GLOBAL SHIPBUILDING

2027 outlook: should capacity expansion be a concern now?

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We revisit **our proprietary global shipbuilding supply-demand model** (Exhibit 3), and **raise our shipyards' capacity growth forecast to 8%/9% in 2026/27E** (vs. 5%/4% prior) to factor in more confirmed expansion plans mainly in China (e.g. Hengli). We **remain bullish on the shipbuilding industry,** as simultaneously we also **revise up our new order (demand)** forecast by 26%/13% (excl. the impact of Clarksons restating 2025 demand by c20%) on better-than-expected orders from containership mega-vessels, the continuing tanker super-cycle, and replacement demand of bulkers. We **believe replacement of aging fleets will be the key driver of this upcycle,** with **global shipyards' orderbooks (and cover years) to remain at an elevated level (>3 years), which should provide support to the newbuild price and prolong the upcycle until 2032E**, despite a choppy new order outlook across different years.

Replacement of aging fleet is the key driver of this upcycle, with tankers and bulkers to contribute more share in turn - Our fleet age analysis shows 43%/29% of tankers/ bulkers would be >20 years old in 2030 vs. existing orders at 26%/15%, and a further 5%/7% of tankers/ bulkers' incremental capacity would exceed 20 years p.a. during 2031-32, which results in strong underlying replacement demand, accounting for 52% of total new orders during 2026-32E. Furthermore, our proprietary RoI (1-year forward TCE/ current newbuild price) analysis shows that **RoIs** (Exhibit 5) of containers, tankers, bulkers and LPG carriers approached or significantly **exceeded the 20% threshold** (based on historical experience) as of Sep-26 end, which historically has **incentivized shipping companies to place more new orders**. Containerships made the largest contribution (32%) to new orders in 2024-25, and tankers are now gaining more share amid the super cycle, which we expect to be followed by dry bulkers with a larger fleet size even in CGT terms.

Prefer quality capacity expansion leaders at this stage - Our bottom-up analysis of global shipyards suggests **the global capacity** (Exhibit 8) **would grow by 8%/9%/5% during 2026-28E, which will be mainly driven by China. We don't think the capacity expansion should be a concern at this moment**, considering the ongoing strong new order demand, and large base of aging fleet to be refreshed. Instead, given the scarce slots available up to 2029 at global shipyards, **we believe capacity expansion now could help gain more market share amid the prolonged upcycle**. As a result, **Songfa is a key Buy** (12m PT Rmb300), with its primary asset

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Hengli Heavy Industry, on its good execution of quality capacity expansion (see our PT upgrade report). We are also **Buy-rated on Yangzijiang Shipbuilding** on its superior margin and attractive dividend yield (we revise up our TP to SGD6.0 in this report).

In addition, we are Buy-rated on **Namura Shipbuilding**, **Mitsui E&S** and **Tokyo Keiki** in our Japan coverage with a positive view that (1) Namura and MES benefit from growing replacement demand for aging fleet globally (particularly dry bulker), and (2) Tokyo Keiki should benefit from a faster capacity ramp-up globally as one of the major marine system manufacturers. We are also Buy-rated on **Wartsila**. We see 4 levers for growth of Wartsila's Marine top line: (1) Aging fleet driving the renewal cycle; (2) O&G capex cycle driving an offshore recovery and geopolitical uncertainty adding to the sustainability of LNG demand; (3) Potential doubling of defence spend by EU NATO members over the next five years; and (4) Operations hedging for IMO implementation uncertainty might continue to privilege dual fuel, which favours Wartsila given its dominant market share in alternative fuels. Per Clarksons, alt. fuel capable orders are now running at their highest pace after 2024's record in absolute terms, with 392 ships of 34.0m GT contracted.

Exhibit 1: Shipbuilding names covered by GS

	Ticker	GS Rating	Market cap (US$ bn)	CCY	Local Price	12-m Target Price	Upside/ (Downside)	P/E ex-exceptionals (X)			P/B			ROE(%)			Dividend Yield (%)		
								2026	2027	2028	2026	2027	2028	2026	2027	2028	2026	2027	2028
China Shipbuilding																			
Guangdong Songfa Ceramics	603268.SS	Buy	30.9	CNY	213.66	300.00	40%	20.4x	9.6x	7.1x	8.1x	4.5x	2.8x	57%	60%	49%	0%	1%	1%
Yangzijiang Shipbuilding	YAZG.SI	Buy	15.6	SGD	5.08	6.00	18%	10.1x	8.9x	8.1x	2.9x	2.5x	2.2x	31%	30%	28%	5%	6%	6%
Japan Shipbuilding																			
Namura Shipbuilding Co Ltd	7014.T	Buy	2.1	JPY	4,680.00	6,000.00	28%	13.2x	11.9x	9.7x	2.1x	1.8x	1.7x	17%	17%	18%	1%	2%	2%
Market cap weighted average								**13.2x**	**11.9x**	**9.7x**	**2.1x**	**1.8x**	**1.7x**	**17%**	**17%**	**18%**	**1%**	**2%**	**2%**
Marine engine																			
Mitsui E&S Co.	7003.T	Buy	2.6	JPY	4,126.00	6,600.00	60%	11.1x	11.1x	9.7x	1.6x	1.5x	1.3x	16%	14%	14%	2%	2%	3%
Wartsila	WRT1V.HE	Buy	19.5	EUR	29.58	35.00	18%	26.1x	22.3x	16.7x	6.3x	5.9x	5.4x	24%	27%	34%	4%	4%	6%
Market cap weighted average								**24.3x**	**21.0x**	**15.9x**	**5.7x**	**5.4x**	**5.0x**	**23%**	**26%**	**31%**	**3%**	**4%**	**6%**
Marine applications supplier																			
Tokyo Keiki	7721.T	Buy	0.8	JPY	7,360.00	9,000.00	22%	23.4x	22.1x	18.8x	2.4x	2.2x	2.0x	11%	11%	11%	1%	1%	1%
Market cap weighted average								**23.4x**	**22.1x**	**18.8x**	**2.4x**	**2.2x**	**2.0x**	**11%**	**11%**	**11%**	**1%**	**1%**	**1%**

Note (1) Pricing as of 06-Oct-2026
(2) Estimates based on calendar year end

Source: Datastream, Goldman Sachs Global Investment Research

Three key theses

The global shipbuilding industry has experienced much **stronger-than-expected new order wins YTD in 2026**, with **contract value/ volume up +59%/ +58% YoY** , while some investors we have spoken with have questioned the sustainability of the new orders and also raised concerns over the capacity expansion in China. However, we **remain bullish on shipbuilding**, considering the following key theses:

Thesis I - We believe replacement of aging fleets will be the key driver of this upcycle which we see lasting until 2032E, and contributing 52% to total new orders of 559mn CGTs during 2026-2032E, followed by trade growth/ decarbonization's contribution of 33%/15%.

- **Replacement demand:** The ships delivered during the last delivery peak of 2006-12 will exceed 20 years in age from 2026 and will be replaced by new greener or higher-efficiency vessels. We believe **the shipbuilding industry is still in the middle of the upcycle this time**, given it is **still benefiting from the tanker order boom**, which we expect **will be followed by bulkers, based on the previous upcycle pace.**

And the shipping companies may place more new orders than just replacement demand, considering improved profitability (Exhibit 5) and their ambition to defend or gain more market share, withgiven their stronger balance sheets (e.g. containerships).

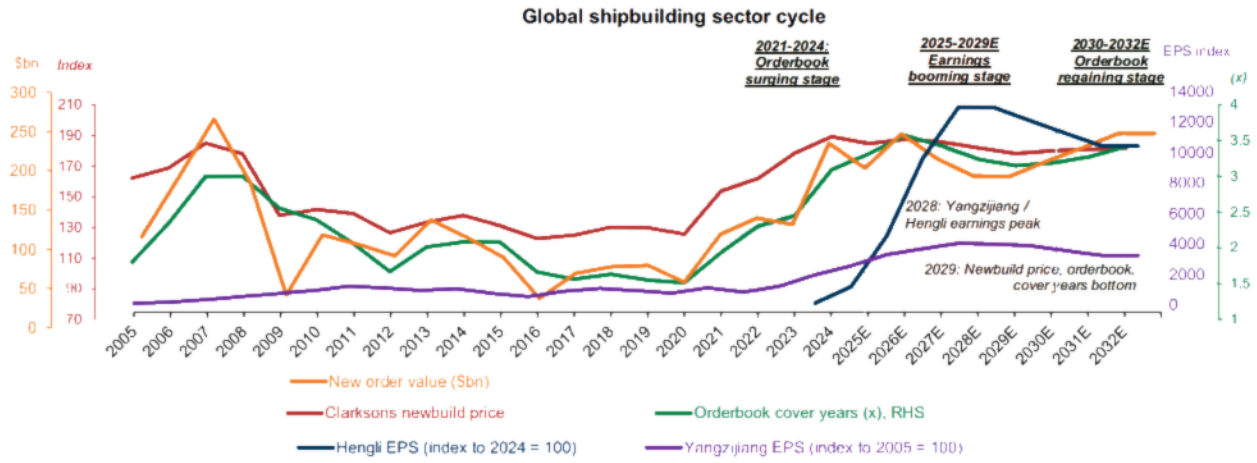
- While we cut the contribution from environmental requirements to only 15% from our previous forecast of 24%, to **factor in more prolonged discussions before implementation of the IMO's net zero framework**, we could see potential upside if this implementation were to be passed at the next IMO meeting in Dec-26.
- For the trade growth, which we estimate will account for 33% of new orders, and mainly contributed by containerships and gas carriers, we also reflect the rerouting impact in addition to the cargo volume growth.

Thesis II - We expect the newbuild price to remain at a relatively elevated level, on the back of resilient orderbook cover years (>3 years) until 2032E, as the enlarged capacity just matches the potential new ship orders.

Thesis III - Amid this prolonged upcycle, considering the strong new order demand, we prefer quality capacity expansion leaders at this stage. We believe Chinese shipyards can further increase global market share of new orders from 64% in 2025 to 76%/77% in 2026/27E in terms of CGTs, as Chinese players are expanding faster while South Korean and Japanese capacity is relatively constrained due to labor shortage. Also, because of execution ability/product quality, Chinese shipyards are gaining more recognition through more orders from the shipping companies on the high-value containerships, VLCC and gas carriers.

Industry supply-demand

Exhibit 2: Global shipbuilding sector upcycle by stages



Source: Clarksons, Company data, Goldman Sachs Global Investment Research

Two-stage long upcycle to continue until 2032E - we still forecast a two-stage long upcycle until 2032 (Exhibit 2) as we discussed in our thematic report in 2025, while we see **a smoother transition** between the two stages than in prior cycles with only 6% gap between the newbuild price peak in 2024 and trough in 2029.

- **Earnings booming stage** (2025-29E): Shipyards would increasingly monetize their high-value orderbooks, benefiting from new orders with record-high newbuild prices

won in 2024-2026 and lower steel prices (30% of operating cost). On the other hand, we expect the orderbook cover years to see a very mild decline during 2027-29, which would drag down the newbuild price.

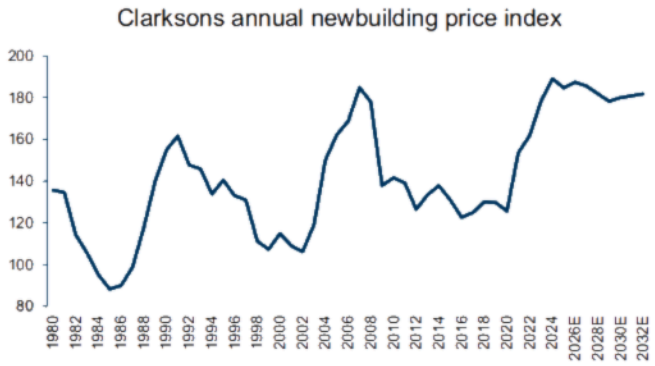
- **Orderbooks regaining stage** (2030-32E): We expect new ship orders to pick up from 2029E driven by the replacement demand for aging fleet, which would drive the orderbook backlog and newbuild price to recover, while the earnings and margins may see contraction given the orders delivered during this stage were won in 2027-29E with a lower newbuild price.

Exhibit 3: Global shipbuilding supply, demand, newbuild price and market share summary

Global Shipbuilding S-D	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Contract value													
New contract orders value ($m)	**57,926**	**119,024**	**139,520**	**131,530**	**234,868**	**203,438**	**247,214**	**215,127**	**193,330**	**193,022**	**211,850**	**229,162**	**247,606**
YoY%	*-27%*	*105%*	*17%*	*-6%*	*79%*	*-13%*	*22%*	*-13%*	*-10%*	*0%*	*10%*	*8%*	*8%*
- Containerships	7,995	44,071	35,859	20,330	59,312	66,548	62,110	42,990	36,751	30,347	33,249	34,508	35,472
- Tankers	11,390	11,235	7,207	24,982	41,454	28,923	59,856	51,225	33,250	34,380	40,799	47,187	53,844
- Bulkers	8,816	20,796	18,747	25,501	33,871	26,162	28,266	34,718	47,027	53,914	60,662	67,927	76,136
- LPG	2,761	6,335	4,066	11,343	15,312	3,777	15,208	12,667	10,739	11,694	12,942	14,147	15,401
- LNG	11,338	14,736	38,921	16,028	22,450	10,965	22,915	24,968	17,976	16,052	17,096	18,055	19,179
- Others	15,626	21,850	34,720	33,346	62,469	67,063	58,859	48,558	47,587	46,636	47,102	47,337	47,574
Demand													
New contract order volume (mn CGT)	**30.0**	**58.9**	**55.2**	**52.2**	**81.4**	**68.0**	**84.7**	**75.4**	**69.8**	**71.6**	**78.7**	**85.5**	**92.8**
YoY%	*-11%*	*96%*	*-6%*	*-6%*	*56%*	*-16%*	*25%*	*-11%*	*-7%*	*3%*	*10%*	*9%*	*8%*
- Containerships	4.9	22.4	14.0	7.5	21.3	26.7	24.9	17.4	15.2	12.8	13.9	14.4	14.7
YoY%	*30%*	*359%*	*-37%*	*-47%*	*186%*	*25%*	*-7%*	*-30%*	*-13%*	*-16%*	*8%*	*3%*	*2%*
- Tankers	6.0	5.5	3.3	10.8	17.1	10.8	23.0	19.9	13.2	13.9	16.3	18.8	21.3
YoY%	*-6%*	*-8%*	*-40%*	*224%*	*59%*	*-37%*	*113%*	*-14%*	*-34%*	*6%*	*17%*	*15%*	*14%*
- Bulkers	6.8	12.8	9.5	13.0	16.3	12.2	12.9	16.0	22.1	25.9	28.8	32.1	35.8
YoY%	*-14%*	*87%*	*-26%*	*37%*	*25%*	*-25%*	*6%*	*24%*	*38%*	*17%*	*11%*	*11%*	*12%*
- LPG	1.0	2.5	1.2	2.9	3.7	1.0	3.8	3.2	2.8	3.1	3.4	3.7	4.0
YoY%	*-22%*	*146%*	*-51%*	*147%*	*24%*	*-74%*	*299%*	*-16%*	*-13%*	*11%*	*10%*	*9%*	*8%*
- LNG	4.5	6.5	15.6	5.6	7.7	3.6	8.0	8.9	6.5	5.9	6.3	6.6	6.9
YoY%	*-4%*	*46%*	*139%*	*-64%*	*36%*	*-53%*	*122%*	*10%*	*-27%*	*-9%*	*5%*	*5%*	*6%*
- Others	6.8	9.2	11.6	12.3	15.3	13.7	12.0	10.0	10.0	10.0	10.0	10.0	10.0
YoY%	*-29%*	*35%*	*26%*	*7%*	*24%*	*-10%*	*-13%*	*-17%*	*0%*	*0%*	*0%*	*0%*	*0%*
By region YoY%													
Total	-11%	96%	-6%	-6%	56%	-16%	25%	-11%	-7%	3%	10%	9%	8%
China	6%	121%	-5%	9%	86%	-23%	48%	-10%	-12%	-3%	4%	9%	8%
By region market share %													
China	44%	50%	50%	58%	69%	64%	76%	77%	73%	69%	65%	65%	65%
Korea	30%	31%	30%	19%	13%	18%	15%	15%	17%	19%	19%	19%	19%
Japan	12%	11%	10%	13%	8%	7%	6%	6%	6%	6%	6%	6%	6%
Others	15%	8%	9%	10%	10%	12%	4%	3%	4%	6%	10%	10%	10%
New deliveries (mn CGT)	**30.4**	**34.8**	**32.8**	**35.9**	**41.2**	**44.2**	**51.0**	**63.9**	**69.0**	**71.6**	**71.7**	**75.0**	**78.0**
YoY%	*-12%*	*15%*	*-6%*	*9%*	*15%*	*7%*	*15%*	*25%*	*8%*	*4%*	*0%*	*5%*	*4%*
Orderbook (period end, mn CGT)	**83.5**	**104.4**	**122.2**	**134.5**	**170.3**	**191.7**	**223.1**	**232.1**	**230.5**	**228.1**	**232.7**	**240.8**	**253.2**
YoY%	*-4%*	*25%*	*17%*	*10%*	*27%*	*13%*	*16%*	*4%*	*-1%*	*-1%*	*2%*	*3%*	*5%*
Supply													
Active shipyard capacity (mn CGT)	**55.3**	**54.0**	**53.1**	**54.9**	**55.1**	**57.9**	**62.5**	**67.8**	**71.2**	**72.4**	**73.0**	**73.6**	**74.1**
YoY%	*-1%*	*-2%*	*-2%*	*3%*	*0%*	*5%*	*8%*	*9%*	*5%*	*2%*	*1%*	*1%*	*1%*
Shipyard forward cover years (x)													
Shipyard forward cover years (x) (divided by GSe active capacity)	**1.5x**	**1.9x**	**2.3x**	**2.5x**	**3.1x**	**3.3x**	**3.6x**	**3.4x**	**3.2x**	**3.2x**	**3.2x**	**3.3x**	**3.4x**
ASP													
Clarksons newbuild price index	**126**	**154**	**162**	**178**	**189**	**185**	**187**	**186**	**182**	**178**	**180**	**181**	**182**
YoY%	*-3%*	*22%*	*5%*	*10%*	*6%*	*-2%*	*2%*	*-1%*	*-2%*	*-2%*	*1%*	*1%*	*1%*
Yangzijiang Shipbuilding													
Yangzijiang Shipbuilding net margin (%) (Excl. Yangzijiang financials before 2021)	8%	14%	14%	17%	25%	30%	30%	31%	31%	30%	30%	28%	26%
Yangzijiang Shipbuilding EPS (Rmb)	0.64	0.96	0.71	1.04	1.68	2.19	2.83	3.16	3.47	3.42	3.33	3.05	2.78
Guangdong Songfa Ceramics / Hengli Heavy Industry													
Songfa / Hengli Heavy Industry net margin (%)					4%	12%	17%	20%	22%	22%	21%	20%	19%
Songfa / Hengli Heavy Industry EPS (Rmb)					0.23	2.73	10.47	22.19	30.03	29.95	27.96	26.01	24.13

Source: Clarksons, Goldman Sachs Global Investment Research, Company data

Exhibit 4: Clarksons newbuild price index

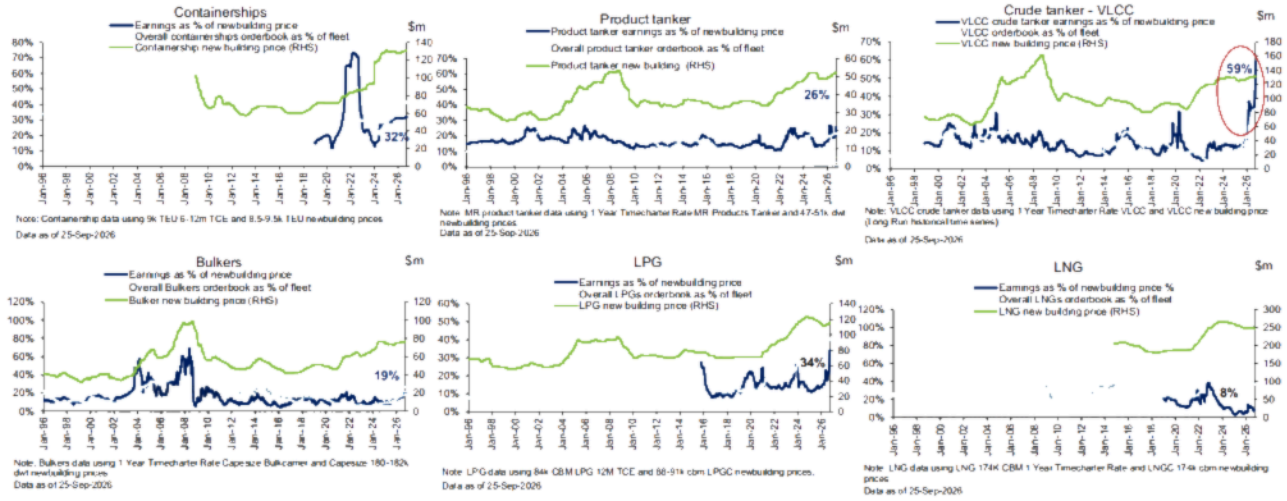


GSe 2026-2032

Source: Clarksons, Goldman Sachs Global Investment Research

The improved profitability of shipping segments should incentivize more new ship orders - The new ships' **Dynamic RoI (return on investment), which we define as the annualized earnings of fwd 1-year Time Charter Equivalent (TCE)/ current newship building price**, would also determine the incentive for the shipping companies to place newship orders. Backtesting historical records suggests that Dynamic RoI is a leading indicator of new orders. For instance, when the Dynamic RoI reached 20%, new ship orders for containers and product tankers were accelerated. Given that **RoIs** of containers, tankers, bulkers and LPG carriers are currently close to or well above the **20% threshold,** this should **continue to incentivize the shipping companies to place more new orders.**

Exhibit 5: Dynamic ROI vs orderbook by ship type



Source: Clarksons, Goldman Sachs Global Investment Research, Bloomberg

Capacity expansion - major expansion to come from Chinese shipyards, especially Hengli Heavy Industry

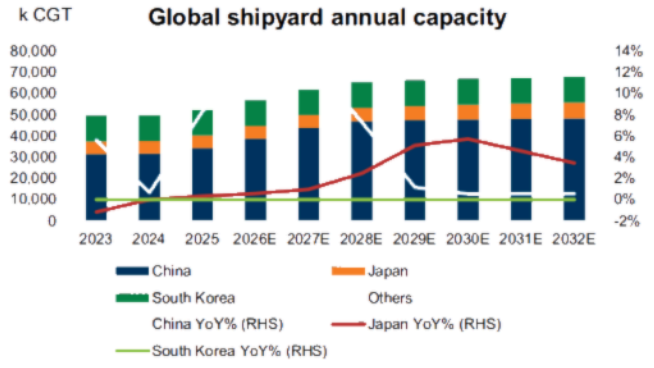
We expect global shipyard capacity to grow at 7% CAGR in 2025-28E, where Chinese

shipyards will lead the expansion with 11% CAGR in 2025-28E; and hence we expect Chinese shipyards' market shares of global capacity to increase from 59% in 2025 to 66% in 2028E, as shown in the global shipyard capacity table (Exhibit 8).

We lay out the recent capacity expansion across global shipyards:

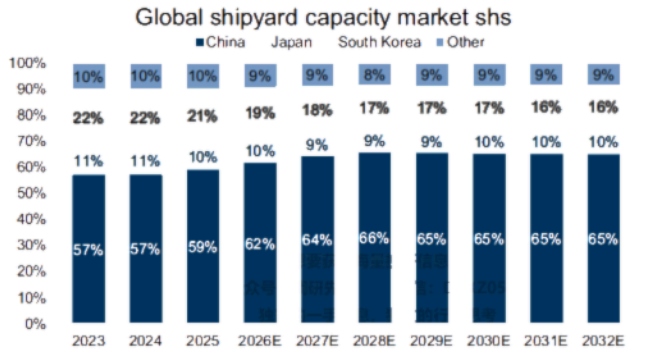
- In **China,** we raise capacity expansion 2025-28E CAGR from 5% to 11% and expect the growth to be concentrated in the next 2 yrs (+13%/+7% YoY in 2027/28E), incorporating: 1) Hengli Phase III slipways and Phase IV dry docks, commencing operation around end-2026/early-2027 per mgmt (see Sep-26 report) and nearly doubling its capacity by 2027E. 2) CSSC Group capacity expansion at Hudong Zhonghua and Nansha Xiaohudao, driving capacity to grow at 8% CAGR in 2025-28 (based on the news reports). 3) COSCO Shipping Heavy Industry Co capacity growth of 17% CAGR in 2025-28E attributable to new yards in Tianjin and Yangjiang. 4) Yangzhou Guoyu, which has been idle since 2016 and resumed activity recently.
- In **Japan**, we expect capacity to grow at 1% CAGR in 2025-28E, with a step-up in capacity in 2029-32E after renewing fully depreciated machines and facilities. The expansion is supported by Japan's government targeting to double domestic shipbuilding volume by 2035E vs. 2024, and the announcement that it will provide up to ¥213.1bn to 3 companies from its industry revitalization fund in the first phase. Buy-rated Namura is one of those companies and has recently committed to a ¥150bn capex plan from 2026 to 2035, which we think would lead to a capacity expansion of +60% from the current level.
- In **South Korea**, we expect flat domestic capacity from 2025-28E, while we note HD Hyundai intends to expand capacity overseas in Vietnam and the Philippines. Therefore, we project nil CAGR for South Korean local shipyard capacity growth and 3% CAGR for **other regions** in 2025-28E.

Exhibit 6: Global shipyard annual capacity



Source: Clarksons, Company data, Goldman Sachs Global Investment Research

Exhibit 7: Global shipyard capacity market shs by region



Source: Clarksons, Company data, Goldman Sachs Global Investment Research

Exhibit 8: Global shipyards' capacity

Shipyard company		2027 active capacity as % of global	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Breakdown by shipbuilder Group Company												
China												
CSSC	中国船舶	18%	9,204	9,204	10,715	12,478	12,478	13,478	13,778	13,778	13,778	13,778
Yangzijiang	扬子江船业	4%	2,356	2,356	2,356	2,828	2,828	2,828	2,828	2,828	2,828	2,828
New Times SB	江苏新时代造船	3%	1,142	1,142	1,142	1,142	2,052	2,052	2,052	2,052	2,052	2,052
COSCO	中远海运重工	3%	1,942	1,942	1,942	1,942	1,942	3,088	3,088	3,088	3,088	3,088
CIMC	中集来福士	3%	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789
China Merchants	招商工业	2%	1,302	1,302	1,302	1,302	1,302	1,302	1,302	1,302	1,302	1,302
Hengli Heavy Industry	恒力重工	11%	2,042	2,042	2,942	4,882	7,582	7,582	7,582	7,582	7,582	7,582
Hantong Group	江苏韩通船舶	1%	990	990	990	990	990	990	990	990	990	990
Wuhu Shipyard	芜湖造船厂	1%	131	131	131	131	994	994	994	994	994	994
Fujian Shipbuilding	福建省船舶工业	1%	516	516	516	516	516	516	516	516	516	516
SUMEC Group	苏美达船舶	1%	521	521	521	521	521	521	521	521	521	521
Xiamen Xiangyu Grp	厦门象屿	1%	619	619	619	619	619	619	619	619	619	619
Penglai Jinglu SY	蓬莱中柏京鲁船业	1%	442	442	442	442	442	442	442	442	442	442
Huanghai SB	黄海造船	1%	492	492	492	492	492	492	492	492	492	492
Jiangmen Nanyang	江门市南洋船舶	1%	573	573	573	573	573	573	573	573	573	573
Jiangsu Zhenjiang SY	江苏省镇江船厂	0%	105	105	105	105	105	105	105	105	105	105
Dajin Heavy Industry	大金重工	1%	200	200	200	200	600	600	600	600	600	600
Yangzhou Guoyu	扬州国裕	0%	0	0	0	0	0	800	800	800	800	800
Other China		12%	6,999	7,209	7,426	7,648	7,878	8,114	8,358	8,608	8,867	9,133
China Total		**64%**	**31,366**	**31,576**	**34,203**	**38,601**	**43,703**	**46,886**	**47,429**	**47,680**	**47,938**	**48,204**
YoY %			***6%***	***1%***	***8%***	***13%***	***13%***	***7%***	***1%***	***1%***	***1%***	***1%***
Japan												
Imabari SB	今治造船	3%	1,748	1,748	1,748	1,748	1,783	1,854	1,984	2,143	2,314	2,430
Tsuneishi	常石集团	1%	505	505	505	505	505	520	536	552	552	552
Oshima	大岛造船	1%	729	729	748	748	748	768	803	847	847	847
Shin Kurushima	新来岛造船	1%	507	507	507	531	554	578	601	631	663	696
Namura Zosensho	名村造船厂	1%	346	346	346	357	357	378	416	466	503	528
Fukuoka SB	福冈造船	0%	172	172	172	172	172	172	172	172	172	172
Onomichi Dockyd	尾道造船	0%	203	203	203	203	203	203	213	220	224	224
Mitsubishi HI	三菱重工业	0%	57	57	57	57	57	57	57	57	57	57
Miura Zosensho	三浦造船	0%	32	32	32	32	32	32	32	32	32	32
Other Japan		3%	1,713	1,713	1,713	1,713	1,713	1,713	1,781	1,853	1,927	2,004
Japan Total		**9%**	**6,011**	**6,011**	**6,031**	**6,065**	**6,123**	**6,275**	**6,595**	**6,971**	**7,290**	**7,541**
YoY %			***-1%***	***0%***	***0%***	***1%***	***1%***	***2%***	***5%***	***6%***	***5%***	***3%***
South Korea												
Hyundai Heavy Industries	现代重工	4%	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637
Hyundai Samho HI	现代三湖	3%	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722
Hyundai Mipo	现代尾浦	2%	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480
Hanwha Ocean	韩华海洋	4%	2,406	2,406	2,406	2,406	2,406	2,406	2,406	2,406	2,406	2,406
Samsung HI	三星重工	5%	3,212	3,212	3,212	3,212	3,212	3,212	3,212	3,212	3,212	3,212
KHI & Hantu & SG PE		1%	593	593	593	593	593	593	593	593	593	593
HJ Shipbuilding & Construct	韩进重工	0%	265	265	265	265	265	265	265	265	265	265
Other South Korea		0%	147	147	147	147	147	147	147	147	147	147
South Korea Total		**18%**	**12,078**	**12,078**	**12,078**	**12,078**	**12,078**	**12,078**	**12,078**	**12,078**	**12,078**	**12,078**
YoY %			***0%***	***0%***	***0%***	***0%***	***0%***	***0%***	***0%***	***0%***	***0%***	***0%***
Other regions		9%	5,415	5,415	5,577	5,739	5,901	6,009	6,309	6,309	6,309	6,309
Global Total		**100%**	**54,871**	**55,080**	**57,889**	**62,483**	**67,805**	**71,247**	**72,411**	**73,038**	**73,615**	**74,133**
YoY %			***3%***	***0%***	***5%***	***8%***	***9%***	***5%***	***2%***	***1%***	***1%***	***1%***

Green denotes capacity change. Capacity estimates are based on Clarksons' historical data and data from various news sources. For China, we model active capacity growth for CSSC, Yangzijiang, New Times SB, Hengli, Wuhu Shipyard, COSCO HI, Dajin, Yangzhou Guoyu based on company announced capacity expansion plans.

Source: Clarksons, Company data, Goldman Sachs Global Investment Research, Various news sources

Exhibit 9: Shipyards' recently announced capacity expansion plans

		COSCO Shipping Heavy Industry		CSSC			Yangzhou Guoyu	HD Hyundai		SK Oceanplant	Hengli	
		WIP: COSCO HI (Yangjiang)	WIP: COSCO HI (Tianjin)	WIP: Nansha Xiaohudao (JV of GSI Nansha) dock extension	WIP: Hudong Zhonghua dock extension and new dock	WIP: Jiangnan SY Group enhancement	WIP	WIP: Vietnam yard enhancement	Philippine yard revitalization	WIP	Existing total	WIP: Phase III slipways	WIP: Phase IV
Dry dock	Unit	1	2		3		1	2	1		4		2
	Length (m)	430	550/550		#1: 660 (unchanged); #2: 440 -> 660 (extension) #3: 660 (new)			#1: 260 (unchanged); #2: 380 (unchanged)	550		741-860		1,298 each
	Breadth (m)	80	80/72		#1: 76 (unchanged); #2: 92 (unchanged) #3: 132 (new)			#1: 45 (unchanged), #2: 65 (unchanged)	135		86-146		146 each
	Size (sqm)	34,400	83,600		90,640 -> 198,000			36,400	74,250		363,195		379,016
	Tonnage class (mn Dwt)	0.4	0.30 each		#1 & #2: N/A; #3: 0.3		0.10	#1: 0.1 #2: 0.4					
Slipway	Unit	2		1	1		1				4	2	
	Length (m)			220 -> 450							700 each	1200 each	
	Breadth (m)			30 -> 35							60 each	60 each	
	Size (sqm)			6,600 -> 15,750							168,000	144,000	
	Tonnage class (mn Dwt)	0.2/0.08		0.02 -> 0.05			0.05						
No. of workers	#		6,000						4,300		110,000		100,000
CAPEX	Rmb bn	~3.0	8.2	2.0	5.5	0.3	1.7	0.4	3.7	5.7	29.7	1.5	20.0
Shipyard max annual delivery of all vessels based on existing	by mn CGT			1.7	2.5	2.0		0.5	0.3				
	Year of max CGT delivery			2029	2028	2029		2028	2029				
Builder Group max annual delivery of all vessels based on existing orderbook	by mn CGT	3.1		12.3			0.8	7.3		0.1	5.9		
	Year of max CGT delivery	2028		2029			2028	2028		2025	2028		

Source: Clarksons, Eworldship, imarine, Asia Business Daily, Data compiled by Goldman Sachs Global Investment Research

Demand

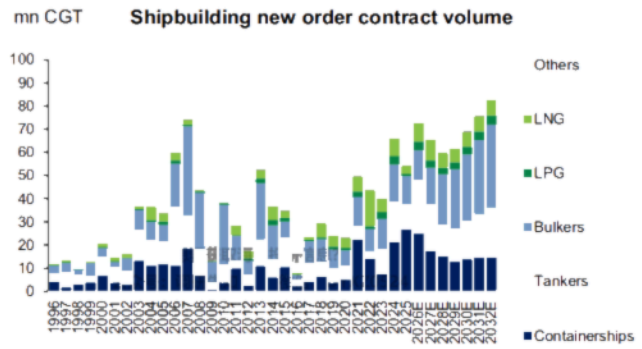
We revise up our 2026/27E new orders (demand) by 49%/34% (excl. the impact of Clarksons revising up 2025 by +20%, our 2026/27E demand forecasts are revised up by 26%/13%) on better-than-expected orders from containership mega-vessels, continuing tanker super-cycle, and replacement demand of dry bulkers. We now expect **559mn CGT** global new contract orders accumulative volumes **in 2026-32E**, of which replacement demand contributes **52%**, while trade growth and environmental requirements account for **33% and 15%**, respectively. By vessel type, we forecast **113mn/126mn/174mn CGT** new order volumes for containership/tanker/bulker, taking up 74% of 2026-32E total new order volumes:

Container: New order volumes mainly driven by trade growth and environmental requirements, while container lines defend their market share, with better-than-expected new orders from mega vessels. Our 113mn CGT new order volumes forecast is supported by 53mn CGT of trade growth driven by c. 3% p.a. trade growth; and 38mn CGT demand driven by environmental regulations. Large containerships' demand has exceeded our expectation since mid-Jun (see Jul-26 report) and further accelerated entering Sep-26, while Maersk plans to order 42 vessels worth c.US$8.9bn, including 26 × 18,600-TEU ships (c.US$5bn), of which Hengli has secured a contract for 20 vessels per news. CMA CGM is also reportedly close to placing an order for 12 × 24,000-TEU vessels, worth c.US$3bn, at Yangzijiang for 2029-30 delivery. Looking ahead, we expect the demand from containers to be resilient considering tight effective vessel supply (see Sep-26 report), the need for leading liners to defend scale (esp. Maersk has revived fleet expansion plan to support business growth), and liners' strong liquidity following several years of healthy cash generation.

Tanker: Super-cycle with record-high freight rate continues to incentivize shippers' new orders. Our 126mn CGT new order volumes forecast is mainly driven by 73mn CGT replacement demand considering c.43% of the tanker fleet is more than 15 yrs old vs. orderbook accounting for 24% of existing fleet by end of 2026E; and 38mn CGT trade growth demand, based on c.3% p.a. global seaborne oil trade demand growth (see Aug-26 report). We believe the elevated freight rate will continue to incentivize shippers to place new orders. Our base case of VLCC TCE to reach US$150k/200k/140k per day in 2026/27/28E implies 41%/55%/38% ROI for VLCC, well above the **20% threshold** that has historically triggered new orders acceleration (see Aug-25 report), and 59% based on 1 year VLCC TCE as of Sep 25, 2026.

Bulker: Better freight rate advanced order placement, while massive orders may come from 2028E - Bulker new order volumes were +64% YoY in 8M26, supported by higher freight rate due to resilient commodity demand, longer shipping distance, and Simandou iron ore project ramp-up. Nevertheless, we believe the current upturn is primarily cyclical, while the larger fleet-replacement cycle should start later from 2028E when we expect capacity above 15 years old will account for 43% of total fleet (vs. below 30% by end of 2026E) amid orderbook only accounting for mid-teens % of total fleet. In all, our 174mn CGT new order volume forecast in 2026-32E is mainly driven by 124mn CGT replacement demand; and 30mn CGT trade growth demand.

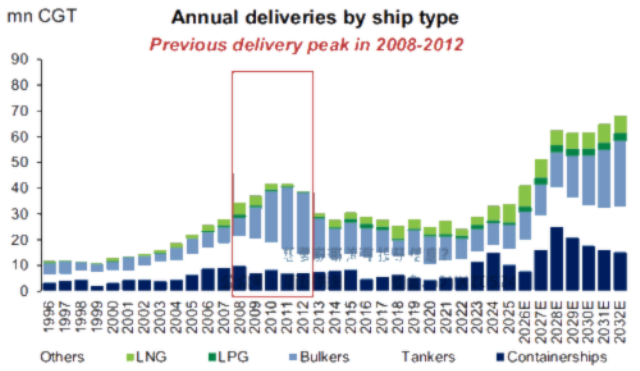
Exhibit 10: Global shipbuilding new order contract volume by ship type



New order contract volumes of other vessel types are not available prior to 2005

Source: Clarksons, Goldman Sachs Global Investment Research

Exhibit 11: Annual delivery by ship type



Source: Clarksons, Goldman Sachs Global Investment Research

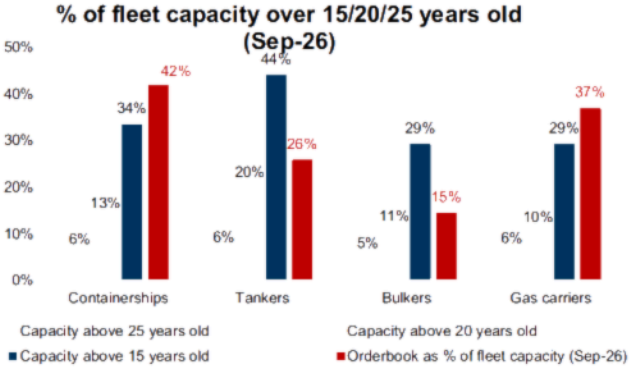
Exhibit 12: New contract order volume breakdown



Note: Percentage refers to % breakdown of total new contract order volume.

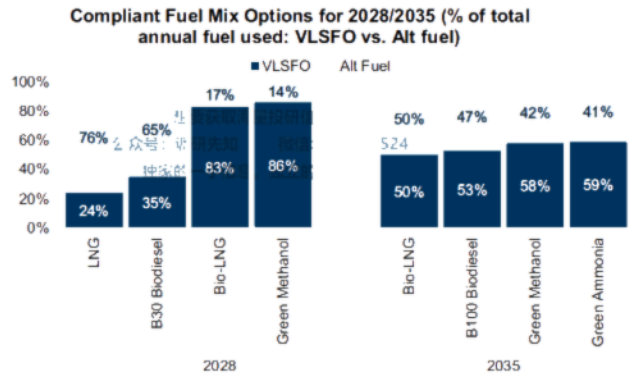
Source: Goldman Sachs Global Investment Research

Exhibit 13: Aging fleet capacity % vs. orderbook as % of fleet capacity



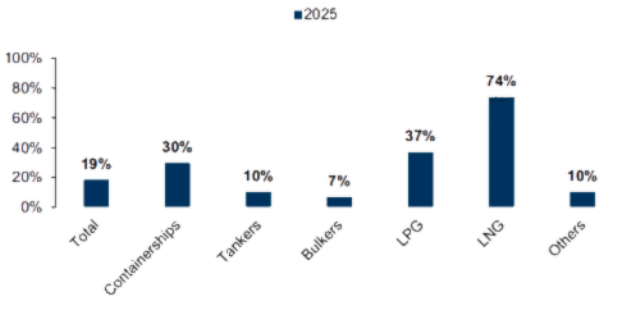
Source: Clarksons

Exhibit 14: Compliant Fuel Mix Options for 2028/2035 based on IMO's net zero framework (% of total annual fuel used: VLSFO vs. Alt fuel)



Source: European Commission, Clarksons

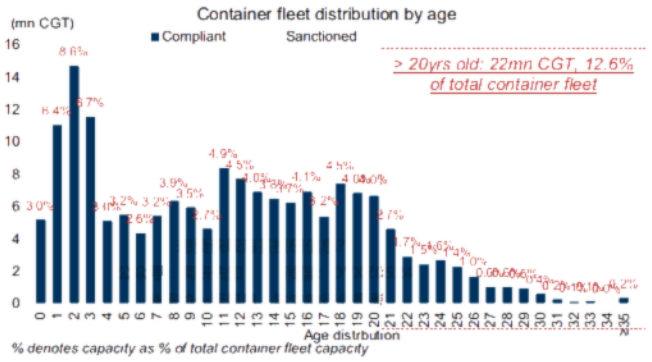
Exhibit 15: Green alt fuel vessel as % of total fleet + orderbook as of 2025



Source: Clarksons

Fleet age analysis

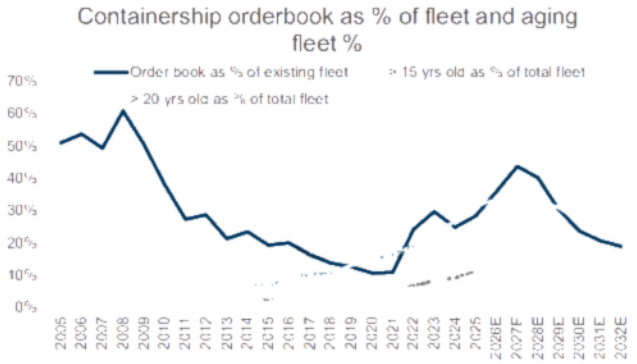
Exhibit 16: Around 12.6% of total containerships are over 20 yrs old



As of Sep 22, 2026

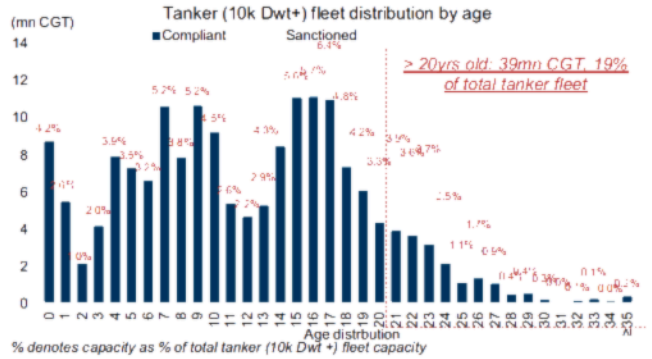
Source: Clarksons

Exhibit 17: Orderbook % and aging fleet % of containership fleet



Source: Clarksons, Goldman Sachs Global Investment Research

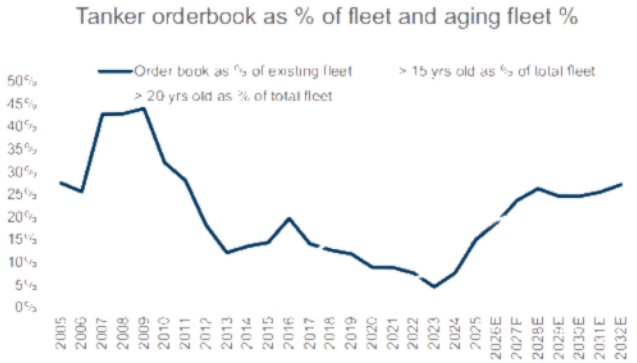
Exhibit 18: Around 19% of the tanker fleet are more than 20yrs old in 2026



As of Sep 22, 2026

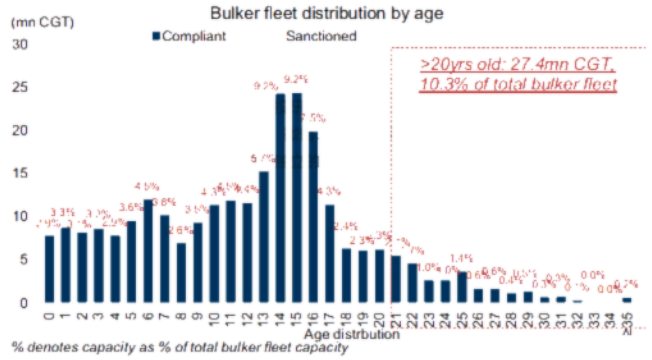
Source: Clarksons

Exhibit 19: Orderbook % and aging fleet % of tanker fleet



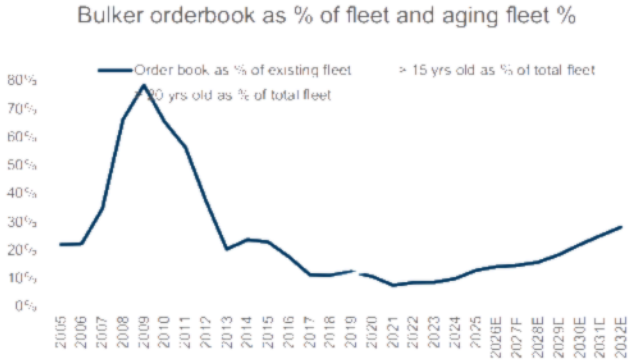
Source: Clarksons, Goldman Sachs Global Investment Research

Exhibit 20: Around 10% of total bulker fleet are more than 20 yrs old



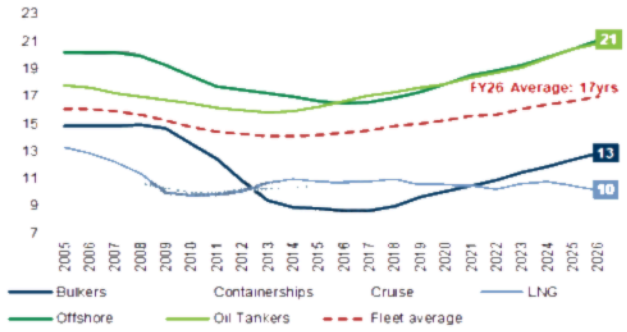
Source: Clarksons

Exhibit 21: Orderbook % and aging fleet % of bulker fleet



Source: Clarksons, Goldman Sachs Global Investment Research

Exhibit 22: Cruise, Oil tankers and offshore vessels are also at an all-time high average age while LNG vessels are seeing faster replacement cycles
Vessel average age in years by type



Source: Clarksons

Latest orderbook momentum

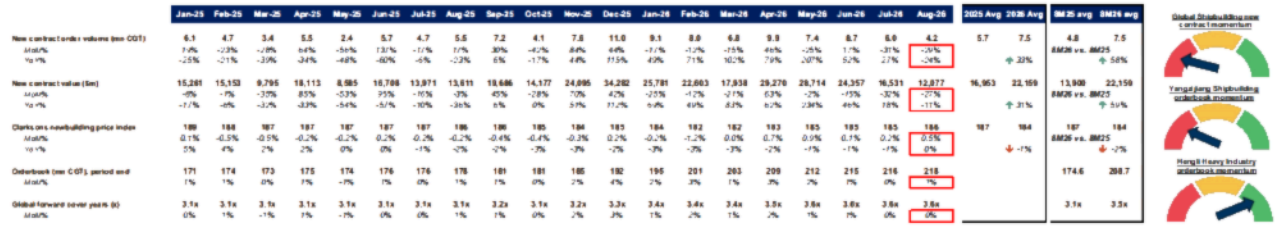
Global new ship orders weakened in Aug-26, with volume down 29% MoM/24% YoY and value down 27% MoM/11% YoY. Around 50% of the MoM volume decline was attributable to lower containership and bulker contracting, which fell by 0.5mn and 0.4mn CGT, respectively. Together, their order volumes declined ~31% MoM. Despite the slowdown, Chinese shipyards strengthened their global volume share to 85% in Aug-26, up 2ppts MoM and 9ppt YoY. The newbuild price index rose 0.5% MoM, with YoY chg recovering to positive growth for the first time since Jul-25. Global orderbook increased 1% MoM to 218mn CGT, with forward cover stable at 3.8 years.

Hengli's order momentum remained strong. New contracts reached 0.6mn CGT, down 60% MoM from July's exceptional 1.6mn CGT, but still represented 15% of global orders. Among Hengli's new orders in Aug-26, there are 2 x 175k cu.m. LNG Carriers placed by Hengli Group, scheduled to be delivered in 1H29. This is the first time that Hengli will build LNGCs, and we believe it suggests Hengli has the potential to win more LNGC new orders, which could drive product mix improvement and support margin expansion, considering LNGCs are high-value vessels.

Yangzijiang Shipbuilding's order momentum accelerated sharply in Sep-26, with two reported orders worth a combined c.US$3.8-3.9bn: 1) 12 × 24,000-TEU dual-fuel containerships from CMA CGM, valued at c.US$3bn, and 2) 8 × 210,000-dwt Newcastlemax bulkers from HMM, valued at c.US$0.8-0.9bn. YZJ had secured US$1.95bn of new orders in 7M26, vs its US$4.5bn full-year target (see Aug-26 report). If both the reported September orders become effective contracts, 2026 order wins would comfortably exceed the annual target.

Exhibit 23: Global Shipbuilding key monthly data overview

Global new contract value was -29% MoM due to lower volume contribution from containerships and bulkers, while newbuild price was +0.5% MoM; Hengli was c.15% of the global new order volumes in Aug-26



	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	2025 Avg	2026 Avg	8M25 avg	8M26 avg
New contract order volume (mn CGT)	6.1	4.7	3.4	5.5	2.4	5.7	4.7	5.5	7.2	4.1	7.8	11.0	9.1	8.8	6.8	9.8	7.4	8.7	8.9	4.2	5.7	7.5	4.8	7.5
MoM%	7.4%	-23%	-28%	64%	-56%	137%	-17%	17%	30%	-42%	88%	44%	-17%	-3.2%	-25%	44%	-25%	17%	-31%	-53%			8M26 vs. 8M25	
YoY%	-25%	-21%	-39%	-34%	-48%	-60%	-6%	-23%	6%	-17%	44%	115%	49%	71%	102%	79%	207%	52%	27%	-24%		↑ 33%		↑ 56%
New contract value ($m)	15,281	15,153	9,795	18,113	8,585	16,706	13,971	13,611	18,686	14,177	24,695	34,282	25,781	22,663	17,938	29,270	28,714	24,357	16,531	12,877	16,953	22,159	13,908	22,159
MoM%	-6%	-1%	-35%	85%	-53%	95%	-16%	-3%	45%	-24%	74%	42%	-25%	-12%	-21%	63%	-2%	-15%	-32%	-22%			8M26 vs. 8M25	
YoY%	-17%	-6%	-32%	-33%	-54%	-57%	-10%	-36%	5%	0%	37%	77.7%	9.0%	49%	83%	62%	234%	46%	18%	-11%		↑ 31%		↑ 59%
Clarksons newbuilding price index	189	188	187	187	187	187	187	186	186	185	184	183	184	182	182	183	185	185	185	186	187	184	187	184
MoM%	0.1%	-0.5%	-0.5%	-0.2%	-0.2%	0.2%	-0.2%	-0.2%	-0.4%	-0.4%	-0.3%	0.2%	-0.2%	-1.2%	0.0%	0.7%	0.9%	0.1%	0.2%	0.5%				
YoY%	5%	4%	2%	2%	0%	0%	-1%	-2%	-2%	-3%	-3%	-2%	-3%	-3%	-3%	-2%	-1%	-1%	-1%	0%		↓ -1%	8M26 vs. 8M25	↓ -2%
Orderbook (mn CGT), period end	171	174	173	175	174	176	176	178	181	181	185	192	195	201	203	209	212	215	216	218			174.6	198.7
MoM%	1%	1%	0%	1%	-1%	1%	0%	1%	1%	0%	2%	4%	2%	3%	1%	3%	2%	1%	0%	1%				
Global forward cover years (x)	3.1x	3.1x	3.1x	3.1x	3.1x	3.1x	3.1x	3.1x	3.2x	3.1x	3.2x	3.3x	3.4x	3.4x	3.4x	3.5x	3.6x	3.6x	3.6x	3.6x			3.1x	3.3x
MoM%	0%	1%	-1%	1%	-1%	0%	0%	1%	1%	0%	2%	3%	1%	2%	1%	2%	1%	1%	0%	0%				

Source: Clarksons, Company data, Goldman Sachs Global Investment Research

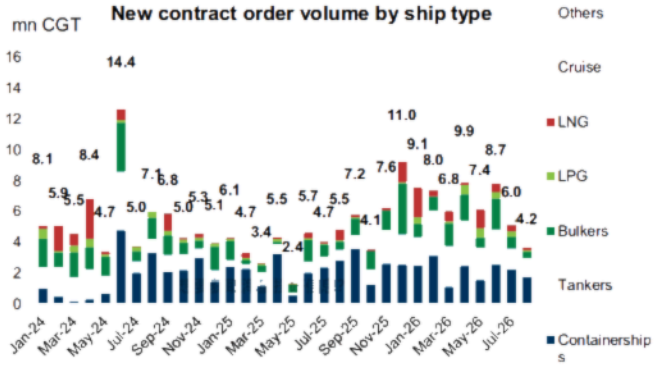
Exhibit 24: Monthly orderbook cover years and market share

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	2025 Avg	2026 Avg	8M25 avg	8M26 avg
Orderbook cover years (Period end)																								
Global	3.1x	3.1x	3.1x	3.1x	3.1x	3.1x	3.1x	3.1x	3.2x	3.1x	3.2x	3.3x	3.4x	3.4x	3.4x	3.5x	3.6x	3.6x	3.6x	3.6x	3.1x	3.5x	3.1x	3.5x
China	3.2x	3.2x	3.2x	3.2x	3.2x	3.2x	3.3x	3.3x	3.3x	3.3x	3.4x	3.5x	3.6x	3.7x	3.7x	3.8x	3.9x	3.9x	4.0x	3.9x	3.3x	3.8x	3.2x	3.8x
Korea	3.0x	2.9x	2.8x	2.8x	2.7x	2.6x	2.5x	2.4x	2.4x	2.4x	2.4x	3.0x	3.0x	3.0x	3.1x	3.1x	3.2x	3.2x	3.1x	3.2x	2.7x	3.1x	2.7x	3.1x
Japan	2.6x	2.5x	2.4x	2.3x	2.2x	2.2x	2.0x	2.0x	1.9x	1.8x	1.7x	2.5x	2.4x	2.4x	2.3x	2.2x	2.2x	2.2x	2.1x	2.1x	2.2x	2.3x	2.3x	2.3x
Chinese shipbuilding companies orderbook cover years (Period end)																								
Yangzijang Shipbuilding	3.7x	3.7x	3.6x	3.5x	3.5x	3.6x	3.5x	3.6x	3.6x	3.5x	3.5x	3.5x	3.4x	3.5x	3.5x	3.5x	3.4x	3.4x	3.4x	3.1x	3.6x	3.4x	3.6x	3.4x
Hengli SB	1.6x	1.6x	1.6x	1.7x	1.7x	1.8x	1.9x	1.9x	2.0x	2.0x	2.4x	2.7x	2.7x	3.2x	3.1x	3.1x	3.1x	3.4x	3.6x	3.6x	1.9x	3.2x	1.7x	3.2x
New Times SB	3.9x	3.9x	3.8x	3.8x	3.7x	3.6x	3.7x	3.7x	3.6x	3.7x	3.7x	3.7x	3.7x	4.1x	4.0x	4.1x	4.1x	4.0x	4.0x	4.0x	3.8x	4.0x	3.8x	4.0x
New contract volume market share by country (by CGT)																								
China	38%	68%	49%	62%	53%	62%	75%	76%	69%	78%	63%	72%	72%	80%	68%	74%	61%	85%	83%	86%	64%	76%	61%	76%
Korea	16%	8%	28%	23%	10%	20%	9%	12%	22%	11%	28%	15%	16%	11%	24%	13%	31%	9%	14%	7%	18%	16%	16%	16%
Japan	18%	4%	11%	5%	7%	14%	4%	2%	7%	5%	1%	5%	2%	2%	2%	1%	3%	3%	1%	4%	7%	2%	8%	2%
Others	28%	20%	12%	9%	30%	5%	11%	10%	12%	6%	8%	8%	10%	7%	6%	12%	5%	3%	3%	4%	12%	7%	15%	7%
Chinese shipbuilding companies new contract volume market share of the globe (by CGT)																								
Yangzijang Shipbuilding	0%	0%	2%	0%	4%	2%	1%	7%	5%	0%	0%	1%	1%	3%	3%	0%	0.3%	3%	7%	0%	2%	2%	2%	2%
Hengli Heavy Industry	3%	0%	0%	9%	0%	2%	11%	0%	2%	6%	15%	7%	8%	25%	9%	6%	7%	24%	27%	15%	5%	14%	3%	14%
New Times Shipbuilding	0%	0%	0%	1%	0%	3%	0%	0%	0%	3%	2%	1%	2%	8%	0%	1%	0.0%	1%	2%	0%	1%	2%	1%	2%
Market share by ship type %																								
Containerships																								
China	41%	98%	56%	74%	76%	63%	89%	99%	73%	83%	50%	91%	96%	79%	69%	96%	76%	100%	100%	88%	75%	89%	77%	89%
Korea	34%	0%	44%	22%	15%	24%	11%	0%	25%	7%	49%	0%	0%	17%	22%	4%	24%	0%	0%	7%	19%	8%	17%	8%
Japan	1%	0%	0%	3%	0%	6%	0%	0%	0%	10%	0%	0%	1%	0%	9%	0%	0%	0%	0%	0%	1%	1%	1%	1%
Others	24%	2%	0%	1%	8%	7%	0%	1%	2%	0%	1%	9%	4%	4%	0%	0%	0%	0%	0%	5%	4%	2%	5%	2%
Tankers																								
China	66%	77%	44%	23%	46%	41%	60%	39%	24%	82%	61%	70%	67%	95%	72%	87%	81%	79%	53%	39%	55%	76%	47%	76%
Korea	6%	18%	43%	56%	54%	31%	20%	19%	56%	17%	33%	22%	29%	5%	24%	13%	8%	18%	47%	20%	30%	18%	30%	18%
Japan	28%	2%	9%	21%	0%	26%	20%	3%	13%	1%	2%	7%	4%	0%	0%	0%	2%	3%	0%	15%	10%	2%	15%	2%
Others	0%	3%	4%	0%	0%	1%	0%	40%	7%	0%	4%	1%	0%	0%	3%	0%	10%	0%	0%	26%	5%	4%	7%	4%
Bulkers																								
China	21%	64%	28%	51%	57%	38%	72%	83%	63%	43%	69%	51%	74%	82%	95%	79%	47%	69%	96%	43%	50%	77%	45%	77%
Korea	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Japan	60%	36%	49%	0%	34%	23%	6%	17%	26%	0%	1%	13%	7%	9%	5%	4%	27%	10%	4%	16%	20%	9%	33%	9%
Others	18%	0%	23%	49%	9%	39%	21%	0%	11%	57%	30%	37%	19%	10%	0%	17%	26%	20%	0%	41%	30%	15%	23%	15%
LPG																								
China	4%	6%	32%	4%	100%	0%	86%	56%	15%	-	0%	24%	52%	0%	13%	32%	10%	61%	51%	0%	24%	35%	25%	35%
Korea	26%	40%	52%	60%	0%	55%	0%	0%	37%	-	0%	76%	19%	0%	85%	68%	87%	39%	49%	100%	40%	60%	37%	60%
Japan	70%	54%	8%	36%	0%	45%	0%	41%	49%	0%	100%	0%	3%	100%	2%	0%	0%	0%	0%	0%	35%	1%	37%	1%
Others	0%	0%	8%	0%	0%	0%	14%	0%	0%	-	0%	0%	26%	0%	0%	0%	2%	0%	0%	0%	2%	4%	2%	4%
LNG																								
China	0%	14%	100%	36%	0%	6%	18%	11%	0%	34%	0%	22%	50%	57%	4%	0%	2%	69%	100%	100%	17%	43%	15%	43%
Korea	100%	76%	0%	64%	100%	70%	17%	76%	100%	66%	100%	78%	41%	43%	96%	100%	98%	31%	0%	0%	75%	57%	69%	57%
Japan	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Others	0%	10%	0%	0%	0%	23%	65%	13%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	8%	0%	16%	0%
Cruise																								
China	0%	0%	0%	0%	0%	n.a.	0%	n.a.	0%	n.a.	0%	22%	0%	0%	0%	0%	n.a.	n.a.	0%	0%	5%	0%	0%	0%
Korea	0%	0%	0%	0%	0%	n.a.	0%	n.a.	0%	n.a.	0%	0%	0%	0%	0%	0%	n.a.	n.a.	0%	0%	0%	0%	0%	0%
Japan	0%	0%	0%	0%	0%	n.a.	0%	n.a.	0%	n.a.	0%	0%	0%	0%	0%	0%	n.a.	n.a.	0%	0%	0%	0%	0%	0%
Others	100%	100%	100%	100%	100%	n.a.	100%	n.a.	100%	n.a.	100%	78%	100%	100%	100%	100%	n.a.	n.a.	100%	100%	95%	100%	100%	100%
Others																								
China	29%	78%	65%	85%	69%	79%	72%	63%	81%	92%	100%	97%	66%	72%	84%	90%	100%	92%	99%	98%	78%	87%	63%	87%
Korea	0%	0%	0%	0%	0%	0%	4%	0%	0%	0%	0%	0%	3%	0%	1%	9%	0%	5%	0%	0%	0%	3%	0%	3%
Japan	7%	0%	13%	2%	0%	8%	2%	0%	8%	8%	0%	3%	6%	12%	2%	1%	0%	3%	1%	2%	4%	3%	5%	3%
Others	63%	22%	22%	12%	31%	12%	23%	37%	11%	0%	0%	0%	26%	16%	13%	0%	0%	0%	0%	0%	19%	7%	32%	7%

Source: Clarksons, Company data, Goldman Sachs Global Investment Research

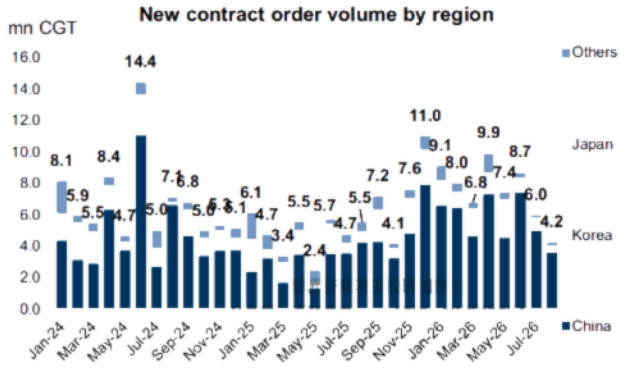
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Exhibit 25: New contract order volume by ship type



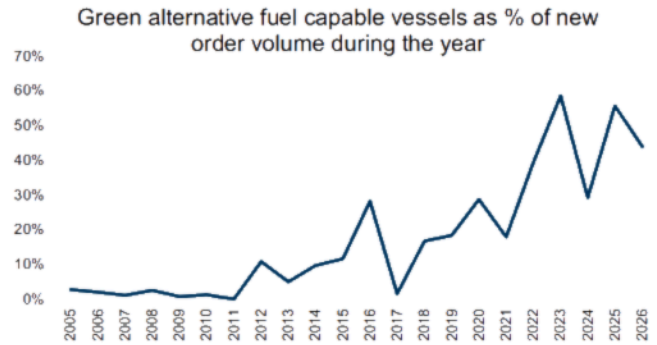
Source: Clarksons

Exhibit 26: New contract order volume by region



Source: Clarksons

Exhibit 27: Green alternative fuel as % of total new orders



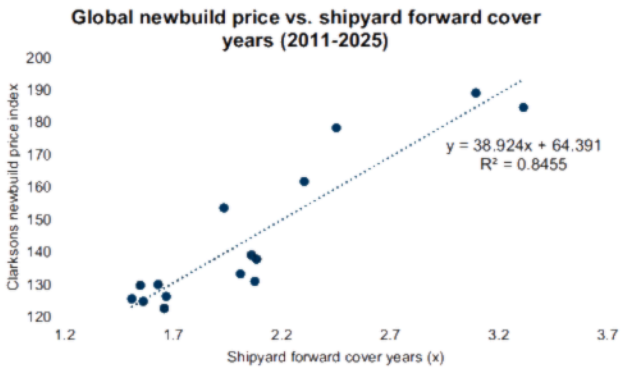
As of Sep-26 end

Source: Clarksons

Global comparison

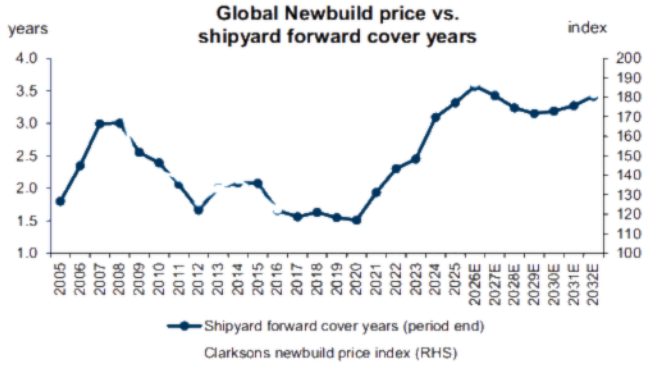
Our correlation analysis shows that the global newbuild price is highly correlated (R-square at c.85%) with the orderbook forward cover years. We expect global cover years to remain at above 3x, which would lead to the newbuild ship (Clarksons Index) price to remain above 175. As a result, we forecast the **newbuild ship price to decline by -6% from 2024's peak** to 178 as a trough **in 2029E**, while **rebounding again from 2030E** as the pick-up in new ship order volume would exceed the annual capacity. By region, China has the highest cover years at c.3.9x, while Korea/Japan are at 3.2x/2.1x respectively as of Aug-26.

Exhibit 28: Global Newbuild price vs. shipyard forward cover years



Source: Clarksons, Company data, Goldman Sachs Global Investment Research

Exhibit 29: Global Newbuild price vs. shipyard forward cover years



Source: Clarksons, Goldman Sachs Global Investment Research

Exhibit 30: Orderbook cover years comparison

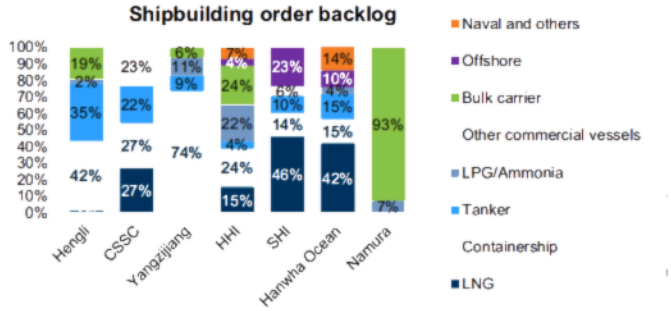


Capacity is estimated by GS

Source: Clarksons, Goldman Sachs Global Investment Research

Chinese shipyards show a more diversified commercial-vessel backlog. YZJ's backlog is heavily concentrated in containerships at 74%, while Hengli and CSSC have broader exposure across containerships, tankers, bulk carriers and other commercial vessels. **Korean shipyards are more focused on high-value gas and offshore vessels**. LNG carriers account for 46%/42% of SHI/Hanwha Ocean's backlog, while HHI has a more balanced portfolio including LNGC/LPG, containers and bulkers. In **Japan**, Namura is the most concentrated in bulkers, representing 93% of its backlog. In general, gas carriers offer the highest margin, followed by containerships and tankers, of which VLCC margin could be comparable to containerships after the recent newbuild price rally. Bulkers usually offer the thinnest margin among major ship types (see Sep-26 report).

Exhibit 31: Shipbuilder orderbook backlog comparison

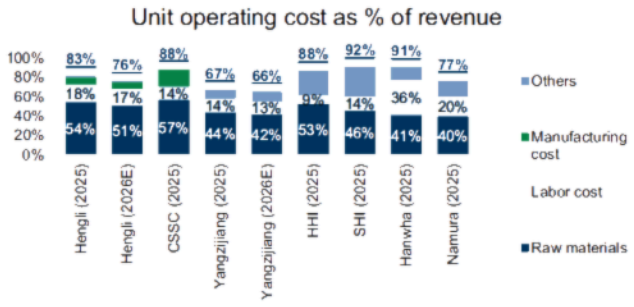


Note: Data as of Sep-26 for Hengli/Namura/CSSC; as of Aug-26 for SHI/HHI/Hanwha Ocean; as of Jun-26 for YZJ. CSSC Refers to commercial vessels only. Hengli, CSSC and Namura by CGT contract volume breakdown as per Clarksons, others breakdown by contract value per company data.

Source: Company data, Clarksons

Chinese players are cost leaders. Among shipbuilding's operating costs, raw materials account for approximately half of the total and labor accounts for 17%. Marine engine (under raw materials) is normally equivalent to 10-20% of vessels' newbuilding price, and PPI of Japan diesel marine engine has increased by +11% YoY as of Aug-26 (see Exhibit 34), higher than the YoY chg of the new shipbuilding price. By comparing the unit cost among shipyards in China, Korea and Japan, we found that YZJ's unit cost is the lowest among peers, followed by Hengli and Namura. In general, Chinese players' unit operating costs (per CGT) are c.35% lower than Korean peers, considering Chinese shipyards have much lower labor costs and their steel price has also been ~20% lower than Korea's on avg since 2021.

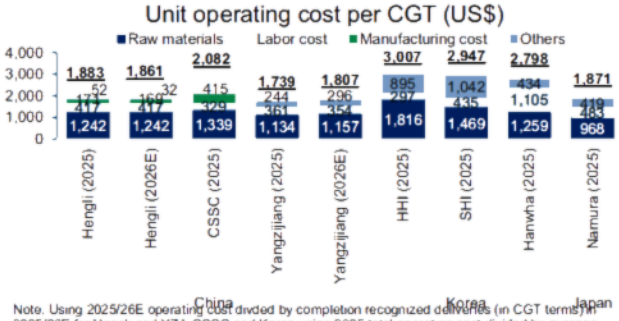
Exhibit 32: Unit operating cost as % of revenue



Note: CSSC and HHI cost breakdown refers to shipbuilding segment only. Namura Shipbuilding refer to shipbuilding segment and the raw material cost incl. processing fee. Hengli and YZJ are 2025 actual and 2026 GSE. others are as of 2025

Source: Company data, Goldman Sachs Global Investment Research

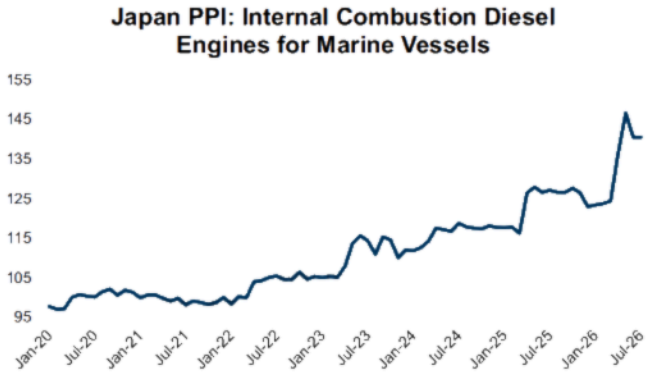
Exhibit 33: Unit operating cost per CGT (US$)



Note: Using 2025/26E operating cost divded by completion recognized deliveries (in CGT terms) in 2025/26E for Hengli and YZJ. CSSC and Korea using 2025 total operating cost divided by average deliveries (in CGT terms) in 2025-26. Namura using cost of shipbuilding segment divided by volume delivered (in CGT terms) during the year

Source: Company data, Goldman Sachs Global Investment Research, Clarksons

Exhibit 34: Japan PPI: Internal Combustion Diesel Engines for Marine Vessels

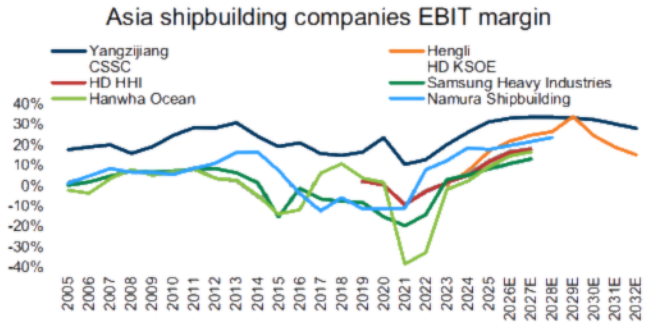


As of Aug-26

Source: CEIC

YZJ offers the highest EBIT margins on our estimates, averaging at 33% from 2026-28E benefiting from its focus on high-margin product (containership) and resilient price of the 2025-26 signed contracts (see Aug-26 report). We expect Hengli's EBIT margin will improve from 22% in 2026E to 26% by 2028E, attributable to product mix improvement and efficiency gain. We forecast Namura EBIT margin will increase from 20% to 24% during 2026–2028E, while Korean shipbuilders' margins are set to improve from ~15% in 2026E to ~17% by 2027E per Refinitiv Eikon consensus.

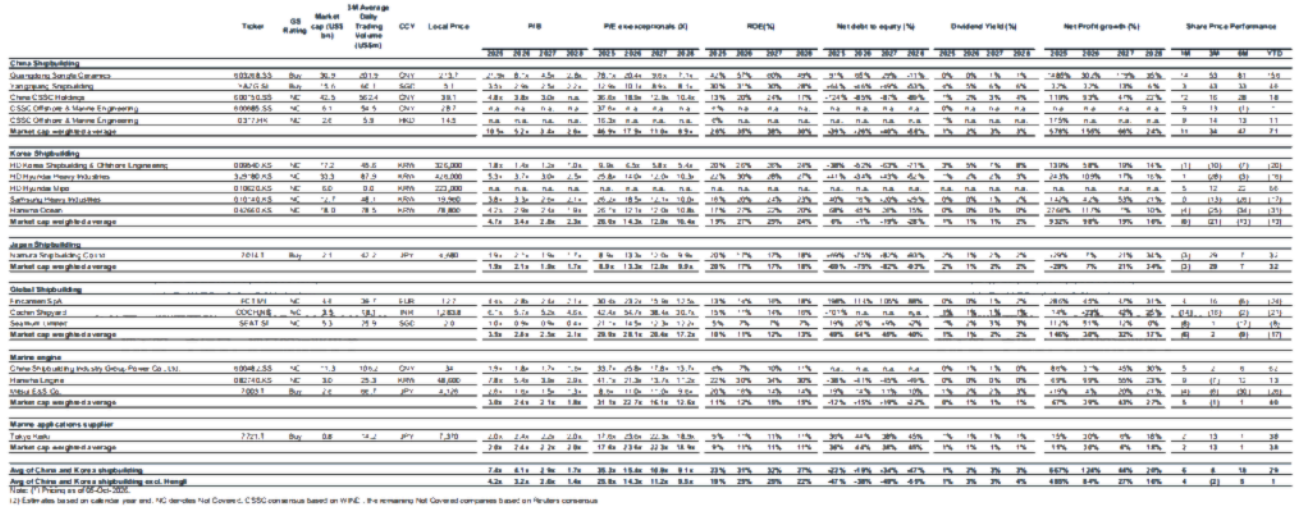
Exhibit 35: Asia ship builders EBIT margin



Note: Non covered companies forward data using Refinitiv Eikon consensus.

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 36: Asia shipbuilding comp table



	Ticker	GS Rating	Market Cap (US$ bn)	1M Average Daily Trading Volume (US$m)	CCY	Local Price	P/B				P/E over consensus (x)				ROE(%)				Net debt to equity (%)				Dividend Yield (%)				Net Profit growth (%)				Share Price Performance			
							2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	1M	3M	6M	YTD
China Shipbuilding																																		
Guanzhong Sanzhi Ceramics	603268.SS	Buy	36.9	49.9	CNY	21.37	4.3x	3.7x	3.5x	2.8x	78.7x	43.4x	30.0x	21.1x	5.4%	9.7%	11.0%	13.1%	91%	98%	99%	111%	0%	0%	1%	1%	-180%	80.4%	117%	35%	14	53	81	156
Yangzijiang Shipbuilding	YZJSGD.SI	Buy	15.6	66.1	SGD	5.1	3.5x	2.9x	2.5x	2.2x	12.9x	10.1x	8.6x	8.1x	30%	31%	30%	28%	-44%	-66%	-69%	-63%	4%	5%	6%	6%	3.7%	3.7%	13%	6%	3	13	33	46
China CSSC Holdings	600150.SS	NC	42.9	362.4	CNY	39.1	4.8x	3.8x	3.0x	n.a.	36.6x	18.0x	12.8x	10.4x	13%	23%	24%	11%	-124%	-83%	-81%	-69%	1%	2%	3%	4%	119%	9.7%	41%	22%	12	16	28	18
CSSC Offshore & Marine Engineering	600685.SS	NC	6.1	56.5	CNY	28.7	n.a.	n.a.	n.a.	n.a.	37.6x	n.a.	n.a.	n.a.	4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9	13	(1)	-
CSSC Offshore & Marine Engineering	0317.HK	NC	2.6	5.8	HKD	14.8	n.a.	n.a.	n.a.	n.a.	16.3x	n.a.	n.a.	n.a.	6%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1%	n.a.	n.a.	n.a.	175%	n.a.	n.a.	n.a.	9	14	13	11
Market cap weighted average							10.5x	9.2x	8.4x	2.8x	46.9x	17.8x	11.8x	8.9x	24%	30%	38%	36%	-35%	-26%	-48%	-64%	1%	2%	3%	3%	578%	196%	66%	24%	11	34	47	71
Korea Shipbuilding																																		
HD Hyundai Shipbuilding & Offshore Engineering	009540.KS	NC	17.2	48.6	KRW	326,000	1.8x	1.4x	1.2x	1.0x	9.9x	6.3x	5.8x	5.4x	20%	26%	26%	24%	-38%	-62%	-63%	-71%	3%	5%	7%	8%	139%	58%	19%	14%	(1)	(10)	(7)	(20)
HD Hyundai Heavy Industries	329180.KS	NC	33.3	87.9	KRW	426,000	5.3x	3.7x	3.0x	2.5x	25.8x	14.0x	12.0x	10.3x	22%	30%	28%	27%	-41%	-54%	-43%	-62%	1%	2%	4%	3%	24.3%	19.9%	17%	15%	1	(28)	(3)	(15)
HD Hyundai Mipo	010620.KS	NC	5.0	3.0	KRW	223,000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5	12	22	66
Samsung Heavy Industries	010140.KS	NC	12.7	48.1	KRW	19,960	3.8x	3.3x	2.9x	2.1x	25.2x	18.5x	12.1x	10.0x	16%	20%	24%	23%	40%	73%	100%	125%	0%	0%	1%	2%	142%	42%	53%	21%	0	(13)	(28)	(12)
Hanwha Ocean	042660.KS	NC	18.0	78.5	KRW	78,800	4.2x	2.9x	2.4x	1.9x	26.1x	12.1x	12.0x	10.8x	17%	27%	22%	20%	68%	65%	39%	15%	0%	0%	0%	0%	276%	11.7%	-1%	10%	(4)	(25)	(34)	(31)
Market cap weighted average							4.7x	3.4x	2.8x	2.3x	28.0x	14.3x	12.8x	10.4x	19%	27%	25%	24%	6%	-1%	-19%	-28%	1%	1%	1%	2%	332%	98%	19%	16%	(0)	(21)	(12)	(13)
Japan Shipbuilding																																		
Namura Shipbuilding Co Ltd	7014.T	Buy	2.1	42.2	JPY	4,480	1.9x	2.1x	1.9x	1.7x	8.4x	13.3x	12.0x	9.9x	20%	17%	17%	18%	-49%	-75%	-87%	-93%	2%	1%	2%	2%	129%	7%	21%	36%	(3)	29	7	32
Market cap weighted average							1.9x	2.1x	1.9x	1.7x	8.4x	13.3x	12.0x	9.9x	20%	17%	17%	18%	-49%	-75%	-87%	-93%	2%	1%	2%	2%	-29%	7%	21%	34%	(3)	29	7	32
Global Shipbuilding																																		
Fincantieri SpA	FCT.MI	NC	4.8	36.7	EUR	12.7	6.4x	2.8x	2.4x	2.1x	30.4x	29.2x	15.9x	12.5x	13%	14%	16%	18%	198%	114%	105%	88%	0%	0%	1%	2%	286%	45%	47%	31%	1	16	(6)	(24)
Cochin Shipyard	COCHINSE	NC	3.5	18.1	INR	1,283.8	6.7x	5.7x	5.2x	4.6x	42.4x	34.7x	38.4x	30.7x	15%	17%	14%	15%	-101%	n.a.	n.a.	n.a.	1%	1%	1%	1%	14%	-22%	42%	25%	(24)	(15)	(2)	(21)
Seatrium Limited	SEAT.SI	NC	5.3	21.9	SGD	2.9	1.0x	0.9x	0.9x	0.8x	21.1x	14.5x	12.3x	11.2x	5%	7%	7%	7%	19%	20%	19%	17%	1%	2%	3%	3%	112%	51%	12%	6%	(8)	1	(7)	(8)
Market cap weighted average							3.3x	2.8x	2.3x	2.1x	29.9x	28.1x	28.4x	17.2x	10%	11%	12%	13%	69%	64%	48%	46%	1%	1%	2%	2%	146%	38%	32%	17%	(6)	2	(6)	(17)
Marine engine																																		
China Shipbuilding Industry Group Power Co., Ltd.	600482.SS	NC	11.3	109.2	CNY	34	1.9x	1.8x	1.7x	1.5x	33.7x	25.8x	17.8x	13.7x	6%	7%	10%	11%	n.a.	n.a.	n.a.	n.a.	0%	1%	1%	0%	84%	31%	45%	30%	5	2	8	62
Hanwha Engine	082740.KS	NC	3.0	25.3	KRW	48,600	7.8x	5.4x	3.8x	2.8x	41.7x	21.3x	13.7x	11.2x	22%	30%	34%	30%	-38%	-41%	-49%	-49%	0%	0%	0%	0%	69%	99%	55%	23%	9	(7)	12	13
Mitsui E&S Co.	7003.T	Buy	2.6	66.7	JPY	4,126	2.0x	1.6x	1.5x	1.3x	8.7x	11.0x	11.0x	9.6x	25%	16%	14%	14%	19%	4%	11%	10%	1%	2%	2%	3%	119%	4%	20%	21%	(6)	(6)	(26)	(45)
Market cap weighted average							3.8x	2.6x	2.1x	1.8x	31.1x	22.7x	16.1x	12.6x	11%	12%	15%	15%	-13%	-15%	-19%	-22%	0%	1%	1%	1%	67%	39%	43%	27%	5	(1)	1	66
Marine applications supplier																																		
Tokyo Keiki	7721.T	Buy	0.8	14.2	JPY	1,370	2.0x	2.4x	2.2x	2.0x	17.6x	23.0x	22.3x	18.3x	9%	11%	11%	11%	39%	44%	38%	45%	1%	1%	1%	1%	15%	20%	6%	18%	2	13	1	38
Market cap weighted average							2.0x	2.4x	2.2x	2.0x	17.6x	23.0x	22.3x	18.3x	9%	11%	11%	11%	39%	44%	38%	45%	1%	1%	1%	1%	15%	20%	6%	18%	2	13	1	38
Avg of China and Korea shipbuilding							7.4x	6.1x	5.1x	1.7x	35.3x	15.4x	10.9x	8.1x	23%	31%	32%	27%	-23%	-19%	-34%	-47%	1%	2%	3%	3%	667%	124%	44%	24%	6	8	18	29
Avg of China and Korea shipbuilding excl. Hengli							4.2x	3.2x	2.6x	1.4x	25.8x	14.3x	11.2x	8.5x	19%	25%	25%	22%	-47%	-38%	-48%	-61%	1%	3%	3%	4%	488%	84%	27%	16%	4	(2)	5	1

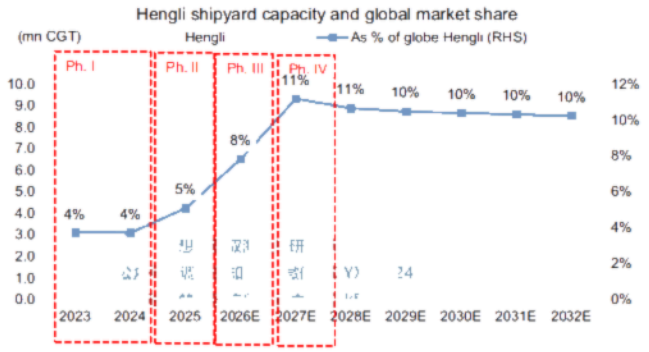
Note: (1) Pricing as of 06-Oct-2026
(2) Estimates based on calendar year end. NC denotes Not Covered; CSSC consensus based on WIND; the remaining Not Covered companies based on Reuters consensus

Source: Datastream, Reuters, WIND, Goldman Sachs Global Investment Research

Chinese shipbuilders: comparing Hengli vs. YZJ

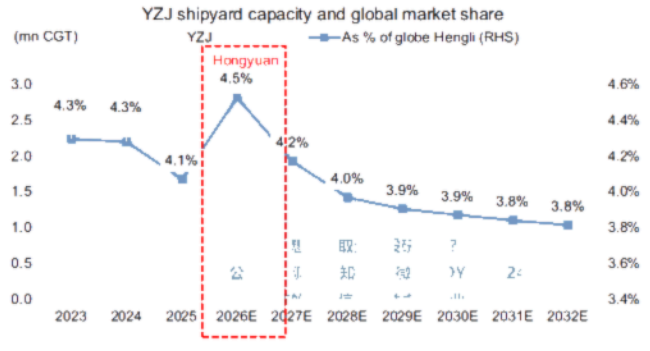
Comparing Hengli vs. YZJ, we highlight that: 1) **Hengli can expand capacity faster than YZJ, and has shorter cover years, which should support Hengli's stronger order winning momentum**. We expect Hengli to nearly double (+97%) its capacity via Phase III slipways and Phase IV dry dock expansion, which will drive its capacity global market share from c.6% (current) to 11% by 2027E; while we expect YZJ's Hongyuan shipyard will add another 20% capacity by 2026E, raising its capacity global market share from c.4% in 2025 to 4.5% by 2026E. Adjusted for the expansion, Hengli has cover years of 2.0x, while YZJ has cover years of 2.8x. 2) **YZJ has greater exposure to high-value ships, which supports its higher margin, vs. Hengli, though Hengli has scope for improvement.** YZJ's orderbook predominantly focuses on containerships (70%+), and mgmt guided gross margin to remain elevated after printing 36% in 1H26 (see Aug-26 report) given the ASP of their contracts signed in 2025-26 are comparable to those in 2024. Therefore, we expect YZJ EBIT margin will sustain at 33%-34% in 2026-28E. We expect Hengli EBIT margin will improve from 22% in 2026E to 26% by 2028E as product mix shifts to higher-margin vessels (containerships and tankers) and efficiency improves.

Exhibit 37: We expect Hengli capacity market share to increase from 8% in 2026E to 11% in 2027E



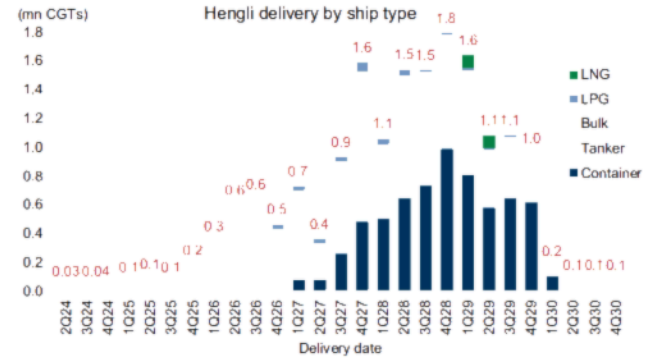
Source: Company data, Clarksons, Goldman Sachs Global Investment Research

Exhibit 38: We expect Hongyuan shipyard will increase YZJ capacity by 20%



Source: Company data, Clarksons, Goldman Sachs Global Investment Research

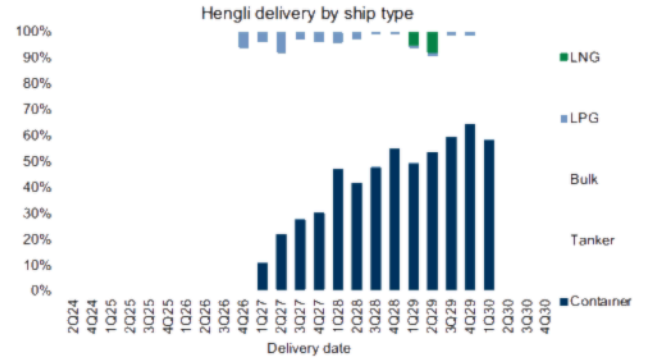
Exhibit 39: Hengli quarterly delivery by ship type



Based on orderbook as of Sep-26 end

Source: Clarksons

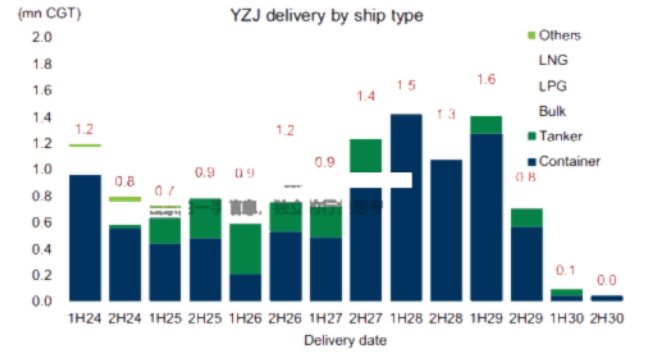
Exhibit 40: Hengli quarterly delivery mix by ship type based on CGT



Based on orderbook as of Sep-26 end

Source: Clarksons

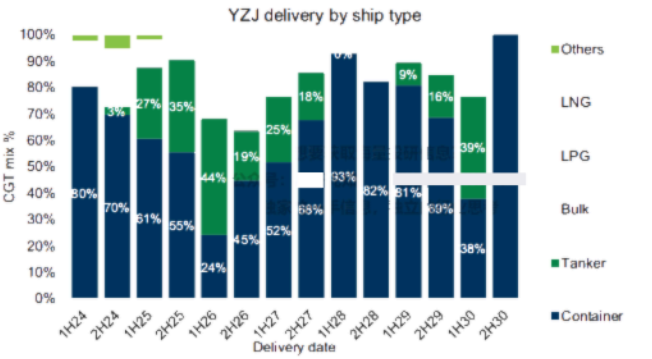
Exhibit 41: YZJ semi-annual delivery by ship type



As of Sep-26 end

Source: Clarksons

Exhibit 42: YZJ semi-annual delivery mix by ship type based on CGT



As of Sep-26 end

Source: Clarksons

Exhibit 43: Earnings and target price changes

	Ratings	Target price			Net income (Rmb mn) 2026E			2027E			2028E			2029E			2030E		
		Ccy	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Yangzijiang Shipbuilding	Buy	S$	6.0	5.3	13.2%	10,943	10,744	1.8%	12,443	12,450	-0.1%	13,641	13,606	0.3%	13,455	12,543	7.3%	13,089	11,511	13.7%
Guangdong Songfa Ceramics	Buy	Rmb	300	200	50.0%	10,370	9,509	9.0%	22,605	14,441	56.5%	30,589	16,963	80.3%	30,510	16,676	83.0%	28,485	15,995	78.1%

Source: Goldman Sachs Global Investment Research

Target price and earnings changes for Yangzijiang Shipbuilding

We raise YZJ's earnings forecast by +1.8%/-0.1%/+0.3%/ for 2026-28E, mainly to reflect an updated delivery schedule based on the latest orderbook amid largely unchanged margin assumptions; and a higher shipping segment revenue attributable to 2 LNGCs chartering-out in 2H26. Our 2029-32E earnings are raised by 7%-18%, mainly attributable to higher completion recognition. Beyond 2028E, we now forecast a mild earnings decline at -5% CAGR in 2028-32E as we expect the industry newbuilding price to remain at a relatively elevated level, on the back of a resilient orderbook cover years (>3 years) until 2032E, as the enlarged capacity just matches the potential new ship orders.

Our price target is raised by 13% to SGD6.0 per share from previously SGD5.3 per share, on **a higher target P/B multiple of 2.8X on 2027E BVPS** (vs. 2.5x prior), which is **based on an improved cycle-ROE of 26.5% (vs. 24% prior)**. Assuming an unchanged payout ratio of 50%, the current share price implies 5%/6%/6% dividend yield for 2026-28E, which we believe is attractive.

Exhibit 44: Yangzijiang Shipbuilding financials summary

Profit model (Rmb mn)	12/25	12/26E	12/27E	12/28E
Total revenue	28,504.8	36,471.8	40,313.6	44,421.6
Cost of goods sold	(18,743.8)	(23,304.2)	(25,543.2)	(28,167.3)
SG&A	(874.6)	(1,119.1)	(1,237.0)	(1,363.0)
R&D				
Other operating profit/(expense)				
EBITDA	9,416.2	12,653.6	14,213.9	15,667.9
Depreciation & amortization	(529.9)	(605.2)	(680.4)	(776.6)
EBIT	8,886.3	12,048.5	13,533.5	14,891.3
Interest income	850.5	522.9	462.7	551.7
Interest expense	(115.4)	(82.5)	(82.5)	(82.5)
Income/(loss) from uncons. subs.	860.9	1,204.6	1,419.4	1,472.2
Others	194.3	25.4	0.3	0.3
Pretax profits	10,676.6	13,718.8	15,333.4	16,833.1
Income tax	(2,044.7)	(2,606.8)	(2,898.4)	(3,199.8)
Minorities	5.2	6.7	7.5	8.2
Net income pre-preferred dividends	8,637.1	11,118.7	12,442.5	13,641.5
Preferred dividends				
Net income (pre-exceptionals)	8,637.1	11,118.7	12,442.5	13,641.5
Post-tax exceptionals				
Net income	8,637.1	11,118.7	12,442.5	13,641.5
EPS (basic, pre-except) (Rmb)	2.19	2.83	3.16	3.47
EPS (basic, post-except) (Rmb)	2.19	2.83	3.16	3.47
EPS (diluted, post-except) (Rmb)	2.19	2.83	3.16	3.47
DPS (Rmb)	1.1	1.4	1.6	1.7
Dividend payout ratio (%)	50%	50%	50%	50%
Free cash flow yield (%)	4%	7%	10%	12%

Balance sheet (Rmb mn)	12/25	12/26E	12/27E	12/28E
Cash & equivalents	26,144.2	23,137.2	27,586.8	33,220.6
Accounts receivable	7,184.7	9,192.8	10,161.1	11,196.5
Inventory	3,557.9	4,423.5	4,848.5	5,346.6
Other current assets	6,388.9	8,162.0	9,021.4	9,940.5
Total current assets	43,275.6	44,915.4	51,617.7	59,704.1
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	11,613.3	13,015.2	14,469.2
Other long-term assets	1,158.2	1,158.2	1,158.2	1,158.2
Total assets	58,333.8	68,988.3	77,713.2	87,211.5
Accounts payable	3,504.4	4,357.1	4,775.7	5,266.3
Short-term debt	5,500.0	5,500.0	5,500.0	5,500.0
Other current liabilities	15,536.0	19,263.0	21,060.3	22,982.1
Total current liabilities	24,540.4	29,120.1	31,336.0	33,748.4
Long-term debt	0.0	0.0	0.0	0.0
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	30,655.7	32,871.6	35,284.0
Preferred shares				
Total common equity	32,141.9	38,223.4	44,739.8	51,834.0
Minority interest	115.9	109.2	101.8	93.6
Total liabilities & equity	58,333.8	68,988.3	77,713.2	87,211.5
BVPS (Rmb)	8.2	9.7	11.4	13.2

Growth & margins (%)	12/25	12/26E	12/27E	12/28E
Sales growth	7%	28%	11%	10%
EBITDA growth	27%	34%	12%	10%
EBIT growth	28%	36%	12%	10%
Net income growth	30%	29%	12%	10%
EPS growth	31%	29%	12%	10%
Gross margin	34%	36%	37%	37%
EBITDA margin	33%	35%	35%	35%
EBIT margin	31%	33%	34%	34%

Ratios	12/25	12/26E	12/27E	12/28E
CROCI (%)	54%	42%	37%	38%
ROE (%)	30%	32%	30%	28%
ROA (%)	15%	17%	17%	17%
ROACE (%)	97%	67%	56%	56%
Inventory days	52.9	62.5	66.2	66.1
Receivables days	90.7	82.0	87.6	87.7
Payable days	73.0	61.6	65.3	65.1
Net debt/equity (%)	-64%	-46%	-49%	-53%
Interest cover - EBIT (X)				

Cash flow statement (Rmb mn)	12/25	12/26E	12/27E	12/28E
Net income pre-preferred dividends	8,637.1	11,118.7	12,442.5	13,641.5
D&A add-back	529.9	600.6	675.9	772.0
Minorities interests add-back				
Net (inc)/dec working capital	(4,421.9)	(67.2)	(36.8)	(40.2)
Other operating cash flow	(275.3)	(1,204.6)	(1,419.4)	(1,472.2)
Cash flow from operations	4,464.6	10,440.9	11,654.7	12,892.9
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)	14.9	17.6	18.2
Cash flow from investments	(8,482.0)	(8,410.7)	(1,279.1)	(711.7)
Dividends paid (common & pref)	(2,607.8)	(5,037.2)	(5,926.1)	(6,547.4)
Inc/(dec) in debt	(1,300.0)			
Common stock issuance (repurchase)	(158.2)			
Other financing cash flows	6,092.0			
Cash flow from financing	2,025.9	(5,037.2)	(5,926.1)	(6,547.4)
Total cash flow	(8,044.0)	(3,007.0)	4,449.6	5,633.8

Valuation	12/25	12/26E	12/27E	12/28E
P/E (analyst) (X)	7.1	9.6	8.4	7.7
P/B (X)	1.9	2.7	2.3	2.0
EV/EBITDA (X)	4.2	6.9	5.8	4.9
EV/GCI (X)	2.0	3.0	2.6	2.3
Dividend yield (%)	7.1%	5.3%	5.9%	6.5%

Note: Last actual year may include reported and estimated data.
Source: Company data, Goldman Sachs Research estimates.

Please see our accompanying report for detail on our Songfa target price and earnings changes.

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 37% CAGR in 2025-28E, factoring in the completion of its phase III and phase IV, vs. a 7% CAGR for global peers. We expect this to drive its capacity market share to 11% by end-2027E and reduce its orderbook cover years to c.2x (vs. global / China avg 3.6x/3.9x), one of the lowest among global major shipyards. On the other hand, we believe replacement for aging fleets will be the key driver of this global shipbuilding upcycle which we see lasting until 2032E, and contribute 52% to the total new orders during 2026-2032E, followed by trade growth/ decarbonization's contribution of 33%/15%. Hengli's shorter cover years vs. peers is one of the key competitive advantages to capture this demand, in our view. Furthermore, we expect Hengli's margin

will improve from 2026-28E, benefiting from product mix and efficiency improvement. 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 Rmb300/share is based on a 2028E P/E of 10x, 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.

Investment Thesis - Yangzijiang Shipbuilding

We are Buy rated on Yangzijiang Shipbuilding. We expect the company's new orders to pick up from 2026E on 1) less tight capacity after one year of muted new order wins in 2025; 2) capacity expansion amid the ongoing upcycle to help in further market share gain; 3) competitiveness in high-margin orders, evidenced by its long orderbook cover years; and 4) limited negative impact from USTR. We believe Yangzijiang is well positioned given its cost advantage and superior returns in the earnings uplift stage of the ongoing upcycle. The stock is currently trading at ~2x P/B, higher than historical average; however, we believe a higher P/B valuation vs. historical average is warranted given the company's focus on the Shipbuilding business (following spin-off of its lower-return debt investment business, Yangzijiang Financial) with sufficient cash position for capacity expansion amid the upcycle and potential for improving shareholder return. Key catalysts: Earnings beat & new orders share gain.

Price Target Risks and Methodology - Yangzijiang Shipbuilding

We are Buy rated on Yangzijiang and derive our 12-month target price of SGD 6.00 based on P/B vs. ROE valuation. We apply a target P/B multiple of 2.8x to our end-2027E BVPS. We derive the target P/B based on the cycle-average ROE of 26.5% 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.

Price Target Risks and Methodology - Tokyo Keiki

Our 12-month target price is ¥9,000. The target price is derived applying a target P/E multiple of 23X on our FY3/31E EPS estimate and discounting the value back to FY3/27 using a cost of equity of 10%. Key risks include a deterioration in defense demand, a decline in shipping demand, and a decline in prices caused by competition and other relevant factors.

Price Target Risks and Methodology - Mitsui E&S Co.
Our 12-month target price is ¥6,600. Using a Sum of the Parts (SOTP) model, we apply target P/E multiples of 10X-19X to our net profit estimates for each segment and the respective reference years we use for them, and discount the sum back to FY3/27 using a cost of equity of 9.8%. We apply a P/E of 19X on FY3/31E for marine propulsion systems, 14X on FY3/30E for logistics systems, 14X on FY3/28E for new business development, and 10X on FY3/28E for peripheral services. Key risks include a sharp increase in input costs, deterioration in container transport demand, production problems, and a decline in prices.

Price Target Risks and Methodology - Namura Shipbuilding Co.
Our 12-month target price of ¥6,000 is based on a target P/B of 2.6X applied to our end-FY3/30E BPS estimate, discounted back to FY3/27E using a cost of equity of 9.8%. Key risks include a sudden increase in production capacity in the shipbuilding industry, higher steel prices, production problems, and a decline in vessel prices.