Industrials

Singapore

Singapore Industrials

Offshore upcycle vs shipbuilding peak

POSITIVE

Positive, yet selective view; BUY STM/MPM, HOLD YZJ

We initiate coverage with a BUY on Seatrium (TP: SGD3.10) and a HOLD on Yangzijiang (TP: SGD4.15). We favour Seatrium given its >SGD32b pipeline, which supports potential order wins of SGD10-11b pa over FY26-28, alongside improving margins (11% by FY28 vs 3% in FY24) underpinning a 27% FY25-28 EPS CAGR. Geopolitical tensions are also reinforcing energy security, thereby supporting offshore capex. In contrast, YZJ's USD22b orderbook provides visibility, but revenue growth is set to moderate (FY25-30 CAGR 7% vs 19% in FY21-25), with margins normalising from 34% and order wins already at a 5-year low (USD2.5b in FY25), albeit supported by a 5-6% dividend yield. Reiterate BUY on Marco Polo Marine (MPM), supported by charter upcycle, offshore wind vessel demand, fleet expansion, and a strong FY26-30 growth runway.

Seatrium: structural growth with improving quality

Offshore remains one of the lowest-cost sources of new supply (USD37-43/bbl), supporting sustained FPSO demand (40-50 units over 2025-28), while offshore wind is set to grow at a 14-16% CAGR to 2035—both reinforced by geopolitics driving energy security & supply diversification. Seatrium's order wins show a high correlation to oil prices (0.7+), positioning it well in a firmer oil price backdrop. Margins are improving (11.1% by FY28 vs 3.1%/7.4% in FY24/25), driven by legacy roll-offs, a 95% "series-build" mix, >SGD150m pa cost savings, >SGD200m asset divestment by FY28. The strengthened balance sheet (0.8x net leverage) and SGD440m adjusted OCF support further earnings and dividend upside.

YZJ: strong near-term visibility but cycle risks rising

The shipbuilding cycle appears to be moving past its peak—global containership orderbooks are already at 10.4m TEU, or roughly 32% of the fleet, the highest since 2010, while Clarksons expects 2026 global ship orders to decline 12% YoY. Newbuild prices have already fallen 5-10% from the 2024 peak in 2025, and management expects a similar decline in 2026. Competition is also intensifying, particularly from Hengli (Unlisted) and reactivated smaller Chinese yards. Against this backdrop, management said current 34% gross margins are "extremely high" and should normalise closer to peers' 15-20% over time. FX is another headwind, with USD:CNY expected to move from 7.1-7.2 in 2025 to 6.8 in 2026. That said, the downside is partly protected by Yangzijiang's large backlog (USD22.4b), a net cash balance sheet, an attractive valuation, and a 5-6% dividend yield.

MPM: Offshore tailwinds support re-rating, BUY

Beyond charter and offshore wind tailwinds, earnings visibility is strengthened by MPM's 15-year Taiwan government charter, potential additional large shipbuilding wins, and Michael Kum's 5.77% stake increase, reinforcing confidence in a multi-year FY26-30E growth phase.

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Abbreviations in this report

FPSO - Floating production, storage & offloading vessel
EPC - Engineering, Procurement, and Construction
OCF - Operating cash flows
BOT - Build-Operate-Transfer
FID - Final investment decision
FPU - Floating Production Unit
FSRU - Floating Storage and Regasification Units
FSU - Floating Storage Units
LNG - Liquefied Natural Gas
LPG - Liquefied Petroleum Gas
VLAC - Very Large Ammonia Carrier
VLEC - Very Large Ethane Carrier

Series-build: Standardised, repeatable construction of similar vessels to improve efficiency, cost.

Links to initiation reports:

Seatrium - Riding the energy security wave; Initiate BUY (STM SP, CP SGD2.29, TP SGD3.10, Industrials)

Yangzijiang Shipbuilding - Order and margins tide easing from here; Initiate HOLD (YZJSGD SP, SGD3.85, TP SGD4.15, Industrials)

Stock	Bloomberg code	Mkt cap (USD'm)	Rating	Price (LC)	TP (LC)	Upside (%)	P/E (x) 26E	P/E (x) 27E	P/B (x) 26E	P/B (x) 27E	Div yld (%) 26E	Div yld (%) 27E
Yangzijiang	YZJSGD SP	11,912	Hold	3.85	4.15	13	8.5	8.1	2.2	1.9	5.6	5.9
Seatrium	STM SP	6,083	Buy	2.29	3.10	38	16.1	13.0	1.1	1.0	2.2	3.1
Marco Polo Mar.	MPM SP	384	Buy	0.13	0.20	49	14.2	12.1	1.6	1.4	1.1	1.1

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MICA (P) : 099/03/2012

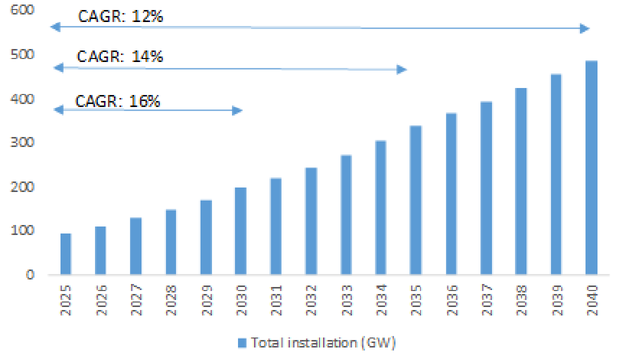
1. Head to Head: Seatrium vs YZJ vs MPM

Offshore energy tailwinds: strong O&G economics and growth of wind power catalyzed by geopolitics
Offshore energy remains a relative bright spot within the broader energy complex. Offshore oil continues to sit low on the global cost curve at USD37-43/bbl, with 70-80% of new supply additions coming from offshore projects. As a result, FPSO demand remains strong, with 40-50 units required over 2025-30. In parallel, we expect offshore wind production capacity to post a 14-16% CAGR, reaching 325-500 GW by 2035. Geopolitical tensions caused by the Iran war further reinforce energy security and supply diversification, supporting both offshore hydrocarbons and renewable investments.

Fig 1: FPSO market outlook

Source: *Maybank IBG Research, SBM Offshore*

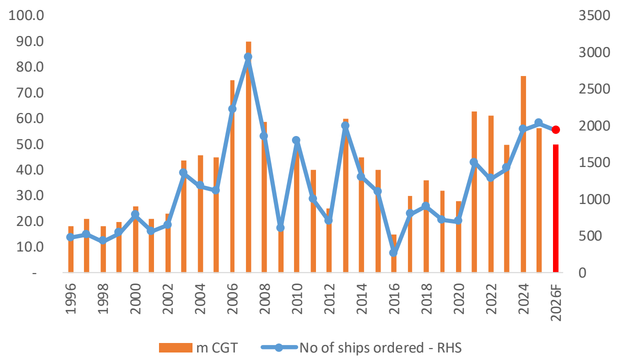
Fig 2: Offshore wind production capacity growth expectations



Source: *Maybank IBG Research, BNEF*

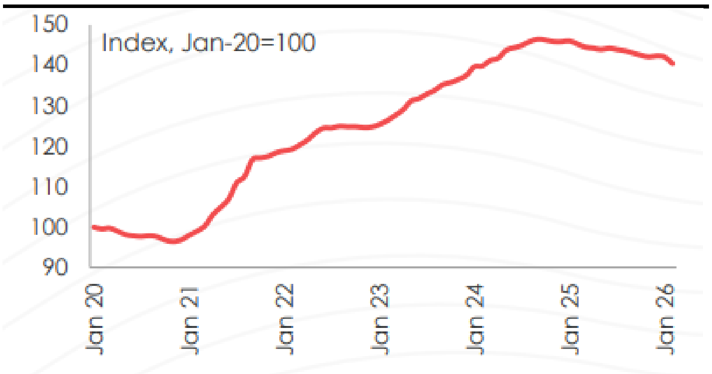
Shipbuilding cycle peaking amid overcapacity and macro uncertainty
Global shipping and shipbuilding are transitioning from "exceptional" to "normal," with clear signs of a peaking cycle. Global ship orders exceeded 2,000 vessels in 2025, while 2026 orders are expected to decline 12% YoY. Containership orderbooks stand at 10.4m TEU (32% of the fleet), indicating overcapacity. Newbuild prices have already declined 5-10% from the 2024 peaks in 2025 and are expected to further fall by a similar amount in 2026. While reopening the Suez Canal could release 6-8% capacity, an extended Middle East conflict may delay this but could risk triggering a broader macro slowdown, weighing on shipping demand.

Fig 3: New ship building orders are at decade high



Source: *Maybank IBG Research, Clarkson*

Fig 4: Ship Newbuilding prices have started to come off



Source: *Maybank IBG Research, Clarkson*

Seatrium: order recovery and margin expansion drive BUY call
We initiate coverage of Seatrium with a BUY (TP: SGD3.10), supported by improving fundamentals and structural demand tailwinds. The company is pursuing a >SGD32b pipeline, with potential order wins of SGD10-11b annually over 2026-28 vs cSGD4b in 2025. Margins are on an upcycle, with

gross margins improving to 7.4% (vs 3.1% in FY24) and potential to trend towards mid-teens project margins. Balance sheet strength (net leverage 0.8x) and improving cash flows (SGD440m adjusted OCF) further support earnings visibility and re-rating potential.

Fig 5: Seatrium operating and financial snapshot

					Growth		
SGD m	**2025**	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Order book	17,841	19,705	20,348	21,111	10.4%	3.3%	3.7%
Order wins	4,855	11,200	10,080	10,483	130.7%	(10.0%)	4.0%
Revenues	11,472	10,621	10,764	11,085	(7.4%)	1.3%	3.0%
Gross Profit	848	997	1,140	1,229	17.6%	14.3%	7.8%
Margins	7.4%	9.4%	10.6%	11.1%			
Net profit	**324**	**483**	**595**	**665**	**49.1%**	**23.3%**	**11.7%**
Margins	**2.8%**	**4.5%**	**5.5%**	**6.0%**			
					Dividend Yield		
DPS (SGD c)	3.00	4.99	7.03	8.83	2.1%	3.0%	3.8%
			Vs. street				
Revenues		1.1%	4.7%	17.5%			
Net profit		-3.7%	-2.3%	8.9%			

Source: Maybank IBG Research, Company

Yangzijiang: peak margins and rising competition |HOLD

We initiate coverage of Yangzijiang with a HOLD (TP: SGD4.15), as the sector appears to be past its peak. Gross margins have expanded from 14% in FY21 to 34% in FY25 but are expected to normalise towards 15–20%. Newbuild prices are down 5–10% from the 2024 peaks, while competition — particularly from Hengli and reactivated Chinese yards — is intensifying. Additionally, USD weakness poses a headwind, with a further 5–10% depreciation potentially reducing earnings by 7–14%, limiting upside despite near-term backlog support.

Fig 6: Snapshot of Yangzijiang's operating statistics and financials

					Growth		
	2025	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Order book (USD m)	22,390	22,419	22,001	21,337	0.1%	(1.9%)	(3.0%)
Order wins (USD m)	2,460	4,500	4,500	4,500	82.9%	0.0%	0.0%
Revenues (RMB m)	28,505	32,697	35,874	37,609	14.7%	9.7%	4.8%
Gross Profit (RMB m)	9,761	10,616	10,953	10,749	8.8%	3.2%	(1.9%)
Margins	34.2%	32.5%	30.5%	28.6%			
Net profit (RMB m)	**8,637**	**9,626**	**10,044**	**9,909**	**11.4%**	**4.3%**	**(1.3%)**
Margins	**30.3%**	**29.4%**	**28.0%**	**26.3%**			
					Dividend Yield		
DPS (SGD c)	20.0	21.3	22.3	22.0	4.9%	5.5%	5.7%
			Vs. street				
Revenues		0.3%	-4.3%	-8.6%			
Net profit		0.0%	-9.9%	-9.4%			

Source: Maybank IBG Research, Company

Marco Polo Marine: Aligned to the offshore cycle |BUY

Maintain BUY with TP SGD0.20, as we see MPM entering a rapid growth phase from FY26E–30E. It should benefit from the charter-rate upcycle, supported by limited new vessel supply, tight bank financing and upcoming offshore windfarm projects. MPM has also secured a SGD198m shipbuilding contract over four years and is targeting another similar-sized win by end-2026. Fleet expansion remains on track with 2 new AHTS, 3 new CTVs and 1 CSOV in 2028. Michael Kum's stake increase to 5.77% at SGD0.13/share on 5 Mar 2026 further supports confidence. Our TP is based on 20x FY26E P/E

2. Prefer offshore marine & engineering over shipbuilding

Offshore O&G: low-cost barrels sustain a visible multi-year upcycle
Offshore oil remains one of the most attractive parts of the energy complex, supported by both competitive economics and supply security needs. Breakevens are still compelling at around USD37/bbl for offshore shelf and USD43/bbl for deepwater, making offshore one of the lowest-cost sources of new supply globally. This is translating into sustained demand for offshore production assets, with industry estimates pointing to 40–50 FPSOs over 2025–30, while SBM Offshore sees 44 FPSO awards in 2026–28. With geopolitics reinforcing the need to diversify supply beyond traditional sources, offshore O&G remains a bright spot for marine engineering demand.

Offshore wind: volatility has risen, but structural growth remains intact
Offshore wind has faced a more uneven near-term backdrop, but the long-term demand story remains attractive and continues to support offshore marine & engineering. Despite recent execution and policy volatility, offshore wind capacity is still expected to grow at a 14–16% CAGR through 2035, underpinned by decarbonisation, grid investment and energy-security priorities, especially in Europe. This matters because offshore wind adds a second structural demand leg alongside offshore O&G, supporting demand for complex marine engineering, installation and offshore infrastructure. Together, hydrocarbons diversification and renewable build-out create a broader and more resilient offshore demand profile.

Shipbuilding: cycle normalising as containership demand softens
By contrast, shipbuilding is moving 'past its peak' phase as end-demand softens and the earlier upcycle normalises. Containership orderbooks have reached c.32% of fleet, the highest since 2010, with fleet growth outpacing underlying cargo demand. Global ship orders already appear to have peaked, falling 27% in 2025, with Clarkson forecasting a further 12% decline in 2026. This is already visible in Yangzijiang's order intake, which dropped to a five-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, supporting our expectation for only USD4.0–4.5b of new orders versus USD8.4b on average in 2021–24.

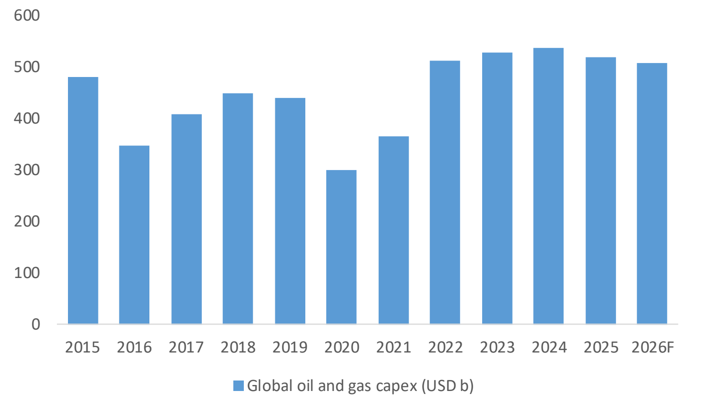
3. Demand comparison: offshore upcycle vs shipbuilding normalisation

3.1 Offshore O&G: Soft upstream spending but offshore remains firm

Global upstream oil and gas capex is expected to remain subdued, with Wood Mackenzie projecting a further 2–3% decline in 2026, following a similar contraction in 2025 amid a sub-USD60/bbl oil price environment (before Middle East conflict).

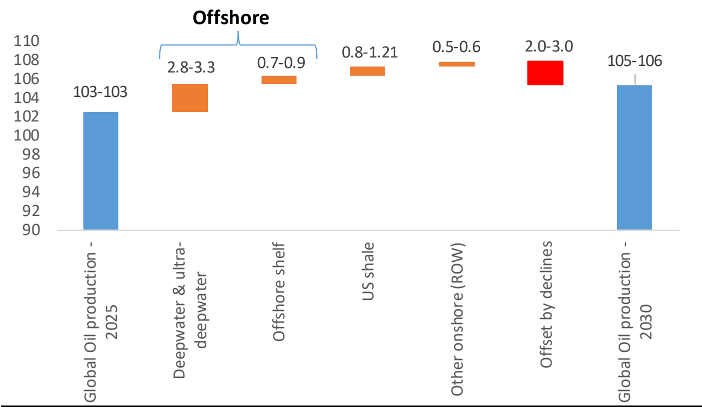
Despite the softer capex backdrop, offshore remains the clear focal point of upstream activity. Rystad estimates that offshore already accounts for one-third of global oil production and forecasts that offshore investment will rise as large projects advance. Global Energy Monitor data reinforce this trend: 85% of newly discovered volumes in 2024 were offshore, all final investment decisions (FIDs) were offshore, and 70-80% of new start-ups by volume came from offshore fields. This is echoed by the IEA's Oil 2025 outlook, which shows major upcoming supply additions are dominated by deepwater Brazil, Guyana, the Gulf of Mexico, and Middle East offshore projects. Overall, even in a subdued spending cycle, offshore remains the structural growth engine for new oil supply.

Fig 7: Upstream oil and gas capex trends



Source: Maybank IBG Research, IEF, Wood Mackenzie

Fig 8: 70-80% of new peak supply capacity comes from offshore projects



Source: Maybank IBG Research, IEA, Global Energy Monitor

Offshore-led supply growth help sustain multi-year FPSO upcycle

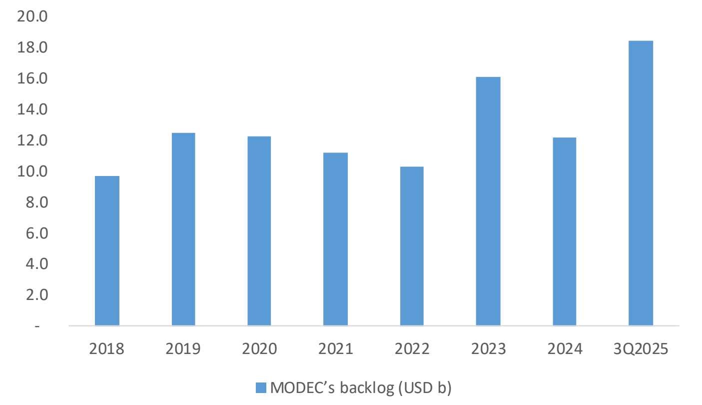
According to the IEA and Rystad, offshore oil production growth would be led by Brazil, Guyana, the US Gulf of Mexico, and West Africa — regions characterised by water depths >1,000 m, long distances from shore, and phased field development — conditions that favour FPSOs over fixed platforms.

The visible development pipeline implies sustained FPSO demand. Brazil alone has 8–10 FPSOs already sanctioned or under construction, with Petrobras (PETR3 BZ, CP: BRL45.67, not rated), indicating the need for a further 8–10 FPSOs this decade for pre-salt developments. Guyana's Stabroek block has 6 FPSOs approved, with up to 10 FPSOs required longer term as production scales beyond 1.2 mb/d. Industry data suggest there are currently 20 FPSOs under construction globally, while Wood Mackenzie estimates that 40–50 FPSOs may be required between 2025 and 2030, implying demand well beyond the existing orderbook. On the other hand, according to SBM Offshore (SBMO NA, CP: EUS33.04, not rated) market intelligence (Feb 2026), 44 FPSOs may be awarded worldwide between 2026-28. These projections could ultimately prove conservative if heightened geopolitical tensions, including the Iran conflict, reinforce the push for supply diversification and energy security, thereby supporting incremental FPSO demand.

Fig 9: SBM Offshore - FPSO market outlook

Source: Maybank IBG Research, SBM Offshore

Fig 10: MODEC's FPSOs & other floating production unit backlog



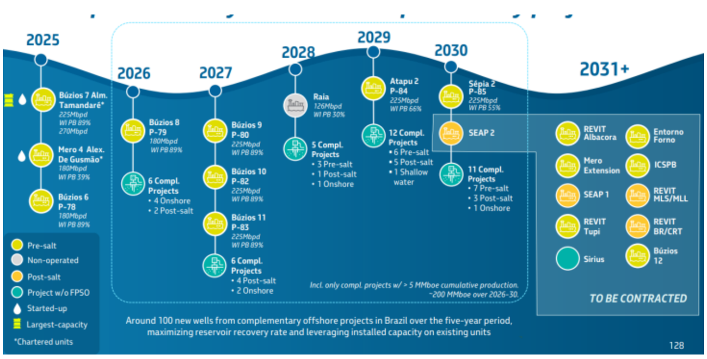
Source: Maybank IBG Research, MODEC

Americas focused: A key growth engine for FPSO demand

The Americas region is the global epicentre of FPSO demand, driven by major deepwater projects in Brazil, Guyana, and the US Gulf of Mexico. Industry data indicate that 50-60% of global FPSO demand through 2030 is expected to originate from the Americas. South America alone is forecast to account for a very large share of future FPSO capacity, with regional projects expected to add up to 3.8m bpd of FPSO processing capacity. Brazil's pre-salt developments continue to dominate newbuild activity and have accounted for nearly half of all global FPSO contracts in recent years.

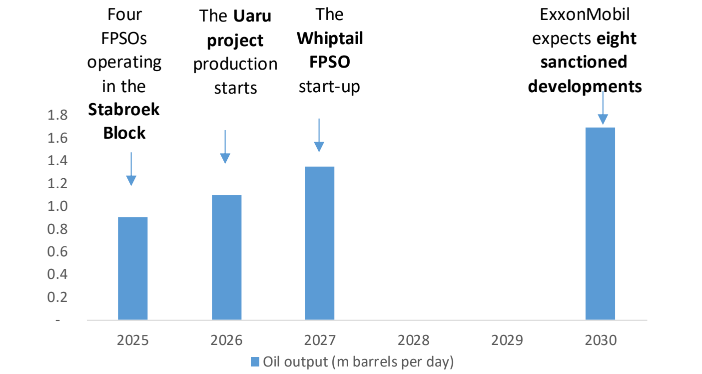
Brazil's Petrobras remains a heavyweight, operating and planning numerous FPSOs in the Santos and Campos basins and showing interest in stepping up output on existing vessels such as the Almirante Tamandaré FPSO. ExxonMobil's (XOM US, CP: USD159.67, not rated) Guyana operations, including the recent installation and commissioning of FPSOs in the prolific Stabroek block (where recoverable resources exceed 11b barrels), are adding substantial production capacity and are expected to support future units in the coming years.

Fig 11: Petrobras - New production systems pipeline



Source: Maybank IBG Research, Petrobras

Fig 12: Guyana - Offshore oil output expectations



Source: Maybank IBG Research, ExxonMobil

In the Gulf of Mexico, deepwater activity is driven by oil majors such as Shell (SHEL US, CP: USD90.44, not rated), BP (BP US, CP: USD44.78, not rated), Chevron (CVX US, CP: USD201.73, not rated) and Equinor (EQNR NO, CP: NOK394.90, not rated) - projects include Sparta, Kaskida, Anchor, and Tiber, reflecting breakeven economics that are often competitive at USD40–50/bbl with long plateau lives. These projects support demand for floating production units and subsea/EPC work through 2026–28, largely independent of short-term oil price volatility. The recent shift in US policy — via continued leasing and a pro-supply stance — does not create new projects overnight but provides incremental regulatory and confidence support to sustain the Gulf's offshore development pipeline.

Fig 13: Gulf of Mexico: key company initiatives & floating systems

Company	Key Gulf of Mexico initiative	Floating system / EPCI angle
Shell	Sparta deepwater development	New FPU + subsea EPCI
BP	Kaskida, Tiber appraisal	Future FPU hub, subsea-heavy
Chevron	Anchor (20k psi) ramp-up	High-spec FPU, complex EPCI
Equinor	JV in Sparta	FPU integration & installation
LLOG / Harbour	Portfolio expansion via acquisition	Brownfield EPCI, tiebacks

Source: Maybank IBG Research, Company

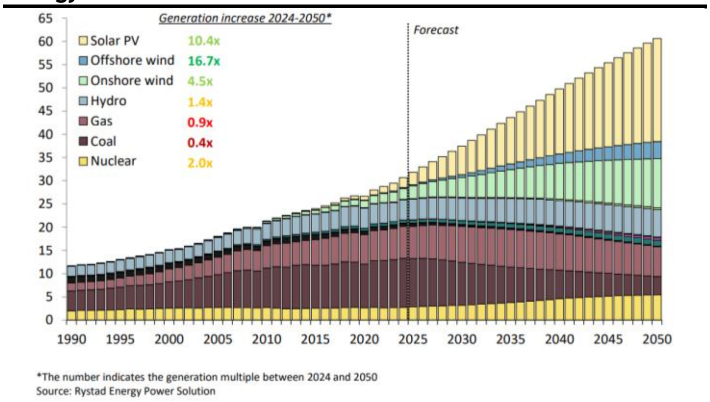
3.2 Offshore wind: Key beneficiary of energy transition

Rystad Energy's base-case forecast signals a structural shift in the global power mix. Fossil fuel generation is estimated to decline by 97TWh in 2025, while non-fossil sources are expected to expand by a record 1,270TWh, fully covering demand growth.

Within the renewable complex, solar and wind remain the primary growth engines, with offshore wind particularly attractive due to structurally higher load factors and improving economics.

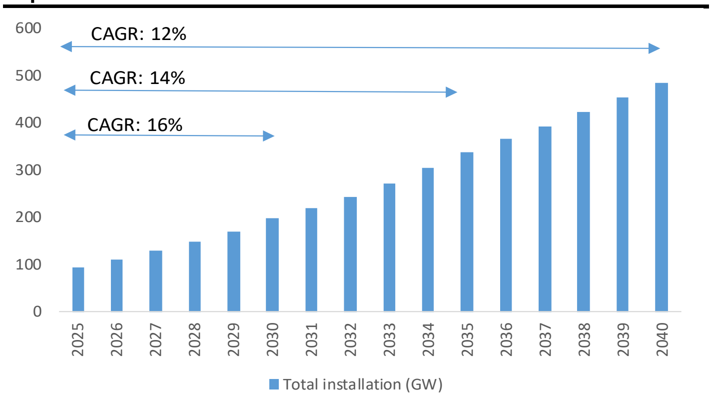
Offshore wind growth expectations remain robust despite some policy noise, especially in the US. BloombergNEF's 2H25 outlook projects global offshore wind installations to grow at around 16% CAGR over the next 5 years and 14% over the next 10 years, reaching roughly 340GW by 2035, even after trimming forecasts due to US regulatory uncertainty. Clarksons is similarly constructive, expecting capacity to rise to about 325GW by 2035 from around 100GW in 2026, with its more optimistic rapid-decarbonisation scenario pointing to nearly 500GW by 2035. The message from both i is industry research houses are clear: while US uncertainty may slow near-term momentum, it does not derail the long-term structural growth story.

Fig 14: Global gross power generation by energy source, Rystad Energy base-case forecast



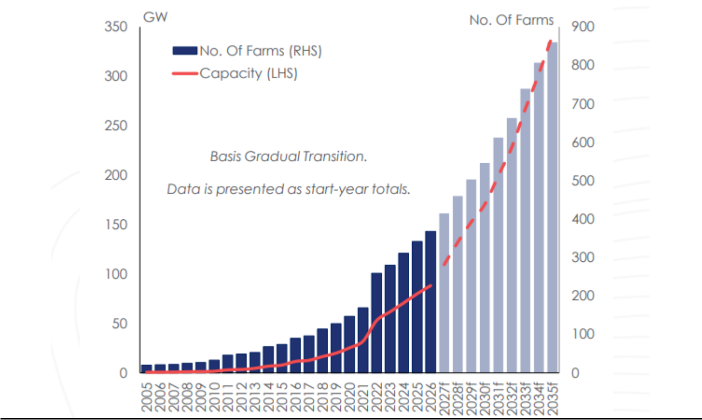
Source: Maybank IBG Research, Rystad Energy

Fig 15: BNEF - offshore wind production capacity growth expectations



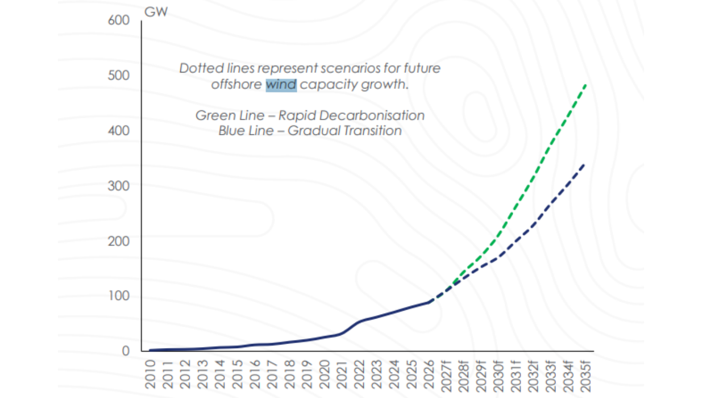
Source: Maybank IBG Research, Clarksons

Fig 16: Clarksons - offshore wind production capacity growth expectations



Source: Maybank IBG Research, Clarksons

Fig 17: Clarksons - offshore wind production capacity growth expectations in base and rapid-decarbonisation-energy-transition scenario



Source: Maybank IBG Research, Clarksons

3.3 Shipbuilding: heading towards normalisation

End shipping demand: a soft outlook

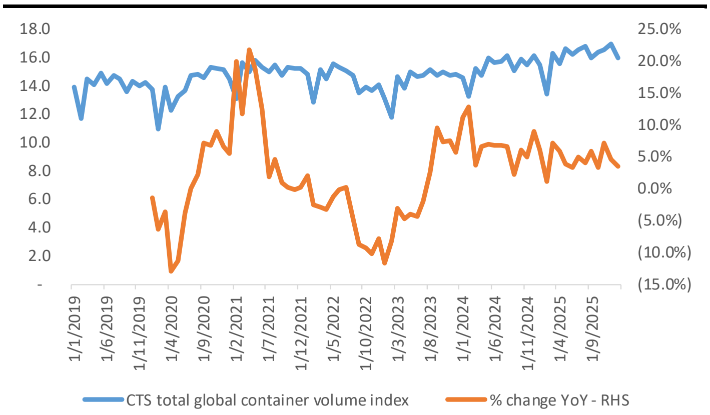
Across shipping, the medium-term outlook is shifting from "exceptional" to "normal."

Container shipping is the clearest mean-reversion story, with overcapacity and potential Suez normalisation 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 utilisation, though volatility will remain high if geopolitics ease or global growth slows.

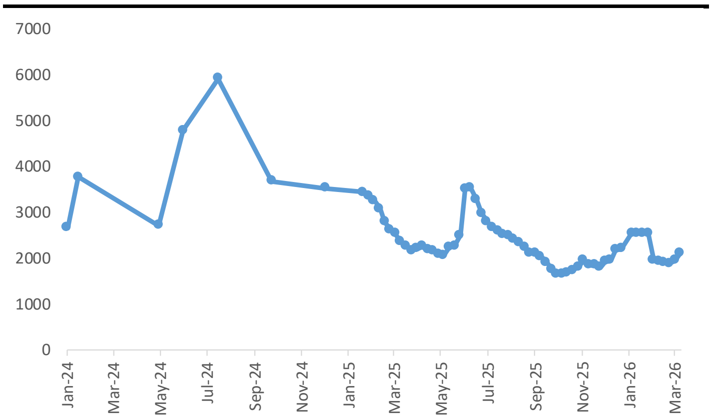
LNG carriers are recovering from a weak 2025, but the rebound is still early-stage. Drewry expects 2026 to mark the start of a "road to recovery", although significant new vessel deliveries mean fleet growth will remain a near-term headwind, even as scrapping of older steam ships increases.

Fig 18: CTS total global container volume index



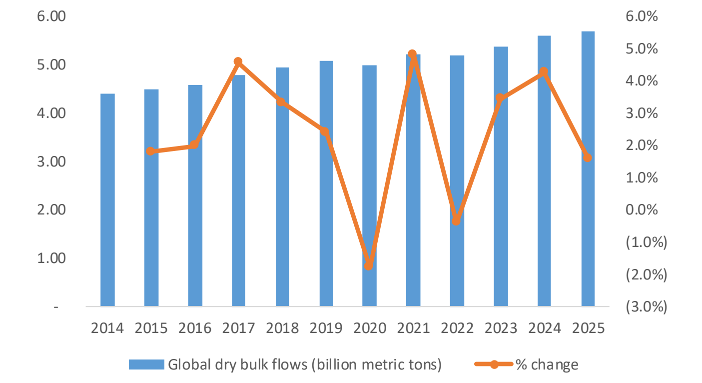
Source: Maybank IBG Research, CTS

Fig 19: Container price index (USD x,000/40ft)



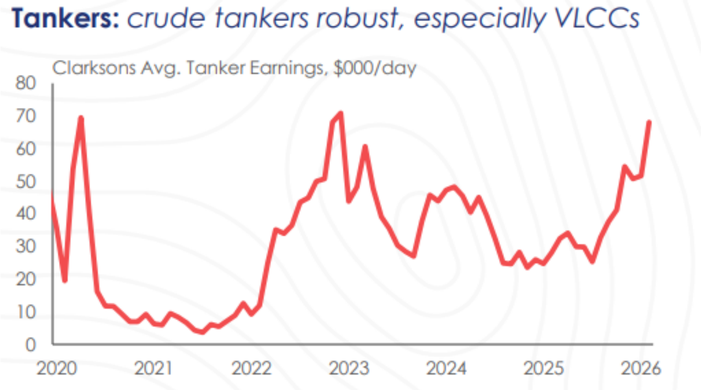
Source: Maybank IBG Research, Drewry, CTS

Fig 20: Global dry bulk flows



Source: Maybank IBG Research, Drewry, CTS

Fig 21: Tankers chartering see robust growth



Source: Maybank IBG Research, Clarksons

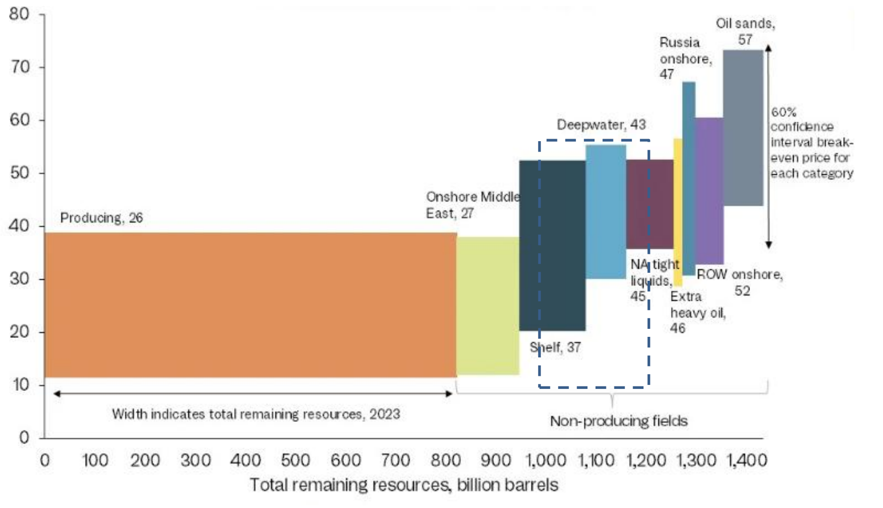
4. Economics comparison: low-cost offshore barrels and improving wind economics vs peaking newbuild cycle

4.1 Offshore oil: the next-lowest-cost barrel after the Middle East

After Middle East's onshore fields, offshore oil remains the most economical source of new crude supply globally, underpinned by increasingly competitive breakeven economics. Latest Rystad Energy analysis shows that, after the Middle East, offshore developments rank next lowest in the global cost curve, with offshore shelf projects averaging USD37/bbl and offshore deepwater at USD43/bbl, both cheaper than North American shale (USD45/bbl) and significantly below oil sands (USD57–75/bbl). This positions offshore as the most cost-effective source of incremental non-OPEC supply, even as average breakeven costs for non-OPEC projects have risen to USD47/bbl due to inflation and supply-chain pressures.

Importantly, while OPEC countries retain large volumes of low-cost supply, production growth from these regions may remain policy-capped rather than cost-constrained, as OPEC has repeatedly demonstrated its willingness to manage output to support oil prices. As a result, offshore — particularly deepwater — continues to play a critical role in meeting future oil demand, combining competitive economics with long-life, large-scale production potential.

Fig 22: Cost of supply curve - Brent breakeven price



Source: Maybank IBG Research, Rystad Energy

4.2 Offshore wind: Supportive economics, but past few years challenging

Offshore wind **Levelised Cost of Energy** (LCOEs) **are typically USD60-100/MWh**, with installation costs **2-3x** onshore due to marine engineering complexity. However, stronger offshore wind speeds support **45-60%** capacity factors versus **25-39%** onshore, while next-generation turbines of **18-20MW** improve output and utilisation, supporting competitive long-term economics.

Fig 23: Economic comparison: onshore vs offshore wind

Factor	Onshore Wind Energy	Offshore Wind Energy
Average Turbine Capacity	3.4–5.5 MW	8–15 MW (approaching 20 MW)
Capacity Factor (Throughput)	33–39%	50–60%
Installation Cost (per kW)	USD1,400–1,800	USD2,500–4,500
LCOE (per MWh)	USD34–49	USD79–100
Installation Timeframe	6–12 months	18–36 months
Energy Production Potential	Intermittent; limited by terrain	Twice the output of an average onshore site
Maintenance & Logistics	Cheaper; year-round road access	2–3x more expensive; weather-dependent
Payback Period	Varies (typically 1–10 years)	Varies (typically 1–10 years)

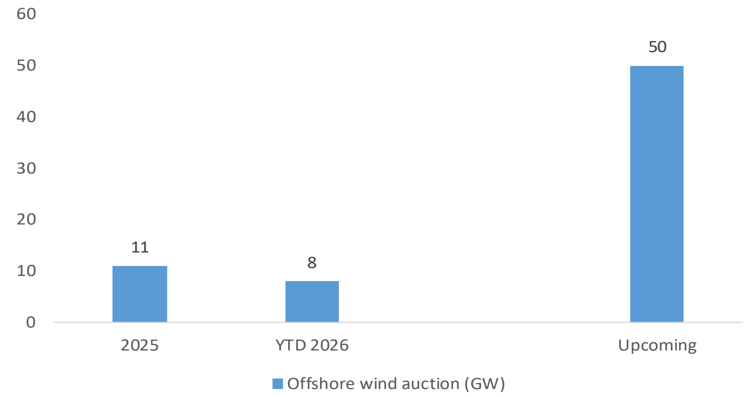
Source: Maybank IBG Research, Rystad Energy

That said, confidence has been pressured by policy and cost challenges. In the US, projected offshore wind additions by 2035 have been cut by roughly 50-60%, although 5-6GW under construction has largely continued. In Europe, capex is up 30-50% versus pre-2021 levels, while higher rates have compressed returns by several hundred basis points, contributing to auction failures and delayed investments.

Signs of confidence returning

Encouragingly, 2026 has started on a firmer footing. The UK's Allocation Round (AR7) auction awarded about 8.4GW, improving confidence in project bankability and supply-chain visibility. The UK-EU Hamburg Declaration also reaffirmed long-term commitment, targeting 100GW of joint North Sea offshore wind projects. Meanwhile, failed German auctions are driving policy reform, suggesting capacity is being pushed to 2027 and beyond rather than cancelled. Overall, Europe's offshore wind outlook remains supported by policy momentum and long-term targets despite recent disruptions.

Fig 24: Offshore wind production capacity auctions - recent past vs expectations



Source: Maybank IBG Research, BNEF

4.3 Shipbuilding – soft end-demand and cycle peaking

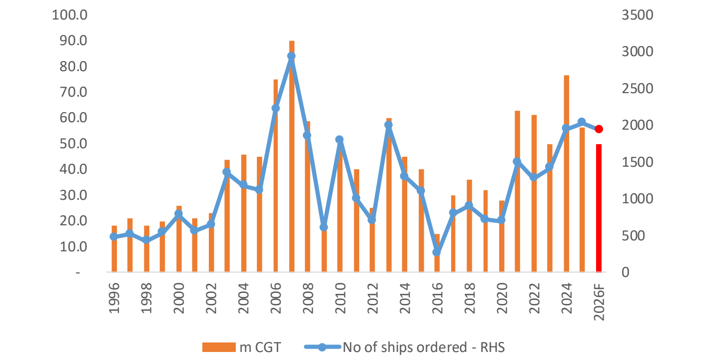
Shipbuilding cycle nears peak as order momentum set to cool

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 utilisation. 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.

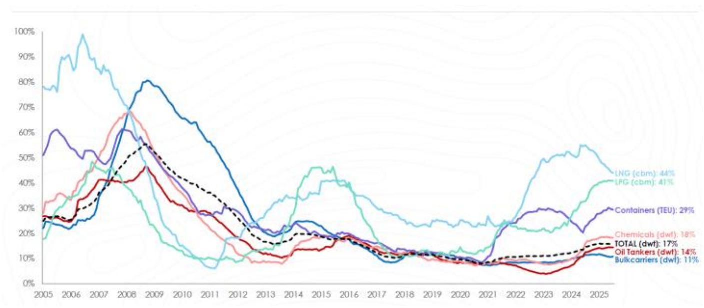
Clarksons projects global ship orders of 49.8m CGT across 1,952 vessels in 2026, implying a 12% decline versus 2025 and 19% below the five-year average. While LNG carriers may remain relatively resilient, other segments are likely to see order pressure. Overall, shipyards retain strong backlog visibility,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

Fig 25: New shipbuilding orders are at decade high



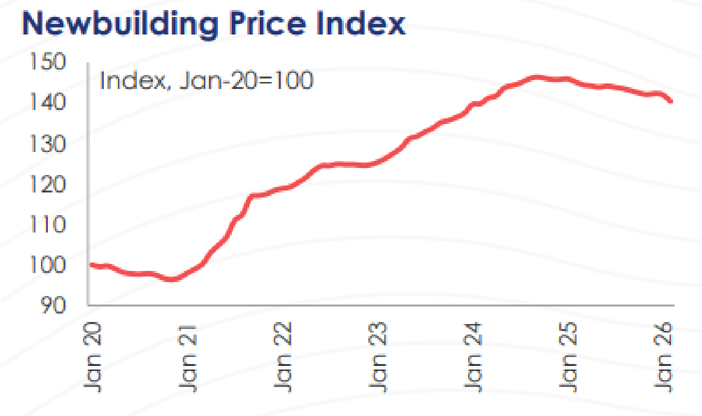
Source: Maybank IBG Research, Clarkson

Fig 26: Supply backdrop: orderbook as a % of fleet capacity



Source: Maybank IBG Research, Clarkson

Fig 27: Ship newbuilding prices have started to come off - management indicates 5-10% decline in prices in 2025-26 per year from 2024 peak

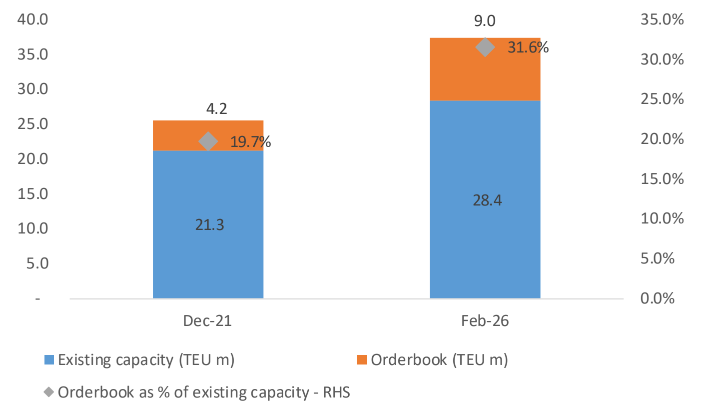


Source: Maybank IBG Research, Clarkson

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

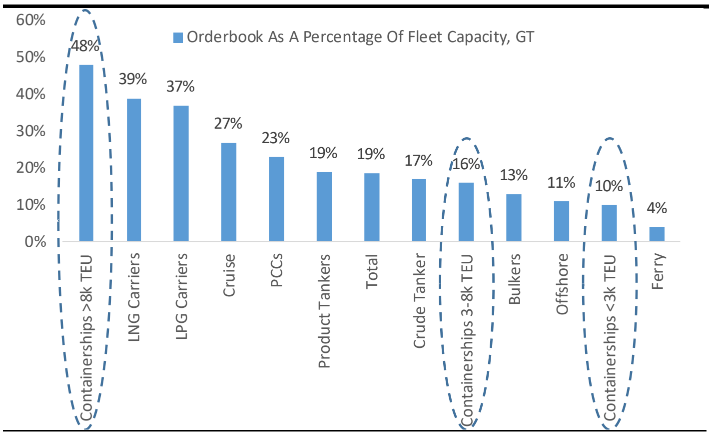
As per Linerlytica estimates, the global containership orderbook stands at 10.4m TEU, equivalent to 31.7% of the existing fleet, the highest ratio since 2010. Other data providers such as Clarksons and Alphaliner report similar levels at around 9.8-9.9m TEU. More than 1m TEU of vessels remain scheduled 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 28: Top 10 container shipping companies' fleet/orderbook



Source: Maybank IBG Research, Alphaliner

Fig 29: 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 30: 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 31: 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)

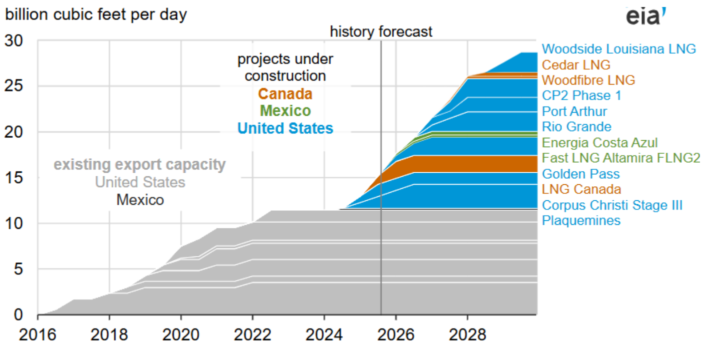
For shipbuilders, the current overcapacity implies that new ordering activity may slow despite historically high orderbooks. While contracting has remained elevated in recent years, yards are already booked with deliveries extending several years out. As carriers focus on absorbing incoming capacity and managing utilisation, 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.

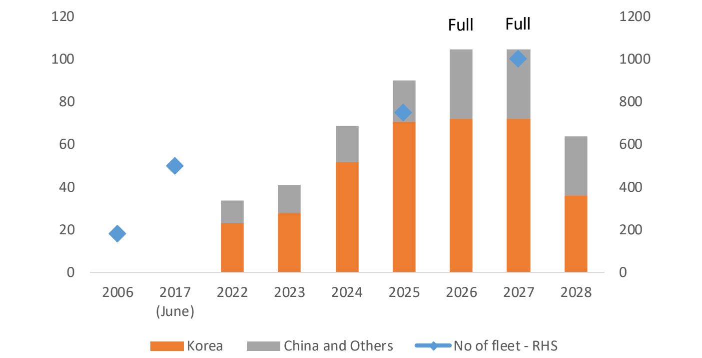
From 2026, policy and regulatory catalysts should reinforce demand. The resumption of US LNG export approvals, combined with tighter IMO rules, is likely to accelerate project FIDs, scrapping of older steam-turbine vessels, and a new ordering cycle. With 2028 delivery slots largely filled, ordering activity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

Fig 32: EIA: North America's LNG export capacity could more than double by 2029



Source: Maybank IBG Research, EIA

Fig 33: Order activity has been constrained by limited LNG carrier newbuilding capacity for the Korean shipyards



Source: Maybank IBG Research, Clarkson, Riviera

5. Geopolitics and energy security: why offshore benefits more?

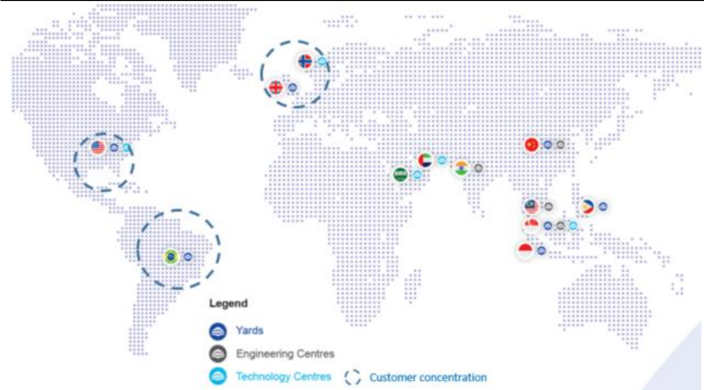
5.1 Energy diversification amid global geopolitics favours offshore

The Russia-Ukraine war and renewed Middle East tensions have reinforced energy security as a strategic priority, driving supply diversification across both hydrocarbons and renewables. This benefits Seatrium because its core end markets are LatAm, the Gulf of Mexico, and Europe: LatAm and the Gulf of Mexico gain strategic relevance as alternative oil supply basins when Middle East risks rise, while Europe continues to accelerate offshore wind and grid investments as it phases out Russian energy dependence. Equally important, Seatrium's yards and facilities are concentrated in ASEAN and LatAm, giving it an operational footprint in relatively neutral, non-conflict geographies.

High correlation of Seatrium's order wins to oil prices

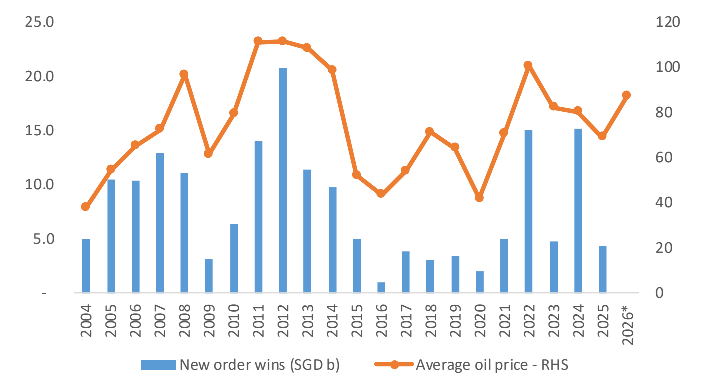
Seatrium's order wins had a strong positive correlation with oil prices in 2004–2025, with the data implying a correlation of roughly 0.74. This relationship is intuitive: higher oil prices improve upstream project economics, support operator cash flows, and lift final investment decisions, driving demand for offshore platforms, FPSOs, and related engineering work. At the same time, a firmer energy price backdrop can also improve the commercial case for alternative energy investments, including offshore wind, which Seatrium is actively pursuing. More recently, the Middle East conflict has pushed Brent back towards the high-USD80s/low-USD90s, which is supportive for Seatrium, although it remains unclear how long these elevated prices can be sustained.

Fig 34: Seatrium's footprint supports geopolitical resilience



Source: Company

Fig 35: Seatrium order wins have a high oil price correlation



Source: Maybank IBG Research, Company

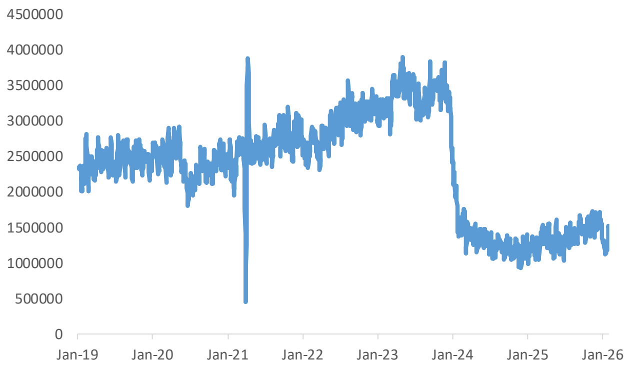
5.2 Shipbuilding: Suez reopening and IMO climate framework deferment are negative

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 many "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 36: Red Sea shipping traffic data



Source: Maybank IBG Research, IMF Port watch data

Fig 37: 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 normalisation would be negative at the margin,** as unwinding the Cape detour lowers vessel-day demand. Industry estimates suggest normalised Suez routings could reduce container ship demand by around 10%.

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 38: 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)

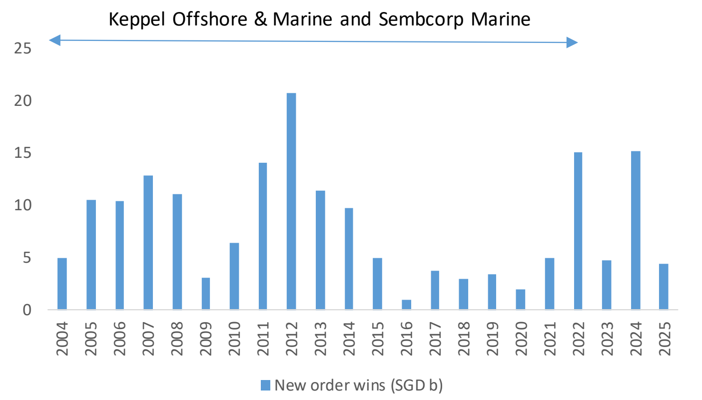
Source: Maybank IBG Research, IMO

6. Growth outlook: Seatrium vs Yangzijiang vs Marco Polo Marine

6.1 Seatrium: Order book should build-up: positive tailwinds + pursuing SGD32b of orders

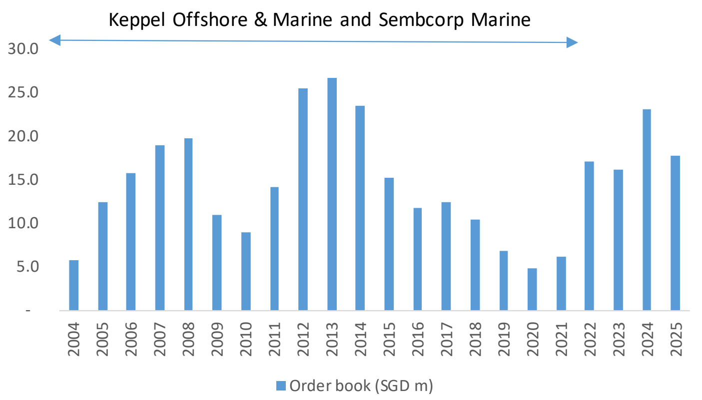
Seatrium's order book has been depleted to SGD17b in 2025 from SGD23b in 2024, as the company secured just over SGD4b in new orders during the year. This has raised concerns about a faster order book burn relative to replenishment, reducing revenue visibility to roughly 1.5 years. While 2025 was a soft year in terms of new order wins, we note that the company's order win track record has historically been relatively bumpy.

Fig 39: Seatrium's new order win trajectory



Source: Maybank IBG Research, Company

Fig 40: Seatrium's order book trajectory



Source: Maybank IBG Research, Company

We see potential for order wins to pick up over 2026-28 for 3 key reasons:

1) USD32b in order pipeline Seatrium is pursuing;
2) high correlation of Seatrium's order wins to oil prices; and
3) energy diversification amid global geopolitics.

SGD32b project pipeline underpins sustained order book replenishment

Seatrium ended FY25 with a SGD17.8b net order book across 24 projects, while it is actively pursuing a further SGD32b pipeline over the next 24 months. Importantly, this pipeline is not a volume-at-all-costs opportunity set: management has reiterated a disciplined bidding framework centred on mid-teens risk-adjusted project margins, progressive milestone payments, and a strong bias towards repeatable "series-build" work, which now accounts for about 95% of the current order book. That matters because the next leg of backlog replenishment should also be of higher quality than the legacy book it is replacing.

The >SGD32b pipeline is also well diversified by end-market and geography, which should support steadier replenishment of the order book over time.

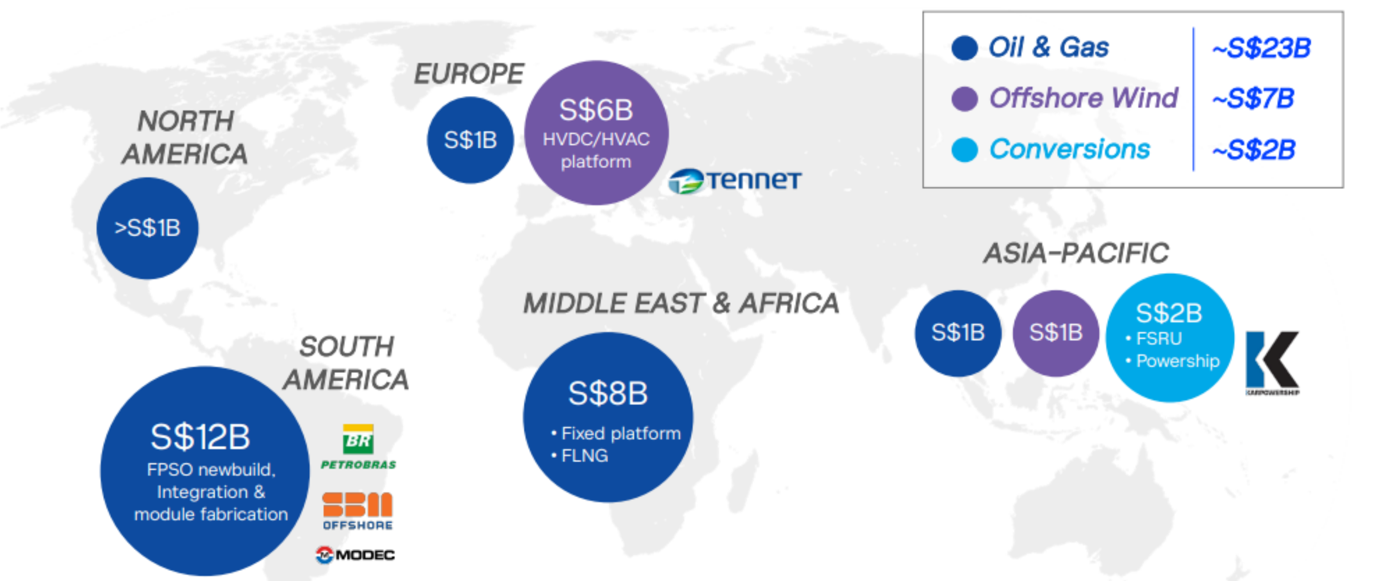
- Management has indicated that around SGD23b of the pipeline sits in oil & gas, where Brazil and Guyana remain key hunting grounds. Seatrium has highlighted its strong local-content position in Brazil and longstanding participation in Guyana's Stabroek Block developments, while broader industry conditions remain supportive — even before the recent Middle East conflict — as deepwater economics stay attractive relative to oil prices.

- A further SGD7b sits in offshore wind, led by Europe, where Seatrium already has a meaningful foothold through its TenneT relationship: in 2023, it secured, together with GE Vernova, a five-year framework cooperation agreement covering three 2GW HVDC offshore converter platform projects, each valued at around EUR2b; in 2024, TenneT moved ahead with a third Dutch 2GW project.

- The remaining SGD2b is in conversions, including floating power and gas infrastructure; notably, Seatrium's Aug'25 Letter of Intent (LOI) with Karpowership covered the integration of 4 new-generation Powerships plus the conversion of 3 LNG carriers into Floating Storage Regasification Unit (FSRUs), reinforcing that conversions can remain a meaningful, higher-value replenishment bucket alongside FPSOs and offshore wind.

Taken together, the pipeline appears sufficiently deep to support Seatrium's targeted SGD11b revenue run-rate while progressively improving order-book quality and enhancing margin resilience.

Fig 41: Seatrium is pursuing >SGD32b of orders over next 24 months

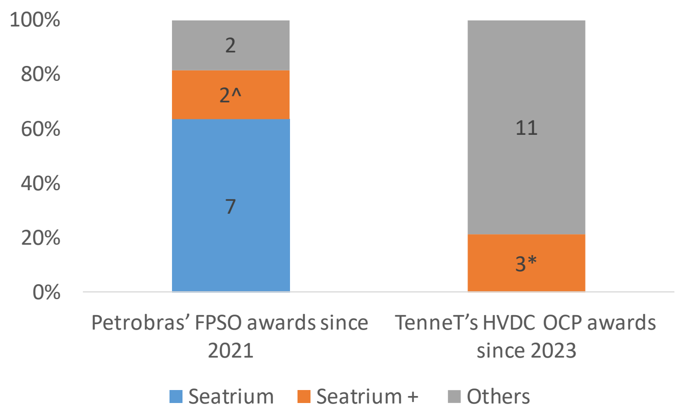


Source: Maybank IBG Research, Company

Petrobras exposure remains significant despite the shift to Build-Operate-Transfer (BOT). Seatrium remains one of Petrobras' key FPSO vendors, underpinned by its deep legacy and local execution: P-78 marked its 37th FPSO delivered to Petrobras and the first of six P-series units now under construction (P-78, P-80, P-82, P-83, P-84, P-85), while P-84 and P-85 alone are worth SGD11b. Petrobras' 2026-30 plan still points to a healthy pipeline, with eight new production systems by 2030—seven already contracted—plus 10 more projects post-2030, with P-91 under bid. Even as Petrobras shifts from EPC to BOT, Seatrium should remain relevant given its Brazilian footprint and integration capability: Reuters reported that Petrobras is in talks with SBM on two SEAP FPSOs; in that scenario, Seatrium's likely participation would be as an execution partner rather than the principal BOT counterparty, contributing high-value work such as topsides fabrication, module installation and integration, fabrication of riser, mooring, and umbilical structures, and downstream testing and commissioning support.

TenneT's accelerating grid capex supports Seatrium order wins. TenneT is in the middle of a multi-year grid expansion cycle, planning to invest about EUR200b through 2034 across the Netherlands and Germany to relieve congestion and connect more offshore wind, after already investing over EUR16b in 2024–1H25. That plan is now better funded after APG, GIC, and Norges Bank Investment Management agreed to inject up to EUR9.5b of new equity into TenneT Germany through 2029, fully covering its equity needs. For Seatrium, this improves funding visibility for TenneT's offshore HVDC rollout, where Seatrium already has exposure via the three-project Dutch framework and the BalWin5 German converter platform, supporting repeatable offshore wind orders and better yard utilisation.

Fig 42: Contracts awarded to Seatrium by its key customers



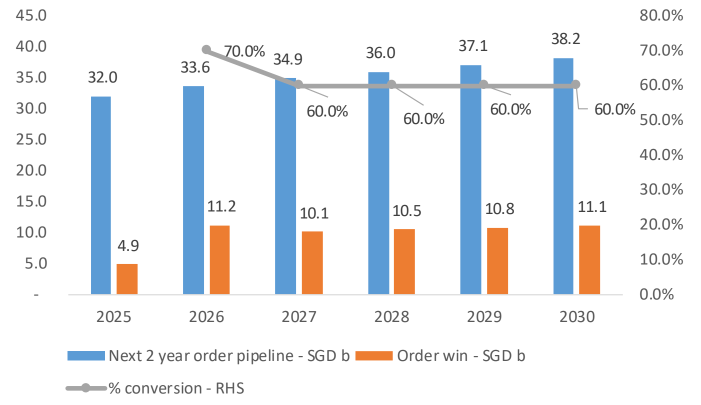
**GE Vernova + Seatrium, ^Awarded to SBM Offshore - Seatrium likely be an execution subcontractor.*
Source: Maybank IBG Research, Company

Assuming a 60-70% win-rate, we expect order wins to more than double in 2026/27 over 2025 levels

We model Seatrium's 2026–28 order wins at c.SGD10–11b p.a., based on a 60–70% conversion of the company's identified SGD32b 24-month pipeline across 2026–27—well above FY2025's SGD4b-plus of new contracts. This appears achievable given management's characterisation of the pipeline as "real projects" it is actively chasing, with dynamic replenishment as wins such as bp Tiber and BalWin5 are replaced by new inquiries. Likely contributors include the SEAP 1/2 FPSOs, where SBM Offshore may again team up with Seatrium, following their earlier partnership on FPSO Jaguar, plus further European HVDC and deepwater Gulf of Mexico/LatAm floating production opportunities where Seatrium already has customer traction and repeatable series-build capability.

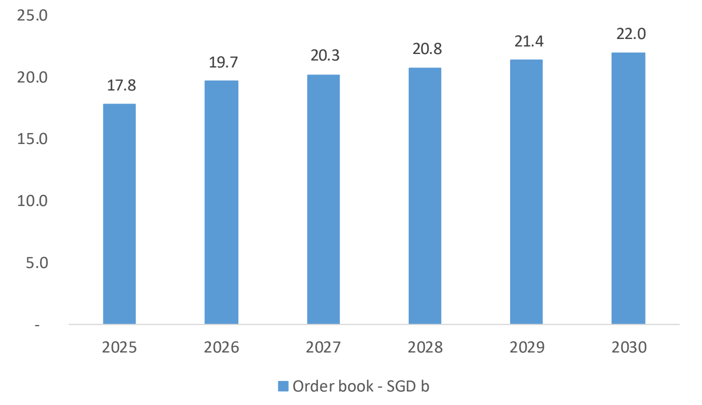
We would also not be surprised if Seatrium's identified pipeline expands further. Recent oil-price strength, driven by Middle East tensions, improves offshore project economics and could pull more developments into the sanction queue, even if the current spike proves temporary. More importantly, sustained geopolitical stress could accelerate a broader realignment of global energy supply, raising the strategic relevance of alternative offshore basins such as LatAm and the Gulf of Mexico, while also reinforcing Europe's energy diversification push. That backdrop should remain supportive for Seatrium's oil & gas and energy-transition opportunity set.

Fig 43: Seatrium order pipeline and order win forecasts



Source: *Maybank IBG Research, Company*

Fig 44: Seatrium orderbook forecasts



Source: *Maybank IBG Research, Company*

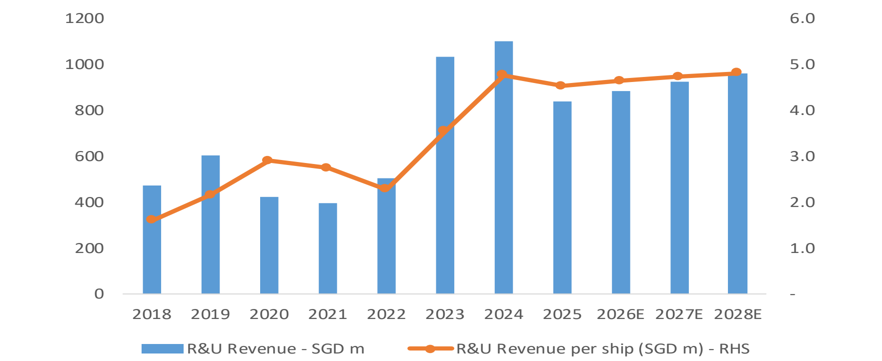
Repair & upgrade - pivots towards higher-value conversions

The Repairs & Upgrades (R&U) business is increasingly being repositioned from a volume-driven repair model towards a more selective, higher-value conversion franchise. While FY25 R&U revenue fell 25% YoY to SGD0.8b on lower throughput of 185 vessels, management is actively pursuing a SGD2b conversion pipeline. The emphasis is now on complex scopes such as FSRU/FSU conversions, Powership integrations, and life-extension projects, which carry structurally higher ticket sizes and better margins than standard repair work.

Importantly, Seatrium's revenue per vessel is rising, suggesting a deliberate trade-off of lower volume for higher quality. Since the Keppel Offshore & Marine (KOM) merger, the R&U revenue run-rate per ship has nearly doubled despite only a marginal increase in vessels serviced, reflecting a more selective and margin-accretive mix. This is underpinned by Seatrium's strong niche positioning, including having completed over 90% of the world's FSU/FSRU conversions, which gives it a clear technical edge in capturing sophisticated conversion and integration work.

Growth prospects in R&U appear increasingly tied to structural themes rather than cyclical repair volumes. The Karpowership LOI—covering four Powership integrations, an option for two more, and 3 Liquefied Natural Gas Carrier LNGC-to-FSRU conversions — is a strong example of this pivot, with the first contract, LNGT Karadeniz — its eighth FSRU conversion for Karpowership — already secured and work starting in 3Q26. Beyond this, rising global power demand, AI-driven electricity needs, aging fleets, energy-efficiency upgrades, and decarbonisation retrofits — an estimated SGD20–30b annual upgrade market and SGD90b opportunity to 2040 — should support a steadier, higher-margin growth profile.

Fig 45: Seatrium R&U revenue and revenue per ship

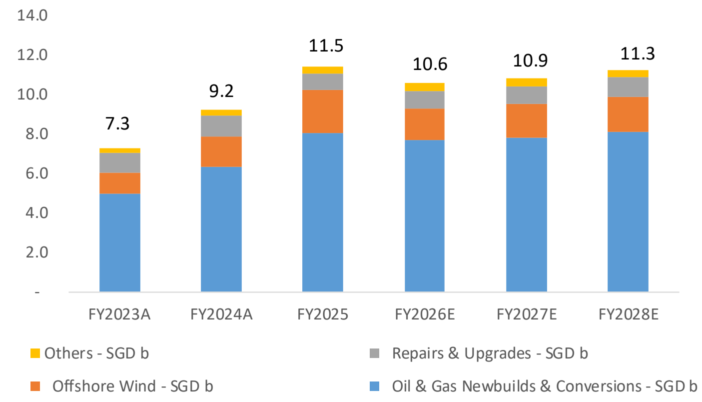


Source: *Maybank IBG Research, Company*

Order win acceleration underpins medium-term revenue recovery

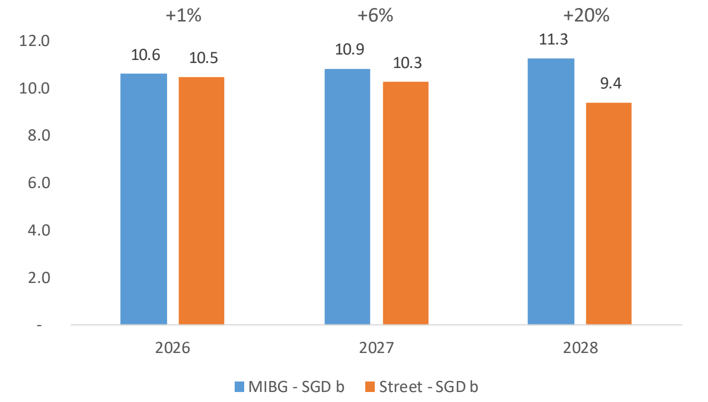
While softer FY25 order wins (SGD4b) vs Seatrium's SGD11b revenue run-rate are likely to cause a dip in FY26 revenue, we remain constructive on FY27–28 as order wins should accelerate with conversion of the >SGD32b pipeline, aided by firmer oil prices and supportive geopolitics. Management continues to target an SGD11b revenue run-rate, and our forecasts are 1-20% above consensus, reflecting greater confidence in order replenishment.

Fig 46: Seatrium revenue growth expectations



Source: Maybank IBG Research, Company

Fig 47: Seatrium revenue expectations - MIBG vs. street

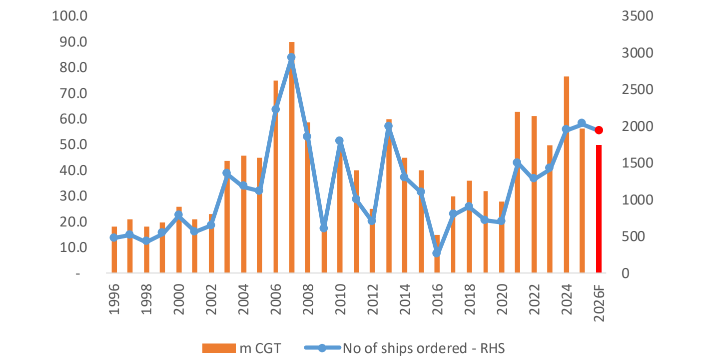


Source: Maybank IBG Research, Company, Bloomberg

6.2 Yangzijiang: Order momentum peaking as pricing, FX and mix turn less supportive

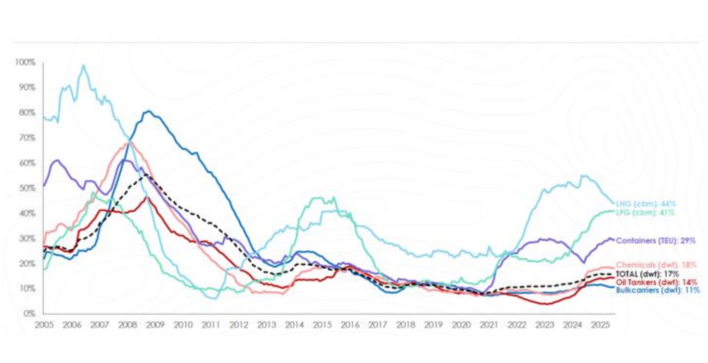
Cycle nearing peak. The global shipbuilding cycle appears to be peaking, with demand transitioning from expansion to replacement-driven orders. While Yangzijiang's orderbook remains robust at USD22.4b, providing visibility through 2029-30, underlying end-market demand—particularly in container shipping—is 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 48: New shipbuilding orders are at a decade high



Source: Maybank IBG Research, Clarkson

Fig 49: Supply backdrop: orderbook as a % of fleet capacity



Source: Maybank IBG Research, Clarkson

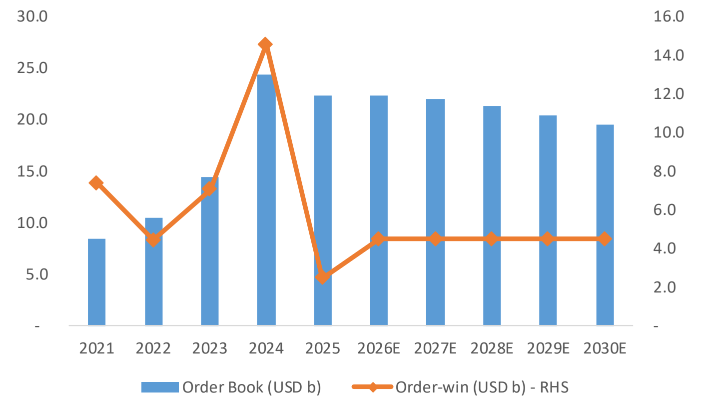
Prices and FX headwinds. Newbuilding prices have already corrected by 5–10% from the 2024 peak as of 2025 and are expected to decline further into 2026, reflecting easing demand and increasing yard capacity. This normalisation is compounded by FX headwinds, with the USD:CNY exchange rate expected to 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 stabilise than to reaccelerate.

Fig 50: New shipbuilding prices have started to come off

Source: Maybank IBG Research, Company

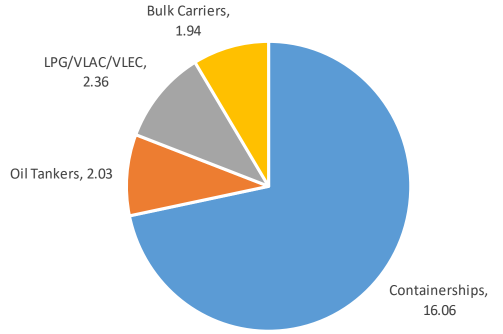
Fig 51: Order book and order win expectation



Source: Maybank IBG Research, Company

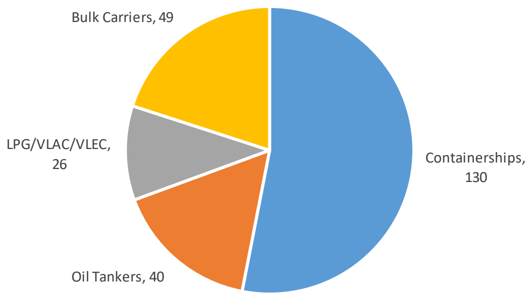
Limited Middle East upside. Geopolitics introduces selective tailwinds but offers limited direct benefit to Yangzijiang's core segments. A prolonged Middle East conflict could support demand for oil tankers, chemical carriers, and gas-related vessels (LNG/LPG/VLAC/VLEC) amid ongoing supply chain reconfiguration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

Fig 52: Outstanding orderbook split by vessel types (USD b)



Source: Maybank IBG Research, Company

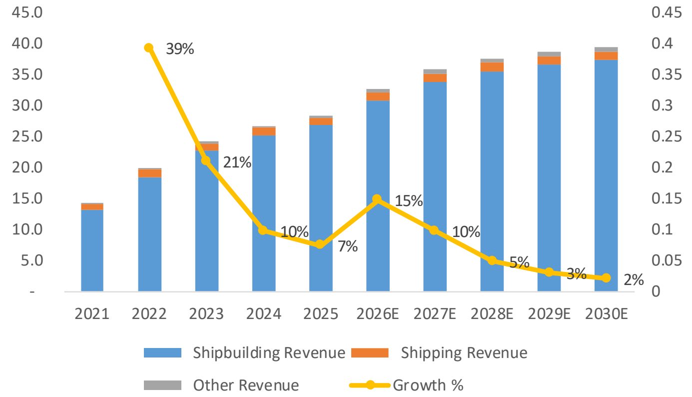
Fig 53: Outstanding orderbook split by vessel types (# of vessels)



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

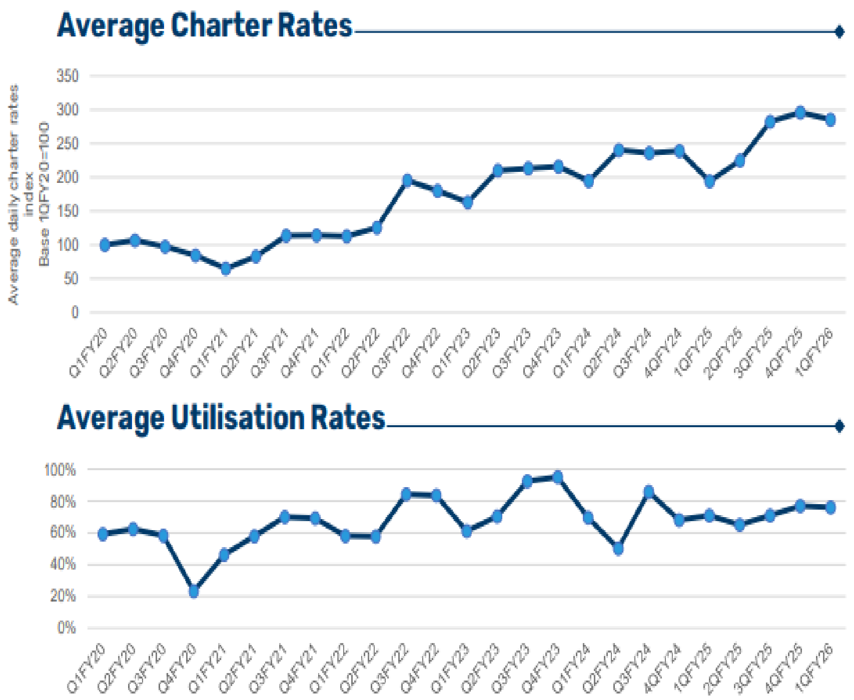


Source: Maybank IBG Research, Company

6.3 Marco Polo Marine: Riding the offshore vessel upcycle

Marco Polo Marine will likely benefit from the upcycle in charter rates, mainly due to the lack of new vessels and bank financing, as well as a number of offshore windfarm projects launching in the next few years.

Fig 55: Average charter rates and utilisation



Source: Maybank IBG Research, Company

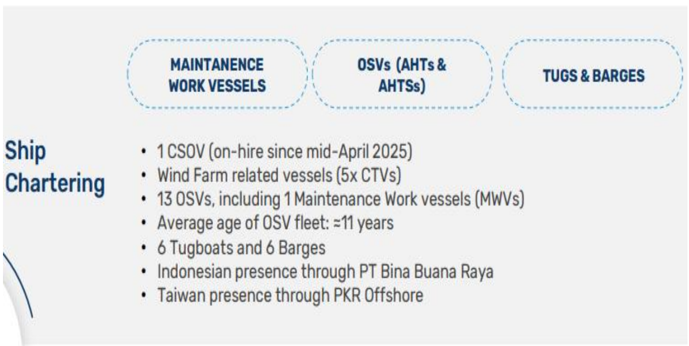
First long-term government charter

MPM's Taiwan subsidiary, PKRO Offshore, won a 15-year emergency towage and salvage charter contract with Taiwan's Marine Port Bureau. PKRO will provide dedicated emergency towing and salvage services within Taiwan's territorial waters and the surrounding offshore wind farm areas. The vessel will be required to operate under harsh weather conditions, maintaining high operational readiness to respond to maritime incidents involving disabled, grounded, or drifting vessels. The contract value is SGD118m, evenly distributed for 15 years at SGD7.87m annually starting April/June 2026. We believe that this is positive as it provides a stable and predictable long-term earnings contribution to MPM.

SGD198m shipbuilding contract - largest ever

The SGD198m contract represents a significant milestone for MPM's shipbuilding operations and underscores its growing capabilities in specialised vessel construction. The vessel, which will be built over 4 years, will add roughly SGD50m shipbuilding revenue annually and contribute about SGD4m profit/pa for 4 years at an estimated 8% net margin. They are also tendering for a few projects of similar size and we expect a potential win by the end of this year as they have more capacity to build another 1-2 large vessels. They have also just expanded their 4th dry dock and inked a 3 year ship repair and maintenance agreement with Cyan Renewables

Fig 56: MPM fleet



Source: Maybank IBG Research, Company

Fig 57: MPM Shipbuilding and repair

Source: Maybank IBG Research, Company

7. Margins outlook: Seatrium vs Yangzijiang

7.1 Seatrium: Margins still have room to increase

Seatrium's legacy drag is clearly fading. FY25 gross margin expanded to 7.4% from 3.1% in FY24, helped by the sharp reduction in risky legacy work: non-FPSO legacy projects now account for just 1% of the order book, or less than SGD220m. Two problematic US projects have already been delivered post year-end, materially shrinking the low-margin tail that was still depressing blended profitability.

Fig 58: Seatrium's order awards and delivery timeline (as of FY25)

Awarded Year	For Delivery 2026	2027	2028	2029	2030
2019	1.0				
2020					
2021	2.0				
2022	2.0	3.0	1.0		
2023	1.0		1.0	1.0	1.0
2024	2.0	2.0	1.0	1.0	2.0
2025	1.0	1.0	2.0		1.0
TOTAL per Year	9.0	6.0	5.0	2.0	4.0

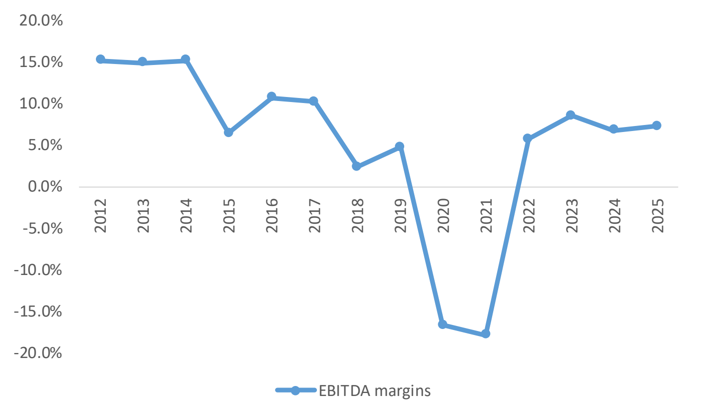
Cumulative Exposure: 61% | 24% | 15% | ~S$24 b Total

2~3.0 b | 1~2.0 b | <1.0 b | Legacy tail shrinking after 2027

Source: Maybank IBG Research, Company

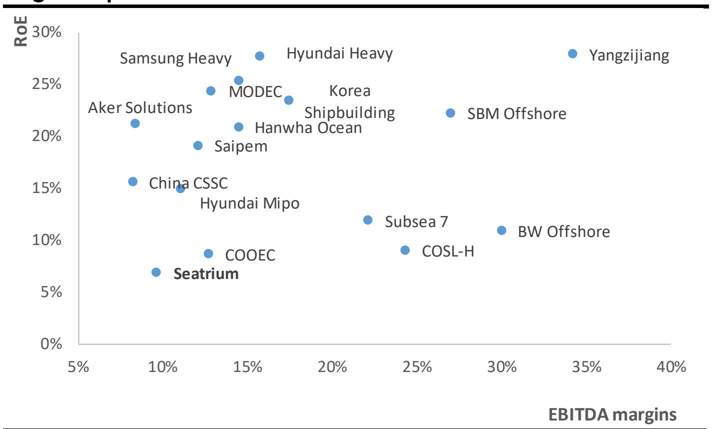
There is still meaningful catch-up vs better-executing offshore peers. MODEC delivered an operating margin of roughly 7.7% for FY24 (USD323m EBIT on USD4.19b of revenue), while SBM Offshore's (SBMO NA, CP: EUR33.34, not rated) FY25 directional EBITDA margin was about 33.7%, albeit boosted by its lease-and-operate mix and therefore not directly comparable. Against that backdrop, Seatrium's current 7.4% gross margin still looks early-cycle rather than mature-cycle, especially vs the combined entity's historical through-cycle EBIT margin of roughly 9%.

Fig 59: Seatrium EBITDA margins relative to its history



Source: Maybank IBG Research, Company

Fig 60: Seatrium EBITDA margins and RoE are at the lower end of global peers



Source: Maybank IBG Research, Company, Bloomberg

Cost actions provide a second margin lever. Seatrium has already exceeded SGD300m of annualised synergies and SGD200m of procurement savings, while General and Administrative (G&A) intensity has fallen from

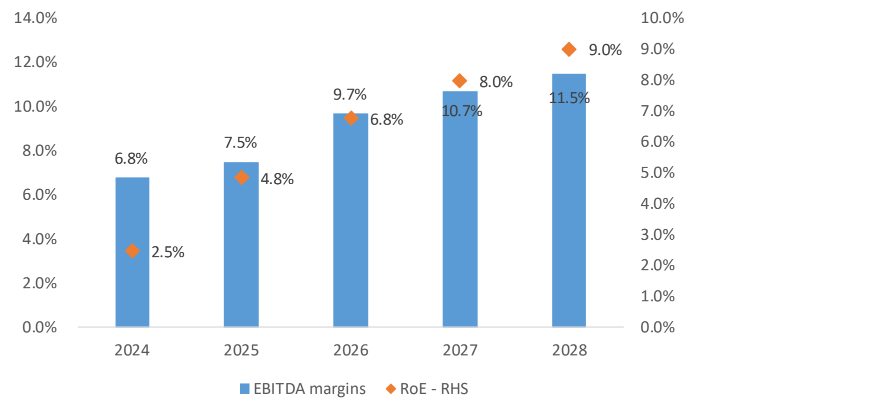
5% of revenue in FY23 to 3% in FY25. On top of that, completed and ongoing divestments are expected to unlock >SGD50m of annualised savings by 1H26 and >SGD100m cumulatively by FY28, supporting further overhead absorption and cleaner asset utilisation.

Management's margin commentary remains notably confident. New projects are being screened at mid-teens risk-adjusted project margins, while 95% of the order book now comprises "series-build" work that should reduce execution risk and raise repeatability. CFO Dr. Stephen Lu has indicated that reported gross margin can trend toward 15% project-margin territory over time, albeit with some dilution from production overheads and yard under-utilisation.

Divestments and provision normalisation provide incremental margin tailwinds. Seatrium expects >SGD50m in annualised cost savings by 1H26 and >SGD100m cumulatively by FY28 from non-core asset sales, alongside >SGD330m in cash proceeds and >SGD230m in gains. Meanwhile, provisions declined to SGD96.5m in FY25 and should trend lower as legacy projects (<SGD220m) roll off, supporting further gross margin expansion beyond FY26.

Factoring in the potential cost levers, we expect company margins and RoE to expand over FY26–28. We peg FY26–27E GPM at >10%, with underlying EBIT margins in the 7–7.5% range, as we anticipate an increasing share of series-builds and a declining share of legacy contracts to drive margin accretion.

Fig 61: Seatrium's margins and RoE are expected to expand

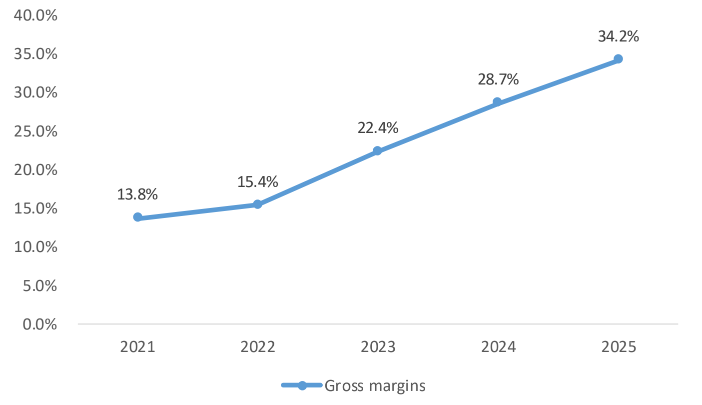


Source: Maybank IBG Research, Company

7.2 Yangzijiang: Margins likely peaked and potentially normalise medium term

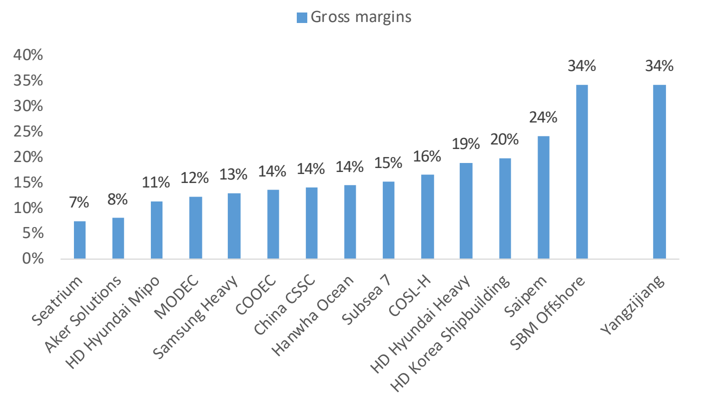
Yangzijiang has been one of the largest beneficiaries of the recent shipbuilding cycle. Gross margins expanded sharply from around 14% in FY21 to 34% in FY25, driven by strong vessel demand, elevated newbuild prices, and favourable raw material costs. This places Yangzijiang among the highest-margin 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 utilisation, 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 62: Yangzijiang's gross margin trajectory



Source: Maybank IBG Research, Company

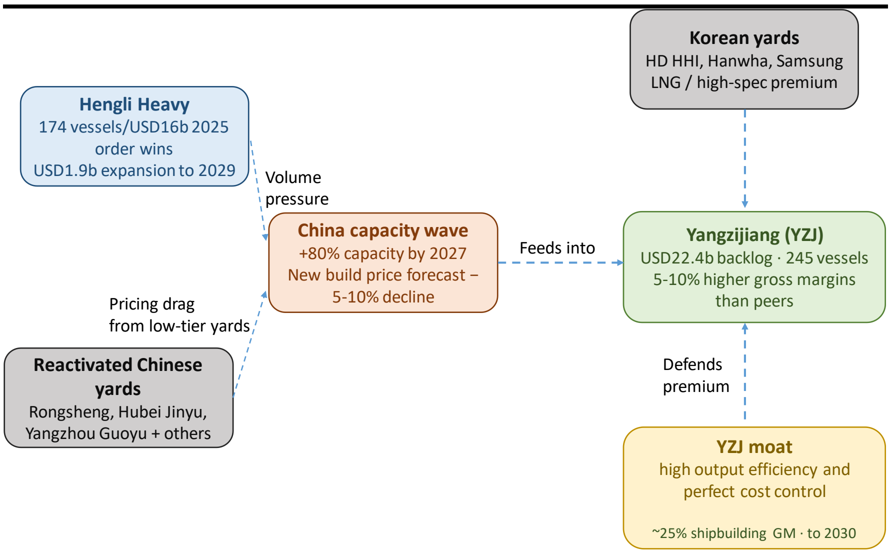
Fig 63: Yangzijiang's gross margins relative to global peers



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.

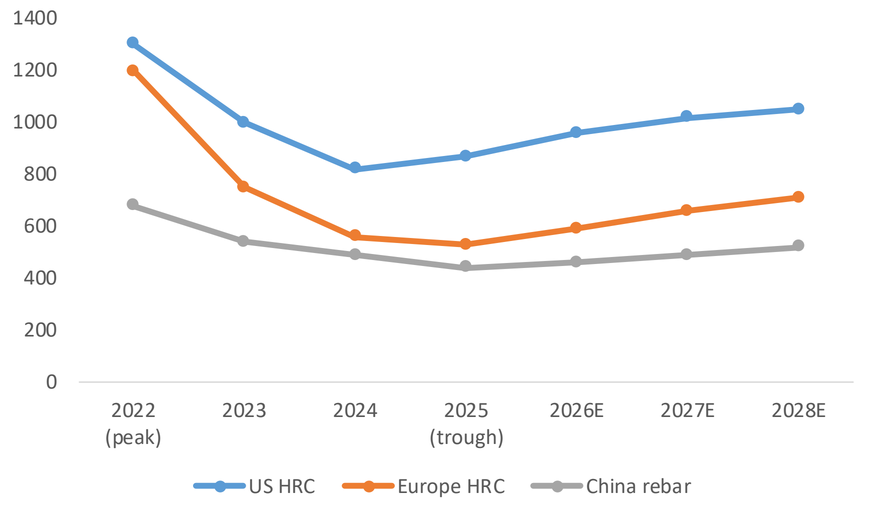
Fig 64: Yangzijiang - competitive landscape map



Source: Maybank IBG Research

Newbuild price declines point to margin normalisation. 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.

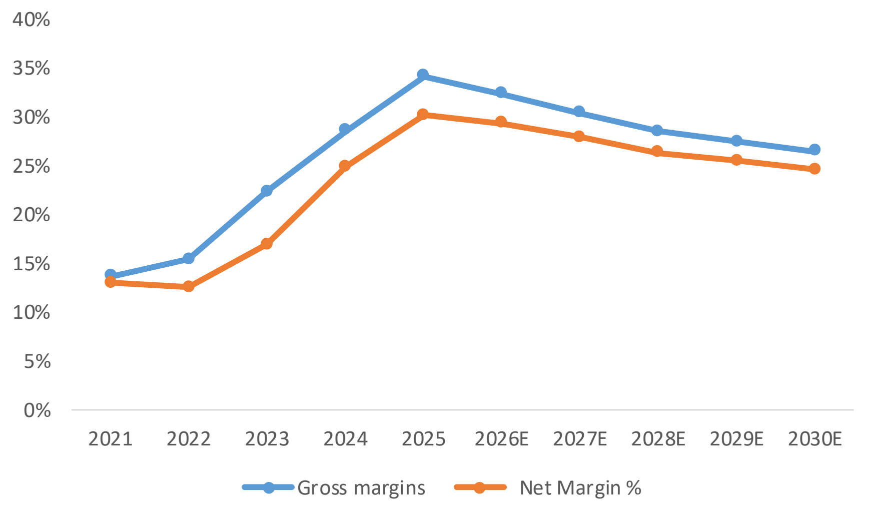
Fig 65: Steel price trends - decline is contained (USD)



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 recognised 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 medium term.

Fig 66: Yangzijiang's margins trajectory



Source: Maybank IBG Research, Company

8. Capital management: Seatrium leaves upside, YZJ likely capped

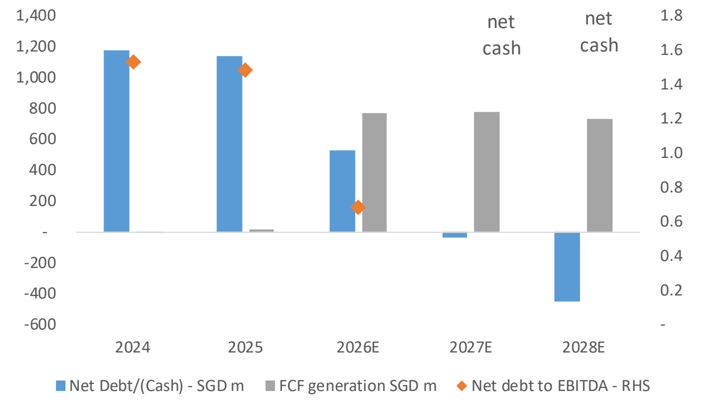
8.1 Seatrium: Strengthened balance sheet, improving cash flow and disciplined capital allocation

Seatrium's balance sheet has strengthened meaningfully, reflecting disciplined financial management and improving business quality. Leverage has declined materially, with net leverage at 0.8x (vs. 1.1x in FY24) and net gearing at just 0.1x. Gross debt has also been reduced to SGD2.5b, while refinancing efforts lowered the cost of debt to 3.4%, enhancing financial flexibility.

FY25 cash flow generation has improved significantly, underpinned by better project execution and milestone-based payments. Reported operating cash flow rose 46% YoY to SGD142m, while adjusted operating cash flow (excluding legacy settlements) surged to SGD440m. Similarly, adjusted free cash flow more than doubled to SGD443m, highlighting stronger underlying cash conversion. This improvement reflects a shift toward lower-risk "series-build" projects, which now account for 95% of the order book, supporting more predictable cash flows and improved margin visibility.

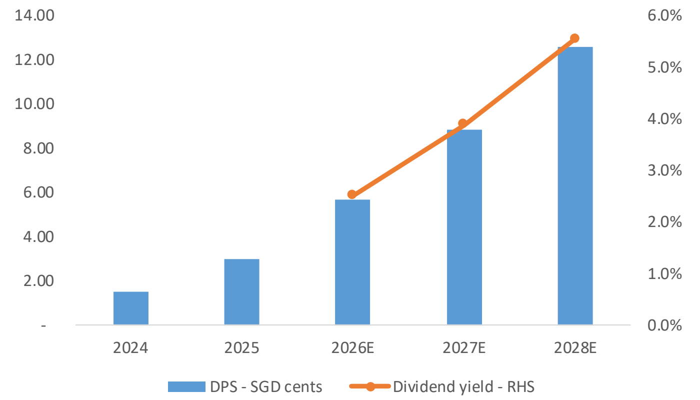
Capital management is increasingly balanced between shareholder returns and reinvestment. The FY25 dividend was doubled to 3.0 cents per share (30% payout), alongside an ongoing SGD100m share buyback programme (SGD58m executed). At the same time, Seatrium continues to prioritise deleveraging and strategic investments, including asset divestments (>SGD330m unlocked, with SGD200m more targeted by 2028). Management's approach remains pragmatic—focusing on long-term value creation rather than maximising near-term yield, while maintaining ample liquidity for growth opportunities.

Fig 67: Seatrium's leverage and FCF generation



Source: Maybank IBG Research, Company

Fig 68: Dividend trajectory - focus remains on growth



Source: Maybank IBG Research, Company, Bloomberg

8.2 Yangzijiang – likely capped after a 2025 dividend hike

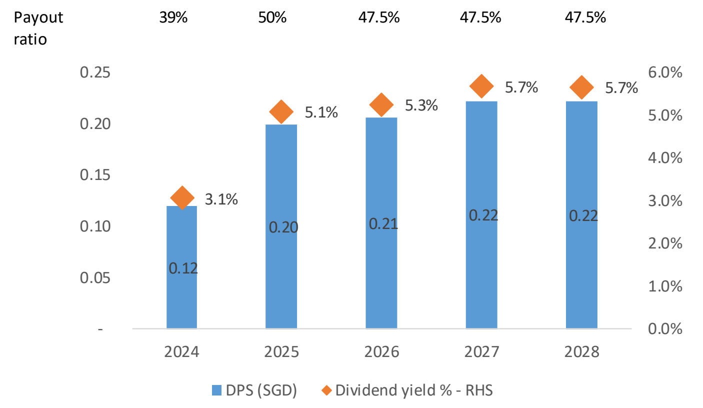
Vertical integration - strategic stake in Seaspan. The recent USD825m investment by Yangzijiang in Seaspan Corporation (Unlisted) (via a 10% stake in Poseidon Corp STOCK INFO) appears strategically driven and could strengthen the company's long-term positioning. The investment deepens ties with one of 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 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.

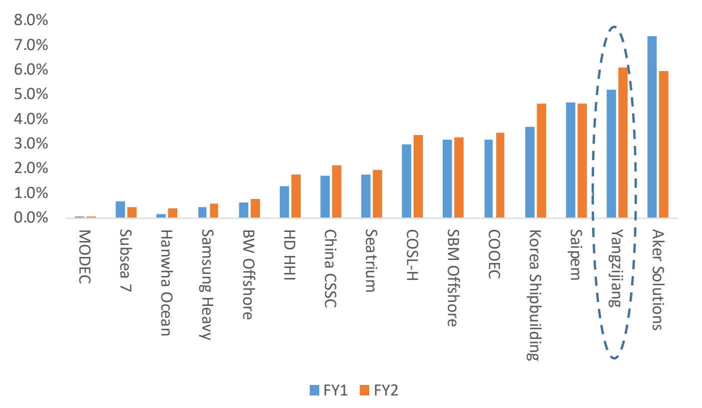
That said, further upside to dividends appears limited given the company's prudent capital management philosophy. Yangzijiang continues to prioritise maintaining a net cash balance sheet to navigate the inherently cyclical shipbuilding industry. In addition, capital deployment remains focused on strategic investments, including the USD825m stake in Seaspan'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 69: Yangzijiang's dividend yield and payout ratio



Source: Maybank IBG Research

Fig 70: Yangzijiang's dividend yield relative to the global peers

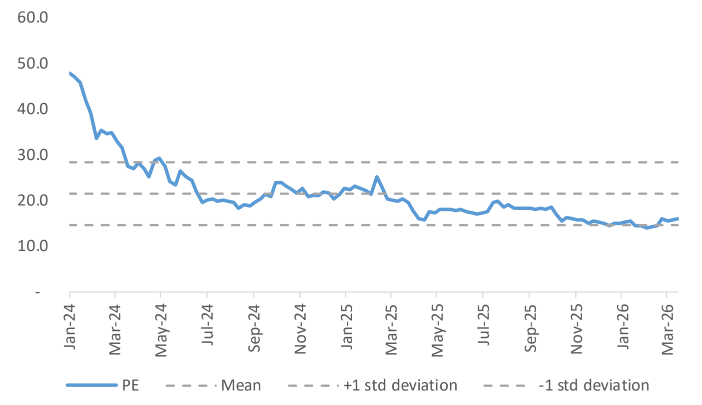


Source: Maybank IBG Research, Bloomberg

9. Valuation: Seatrium favourable vs history, YZJ favourable vs. peers

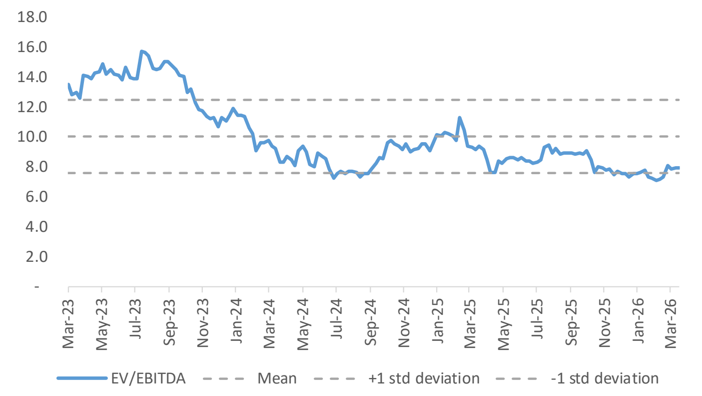
Seatrium is trading at a slight discount to global offshore engineering peers despite improving fundamentals. The stock is valued at a meaningful discount to historical through-cycle margins and below levels implied by its expected FY26–28 earnings recovery and order pipeline visibility. As margin normalisation progresses and order inflows accelerate, we see scope for a valuation re-rating towards global offshore engineering and energy infrastructure peers, supported by stronger return metrics and improving earnings quality.

Fig 71: Seatrium PE band



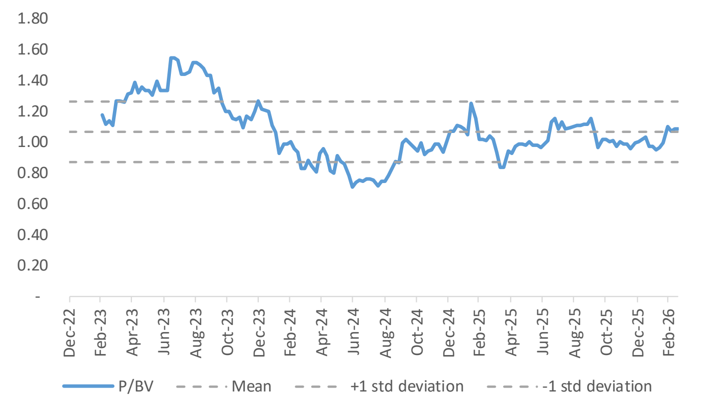
Source: Maybank IBG Research, Company

Fig 72: Seatrium EV/EBITDA band



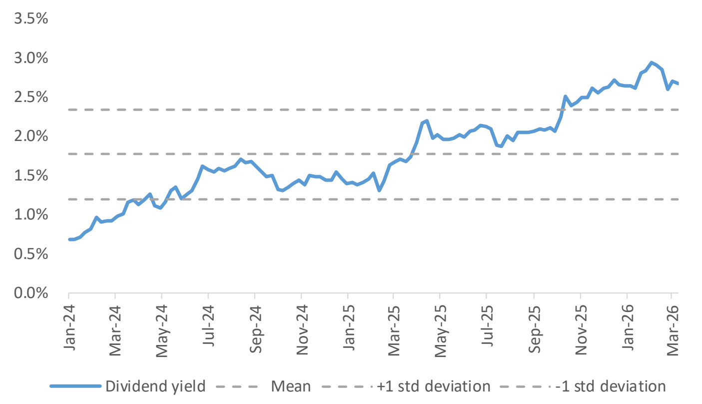
Source: Maybank IBG Research, Company, Bloomberg

Fig 73: Seatrium P/BV band



Source: Maybank IBG Research, Company

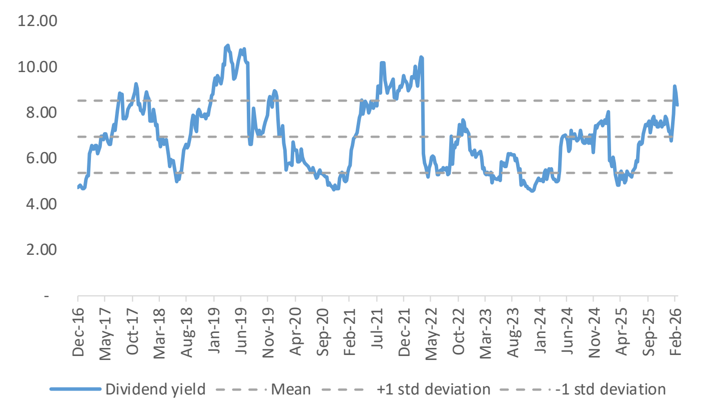
Fig 74: Seatrium dividend yield band



Source: Maybank IBG Research, Company, Bloomberg

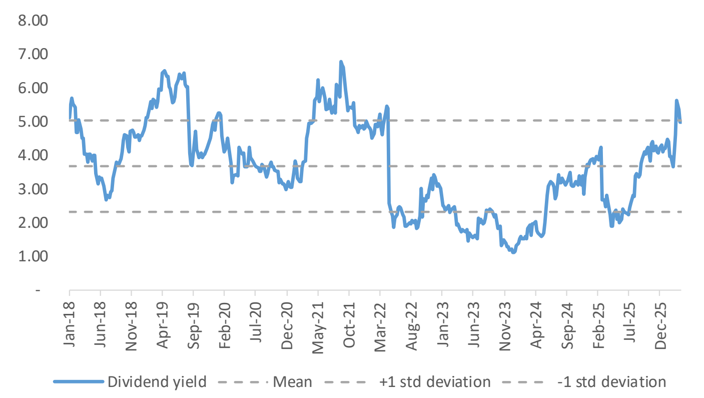
Yangzijiang: Valuation and yield provides downside support. Relative to its history, Yangzijiang is trading at 1 std deviation above long term mean but relative to its peers it is at a significant discount. Plus its defensible 5-6% dividend yield provides a strong downside support.

Fig 75: Yangzijiang PE band



Source: Maybank IBG Research, Company

Fig 76: Yangzijiang EV/EBITDA band

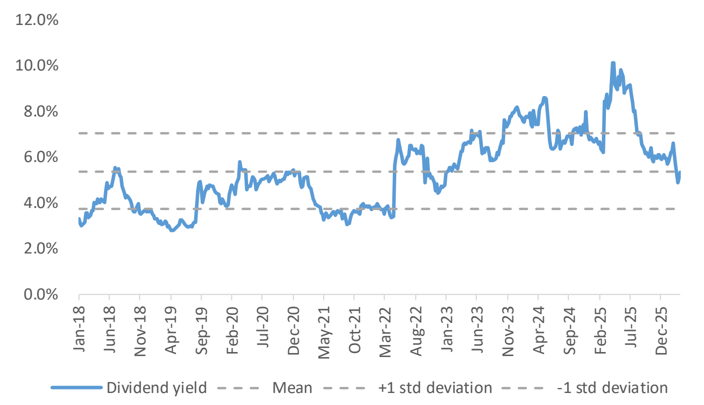


Source: Maybank IBG Research, Company, Bloomberg

Fig 77: Yangzijiang P/BV band

Source: Maybank IBG Research, Company

Fig 78: Yangzijiang dividend yield band



Source: Maybank IBG Research, Company, Bloomberg

Fig 79: Shipbuilding valuation comps

Company	BBG	MBIG	Price	MBIG TP	Mcap	P/E (x)		Earnings CAGR	EV /EBITDA (x)		ROE		P/BV		Dividend Yield (%)	
	Code	Rec	(LC)	(LC)	USDm	FY1	FY2	(2025-28E)	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

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