Yangzijiang Shipbuilding (YZJSGD SP)

1H26: Earnings Beat On Strong Revenue And Margins; Good Earnings Visibility Through 2029

Highlights

- YZJ's 1H26 net profit of Rmb5.37b (+28.4% yoy) beat our expectations, at 55% of our/consensus full-year forecast, driven by stronger-than-projected revenue delivery as well as positive margins surprises in shipbuilding.
- Orderbook remains strong, at US$22.4b as of end-1H26; together with good contract pricing levels, this orderbook provides good revenue/earnings visibility through 2029.
- Management is confident in meeting its 2026 contract win target of US$4.5b.
- Maintain BUY, with a higher target price of S$5.30, based on 9.1x 2028F PE.

1H26 Results

Year to 31 Dec (Rmbm)	1H26	1H25	change yoy %	2H25	change qoq %	Remarks
Revenue	17,534	12,878	***+36.2***	15,627	***+12.2***	Beat, at 52%/54% of our/consensus estimates
Gross profit	6,350	4,447	***+42.8***	5,314	***+19.5***	Beat, at 55%/57% of our/consensus estimates
EBIT	5,919	4,263	*+38.9*	4,818	*+22.9*	
Core EBIT	5,821	4,082	***+42.6***	4,804	***+21.2***	
JVs/associates	483	481	*+0.3*	379	*+27.3*	
Reported net profit	5,368	4,181	*+28.4*	4,456	*+20.5*	Beat, at 55% of our/consensus estimates
Core net profit	5,269	4,001	***+31.7***	4,424	***+19.1***	
Gross profit margin	36.2%	34.5%	*+1.7ppt*	34.0%	*+2.2ppt*	Exceeded our/consensus projected 34% GPM
Shipbuilding GPM	37.1%	35.2%	*+1.9ppt*	35.1%	*+2.1ppt*	
Core EBIT margin	33.2%	31.7%	*+1.5ppt*	30.7%	*+2.5ppt*	
Core NPM	30.1%	31.1%	*-1.0ppt*	28.3%	*+1.7ppt*	

Source: YZJ, UOB Kay Hian

Analysis

- **1H26 results are a clean beat.** Yangzijiang Shipbuilding's (YZJ) 1H26 results came in a strong beat to our expectations, with reported net profit of Rmb5.37b (+28.4% yoy) forming 55% of our/consensus full-year forecasts. The beat was driven by both: a) stronger-than-expected revenue delivery, and b) positive surprises from shipbuilding gross profit margins (GPM). Excluding one-off items such as forex gains/(losses), disposal gains/(losses) and subsidies/incentives, etc, core operating profit expanded by a strong 42.6% yoy (+21.2% hoh) to Rmb5.82b, by our estimate.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	26,542	28,505	35,213	40,988	41,181
EBITDA	7,469	9,611	12,336	14,211	13,972
Operating profit	7,008	9,081	11,731	13,446	13,167
Net profit (rep./act.)	6,634	8,637	10,745	12,235	12,092
Net profit (adj.)	6,543	8,425	10,551	12,045	11,901
EPS (x)	165.6	213.8	268.1	306.0	302.4
PE (x)	13.4	10.3	8.2	7.2	7.3
P/B (x)	3.3	2.7	2.2	1.9	1.7
EV/EBITDA (x)	9.4	7.3	5.7	4.9	5.0
Dividend yield (%)	2.9	4.8	6.1	6.9	6.9
Net margin (%)	25.0	30.3	30.5	29.9	29.4
Net debt/(cash) to equity (%)	(81.2)	(64.2)	(44.0)	(49.8)	(53.7)
ROE (%)	28.1	29.6	30.3	29.0	24.8
Consensus net profit	-	-	10,024	11,196	11,591
UOBKH/Consensus (x)	-	-	1.05	1.08	1.03

Source: YZJ, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S$4.20
Target Price	S$5.30
Upside	26.2%
Previous TP	S$4.75

Stock Data

Sector	Industrials
Bloomberg ticker	YZJSGD SP
Shares issued (m)	3,935.6
Market cap (S$m)	16,529.5
Market cap (US$m)	12,898.5
3-mth avg daily t'over (US$m)	51.5

Price Performance (%)

52-week high/low				S$4.62/S$2.69
1mth	3mth	6mth	1yr	YTD
20.7	2.4	32.9	47.9	20.7

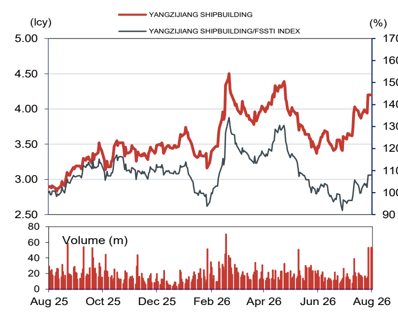
Major Shareholders (%)

Yangzi Int'l Hldgs	21.7
Lido Point Invt	9.6

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	9.84
FY26 Net Debt/(Cash)/Share (Rmb)	(4.33)

Price Chart



Source: Bloomberg

Company Description

Established in 1956, the company has four shipyards in Jiangsu, China, and is the country's largest private shipyard. Its products include containerships, oil/chemical tankers and bulk carriers with a client network across North America, Europe and Asia.

- **Revenue beat expectations, supported by fresh revenue contribution from Hongyuan yard.** Revenue rose 36% yoy to Rmb17.5b, forming 52%/54% of our/consensus full-year forecasts. The Hongyuan yard, which is still under construction and remains on track to be completed in 2H26, has started to generate revenue, contributing Rmb545m revenue in 2Q26. Management guided that while the Hongyuan yard remains on track for completion by end-26, it is expected to contribute more revenue in 2H26. Once fully integrated into YZJ's yard portfolio in 2027, the Hongyuan yard is expected to contribute to about 20% of YZJ's total revenue.
- **Positive surprise from gross profit margins.** YZJ's GPM expanded 1.7ppt yoy (2.2ppt hoh) to 36.2%, driven by higher margins from both shipbuilding and shipping segments.
- Shipbuilding GPM increased 1.9ppt yoy (+2.1ppt hoh) to 37.1%, mainly driven by: a) the progressive construction of vessels secured at higher contract prices (order wins back in 2023-24); and b) a favourable product mix, which include ultra-large containerships and very large ethane carriers. This more than offsets the negative impacts from a strengthened renminbi against the US dollar (in which YZJ's contract wins are denominated).
- As for shipping segment, GPM benefitted from a higher Baltic Dry Index, averaging at about 2,350 in 1H26, compared with approximately 1,300 in 1H25. Management shared that YZJ has entered into one-year contracts for its dry bulk carrier fleet at favourable prices levels during 1H26.
- **Strong orderbook of US$22.4b providing good revenue visibility through 2029.** YZJ maintains a strong net orderbook of US$22.4b as of end-1H26, largely unchanged versus end-25, despite the strong revenue delivery in 1H26. Management highlighted that YZJ's shipbuilding slots have been booked through 2029, with 2029 delivery slots also nearly full.
- **Management confident in meeting its US$4.5b order win target for 2026.** YZJ bagged US$1.96b worth of contracts in 7M26, driven by demand across all vessel types. While the ytd contract wins track slightly behind schedule, management is confident that YZJ will meet its US$4.5b contract win target for 2026, given the negotiation dynamics for contracts in the pipeline.
- **Margins for new contracts remain strong.** According to management, even though average new vessel prices have moderated by about 5% from the peak prices levels seen 2023-24, the price levels of YZJ's new order wins remain comparable to peak levels, as YZJ, given its good reputation and proven execution track record, can get the best-margin contracts in the market. Management also noted that YZJ, given its strong orderbook on hand, has no intention of engaging in price wars for the next two years.
- **Strong earnings outlook through 2029.** Given: a) the strong orderbook on hand; and b) the good price levels of the contracts in the orderbook (which imply sustainable strong margins, assuming stable steel prices and forex rates), YZJ's strong profitability is largely secured through 2029, in our view.

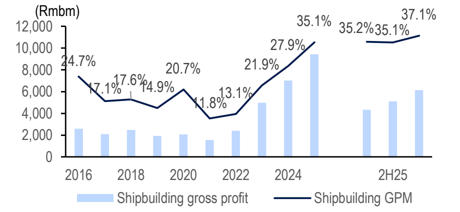
Earnings Revision/Risk

- **Raise our 2026-28F earnings forecasts by 11%/22%/15%,** as we raise our shipbuilding revenue and margin projections. Our updated projection implies a 21% yoy net profit growth in 2H26 and a 14% earnings growth in 2027, reflecting increasing revenue/profit contributions from the Hongyuan yard.
- **Key risks:** a) higher steel prices, b) significantly stronger renminbi against the US dollar, and c) stronger competition eroding margins of new contracts.

Valuation/Recommendation

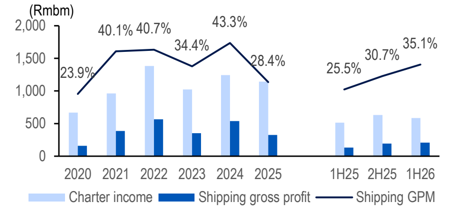
- **Maintain BUY with a higher target price of S$5.30.** Our updated target price is based on 9.1x 2028F PE (rolled over), or 1.5SD above YZJ's historical mean PE of 6.2x. Our target 2028F PE is still conservative, at a 20% discount to peers' average 2028F PE of 11.3x. YZJ currently trades at 8.1x/7.1x 2026F/27F PE, 1.0SD/0.5SD above historical mean. It offers 6.1-6.9% yields in 2026-28F, by our estimate, based on a 50% payout ratio.

Shipbuilding Gross Profit Margins



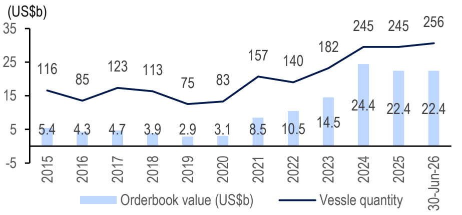
Source: YZJ

Shipping Revenue And Margins



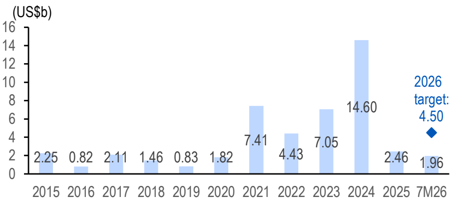
Source: YZJ

Orderbook On Hand



Source: YZJ

Order Win Trend



Source: YZJ

PE-based Valuation

		2026F	2027F	2028F
EPS		Rmb2.73 S$0.52	Rmb3.11 S$0.59	Rmb3.07 S$0.58
PE peg		-------------	Target price	-----------
+2.0SD	10.1x	S$5.21	S$5.94	S$5.87
+1.5SD	9.1x	S$4.71	S$5.36	S$5.30
+1.0SD	8.1x	S$4.20	S$4.79	S$4.73
+0.5SD	7.1x	S$3.70	S$4.21	S$4.16
Mean	6.2x	S$3.19	S$3.64	S$3.59

Source: YZJ

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	28,505	35,213	40,988	41,181
EBITDA	9,611	12,336	14,211	13,972
Deprec. & amort.	530	605	765	805
EBIT	9,081	11,731	13,446	13,167
Total other non-op. income	0	0	0	0
Associate contributions	861	1,133	1,290	1,287
Net interest income/(expense)	735	361	399	500
Pre-tax profit	10,677	13,225	15,136	14,955
Tax	(2,045)	(2,488)	(2,908)	(2,870)
Minorities	5	7	7	7
Net profit	8,637	10,745	12,235	12,092
Net profit (adj.)	8,425	10,551	12,045	11,901

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	11,334	13,058	13,248	13,448
Other LT assets	3,724	9,723	10,497	11,269
Cash/ST investment	26,144	19,556	22,725	27,807
Other current assets	17,131	19,120	22,244	22,348
Total assets	58,334	61,457	68,715	74,873
ST debt	5,500	2,500	0	0
Other current liabilities	19,040	18,578	21,402	21,496
LT debt	0	0	0	0
Other LT liabilities	1,536	1,536	1,536	1,536
Shareholders' equity	32,142	38,734	45,676	51,747
Minority interest	116	109	102	95
Total liabilities & equity	58,334	61,457	68,715	74,873

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,465	13,076	11,402	11,592
Pre-tax profit	10,677	13,225	15,136	14,955
Tax	(1,368)	(2,488)	(2,908)	(2,870)
Deprec. & amort.	530	605	765	805
Associates	(861)	(1,133)	(1,290)	(1,287)
Working capital changes	(4,422)	2,867	(300)	(10)
Non-cash items	0	0	0	0
Other operating cashflows	(91)	0	0	0
Investing	(8,482)	(7,194)	(438)	(490)
Capex	(2,138)	(2,329)	(955)	(1,005)
Investment	(833)	(5,318)	0	0
Proceeds from sale of assets	0	0	0	0
Others	(5,511)	453	516	515
Financing	(4,027)	(7,152)	(7,794)	(6,020)
Dividend payments	(2,608)	(4,152)	(5,294)	(6,020)
Proceeds from borrowings	0	0	0	0
Loan repayment	(1,300)	(3,000)	(2,500)	0
Others/interest paid	(119)	0	0	0
Net cash inflow (outflow)	(8,044)	(1,270)	3,170	5,082
Beginning cash & cash equiv.	28,120	20,076	18,806	21,975
Changes due to forex impact	0	0	0	0
Ending cash & cash equiv.	20,076	18,806	21,975	27,057

Key Metric

Year to 31 Dec	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	33.7	35.0	34.7	33.9
Pre-tax margin	37.5	37.6	36.9	36.3
Net margin	30.3	30.5	29.9	29.4
ROA	15.3	17.9	18.8	16.8
ROE	29.6	30.3	29.0	24.8
Growth (% yoy)				
Turnover	7.4	23.5	16.4	0.5
EBITDA	28.7	28.4	15.2	(1.7)
Pre-tax profit	30.5	23.9	14.4	(1.2)
Net profit	30.2	24.4	13.9	(1.2)
Net profit (adj.)	28.8	25.2	14.2	(1.2)
EPS	29.1	25.4	14.2	(1.2)
Leverage				
Debt to total capital	14.6	6.0	0.0	0.0
Debt to equity	17.1	6.5	0.0	0.0
Net debt/(cash) to equity	(64.2)	(44.0)	(49.8)	(53.7)