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China International Marine Containers (000039.SZ/2039.HK)

Offshore Shipyard Visit: Doubling Capacity by End-2028 on Robust Assessment; Reiterate 3Q26E Forecast

CITI'S TAKE

We left CIMC Offshore Engineering Yantai shipyard with takeaways: 1) Offshore Engineering capacity is in progress to almost double by 2028, which 2) would be supported by robust demand forecast or soft order commitment. 3) Bullish on FPSO and FLNG opportunity for the next 10 years. 4) Mgmt conducted FPSO/FLNG teach-in events to >80 participants (vs. 20 last year), including entering one of the FPSOs. 5) Anticipate undersupply of advanced deepwater offshore rig platforms in 3 years. 6) Projects on track: all berths are now full (with 2 FPSOs on pier while the main dock is performing module integration to FLNG (full utilisation). 5) Mgmt identifies AIDC as the second growth driver for the first time and emphasises ROE for next 5-year plan to 2030. 6) Reiterate our 3Q26E forecast of Rmb980m, +240% yoy. We will host Day 1 investor meetings in HK on 2 November.

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We believe 3Q26E can be a potential positive catalyst for the stock. Our 3Q26E preview note: China International Marine Containers (000039.SZ/2039.HK): What's New from China Industrial | SMID | Transport Conference 2026: Bullish Comments and 3Q26E Preview

Offshore capacity expansion: mgmt guided capacity expansion to be finished by end-2028, which will roughly double its capacity. As mgmt stated they conducted robust assessment on this capex, **we believe the capacity expansion is supported by soft commitment from clients**.

Decade-long upcycle for FPSO and FLNG: Sustained offshore investment driven by Brazil, Guyana, and West Africa, with incremental SE Asian gas demand. Brazilian deepwater costs at c.US$25/bbl (c.US$40/bbl with taxes) support robust economics at current oil prices. FPSO demand should remain resilient beyond 2030. For FLNG, although the global fleet is relatively small now (8 deployments over the last 10 years), mgmt expects a 10-year upcycle from now. Mgmt also expects advanced deepwater offshore rig platforms to be undersupplied in 3 years.

FPSO order competition shifting upstream to FEED- as oil companies increasingly seek direct engagement with shipyards to reduce intermediary costs. Backed by c.1,200 engineering staff, CIMC is building front-end design capabilities to expand

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliati



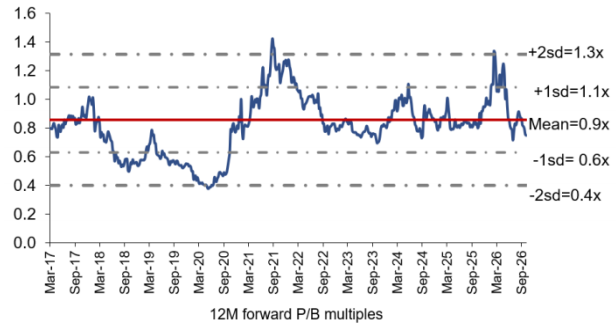
EPCIC participation and capture higher margins. CIMC's first EPCIC order win establishes a track record for FPSO FEED ability.

Positive on-site chat: We took the opportunity to talk to two foreign stakeholders (client and partner) around the facility, and they spoke highly of CIMC Raffles (Offshore Engineering entity) particularly about its capacity.

AIDC: Rapidly scaling second growth engine. Following the 2024 K2 project, CIMC transitioned from modular shells to integrated systems (power, cooling, generation), surpassing RMB1bn in revenue. Orders reached c.300MW in 2025 and >200MW in 1H26. With modular DC penetration forecast to rise from 12% in 2025 to 31% by 2028, CIMC leverages modular manufacturing and global logistics. Key watchpoints include revenue/MW, contract scope, margins, and cash conversion.

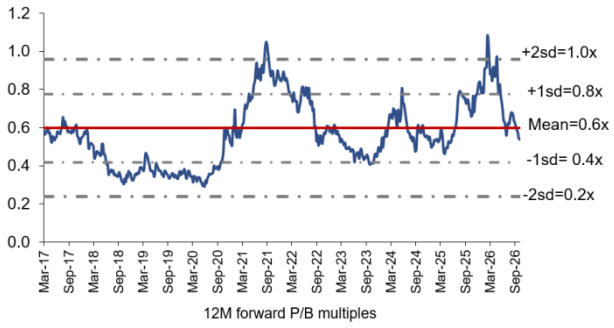
Prioritising profitability and ROE over scale - 2030 Strategy. The 2030 strategy emphasises high-value offshore engineering, selective shipbuilding, and AIDC. Structural margin expansion is expected via broader EPCIC scope and better product mix, with final ROE gains dependent on project execution, yard utilisation, and capital discipline.

Figure 1. CIMC-A Forward P/B Band



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Source: Citi Research

Figure 2. CIMC-H Forward P/B Band



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China International Marine Containers

(2039.HK; HK$6.46; 1; 22 Oct 26; 16:10)

Valuation

Our SOTP-based H-share TP of HK$12.3 consists of 1) 20% of from Container based on 0.8x 2026E P/B; 2) 22% from IDC-related modular building system based on 18x 2028E P/E; 3) 33% from Offshore Engineering based on 13x 2027E P/E; 4) 18% from Vehicle and CIMC Enric 6-month average mkt cap with 30% conglomerate discount; 5) and others (7%) and 20% A-H discount and 0.9 HK$/Rmb. The target multiples are benchmarked off various peer companies and peer groups, as explained in detail in our initiation report.

Risks

Our quantitative risk rating screen, which looks at historical share price volatility, suggests a High Risk flag for the H-shares. However, we think a High Risk flag is not appropriate given the long trading history of both A-shares and H-shares, the company's own long operating history and record of stable operations, and visibility of future revenue and earnings flows. The following risk factors could impede the H-shares from reaching our target price: execution risk on complex projects; potential normalization of Red Sea route shipping corridor, which could lead to weaker demand for new containers; USD/RMB FX risks, as >50% of the company's revenue is FX exposed; any surge in steel prices; robust competition in some of its business segments; exposure to macroeconomic and commodities cycles; and uncertainties as to the future scope of AI-related data center demand.

China International Marine Containers

(000039.SZ; Rmb8.07; 1; 22 Oct 26; 15:00)

Valuation

Our SOTP-based A-share TP of Rmb14.0 consists of 1) 20% of from Container based on 0.8x 2026E P/B; 2) 22% from IDC-related modular building system based on 18x 2028E P/E; 3) 33% from Offshore Engineering based on 13x 2027E P/E; 4) 18% from Vehicle and CIMC Enric 6-month average mkt cap with 30% conglomerate discount; 5) and others (7%). The target multiples are benchmarked off various peer companies and peer groups, as explained in detail in our initiation report.

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