natural gas (LNG) dual-fuel containerships from Pacific International Lines (PIL). These orders will be progressively delivered in Jan, Mar, Apr, and Jun 2025.
- Including the orders for PIL, YZJ has secured YTD order wins for 16 vessels as of 6 Jul 22. These vessels are: 4 units of 1,800 TEU containerships, 4 units of 8,000 TEU LNG dual-fuel containerships, 4 units of 66,000 DWT and 2 units of 63,200 DWT bulk carriers, and 2 units of 36,000 CBM liquefied ethylene gas (LEG) carriers.
- We are positively surprised by the YTD total orders of US\$990m given its capacity constraints till 2024. However, deliveries are scheduled till 2025, building earnings visibility beyond FY24.
- We deem YTD US\$990m of order wins as healthy compared to their average order wins of US\$1.4bn p.a. in FY09-FY20.

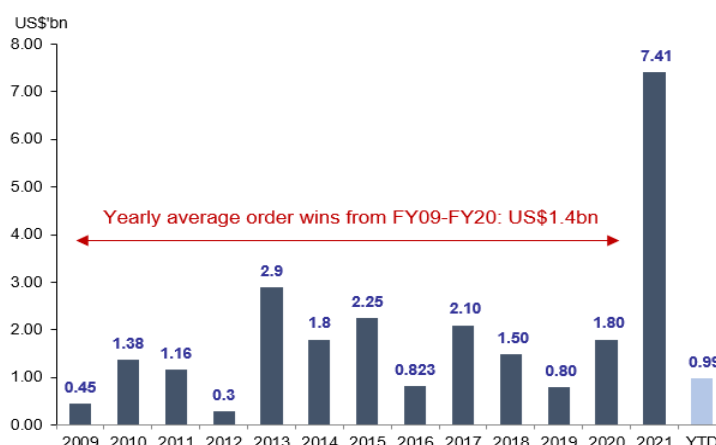
Pivoting to LNG carriers for future growth; positive for its ESG

- We estimate that these 4 units of 8,000 TEU LNG dual-fuel containerships secured from PIL are worth US\$100m/vessel.
- The 4 units of 8,000 TEU LNG dual-fuel containerships will be equipped with a self-developed GTT Mark III membrane containment tank system that is ammonia-ready. Ammonia-ready fuel tanks provide shipowners with the flexibility to switch to ammonia, which is a zero-carbon fuel. According to YZJ, the GTT Mark III technology signifies its breakthrough into Type 'C' tanks, which can be applied to build larger LNG carriers, enabling YZJ to further penetrate the clean energy sector and the LNG market.

Reiterate Add and TP of S\$1.63

- We think YZJ's order wins for the LNG and LEG vessels will allow it to catch up to its Korean peers in terms of valuation. Increasing average LNG vessel prices and YZJ's focus on margins further drive future earnings, in our view. We base our TP on 10x CY23F P/E (2-year historical average). It is currently trading at 5.7x CY23F P/E.
- Re-rating catalysts: faster-than-expected delivery of orders, more order wins, increase in dividend payout. Key downside risks: sharp rise in steel prices, cancellation of orders.

Figure 1: US\$990m YTD order wins healthy vs. average of US\$1.4bn p.a. in FY09-FY20

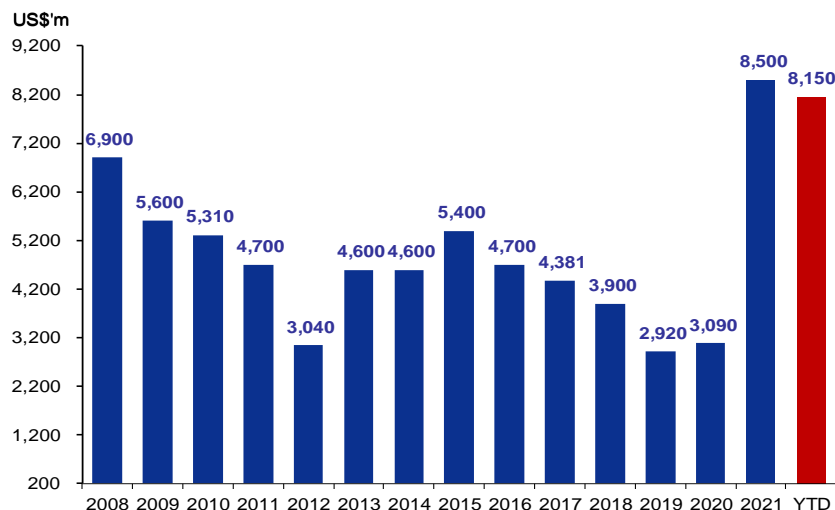


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: YTD order wins for 16 vessels, worth US\$990m

No	Size/weight	Vessel	Estimated price/vessel (US\$m)	Total price (US\$m)
4	1,800 TEU	Containerships	32.00	128.00
4	8,000 TEU	LNG dual-fuel containerships	100.00	400.00
4	66,000 DWT	Bulk carriers	38.30	153.20
2	63,200 DWT	Bulk carriers	36.40	72.80
2	36,000 CBM	LEG carriers	80.00	160.00
Total				914.00

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Current orderbook stands at US\$8.15bn


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Sector / Peers Comparison

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY22F	P/E (x) CY23F	P/E (x) CY24F	2-year EPS CAGR (%)	P/BV (x) CY22F	P/BV (x) CY23F	Recurring ROE (%) CY22F	Dividend Yield (%) CY22F
Keppel Corporation	KEP SP	Add	6.45	7.20	8,134	13.6	14.2	14.6	-10.5%	0.94	0.92	7.0%	4.0%
Sembcorp Marine	SMM SP	Hold	0.10	0.09	2,325	na	na	na	na	0.90	0.93	-13.2%	0.0%
Singapore offshore - big cap simple average						13.6	14.2	14.6	-10.5%	0.92	0.92	-3.1%	2.0%
COSCO SHIPPING International S	COS SP	NR	0.18	na	293	30.7	30.7	na	-33.1%	0.68	0.68	4.1%	32.6%
Yangzijiang Shipbuilding	YZJSGD SP	Add	0.93	1.63	2,616	7.2	5.8	5.2	17.3%	1.01	0.91	14.6%	5.5%
Chinese Shipbuilder simple average						18.9	18.2	5.2	-7.9%	0.84	0.80	9.3%	19.0%
CSE Global	CSE SP	Add	0.47	0.54	170	13.4	10.3	8.8	22.2%	1.23	1.17	9.4%	5.9%
SATS Ltd	SATS SP	Add	3.85	4.88	3,082	61.4	23.7	16.5	na	2.66	2.61	4.4%	1.2%
Sembcorp Industries	SCI SP	Add	2.82	3.66	3,586	9.8	9.7	9.1	33.9%	1.19	1.06	13.0%	3.0%
ST Engineering	STE SP	Add	4.02	4.70	8,921	21.4	18.2	16.8	7.7%	5.01	4.66	24.3%	4.0%
SIA Engineering	SIE SP	Add	2.39	2.92	1,911	42.6	31.6	23.6	31.4%	1.62	1.58	3.9%	1.6%
Industrial/conglomerate / airport services simple average						29.7	18.7	15.0	23.8%	2.34	2.22	11.0%	3.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	15,695	24,391	26,887	26,708
Gross Profit	3,028	3,684	4,842	5,135
Operating EBITDA	3,028	3,684	4,455	4,897
Depreciation And Amortisation	(471)	(489)	(444)	(441)
Operating EBIT	2,557	3,195	4,012	4,456
Financial Income/(Expense)	273	32	32	32
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	2,831	3,227	4,044	4,488
Exceptional Items				
Pre-tax Profit	2,831	3,227	4,044	4,488
Taxation	(675)	(742)	(930)	(1,032)
Exceptional Income - post-tax				
Profit After Tax	2,156	2,484	3,114	3,456
Minority Interests	(28)	(75)	(93)	(104)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	2,127	2,410	3,020	3,352
Recurring Net Profit	2,127	2,410	3,020	3,352
Fully Diluted Recurring Net Profit	2,127	2,410	3,020	3,352

Balance Sheet

(Rmbm)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	9,378	9,363	10,818	12,894
Total Debtors	4,003	2,009	2,210	2,195
Inventories	1,640	3,484	3,697	3,619
Total Other Current Assets	7,108	9,820	10,491	10,442
Total Current Assets	22,129	24,676	27,215	29,150
Fixed Assets	5,142	5,050	5,004	4,960
Total Investments	556	657	763	875
Intangible Assets	281	281	281	281
Total Other Non-Current Assets	2,745	2,745	2,745	2,745
Total Non-current Assets	8,725	8,734	8,794	8,861
Short-term Debt	2,504	2,504	2,504	2,504
Current Portion of Long-Term Debt				
Total Creditors	2,791	3,484	3,697	3,619
Other Current Liabilities	6,181	6,516	7,015	7,003
Total Current Liabilities	11,476	12,504	13,216	13,126
Total Long-term Debt	1,953	1,953	1,953	1,953
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	1,953	1,953	1,953	1,953
Total Provisions	1,409	1,409	1,409	1,409
Total Liabilities	14,838	15,865	16,577	16,487
Shareholders' Equity	15,878	17,333	19,126	21,115
Minority Interests	138	213	306	410
Total Equity	16,016	17,546	19,432	21,525

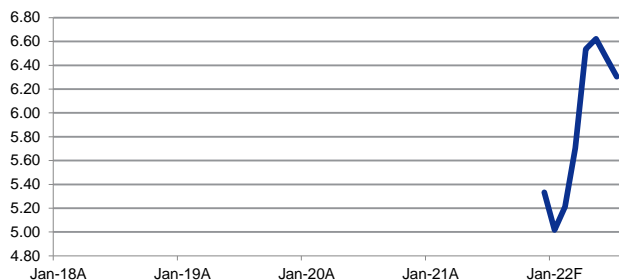
Cash Flow

(Rmbm)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	3,028	3,684	4,455	4,897
Cash Flow from Invnt. & Assoc.				
Change In Working Capital	(2,242)	843	(201)	15
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	3,329	(2,515)	(465)	(177)
Net Interest (Paid)/Received	273	32	32	32
Tax Paid	(335)	(706)	(742)	(930)
Cashflow From Operations	4,053	1,337	3,079	3,836
Capex	(397)	(397)	(397)	(397)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	(750)	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	(1,147)	(397)	(397)	(397)
Debt Raised/(repaid)	213	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	(171)	0	0	0
Dividends Paid	(487)	(955)	(1,228)	(1,362)
Preferred Dividends				
Other Financing Cashflow	3,310	0	0	0
Cash Flow From Financing	2,865	(955)	(1,228)	(1,362)
Total Cash Generated	5,771	(15)	1,454	2,077
Free Cashflow To Equity	3,119	940	2,682	3,439
Free Cashflow To Firm	2,976	1,012	2,753	3,510

Key Ratios

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	17.5%	62.9%	10.0%	(0.7%)
Operating EBITDA Growth	86.2%	21.6%	21.0%	9.9%
Operating EBITDA Margin	20.2%	15.1%	16.6%	18.3%
Net Cash Per Share (Rmb)	1.25	1.25	1.62	2.15
BVPS (Rmb)	4.05	4.42	4.87	5.38
Gross Interest Cover	36.59	44.80	56.26	62.49
Effective Tax Rate	23.8%	23.0%	23.0%	23.0%
Net Dividend Payout Ratio	22.9%	39.6%	40.6%	40.6%
Accounts Receivables Days	66.50	44.89	28.63	30.18
Inventory Days	47.80	45.16	59.45	62.05
Accounts Payables Days	75.88	55.31	59.45	62.05
ROIC (%)	18.0%	22.2%	24.9%	27.0%
ROCE (%)	15.4%	14.6%	16.9%	17.3%
Return On Average Assets	7.43%	7.65%	8.89%	9.27%

12-mth Fwd FD P/E (x) - Yangzijiang Shipbuilding



Key Drivers

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Order win (US\$m)	7,400.0	2,954.0	2,954.0	2,954.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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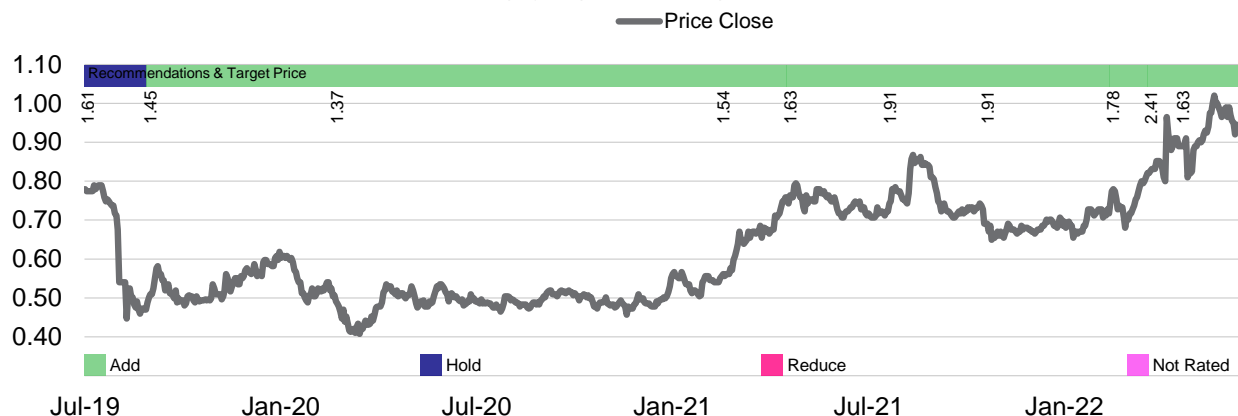
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)

Yangzijiang Shipbuilding (YZJSGD SP)



Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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