

Yangzijiang Shipbuilding (YZJSGD SP)

Order and margins tide easing from here; Initiate HOLD

HOLD: Newbuild cycle and margins past peak

We initiate Yangzijiang with a non-consensus HOLD and DCF-based TP of SGD4.15, as we believe both the shipbuilding cycle and margins are past their peak. Yangzijiang remains one of China's largest merchant shipbuilders, supported by a strong balance sheet and a robust c.USD22.4b orderbook, which provides medium-term revenue visibility and underpins a moderate 5% FY25-28 earnings CAGR. However, as the cycle turns, we expect order momentum to cool, pricing to soften and margins to normalise from unusually elevated levels. Gross margins have risen sharply from 14% in FY21 to 34% in FY25, though management has indicated that 30%+ margins are unlikely to be sustained. Rising domestic competition, softer end-demand and FX headwinds should increasingly cap upside.

Near-term clarity but newbuild cycle is past its peak

Containership orderbooks have reached c.32% of fleet, the highest since 2010, with fleet growth outpacing end-market demand. Global ship orders peaked in 2024 and fell 27% in 2025, with Clarksons forecasting a further 12% decline in 2026. This is already visible in YZJ's order intake, which dropped to a 5-year low of USD2.5b in 2025. Meanwhile, rising competition from Hengli and smaller Chinese yards has pushed newbuild prices down 5-10%, with a similar decline expected in 2026. A potential Suez reopening and IMO climate framework deferment could further dampen ordering demand. We therefore forecast only USD4.0-4.5b of new orders, versus USD8.4b on average in 2021-24.

Peak margins, limited dividend upside

Margins also look close to peak, in our view, with Yangzijiang's gross margin rising sharply from c.14% in FY21 to 34% in FY25, well above the 15-20% range typical for many regional peers. While 2026-27 profitability should remain supported by the high-priced backlog, we expect a more visible correction from 2028 onward, with gross margins easing to c.29% in FY28E as lower-priced contracts begin to flow through. FX is an added risk, with our sensitivity suggesting a 5-10% USD depreciation could reduce earnings by c.7-14%. Dividend upside also looks limited with payout already at 50% & capital needed for Seaspan investments & c.RMB5b of capex, in our view.

Valuation, yield support but better upside elsewhere

Undemanding valuations & 5-6% yield remain downside support. Downside risks include faster margin normalisation, weaker demand while stable-lower steel prices & order reallocation from weaker yards are upside risks. Prefer Seatrium for gearing to offshore order & margin recovery & Marco Polo Marine which offers charter-rate upside & offshore wind exposure

FYE Dec (CNY m)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	26,542	28,505	32,697	35,874	37,609
EBITDA	7,608	9,571	10,392	10,730	10,565
Core net profit	6,634	8,637	9,626	10,044	9,909
Core EPS (CNY)	1.68	2.19	2.44	2.55	2.52
Core EPS growth (%)	na	30.6	11.4	4.3	(1.3)
Net DPS (CNY)	0.65	1.07	1.16	1.21	1.19
Core P/E (x)	9.5	8.6	8.5	8.1	8.2
P/BV (x)	6.3	2.3	2.2	1.9	1.7
Net dividend yield (%)	4.1	5.7	5.6	5.9	5.8
ROAA (%)	na	15.5	15.3	14.1	12.7
EV/EBITDA (x)	5.5	6.3	6.7	6.2	6.1
Net gearing (%) (incl perps)	net cash				
Consensus net profit	-	-	9,539	11,279	11,491
MIBG vs. Consensus (%)	-	-	0.9	(10.9)	(13.8)

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HOLD

Share Price

SGD 3.85

12m Price Target

SGD 4.15 (+13%)

Company Description

YZJ is China's largest shipbuilder with a focus on containerships, high margins and environmentally friendly vessels.

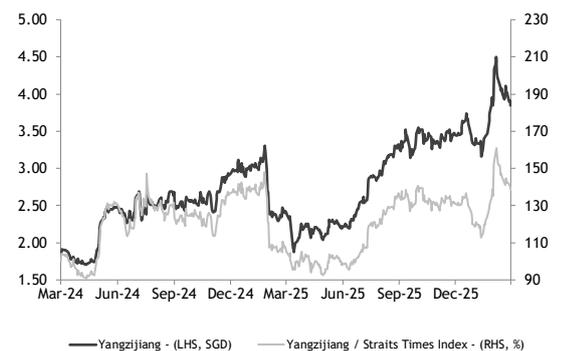
Statistics

52w high/low (SGD)	4.50/1.87
3m avg turnover (USDm)	59.1
Free float (%)	67.4
Issued shares (m)	3,974
Market capitalisation	SGD15.3B
	USD11.9B

Major shareholders:

Julius Bar Gruppe AG	21.5%
Zedra Trust Co (Cayman) Ltd.	9.6%
Fidelity Management & Research Co. LLC	2.5%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(2)	12	59
Relative to index (%)	(1)	5	29

Source: FactSet

Abbreviations in this report

LNG - Liquefied Natural Gas
LPG - Liquefied Petroleum Gas
VLAC - Very Large Ammonia Carrier
VLEC - Very Large Ethane Carrier
CGT - Compensated Gross Tonnage

Company mentioned

Seaspan and Hengli are unlisted
Seatrium (STM SP, CP SGD2.35, TP SGD3.10, BUY)
Marco Polo Marine (MPM SP, CP SGD0.14, TP SGD0.20, BUY)

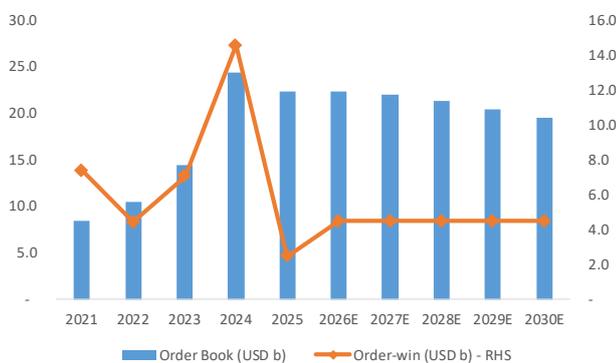
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Tear Sheet Insert

Value Proposition

- Premier global shipbuilder focused on high-margin, eco-friendly vessel construction.
- Strong execution supports on-time delivery, cost control, and pricing power.
- Dual-engine strategy centres on green vessels and green shipyards.
- Scale and operational discipline create durable barriers against smaller rivals.
- Management aims to be industry's best-run, highest-margin shipyard globally.
- Family-led discipline is reinforced by digital transformation and ESG formalization.
- Record order book provides revenue visibility and supports long-term expansion.

Company orderbook and new order win trajectory

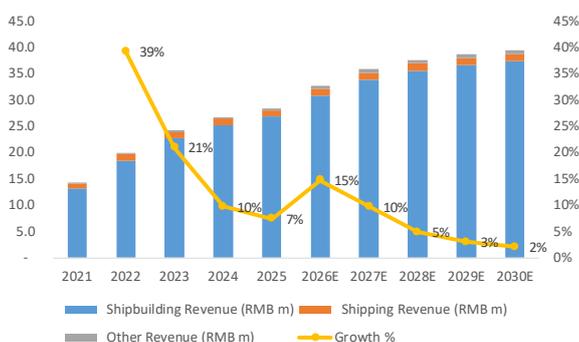


Source: Company

Financial Metrics

- Backlog execution and order intake matter most, with USD22.4b orderbook underpinning visibility and supporting 2025-28E revenue CAGR of 7%.
- Expect earnings to grow at a softer clip than revenues over FY25-28 owing to slight margin pressure and USD weakness.
- Gross margin remains the key P&L indicator, though current 34% levels likely normalize as vessel prices soften and competition rises.
- Dividends and balance sheet strength are the key watchpoints, with net cash supporting payouts but large capex likely capping further upside.

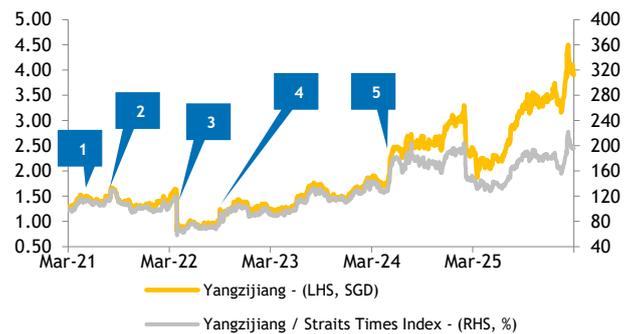
Revenue and growth trajectory



Source: Company, MIBG

Price Drivers

Historical share price trend



Source: Company, Maybank IBG Research

1. Apr-May 2021 rally: Record containership orders and booming shipbuilding cycle drove sharp re-rating.
2. Aug 2021 rally: Strong 1H21 results and record US\$6.67b order wins lifted sentiment.
3. Apr 2022 plunge: Yangzijiang Financial spin-off listing triggered a sharp ex-distribution price reset.
4. Sep-Nov 2022 rally: LNG capability breakthrough and orders beating target boosted earnings optimism.
5. May-Jun 2024 rally: Record orderbook, stronger wins and new-yard optimism drove rerating.

Swing Factors

Upside

- High-priced backlog execution could keep margins stronger for longer through 2026-27.
- Order reallocation from weaker yards could reinforce Yangzijiang's premium positioning.
- Geopolitical disruptions may support replacement demand and higher tonne-mile requirements..

Downside

- Newbuild prices declining from 2024 peak could drive margin normalization.
- Rising competition from Hengli and smaller yards may cap pricing power.
- Stronger RMB against USD could materially pressure earnings and margins.

1. Shipbuilding - soft end-demand and cycle peaking

1.1 Global shipping outlook: heading towards normalisation

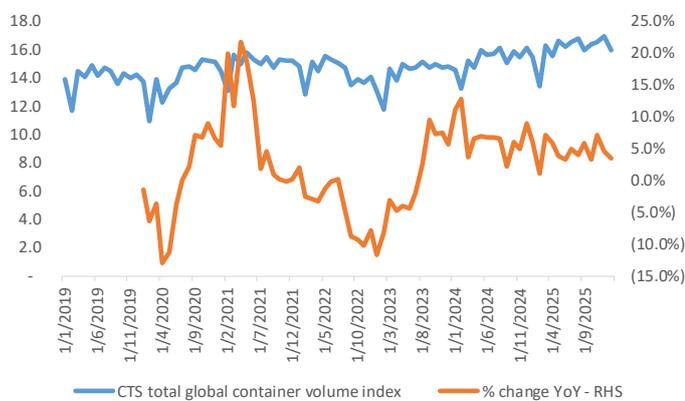
Across shipping, the medium-term outlook is shifting from “exceptional” to “normal.”

Container shipping is the clearest mean-reversion story, with overcapacity and potential Suez normalization weighing on the sector. Maersk is guiding for just 2-4% global container volume growth in 2026, while excess vessel supply and any broader Red Sea/Suez reopening could further pressure freight rates and earnings.

Dry bulk looks more balanced but remains macro-sensitive, with demand tied to China construction, steel, grain and energy-transition flows. Tankers are relatively better supported into 2026-27, as fleet and orderbook supply remain tighter and tonne-mile disruption from sanctions and rerouting continues to support utilization, though volatility will remain high if geopolitics intensifies or global growth improves.

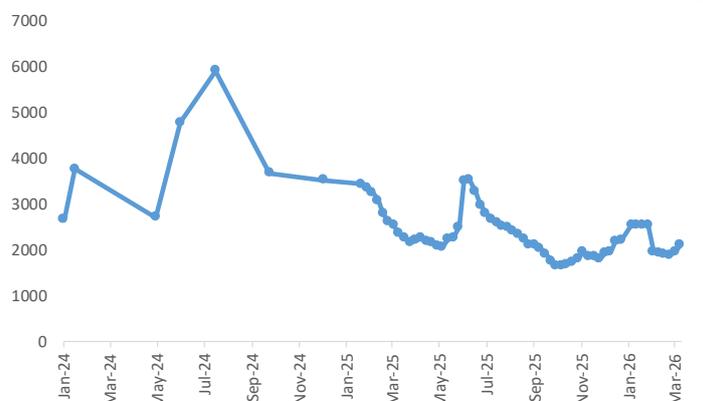
LNG carriers are recovering from a weak 2025, but the rebound is still early-stage. Drewry expects 2026 to mark the start of a “road to recovery”, although significant new vessel deliveries mean fleet growth will remain a near-term headwind, even as scrapping of older steam ships increases.

Fig 1: CTS total global container volume index



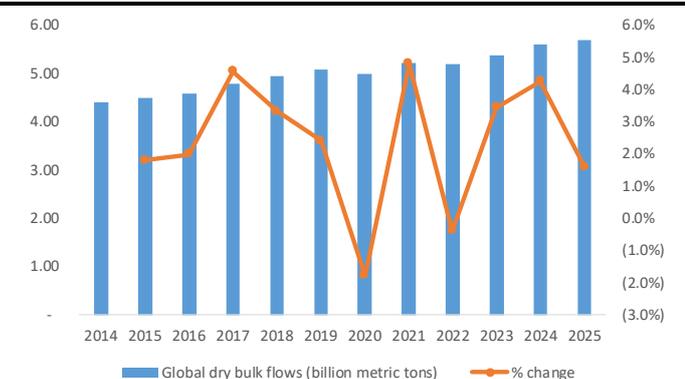
Source: Maybank IBG Research, CTS

Fig 2: Container price index (USD x,000/40ft)



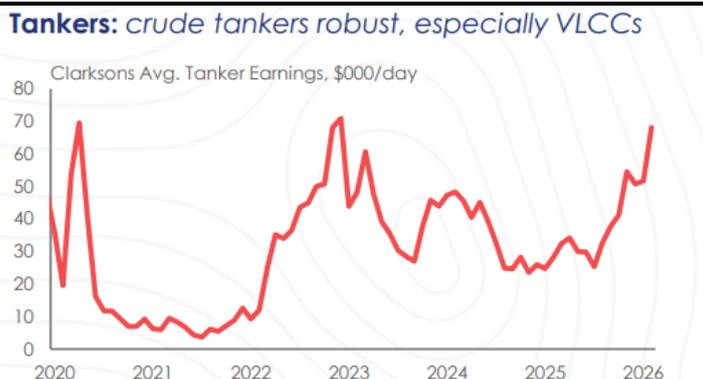
Source: Maybank IBG Research, Drewry, CTS

Fig 3: Global dry bulk flows



Source: Maybank IBG Research, Drewry, CTS

Fig 4: Tankers chartering seeing robust growth



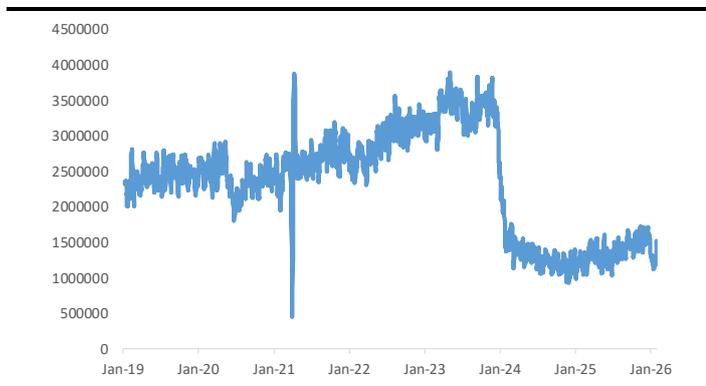
Source: Maybank IBG Research, Clarksons

1.2 What “back to Suez Canal” means for shipbuilding economics - negative

A meaningful 2026 reopening of the Red Sea/Suez Canal would effectively add vessel capacity back into the liner market, as the 2024-25 Cape diversions had mechanically boosted demand through longer ton-miles and TEU-miles. Estimates suggest a return to Suez could release roughly 6% of global vessel capacity, pressuring freight rates in an already oversupplied market.

How much “miles saved” are we talking about? Singapore-Rotterdam is about 8,288nm via Suez versus 11,755nm via the Cape, implying c.3,467nm saved one-way. On a round trip, the detour adds roughly 8,500nm, equivalent to around 10 extra sailing days.

Fig 5: Red Sea shipping traffic data



Source: Maybank IBG Research, IMF Port watch data

Fig 6: How much a transit via Suez canal saved in terms of nautical miles

Example route	Via Suez (nm)	Via Cape (nm)	Miles saved (nm)
Singapore --> Rotterdam	8,288	11,755	3,467
Asia --> Northwest Europe (typical lane)			3,000
Far East --> Northwest Europe (round trip)			8,500

Source: Maybank IBG Research, ITF OECD, Port of Rotterdam

That said, **any return remains gradual and fragile**. Carriers such as Maersk and CMA CGM have only partially resumed Suez transits before scaling back again, while MSC and Hapag-Lloyd remain cautious. **For shipbuilding, a normalization would be negative at the margin**, as unwinding the Cape detour lowers vessel-day demand. Industry estimates suggest normalized Suez routings could reduce container ship demand by around 10%.

1.3 IMO climate framework delay: demand timing risk for shipbuilders

The IMO approved the substance of its Net-Zero Framework at MEPC 83 in Apr’25, including a global fuel GHG-intensity standard and emissions pricing mechanism, but formal adoption has been postponed by about 12 months. This likely pushes the earliest implementation from around 2027 to 2028, although the long-term goal of net-zero shipping by or around 2050 remains intact.

For shipping companies, the delay is near-term positive as it improves cash flow flexibility. Owners can keep existing vessels longer, defer costly alternative-fuel newbuilds and retrofits, and prioritise shareholder returns or balance-sheet repair.

For shipbuilders, the delay is a near-term headwind as some compliance-driven orders and retrofits may be pushed out. We see this as demand deferred rather than destroyed, but it raises the risk of softer ordering momentum in 2026-27.

Fig 7: IMO climate framework timeline - original vs postponed

Milestone	Originally expected (per Apr 2025 IMO briefings)	After Oct 2025 postponement (what it implies)
MEPC approves draft Net-Zero Framework content	Apr-25	Apr 2025 (unchanged)
Extraordinary session adopts amendments	Oct-25	Pushed to 2026 (12-month delay)
Implementation guidelines agreed	Spring 2026	Likely shifts later in 2026/2027
Expected entry into force (^16 months after adoption)	2027	Likely 2028 (if adopted in 2026)

Source: Maybank IBG Research, IMO

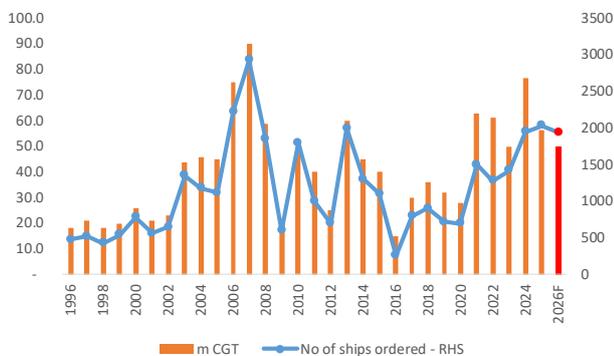
2. Shipbuilding cycle nears peak as order momentum set to cool

Global shipbuilding orders appear to have peaked in 2025, pointing to a moderation in new order flows in 2026. New ship orders surged to a decade high in 2024-25, with more than 2,000 vessels ordered in 2025—levels historically associated with cycle peaks. Clarksons’ June 2025 presentation shows the global orderbook, as a percentage of fleet capacity, is also at a decade high, while shipyards are operating near full utilization. This suggests a meaningful portion of near- and medium-term demand has been pulled forward. Shipbuilding prices have risen sharply over the past two years amid tight capacity, but recent softening—flagged by Alphaliner and AXSMarine—signals an early turn in the order cycle.

Looking ahead, several factors argue for slower momentum in 2026. With shipyard slots largely filled through 2027-28, incremental ordering is constrained even if underlying demand remains. Elevated newbuild prices, tighter financing conditions, and uncertainty around trade growth and environmental regulations are likely to encourage owners to pause after an aggressive ordering phase.

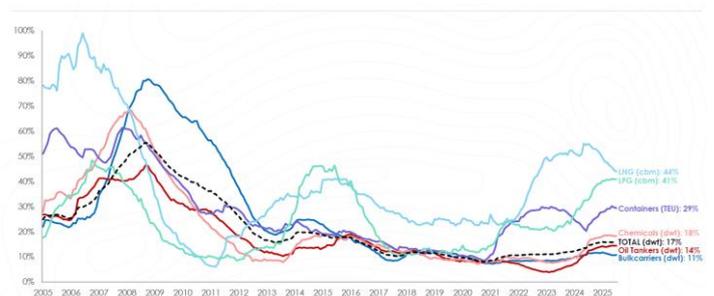
Clarksons projects global ship orders of 49.8m CGT across 1,952 vessels in 2026, implying a ~12% decline versus 2025 and ~19% below the five-year average. While LNG carriers may remain relatively resilient, other segments are likely to see order pressure. Overall, shipyards retain strong backlog visibility, but fresh order intake is likely to slow as the cycle matures.

Fig 8: New shipbuilding orders are at decade high



Source: Maybank IBG Research, Clarkson

Fig 9: Supply backdrop: orderbook as a % of fleet capacity



Source: Maybank IBG Research, Clarkson

Fig 10: Ship newbuilding prices have started to come off - management indicates 5-10% decline in prices in 2025-26 per year from 2024 peak

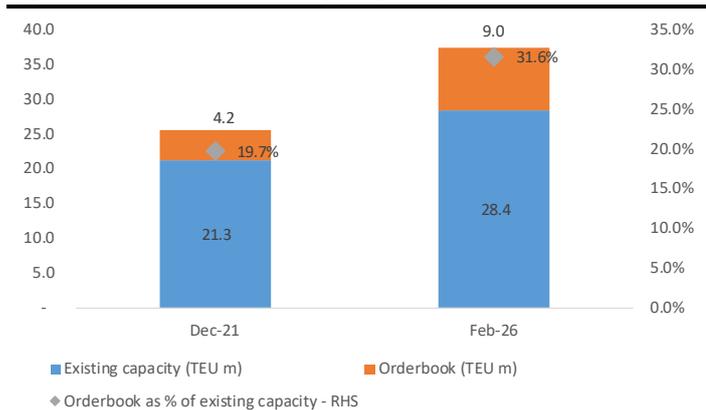


Source: Maybank IBG Research, Clarksons

Global containership overcapacity has reached record levels, raising concerns about future newbuilding demand

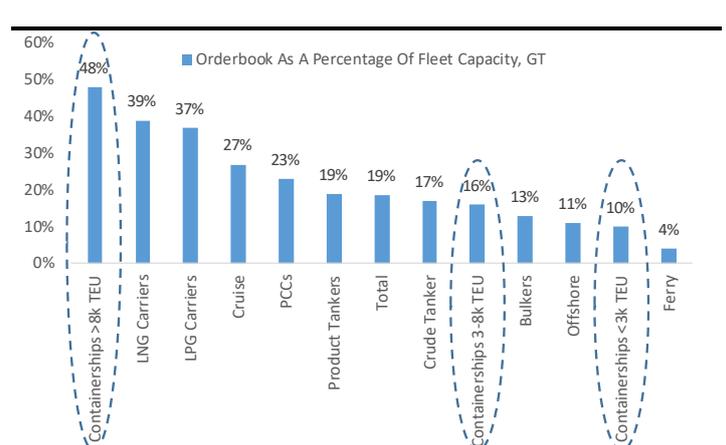
As per Linerlytica estimates, the global containership orderbook stands at 10.4m TEU, equivalent to 31.7% of the existing fleet, the highest ratio since 2010. Other data providers such as Clarksons and Alphaliner report similar levels at around 9.8-9.9m TEU. More than 1m TEU of vessels remain scheduled for delivery by the end of 2025. Historically, comparable orderbook ratios during 2004-2009 resulted in a prolonged supply overhang that took nearly a decade to absorb, suggesting the current imbalance could persist for several years. As per Alphaliner, since December 2021, the total fleet capacity of the top-10 global shipping companies has already increased by 33%. Additionally, the orderbook remains high at 32% of existing capacities, vs 20% in Dec'21.

Fig 11: Top 10 container shipping companies' fleet/orderbook



Source: Maybank IBG Research, Alphaliner

Fig 12: Orderbook as a percentage of fleet capacity (GT)



Source: Maybank IBG Research, Clarksons

The scale of fleet growth has significantly outpaced demand growth, exacerbating the supply-demand mismatch. Xeneta data shows the global container fleet index rising from 100 in 2019 to 145, while demand increased only to 113 over the same period. Even after adjusting for longer sailing routes around the Cape of Good Hope, demand reaches only 130, still well below supply growth. A potential reopening of the Red Sea and Suez Canal could release an additional 6-8% of effective capacity, further worsening overcapacity. As such, major shipbuilding companies have raised concerns that the current industry overcapacity is weighing on their profitability.

Fig 13: Excerpts from Maersk 2026 guidance

Financial guidance

- Guidance is based on the expectation that global container volume growth will be between 2% and 4% in 2026 and that A.P. Moller – Maersk will grow in line with the market.
- The ranges reflect the expected overcapacity in the shipping industry and scenarios of a gradual Red Sea reopening in 2026.
- The underlying EBIT guidance also includes the impact of a change in estimated useful lives of vessels from 20 to 25 years effective 1 January 2026, with an estimated impact of around USD700m in reduced depreciation in 2026.

Source: Maybank IBG Research, Maersk

Fig 14: Excerpts from Ocean Network Express (ONE) FY2025 3rd quarter results presentation

Outline

Persistent increase in supply and slow cargo movement, particularly on Asia-North America trade, led to a year-on-year decline in short term freight rates. As a result, 3Q recorded a loss of US\$ 88 million.

- Cargo movement in the Asia–North America trade slowed due to front loading in the first half. Cargo movement in the Asia–Europe routes initially stagnated but showed a gradual recovery later.
- The continued delivery of new built vessels led to an increase of the market supply, resulting in a looser supply-demand balance.
- Short-term freight rates remained lower than the same period last year

Source: Maybank IBG Research, Ocean Network Express (ONE)

For shipbuilders, the current overcapacity implies that new ordering activity may slow despite historically high orderbooks. While contracting has remained elevated in recent years, yards are already booked with deliveries extending several years out. As carriers focus on absorbing incoming capacity and managing utilization, appetite for additional newbuilds is likely to diminish. With excess supply projected to persist through the end of the decade, the industry may enter a digestion phase where fewer fresh orders are placed, potentially leading to softer pricing, longer gaps between contracts, and a more challenging environment once existing backlogs are worked down.

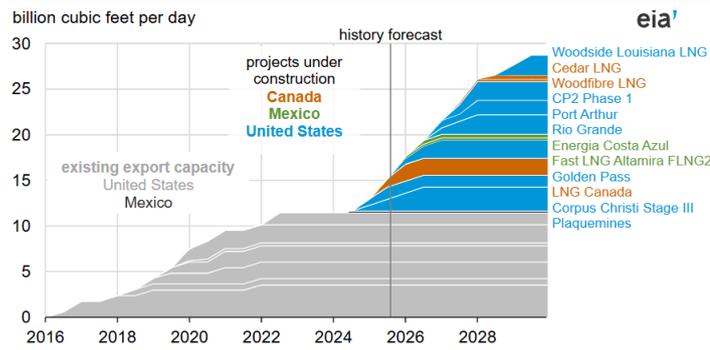
LNG carrier market is strong but Chinese shipyards are unlikely to reap the full benefits owing to geopolitics

The LNG carrier market appears to be moving through a cyclical trough toward stronger growth from 2026. Freight rates weakened in 2025 as around 150 vessels were delivered across 2024-25, while shorter trade routes and vessel lay-ups added pressure. However, the medium-term outlook remains constructive, supported by rising liquefaction capacity—led by the US, which is expected to account for roughly 65% of incremental global LNG supply over the next five years—and continued European gas diversification. LNG seaborne trade is forecast to grow at a 4-5% CAGR over 2026-29.

From 2026, policy and regulatory catalysts should reinforce demand. The resumption of US LNG export approvals, combined with tighter IMO rules, is likely to accelerate project FIDs, scrapping of older steam-turbine vessels, and a new ordering cycle. With 2028 delivery slots largely filled, ordering activity and newbuild pricing should firm.

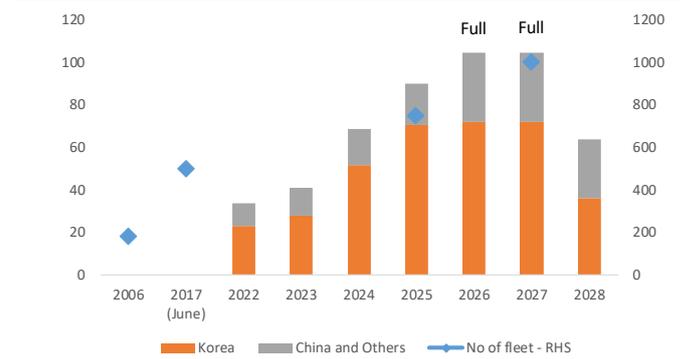
Robust LNG demand: South Korean shipbuilders benefit more than Chinese yards. Korean shipbuilders dominate LNG carrier construction, with around 90% of the global fleet built and roughly 70% of the current backlog, while Chinese yards face greater geopolitical and regulatory constraints.

Fig 15: EIA: North America’s LNG export capacity could more than double by 2029



Source: Maybank IBG Research, EIA

Fig 16: Order activity has been constrained by limited LNG carrier newbuilding capacity for the Korean shipyards

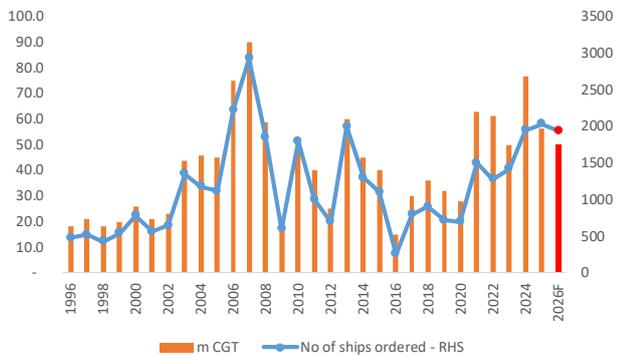


Source: Maybank IBG Research, Clarkson, Riviera

3. Order momentum peaking as pricing, FX and mix turn less supportive

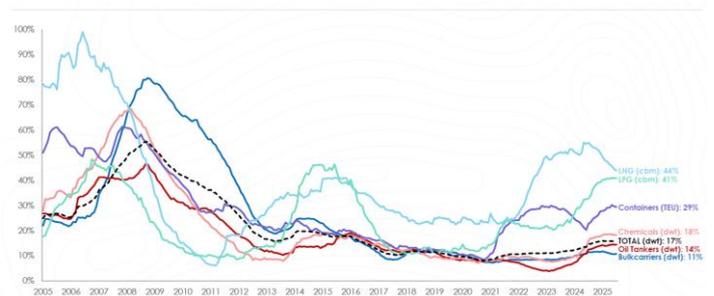
Cycle nearing peak. The global shipbuilding cycle appears to be peaking, with demand transitioning from expansion to replacement-driven orders. While Yangzijiang’s orderbook remains robust at ~USD22.4b, providing visibility through 2029-30, underlying end-market demand—particularly in container shipping—is softening. Industry data points to overcapacity, with the global containership orderbook at ~30%+ of the fleet and fleet growth materially outpacing demand. Management also noted that customers are becoming more cautious, with longer decision cycles and reduced appetite for fleet expansion.

Fig 17: New shipbuilding orders are at a decade high



Source: Maybank IBG Research, Clarkson

Fig 18: Supply backdrop: orderbook as a % of fleet capacity



Source: Maybank IBG Research, Clarkson

Prices and FX headwinds. Newbuilding prices have already corrected by 5-10% from the 2024 peak as of 2025 and are expected to decline further into 2026, reflecting easing demand and increasing yard capacity. This normalization is compounded by FX headwinds, with the USD:CNY exchange rate expected to move from ~7.1-7.2 in 2025 to ~6.8 in 2026, pressuring margins and forward revenue bookings. Additionally, competitive intensity is rising, particularly from reactivated smaller Chinese yards and aggressive players like Hengli, which is further contributing to pricing pressure across vessel categories.

Order wins likely capped. Yangzijiang’s order wins declined to a 5-year low of USD2.5b in FY25, primarily due to a lack of near-term delivery slots and softer market momentum. While management is guiding for USD4.5b of orders in FY26, this target is capacity-driven rather than demand-led. Given

the supply-demand imbalance, elevated orderbooks across the industry, and more conservative customer behaviour, we see limited scope for meaningful upside beyond this range, suggesting that order intake is more likely to stabilize than to reaccelerate.

FX headwinds. With the USD:CNY exchange rate expected to move from -7.1-7.2 in 2025 to -6.8 in 2026, pressuring margins and forward revenue bookings.

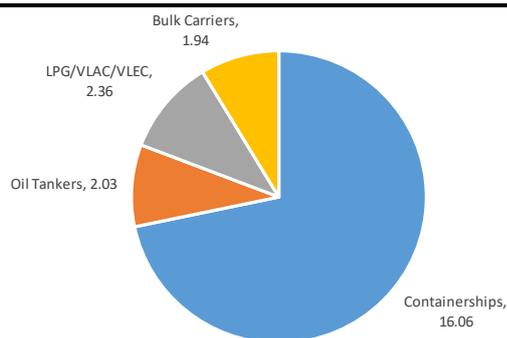
Fig 19: Order book and order win expectation



Source: Maybank IBG Research, Company

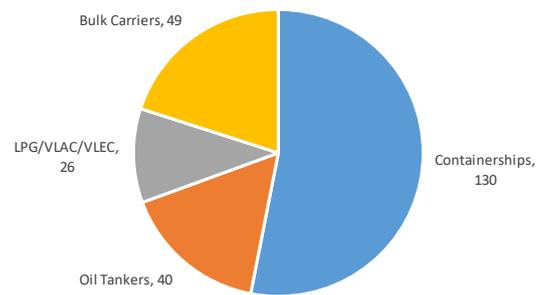
Limited Middle East upside. Geopolitics introduces selective tailwinds but offers limited direct benefit to Yangzijiang’s core segments. A prolonged Middle East conflict could support demand for oil tankers, chemical carriers, and gas-related vessels (LNG/LPG/VLAC/VLEC) amid ongoing supply chain reconfiguration and energy security concerns. However, Yangzijiang’s orderbook remains heavily skewed towards containerships, where demand is more cyclical and vulnerable to global trade normalization, including a potential Suez Canal reopening, thereby limiting the overall positive spill over.

Fig 20: Outstanding oderbook split by vessel types (USD b)



Source: Maybank IBG Research, Company

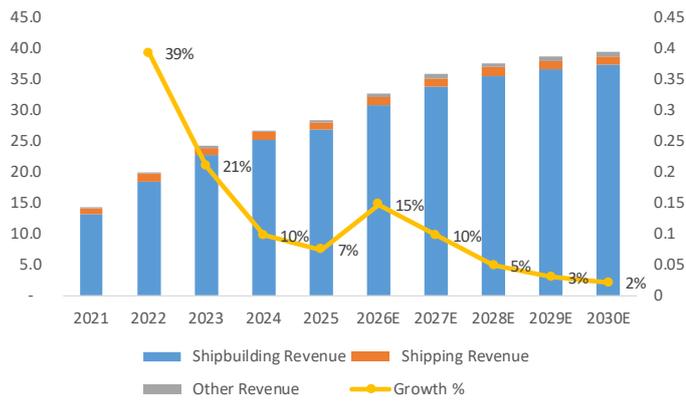
Fig 21: Outstanding oderbook split by vessel types (# of vessels)



Source: Maybank IBG Research, Company

Revenue growth set to normalise. Factoring in softer order momentum, declining newbuild prices, and rising competition, we expect Yangzijiang’s revenue growth to moderate meaningfully. After delivering a strong ~19% CAGR over 2021-25, supported by peak pricing and robust order inflows, growth is likely to normalise. We forecast a more modest ~7% CAGR over 2025-30, as revenues become increasingly underpinned by backlog execution rather than fresh order acceleration, with growth gradually tapering towards the end of the decade.

Fig 22: Expect revenue momentum to slow in line with slowdown in order wins

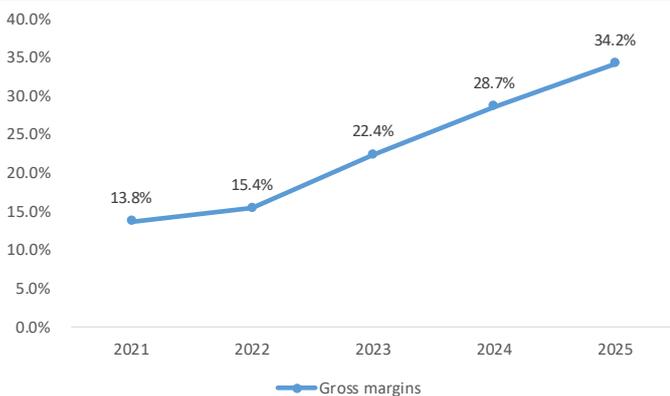


Source: Maybank IBG Research, Company

4. Margins likely peaked and potentially normalise medium term

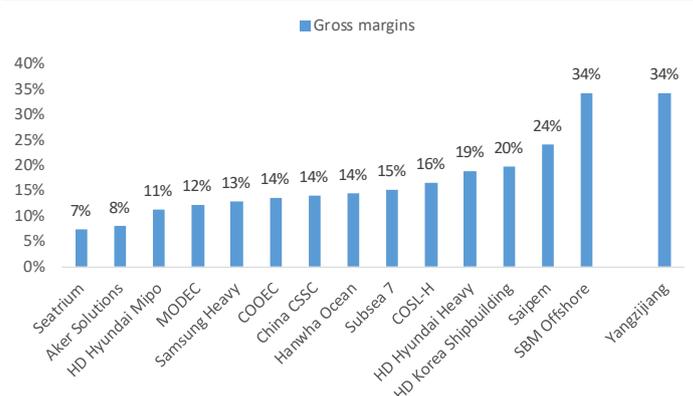
Yangzijiang has been one of the largest beneficiaries of the recent shipbuilding cycle. Gross margins expanded sharply from around 14% in FY21 to 34% in FY25, driven by strong vessel demand, elevated newbuild prices, and favourable raw material costs. This places Yangzijiang among the highest-margin shipbuilders globally, significantly ahead of most Asian peers, whose margins typically range between 11-20%. The margin expansion reflects Yangzijiang’s disciplined order selection, efficient yard utilization, and strong execution record. However, management acknowledges that the current profitability represents an unusually strong phase of the cycle rather than a structural shift in shipbuilding economics.

Fig 23: Yangzijiang’s gross margin trajectory



Source: Maybank IBG Research, Company

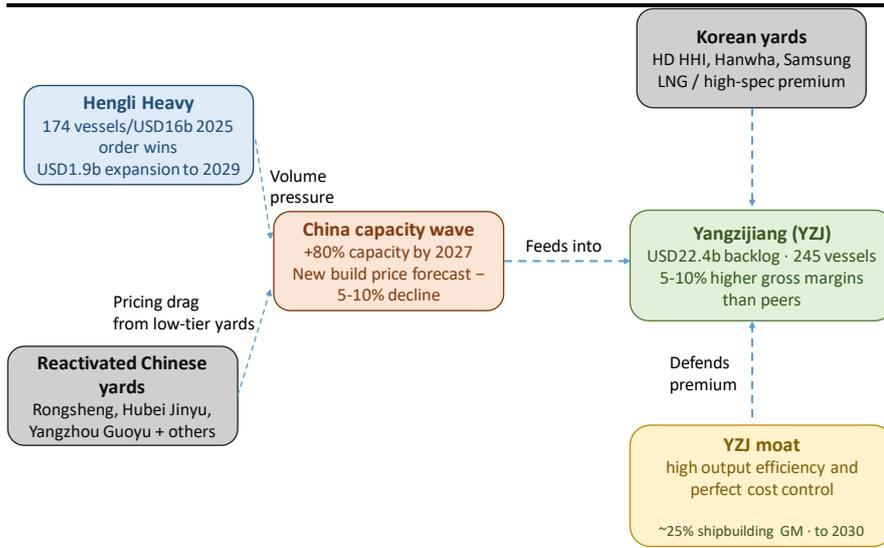
Fig 24: Yangzijiang’s gross margins relative to global peers



Source: Maybank IBG Research, Company, Bloomberg

Competitive dynamics are expected to gradually moderate margins. A key factor is Hengli’s more aggressive order-taking, as it has recently secured significantly more wins than Yangzijiang and is expanding capacity in selected vessel categories. While management notes that ~80% of Hengli’s customer base differs from Yangzijiang’s, Hengli’s willingness to chase volume still contributes to broader pricing pressure in the market. At the same time, smaller reactivated Chinese yards are adding additional capacity. Yangzijiang’s view is that many of these players can fabricate steel but may struggle to deliver ships on time, which should preserve Yangzijiang’s premium positioning, though not fully insulate it from softer industry pricing.

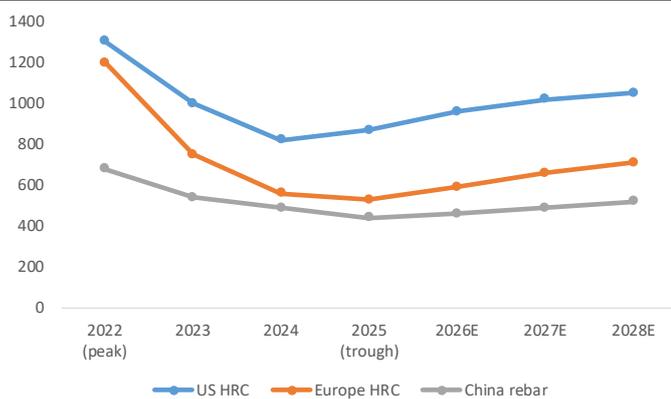
Fig 25: Yangzijiang - competitive landscape map



Source: Maybank IBG Research

Newbuild price declines point to margin normalization. Another key factor supporting this trend is the decline in newbuilding prices from the 2024 peak. Management explicitly stated that 2024 marked the peak for vessel pricing, with new contract prices already down 5-10% in 2025 and expected to soften further in 2026. The drivers are clear: demand is becoming more conservative, with customers focused more on vessel replacement than fleet expansion, while industry supply is increasing as more yards – including smaller recently reactivated Chinese yards – compete for orders. Meanwhile, key input costs such as steel prices remain relatively stable but are expected to recover according to various projections, reducing the margin tailwind that benefited earlier contracts.

Fig 26: Steel price trends - decline is contained (USD)



Source: Maybank IBG Research, Company, Bloomberg

Given the long construction cycle in shipbuilding, the impact of lower pricing is expected to appear mainly in 2028-2029 deliveries, when projects contracted at lower prices begin to be recognized in revenue. While margins in 2026-2027 should remain strong due to the high-priced backlog secured during the peak cycle, management expects profitability to eventually normalise closer to the industry’s historical 15-20% gross margin range over the longer term.

Fig 27: Yangzijiang's margins trajectory


Source: Maybank IBG Research, Company

5. Capital management - likely capped after a 2025 dividend hike

Vertical integration - strategic stake in Seaspn. The recent USD825m investment by Yangzijiang in Seaspn Corporation (Unlisted) (via a ~10% stake in Poseidon Corp) appears strategically driven and could strengthen the company's long-term positioning. The investment deepens ties with one of Yangzijiang's largest and longstanding customers, potentially improving visibility on future orders and better aligning vessel demand with yard planning. Management also sees benefits in terms of closer market intelligence and collaboration across the shipbuilding value chain. Financially, the USD825m investment is funded from surplus cash and is expected to be modestly accretive to EPS by 2-3%. While somewhat unconventional for a shipyard, the investment could offer strategic flexibility alongside financial returns.

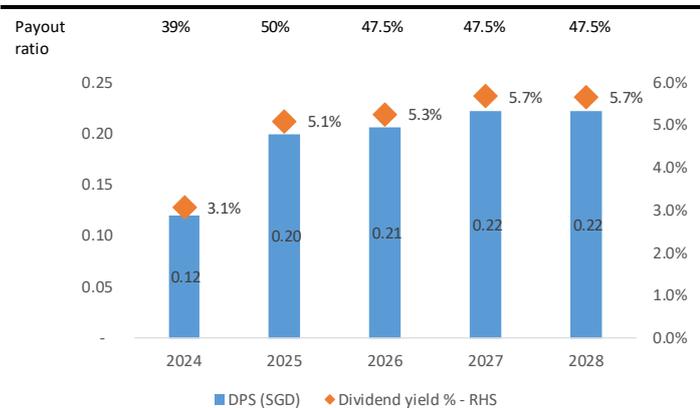
Attractive yield post payout increase, but further upside unlikely

Yangzijiang has recently adopted a more generous dividend stance, supported by strong earnings visibility over 2026-2028. The FY2025 dividend was raised from SGD 12 cents to 20 cents per share, implying a 50% payout ratio, which is at the upper end of management's newly stated range of 30-50%. At current share prices, this translates into an attractive dividend yield of 5-6% relative to regional shipbuilding peers. Management has indicated a willingness to maintain payouts toward the higher end of the range as long as profitability remains robust, reflecting confidence in the near-term earnings outlook backed by a strong order book and favourable project execution.

That said, further upside to dividends appears limited given the company's prudent capital management philosophy. Yangzijiang continues to prioritize maintaining a net cash balance sheet to navigate the inherently cyclical shipbuilding industry. In addition, capital deployment remains focused on strategic investments, including the USD825m stake in Seaspn's holding company, Poseidon, as well as approximately RMB5b in capex for yard expansion and the LNG terminal project. With most of the remaining capex expected to be spent in 2026, management is likely to maintain financial

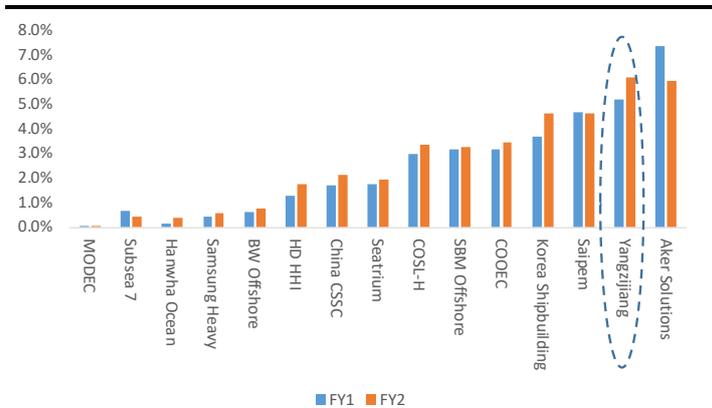
flexibility rather than significantly increasing payouts beyond the current policy range.

Fig 28: Yangzijiang's dividend yield and payout ratio



Source: Maybank IBG Research

Fig 29: Yangzijiang's dividend yield relative to the global peers

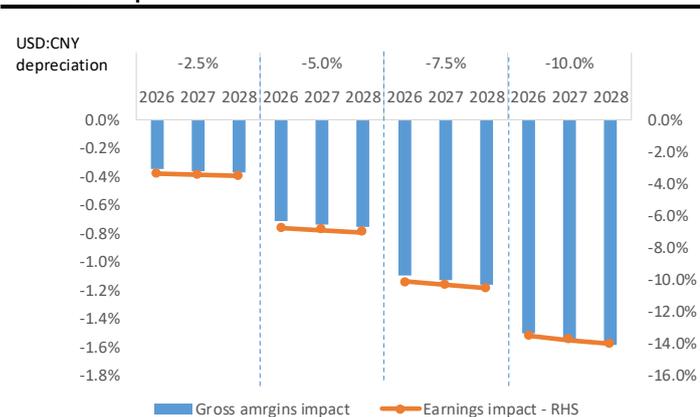


Source: Maybank IBG Research, Bloomberg

5.1 USD weakness: creates margins and earnings headwind

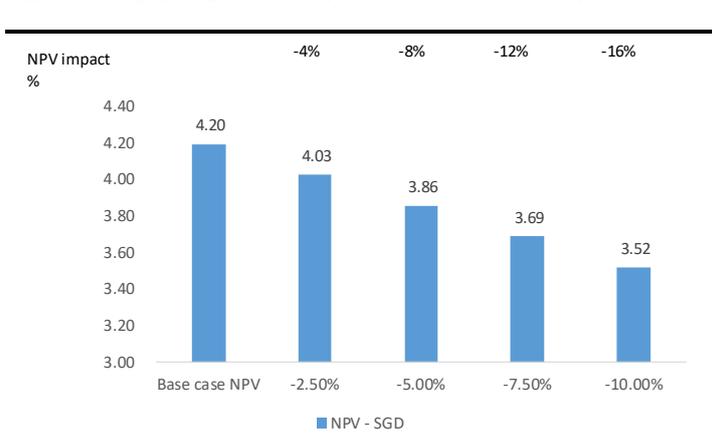
Yangzijiang is highly sensitive to a USD weakness given that almost 100% of its revenues are USD-linked, while 70-80% of costs are RMB-denominated. A stronger RMB therefore compresses margins and earnings. Management expects the USD:CNY exchange rate to move from -7.1-7.2 in 2025 to -6.8 in 2026, implying continued near-term pressure. Our sensitivity analysis suggests a 5-10% USD depreciation could reduce earnings by -7-14% and NPV by -8-16%, with gross margins declining by about -70-150bps. While short-term hedging offers some mitigation, FX remains the key variable affecting profitability.

Fig 30: Yangzijiang gross margins and earnings impact of USD:CNY depreciation



Source: Maybank IBG Research

Fig 31: Yangzijiang's NPV impact from USD:CNY depreciation



Source: Maybank IBG Research, Bloomberg

6. Initiate Yangzijiang with HOLD and TP of SGD4.15

We value Yangzijiang using a DCF methodology, deriving a target price of SGD4.15. Our valuation assumes a WACC of 9%, reflecting the company's cyclical shipbuilding exposure. The terminal growth assumption of 1% reflects that current shipbuilding activity and margins are near the peak of the cycle.

Fig 32: Yangzijiang DCF

Metric	2026E	2027E	2028E	2029E	2030E
EBIT	11,146	11,662	11,463	11,393	11,201
Tax on EBIT (NOPAT)	(2,319)	(2,485)	(2,500)	(2,542)	(2,555)
NOPAT	8,827	9,177	8,963	8,851	8,646
+ D&A	602	602	684	766	846
- Capex	(1,913)	(1,913)	(2,027)	(2,088)	(2,111)
- Change in Working Capital	(30)	(159)	(1,031)	(1,937)	(2,001)
FCFF (Unlevered Free Cash Flow)	7,486	7,706	6,589	5,593	5,381
STEP 2: DISCOUNT FACTORS					
WACC	9.0%				
Period (mid-year convention)	0.5	1.5	2.5	3.5	4.5
Discount Factor	0.96	0.88	0.81	0.74	0.68
PV of FCFF	7,168	6,768	5,306	4,130	3,644
STEP 3: TERMINAL VALUE					
Terminal Year FCFF (RMB m)	5,381				
Terminal Growth Rate (g)	1.0%				
WACC	9.0%				
Terminal Value (Gordon Growth)	67,099				
PV of Terminal Value	43,518				
STEP 4: ENTERPRISE & EQUITY VALUE					
Sum of PV of FCFF (RMB m)	27,017				
PV of Terminal Value (RMB m)	43,518				
Enterprise Value (RMB m)	70,535				
(-) Net Debt / (+) Net Cash (RMB m)	18,301				
Equity Value (RMB m)	88,836				
Shares Outstanding (m)	3,940				
Intrinsic Value per Share (RMB)	22.5				
RMB/SGD Exchange Rate	5.44				
Intrinsic Value per Share (SGD)	S\$4.15				
Current Share Price (SGD)	3.91				
Upside / (Downside) %	6.0%				

Source: Maybank IBG Research, Company

Initiating with HOLD – cycle appears to be past peak. We initiate coverage on Yangzijiang with HOLD, as the industry appears to be moving past the peak of the cycle. Container ship orderbooks are already very elevated at around 10.4m TEU, or 31.7% of the existing fleet – the highest since 2010 – pointing to a prolonged digestion phase. Against this backdrop, management has indicated that newbuilding prices are down 5-10% from the 2024 peak, suggesting that while near-term earnings remain supported by backlog, fresh order economics are becoming less attractive.

Middle East risk cuts both ways – downside in either scenario. Demand risks also look skewed to the downside. If the Middle East conflict drags on, the risk is a broader global slowdown that could weigh on fleet expansion plans and defer new orders. If tensions ease quickly, a return to Suez/Red Sea normalization could release about 6% of global fleet capacity back into the market, reducing TEU-mile demand and worsening overcapacity. In other words, either a prolonged conflict or a rapid normalization carries downside risk for shipbuilding demand, albeit through different channels.

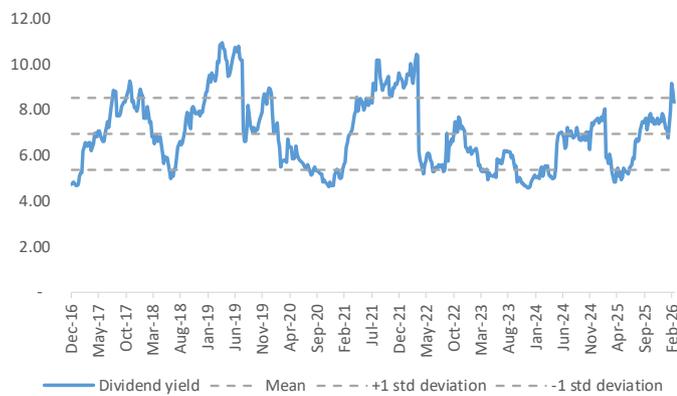
Intensifying domestic competition set to cap pricing power. Competition within China is becoming more intense and should cap pricing power over time. Hengli has emerged as the clearest challenger, reportedly securing 174 vessels worth about USD16.0b between Feb'25 and Feb'26, while also pursuing significant capacity expansion. At the same time, reactivated private yards are adding supply and competing more aggressively for

contracts. Even if Yangzijiang’s customer base is somewhat differentiated and its execution quality remains superior, rising domestic competition is likely to exert broader pressure on newbuild pricing and margins.

Margins and FX add further reason for caution. Yangzijiang’s gross margin has surged from roughly 14% in 2021 to 34% in FY25, but management has said that 30%+ margins are “extremely high” and should normalize towards a more typical 15-20% range over time. This is especially relevant as lower-priced contracts begin to flow into 2028-2029 deliveries. In addition, almost 100% of revenue is USD-linked while only 20-30% of costs are USD-linked, leaving earnings exposed to RMB strength; our sensitivity analysis suggests a 5-10% USD depreciation could cut earnings by about 7-14%.

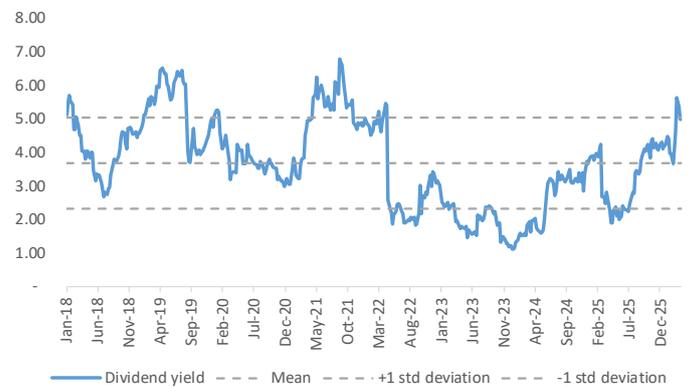
Valuation and yield provides downside support. Relative to its history, Yangzijiang is trading at -1 std deviation above long term mean but relative to its peers it is at a significant discount. Plus its defensible 5-6% dividend yield provides a strong downside support.

Fig 33: Yangzijiang PE band



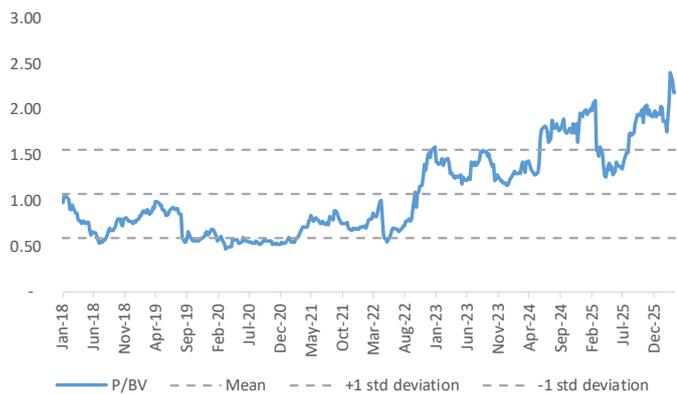
Source: Maybank IBG Research, Company

Fig 34: Yangzijiang EV/EBITDA band



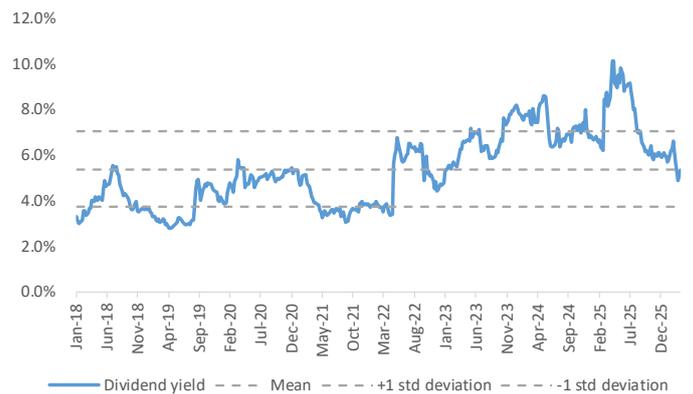
Source: Maybank IBG Research, Company, Bloomberg

Fig 35: Yangzijiang P/BV band



Source: Maybank IBG Research, Company

Fig 36: Yangzijiang dividend yield band



Source: Maybank IBG Research, Company, Bloomberg

Fig 37: Shipbuilding valuation comps

Company	BBG Code	MBIG Rec	Price (LC)	MBIG TP (LC)	Mcap USDm	P/E (x)		Earnings CAGR (2025-28E)	EV /EBITDA (x)		ROE		P/BV		Dividend Yield (%)	
						FY1	FY2		FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2
Singapore																
Seatrium	STM SP	Buy	2.33	3.15	6,163	16.3	13.3	27%	8.0	6.5	6.8%	7.9%	1.1	1.0	2.1%	3.0%
YZJ	YZJSGD SP	Hold	3.91	4.15	12,030	8.7	8.3	5%	5.2	4.7	27.5%	24.9%	2.2	1.9	5.5%	5.7%
Marcopolo Marine	MPM SP	Buy	0.14	0.20	422	13.8	12.5	20%	9.1	8.1	14.5%	14.6%	1.9	1.7	0.7%	0.7%
China																
COSL-H	2883 HK		9.56		9,262	8.7	8.1	274%	4.3	3.7	9.3%	9.4%	0.8	0.7	3.3%	3.5%
COOEC	600583 CH		6.52		4,179	11.3	10.5	7%			8.8%	8.8%	1.0	0.9	3.4%	3.7%
China CSSC	600150 CH		31.85		34,750	22.2	13.6	49%	14.2	7.5	15.5%	18.6%	1.7	2.1	1.9%	2.3%
North Asia																
MODEC	6269 JP		15200		6,538	17.0	16.1	6%	14.1	12.8	24.3%	21.7%	3.8	3.2	0.0%	0.0%
HD Hyundai Heavy	329180 KS		523000		36,632	20.6	16.7	19%	14.0	11.0	27.6%	26.9%	4.9	4.0	1.5%	2.0%
HD Korea Shipbuilding	009540 KS		383000		18,088	8.2	6.8	24%	3.9	2.8	23.4%	23.8%	1.7	1.5	4.0%	5.1%
Hanwha Ocean	042660 KS		126800		25,948	28.2	22.5	24%	20.9	16.6	20.9%	20.8%	5.3	4.3	0.2%	0.4%
Samsung Heavy	010140 KS		27000		15,855	18.7	14.8	41%	12.9	9.7	25.2%	24.8%	4.1	3.2	0.4%	0.6%
Europe																
Saipem	SPM IM		3.6		8,239	14.1	11.7	20%	3.6	3.3	18.9%	20.7%	2.5	2.2	4.5%	4.4%
BW Offshore	BWO NO		51.6		981	7.5	5.5	30%	1.2	1.7	10.9%	13.2%	0.8	0.7	0.6%	0.7%
SBM Offshore	SBMO NA		35.0		6,964	8.7	9.7	6%	7.9	8.5	28.4%	21.1%	2.0	1.8	3.2%	3.3%
Subsea 7	SUBC NO		271.0		8,342	12.6	11.9	15%	5.0	4.6	14.8%	15.1%	1.9	1.7	0.6%	0.4%
Aker Solutions	AKSO NO		43.6		2,207	8.6	12.6	-17%	4.6	5.8	21.4%	13.6%	1.8	1.7	8.1%	5.6%

Source: Maybank IBG Research, Company, Bloomberg

7. Risks

Downside risks

Margins face structural normalization risk, with current ~30% levels likely reverting towards 15-20% over time. This is compounded by declining newbuild prices (down 5-10% from the 2024 peak), rising competition from yards like Hengli, and increasing global capacity, which could pressure pricing and order intake.

Macroeconomic and FX risks remain significant. A stronger RMB against the USD could compress margins meaningfully given the cost-revenue mismatch. Additionally, a prolonged Middle East conflict could trigger a global slowdown, dampening shipping demand, delaying new orders, and exacerbating industry overcapacity going into 2027-2029.

Upside risks

Near-term earnings could remain stronger for longer, supported by the execution of high-priced backlog secured during the 2023-2024 peak cycle. Stable or lower steel prices, coupled with efficient delivery execution, could sustain margins above normalized levels through 2026-2027.

Geopolitical disruptions could also support demand by driving higher tonne-mile requirements and fleet replacement needs. If smaller yards face execution issues or delays, Yangzijiang could benefit from order reallocation, reinforcing its premium positioning and supporting margins as well as order visibility.

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Risk Rating & Score ¹	
Score Momentum ²	-0.0/+0.0
Last Updated	na
Controversy Score ³	na

Business Model & Industry Drivers

- As of Nov'25, the Group holds a record order book of USD22.8b, with 71% of this value comprising of "green vessels"(LNG, Methanol, and LPG dual-fuel), insulating it from the decline of traditional dirty tonnage.
- While shipbuilding generates the vast majority of revenue, the Group operates a shipping segment that provides recurring charter income, acting as a critical counter-cyclical buffer when new order flows slow down.
- The primary external drivers are Energy Security (driving LNG carrier demand) and Decarbonization Regulations (IMO 2030/2050). These are counterbalanced by geopolitical friction, specifically US-China trade tensions that threaten to impose tariffs or port restrictions on Chinese-built bottoms.
- Overall, as China's largest private shipbuilder operating a high-efficiency "Pure Play" model, Yangzijiang consistently delivers 25-28% gross margins, superior to state-owned peers by minimizing overheads, utilizing a flexible labour structure, and executing faster vessel turnaround times.

Material E factors

- YZJ faces tightening transition risk, with 74% of its outstanding order book now linked to clean-energy vessels, up from 58% in 2023.
- Its operations remain resource-intensive, with 2024 energy consumption of 1.39m GJ and water use of 4.16m tonnes across shipyard operations.
- Environmental management is becoming more important as shipbuilding also generates hazardous waste streams such as paint sludge, chemical residues and waste oils.
- In response, YZJ raised clean-technology R&D allocation to 44.4% of total 2024 R&D spend, versus 17.5% in 2023.
- Green shipyard initiatives also advanced, with solar generation up 16.1% in 2024 and 47.4MWh of energy storage under construction.

Material S issues

- Shipbuilding remains labour- and safety-intensive, with 47 employee injuries and 86 subcontractor injuries recorded in 2024.
- YZJ's safety focus remained firm, achieving 100% safety training coverage and maintaining zero workplace fatalities for a second year.
- Workforce development remains a priority, with employees averaging 43 training hours and subcontractors 56 hours during 2024.
- Diversity remains a work in progress, with women accounting for 19.5% of employees, 20% of board seats, and no senior management roles.
- Social initiatives also include annual medical check-ups, employee assistance programmes, and RMB430,000 of donations alongside 2,016 volunteer hours.

Key G metrics and issues

- As of late 2024, 60% of the company's board members are independent directors, ensuring a strong level of external oversight and accountability.
- Every director has completed mandatory sustainability training prescribed by the Singapore Exchange to align the Group with evolving regulatory standards and practices.
- The company achieved 100% participation in business ethics training for all employees and subcontractors, covering anti-corruption, data privacy, and fair competition protocols.
- An ESG Committee, established in 2022 and chaired by the CEO, oversees sustainability targets while providing formal reporting to the Board twice annually.
- The Group maintains gender diversity within its leadership structure, with female representation on the Board of Directors standing at 20% for the year 2024.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range from 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

FYE 31 Dec	FY24A	FY25A	FY26E	FY27E	FY28E
Key Metrics					
P/E (reported) (x)	7.1	7.0	8.5	8.1	8.2
Core P/E (x)	9.5	8.6	8.5	8.1	8.2
P/BV (x)	6.3	2.3	2.2	1.9	1.7
P/NTA (x)	2.4	2.3	2.2	1.9	1.7
Net dividend yield (%)	4.1	5.7	5.6	5.9	5.8
FCF yield (%)	18.8	3.4	8.5	8.5	7.2
EV/EBITDA (x)	5.5	6.3	6.7	6.2	6.1
EV/EBIT (x)	5.9	6.6	7.1	6.6	6.6

INCOME STATEMENT (CNY m)

Revenue	26,541.7	28,504.8	32,696.6	35,873.9	37,609.4
EBITDA	7,607.6	9,570.7	10,391.6	10,730.4	10,565.5
Depreciation	(460.9)	(530.0)	(602.0)	(684.1)	(766.4)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	7,146.7	9,040.7	9,789.6	10,046.3	9,799.1
Net interest income / (exp)	616.4	735.1	644.9	656.6	736.6
Associates & JV	559.0	860.9	1,356.7	1,615.3	1,663.8
Exceptionals	(138.7)	40.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	8,183.4	10,676.6	11,791.2	12,318.2	12,199.4
Income tax	(1,549.1)	(2,044.7)	(2,171.3)	(2,280.6)	(2,297.7)
Minorities	(0.6)	5.2	5.9	6.5	6.8
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	6,633.6	8,637.1	9,625.9	10,044.1	9,908.6
Core net profit	6,633.6	8,637.1	9,625.9	10,044.1	9,908.6

BALANCE SHEET (CNY m)

Cash & Short Term Investments	28,119.7	20,075.7	17,662.8	20,824.6	22,778.0
Accounts receivable	6,270.2	7,923.1	9,760.4	10,780.6	12,242.4
Inventory	1,876.4	3,557.9	4,382.9	4,808.8	5,041.5
Reinsurance assets	5,843.1	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	7,863.4	9,084.5	10,395.7	11,739.0	13,060.4
Intangible assets	21.2	20.8	20.8	20.8	20.8
Investment in Associates & JVs	966.7	2,545.1	3,223.4	4,031.1	4,863.0
Other assets	2,244.0	15,126.8	22,224.6	22,892.7	23,257.6
Total assets	53,204.8	58,333.8	67,670.6	75,097.6	81,263.7
ST interest bearing debt	4,500.0	5,500.0	5,500.0	5,500.0	5,500.0
Accounts payable	4,319.7	3,791.6	4,670.8	5,053.0	5,222.2
Insurance contract liabilities	14,320.2	13,140.2	16,187.4	17,760.4	18,619.6
LT interest bearing debt	2,300.0	0.0	0.0	0.0	0.0
Other liabilities	3,489.0	3,644.0	3,644.0	3,644.0	3,644.0
Total Liabilities	28,928.9	26,076.0	30,002.4	31,957.6	32,986.0
Shareholders Equity	10,068.7	32,141.9	37,552.3	43,024.1	48,161.8
Minority Interest	99.2	115.9	115.9	115.9	115.9
Total shareholder equity	10,167.9	32,257.8	37,668.2	43,140.0	48,277.7
Total liabilities and equity	39,096.8	58,333.8	67,670.6	75,097.6	81,263.7

CASH FLOW (CNY m)

Pretax profit	8,183.4	10,676.6	11,791.2	12,318.2	12,199.4
Depreciation & amortisation	460.9	530.0	602.0	684.1	766.4
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	5,657.8	(4,538.8)	(30.1)	(159.0)	(1,030.9)
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	12,961.1	4,464.6	8,841.0	8,953.8	7,980.3
Capex	(1,056.5)	(1,953.0)	(1,913.2)	(2,027.4)	(2,087.8)
Free cash flow	11,904.6	2,511.6	6,927.8	6,926.4	5,892.5
Dividends paid	(1,345.8)	(2,607.8)	(4,215.5)	(4,572.3)	(4,770.9)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	1,205.4	(1,300.0)	0.0	0.0	0.0
Other invest/financing cash flow	(205.2)	(6,647.8)	(5,125.3)	807.7	831.9
Effect of exch rate changes	0.0	0.0	0.0	0.0	1.0
Net cash flow	11,559.1	(8,044.0)	(2,412.9)	3,161.8	1,954.5

FYE 31 Dec	FY24A	FY25A	FY26E	FY27E	FY28E
Key Ratios					
Growth ratios (%)					
Revenue growth	na	7.4	14.7	9.7	4.8
EBITDA growth	na	25.8	8.6	3.3	(1.5)
EBIT growth	na	26.5	8.3	2.6	(2.5)
Pretax growth	na	30.5	10.4	4.5	(1.0)
Reported net profit growth	na	30.2	11.4	4.3	(1.3)
Core net profit growth	na	30.2	11.4	4.3	(1.3)
Profitability ratios (%)					
EBITDA margin	28.7	33.6	31.8	29.9	28.1
EBIT margin	26.9	31.7	29.9	28.0	26.1
Pretax profit margin	30.8	37.5	36.1	34.3	32.4
Payout ratio	38.6	48.8	47.5	47.5	47.5
DuPont analysis					
Net profit margin (%)	25.0	30.3	29.4	28.0	26.3
Revenue/Assets (x)	0.5	0.5	0.5	0.5	0.5
Assets/Equity (x)	5.3	1.8	1.8	1.7	1.7
ROAE (%)	na	na	na	na	na
ROAA (%)	na	15.5	15.3	14.1	12.7
Liquidity & Efficiency					
Cash conversion cycle	na	63.9	93.1	99.2	107.3
Days receivable outstanding	na	89.6	97.4	103.1	110.2
Days inventory outstanding	na	52.2	64.7	66.4	66.0
Days payables outstanding	na	77.9	69.0	70.2	68.9
Dividend cover (x)	2.6	2.0	2.1	2.1	2.1
Current ratio (x)	1.7	1.8	1.6	1.6	1.7
Leverage & Expense Analysis					
Asset/Liability (x)	1.8	2.2	2.3	2.3	2.5
Net gearing (%) (incl perps)	net cash				
Net gearing (%) (excl. perps)	net cash				
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	0.9	0.6	0.5	0.5	0.5
Capex/revenue (%)	4.0	6.9	5.9	5.7	5.6
Net debt/ (net cash)	(21,319.7)	(14,575.7)	(12,162.8)	(15,324.6)	(17,278.0)

Source: Company; Maybank IBG Research

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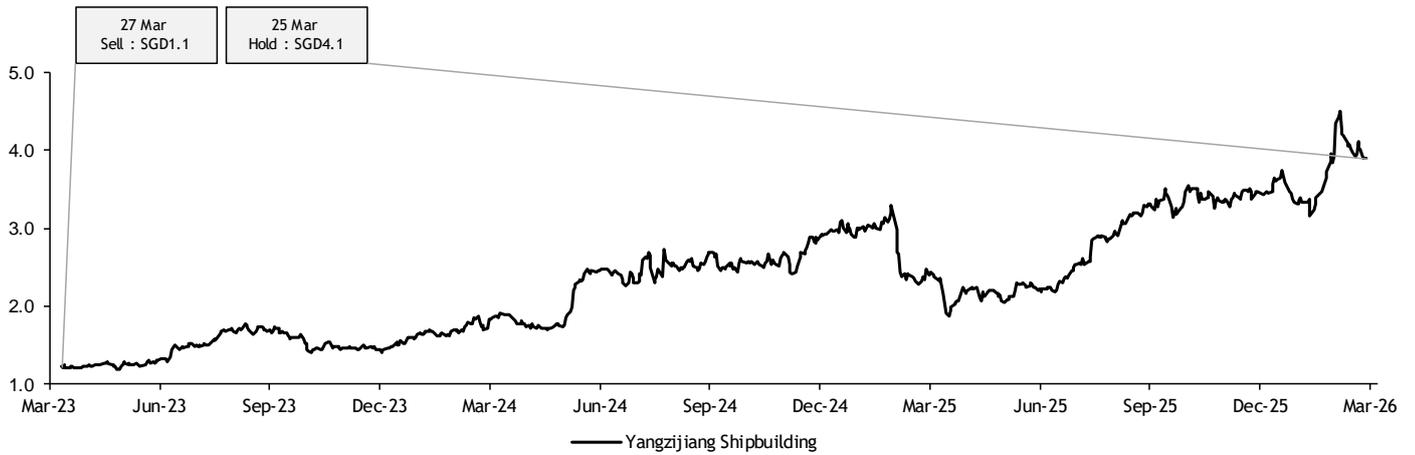
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