

Singapore Flash Note

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DBS Group Research . Equity

17 Mar 2020

Yangzijiang Shipbuilding (YZJSGD SP) : BUY

Mkt. Cap: US\$2,206m | 3m Avg. Daily Val: US\$23.4m

Last Traded Price (16 Mar 2020): S\$0.80

Price Target 12-mth: S\$1.50 (87% upside)

Analyst

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Tiger contracts in the bag

- Secured orders to build two units of 14k TEU containerships worth US\$230m
- Comes with options to build eight similar units worth up to US\$920m to be exercised in 2020
- Lift YTD wins to US\$334m, or 17% of full year target
- Reiterate S\$1.50 BUY; TP S\$1.50

Forecasts and Valuation

FY Dec (RMBm)	2018A	2019A	2020F	2021F
Revenue	23,238	23,597	20,133	22,405
EBITDA	4,391	4,602	3,864	4,137
Pre-tax Profit	3,910	4,186	3,515	4,160
Net Profit	3,070	3,105	2,640	3,206
Net Pft (Pre Ex.)	3,070	3,105	2,640	2,958
Net Pft Gth (Pre-ex) (%)	16.2	1.1	(15.0)	12.0
EPS (S cts)	15.8	15.9	13.7	16.6
EPS Pre Ex. (S cts)	15.8	15.9	13.7	15.3
EPS Gth Pre Ex (%)	14	1	(14)	12
Diluted EPS (S cts)	15.8	15.9	13.7	16.6
Net DPS (S cts)	5.03	4.53	4.02	4.53
BV Per Share (S cts)	150	161	170	183
PE (X)	5.1	5.0	5.8	4.8
PE Pre Ex. (X)	5.1	5.0	5.8	5.2
P/Cash Flow (X)	11.9	3.4	5.3	5.2
EV/EBITDA (X)	0.3	0.0	nm	nm
Net Div Yield (%)	6.3	5.7	5.0	5.7
P/Book Value (X)	0.5	0.5	0.5	0.4
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	11.2	10.3	8.3	9.4

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

As highlighted in our previous report dated 6-March ([Yangzijiang Shipbuilding: Don't miss the boat!](#)) Yangzijiang Shipbuilding (YZJSGD) announced that it has secured firm contracts to **build two units of 14k TEU dual-fuel containerships worth US\$115m each** from Tiger Group. It also comes with **options to build up to eight** similar units (two units more than reported number on newswire earlier), exercisable within 2020.

Scheduled for delivery by mid-2022, the two firm orders worth US\$230m lifts **YTD wins to US\$334m**, forming **17% of our full year order wins** assumption of US\$2bn.

We could expect up to US\$920m incremental orders from the exercise of **options for eight similar units**. Assuming all options are exercised this year, it would contribute to nearly half of YZJSGD's full year order wins target. However, we might not see that coming through soon given the current macro uncertainties.

Recommendation

While YZJSGD's share price has dropped 6% since our last report advocating investors to bottom-fish, it has outperformed the Straits Times Index (STI) by ~12%. Valuation remains compelling at 2SD (standard deviation) below 5-year average price/book value (P/Bv) of 0.5x against decent 8% return on equity (ROE) and 5% dividend yield.

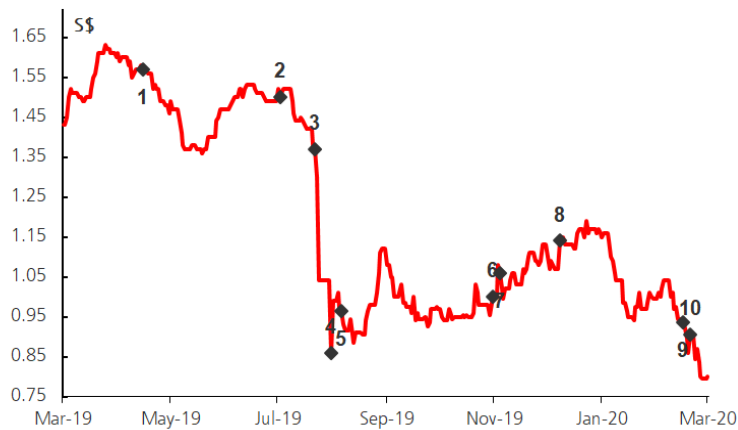


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Reiterate BUY and target price (TP) S\$1.50 (sum-of-the-parts (SOTP)-based, translating to 0.9x P/Bv). Potential catalysts include the exercise of Tiger's containership options,

stronger contract flows and progress in the liquefied natural gas (LNG) carrier space through its joint venture (JV) partner Mitsui.

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Pei Hwa HO

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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