# Guangdong Songfa Ceramics Co (603268.SS)

## 2Q26 earnings strong beat, on earlier blocks construction pre phase III, better margin and operational efficiency; Buy

| 603268.SS | 12m Price Target: **Rmb200.00** | Price: **Rmb160.37** | Upside: **24.7%** |
|---|---|---|---|

**BUY**

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Post market close on July 7th, Songfa/Hengli Heavy Industry released 1H26 prelim results, with 1H26 reported net profit of c.Rmb3.6bn and adjusted net profit at around c.Rmb3.5bn. This implies **2Q26 net profit of c.Rmb 2.5bn (+129% QoQ) and adjusted net profit of c. Rmb2.4bn (+120% QoQ), which is ahead of our expectation of Rmb1.8bn (see Exhibit 1) and the range mentioned in our conversations with investors, accounting for c.35% of WIND FY26 consensus. We attribute the strong beat to: 1) Earlier commencement of blocks construction, ahead of phase III drydock's operation starting from June –** Though phase III drydock (where the ship is finally assembled) started operation in June, we believe the company had pre-fabricated blocks e.g. cutting steel at ground workshops before that, which could have also contributed to revenue based on the construction progress recognition method. **2) Better-than-expected margin driven by product mix improvement –** Hengli started blocks construction ahead of phase III drydocks operation, which effectively enabled more higher-margin tankers and containerships to be constructed earlier, by comparing delivery schedules in July-26 vs. Mar-26 (Exhibit 2, Exhibit 3). **3) Operational efficiency improvement –** During 2Q26, Hengli delivered 2 VLCCs to clients at least 3 months ahead of contract deadline, showcasing in our view, its improved operational efficiency after experience accumulation.

Post this announcement, we revise up our earnings forecast for 2026E-28E to Rmb9.2bn/Rmb14.4bn/Rmb16.2bn up +22%/10%/8% (Exhibit 6) vs. our priors, mainly factoring in earlier expanded capacity in place in 2Q26 and higher margin from improved operational efficiency. As a result, **we raise our 12m TP to Rmb200/share (up 8% from Rmb185 previously)** based on an unchanged target 2028E P/E of 12x.

**In addition, we see further earnings upside if Hengli finalises the phase IV capacity addition, which is estimated to add another up**

### Key Data

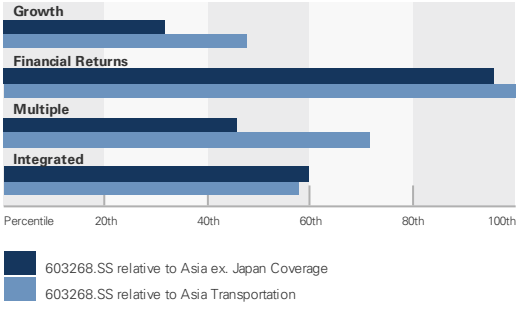
| | |
|---|---|
| Market cap: | Rmb155.7bn / $22.9bn |
| Enterprise value: | Rmb163.7bn / $24.1bn |
| 3m ADTV: | Rmb1.2bn / $173.7mn |
| | China |
| | Asia Transportation |
| | M&A Rank: 3 |
| Leases incl. in net debt & EV?: | Yes |

### GS Forecast

| | 12/25 | 12/26E | 12/27E | 12/28E |
|---|---|---|---|---|
| **Revenue (Rmb mn) New** | **21,539.6** | **53,595.3** | **72,112.1** | **74,561.9** |
| Revenue (Rmb mn) Old | 21,539.6 | 50,581.8 | 71,646.3 | 74,502.1 |
| EBITDA (Rmb mn) | 4,104.8 | 12,397.0 | 18,570.1 | 20,456.6 |
| **EPS (Rmb) New** | **2.73** | **9.51** | **14.80** | **16.67** |
| EPS (Rmb) Old | 2.73 | 7.77 | 13.44 | 15.38 |
| P/E (X) | 17.8 | 16.9 | 10.8 | 9.6 |
| P/B (X) | 5.0 | 8.3 | 4.8 | 3.3 |
| Dividend yield (%) | 0.0 | 0.6 | 0.9 | 1.0 |
| CROCI (%) | 28.5 | 40.9 | 53.6 | 58.2 |

| | 3/26 | 6/26E | 9/26E | 12/26E |
|---|---|---|---|---|
| EPS (Rmb) | 1.13 | 2.53 | 2.71 | 3.14 |

### GS Factor Profile




Source: Company data, Goldman S

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BUY

# Guangdong Songfa Ceramics Co (603268.SS)

Rating since Apr 2, 2026

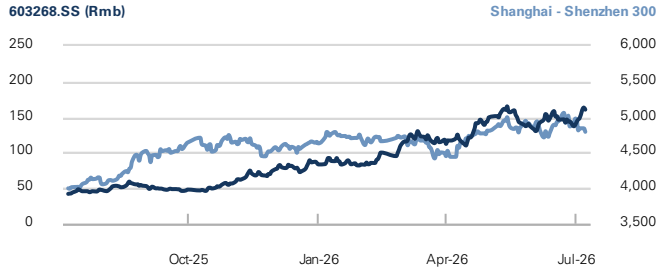
## Ratios & Valuation

| | 12/25 | 12/26E | 12/27E | 12/28E |
|---|---|---|---|---|
| P/E (X) | 17.8 | 16.9 | 10.8 | 9.6 |
| P/B (X) | 5.0 | 8.3 | 4.8 | 3.3 |
| FCF yield (%) | (24.0) | 0.4 | 9.5 | 9.6 |
| EV/EBITDAR (X) | 13.6 | 13.2 | 8.1 | 6.7 |
| EV/EBITDA (excl. leases) (X) | 13.3 | 13.1 | 8.0 | 6.6 |
| CROCI (%) | 28.5 | 40.9 | 53.6 | 58.2 |
| ROE (%) | 41.7 | 65.6 | 56.5 | 41.0 |
| Net debt/equity (%) | 90.8 | 42.7 | (18.2) | (41.3) |
| Net debt/equity (excl. leases) (%) | 77.6 | 36.9 | (21.3) | (43.2) |
| Interest cover (X) | 6.0 | 14.9 | 26.5 | 46.2 |
| Days inventory outst, sales | 59.5 | 55.3 | 61.0 | 64.2 |
| Receivable days | 3.0 | 1.5 | 1.8 | 2.0 |
| Days payable outstanding | 254.1 | 222.3 | 260.8 | 286.0 |
| DuPont ROE (%) | 28.1 | 49.4 | 44.7 | 34.5 |
| Turnover (X) | 0.4 | 0.6 | 0.7 | 0.6 |
| Leverage (X) | 5.2 | 4.6 | 3.3 | 2.5 |
| Gross cash invested (ex cash) (Rmb) | 21,316.7 | 29,953.4 | 29,549.6 | 30,793.6 |
| Average capital employed (Rmb) | 10,909.9 | 21,184.4 | 25,437.2 | 25,960.5 |
| BVPS (Rmb) | 9.74 | 19.25 | 33.10 | 48.29 |

## Growth & Margins (%)

| | 12/25 | 12/26E | 12/27E | 12/28E |
|---|---|---|---|---|
| Total revenue growth | 277.6 | 148.8 | 34.5 | 3.4 |
| EBITDA growth | 595.4 | 202.0 | 49.8 | 10.2 |
| EPS growth | 1,083.1 | 247.9 | 55.6 | 12.6 |
| DPS growth | NM | NM | 55.6 | 12.6 |
| EBIT margin | 16.7 | 22.0 | 24.3 | 26.0 |
| EBITDA margin | 19.1 | 23.1 | 25.8 | 27.4 |
| Net income margin | 12.3 | 17.2 | 19.9 | 21.7 |

## Price Performance




| | 3m | 6m | 12m |
|---|---|---|---|
| Absolute | 33.4% | 73.5% | 279.9% |
| Rel. to the Shanghai - Shenzhen 300 | 23.6% | 72.9% | 214.4% |

Source: FactSet. Price as of 7 Jul 2026 close.

## Income Statement (Rmb mn)

| | 12/25 | 12/26E | 12/27E | 12/28E |
|---|---|---|---|---|
| Total revenue | 21,539.6 | 53,595.3 | 72,112.1 | 74,561.9 |
| Cost of goods sold | (17,223.7) | (40,472.4) | (53,134.5) | (53,689.1) |
| SG&A | (710.3) | (1,346.1) | (1,448.9) | (1,498.1) |
| R&D | – | – | – | – |
| Other operating inc./(exp.) | – | – | – | – |
| **EBITDA** | **4,104.8** | **12,397.0** | **18,570.1** | **20,456.6** |
| Depreciation & amortization | (499.3) | (620.2) | (1,041.4) | (1,082.0) |
| **EBIT** | **3,605.6** | **11,776.8** | **17,528.7** | **19,374.6** |
| Net interest inc./(exp.) | (556.9) | (754.0) | (623.0) | (336.7) |
| Income/(loss) from associates | – | – | – | – |
| **Pre-tax profit** | **3,181.3** | **11,068.5** | **16,905.7** | **19,037.9** |
| Provision for taxes | (526.7) | (1,832.4) | (2,535.9) | (2,855.7) |
| Minority interest | – | – | – | – |
| Preferred dividends | – | – | – | – |
| **Net inc. (pre-exceptionals)** | **2,654.6** | **9,236.2** | **14,369.8** | **16,182.2** |
| Post-tax exceptionals | – | – | – | – |
| **Net inc. (post-exceptionals)** | **2,654.6** | **9,236.2** | **14,369.8** | **16,182.2** |
| **EPS (basic, pre-except) (Rmb)** | **2.73** | **9.51** | **14.80** | **16.67** |
| **EPS (diluted, pre-except) (Rmb)** | **2.73** | **9.51** | **14.80** | **16.67** |
| **EPS (basic, post-except) (Rmb)** | **2.73** | **9.51** | **14.80** | **16.67** |
| **EPS (diluted, post-except) (Rmb)** | **2.73** | **9.51** | **14.80** | **16.67** |
| DPS (Rmb) | – | 0.95 | 1.48 | 1.67 |
| Div. payout ratio (%) | 0.0 | 10.0 | 10.0 | 10.0 |

## Balance Sheet (Rmb mn)

| | 12/25 | 12/26E | 12/27E | 12/28E |
|---|---|---|---|---|
| Cash & cash equivalents | 7,215.2 | 7,814.2 | 16,546.2 | 25,459.1 |
| Accounts receivable | 122.5 | 304.7 | 410.0 | 423.9 |
| Inventory | 5,175.2 | 11,051.9 | 13,053.8 | 13,190.1 |
| Other current assets | 16,519.6 | 32,581.0 | 42,179.6 | 44,103.0 |
| **Total current assets** | **29,032.5** | **51,751.9** | **72,189.6** | **83,176.1** |
| Net PP&E | 18,136.7 | 31,484.3 | 31,718.9 | 31,921.5 |
| Net intangibles | 2,076.4 | 2,088.9 | 2,101.9 | 2,115.4 |
| Total investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long-term assets | 146.5 | 146.5 | 146.5 | 146.5 |
| **Total assets** | **49,392.0** | **85,471.5** | **106,156.9** | **117,359.5** |
| Accounts payable | 15,216.6 | 34,092.8 | 41,847.5 | 42,284.3 |
| Short-term debt | 10,908.2 | 10,908.2 | 7,908.2 | 4,908.2 |
| Short-term lease liabilities | 217.7 | 190.8 | 170.2 | 154.9 |
| Other current liabilities | 5,497.1 | 13,464.6 | 18,067.1 | 18,676.0 |
| **Total current liabilities** | **31,839.6** | **58,656.4** | **67,992.9** | **66,023.2** |
| Long-term debt | 3,643.6 | 3,797.9 | 1,797.9 | 297.9 |
| Long-term lease liabilities | 1,032.2 | 904.5 | 807.0 | 734.1 |
| Other long-term liabilities | 3,424.5 | 3,424.5 | 3,424.5 | 3,424.5 |
| **Total long-term liabilities** | **8,100.3** | **8,126.9** | **6,029.4** | **4,456.5** |
| **Total liabilities** | **39,939.9** | **66,783.3** | **74,022.4** | **70,479.7** |
| Preferred shares | – | – | – | – |
| Total common equity | 9,452.1 | 18,688.3 | 32,134.5 | 46,879.7 |
| **Minority interest** | **--** | **--** | **--** | **--** |
| **Total liabilities & equity** | **49,392.0** | **85,471.5** | **106,156.9** | **117,359.5** |
| Net debt, adjusted | 7,336.6 | 6,891.8 | (6,840.2) | (20,253.1) |

## Cash Flow (Rmb mn)

| | 12/25 | 12/26E | 12/27E | 12/28E |
|---|---|---|---|---|
| Net income | 2,654.6 | 9,236.2 | 14,369.8 | 16,182.2 |
| D&A add-back | 499.3 | 620.2 | 1,041.4 | 1,082.0 |
| Minority interest add-back | – | – | – | – |
| Net (inc)/dec working capital | (5,217.9) | 4,723.4 | 651.4 | (1,027.9) |
| Other operating cash flow | 334.8 | – | – | – |
| **Cash flow from operations** | **(1,729.3)** | **14,579.7** | **16,062.6** | **16,236.3** |
| | | | | |
| Capital expenditures | (9,630.5) | (13,980.3) | (1,289.0) | (1,298.1) |
| Acquisitions | – | – | – | – |
| Divestitures | 21.5 | – | – | – |
| Others | (34.2) | – | – | – |
| **Cash flow from investing** | **(9,643.3)** | **(13,980.3)** | **(1,289.0)** | **(1,298.1)** |
| | | | | |
| Repayment of lease liabilities | – | – | – | – |
| Dividends paid (common & pref) | – | – | (923.6) | (1,437.0) |
| Inc/(dec) in debt | 10,172.4 | 154.3 | (5,000.0) | (4,500.0) |
| Other financing cash flows | 6,043.6 | (154.7) | (118.0) | (88.3) |
| **Cash flow from financing** | **16,216.0** | **(0.4)** | **(6,041.6)** | **(6,025.3)** |
| **Total cash flow** | **4,843.5** | **599.0** | **8,732.0** | **8,912.9** |
| Free cash flow | (11,359.8) | 599.4 | 14,773.6 | 14,938.2 |

Source: Company data, Goldman Sachs Research estimates.

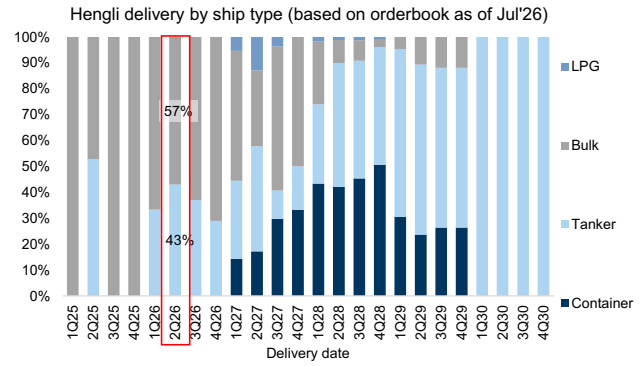
**to 100% capacity to the existing three phases, as we believe the expanded capacity would be filled by strong new ship orders.** Hengli's order-winning momentum remained strong in Jun-26. After winning Rmb15bn new orders at Posidonia Exhibition (see Jun-26 report), news reported that MSC has ordered up to 20 x 20k TEU containerships from Hengli recently, which we estimate is valued at US$4bn (based on recent newbuild price), accounting for over 10% of the orderbook. We expect Hengli can sustain its order-winning momentum benefiting from booming tanker orders and global aging fleet. Hengli has a cover years of 2.7x (incl. Ph III capacity), and we expect the company may continue to expand capacity via phase IV (see Jun-26 report). A shorter-than-peers cover years (global avg at 3.8x years) is a key competitive moat for Hengli when bidding for orders, because shippers mentioned it's hard to find slots delivered in 2028 among tier-1 shipyards (see Jul-26 report) and they are still actively looking for slots from global shipyards for tanker delivery for 2H28-1H29 and are willing to pay c.10% premium over those to be delivered in 2030 (see our shipbuilding trip takeaways).

**Exhibit 1: Hengli 1H26 prelim results and implied 2Q26 results**

| | 1H26 | 1Q26 | 2Q26 | QoQ | | 2Q26 | Vs. Gse | |
|---|---|---|---|---|---|---|---|---|
| mn RMB | Prelim | Reported | Implied | mn RMB | % | Gse | mn RMB | % |
| Net profit | 3,600 | 1,093 | 2,507 | 1,413 | 129% | 1,791 | 716 | 40% |
| Adjusted net profit | 3,500 | 1,092 | 2,408 | 1,316 | 120% | 1,820 | 588 | 32% |
| *- One off* | *100* | *1* | *99* | | | | | |

Source: Company data, Goldman Sachs Global Investment Research

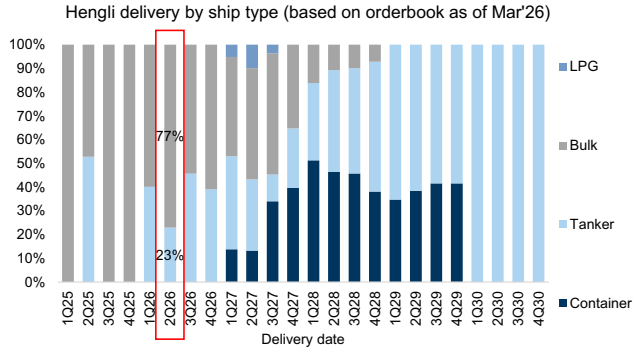
**Exhibit 2: Hengli deliveries (in CGT terms) by ship type as of Jul'26**




As of July 7, 2026.

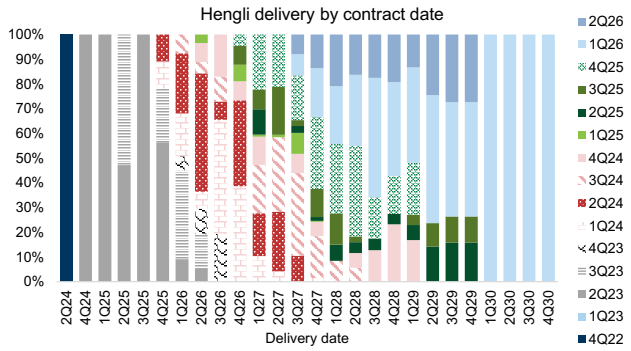
Source: Clarksons

**Exhibit 3: Hengli deliveries (in CGT terms) by ship type as of Mar'26**




Source: Clarksons, Data compiled by Goldman Sachs Global Investment Research

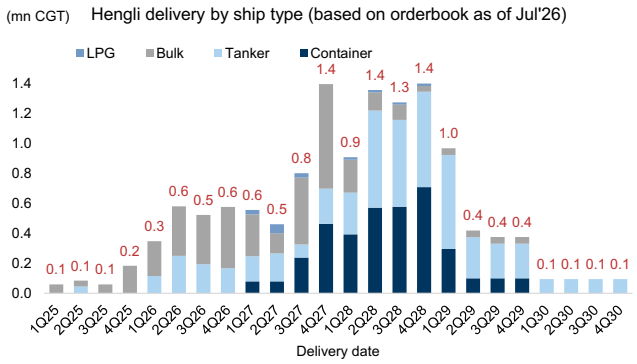
**Exhibit 4: Hengli deliveries (in CGT terms) by contract date**




As of July 7, 2026.

Source: Clarksons, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 5: Hengli's latest orderbook is at c.11.8mn CGT**




As of July 7, 2026.

Source: Clarksons, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 6: Earnings forecast changes**

| Hengli Heavy Industry | 2026E | | | 2027E | | | 2028E | | |
|---|---|---|---|---|---|---|---|---|---|
| | New | Old | Change (%) | New | Old | Change (%) | New | Old | Change (%) |
| **Key operating metrics** | | | | | | | | | |
| Completion recognized (mn CGT) | 3.04 | 2.89 | 5% | 4.00 | 4.00 | 0% | 4.00 | 4.00 | 0% |
| Average price per CGT recognized (US$) | 2,476 | 2,451 | 1% | 2,569 | 2,569 | 0% | 2,651 | 2,637 | 1% |
| New order value (US$ mn) - GSe | 21,679 | 20,331 | 7% | 13,999 | 10,532 | 33% | 13,348 | 9,883 | 35% |
| **Key Financials (Rmb mn)** | | | | | | | | | |
| **Total revenue** | **53,843** | **50,816** | **6%** | **72,445** | **71,977** | **1%** | **74,906** | **74,846** | **0%** |
| Shipbuilding revenue | 51,663 | 48,622 | 6% | 68,859 | 68,846 | 0% | 71,059 | 70,671 | 1% |
| Engine revenue (external) | 1,366 | 1,380 | -1% | 2,732 | 2,277 | 20% | 2,951 | 3,279 | -10% |
| Others | 813 | 813 | 0% | 854 | 854 | 0% | 897 | 897 | 0% |
| **Total COGS** | **(40,472)** | **(39,364)** | **3%** | **(53,134)** | **(54,222)** | **-2%** | **(53,689)** | **(55,097)** | **-3%** |
| **EBIT** | **13,371** | **11,452** | **17%** | **19,311** | **17,755** | **9%** | **21,217** | **19,750** | **7%** |
| *EBIT margin (%)* | *24.8%* | *22.5%* | *2.3ppt* | *26.7%* | *24.7%* | *2.0ppt* | *28.3%* | *26.4%* | *1.9ppt* |
| **EBITDA** | **12,397** | **10,568** | **17%** | **18,570** | **17,026** | **9%** | **20,457** | **18,990** | **8%** |
| *EBITDA margin (%)* | *23.0%* | *20.8%* | *2.2ppt* | *25.6%* | *23.7%* | *2.0ppt* | *27.3%* | *25.4%* | *1.9ppt* |
| Net interest expense | (754) | (754) | 0% | (623) | (631) | -1% | (337) | (347) | -3% |
| **PBT** | **11,069** | **9,040** | **22%** | **16,906** | **15,354** | **10%** | **19,038** | **17,561** | **8%** |
| **PAT** | **9,236** | **7,543** | **22%** | **14,370** | **13,050** | **10%** | **16,182** | **14,927** | **8%** |
| **Net profit (reported)** | **9,236** | **7,543** | **22%** | **14,370** | **13,050** | **10%** | **16,182** | **14,927** | **8%** |
| *Net margin (reported) (%)* | *17.2%* | *14.8%* | *2.3ppt* | *19.8%* | *18.1%* | *1.7ppt* | *21.6%* | *19.9%* | *1.7ppt* |
| **Net profit (adjusted)** | **9,202** | **7,659** | **20%** | **14,370** | **13,050** | **10%** | **16,182** | **14,927** | **8%** |
| *Net margin (adjusted) (%)* | *17.1%* | *15.1%* | *2.0ppt* | *19.8%* | *18.1%* | *1.7ppt* | *21.6%* | *19.9%* | *1.7ppt* |
| **Reported EPS (Rmb)** | **9.51** | **7.77** | **22%** | **14.80** | **13.44** | **10%** | **16.67** | **15.38** | **8%** |
| **Adjusted EPS (Rmb)** | **9.48** | **7.89** | **20%** | **14.80** | **13.44** | **10%** | **16.67** | **15.38** | **8%** |
| **DPS (Rmb)** | **0.95** | **0.78** | **22%** | **1.48** | **1.34** | **10%** | **1.67** | **1.54** | **8%** |

Source: Goldman Sachs Global Investment Research

## Investment Thesis - Guangdong Songfa Ceramics

We are Buy rated on Guangdong Songfa Ceramics, **whose primary asset, Hengli Heavy Industry, appears well positioned to become the second-largest shipbuilder globally by 2027E (GSe)**. We expect Hengli to be a major capacity addition player with a 29% CAGR in 2025-27E, factoring in the completion of its phase III yard, vs. a 3% CAGR for global peers. We expect this to drive its capacity market share to 7% by end-2026E and reduce its orderbook cover years to 2.7x (vs. global / China avg 3.6x/4.0x), one of the lowest among global major shipyards. On the other hand, we expect tanker

super-cycle and an aging fleet to continue to bring new tanker orders, driving the orderbook to rise by c.50% to US$39bn. Risks: Delays in ship delivery or new capacity release; Higher-than-expected steel prices; Less-than-expected new order wins; Lower-than-expected ASP; Stronger-than-expected RMB appreciation vs. USD; Faster-than-expected capacity expansion from other shipyards. Key catalysts: Earnings uptrend and new order wins.

**Price Target Risks and Methodology - Guangdong Songfa Ceramics Co**

Our 12-m target price of Rmb200/share is based on a 2028E P/E of 12x, based on the average of Chinese and Korean shipyards. Risks: Delays in ship delivery or new capacity release; Higher-than-expected steel prices; Less-than-expected new order wins; Lower-than-expected ASP; Stronger-than-expected RMB appreciation vs. USD; Faster-than-expected capacity expansion from other shipyards.

# Disclosure Appendix

## Reg AC

We, Herbert Lu and Wing Huang, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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## GS Factor Profile

The Goldman Sachs Factor Profile provides investment contextor a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. Theour key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranksor specific metricsor each stock. The normalized ranksor the metrics are then averaged and converted into percentilesor the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is asollows:

**Growth** is based on a stock'sorward-looking sales growth, EBITDA growth and EPS growth (or financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock'sorward-looking ROE, ROCE and CROCI (or financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock'sorward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (or financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analystorecasts at the fiscal year-end at least three quarters in theuture. Growth uses inputs or the fiscal year at least seven quarters in theuture compared with the year at least three quarters in theuture (on a per-share basisor all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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## Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

| | Rating Distribution | | | Investment Banking Relationships | | |
|---|---|---|---|---|---|---|
| | Buy | Hold | Sell | Buy | Hold | Sell |
| Global | 50% | 34% | 16% | 65% | 60% | 45% |

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## Target price history table(s)

### Guangdong Songfa Ceramics Co (603268.SS)

| Date of report | Target price (Rmb) | Closing price (Rmb) |
|---|---|---|
| 07-Jul-26 | 200.00 | 160.37 |
| 27-Apr-26 | 185.00 | 138.92 |
| 02-Apr-26 | 169.00 | 116.99 |

Price targets shown in table(s) are unadjusted for corporate actions.

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