Container Shipping & Shipbuilding Insights

Shippers may find opportunities in rising supply chain woes amid USTR 301 plan as Chinese shipyards take hit

China, Hong Kong
Infrastructure, Industrials & Transport

Karen Li, CFA AC
(852) 2800-8589
karen.yy.li@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Jenny Qiu, CFA
(852) 2800 8503
jenny.qiu@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Research Assistant: Yu Gu
(86-21) 6106 6086
yu.x.gu@jpmorgan.com
J.P. Morgan Securities (China) Company Limited

Sunny Su
(852) 2800 8551
sunny.su@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

The container shipping industry is currently navigating a highly complex environment, particularly regarding potential trade policy changes as global trade realigns itself. For shippers, our latest assessment of the demand and supply drivers supports our optimistic view on Asia container shippers, aligned with views in our latest reports ('Assessing geopolitical impacts, capex cycle and supply chain' and 'Waters are choppy but the horizon is clear'), as liners are poised to benefit near-term from supply chain disruptions amid rising port congestion across key global ports. Worth noting Maersk, in particular, expects global containerized volume growth at 4% for 2025, higher than the prevailing expectations of 2.5-3% driven by the rising fragmentation of supply chains and the theme of near-shoring which generate more volumes despite the trade war. Additionally, spot rates have started to rebound last week, while contract rate negotiations so far suggest a greater than 10% rise Y/Y for key routes. For the USTR 301 proposal, despite no conclusion yet following the two rounds of public hearings last week, containership contracting and delivery have started to slow YTD as shippers reassess geopolitical risks, supportive of our cautious view on Chinese shipyards.

Stock views: Global shipping companies, including Maersk and Hapag-Lloyd, have reported strong 4Q24 results, while providing a favorable near-term outlook, consistent with the positive performance reported by Asian shippers such as T.S. Lines, Evergreen, COSCO Shipping and OOIL. As we move forward, a strategic focus on contract rates, fleet optimization, and route adjustments will be crucial for navigating the evolving landscape. This underpins our pecking order: T.S. Lines = Evergreen > OOIL > COSCO Shipping > YZJ Shipbuilding.

- **Supply chain dynamics:** Port congestion is rising across key Asian and European ports, driven by increased demand for shipping services, supply chain adjustments amid geopolitical uncertainties. Intra-region activity is particularly strong YTD, reflecting the accelerating supply chain adjustments. The USTR 301 proposal, if implemented, adds another layer of complexity, potentially disrupting trade routes and increasing costs for shippers heading for U.S. ports.

- **Update on rates:** Spot freight rates have begun to recover, with the Shanghai Containerized Freight Index (SCFI) rising 5% W/W as of March 28, ending the prior 10-week decline which reflects the post-CNY off-peak season, helpful for shippers as discussions on Transpacific route contract rates are starting. Evergreen and T.S. Lines in our space have the highest spot exposure.

- **Container shipbuilding activity is slowing,** including contracting and delivery, as a direct response to geopolitical uncertainties and potential trade policy changes. Shippers are exercising caution in expanding their fleets, focusing instead on optimizing existing assets and enhancing operational efficiencies.

See page 23 for analyst certification and important disclosures, including non-US analyst disclosures.

Karen Li, CFA
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Equity Ratings and Price Targets

Company	Ticker	Mkt Cap ($ mn)	Price CCY	Price	Rating Cur	Rating Prev	Price Target Cur	End Date	Prev	End Date
COSCO SHIPPING Holdings Co Ltd - A	601919 CH	20,467	CNY	14.55	OW	n/c	17.00	Dec-26	16.00	Jun-26
COSCO SHIPPING Holdings Co Ltd - H	1919 HK	16,076	HKD	12.24	N	n/c	13.00	Dec-26	12.00	Jun-26
Orient Overseas International Limited (OOIL)	316 HK	9,276	HKD	115.30	OW	n/c	152.00	Dec-26	155.00	Jun-26

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 31 Mar 25.

What is the latest update on USTR 301 Proposal?

The USTR 301 proposal, which was the subject of two public hearings last week on March 24 and 26, suggests imposing fees of up to USD 1.5 million per port entrance for Chinese-built vessels. This proposed fee structure could distort competition among major liner operators serving U.S. ports. According to an analysis by Alphaliner, out of 1,002 port calls by container ships of more than 1,000 TEU at the twenty biggest U.S. ports in February, 19% were made by Chinese-built ships. The majority of these ships serving the U.S. were built in South Korea (54.5%), followed by China (20.9%) and Japan (12.3%).

The impact of these fees would vary among carriers

Worth highlighting Evergreen Marine, our top pick within the sector, made 53 calls at U.S. ports in February, none of which involved Chinese-built vessels, while ZIM and CMA CGM would be more affected due to their higher reliance on Chinese-built ships. The fees could also affect the charter market, particularly for small Chinese-built vessels, which may face reduced fixture options.

Overall, companies with lower exposure to Chinese-built vessels, such as Evergreen and Hapag Lloyd, may be better positioned to gain market share in the event of geopolitical disruptions. Evergreen, with only 15% of its combined capacity (existing fleet + orderbook) being Chinese-built, appears well-positioned to capitalize on its strategic fleet composition. Similarly, Hapag Lloyd's low exposure to Chinese-built vessels could provide a competitive advantage in navigating potential trade barriers.

USTR 301 plan is part of the China-US trade talks

The latest update involves a conversation between U.S. Trade Representative Jamieson Greer and Vice Premier He Lifeng of the People's Republic of China. No specific details of the conversation were shared, except for a general comment on how President Trump is strengthening U.S. trade policy to boost domestic investment, protect economic security, and address China's unfair trade practices. Both parties agreed on the importance of maintaining communication going forward.

During the hearings held last week, American shipper groups expressed opposition to the proposed fees, citing concerns about increased transport costs and diminished competitiveness of U.S. products. The National Council of Farmer Cooperatives and other industry groups warned that the fees could harm American agriculture and the U.S. shipping industry in the Caribbean. The World Shipping Council argued that the fees would exacerbate supply chain inefficiencies and negatively impact U.S. businesses. Though there is no conclusion yet on whether this proposal will go ahead, the uncertainties present a significant overhang, particularly for Chinese shipbuilding companies.

Shipbuilding Trends and Market Dynamics

Overall shipbuilding new prices remain elevated, reflecting ongoing demand and limited capacity. However, container ship contracting and delivery sharply slowed down in the first two months of 2025 as shippers reassessed geopolitical risks. According to the Shipping Intelligence Network, the Containership Newbuilding Prices Index showed a slight decline of 0.27% M/M in February 2025, but remains 5.26% higher Y/Y. This indicates that while prices are high, the pace of new orders has decelerated.

In terms of dollar amounts, containership contracting in the first two months of 2025 amounted to approximately USD 2.67 billion, with a significant slowdown in March. The trend suggests that shippers are exercising caution in expanding their fleets amid geopolitical uncertainties and potential trade policy changes. The reassessment of risks is likely to impact Chinese shipbuilders more significantly, as they have been a dominant force in the global shipbuilding market. The slowdown in contracting is evident in the reduced number of containership deliveries, with only 11 ships delivered in February 2025, compared to 38 in January 2025.

Supply Chain Disruptions and Port Congestion

The global supply chain has become increasingly complex

The Red Sea crisis continues to pose significant challenges to global shipping routes, with vessels diverting around Africa, increasing transit times and operational costs. Shipping companies are exploring alternative routes and re-flagging vessels to mitigate risks. The potential U.S. tariffs on Chinese ships could further disrupt trade routes and increase costs. The Red Sea conflict has exacerbated port congestion, as shippers prioritize larger vessels to save costs, leading to inefficiencies in processing. Efforts to modernize port infrastructure, such as the expansion of the South Container Terminal in Jeddah, aim to address some of these challenges by increasing pier length and equipping terminals with ultra-large ship-to-shore cranes. However, the ongoing conflict continues to impact port traffic, with several services between the Arabian Gulf, India, and the West being suspended or rerouted via the Cape of Good Hope.

Port congestion is on the rise across key global ports, with significant increases observed in South Asian, Mediterranean/Black Sea, Chinese, and East Asian ports.

These regions are approaching prior peak congestion levels or attaining new highs, reflecting the ongoing challenges in global shipping logistics. The congestion is driven by a combination of factors, including increased demand for shipping services, geopolitical uncertainties, and infrastructure limitations. As ports struggle to accommodate the growing volume of container ships, the need for strategic investments in port infrastructure becomes increasingly critical. Infrastructure developments at ports like Colombo and Itapoa to handle larger vessels are critical in addressing rising congestion levels and supporting the growing demands of global trade.

The congestion not only affects shipping schedules but also increases operational costs for shipping companies, as vessels spend more time waiting to dock and unload. This situation underscores the importance of enhancing port efficiency and capacity to support the growing demands of global trade, but the worse the port congestions, the slower turnaround of shipping resources, hence tighter supply to support rates and profitability.

Freight Rates and Market Dynamics

Spot freight rates have started to recover, with the Shanghai Containerized Freight Index (SCFI) showing signs of improvement.
As of March 28, 2025, the SCFI increased by 5.0% W/W to 1,356.88, effectively ending a 10-week decline. This recovery is a promising development, suggesting a potential stabilization in spot rates and providing some relief to shippers facing cost pressures. In contrast, the China Containerized Freight Index (CCFI) experienced a 3.1% decline W/W, settling at 1,111.71, and is down 10.7% Y/Y, as CCFI reflects the blended rates including contract rates which are not yet fully adjusted.

Shipping companies are increasingly relying on contract rates to ensure revenue stability and mitigate financial risks.
Contract rates, often secured through long-term agreements, provide a predictable income stream that helps companies navigate the uncertainties of the spot market. Hapag-Lloyd, for example, has strategically focused on securing long-term contracts to buffer against the unpredictable nature of spot rates. Despite a 19% drop in net profit for 2024, Hapag-Lloyd's emphasis on long-term contracts ensures a stable revenue stream, which is crucial for maintaining financial stability and operational continuity. Similarly, COSCO Group's strong contract rate growth on European routes has contributed to its impressive 120% increase in net profit for 2024. This underscores the strategic importance of contract rates in counterbalancing spot rate declines.

Charter rates have been on the rise, reflecting the tight supply despite the off-peak season
The containership time charter rate index has shown a notable increase, reflecting the rising demand for shipping capacity. As of March 2025, the index stands at 189.96, marking a 98% Y/Y increase. This upward trend in charter rates highlights the strong demand for containerships, driven by robust global trade activity and the need for efficient transportation solutions.

The higher charter rates also reflect the limited availability of vessels, as shipping companies prioritize long-term contracts and strategic partnerships to secure capacity in a competitive market, while we note the shippers we cover focus on owned vessels, providing competitive advantages over rivals who have higher charter vessels in the fleet mix.

Read-throughs from Global Shipping Companies' Earnings and Latest Outlook

Maersk has reported a beat on 4Q24 profit and 2025 volume growth outlook came in ahead of expectations
Maersk’s stronger-than-expected 4Q24 EBITDA of $3.6B, higher than market expectations, was driven by robust performance in its Ocean and Terminals segments. Worth noting the company expects global volume growth of 4% in 2025, exceeding expectations (2.5~3% rise projected across key Asian companies and industry consultants), driven by the fragmentation of supply chains and nearshoring trends. Maersk's strong capital position, with net cash of $7B, supports its share

buyback program and dividend payouts, reflecting resilience amid market challenges. The company is focused on delivering its new "Gemini" network to improve reliability and efficiency, while navigating potential regulatory changes and cost pressures. Despite uncertainties, Maersk remains confident in its ability to weather the volatility and sustain its investment grade rating.

Hapag-Lloyd's 2024 results showed incremental improvements, with a 33% increase in 4Q24 revenue supported by strong volume growth and elevated freight rates

The company reversed previous losses, achieving significant EBITDA growth. Looking ahead to 2025, Hapag-Lloyd acknowledges the fragile economic and geopolitical environment but plans to expand its terminal and infrastructure segment to strengthen supply chains. The company expects volumes to increase, driven by expanded vessel capacity and the new "Gemini" network, while managing costs to enhance efficiency and sustainability. For 2025, management anticipates a moderate decrease in spot rates, with long-term contracts providing stability.

The strong 4Q24 profit print reported by Maersk and Hapag Lloyd is shared by Asian liners we cover as well

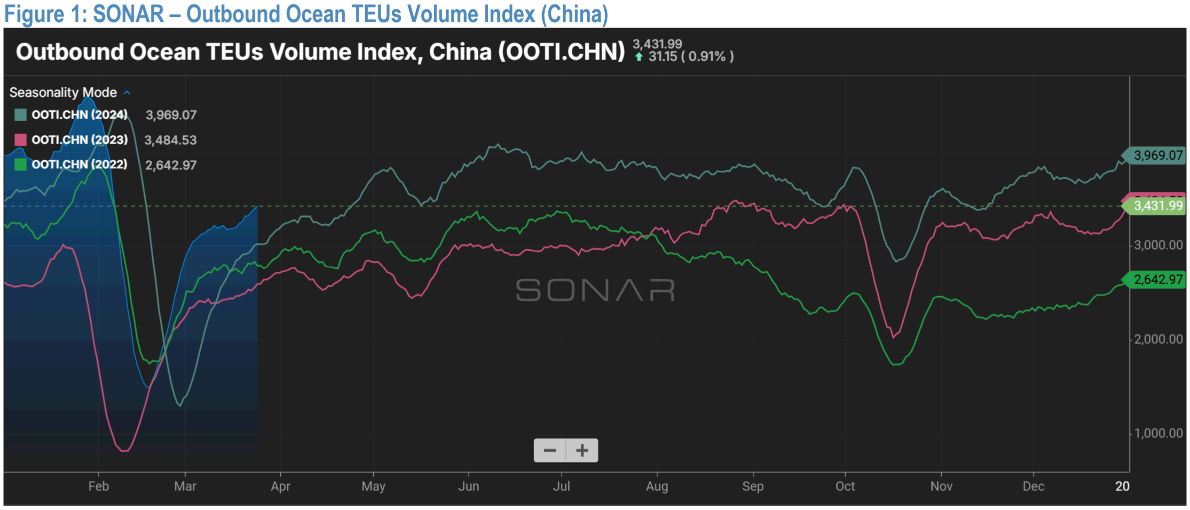
- T.S. Lines reported an impressive FY24 profit, significantly outperforming forecasts due to robust intra-region growth and strategic market positioning. The company's inclusion in the Hang Seng Composite SmallCap Index has further enhanced its visibility and investor base.

- Evergreen Marine's results also reflect a positive trajectory, with the company maintaining an Overweight rating amid rising geopolitical uncertainties. The company is well-positioned to gain market share on the Transpacific route, thanks to its low exposure to Chinese-built ships, which provides a competitive edge in light of potential USTR 301 impacts.

- Orient Overseas International Limited (OOIL) achieved remarkable results for FY24, with a significant year-over-year increase in net profit and revenue. The company capitalized on strong demand and elevated freight rates, particularly on Transpacific routes. OOIL's strategic focus on contract rate renewals and operational efficiency positions it well for 2025, with contract rates expected to increase, offsetting spot rate fluctuations.

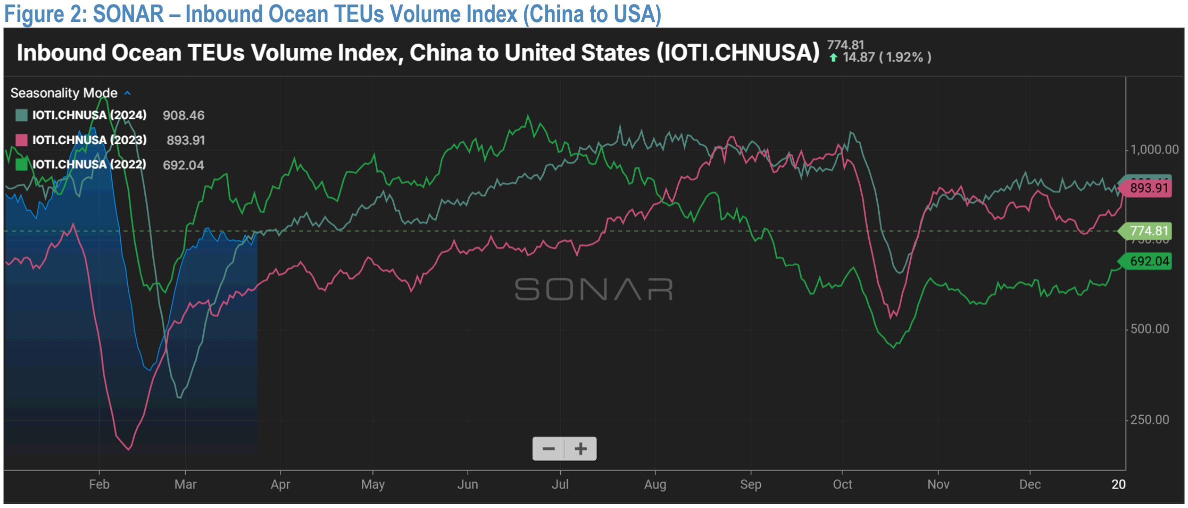
- COSCO Shipping's management call highlighted the latest container trade dynamics, with the company experiencing a successful year bolstered by strong cargo volumes and high freight rates. COSCO is strategically investing in fleet expansion and modernization to support its green transition and supply chain strategy, positioning itself to tackle global challenges and capture growth opportunities in emerging markets.

Figure 1: SONAR – Outbound Ocean TEUs Volume Index (China)



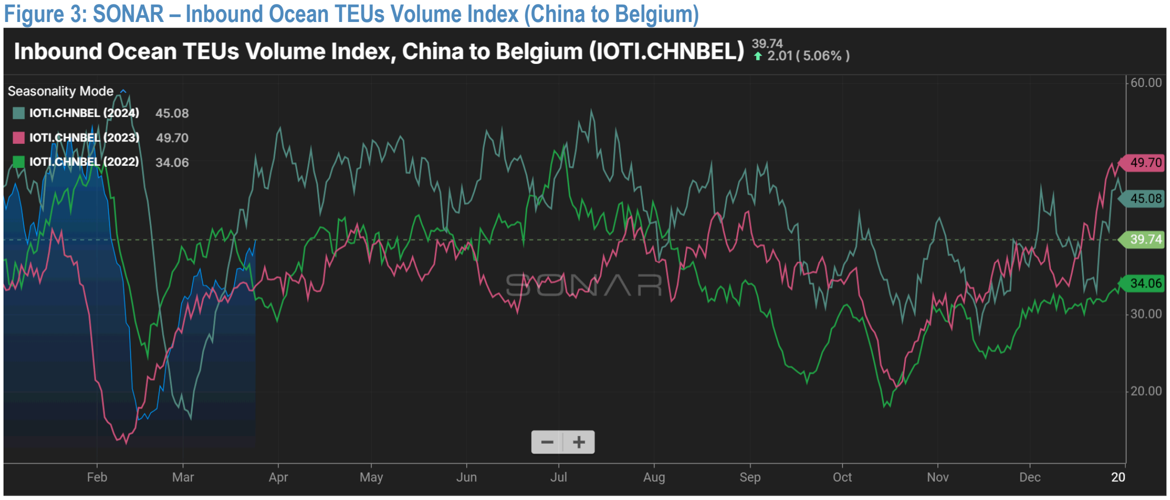
Source: Freightwaves, SONAR, data as of 26 March 2025.

Figure 2: SONAR – Inbound Ocean TEUs Volume Index (China to USA)



Source: Freightwaves, SONAR, data as of 26 March 2025.

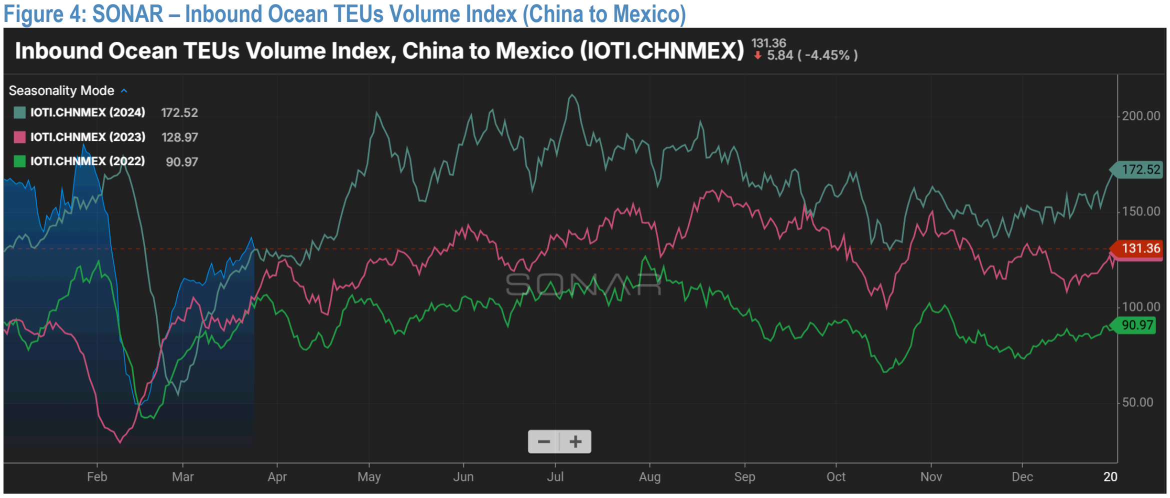
Figure 3: SONAR – Inbound Ocean TEUs Volume Index (China to Belgium)



Source: Freightwaves, SONAR, data as of 26 March 2025.

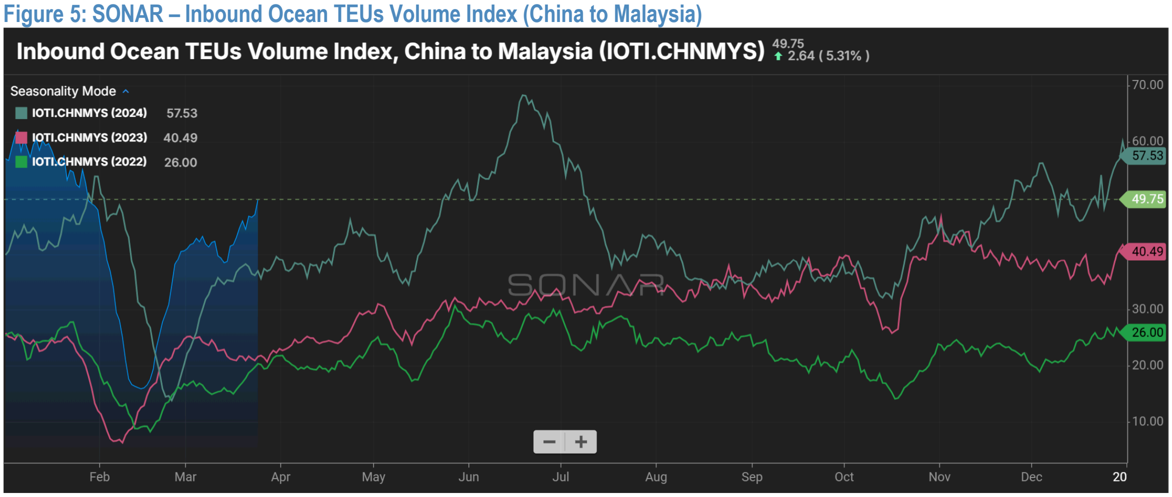
Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

Figure 4: SONAR – Inbound Ocean TEUs Volume Index (China to Mexico)



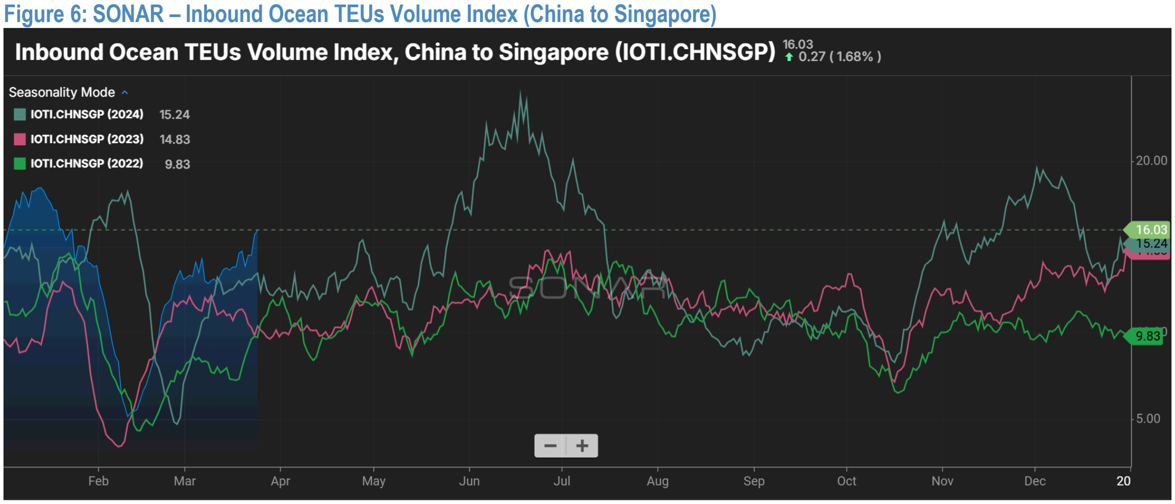
Source: Freightwaves, SONAR, data as of 26 March 2025.

Figure 5: SONAR – Inbound Ocean TEUs Volume Index (China to Malaysia)



Source: Freightwaves, SONAR, data as of 26 March 2025.

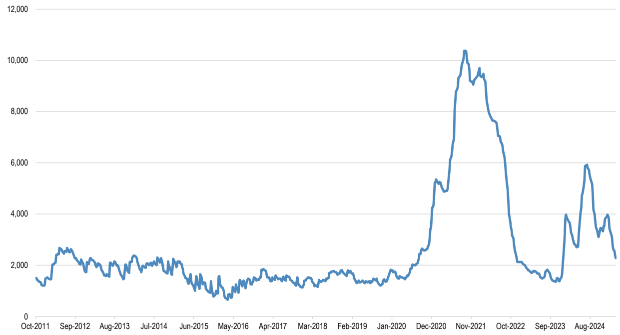
Figure 6: SONAR – Inbound Ocean TEUs Volume Index (China to Singapore)



Source: Freightwaves, SONAR, data as of 26 March 2025.

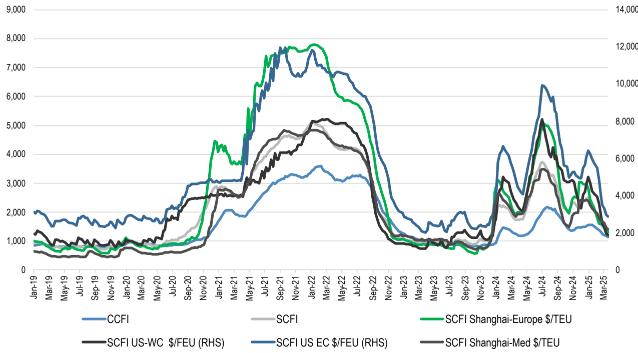
Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

Figure 7: Drewry's World Container Index (WCI)



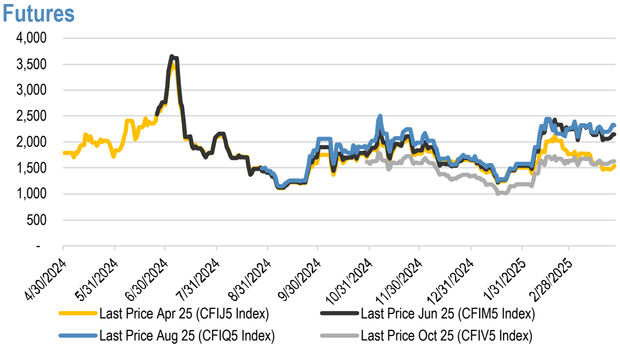
Source: Drewry world. Data as of 20 March 2025.

Figure 8: SCFI – Containerships spot freight rates, 2019 to present



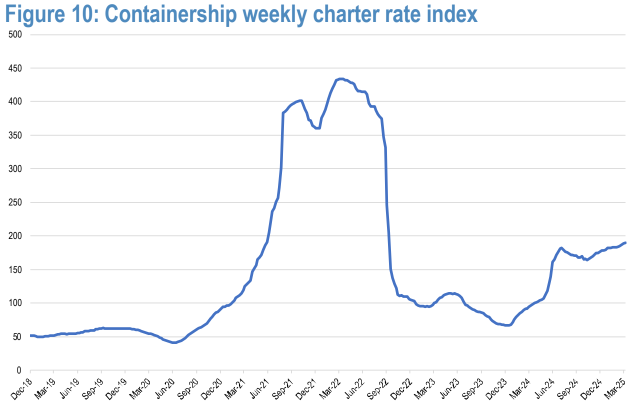
Source: Shanghai Shipping Exchange, Clarksons. Data as of 21 March 2025.

Figure 9: SCFIS – Containerized freight index (Europe Service) Futures



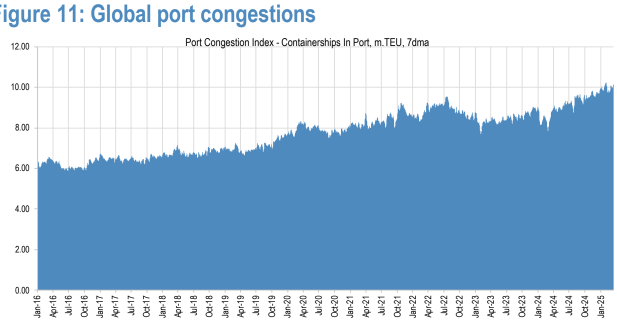
Source: Shanghai International Energy Exchange (INE), Bloomberg Finance L.P. Data s of 27 March 2025.

Figure 10: Containership weekly charter rate index



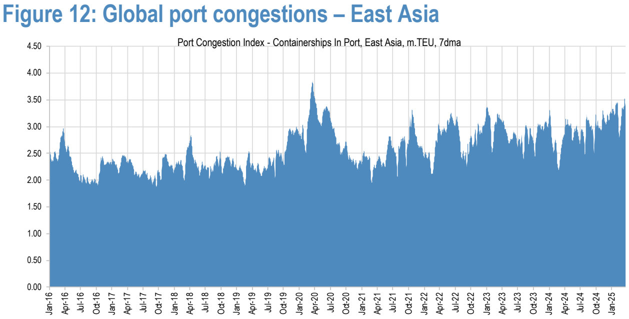
Source: Clarksons, data as of 21 March 2025.

Figure 11: Global port congestions



Source: Shipping Intelligence Network Timeseries, data as of 27 March 2025.

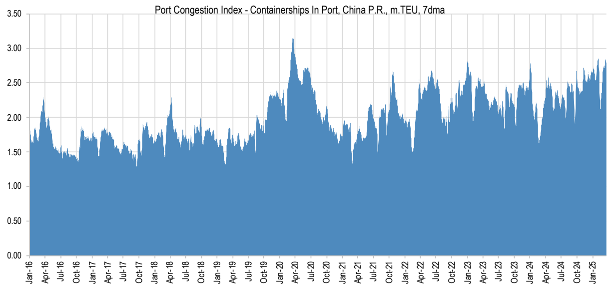
Figure 12: Global port congestions – East Asia



Source: Shipping Intelligence Network Timeseries, data as of 27 March 2025.

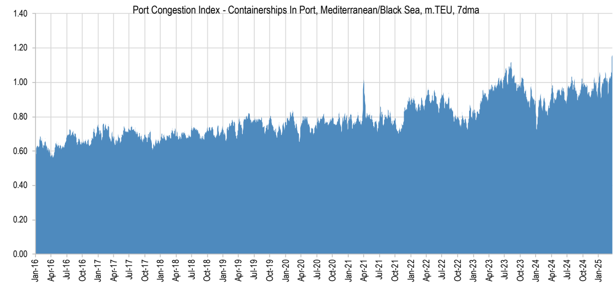
Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

Figure 13: Global port congestions - China



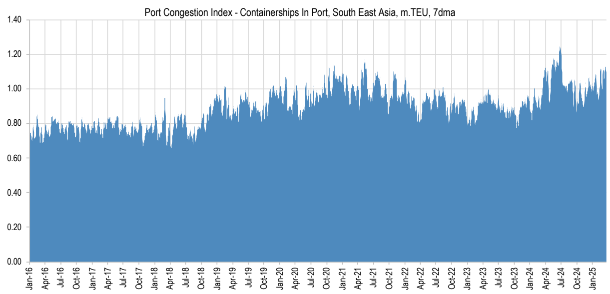
Source: Shipping Intelligence Network Timeseries, data as of 27 March 2025.

Figure 14: Global port congestions – Mediterranean/Black Sea



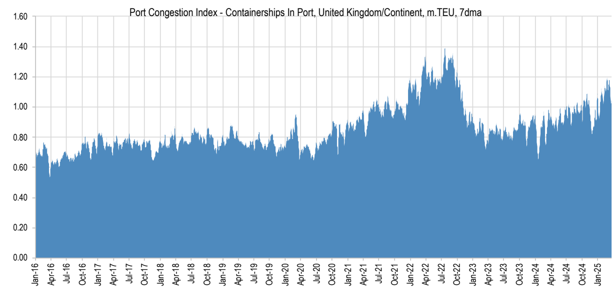
Source: Shipping Intelligence Network Timeseries, data as of 27 March 2025.

Figure 15: Global port congestions – South East Asia



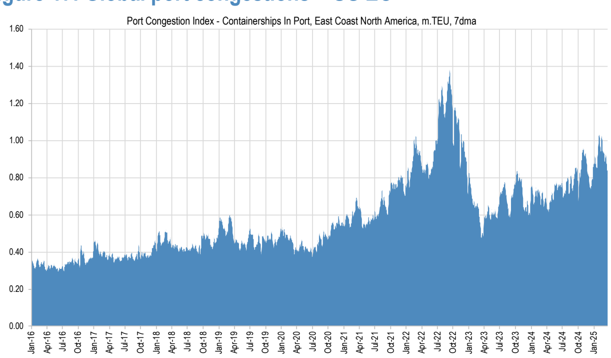
Source: Shipping Intelligence Network Timeseries, data as of 27 March 2025.

Figure 16: Global port congestions – U.K. & Continent



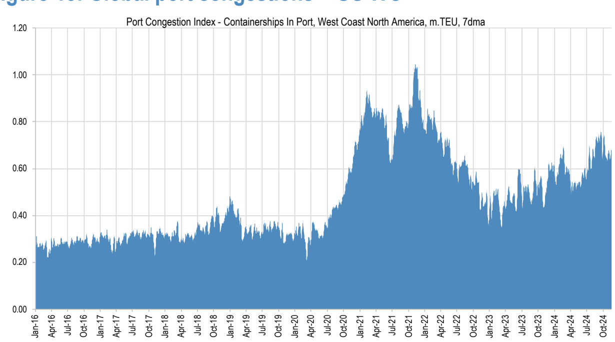
Source: Shipping Intelligence Network Timeseries, data as of 27 March 2025.

Figure 17: Global port congestions – US EC



Source: Shipping Intelligence Network Timeseries, data as of 27 March 2025.

Figure 18: Global port congestions – US WC



Source: Shipping Intelligence Network Timeseries, data as of 27 March 2025.

Table 1: Global Container Shipping Comps

	BBG	JPM rating	Last Price	JPM PT	Upside/	Mkt Cap	Daily turnover	P/E (x)		EV/EBITDA		Dividend yield		ROE (%)		P/B (x)	
	Ticker		LC	LC	Downside	US$Mn	US$Mn	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Container Shipping																	
COSCO Shipping - H	1919 HK	N	12.24	13.00	-2%	30,641	37	5.0	5.1	0.0	-0.6	10.1	7.8	16.1	14.4	0.8	0.7
COSCO Shipping - A	601919 CH	OW	14.55	17.00	10%	30,641	161	6.4	6.5	0.0	-0.6	7.9	6.1	16.1	14.4	1.0	0.9
OOIL	316 HK	OW	115.30	152.00	34%	9,788	18	5.8	5.5	0.7	0.3	6.9	7.3	12.8	12.6	0.7	0.7
Evergreen Marine	2603 TT	OW	220.50	348.00	58%	14,380	114	6.0	6.4	2.4	4.3	6.6	6.2	13.1	12.1	0.8	0.8
Yang Ming Marine	2609 TT	NC	74.40	NA	NA	7,826	63	8.5	10.3	0.8	0.9	6.1	4.2	9.5	7.4	0.7	NA
Wan Hai	2615 TT	NC	78.20	NA	NA	6,610	30	7.4	7.6	2.5	2.9	4.8	NA	9.4	NA	0.8	NA
SITC International	1308 HK	NC	21.15	NA	NA	7,306	18	8.2	10.2	6.6	8.0	9.4	7.5	36.1	27.2	3.0	2.9
TS Lines	2510 HK	OW	6.80	7.60	12%	1,455	3	5.6	4.8	0.8	0.1	4.6	4.6	10.1	11.0	0.7	0.7
AP Moller-Maersk	MAERSKB DC	UW	12,105	7,850	-35%	27,469	47	45.7	-6.4	3.3	12.2	2.5	2.1	1.1	-7.9	0.5	0.5
Hapag Lloyd	HLAG GR	UW	141.00	75.00	-47%	26,799	3	40.0	-20.4	9.5	17.2	0.1	0.0	0.2	-6.8	1.3	1.4
HMM	011200 KS	NC	19,560	NA	NA	11,702	40	9.0	17.6	2.0	2.9	3.3	3.4	8.4	4.6	0.7	0.7
Kawasaki Kisen	9107 JP	OW	2,024	2,450	21%	8,670	95	6.6	8.0	8.5	9.6	4.9	4.9	10.1	8.0	0.7	0.6
Mitsui OSK	9104 JP	OW	5,188	6,200	20%	12,616	188	6.9	7.8	12.3	12.3	5.2	6.0	10.3	8.6	0.7	0.7
NYK-Line	9101 JP	N	4,921	5,600	14%	15,207	165	7.5	8.8	8.9	9.1	6.5	5.7	9.6	10.2	0.7	0.7
Zim	ZIM US	UW	15.48	9.50	-39%	1,865	115	6.3	-2.2	3.2	8.2	0.0	0.0	0.4	-27.7	0.5	0.7
Average							**73**	**11.6**	**4.6**	**4.1**	**5.8**	**5.3**	**4.7**	**10.9**	**6.3**	**0.9**	**0.9**

Source: Bloomberg Finance L.P. data as of 31 March 2025, J.P. Morgan estimates. Estimates for non-covered (NC) companies are based on Bloomberg consensus (subject to “NA”), and industry average takes into consideration regional liners such as RCL (not listed in table). Note AP Moller-Maersk and Hapag-Lloyd ratings resumed in Sep’24. Also note that Japanese liners (Kawasaki Kisen, Mitsui OSK and NYK-Line) have financial years ending March and thus each year’s data refers to financial year end March of the next calendar year.

COSCO SHIPPING Holdings Co Ltd - A

Overweight

601919.SS,601919 CH

Price (31 Mar 25): Rmb14.55

▲ **Price Target (Dec-26): Rmb17.00**
Prior (Jun-26): Rmb16.00

China

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J.P. Morgan Securities (Asia Pacific) Limited/
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Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 25E (Rmb)	2.29	1.61
Adj. EPS - 26E (Rmb)	2.23	1.46

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	29	28	23	6	32
Growth	91	55	68	4	13
Momentum	29	2	18	3	74
Quality	62	71	9	41	90
Low Vol	28	36	33	92	49
ESGQ	85	27	89	16	96

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

Lifting PT

Global shipping companies, including Maersk and Hapag-Lloyd, have reported strong 4Q24 results, while providing a favorable near-term outlook, consistent with the positive performance reported by Asian shippers such COSCO Shipping. As we move forward, a strategic focus on contract rates, fleet optimization, and route adjustments will be crucial for navigating the evolving landscape.

COSCO Shipping's management call highlighted the latest container trade dynamics, with the company experiencing a successful year bolstered by strong cargo volumes and high freight rates. COSCO is strategically investing in fleet expansion and modernization to support its green transition and supply chain strategy, positioning itself to tackle global challenges and capture growth opportunities in emerging markets.

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Price Performance

	YTD	1m	3m	12m
Abs	-6.1%	6.8%	-6.1%	40.6%
Rel	-5.6%	6.4%	-5.6%	32.2%

Company Data

Shares O/S (mn)	10,216
52-week range (Rmb)	17.58-10.33
Market cap ($ mn)	20,467
Exchange rate	7.26
Free float (%)	37.0%
3M ADV (mn)	83.10
3M ADV ($ mn)	164.9
Volatility (90 Day)	22
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	11|3|3

Key Metrics (FYE Dec)

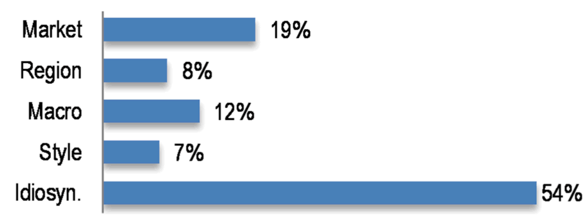
Rmb in millions	FY24A	FY25E	FY26E
Financial Estimates			
Revenue	233,859	233,970	245,498
Adj. EBITDA	79,572	50,027	49,395
Adj. EBIT	59,023	34,107	33,986
Adj. net income	49,172	25,677	23,341
Adj. EPS	3.08	1.61	1.46
BBG EPS	3.06	1.53	1.29
Cashflow from operations	69,313	62,598	49,566
FCFF	57,265	101,170	40,652
Margins and Growth			
Revenue Growth Y/Y (%)	33.3%	0.0%	4.9%
EBITDA margin	34.0%	21.4%	20.1%
EBITDA Growth Y/Y (%)	80.3%	(37.1%)	(1.3%)
EBIT margin	25.2%	14.6%	13.8%
Net margin	21.0%	11.0%	9.5%
Adj. EPS growth	108.2%	(47.8%)	(9.1%)
Ratios			
Adj. tax rate	17.1%	17.1%	25.0%
Interest cover	NM	NM	NM
Net debt/Equity	NM	NM	NM
Net debt/EBITDA	NM	NM	NM
ROCE	19.2%	9.9%	8.3%
ROE	22.8%	10.3%	8.6%
Valuation			
FCFF yield	24.7%	43.6%	17.5%
Dividend yield	10.7%	4.4%	4.0%
EV/Revenue	0.5	0.3	0.2
EV/EBITDA	1.5	1.3	1.0
Adj. P/E	4.7	9.0	9.9

Summary Investment Thesis and Valuation

COSCO Shipping, Asia's largest container liner and China's leading shipper, has strong market share along the Transpacific and Asia-Europe routes. It has committed to shareholder returns, while investing in carbon-neutral vessels and pushing towards establishing a vertically integrated end-to-end offering. While we maintain a fundamentally positive view for rates and profitability due to the near-term demand-supply dynamics, geopolitical factors are dramatically reshaping global trade ecosystems, rewiring trade flows, and reshuffling market share among liners. We stay OW as the stock is more domestic fund driven and for its attractive yield in the A-share.

We are adjusting our Dec-26 PT to Rmb17 (vs. prior Rmb16) factoring in PT date extension and geopolitical factors that are dramatically reshaping global trade ecosystems. Our valuation is based on 0.7x target FY25E P/BV and A-H premium of 40%, which trends below its historical mean since 2020 to reflect concerns over US trade policies.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.67	0.43
Region: China	0.50	0.28
Macro:		
JP Morgan GBI-EM Global Div	-0.28	-0.24
Citi Economic Surprise - EM	-0.04	-0.23
Generic 1st 'CO' Future	-0.21	0.22
Quant Styles:		
Growth	-0.44	-0.36
Value	0.38	0.33
LowVol	-0.06	0.31

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

Investment Thesis, Valuation and Risks

COSCO SHIPPING Holdings Co Ltd - A *(Overweight; Price Target: Rmb17.00)*

Investment Thesis

COSCO Shipping, Asia's largest container liner and China's leading shipper, has strong market share along the Transpacific and Asia-Europe routes. It has committed to shareholder returns, while investing in carbon-neutral vessels and pushing towards establishing a vertically integrated end-to-end offering. While we maintain a fundamentally positive view for rates and profitability due to the near-term demand-supply dynamics, geopolitical factors are dramatically reshaping global trade ecosystems, rewiring trade flows, and reshuffling market share among liners. We stay OW as the stock is more domestic fund driven and for its attractive yield in the A-share.

Valuation

We are adjusting our Dec-26 PT to Rmb17 (vs. prior Rmb16) factoring in PT date extension and geopolitical factors that are dramatically reshaping global trade ecosystems. Our valuation is based on 0.7x target FY25E P/BV and A-H premium of 40%, which trends below its historical mean since 2020 to reflect concerns over US trade policies.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) the industry losing capacity discipline; 2) an irrational market share chase (vs a focus on profitability) that triggers price wars and declines in spot freight rates; and 3) lower-than-expected demand growth in 2024 due to global recession and a slowing economic backdrop.

Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

COSCO SHIPPING Holdings Co Ltd - A: Summary of Financials

Income Statement	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	**175,453**	**233,859**	**233,970**	**245,498**	**-**
COGS	(147,852)	(166,175)	(188,164)	(199,237)	-
Gross profit	**62,644**	**41,293**	**45,805**	**46,261**	**-**
SG&A	(8,244)	(10,537)	(11,698)	(12,275)	-
Adj. EBITDA	**44,132**	**79,572**	**50,027**	**49,395**	**-**
D&A	(19,481)	(20,549)	(15,920)	(15,409)	-
Adj. EBIT	**24,651**	**59,023**	**34,107**	**33,986**	**-**
Net Interest	3,739	3,120	5,127	5,352	-
Adj. PBT	**33,080**	**67,087**	**44,265**	**44,458**	**-**
Tax	(4,683)	(11,494)	(7,584)	(11,115)	-
Minority Interest	(4,537)	(6,420)	(11,004)	(10,003)	-
Adj. Net Income	**23,860**	**49,172**	**25,677**	**23,341**	**-**
Reported EPS	1.48	3.08	1.61	1.46	-
Adj. EPS	**1.48**	**3.08**	**1.61**	**1.46**	**-**
DPS	**0.74**	**1.55**	**0.64**	**0.59**	**-**
Payout ratio	49.7%	50.3%	40.0%	40.0%	-
Shares outstanding	16,115	15,950	15,950	15,950	-

Cash Flow Statement	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operating activities	**22,584**	**69,313**	**62,598**	**49,566**	**-**
o/w Depreciation & amortization	19,481	20,549	15,920	15,409	-
o/w Changes in working capital	(19,934)	(2,610)	15,028	5,933	-
Cash flow from investing activities	**(18,342)**	**(12,048)**	**38,572**	**6,016**	**-**
o/w Capital expenditure	(15,321)	(12,969)	(8,613)	(4,900)	-
as % of sales	*8.7%*	*5.5%*	*3.7%*	*2.0%*	-
Cash flow from financing activities	**(54,989)**	**16,890**	**74,955**	**30,301**	**-**
o/w Dividends paid	(39,287)	(24,431)	(10,271)	(9,336)	-
o/w Shares issued/(repurchased)	0	0	0	0	-
o/w Net debt issued/(repaid)	469	(8,601)	0	0	-
Net change in cash	**(50,747)**	**74,155**	**176,126**	**85,883**	**-**
Adj. Free cash flow to firm	**4,242**	**57,265**	**101,170**	**40,652**	**-**
y/y Growth	*(97.4%)*	*1250.1%*	*76.7%*	*(59.8%)*	-

Balance Sheet	FY23A	FY24A	FY25E	FY26E	FY27E
Cash and cash equivalents	181,165	184,189	264,338	294,639	-
Accounts receivable	13,439	14,497	14,504	15,219	-
Inventories	6,561	6,332	5,095	5,395	-
Other current assets	1,414	1,098	1,098	1,098	-
Current assets	**202,580**	**206,117**	**285,035**	**316,351**	**-**
PP&E	129,796	151,163	134,958	130,994	-
LT investments	-	-	-	-	-
Other non current assets	130,195	140,193	132,594	136,199	-
Total assets	**462,571**	**497,472**	**552,587**	**583,544**	**-**
Short term borrowings	10,536	3,730	3,730	3,730	-
Payables	106,049	104,269	118,067	125,014	-
Other short term liabilities	10,751	14,792	14,792	14,792	-
Current liabilities	**127,336**	**122,791**	**136,588**	**143,536**	**-**
Long-term debt	32,741	30,946	30,946	30,946	-
Other long term liabilities	59,142	58,677	58,677	58,677	-
Total liabilities	**219,220**	**212,413**	**226,211**	**233,158**	**-**
Shareholders' equity	196,115	234,668	264,981	278,988	-
Minority interests	47,236	50,391	61,395	71,398	-
Total liabilities & equity	**462,571**	**497,472**	**552,587**	**583,544**	**-**
BVPS	**12.17**	**14.71**	**16.61**	**17.49**	**-**
y/y Growth	*(2.6%)*	*20.9%*	*12.9%*	*5.3%*	-
Net debt/(cash)	(137,889)	(144,320)	(229,662)	(259,963)	-

Ratio Analysis	FY23A	FY24A	FY25E	FY26E	FY27E
Gross margin	35.7%	17.7%	19.6%	18.8%	-
EBITDA margin	25.2%	34.0%	21.4%	20.1%	-
EBIT margin	14.0%	25.2%	14.6%	13.8%	-
Net profit margin	13.6%	21.0%	11.0%	9.5%	-
ROE	12.0%	22.8%	10.3%	8.6%	-
ROA	4.9%	10.2%	4.9%	4.1%	-
ROCE	8.8%	19.2%	9.9%	8.3%	-
SG&A/Sales	4.7%	4.5%	5.0%	5.0%	-
Adj. Net debt to equity	NM	NM	NM	NM	-
Net debt/EBITDA	NM	NM	NM	NM	-
Sales/Assets (x)	0.4	0.5	0.4	0.4	-
Assets/Equity	245.6%	222.9%	210.2%	208.9%	209.2%
Interest cover (x)	NM	NM	NM	NM	-
Operating leverage	153.9%	418.9%	(89190.1%)	(7.2%)	-
Tax rate	14.2%	17.1%	17.1%	25.0%	-
Revenue y/y Growth	(55.1%)	33.3%	0.0%	4.9%	-
EBITDA y/y Growth	(75.9%)	80.3%	(37.1%)	(1.3%)	-
EPS y/y Growth	(78.3%)	108.2%	(47.8%)	(9.1%)	-

Valuation	FY23A	FY24A	FY25E	FY26E	FY27E
P/E (x)	9.8	4.7	9.0	9.9	-
P/BV (x)	1.2	1.0	0.9	0.8	-
EV/EBITDA (x)	2.0	1.5	1.3	1.0	-
Dividend Yield	5.1%	10.7%	4.4%	4.0%	-

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

COSCO SHIPPING Holdings Co Ltd - H

Neutral

1919.HK,1919 HK

Price (31 Mar 25): HK$12.24

▲ **Price Target (Dec-26): HK$13.00**
Prior (Jun-26): HK$12.00

China

Infrastructure, Industrials & Transport

Karen Li, CFA AC
(852) 2800-8589
karen.yy.li@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/
J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 25E (Rmb)	2.29	1.61
Adj. EPS - 26E (Rmb)	2.23	1.46

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	19	18	14	4	15
Growth	91	53	67	7	13
Momentum	33	1	41	2	8
Quality	64	72	8	46	92
Low Vol	50	68	67	97	51
ESGQ	85	27	89	16	96

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

Stay Neutral

Global shipping companies, including Maersk and Hapag-Lloyd, have reported strong 4Q24 results, while providing a favorable near-term outlook, consistent with the positive performance reported by Asian shippers such as COSCO Shipping. As we move forward, a strategic focus on contract rates, fleet optimization, and route adjustments will be crucial for navigating the evolving landscape.

COSCO Shipping's management call highlighted the latest container trade dynamics, with the company experiencing a successful year bolstered by strong cargo volumes and high freight rates. COSCO is strategically investing in fleet expansion and modernization to support its green transition and supply chain strategy, positioning itself to tackle global challenges and capture growth opportunities in emerging markets

Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

Price Performance

	YTD	1m	3m	12m
Abs	-4.4%	7.2%	-4.4%	48.7%
Rel	-21.2%	6.0%	-21.2%	5.8%

Company Data

Shares O/S (mn)	10,216
52-week range (HK$)	15.14-8.24
Market cap ($ mn)	16,076
Exchange rate	7.78
Free float (%)	88.3%
3M ADV (mn)	24.25
3M ADV ($ mn)	37.4
Volatility (90 Day)	30
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	5|6|2

Key Metrics (FYE Dec)

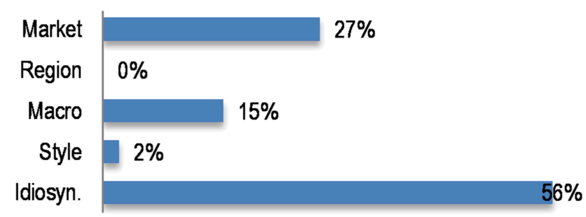
Rmb in millions	FY24A	FY25E	FY26E
Financial Estimates			
Revenue	233,859	233,970	245,498
Adj. EBITDA	79,572	50,027	49,395
Adj. EBIT	59,023	34,107	33,986
Adj. net income	49,172	25,677	23,341
Adj. EPS	3.08	1.61	1.46
BBG EPS	3.07	1.62	1.05
Cashflow from operations	69,313	62,598	49,566
FCFF	57,265	101,170	40,652
Margins and Growth			
Revenue Growth Y/Y (%)	33.3%	0.0%	4.9%
EBITDA margin	34.0%	21.4%	20.1%
EBITDA Growth Y/Y (%)	80.3%	(37.1%)	(1.3%)
EBIT margin	25.2%	14.6%	13.8%
Net margin	21.0%	11.0%	9.5%
Adj. EPS growth	108.2%	(47.8%)	(9.1%)
Ratios			
Adj. tax rate	17.1%	17.1%	25.0%
Interest cover	NM	NM	NM
Net debt/Equity	NM	NM	NM
Net debt/EBITDA	NM	NM	NM
ROCE	19.2%	9.9%	8.3%
ROE	22.8%	10.3%	8.6%
Valuation			
FCFF yield	31.4%	55.5%	22.3%
Dividend yield	13.6%	5.6%	5.1%
EV/Revenue	0.5	0.3	0.2
EV/EBITDA	1.5	1.3	1.0
Adj. P/E	3.7	7.1	7.8

Summary Investment Thesis and Valuation

COSCO Shipping, Asia's largest container liner and China's leading shipper, has strong market share along the Transpacific and Asia-Europe routes. It has committed to shareholder returns, while investing in carbon-neutral vessels and pushing towards establishing a vertically integrated end-to-end offering. While we maintain a fundamentally positive view for rates and profitability due to the near-term demand-supply dynamics, geopolitical factors are dramatically reshaping global trade ecosystems, rewiring trade flows, and reshuffling market share among liners, thereby keeping us Neutral on the stock.

We are adjusting our Dec-26 PT to HK$13 (vs. prior HK$12) factoring in PT date extension and geopolitical factors that are dramatically reshaping global trade ecosystems. Our valuation is based on 0.7x target FY25E P/BV, which trends below its historical mean since 2020 to reflect concerns over US trade policies.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.65	0.51
Region: China	-0.06	0.04
Macro:		
JPM Global Equity Sentiment	-0.40	-0.29
Citi Economic Surprise - EM	-0.06	-0.24
Markit EM Composite PMI SA	0.39	0.24
Quant Styles:		
Growth	-0.11	-0.28
Value	0.19	0.28
DivYld	0.08	0.27

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

Investment Thesis, Valuation and Risks

COSCO SHIPPING Holdings Co Ltd - H *(Neutral; Price Target: HK$13.00)*

Investment Thesis

COSCO Shipping, Asia's largest container liner and China's leading shipper, has strong market share along the Transpacific and Asia-Europe routes. It has committed to shareholder returns, while investing in carbon-neutral vessels and pushing towards establishing a vertically integrated end-to-end offering. While we maintain a fundamentally positive view for rates and profitability due to the near-term demand-supply dynamics, geopolitical factors are dramatically reshaping global trade ecosystems, rewiring trade flows, and reshuffling market share among liners, thereby keeping us Neutral on the stock.

Valuation

We are adjusting our Dec-26 PT to HK$13 (vs. prior HK$12) factoring in PT date extension and geopolitical factors that are dramatically reshaping global trade ecosystems. Our valuation is based on 0.7x target FY25E P/BV, which trends below its historical mean since 2020 to reflect concerns over US trade policies.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) the industry losing capacity discipline; 2) an irrational market share chase (vs a focus on profitability) that triggers price wars and declines in spot freight rates; and 3) lower-than-expected demand growth in 2024 due to global recession and a slowing economic backdrop.

Key upside risks to our rating and price target include: 1) robust global containerized demand amid regionalization & re-shoring, 2) supply-chain disruptions that support freight rates, and 3) uplift in shareholder return policies.

Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

COSCO SHIPPING Holdings Co Ltd - H: Summary of Financials

Income Statement	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	**175,453**	**233,859**	**233,970**	**245,498**	**-**
COGS	(147,852)	(166,175)	(188,164)	(199,237)	-
Gross profit	**27,601**	**67,684**	**45,805**	**46,261**	**-**
SG&A	(8,244)	(10,537)	(11,698)	(12,275)	-
Adj. EBITDA	**44,132**	**79,572**	**50,027**	**49,395**	**-**
D&A	(19,481)	(20,549)	(15,920)	(15,409)	-
Adj. EBIT	**24,651**	**59,023**	**34,107**	**33,986**	**-**
Net Interest	3,739	3,120	5,127	5,352	-
Adj. PBT	**33,080**	**67,087**	**44,265**	**44,458**	**-**
Tax	(4,683)	(11,494)	(7,584)	(11,115)	-
Minority Interest	(4,537)	(6,420)	(11,004)	(10,003)	-
Adj. Net Income	**23,860**	**49,172**	**25,677**	**23,341**	**-**
Reported EPS	1.48	3.08	1.61	1.46	-
Adj. EPS	**1.48**	**3.08**	**1.61**	**1.46**	**-**
DPS	**0.74**	**1.55**	**0.64**	**0.59**	**-**
Payout ratio	49.7%	50.3%	40.0%	40.0%	-
Shares outstanding	16,115	15,950	15,950	15,950	-

Balance Sheet	FY23A	FY24A	FY25E	FY26E	FY27E
Cash and cash equivalents	181,165	184,189	264,338	294,639	-
Accounts receivable	13,439	14,497	14,504	15,219	-
Inventories	6,561	6,332	5,095	5,395	-
Other current assets	1,414	1,098	1,098	1,098	-
Current assets	**202,580**	**206,117**	**285,035**	**316,351**	**-**
PP&E	129,796	151,163	134,958	130,994	-
LT investments	-	-	-	-	-
Other non current assets	130,195	140,193	132,594	136,199	-
Total assets	**462,571**	**497,472**	**552,587**	**583,544**	**-**
Short term borrowings	10,536	3,730	3,730	3,730	-
Payables	106,049	104,269	118,067	125,014	-
Other short term liabilities	10,751	14,792	14,792	14,792	-
Current liabilities	**127,336**	**122,791**	**136,588**	**143,536**	**-**
Long-term debt	32,741	30,946	30,946	30,946	-
Other long term liabilities	59,142	58,677	58,677	58,677	-
Total liabilities	**219,220**	**212,413**	**226,211**	**233,158**	**-**
Shareholders' equity	196,115	234,668	264,981	278,988	-
Minority interests	47,236	50,391	61,395	71,398	-
Total liabilities & equity	**462,571**	**497,472**	**552,587**	**583,544**	**-**
BVPS	**12.17**	**14.71**	**16.61**	**17.49**	**-**
y/y Growth	*(2.6%)*	*20.9%*	*12.9%*	*5.3%*	-
Net debt/(cash)	(137,889)	(144,320)	(229,662)	(259,963)	-

Cash Flow Statement	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operating activities	**22,584**	**69,313**	**62,598**	**49,566**	**-**
o/w Depreciation & amortization	19,481	20,549	15,920	15,409	-
o/w Changes in working capital	(19,934)	(2,610)	15,028	5,933	-
Cash flow from investing activities	**(18,342)**	**(12,048)**	**38,572**	**6,016**	**-**
o/w Capital expenditure	(15,321)	(12,969)	(8,613)	(4,900)	-
as % of sales	*8.7%*	*5.5%*	*3.7%*	*2.0%*	-
Cash flow from financing activities	**(54,989)**	**16,890**	**74,955**	**30,301**	**-**
o/w Dividends paid	(39,287)	(24,431)	(10,271)	(9,336)	-
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	469	(8,601)	0	0	-
Net change in cash	**(50,747)**	**74,155**	**176,126**	**85,883**	**-**
Adj. Free cash flow to firm	**4,242**	**57,265**	**101,170**	**40,652**	**-**
y/y Growth	*(97.4%)*	*1250.1%*	*76.7%*	*(59.8%)*	-

Ratio Analysis	FY23A	FY24A	FY25E	FY26E	FY27E
Gross margin	15.7%	28.9%	19.6%	18.8%	-
EBITDA margin	25.2%	34.0%	21.4%	20.1%	-
EBIT margin	14.0%	25.2%	14.6%	13.8%	-
Net profit margin	13.6%	21.0%	11.0%	9.5%	-
ROE	12.0%	22.8%	10.3%	8.6%	-
ROA	4.9%	10.2%	4.9%	4.1%	-
ROCE	8.8%	19.2%	9.9%	8.3%	-
SG&A/Sales	4.7%	4.5%	5.0%	5.0%	-
Adj. Net debt to equity	NM	NM	NM	NM	-
Net debt/EBITDA	NM	NM	NM	NM	-
Sales/Assets (x)	0.4	0.5	0.4	0.4	-
Assets/Equity	245.6%	222.9%	210.2%	208.9%	209.2%
Interest cover (x)	NM	NM	NM	NM	-
Operating leverage	153.9%	418.9%	(89190.1%)	(7.2%)	-
Tax rate	14.2%	17.1%	17.1%	25.0%	-
Revenue y/y Growth	(55.1%)	33.3%	0.0%	4.9%	-
EBITDA y/y Growth	(75.9%)	80.3%	(37.1%)	(1.3%)	-
EPS y/y Growth	(78.3%)	108.2%	(47.8%)	(9.1%)	-

Valuation	FY23A	FY24A	FY25E	FY26E	FY27E
P/E (x)	7.7	3.7	7.1	7.8	-
P/BV (x)	0.9	0.8	0.7	0.7	-
EV/EBITDA (x)	2.0	1.5	1.3	1.0	-
Dividend Yield	6.4%	13.6%	5.6%	5.1%	-

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

Orient Overseas International Limited (OOIL)

Overweight

0316.HK,316 HK

Price (31 Mar 25): HK$115.30

▼ **Price Target (Dec-26): HK$152.00**
Prior (Jun-26): HK$155.00

Hong Kong
Infrastructure, Industrials & Transport

Karen Li, CFA AC
(852) 2800-8589
karen.yy.li@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/
J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 25E ($)	2.55	2.46
Adj. EPS - 26E ($)	2.70	2.51

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	22	28	28	1	38
Growth	95	77	87	3	16
Momentum	32	3	24	1	12
Quality	63	71	12	34	97
Low Vol	75	91	85	97	83
ESGQ	10	1	4	-	-

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

Stay OW

Global shipping companies, including Maersk and Hapag-Lloyd, have reported strong 4Q24 results, while providing a favorable near-term outlook, consistent with the positive performance reported by Asian shippers such as OOIL. As we move forward, a strategic focus on contract rates, fleet optimization, and route adjustments will be crucial for navigating the evolving landscape.

Orient Overseas International Limited (OOIL) achieved remarkable results for FY24, with a significant year-over-year increase in net profit and revenue. The company capitalized on strong demand and elevated freight rates, particularly on Transpacific routes. OOIL's strategic focus on contract rate renewals and operational efficiency positions it well for 2025, with contract rates expected to increase, offsetting spot rate fluctuations.

Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

Price Performance

	YTD	1m	3m	12m
Abs	0.2%	10.8%	0.2%	23.3%
Rel	-14.5%	9.5%	-14.5%	-11.8%

Company Data

Shares O/S (mn)	626
52-week range (HK$)	146.20-91.00
Market cap ($ mn)	9,276
Exchange rate	7.78
Free float (%)	14.9%
3M ADV (mn)	1.28
3M ADV ($ mn)	18.1
Volatility (90 Day)	30
Index	HSCI
BBG ANR (Buy | Hold | Sell)	3|2|3

Key Metrics (FYE Dec)

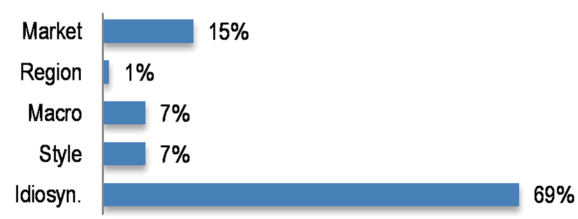
$ in millions	FY24A	FY25E	FY26E
Financial Estimates			
Revenue	10,702	10,082	9,684
Adj. EBITDA	3,526	2,698	2,753
Adj. EBIT	2,625	1,756	1,795
Adj. net income	2,577	1,624	1,660
Adj. EPS	3.90	2.46	2.51
BBG EPS	3.89	2.47	1.36
Cashflow from operations	3,212	2,685	2,542
FCFF	5,723	1,654	1,669
Margins and Growth			
Revenue Growth Y/Y (%)	28.3%	(5.8%)	(3.9%)
EBITDA margin	32.9%	26.8%	28.4%
EBITDA Growth Y/Y (%)	56.5%	(23.5%)	2.0%
EBIT margin	24.5%	17.4%	18.5%
Net margin	24.1%	16.1%	17.1%
Adj. EPS growth	88.4%	(37.0%)	2.2%
Ratios			
Adj. tax rate	1.4%	8.0%	8.0%
Interest cover	171.0	-	-
Net debt/Equity	NM	NM	NM
Net debt/EBITDA	NM	NM	NM
ROCE	21.2%	11.7%	11.1%
ROE	21.1%	12.0%	11.5%
Valuation			
FCFF yield	58.5%	16.9%	17.1%
Dividend yield	13.2%	6.6%	6.8%
EV/Revenue	0.2	0.1	0.0
EV/EBITDA	0.5	0.4	0.0
Adj. P/E	3.8	6.0	5.9

Summary Investment Thesis and Valuation

We stay positive on OOIL, given its premium brand positioning and cost-management capabilities, while capitalizing on its dual-brand strategy with COSCO Shipping, which we think will continue to sustain its better-than-industry average profitability. OOIL's payout commitment offers an attractive yield, in our view, while we note the company's past track record for returning surplus cash to shareholders in the form of special dividend.

Our Dec-26 PT of HK$152 (vs. prior HK$155 driven by earnings revision of c5%) factors in the latest demand and freight rate outlook as the industry enters into off-peak season and the Red Sea crisis continues. Our valuation is based on 1.0x target FY25E P/BV, above its historical mean since 2020. We view this as undemanding, reflecting our positive outlook on its growth prospects and its lower exposure to Chinese-built vessels.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.47	0.39
Region: Hong Kong	-0.08	0.11
Macro:		
JPM Global Equity Sentiment	-0.27	-0.21
US 10 Year Yield	0.19	0.18
JPM China A-shares Sentiment	0.06	0.14
Quant Styles:		
Value	0.32	0.28
DivYld	0.29	0.28
LowVol	0.33	0.24

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Investment Thesis, Valuation and Risks

Orient Overseas International Limited (OOIL) *(Overweight; Price Target: HK$152.00)*

Investment Thesis

We stay positive on OOIL, given its premium brand positioning and cost-management capabilities, while capitalizing on its dual-brand strategy with COSCO Shipping, which we think will continue to sustain its better-than-industry average profitability. OOIL's payout commitments offers an attractive yield, in our view, while we note the company's past track record for returning surplus cash to shareholders in the form of special dividend.

Valuation

Our Dec-26 PT of HK$152 (vs. prior HK$155 driven by earnings revision of c5%) factors in the latest demand and freight rate outlook as the industry enters into off-peak season and the Red Sea crisis continues. Our valuation is based on 1.0x target FY25E P/BV, above its historical mean since 2020. We view this as undemanding, reflecting our positive outlook on its growth prospects and its lower exposure to Chinese-built vessels.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) the industry losing capacity discipline; 2) an irrational market share chase (vs a focus on profitability) that triggers price wars and declines in spot freight rates; and 3) lower-than-expected demand growth in 2024 due to a global recession and a slowing economic backdrop.

Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

Orient Overseas International Limited (OOIL): Summary of Financials

Income Statement	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	**8,344**	**10,702**	**10,082**	**9,684**	**-**
COGS	(6,341)	(6,980)	(7,241)	(6,811)	-
Gross profit	**2,003**	**3,722**	**2,841**	**2,874**	**-**
SG&A	-	-	-	-	-
Adj. EBITDA	**2,253**	**3,526**	**2,698**	**2,753**	**-**
D&A	(848)	(901)	(943)	(958)	-
Adj. EBIT	**1,406**	**2,625**	**1,756**	**1,795**	**-**
Net Interest	(28)	(21)	0	0	-
Adj. PBT	**1,381**	**2,614**	**1,766**	**1,805**	**-**
Tax	(11)	(35)	(141)	(144)	-
Minority Interest	(1)	(2)	(1)	(1)	-
Adj. Net Income	**1,368**	**2,577**	**1,624**	**1,660**	**-**
Reported EPS	2.07	3.90	2.46	2.51	-
Adj. EPS	**2.07**	**3.90**	**2.46**	**2.51**	**-**
DPS	**1.04**	**1.95**	**0.98**	**1.01**	**-**
Payout ratio	50.3%	50.0%	40.0%	40.0%	-
Shares outstanding	660	660	660	660	-

Cash Flow Statement	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operating activities	**617**	**3,212**	**2,685**	**2,542**	**-**
o/w Depreciation & amortization	848	901	943	958	-
o/w Changes in working capital	(1,420)	185	128	(67)	-
Cash flow from investing activities	**(4,641)**	**2,512**	**(1,032)**	**(873)**	**-**
o/w Capital expenditure	(1,378)	(1,262)	(1,002)	(539)	-
as % of sales	*16.5%*	*11.8%*	*9.9%*	*5.6%*	-
Cash flow from financing activities	**(468)**	**(4,542)**	**(293)**	**(740)**	**-**
o/w Dividends paid	(3,580)	(536)	(969)	(657)	-
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	0	0	429	0	-
Net change in cash	**(4,492)**	**1,181**	**1,361**	**929**	**-**
Adj. Free cash flow to firm	**(4,024)**	**5,723**	**1,654**	**1,669**	**-**
y/y Growth	*(131.7%)*	*(242.2%)*	*(71.1%)*	*0.9%*	-

Balance Sheet	FY23A	FY24A	FY25E	FY26E	FY27E
Cash and cash equivalents	6,722	7,903	9,264	10,193	-
Accounts receivable	743	744	700	673	-
Inventories	197	192	180	173	-
Other current assets	28	25	25	25	-
Current assets	**7,690**	**8,863**	**10,170**	**11,064**	**-**
PP&E	5,608	6,711	6,913	6,911	-
LT investments	250	200	200	200	-
Other non current assets	2,061	1,994	1,892	1,819	-
Total assets	**15,609**	**17,768**	**19,175**	**19,994**	**-**
Short term borrowings	0	0	429	429	-
Payables	1,751	1,930	2,004	1,903	-
Other short term liabilities	621	696	297	288	-
Current liabilities	**2,372**	**2,626**	**2,730**	**2,620**	**-**
Long-term debt	0	0	0	0	-
Other long term liabilities	2,027	1,892	2,539	2,464	-
Total liabilities	**4,399**	**4,519**	**5,269**	**5,084**	**-**
Shareholders' equity	11,207	13,246	13,901	14,904	-
Minority interests	3	4	5	6	-
Total liabilities & equity	**15,609**	**17,768**	**19,174**	**19,994**	**-**
BVPS	**16.97**	**20.06**	**21.05**	**22.57**	**-**
y/y Growth	*(16.6%)*	*18.2%*	*4.9%*	*7.2%*	-
Net debt/(cash)	(6,722)	(7,903)	(8,836)	(9,764)	-

Ratio Analysis	FY23A	FY24A	FY25E	FY26E	FY27E
Gross margin	24.0%	34.8%	28.2%	29.7%	-
EBITDA margin	27.0%	32.9%	26.8%	28.4%	-
EBIT margin	16.8%	24.5%	17.4%	18.5%	-
Net profit margin	16.4%	24.1%	16.1%	17.1%	-
ROE	11.1%	21.1%	12.0%	11.5%	-
ROA	7.7%	15.4%	8.8%	8.5%	-
ROCE	11.3%	21.2%	11.7%	11.1%	-
SG&A/Sales	-	-	-	-	-
Net debt/Equity	NM	NM	NM	NM	-
Net debt/EBITDA	NM	NM	NM	NM	-
Sales/Assets (x)	0.5	0.6	0.5	0.5	-
Assets/Equity (x)	1.4	1.4	1.4	1.4	1.3
Interest cover (x)	79.1	171.0	-	-	-
Operating leverage	148.6%	306.9%	571.1%	(56.6%)	-
Tax rate	0.8%	1.4%	8.0%	8.0%	-
Revenue y/y Growth	(57.9%)	28.3%	(5.8%)	(3.9%)	-
EBITDA y/y Growth	(79.4%)	56.5%	(23.5%)	2.0%	-
EPS y/y Growth	(86.3%)	88.4%	(37.0%)	2.2%	-

Valuation	FY23A	FY24A	FY25E	FY26E	FY27E
P/E (x)	7.2	3.8	6.0	5.9	-
P/BV (x)	0.9	0.7	0.7	0.7	-
Dividend Yield	7.0%	13.2%	6.6%	6.8%	-

Source: Company reports and J.P. Morgan estimates.

Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

Other Companies Discussed in This Report (all prices in this report as of market close on 31 March 2025, unless otherwise indicated)
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