SITC International Holdings - H

Fireside chat takeaways: 3Q/4Q outlook strong; positive read-throughs from Wanhai revenue

Overweight

1308.HK, 1308 HK
Price: HK$45.10
09 Sep 2026
Price Target: HK$52.00
PT End Date: 31 Dec 2027

Infrastructure, Industrials & Transport

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We hosted a fireside chat with SITC, an Asia intra-region shipper, and came away with a constructive outlook for the rest of 2026. Management delivered a mild beat in 1H26 despite a high base and a slow start to 2Q26 peak season activity, but the real story is the momentum building into 3Q26 and beyond. The key themes from the discussion were: (1) 3Q demand and rates remain strong, with "low season" not so low; (2) management is optimistic for a robust 4Q and pre-Chinese New Year peak; (3) port congestion and supply chain fragmentation are structural, and SITC's network is a clear advantage; (4) the company remains disciplined on fleet expansion and capital allocation; and (5) payout flexibility and special dividends remain a focus.

Stock view: In the broader sector, another Asia intra-region shipper, Wan Hai, just reported August monthly revenue up 3% M/M and 66% Y/Y, following a 15% M/M and 50% Y/Y increase in July, and 23% Y/Y in June. This marks a clear acceleration from the 1% Y/Y growth in 1Q26 and 28% Y/Y in 2Q26, and brings positive read-throughs for SITC, which does not report monthly or quarterly numbers. SITC's share price is up c.62% YTD (vs. HSI -1%), while TS Lines also outperformed (+70%). We maintain Overweight on SITC and also remain positive on TS Lines, as both are well positioned to benefit from the current cycle and sector rotation into shipping, with intra-region shipping viewed as the premium category within the sector.

- **3Q demand and rates are much stronger than usual, with the "low season" showing no sign of softness and momentum poised to carry into a busy 4Q and pre-CNY period.** Management described 3Q demand as "hotter than expected", with robust volumes and rates across all major routes, especially Southeast Asia and Japan. Port congestion and weather disruptions have kept effective supply tight, and management noted that August rates were actually higher than July, breaking the usual seasonal pattern where August and September are typically slow. Customer feedback remains positive, with most lanes running at or near full capacity, and SITC's 3Q profit growth is poised to accelerate from the 1H trend, especially as spot rate increases typically have a bigger lift on margins. Even with limited new vessel deliveries, network optimization and higher utilization are driving incremental gains. Looking ahead, management is preparing for a very busy fourth quarter and pre-Chinese New Year period, expecting that both freight rates and vessel utilization will remain high if current port congestion and weather disruptions persist, and sees no typical seasonal slowdown as long as these bottlenecks continue.

- **Port congestion and supply chain fragmentation are structural, and the company's high-frequency network and operational flexibility are key advantages.** Management discussed that congestion is not just a

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China issue—Shanghai, Ningbo, and key Southeast Asian ports like the Philippines, Malaysia, Indonesia, and Thailand are all seeing more severe bottlenecks. Some ports now require four to five days of waiting, which absorbs effective capacity and supports rates. SITC's ability to coordinate port calls, adjust schedules, and redeploy vessels gives it a clear edge in maintaining service reliability and meeting customer needs, even as delays and disruptions persist. The company's high-frequency, high-density network allows for more agile adjustments than peers with less flexible networks.

- **Disciplined fleet expansion and renewal remain central, with a focus on both growth and replacement.** SITC has 30 vessels on order, including 20 with Huanghai Shipbuilding and 10 with Jiangsu Yangzi Hongyuan/Jiangsu New Yangzi, and recently exercised options for 8 more. Management confirmed that new deliveries will be used to both replace older, less efficient ships and support growth in high-demand markets, especially Southeast Asia and the Bay of Bengal. The company is not simply adding capacity for the sake of growth; instead, it is focused on keeping the fleet young (average owned vessel age 8.7 years) and efficient, and will continue to adjust the mix of owned and chartered vessels based on market conditions. Capex remains disciplined and is fully funded by internal resources and minimal borrowings.

- **Cost trends are being closely managed, with digitalization and operational efficiency helping to offset inflationary pressures.** Management acknowledged that cost growth outpaced revenue in 1H26, mainly due to higher volumes, bunker costs, and increased container and vessel leasing expenses. However, the company's younger fleet and focus on short-haul routes help mitigate fuel cost volatility, and most vessel charters are short-term, providing flexibility. Digital and AI initiatives are being used to further refine cost control, for example by reducing unnecessary container moves and optimizing port stays. Management expects continued incremental improvement, but does not anticipate a "step change" in cost structure.

- **Payout flexibility and special dividends remain a highlight, with management open to further upside in 4Q.** The board declared a record-high interim payout ratio of 76%, and management reiterated the 70% full-year payout target, but left the door open for higher special dividends if Op-CF remains strong and capex needs are light. Management indicated that the decision on special dividends will likely be made in October or November, depending on 2H cash flow and profit trends. The company's net cash position and robust cash generation provide flexibility to fund both growth and shareholder returns, and management continues to view stable and high payout as a core part of SITC's value proposition.

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Investment Thesis

SITC's high-frequency, high-density intra-Asia network, disciplined fleet strategy and integrated logistics platform position the company as a quality compounder in the region's container shipping space. The company's focus on smaller, self-owned feeder vessels (88% by end-FY25) enables it to optimize utilization, maintain cost leadership and serve regional ports and shallow waters, supporting both operational flexibility and customer loyalty. SITC's established presence on the China-Japan corridor, diversified customer base across Greater China, Japan/Korea and Southeast Asia, and strong track record of prudent capital allocation underpin sector-leading Op-CF, a net cash position and a high dividend payout ratio. Management's ability to adapt its network, maintain service reliability and deliver consistent returns through cycles reinforces SITC's premium positioning and defensiveness, in our view, even as the industry faces margin normalization and rising competition.

Valuation

We value SITC primarily on a target EV/EBITDA basis. Our Dec-27 PT of HK$52 is anchored on a target FY27E EV/EBITDA of 11x, near the top end of the sector and ~1x StanDev above SITC's mid-cycle average since 2020, reflecting our conviction in the company's superior execution and through-cycle returns. We see risk/reward as still-favorable and rate the shares Overweight, as we believe the current valuation does not yet fully capture SITC's structural advantages, consistent Op-CF and disciplined capital management.

Risks to Rating and Price Target

Downside risks include: (1) industry-wide overcapacity from elevated newbuild orders and a high orderbook-to-fleet ratio, which could pressure freight rates and utilization; (2) slower-than-expected intra-Asia demand due to tariffs, geopolitical tensions or weaker consumption; and (3) rising competition as global liners cascade capacity into the region, intensifying pricing pressure.

Other Companies Discussed in This Report (all prices in this report as of market close on 09 September 2026, unless otherwise indicated)
T.S. Lines(2510.HK/HK$14.09/OW)

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SITC International Holdings - H (1308.HK, 1308 HK) Price Chart



Date	Rating	Price (HK$)	Price Target (HK$)
11-Aug-26	OW	40.24	47
03-Sep-26	OW	44.22	52

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 11, 2026. All share prices are as of market close on the previous business day.

T.S. Lines (2510.HK, 2510 HK) Price Chart



Date	Rating	Price (HK$)	Price Target (HK$)
10-Dec-24	OW	4.13	6.1
15-Feb-25	OW	4.49	7.1
13-Mar-25	OW	4.94	7.6
16-Apr-25	OW	5.74	7.4
29-May-25	OW	7.18	10.7
27-Aug-25	OW	9.45	13
09-Apr-26	OW	8.40	13.5
03-Sep-26	OW	13.21	18

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
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