

Yangzijiang Shipbuilding Holdings Ltd

Earnings Full Sail, Dividends Won't Fail

2 March 2026

Company Overview

Yangzijiang is one of the largest, most efficient and most profitable shipbuilders in China. Leveraging on its proven track record in ultra large containership and bulk carriers, it has moved up the value chain to produce LNG carriers. The yard has also made remarkable progress in green transformation, with c.80% of orderbook coming from clean energy vessels. Beside shipbuilding businesses, the group has a shipping fleet of ~30 vessels to complement its shipbuilding business.

Investment Overview

Leading shipbuilder poised to ride the clean energy wave. Yangzijiang Shipbuilding (YZJ), China's largest and best-managed private shipbuilder, boasts a wide economic moat with ≥ 5 ppt cost advantages from yard optimisation, superior execution, and cost control—outpacing Chinese/Korean peers. It successfully made a foray into the LNG carrier market and targets to improve its corporate ESG.

Earnings growth and ESG advancement are key catalysts. Yangzijiang's improving corporate governance and pivot towards cleaner vessels such as dual-fuel containerships and gas carriers, which now account for >80% of its orderbook, could draw more interest from ESG funds. Securing more orders for LNG carriers allows Yangzijiang to scale up and strengthen its market positioning. The LNG carrier market has high technical barriers to entry and could be a significant growth opportunity for Yangzijiang. The market has yet to fully appreciate the potential for earnings growth from its record-high order backlog as well as yard expansion of c.20%.

Record-high order backlog boosts earnings visibility through 2029. Yangzijiang's yards are full through 2029 with an orderbook of c.USD22.4bn. This is expected to propel an earnings CAGR of ~10% in the next two years, driven by revenue growth and steady margins, as c.68% of its orderbook is made up of containership orders that command higher value and margins.

Reiterate BUY; TP raised to SGD4.55, based on 2.6x FY26F P/BV (11x implied PE), in line with 15% discount to peers' average, justified by its consistently high >20% ROE and 5%-6% dividend yield. We believe 60% of the re-rating could come from earnings growth and 40% from an uplift in the valuation multiple from 9x towards 11x PE. While shipbuilding orders have passed their 2024 peak (prices down 5-10%), YZJ offers compelling growth + yield over the next 2 years, with earnings likely only peaking 2027 or beyond.

Risks

Revenue is denominated mainly in US dollars. Assuming the net exposure of ~50% is unhedged, every 1% depreciation in the USD could lead to a 1.3% decline in earnings. Every 1% rise in steel cost, which accounts for about 20% of cost of goods sold (COGS), could result in a 0.7% drop in earnings..

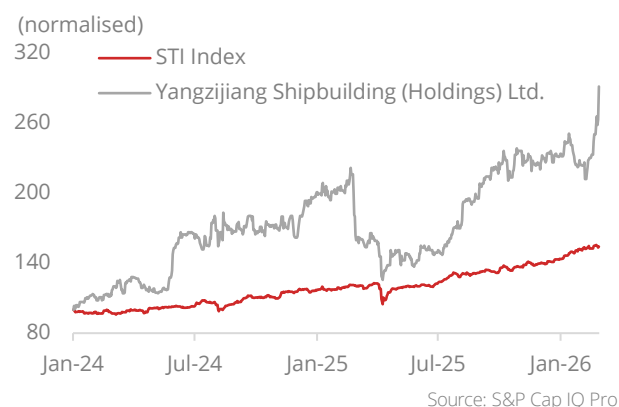
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Key Financial Data

| | |
|---------------------------|---------------|
| Bloomberg Ticker | YZJSGD SP |
| Sector | Capital Goods |
| Share Price (SGD) | 4.34 |
| DBS Rating | BUY |
| 12-mth Target Price (SGD) | 4.55 |
| Market Cap (USDbn) | 13.5 |
| Volume (mn shares) | 70.5 |
| Free float (%) | 68.6 |
| Dividend yield (%) | 5.2 |
| Net Debt to Equity (%) | cash |
| Fwd. P/E (x) | 8.9 |
| P/Book (x) | 2.6 |
| ROE (%) | 29.6 |

Closing Price as of 27/02/2026
Source: Bloomberg, S&P Cap IQ Pro, DBS

Indexed Share price vs Composite Index Performance



Financial Summary (SGDmn)

| FY Dec | FY2023 (A) | FY2024 (A) | FY2025 (A) | FY2026 (F) | FY2027 (F) |
|-------------------|------------|------------|------------|------------|------------|
| Sales | 24,112 | 26,542 | 28,505 | 31,716 | 35,431 |
| % y/y | 119.9 | 107.5 | 111.3 | 146.3 | 11.7 |
| Gross Profit | 5,410 | 7,608 | 9,761 | 10,863 | 12,159 |
| % y/y | 205.1 | 130.5 | 136.7 | 144.3 | 11.9 |
| EBITDA | 5,237 | 8,028 | 10,471 | 11,420 | 12,777 |
| % y/y | 181.0 | 170.4 | 139.0 | 140.7 | 11.9 |
| Net Profit (Loss) | 4,102 | 6,634 | 8,637 | 9,345 | 10,438 |
| % y/y | 184.4 | 179.2 | 141.6 | 123.5 | 11.7 |
| FCF | 7,705 | 12,004 | 2,784 | 9,765 | 7,956 |
| % y/y | nm | nm | nm | nm | (18.5) |
| CAPEX | (268.1) | (956.7) | (1,681) | (2,000) | (1,999) |
| % y/y | nm | nm | nm | nm | (0.1) |
| EBITDA Margin (%) | 21.7 | 30.2 | 36.7 | 36.0 | 36.1 |
| Net Margin (%) | 17.0 | 25.0 | 30.3 | 29.5 | 29.5 |
| ROA (%) | 11.1 | 13.9 | 15.3 | 15.0 | 15.0 |
| ROE (%) | 21.3 | 28.1 | 29.6 | 27.0 | 26.1 |
| Tax Rate (%) | 20.7 | 18.9 | 19.2 | 19.5 | 20.0 |

Source: Company, DBS

Valuation Metrics

| FY Dec | FY2023 (A) | FY2024 (A) | FY2025 (A) | FY2026 (F) | FY2027 (F) |
|----------------------|------------|------------|------------|------------|------------|
| PE (x) | 20.2 | 12.5 | 9.6 | 8.9 | 7.9 |
| P/B (x) | 3.9 | 3.1 | 2.6 | 2.2 | 1.9 |
| Dividend Yield (%) | 1.7 | 3.1 | 5.2 | 5.7 | 6.2 |
| EV/EBITDA (x) | 13.7 | 7.7 | 5.9 | 5.0 | 4.2 |
| FCF Yield (%) | 10.7 | 19.5 | 4.5 | 17.2 | 14.9 |
| Net DPS (S cts) | 6.5 | 12.2 | 20.0 | 21.8 | 23.8 |
| BV Per Share (S cts) | 98.6 | 124.4 | 149.6 | 173.1 | 199.8 |

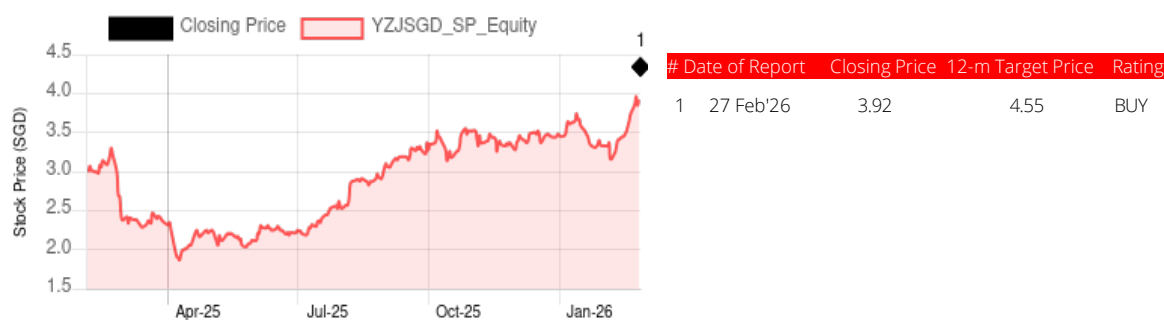
Source: Company, DBS

Credit & Cashflow Metrics

| FY Dec | FY2023 (A) | FY2024 (A) | FY2025 (A) | FY2026 (F) | FY2027 (F) |
|-----------------------|------------|------------|------------|------------|------------|
| Debt / Equity (x) | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 |
| Net Debt / Equity (x) | cash | cash | cash | cash | cash |
| Debt / Assets (x) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| EBITDA / Int Exp (x) | nm | nm | nm | nm | nm |
| Debt / EBITDA (x) | 1.1 | 0.8 | 0.5 | 0.4 | 0.3 |
| Receivables Days | 63.1 | 75.2 | 90.9 | 86.1 | 72.8 |
| Days Payable | 68.6 | 79.0 | 81.3 | 90.9 | 108.0 |
| Inventory Days | 21.6 | 27.6 | 54.5 | 73.1 | 78.3 |

Source: Company, DBS

Target Price & Ratings History



Source: DBS

Analysts: Pei Hwa Ho

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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