Yangzijiang Shipbuilding (YAZG.SI)

1H26 analyst briefing takeaways: mgmt guide elevated margin to sustain in 2H26, and a similar ASP for 2025-26 orders vs 2024's

YAZG.SI	12m Price Target: **S$5.30**	Price: **S$4.20**	Upside: **26.2%**

Yangzijiang Shipbuilding (YZJ) mgmt held an analyst briefing post the 1H26 results beat. Mgmt reiterated its USD4.5bn order-win target for 2026, and guided gross margin to remain elevated, benefiting from construction of higher-price 2024 orders and stable costs including raw materials and labor, and said the company would add more investment in automation at their new shipyard in Hongyuan to control the costs. **Surprisingly, in a departure from their typically conservative guidance, mgmt expect the gross margin to sustain at such a high level even after the 2024 orders are completed**, as their containership orders signed in 2025-26 have similar prices vs. 2024's, although containership ASP was down by -1.5% from 2024's peak. That said, mgmt explained that every 1% appreciation of Rmb vs. USD reduces gross margins by 0.4-0.5 ppts. Regarding capacity expansion, mgmt noted that Hongyuan Shipyard remains on track to contribute 20% of group capacity and revenue in 2027; ahead of that, block construction for orders won by Hongyuan had already started in 2Q26. As we reiterated in our 1H26 results review, we are positive on YZJ's long-term earnings outlook, and the current share price implies 6%/7%/8% dividend yield for 2026-28E, which we believe is attractive.

Key takeaways from the result and analyst briefing:

- **Mgmt reiterated US$4.5bn order-win target for 2026.** YZJ secured US$1.95bn of new orders in 7M26 and mgmt remain confident of winning a further c.US$2.5bn new orders in the rest of the year. They continue to prioritize containerships due to superior margins and said they will bid for any upcoming large containership orders, but remain open-minded if there are not enough containership orders. Mgmt said they were surprised to

BUY

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Key Data

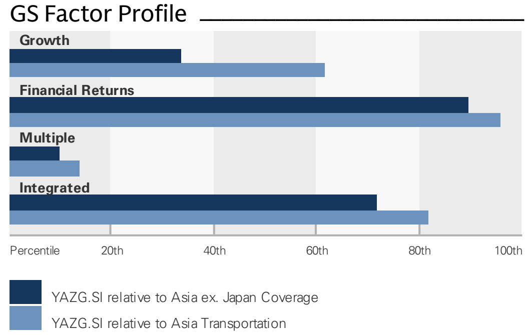
Market cap: S$16.5bn / $12.9bn
Enterprise value: S$13.2bn / $10.3bn
3m ADTV: S$66.6mn / $51.8mn
China
Asia Transportation
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn)	28,504.8	36,346.2	39,191.0	41,873.9
EBITDA (Rmb mn)	9,416.2	12,449.3	14,228.5	15,620.6
EPS (Rmb)	2.17	2.73	3.16	3.46
P/E (X)	7.1	8.1	7.0	6.4
P/B (X)	1.9	2.3	1.9	1.7
Dividend yield (%)	7.1	6.2	7.1	7.8
N debt/EBITDA (ex lease,X)	(2.2)	(1.4)	(1.5)	(1.8)
CROCI (%)	53.5	41.1	37.4	38.0
FCF yield (%)	4.2	8.6	11.9	13.9

	12/25	6/26	12/26E	--
EPS (Rmb)	1.11	1.32	1.41	–

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates. See disclosures for details.

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Yangzijiang Shipbuilding (YAZG.SI)

Rating since Aug 31, 2025

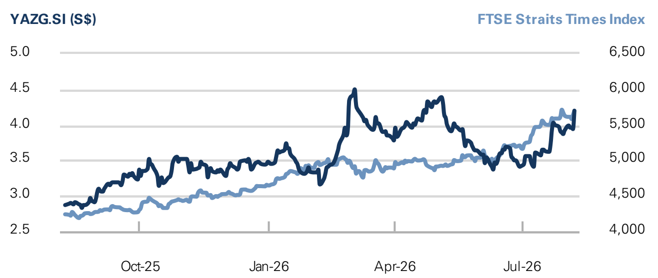
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	7.1	8.1	7.0	6.4
P/B (X)	1.9	2.3	1.9	1.7
FCF yield (%)	4.2	8.6	11.9	13.9
EV/EBITDAR (X)	4.2	5.6	4.6	3.8
EV/EBITDA (excl. leases) (X)	4.2	5.6	4.6	3.8
CROCI (%)	53.5	41.1	37.4	38.0
ROE (%)	29.6	31.1	30.1	28.2
Net debt/equity (%)	(64.0)	(45.9)	(49.3)	(53.4)
Net debt/equity (excl. leases) (%)	(64.0)	(45.9)	(49.3)	(53.4)
Interest cover (X)	77.0	143.6	164.2	179.9
Days inventory outst, sales	34.8	40.2	42.3	41.5
Receivable days	90.7	82.1	88.7	89.1
Days payable outstanding	73.0	61.5	66.8	66.5
DuPont ROE (%)	26.8	28.6	27.8	26.3
Turnover (X)	0.5	0.5	0.5	0.5
Leverage (X)	1.8	1.8	1.7	1.6
Gross cash invested (ex cash) (Rmb)	19,499.9	29,150.1	31,878.4	34,097.2
Average capital employed (Rmb)	8,327.5	16,136.2	21,682.7	23,427.9
BVPS (Rmb)	8.20	9.70	11.37	13.16

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	7.4	27.5	7.8	6.8
EBITDA growth	27.5	32.2	14.3	9.8
EPS growth	27.3	25.8	15.9	9.3
DPS growth	70.2	26.4	14.0	9.3
EBIT margin	31.2	32.6	34.6	35.4
EBITDA margin	33.0	34.3	36.3	37.3
Net income margin	30.3	30.0	31.8	32.5

Price Performance



	3m	6m	12m
Absolute	2.4%	32.9%	47.9%
Rel. to the FTSE Straits Times Index	(11.2)%	15.1%	10.5%

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

Income Statement (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	28,504.8	36,346.2	39,191.0	41,873.9
Cost of goods sold	(18,743.8)	(23,386.8)	(24,440.4)	(25,745.0)
SG&A	(874.6)	(1,115.2)	(1,202.5)	(1,284.9)
R&D	–	–	–	–
Other operating inc./(exp.)	–	–	–	–
EBITDA	**9,416.2**	**12,449.3**	**14,228.5**	**15,620.6**
Depreciation & amortization	(529.9)	(605.2)	(680.4)	(776.6)
EBIT	**8,886.3**	**11,844.2**	**13,548.1**	**14,844.1**
Net interest inc./(exp.)	735.1	440.4	378.2	468.3
Income/(loss) from associates	860.9	1,167.9	1,417.2	1,474.6
Pre-tax profit	**10,676.6**	**13,477.9**	**15,343.8**	**16,787.3**
Provision for taxes	(2,044.7)	(2,564.2)	(2,901.0)	(3,189.7)
Minority interest	5.2	6.6	7.5	8.2
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**8,637.1**	**10,920.2**	**12,450.3**	**13,605.7**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**8,637.1**	**10,920.2**	**12,450.3**	**13,605.7**
EPS (basic, pre-except) (Rmb)	**2.19**	**2.77**	**3.16**	**3.46**
EPS (diluted, pre-except) (Rmb)	**2.19**	**2.77**	**3.16**	**3.46**
EPS (basic, post-except) (Rmb)	**2.19**	**2.77**	**3.16**	**3.46**
EPS (diluted, post-except) (Rmb)	**2.19**	**2.77**	**3.16**	**3.46**
DPS (Rmb)	1.09	1.38	1.57	1.72
Div. payout ratio (%)	49.7	49.7	49.7	49.7

Balance Sheet (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	26,144.2	23,034.7	27,540.7	33,157.7
Accounts receivable	7,184.7	9,161.1	9,878.2	10,554.4
Inventory	3,557.9	4,439.2	4,639.1	4,886.8
Other current assets	6,388.9	8,134.2	8,772.5	9,375.7
Total current assets	**43,275.6**	**44,769.2**	**50,830.5**	**57,974.6**
Net PP&E	9,084.5	11,280.5	11,901.3	11,859.2
Net intangibles	20.8	20.8	20.8	20.8
Total investments	4,794.7	11,577.2	12,976.8	14,433.2
Other long-term assets	1,158.2	1,158.2	1,158.2	1,158.2
Total assets	**58,333.8**	**68,805.9**	**76,887.7**	**85,446.0**
Accounts payable	3,504.4	4,372.5	4,569.5	4,813.4
Short-term debt	5,500.0	5,500.0	5,500.0	5,500.0
Short-term lease liabilities	–	–	–	–
Other current liabilities	15,536.0	19,204.3	20,535.1	21,790.2
Total current liabilities	**24,540.4**	**29,076.8**	**30,604.6**	**32,103.6**
Long-term debt	0.0	0.0	0.0	0.0
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	1,535.6	1,535.6	1,535.6	1,535.6
Total long-term liabilities	**1,535.6**	**1,535.6**	**1,535.6**	**1,535.6**
Total liabilities	**26,076.0**	**30,612.4**	**32,140.3**	**33,639.3**
Preferred shares	–	–	–	–
Total common equity	32,141.9	38,084.2	44,645.5	51,713.0
Minority interest	**115.9**	**109.4**	**101.9**	**93.7**
Total liabilities & equity	**58,333.8**	**68,805.9**	**76,887.7**	**85,446.0**
Net debt, adjusted	(20,644.2)	(17,534.7)	(22,040.7)	(27,657.7)

Cash Flow (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Net income	8,631.9	10,913.6	12,442.8	13,597.6
D&A add-back	529.9	600.6	675.9	772.0
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	(4,421.9)	(66.7)	(27.5)	(28.0)
Other operating cash flow	(275.3)	(1,167.9)	(1,417.2)	(1,474.6)
Cash flow from operations	**4,464.6**	**10,279.6**	**11,674.0**	**12,866.9**
Capital expenditures	(1,953.0)	(2,796.6)	(1,296.6)	(730.0)
Acquisitions	(899.4)	(5,629.0)	–	–
Divestitures	272.0	–	–	–
Others	(5,901.7)	14.5	17.5	18.3
Cash flow from investing	**(8,482.0)**	**(8,411.2)**	**(1,279.1)**	**(711.7)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(2,607.8)	(4,977.9)	(5,888.9)	(6,538.2)
Inc/(dec) in debt	(1,300.0)	–	–	–
Other financing cash flows	5,933.8	0.0	0.0	0.0
Cash flow from financing	**2,025.9**	**(4,977.9)**	**(5,888.9)**	**(6,538.2)**
Total cash flow	**(8,044.0)**	**(3,109.4)**	**4,506.0**	**5,617.0**
Free cash flow	2,511.6	7,483.0	10,377.3	12,137.0

Source: Company data, Goldman Sachs Research estimates.

see resilient demand for large containerships (see Jul-26 report), which they attribute to liners having rich cash positions and a strong desire to defend market share amid elevated freight rate. On dry bulkers, mgmt expect replacement demand to accelerate starting from 2030 onwards, and said they are already in discussions with clients interested in securing slots.

- **Mgmt guide gross margin to remain elevated.** 1H26 product mix was split roughly 50%/50% between 2023/2024 orders, and mgmt expect 2H26 gross margin to be stable HoH based on similar product mix and a flat steel cost which is largely locked on 3-month ahead procurement. **Though containership ASP was down by -1.5% from 2024's peak, mgmt highlighted that their containership orders signed in 2025-26 have similar prices vs. those signed in 2024; therefore they believe the gross margin should sustain at such a high level even after the 2024 orders are completed.** While labor costs have risen esp in Northern China due to shipyards' aggressive expansion, mgmt said YZJ is less impacted due to its core base in Eastern China along with the ability to source ample labor from the construction industry due to weakness of the real estate industry. However, they added that foreign exchange could be a headwind because YZJ has c.50% unhedged exposure to USD after considering 20-30% natural hedge and c.20% down payment buffer. During 1H26, Rmb appreciated c.3% against USD on avg, leading to 1.5ppts drag on gross margin, and mgmt reiterated that every 1% appreciation of Rmb vs. USD reduces gross margins by 0.4-0.5 ppts.
- **Hongyuan Shipyard will add another 20% capacity and revenue in 2027, per mgmt.** Hongyuan Shipyard expansion remains on track for completion by the end of 2026 with remaining CAPEX at c.Rmb0.8bn. On the other hand, block construction for the orders won by Hongyuan had already started in 2Q26, and contributed Rmb0.5bn revenue. Mgmt expect Hongyuan to be fully integrated into the group's shipbuilding capacity in 2027E, adding c.20% of group capacity and revenue. To reduce manpower dependency, the company has increased investment in automation/robotic assembly arms for welding and fitting at Hongyuan Shipyard.
- **Poseidon investment guided to bring stable earnings and synergy.** YZJ completed the acquisition of a 10% interest in Poseidon in May-26 for US$825.7mn (see May-26 report) and recorded one-month earnings (c.Rmb34mn) in 1H26. Mgmt guide Poseidon to make a stable profit contribution, though dividend contributions may vary depending on its cash position. Furthermore, mgmt said they expect synergies not only from new orders, but also the ability to understand how shippers view the market better than competitors.

Price Target Risks and Methodology - Yangzijiang Shipbuilding

We are Buy rated on Yangzijiang and derive our 12-month target price of SGD 5.30 based on P/B vs. ROE valuation. We apply a target P/B multiple of 2.5x to our end-2027E BVPS. We derive the target P/B based on the cycle-average ROE of 24% and Cost of Equity of 10.2% with long-term growth of 1%.

Key risks: 1) Higher-than-expected steel prices; 2) More stringent regulations from USTR targeting Chinese-built vessels; 3) Larger-than-expected ASP decline; 4) 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.

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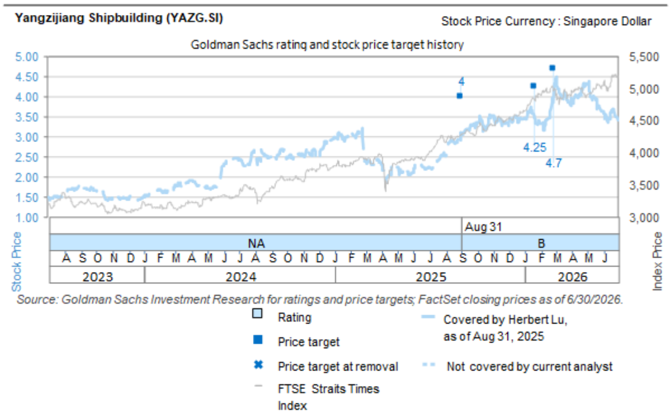
Price target and rating history chart(s)



Source: Goldman Sachs Investment Research for ratings and price targets; FactSet closing prices as of 6/30/2026.

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Target price history table(s)
Yangzijiang Shipbuilding (YAZG.SI)

Date of report	Target price (S$)	Closing price (S$)
06-Aug-26	5.30	3.94
21-May-26	4.70	3.70
26-Feb-26	4.70	3.92
20-Jan-26	4.25	3.48
18-Dec-25	4.00	3.47
31-Aug-25	4.00	2.91

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

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