

Singapore

June 26, 2023 - 8:52 PM

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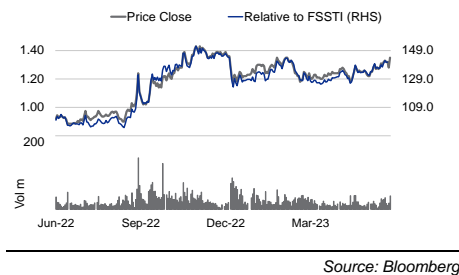
Consensus ratings*: Buy 6 Hold 0 Sell 0

Current price:	S\$1.35
Target price:	S\$1.66
Previous target:	S\$1.66
Up/downside:	22.8%
CGS-CIMB / Consensus:	2.0%
Reuters:	YAZG.SI
Bloomberg:	YZJSGD SP
Market cap:	US\$3,945m
	S\$5,333m
Average daily turnover:	US\$16.60m
	S\$22.22m
Current shares o/s	3,923m
Free float:	61.0%

*Source: Bloomberg

Key financial forecasts

	Dec-23F	Dec-24F	Dec-25F
Net Profit (Rmbm)	3,311	3,668	3,632
Core EPS (Rmb)	0.84	0.93	0.92
Core EPS Growth	26.7%	10.8%	(1.0%)
FD Core P/E (x)	8.61	7.78	7.85
Recurring ROE	17.7%	17.5%	15.6%
P/BV (x)	1.44	1.29	1.17
DPS (Rmb)	0.29	0.34	0.33
Dividend Yield	3.98%	4.64%	4.60%



Price performance	1M	3M	12M
Absolute (%)	8	8.9	42.1
Relative (%)	7.5	8.6	38.5

Major shareholders	% held
Yangzi International Holdings Ltd	21.5

Analyst(s)

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Yangzijiang Shipbuilding

Riding the green shipbuilding cycle

- YZJSB announced that its YTD order win reached US\$5.6bn, beating our US\$4bn-5bn estimates (see [report](#)) and management's guidance of US\$3bn.
- This includes orders of 6 units of 9k TEU methanol dual fuel containerships from Maersk for 2026-2027 delivery.
- All in, the company has secured 69 vessel orders YTD, bringing its orderbook to US\$14.6bn, with 180 vessels due for delivery.
- We expect positive share price reaction. Retain Add and TP of S\$1.66.

US\$5.6bn order in the bag YTD, surpassed US\$4.4bn in 2022

- To recap, Yangzijiang Shipbuilding's (YZJSB) contract wins are as follows:
- 25 Apr 2023 business update: US\$1.18bn of contracts comprising 18 oil tankers, 1 liquefied ethylene gas (LEG) vessel, and 4 bulk carriers.
- 26 Jun 2023: 2 units of 83.3k TEU combined carriers for Klavness Combination Carriers ASA for 2026 delivery. Amount undisclosed, but we estimate it to be about US\$169m-180m in total.
- 27 Jun 2023: 6 units of 9k TEU methanol dual fuel containerships for A.P. Moller- Maersk (Maersk) for 2026-2027 delivery. Amount was not disclosed, but industry publication Tradewinds reported on 26 June 2023 that Maersk awarded a contract value of US\$1.15bn for 10 units of similar 9k TEU vessels to YZJSB. We take US\$115m/vessel as an indicative price for the Maersk order announced.
- 27 Jun 2023: 37 vessels comprising 10 LNG dual-fuel 24k TEU containerships, 4 methanol dual fuel 950 TEU, and 2 8k TEU containerships, 11 oil tankers, and 10 82.5k dwt bulk carriers. We believe the 24k TEU LNG dual fuel containerships belong to CMA CGM and priced in the region of US\$240m each (according to Tradewinds).
- All in, YTD order wins totalled US\$5.6bn, exceeding management's guidance of US\$3bn for 2023F. Its orderbook now stands at US\$14.6 bn for 180 vessels.

Availability in 2026F?

- The questions always arises about when peak delivery is. We believe there could be several slots left for 2026F, depending on pricing and yard optimisation. YZJSB's current assumption on steel price stands at Rmb5k/tonne, which points to decent margins to be made from these contracts, with potential for expansion if steel price remains controlled.
- We believe decarbonisation and green financing availability could spur more dual-fuel ships orders in the near term.
- We expect positive share price reaction from the newsflow. Reiterate Add and TP of S\$1.66, still based on 1.7x CY23F P/BV, a 30% premium over regional yards' 1.3x average, given its stronger margin track record, justified by its FY23-24F ROE of 18%.
- Catalysts: Stronger-than-expected margins, further contract wins, exceeding 2021's record of US\$7.4bn. Downside risks: sharp rise in steel costs eroding margins, and order cancellations weakening its earnings visibility.

Figure 1: YTD order win at US\$5.6bn, surpassing 2022's US\$4.4bn

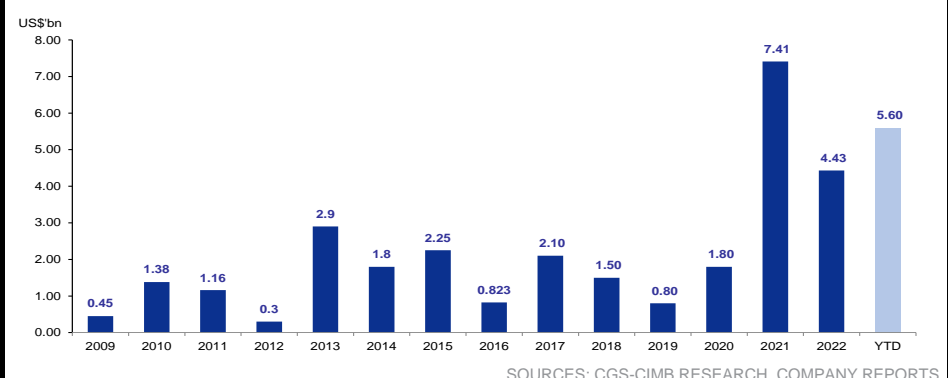


Figure 2: Peer comparison

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY23F	P/E (x) CY24F	P/E (x) CY25F	2-year EPS CAGR (%)	P/BV (x) CY23F	P/BV (x) CY24F	Recurring ROE (%) CY23F	Dividend Yield (%) CY23F
Keppel Corporation	KEP SP	Add	6.67	8.70	8,694	12.0	10.7	10.0	11.8%	0.99	0.96	8.4%	5.3%
Capitaland Investment	CLI SP	Add	3.25	4.50	12,312	17.2	15.6	14.4	48.8%	1.02	0.97	6.1%	3.7%
Integrated global asset management - big cap simple average						14.6	13.1	12.2	30.3%	1.01	0.97	7.2%	4.5%
Seatrium Ltd	STM SP	Add	0.13	0.19	6,309	na	34.0	15.9	na	1.01	0.98	-2.7%	0.0%
Singapore offshore - big cap simple average						na	34.0	15.9	na	1.01	0.98	-2.7%	0.0%
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	1.35	1.66	3,945	8.6	7.8	7.9	16.8%	1.44	1.29	17.7%	4.0%
Chinese Shipbuilder simple average						36.4	25.1	11.0	188.2%	2.04	1.81	11.8%	2.1%
Korea Shipbuilding & Offshore	009540 KS	Add	116,900	119,000	6,336	31.3	10.9	6.8	na	0.82	0.74	2.7%	0.0%
Hyundai Mipo Dockyard	010620 KS	Hold	82,700	72,000	2,530	109.6	18.8	13.7	na	1.53	1.41	1.4%	0.0%
Samsung Heavy Industries	010140 KS	Add	6,620	7,000	4,462	87.8	23.8	15.8	na	1.59	1.49	1.8%	0.0%
Daewoo Shipbuilding & Marine	042660 KS	Hold	36,850	26,000	6,121	na	23.2	12.9	na	2.87	2.55	-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%
Korean Shipbuilder simple average						61.1	18.8	12.6	29.3%	1.75	1.60	3.5%	0.5%
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%
Japan Shipbuilder simple average						2.9	2.6	na	68.0%	0.42	0.39	14.9%	0.2%
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%
US Shipbuilder simple average						14.2	11.3	6.8	47.9%	1.07	1.01	9.3%	0.9%
CSE Global	CSE SP	Hold	0.38	0.37	171	16.0	11.0	9.7	55.8%	1.11	1.09	6.9%	7.3%
SATS Ltd	SATS SP	Hold	2.56	2.60	2,816	67.3	22.8	16.2	na	1.77	1.76	2.5%	0.5%
Sembcorp Industries	SCI SP	Add	5.40	6.20	7,133	11.6	12.1	12.5	4.9%	2.13	1.90	19.6%	2.3%
ST Engineering	STE SP	Add	3.58	4.00	8,255	19.6	15.9	13.6	24.5%	4.52	4.18	23.5%	4.5%
SIA Engineering	SIE SP	Hold	2.40	2.42	1,992	33.2	25.5	20.4	27.9%	1.60	1.57	4.8%	2.8%
Industrial/conglomerate / airport services simple average						29.5	17.5	14.5	28.2%	2.23	2.10	11.5%	3.5%

DATA AS AT 27 JUN 2023

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

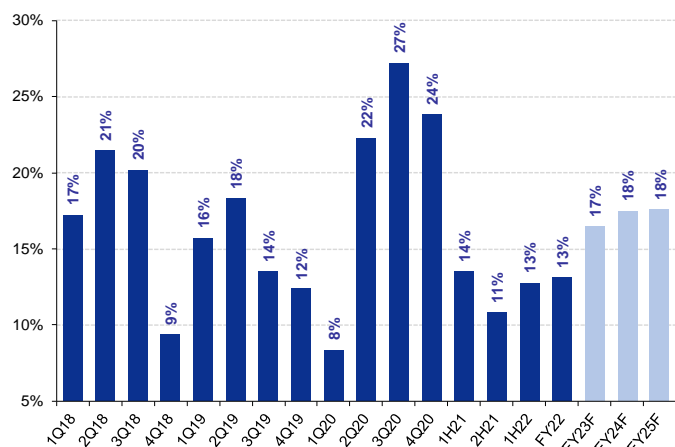
Note: Estimates for Not Rated companies are based on Bloomberg consensus

Figure 3: China steel price below Rmb4k/tonne currently



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Potential margin upside from lower steel prices



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

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

Balance Sheet

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

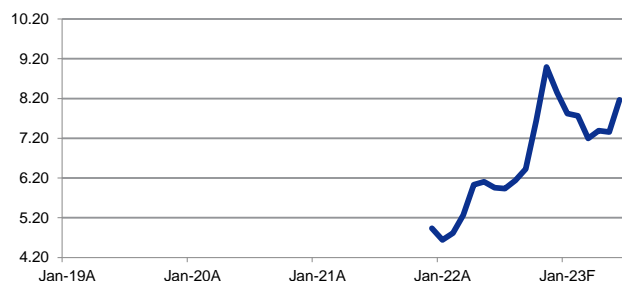
Cash Flow

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

Key Ratios

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

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



Key Drivers

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

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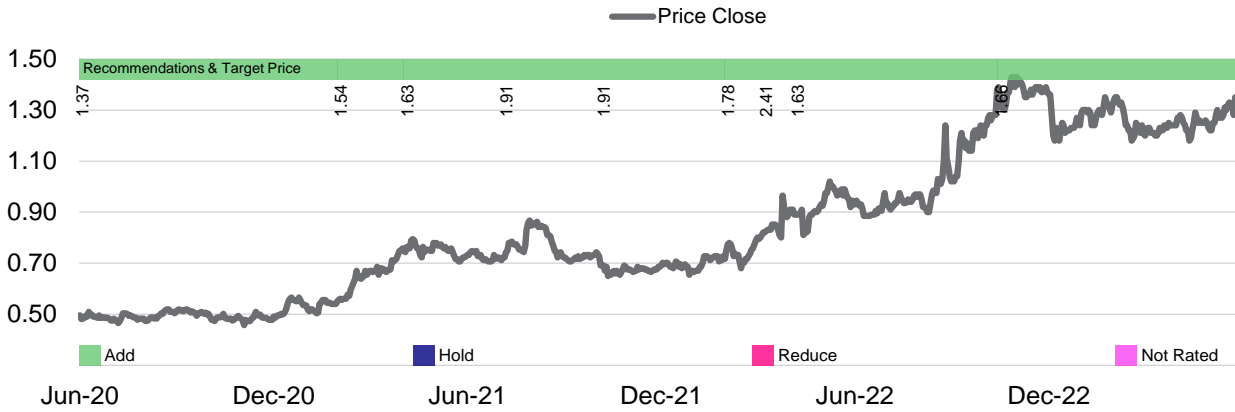
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2023		
647 companies under coverage for quarter ended on 31 March 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	64.6%	1.1%
Hold	27.0%	0.2%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

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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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