

Singapore

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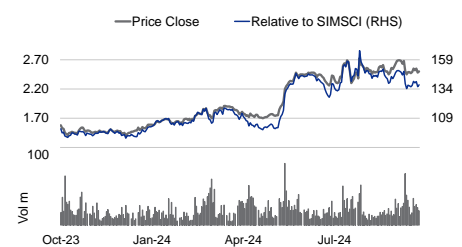
Consensus ratings*: Buy 7 Hold 1 Sell 0

Current price:	S\$2.50
Target price:	S\$3.20
Previous target:	S\$3.20
Up/downside:	28.0%
CGSI / Consensus:	-0.3%
Reuters:	YAZG.SI
Bloomberg:	YZJSGD SP
Market cap:	US\$7,563m
	S\$9,876m
Average daily turnover:	US\$43.42m
	S\$56.96m
Current shares o/s	3,951m
Free float:	61.0%

*Source: Bloomberg

Key financial forecasts

	Dec-24F	Dec-25F	Dec-26F
Net Profit (Rmbm)	5,763	6,333	6,302
Core EPS (Rmb)	1.46	1.60	1.60
Core EPS Growth	40.5%	9.9%	(0.5%)
FD Core P/E (x)	9.27	8.44	8.48
Recurring ROE	25.2%	23.4%	20.1%
P/BV (x)	2.15	1.83	1.60
DPS (Rmb)	0.47	0.51	0.51
Dividend Yield	3.45%	3.79%	3.77%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2	9.6	56.3
Relative (%)	-1.8	5.5	36.3

Major shareholders	% held
Yangzi International Holdings Ltd	21.5

Analyst(s)

LIM Siew Khee

T (65) 6210 8664

E siewkhee.lim@cgsi.com

Meghana KANDE

T (65) 6210 8515

E meghana.kande@cgsi.com

Yangzijiang Shipbuilding

Arbitration does not impact order book

- The containership contracts that YZJSB is in arbitration with a customer, worth US\$900m, were never included in its order book (1H24: US\$20.2bn).
- The claim amount by the customer is US\$835m, comprising loss of bargain, loss of profits and refund of payments made.
- YZJSB's legal advisors say there is no merit to the claims and that the suit is highly improbable to succeed. No provision has been made.
- Reiterate Add and TP of S\$3.20, still based on 11x CY26F P/E, in line with regional peers.

Arbitration for 10 containerships filed in 2022

- YZJSB announced that a client had commenced arbitration proceedings at an arbitration tribunal in London in June and Sep 2022 over alleged breach of contracts for 10 containership contracts worth US\$900m. The proceedings were filed against three subsidiaries – Jiangsu Tianchen Marine Import & Export Co., Ltd. (Unlisted), Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd. (Unlisted) and Jiangsu New Yangzi Shipbuilding Co. (Unlisted). The 1st tranche of arbitration hearings is scheduled for Nov 2024F.
- The contracts were entered into by YZJSB and its subsidiaries in Nov and Dec 2021 but were subsequently terminated by the client in Mar and May 2022.
- The claim amount is c.US\$835m, calculated based on current market ship prices, comprises loss of bargain, loss of profits and refund of the payments made by the client (US\$3.32m). Following consultation with its legal advisors and an evaluation of the claims, YZJSB was advised by its legal advisors that there was no merit to the suit and that it was highly improbable to succeed.

No financial impact for FY24F

- YZJSB is of the view that the claims will not have a material adverse impact on the company's financial position for FY24F.
- We understand from management that the contracts were never effective, with no downpayment made, and were hence not included in its order book.

3Q24F business update: 7 Nov 2024F

- YZJSB will announce its 3Q24F business update on 7 Nov 2024F. As usual, no detailed financials will be disclosed but we believe order wins/order book and potentially yard expansion plans will be addressed.
- We believe the focus of the business update will be on steel price appreciation given China's fresh stimulus that could lead to higher demand. We understand that steel accounts for 25%/30% of containership and bulk carrier costs for YZJSB. Every 10% increase in steel price could impact gross margins by 2-4%. We keep our FY24F/FY25F/FY26F shipbuilding gross margins unchanged at 26.5%/27%/25%. YZJSB said it has steel inventory on hand for c.3-4 months of its requirement. 2025F deliveries were largely clinched in 2022 when steel prices averaged Rmb4,400/tonne.
- Re-rating catalyst: stronger-than expected order wins; we project US\$11bn in 2024F (YTD: S\$8.5bn). Downside risks: surge in steel costs, order cancellations.

Figure 1: Steel price has risen c.15% mom since Sep 24



SOURCES: CGSI RESEARCH, BLOOMBERG

Figure 2: 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 (%)
						CY24F	CY25F	CY26F		CY24F	CY25F		
Seatrium Ltd	STM SP	Add	2.03	2.69	5,279	30.5	21.3	12.1	na	1.06	1.01	3.5%	0.0%
Singapore Shipbuilder simple average						21.0	21.3	12.1	na	1.06	1.01	3.5%	0.0%
COSCO SHIPPING International S	COS SP	NR	0.14	na	238	na	na	na	na	na	na	na	na
China CSSC Holdings Ltd	600150 CH	NR	40.48	na	25,621	34.0	20.4	15.7	73.6%	3.42	3.00	10.2%	1.0%
China Shipbuilding Industry Co	601989 CH	NR	5.35	na	17,264	56.3	28.2	15.5	na	1.43	1.35	2.5%	na
CSSC Offshore and Marine Engin	600685 CH	NR	25.65	na	3,959	75.4	38.3	13.2	343.9%	2.17	2.08	2.5%	na
Yangzijiang Shipbuilding	YZJSGD SP	Add	2.50	3.20	7,563	9.3	8.4	8.5	24.2%	2.15	1.83	25.1%	3.5%
Chinese Shipbuilder simple average						43.8	23.8	13.2	147.2%	2.29	2.07	10.1%	2.2%
Korea Shipbuilding & Offshore	009540 KS	Add	185,200	232,000	9,703	18.3	8.2	5.4	166.4%	1.22	1.04	6.9%	0.0%
HD Hyundai Mipo	010620 KS	Add	98,500	143,000	2,912	114.5	16.9	11.3	na	1.96	1.76	1.7%	0.0%
Samsung Heavy Industries	010140 KS	Add	9,870	16,500	6,430	38.6	17.9	10.2	na	2.36	2.08	6.3%	0.0%
Hanwha Ocean	042660 KS	Add	30,850	42,600	6,998	48.2	19.6	11.4	41.6%	2.10	1.90	4.5%	0.0%
Sejin Heavy Industries Co Ltd	075580 KS	NR	7,190	na	303	18.4	12.1	8.8	38.3%	2.08	1.87	12.2%	2.8%
Korean Shipbuilder simple average						47.6	14.9	9.4	82.1%	1.95	1.73	6.3%	0.6%
Mitsui E&S Co Ltd	7003 JP	NR	1,127	na	778	4.4	6.1	8.4	-11.2%	0.69	0.61	21.9%	0.9%
Japan Shipbuilder simple average						4.7	6.1	8.4	-11.2%	0.69	0.61	21.9%	0.9%
Brookfield Corp	BN US	NR	53.56	na	88,001	13.8	13.0	12.0	158.1%	1.91	1.88	9.0%	0.6%
US Shipbuilder simple average						13.8	13.0	12.0	158.1%	1.91	1.88	9.0%	0.6%
CSE Global	CSE SP	Add	0.44	0.62	233	9.9	8.6	7.8	19.1%	1.34	1.27	13.9%	6.3%
SATS Ltd	SATS SP	Add	3.63	4.40	4,138	26.1	18.6	15.8	143.0%	2.13	1.95	8.4%	0.8%
Sembcorp Industries	SCI SP	Add	5.50	7.32	7,519	9.8	9.3	9.1	2.3%	1.83	1.59	20.3%	2.6%
ST Engineering	STE SP	Add	4.67	5.30	11,149	20.7	18.1	16.7	20.9%	5.47	4.90	27.1%	3.4%
SIA Engineering	SIE SP	Add	2.39	2.65	2,051	19.3	17.6	16.0	20.1%	1.54	1.49	8.1%	3.7%
Industrial/conglomerate / airport services simple average						17.2	14.4	13.1	41.1%	2.46	2.24	15.5%	3.3%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
Estimates for Not Rated companies are based on Bloomberg consensus estimates
Data as at 11 Oct 2024

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	24,112	25,619	28,470	30,946
Gross Profit	5,410	6,952	7,772	7,782
Operating EBITDA	5,217	7,216	8,238	8,305
Depreciation And Amortisation	(475)	(538)	(598)	(650)
Operating EBIT	4,742	6,678	7,640	7,655
Financial Income/(Expense)	388	483	422	367
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	5,131	7,160	8,062	8,023
Exceptional Items				
Pre-tax Profit	5,131	7,160	8,062	8,023
Taxation	(1,061)	(1,360)	(1,693)	(1,685)
Exceptional Income - post-tax				
Profit After Tax	4,069	5,800	6,369	6,338
Minority Interests	32	(37)	(36)	(36)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	4,102	5,763	6,333	6,302
Recurring Net Profit	4,102	5,763	6,333	6,302
Fully Diluted Recurring Net Profit	4,102	5,763	6,333	6,302

Balance Sheet

(Rmbm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	16,561	23,317	27,849	32,398
Total Debtors	4,671	1,334	1,482	1,611
Inventories	919	917	1,017	1,138
Total Other Current Assets	7,099	7,542	8,378	9,105
Total Current Assets	29,250	33,109	38,727	44,252
Fixed Assets	7,219	7,054	6,829	6,552
Total Investments	748	1,263	1,829	2,452
Intangible Assets	21	21	21	21
Total Other Non-Current Assets	3,626	3,626	3,626	3,626
Total Non-current Assets	11,614	11,964	12,306	12,652
Short-term Debt	3,965	3,965	3,965	3,965
Current Portion of Long-Term Debt				
Total Creditors	3,672	3,665	4,064	4,548
Other Current Liabilities	9,939	10,200	11,417	12,484
Total Current Liabilities	17,576	17,830	19,446	20,996
Total Long-term Debt	1,630	1,630	1,630	1,630
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	515	515	515	515
Total Non-current Liabilities	2,145	2,145	2,145	2,145
Total Provisions	0	0	0	0
Total Liabilities	19,721	19,975	21,591	23,142
Shareholders' Equity	20,941	24,859	29,166	33,451
Minority Interests	202	239	275	311
Total Equity	21,143	25,099	29,441	33,762

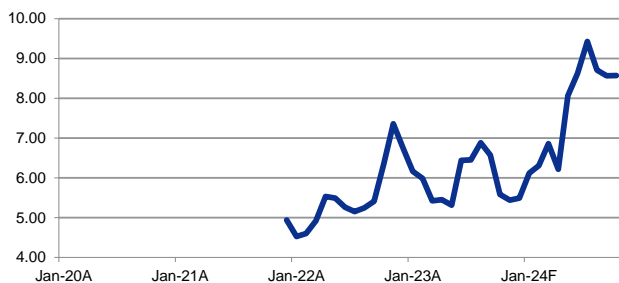
Cash Flow

(Rmbm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	5,217	7,216	8,238	8,305
Cash Flow from Invt. & Assoc.				
Change In Working Capital	254	3,332	151	234
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	2,844	(968)	(518)	(275)
Net Interest (Paid)/Received	388	483	422	367
Tax Paid	(731)	(1,089)	(1,360)	(1,693)
Cashflow From Operations	7,973	8,973	6,932	6,938
Capex	(790)	(373)	(373)	(373)
Disposals Of FAs/subsidiaries	95	0	0	0
Acq. Of Subsidiaries/investments	(43)	0	0	0
Other Investing Cashflow	(1,552)	0	0	0
Cash Flow From Investing	(2,290)	(373)	(373)	(373)
Debt Raised/(repaid)	1,028	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(1,053)	(1,844)	(2,027)	(2,017)
Preferred Dividends				
Other Financing Cashflow	124	0	0	0
Cash Flow From Financing	99	(1,844)	(2,027)	(2,017)
Total Cash Generated	5,782	6,756	4,533	4,549
Free Cashflow To Equity	6,711	8,600	6,559	6,565
Free Cashflow To Firm	5,779	8,723	6,682	6,688

Key Ratios

	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	16.5%	6.2%	11.1%	8.7%
Operating EBITDA Growth	48.6%	38.3%	14.2%	0.8%
Operating EBITDA Margin	21.6%	28.2%	28.9%	26.8%
Net Cash Per Share (Rmb)	2.78	4.49	5.63	6.78
BVPS (Rmb)	5.30	6.29	7.38	8.47
Gross Interest Cover	49.35	54.25	62.07	62.19
Effective Tax Rate	20.7%	19.0%	21.0%	21.0%
Net Dividend Payout Ratio	33.2%	32.0%	32.0%	32.0%
Accounts Receivables Days	63.13	42.89	18.05	18.24
Inventory Days	20.98	18.00	17.05	16.98
Accounts Payables Days	66.79	71.93	68.15	67.85
ROIC (%)	34%	56%	96%	108%
ROCE (%)	21.3%	25.4%	24.9%	21.9%
Return On Average Assets	10.2%	12.6%	12.5%	11.2%

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



Key Drivers

	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Order win (US\$m)	7,050.0	11,270.5	5,242.1	5,242.1

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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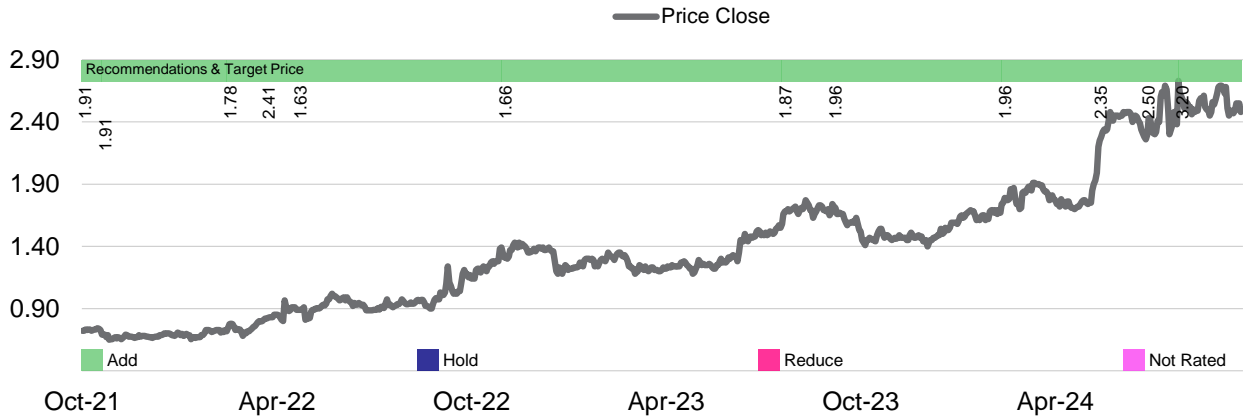
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2024		
588 companies under coverage for quarter ended on 30 September 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.0%	0.5%
Hold	23.5%	0.9%
Reduce	9.5%	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.
<i>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.</i>	
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