

## Singapore

**ADD** (no change)

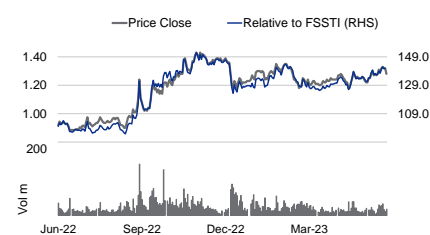
Consensus ratings\*: Buy 6 Hold 0 Sell 0

Current price:	S\$1.28
Target price:	S\$1.66
Previous target:	S\$1.66
Up/downside:	29.5%
CGS-CIMB / Consensus:	3.6%
Reuters:	YAZG.SI
Bloomberg:	YZJSGD SP
Market cap:	US\$3,741m S\$5,057m
Average daily turnover:	US\$16.63m S\$22.24m
Current shares o/s:	3,923m
Free float:	61.0%

\*Source: Bloomberg

**Key changes in this note**

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.6	2.4	34
Relative (%)	1.5	2.3	29.8

**Major shareholders**

	% held
Yangzi International Holdings Ltd	21.5

# Yangzijiang Shipbuilding

## Order win could reach US\$4bn-5bn in 2023

- YZJSB has secured three 83.3k dwt combination carriers from Norwegian KCC for 2026 delivery. We estimate contract value range of US\$169m-180m.
- Separately, industry news outlets reported that YZJSB could ink large-sized contracts worth US\$1.4bn to US\$3bn from Maerks and CMA CGA.
- If all the recent order newsflow materialises, YZJSB's order wins for 2023 could reach US\$4bn-5bn, surpassing its US\$3bn guidance.
- YTD wins stood at US\$1.18bn, with order book as at end-Apr at US\$10.98bn.
- We believe capex commitment towards decarbonisation will lead to orders.
- YZJSB could be a rotation candidate in FSSTI as share prices of peers in capital goods sector have done well YTD. Maintain Add and TP of S\$1.66.

**Repeated order of combination carriers from KCC**

YZJSB has been awarded a contract from Klaveness Combination Carriers ASA (KCC) to build three 83.3k dwt third generation CABU vessels (CABU III) for deliveries over 1Q-3Q 2026. According to KCC's website, the letter of intent (LOI) signed with YZJSB indicated cost/ship of US\$56.4m-60.5m. The vessels could reduce CO2 emissions by 35% on fuel efficiency and carrying capacity compared to the previous vessels delivered in 2021.

**CMA CGA contracts worth US\$2bn to US\$3bn**

According to industry news outlet Tradewinds, French liner CMA CGA could have selected YZJSB to build 10-12 units of methanol dual-fuel large-sized 24k TEU containerships. It also estimated prices were c.US\$200m-250m apiece. These vessels could be scheduled for delivery from 2026 onwards. YTD, CMA CGA has ordered 18 dual-fuel containerships worth more than US\$2bn (12 units from Hyundai Samho Heavy Industries and 6 from Jiangnan SY Group). These vessels are 13k-15k TEU in size.

**Push for greener vessels leading newbuild wave**

Various industry news outlets also reported that Dutch liner AP Moller-Maerks has signed an LOI with YZJSB for 8 firm units plus options for 4 Panamax size 8k TEU methanol dual-fuel containerships for 2025 delivery. Each vessel is estimated to be US\$115m. Although YTD containership rates have declined (23 June Shanghai Containerized Freight Index averaged 966 in June 23 vs. peak of 5,094 in Jan 22), major liners are still profitable and committed to decarbonisation. Maersk in its 1Q23 earnings call maintained capex guidance of US\$10bn-11bn for 2023-2024, led by integrator strategy, technology and decarbonisation.

**Rotation candidate; Add call, TP stays at S\$1.66 (1.7x CY23F P/BV)**

There have been other news about YZJSB clinching c.US\$770m bulk and product carrier orders from Lepta Shipping and Zodiac Marine. This means order wins could reach US\$4bn-5bn, exceeding its US\$3bn target win for 2023. We believe order win newsflow is a near-term catalyst and see flows rotated into the stock. Downside risks: sharp rise in steel costs eroding margins and order cancellations weakening its earnings visibility.

**Analyst(s)**

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**Financial Summary**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (Rmbm)	15,137	20,705	27,221	28,700	28,196
Operating EBITDA (Rmbm)	2,847	3,511	4,652	5,126	5,070
Net Profit (Rmbm)	1,971	2,613	3,311	3,668	3,632
Core EPS (Rmb)	0.51	0.66	0.84	0.93	0.92
Core EPS Growth	120%	30%	27%	11%	(1%)
FD Core P/E (x)	13.42	10.25	8.12	7.33	7.40
DPS (Rmb)	0.13	0.25	0.29	0.34	0.33
Dividend Yield	1.96%	3.67%	4.22%	4.92%	4.88%
EV/EBITDA (x)	6.11	5.89	3.65	3.00	2.74
P/FCFE (x)	3.90	7.08	5.54	9.15	9.48
Net Gearing	(21.9%)	(35.1%)	(49.9%)	(51.8%)	(53.0%)
P/BV (x)	0.74	1.53	1.36	1.22	1.10
ROE	5.8%	9.8%	17.7%	17.5%	15.6%
CGS-CIMB/Consensus EPS (x)			1.03	1.05	1.12

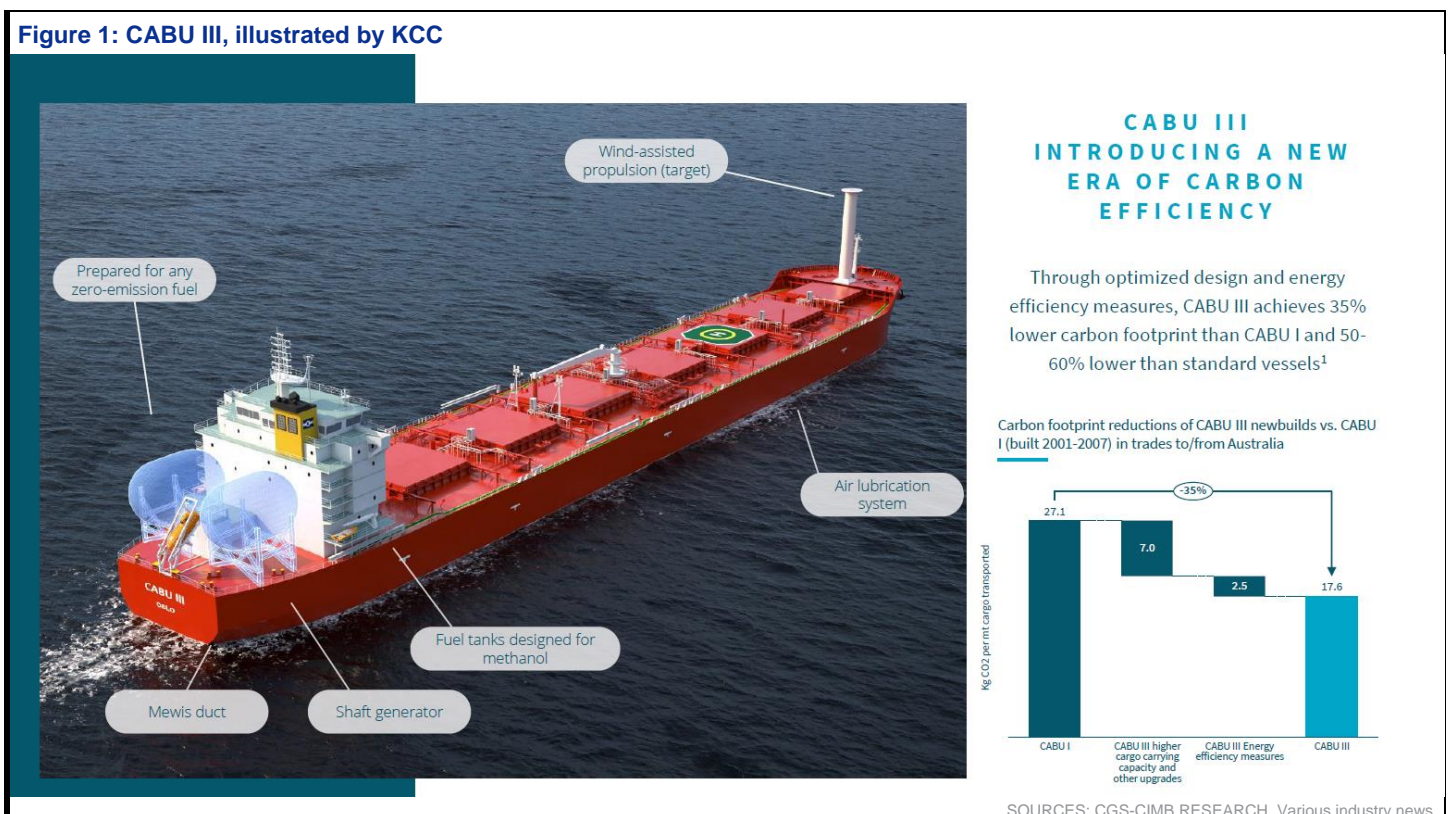
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Order win could reach US\$4bn-5bn in 2023

### About CABU (III) newbuilds >

The CABU (III) vessels are combination carriers and are designed to solve the inefficiencies found in the shipping industry. Single-purposed vessels like tankers and dry bulk carriers are more likely to sail empty and unladen to their pick-up destinations. However, combination carriers are capable of transporting both dry and wet bulk cargoes, which optimise capacity utilisation in both legs of the journey. According to KCC, the CABU III is expected to achieve 35% lower carbon footprint than CABU I and 50-60% lower than standard vessels. The efficiency is achieved via wind-assisted propulsion and higher carrying capacity by about 10%. These newbuilds are key for KCC to position for expected growing caustic soda import volumes to Australia and for meeting its ambitious targets of c.45% reduction in its carbon intensity within 2030 from 2018.

Figure 1: CABU III, illustrated by KCC



### Slots available if the price is right

During YZJSB's Apr 23 business update, it said it still had 2-3 vessel slots remaining for delivery in 2025F as these are reserved for potential shipowners with large orders (e.g. 10 vessels) who prefer at least one vessel to be delivered in 2025F. We believe tight capacity among peers (full until 2025) and preference of some yards to take on smaller vessels in the range of 13k to 15k TEU with shorter delivery duration could work in YZJSB's favour in winning the above contracts.

### Green push for dual-fuel vessels >

Market and customer demand for alternative fuels has grown in some shipping segments, with most signs of voluntary demand coming from the customer-facing (B2C) container segment, where the potential to exact a "green premium" from cargo owners is greatest. YTD, 68 containerships have been ordered globally, of which we estimate 58 units are dual-fuel, representing 85% of the order. This is higher than 43% of 359 container ships ordered in 2022 (comprising 154 dual-fuel vessels).

**Figure 2: c.85% of containerhips ordered YTD are dual-fuel**

Size	Delivery	Builder	Contract Date	Owner	NB Price (US\$/m)	Alternative Fuel Types
1,250 TEU	2025-08	Huangpu Wenchong	05-06-23	X-Press Feeders		Methanol
1,250 TEU	2025-11	Huangpu Wenchong	05-06-23	X-Press Feeders		Methanol
1,250 TEU	2026-01	Huangpu Wenchong	05-06-23	X-Press Feeders		Methanol
1,250 TEU	2026-03	Huangpu Wenchong	05-06-23	X-Press Feeders		Methanol
1,250 TEU	2026-05	Huangpu Wenchong	05-06-23	X-Press Feeders		Methanol
1,250 TEU	2026-07	Huangpu Wenchong	05-06-23	X-Press Feeders		Methanol
1,450 TEU	2025-	Nantong CIMC SOE	02-06-23	Unknown		LNG Capable
1,450 TEU	2025-	Nantong CIMC SOE	02-06-23	Unknown		LNG Capable
15,500 TEU	2026-02	Hyundai HI (Ulsan)	31-05-23	Yang Ming Marine	187.4	LNG Capable
15,500 TEU	2026-04	Hyundai HI (Ulsan)	31-05-23	Yang Ming Marine	187.4	LNG Capable
15,500 TEU	2026-06	Hyundai HI (Ulsan)	31-05-23	Yang Ming Marine	187.4	LNG Capable
15,500 TEU	2026-08	Hyundai HI (Ulsan)	31-05-23	Yang Ming Marine	187.4	LNG Capable
15,500 TEU	2026-10	Hyundai HI (Ulsan)	31-05-23	Yang Ming Marine	187.4	LNG Capable
1,200 TEU	2026-01	Hyundai Mipo	22-05-23	Unknown	62.2	Methanol
1,200 TEU	2026-02	Hyundai Mipo	22-05-23	Unknown	62.2	Methanol
1,200 TEU	2026-04	Hyundai Mipo	22-05-23	Unknown	62.2	Methanol
1,200 TEU	2026-05	Hyundai Mipo	22-05-23	Unknown	62.2	Methanol
1,200 TEU	2026-06	Hyundai Mipo	22-05-23	Unknown	62.2	Methanol
6,000 TEU	2025-	Qingdao Yangfan	28-04-23	Danaos Shipping		
6,000 TEU	2025-	Qingdao Yangfan	28-04-23	Danaos Shipping		
1,900 TEU	2025-	Huangpu Wenchong	25-04-23	Reederei Nord		
1,900 TEU	2025-	Huangpu Wenchong	25-04-23	Reederei Nord		
15,000 TEU	2025-08	Jiangnan SY Group	06-04-23	CMA CGM		Methanol
15,000 TEU	2025-10	Jiangnan SY Group	06-04-23	CMA CGM		Methanol
15,000 TEU	2025-12	Jiangnan SY Group	06-04-23	CMA CGM		Methanol
15,000 TEU	2026-02	Jiangnan SY Group	06-04-23	CMA CGM		Methanol
15,000 TEU	2026-04	Jiangnan SY Group	06-04-23	CMA CGM		Methanol
15,000 TEU	2026-06	Jiangnan SY Group	06-04-23	CMA CGM		Methanol
1,096 TEU	2024-12	Kyokuyo Shipyard	01-04-23	Unknown		
730 TEU	2025-	Cochin Shipyard	17-03-23	Samskip		Battery Hybrid Propulsion, Fuel Cells, Hydrogen
730 TEU	2025-	Cochin Shipyard	17-03-23	Samskip		Battery Hybrid Propulsion, Fuel Cells, Hydrogen
13,700 TEU	2025-	Nihon Shipyard	15-03-23	ONE		Ammonia Ready, Methanol Ready
13,700 TEU	2025-	Nihon Shipyard	15-03-23	ONE		Ammonia Ready, Methanol Ready
13,700 TEU	2025-	Nihon Shipyard	15-03-23	ONE		Ammonia Ready, Methanol Ready
13,700 TEU	2025-	Nihon Shipyard	15-03-23	ONE		Ammonia Ready, Methanol Ready
13,700 TEU	2025-	Nihon Shipyard	15-03-23	ONE		Ammonia Ready, Methanol Ready
13,700 TEU	2026-	Nihon Shipyard	15-03-23	ONE		Ammonia Ready, Methanol Ready
13,700 TEU	2026-	Nihon Shipyard	15-03-23	ONE		Ammonia Ready, Methanol Ready
13,700 TEU	2026-	Nihon Shipyard	15-03-23	ONE		Ammonia Ready, Methanol Ready
13,700 TEU	2026-	Nihon Shipyard	15-03-23	ONE		Ammonia Ready, Methanol Ready
6,000 TEU	2026-03	Tsuneishi Zhoushan	01-03-23	Unknown Japanese		
6,000 TEU	2026-05	Tsuneishi Zhoushan	01-03-23	Unknown Japanese		
9,000 TEU	2025-05	Hyundai Samho HI	14-02-23	HMM	124.3	Methanol
9,000 TEU	2025-07	Hyundai Samho HI	14-02-23	HMM	124.3	Methanol
9,000 TEU	2025-09	Hyundai Samho HI	14-02-23	HMM	124.3	Methanol
9,000 TEU	2025-11	Hyundai Samho HI	14-02-23	HMM	124.3	Methanol
9,000 TEU	2026-01	Hyundai Samho HI	14-02-23	HMM	124.3	Methanol
9,000 TEU	2026-03	Hyundai Samho HI	14-02-23	HMM	124.3	Methanol
9,000 TEU	2026-05	Hyundai Samho HI	14-02-23	HMM	124.3	Methanol
9,000 TEU	2025-06	HJSC Yeongdo	14-02-23	HMM	124.3	Methanol
9,000 TEU	2025-09	HJSC Yeongdo	14-02-23	HMM	124.3	Methanol
13,000 TEU	2025-03	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2025-05	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2025-07	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2025-09	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2025-11	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2025-12	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2026-02	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2026-04	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2026-06	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2026-08	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2026-10	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
13,000 TEU	2026-12	Hyundai Samho HI	01-02-23	CMA CGM	171.4	Methanol
8,000 TEU	2025-	Jiangsu New YZJ	06-01-23	Lepta Shipping		
8,000 TEU	2025-	Jiangsu New YZJ	06-01-23	Lepta Shipping		
508 TEU	2024-	Linhai Huipu SB	01-01-23	Unknown		
508 TEU	2024-	Linhai Huipu SB	01-01-23	Unknown		

SOURCES: CGS-CIMB RESEARCH, Shipping Intelligence

### Other contracts in the pipeline ►

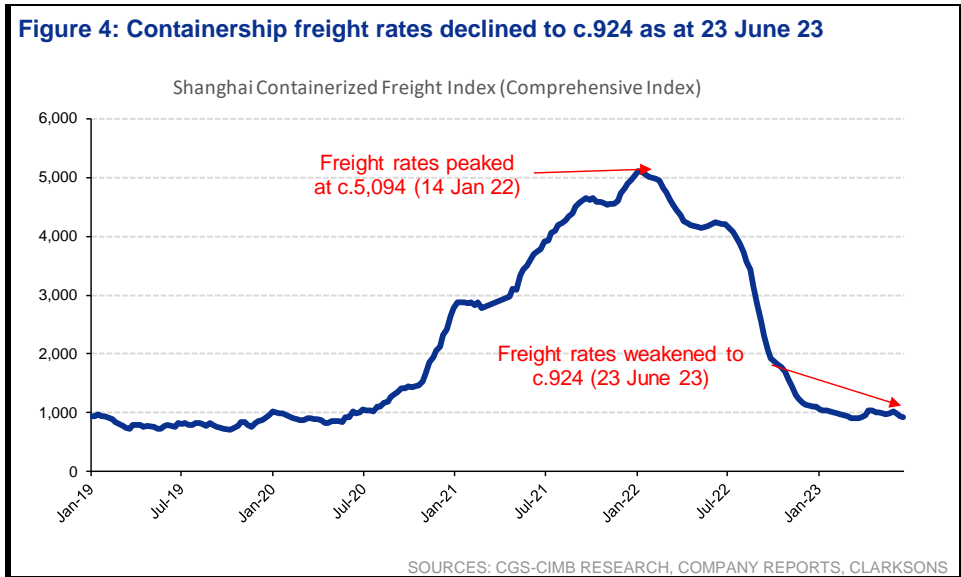
According to Shipping Intelligence, YZJSB's Mitsui yard has also secured 10 units of 82.5k dwt bulk carriers from Japanese liner Lepta Shipping for 2026 delivery. We estimate each vessel to be valued at US\$65m, bringing total contracts to US\$650m. In addition, there have been reports that YZJSB won a contract to build two 115k dwt product carriers for Zodiac Maritime worth US\$120m for 2H2025 delivery.

**Figure 3: Recent newsflow on YZJSB's orders (excluding KCC)**

Date	Customer	Specification	Product	Units	Value (US\$m)	Value per ship (US\$m)	Delivery	Comments
Apr-23	Zodiac Maritime	114000 dwt	Product carriers	2	120	60	3Q2025	Source: Newships
May-23	Lepta Shipping	82500 dwt	Bulk carriers	10	650	65	2026-2027	Source: Shipping Intelligence; contract value est. by CGS-CIMB Research
May-23	AP Moller- Maersk	8000 teu	Methanol dual fuel container ships	12	1,380	172.5	From 2026	Signe LOI of 8 firm plus 4 options. Source: Tradewinds
Jun-23	CMA-CGM	24000 teu	Methanol dual fuel container ships	10-12	2,000-3,000	200-250	From 2026	Source: Tradewinds

SOURCES: CGS-CIMB RESEARCH, Various industry news

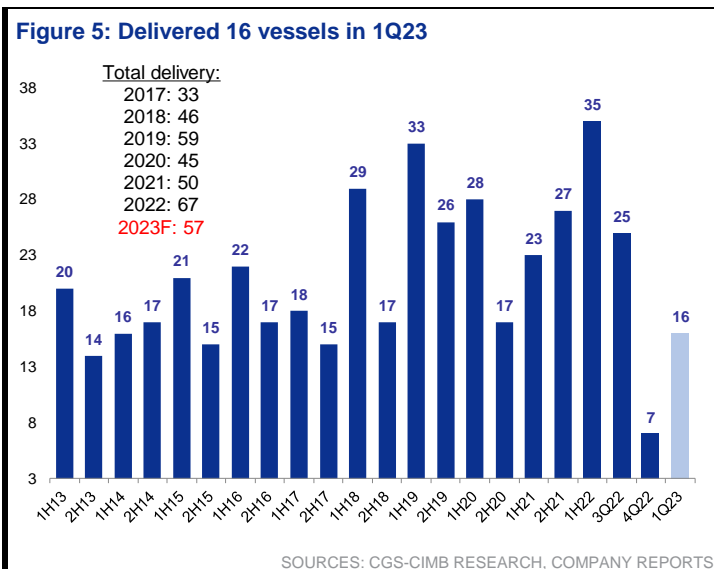
**Figure 4: Containership freight rates declined to c.924 as at 23 June 23**



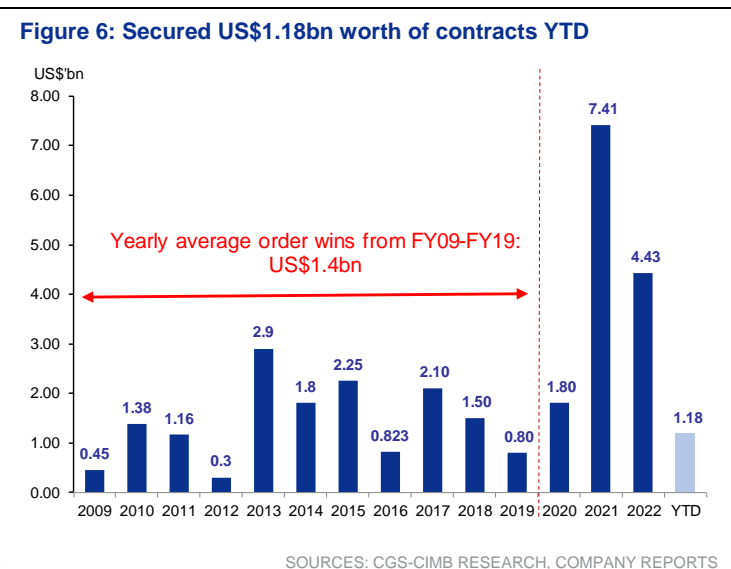
**Margin expansion still on the cards ➤**

We expect YZJSB's margins to expand in FY23F-25F. We understand that YZJSB is still using Rmb5,000/tonne (including VAT) for new contracts currently, unchanged from its Apr 23 business update. Given this, together with controlled steel price as well as execution of high value orders secured from 2H21, gross margins should be on track to reach our forecasts of c.17%/18%/18% for FY23F/24F/25F.

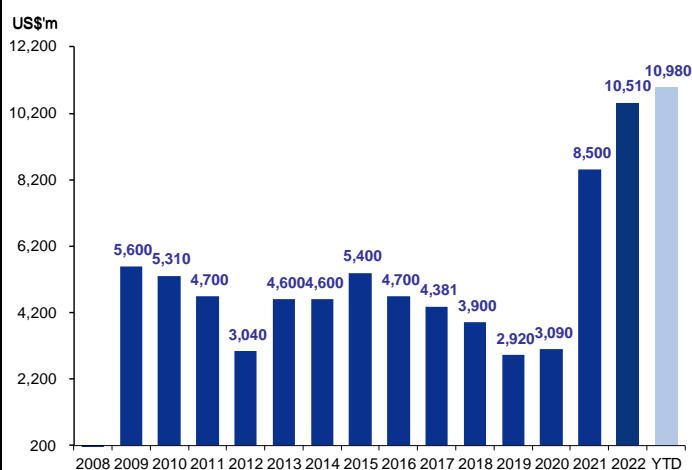
**Figure 5: Delivered 16 vessels in 1Q23**



**Figure 6: Secured US\$1.18bn worth of contracts YTD**

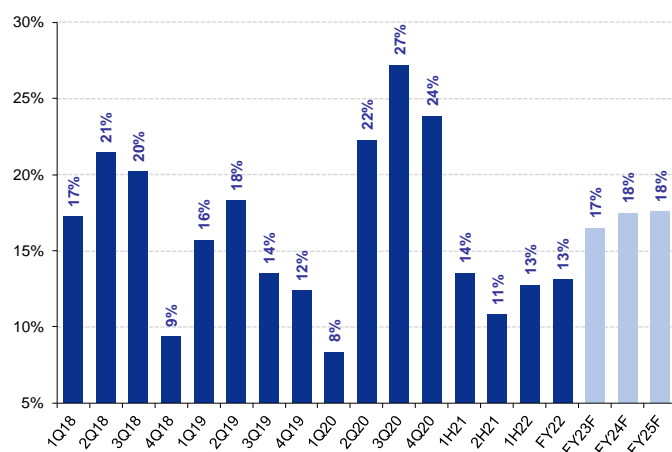


**Figure 7: Orderbook has hit an all-time high of US\$10.98bn**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 8: Shipbuilding gross margin forecasts**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

### Valuation and recommendation ►

YZJSB's share price performance has lagged behind peers in the capital goods sector (SCI: 3M +26%, STM 3M +9%, KEP 3M +18%). We believe order win newsflow is a near-term catalyst and see flows rotated into the stock.



Our TP basis of 1.7x CY23F P/BV is at a 30% premium over regional yards' 1.3x average given its stronger margin track record, justified by its FY23-24F ROE of 18%.

**Figure 9: Peers Comparison**

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			2-year EPS CAGR (%)		P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY23F	CY24F	CY25F	CY23F	CY24F	CY23F	CY24F		
Keppel Corporation	KEP SP	Add	6.64	8.70	8,656	11.9	10.7	10.0	11.8%	0.99	0.95	8.4%	5.4%	
Capitaland Investment	CLI SP	Add	3.27	4.50	12,391	17.3	15.7	14.5	48.8%	1.03	0.98	6.1%	3.7%	
<b>Integrated global asset management - big cap simple average</b>						<b>14.6</b>	<b>13.2</b>	<b>12.2</b>	<b>30.3%</b>	<b>1.01</b>	<b>0.97</b>	<b>7.2%</b>	<b>4.5%</b>	
Seatrium Ltd	STM SP	Add	0.13	0.19	6,310	na	34.0	15.9	na	1.01	0.98	-2.7%	0.0%	
<b>Singapore offshore - big cap simple average</b>						<b>na</b>	<b>34.0</b>	<b>15.9</b>	<b>na</b>	<b>1.01</b>	<b>0.98</b>	<b>-2.7%</b>	<b>0.0%</b>	
COSCO SHIPPING International S	COS SP	NR	0.16	na	262	na	na	na	na	na	na	na	na	
China CSSC Holdings Ltd	600150 CH	NR	28.82	na	18,132	44.2	17.7	14.1	537.6%	2.63	2.32	5.9%	0.2%	
China Shipbuilding Industry Co	601989 CH	NR	4.65	na	14,916	na	na	na	na	na	na	na	na	
CSSC Offshore and Marine Engin	600685 CH	NR	29.32	na	4,212	56.4	49.7	na	10.1%	na	na	na	na	
Yangzijiang Shipbuilding	YZJSGD SP	Add	1.28	1.66	3,741	8.1	7.3	7.4	16.8%	1.36	1.22	17.7%	4.2%	
<b>Chinese Shipbuilder simple average</b>						<b>36.2</b>	<b>24.9</b>	<b>10.7</b>	<b>188.2%</b>	<b>2.00</b>	<b>1.77</b>	<b>11.8%</b>	<b>2.2%</b>	
Korea Shipbuilding & Offshore	009540 KS	Add	115,900	119,000	6,289	31.1	10.8	6.8	na	0.81	0.74	2.7%	0.0%	
Hyundai Mipo Dockyard	010620 KS	Hold	82,100	72,000	2,514	108.8	18.6	13.6	na	1.52	1.40	1.4%	0.0%	
Samsung Heavy Industries	010140 KS	Add	6,620	7,000	4,466	87.8	23.8	15.8	na	1.59	1.49	1.8%	0.0%	
Daewoo Shipbuilding & Marine	042660 KS	Hold	37,650	26,000	6,260	na	23.7	13.2	na	2.93	2.61	-1.4%	0.0%	
Sejin Heavy Industries Co Ltd	075580 KS	NR	6,180	na	266	15.6	17.4	13.9	29.3%	1.93	1.81	13.2%	2.4%	
<b>Korean Shipbuilder simple average</b>						<b>60.8</b>	<b>18.9</b>	<b>12.7</b>	<b>29.3%</b>	<b>1.76</b>	<b>1.61</b>	<b>3.5%</b>	<b>0.5%</b>	
Mitsui E&S Co Ltd	7003 JP	NR	482.0	na	309	2.7	2.6	na	68.0%	0.42	0.39	14.9%	0.2%	
<b>Japan Shipbuilder simple average</b>						<b>2.9</b>	<b>2.6</b>	<b>na</b>	<b>68.0%</b>	<b>0.42</b>	<b>0.39</b>	<b>14.9%</b>	<b>0.2%</b>	
Brookfield Corp	BN US	NR	30.04	na	49,220	14.2	11.3	6.8	47.9%	1.07	1.01	9.3%	0.9%	
<b>US Shipbuilder simple average</b>						<b>14.2</b>	<b>11.3</b>	<b>6.8</b>	<b>47.9%</b>	<b>1.07</b>	<b>1.01</b>	<b>9.3%</b>	<b>0.9%</b>	
CSE Global	CSE SP	Hold	0.36	0.37	164	15.4	10.6	9.3	55.8%	1.06	1.04	6.9%	7.6%	
SATS Ltd	SATS SP	Hold	2.59	2.60	2,850	68.1	23.0	16.4	na	1.79	1.78	2.5%	0.5%	
Sembcorp Industries	SCI SP	Add	5.41	6.20	7,147	11.6	12.1	12.6	4.9%	2.14	1.90	19.6%	2.3%	
ST Engineering	STE SP	Add	3.61	4.00	8,326	19.7	16.1	13.7	24.5%	4.56	4.21	23.5%	4.4%	
SIA Engineering	SIE SP	Hold	2.41	2.42	2,000	33.4	25.6	20.5	27.9%	1.61	1.58	4.8%	2.7%	
<b>Industrial/conglomerate / airport services simple average</b>						<b>29.6</b>	<b>17.5</b>	<b>14.5</b>	<b>28.2%</b>	<b>2.23</b>	<b>2.10</b>	<b>11.5%</b>	<b>3.5%</b>	

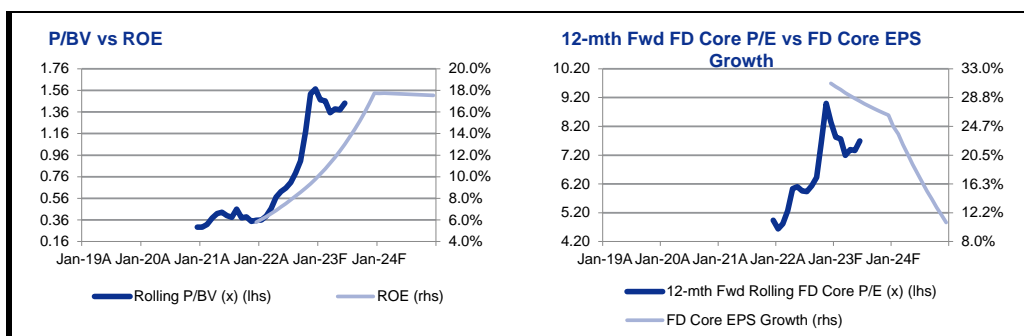
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG  
Estimates for Not rated companies are based on Bloomberg consensus estimates

DATA AS AT 15 MAY2023

Refinitiv ESG Scores	
 	
<h2>ESG in a nutshell</h2> <p>We believe that YZJ's combined ESG score was weighed down by its controversies, most notably in 2019 when its then Executive Chairman Mr. Ren Yuanlin was implicated in an anti-graft investigation by the authorities of the People's Republic of China. As a result, Refinitiv gave YZJ an ESG combined score of C+ in 2021. The current combined ESG score of C+ is split into E: C- (weightage: 34.18%); S: C (weightage: 37.34%); and G: A- (weightage: 28.48%). Moving forward, YZJ aims to design and build relevant vessels with higher energy efficiency, in line with China's plans "to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060".</p>	
<h3>Keep your eye on</h3> <p>In 2019, YZJ's then Executive Chairman Mr. Ren Yuanlin was implicated in the Chinese government's anti-corruption investigations into Liu Jianguo, the former party secretary of Jingjiang City.</p>	<h3>Implications</h3> <p>YZJ requested a trading halt on 8 Aug 2019 following a 20% fall in its share price. Since it has been almost four years since the controversy, we think the trading levels of YZJ's shares have returned to normal and thus the controversy has had little to no impact on our valuation of the company.</p>
<h3>ESG highlights</h3> <p>YZJ's Environment score remained the same yoy from 2020 to 2021 at C-. We think YZJ can further improve its Environment score by implementing initiatives in waste reduction, environmental restoration, and environmental expenditures.</p> <p>YZJ has made conscientious efforts, through its "Green Vessel" and "Green Factory" strategies as mentioned in its 2022 Annual Report, as concrete steps towards its long-term goals of carbon neutrality. Under both strategies, YZJ has begun revamping its vessels and factories, such as the adoption of a pure electricity generation engine and the conversion of its existing chemical terminal to an LNG terminal with LNG storage and distribution infrastructure.</p>	<h3>Implications</h3> <p>Both strategies ensure that YZJ's ships adhere to GHG emission requirements from the International Maritime Organisation (IMO), while promoting the utilisation of LNG in the domestic market to replace traditional pollutive conventional energy sources. We have not applied any premium/discount for ESG in our fundamental valuation of YZJ.</p>
<h3>Trends</h3> <p>From 2020 to 2021, YZJ maintained its Environment and Social scores at C- and C, respectively, as ranked by Refinitiv. Meanwhile, its Governance pillar fared the best among its E, S, and G categories, maintaining its score of A- in 2021, according to Refinitiv.</p>	<h3>Implications</h3> <p>We have not applied any premium/discount for ESG in our fundamental valuations. However, Ren Letian assuming the role of Executive Chairman and Chief Executive Officer may have helped to restore investors' confidence in the group's governance. Further environmental efforts may also attract more interest among funds that are more environmentally-focused.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

## BY THE NUMBERS



### Profit & Loss

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total Net Revenues</b>	<b>15,407</b>	<b>20,567</b>	<b>27,221</b>	<b>28,700</b>	<b>28,196</b>
<b>Gross Profit</b>	<b>2,847</b>	<b>3,511</b>	<b>4,918</b>	<b>5,393</b>	<b>5,304</b>
<b>Operating EBITDA</b>	<b>2,847</b>	<b>3,511</b>	<b>4,652</b>	<b>5,126</b>	<b>5,070</b>
Depreciation And Amortisation	(493)	(452)	(449)	(474)	(465)
<b>Operating EBIT</b>	<b>2,354</b>	<b>3,059</b>	<b>4,203</b>	<b>4,652</b>	<b>4,605</b>
Financial Income/(Expense)	268	243	140	159	159
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>2,622</b>	<b>3,302</b>	<b>4,343</b>	<b>4,811</b>	<b>4,764</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>2,622</b>	<b>3,302</b>	<b>4,343</b>	<b>4,811</b>	<b>4,764</b>
Taxation	(622)	(678)	(999)	(1,107)	(1,096)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>2,000</b>	<b>2,625</b>	<b>3,344</b>	<b>3,704</b>	<b>3,668</b>
Minority Interests	(28)	(12)	(33)	(37)	(36)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,971</b>	<b>2,613</b>	<b>3,311</b>	<b>3,668</b>	<b>3,632</b>
Recurring Net Profit	1,971	2,613	3,311	3,668	3,632
<b>Fully Diluted Recurring Net Profit</b>	<b>1,971</b>	<b>2,613</b>	<b>3,311</b>	<b>3,668</b>	<b>3,632</b>

### Cash Flow

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>EBITDA</b>	<b>2,847</b>	<b>3,511</b>	<b>4,652</b>	<b>5,126</b>	<b>5,070</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(81)	388	2,114	(2)	(7)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	3,953	1,213	(11)	(87)	(21)
Net Interest (Paid)/Received	166	244	140	159	159
Tax Paid	(698)	(723)	(782)	(999)	(1,107)
<b>Cashflow From Operations</b>	<b>6,187</b>	<b>4,633</b>	<b>6,113</b>	<b>4,197</b>	<b>4,094</b>
Capex	(669)	(905)	(1,258)	(1,258)	(1,258)
Disposals Of FAs/subsidiaries	488	247	0	0	0
Acq. Of Subsidiaries/investments	(623)	(355)	0	0	0
Other Investing Cashflow	1,120	137	0	0	0
<b>Cash Flow From Investing</b>	<b>315</b>	<b>(877)</b>	<b>(1,258)</b>	<b>(1,258)</b>	<b>(1,258)</b>
Debt Raised/(repaid)	286	28	0	0	0
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	(171)	(60)	0	0	0
Dividends Paid	(843)	(975)	(1,135)	(1,324)	(1,311)
Preferred Dividends					
Other Financing Cashflow	(1)	(1)	0	0	0
<b>Cash Flow From Financing</b>	<b>(728)</b>	<b>(1,008)</b>	<b>(1,135)</b>	<b>(1,324)</b>	<b>(1,311)</b>
Total Cash Generated	5,774	2,748	3,720	1,615	1,525
<b>Free Cashflow To Equity</b>	<b>6,788</b>	<b>3,785</b>	<b>4,855</b>	<b>2,939</b>	<b>2,836</b>
<b>Free Cashflow To Firm</b>	<b>6,572</b>	<b>3,863</b>	<b>4,965</b>	<b>3,030</b>	<b>2,927</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	12,363	10,778	14,498	16,113	17,638
Total Debtors	4,121	3,670	2,137	2,253	2,214
Inventories	1,640	1,231	1,600	1,672	1,642
Total Other Current Assets	20,429	7,331	9,091	9,491	9,355
<b>Total Current Assets</b>	<b>38,553</b>	<b>23,010</b>	<b>27,327</b>	<b>29,530</b>	<b>30,849</b>
Fixed Assets	6,335	7,278	8,087	8,871	9,664
Total Investments	3,645	529	549	569	589
Intangible Assets	28	26	26	26	26
Total Other Non-Current Assets	3,051	2,125	2,125	2,125	2,125
<b>Total Non-current Assets</b>	<b>13,059</b>	<b>9,957</b>	<b>10,786</b>	<b>11,590</b>	<b>12,403</b>
Short-term Debt	2,504	2,269	2,269	2,269	2,269
Current Portion of Long-Term Debt					
Total Creditors	2,804	3,172	4,123	4,309	4,232
Other Current Liabilities	6,491	6,815	8,802	9,242	9,094
<b>Total Current Liabilities</b>	<b>11,799</b>	<b>12,257</b>	<b>15,193</b>	<b>15,820</b>	<b>15,595</b>
Total Long-term Debt	1,953	2,298	2,298	2,298	2,298
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,799	707	707	707	707
<b>Total Non-current Liabilities</b>	<b>3,752</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>15,551</b>	<b>15,262</b>	<b>18,199</b>	<b>18,826</b>	<b>18,601</b>
Shareholders' Equity	35,923	17,573	19,749	22,093	24,414
Minority Interests	138	132	165	201	238
<b>Total Equity</b>	<b>36,062</b>	<b>17,705</b>	<b>19,914</b>	<b>22,294</b>	<b>24,651</b>

### Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	18.6%	36.8%	31.5%	5.4%	(1.8%)
Operating EBITDA Growth	75.0%	23.3%	32.5%	10.2%	(1.1%)
Operating EBITDA Margin	18.8%	17.0%	17.1%	17.9%	18.0%
Net Cash Per Share (Rmb)	2.02	1.57	2.51	2.92	3.31
BVPS (Rmb)	9.16	4.45	5.00	5.59	6.18
Gross Interest Cover	33.67	28.65	38.34	50.93	50.41
Effective Tax Rate	23.7%	20.5%	23.0%	23.0%	23.0%
Net Dividend Payout Ratio	26.6%	37.8%	34.3%	36.1%	36.1%
Accounts Receivables Days	93.49	68.67	38.93	28.00	28.92
Inventory Days	48.21	30.72	23.17	25.69	26.43
Accounts Payables Days	79.96	63.95	59.69	66.20	68.09
ROIC (%)	6.8%	9.7%	29.9%	38.1%	35.1%
ROCE (%)	6.8%	10.9%	19.0%	19.1%	17.3%
Return On Average Assets	3.68%	5.73%	9.08%	9.02%	8.38%

### Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Order win (US\$m )	7,400.0	4,430.0	3,282.3	3,282.3	3,282.3

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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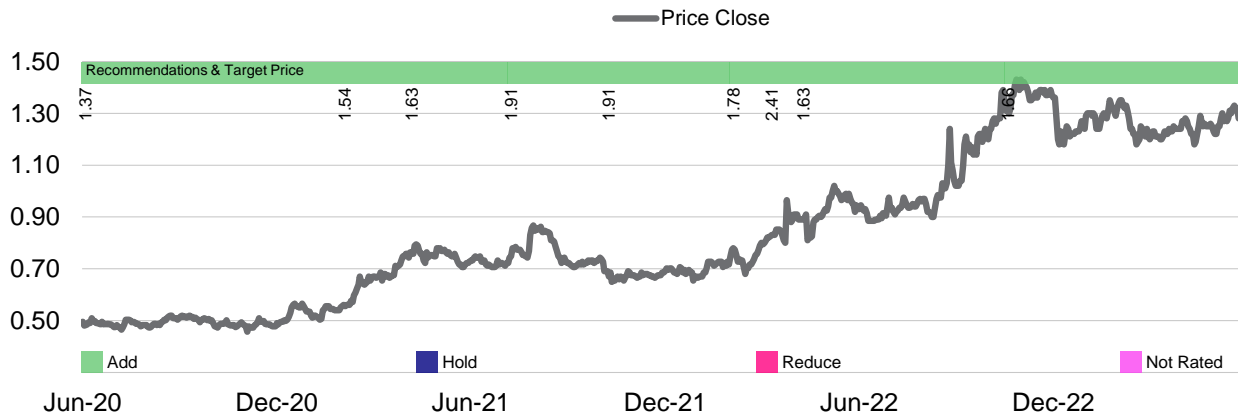
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2023		
647 companies under coverage for quarter ended on 31 March 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	64.6%	1.1%
Hold	27.0%	0.2%
Reduce	8.3%	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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Definition:

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**Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

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