

Precious Shipping

PSL TB / PSL.BK

May 13, 2021

Biggest core profit in 11 years! 2Q21 looks even better

Biggest core profit in more than a decade

PSL reported a 1Q21 net profit of Bt375m, a YoY turnaround and up strongly QoQ from anemic 4Q21 net earnings. The reported bottom-line beat our estimate by 13% (the firm marked heavier FX gains than assumed), but missed the consensus by 6%. Stripping out extra items, the core number would be Bt271m, a YoY turnaround and up 321% QoQ—the highest core profit since 4Q09. The core number missed our estimate by 18% (lower T/C rates for the Supramax and Ultramax classes than assumed) and the street by 51%.

Result highlights

Revenue rose by 18% YoY and 19% QoQ, led by a higher mean freight rate of US\$12,157/day/ship, up 45% YoY and 21% QoQ (Handysize—US\$11,990/day/ship, Supramax—\$11,685/day/ship, and Ultramax—\$13,078/day/ship). Cost of sales & services declined by 14% YoY and 2% QoQ. Vessel operating expenses increased 7% YoY but dipped 2% QoQ to \$4,933/day/ship.

Outlook

The Baltic Dry Index (BDI) has surged 137% YTD, led by the Handysize, Supramax, and Ultramax indices (the classes that PSL operates). The new ship orderbook/existing fleet ratio is at a 20-year low, while strong iron ore and coal demand is boosting shipping demand. We expect those T/C rates to hold up well through this year. PSL looks set to report a hefty 2Q21 core profit (a YoY turnaround and even stronger QoQ).

What's changed?

We maintain our 2021 core earnings forecast at Bt1,712m (a YoY turnaround) and our YE21 target price at Bt17.

Recommendation

The market has already recognized the impressive freight rate outlook and priced it in. However, we suggest letting profits run, given the positive sentiment toward the stock during this up-cycle in the dry bulk shipping market and speculative flows in anticipation of the possibility of PSL paying a dividend for the first time since 2015. As such, although the current market price is slightly above our target, we maintain our HOLD call.

Sector: Transportation **NEUTRAL**

Rating: HOLD

Target Price: Bt17.00

Price (May 12, 2021): Bt17.50

Key statistics

Market cap	Bt27.3bn	USD0.9bn
12-mth price range	Bt2.8/Bt19.8	
12-mth avg daily volume	Bt194m	USD6.2m
# of shares (m)	1,559	
Est. free float (%)	46.9	
Foreign limit (%)	49.0	

Share price perf. (%)

	1M	3M	12M
Relative to SET	46.3	113.2	425.9
Absolute	48.3	117.4	446.9

Financial summary

FY Ended 31 Dec	2020	2021E	2022E	2023E
Revenues (Btm)	3,730	6,290	5,744	4,731
Net profit (Btm)	(1,295)	1,712	1,387	681
EPS (Bt)	(0.83)	1.10	0.89	0.44
EPS growth (%)	-467%	n.m.	-19%	-51%
Core profit (Btm)	(413)	1,712	1,387	681
Core EPS (Bt)	(0.27)	1.10	0.89	0.44
Core EPS growth (%)	-86.0%	n.m.	-19.0%	-50.9%
PER (x)	n.m.	15.9	19.7	40.1
PBV (x)	2.7	2.3	2.1	2.0
Dividend (Bt)	0.0	0.9	0.7	0.3
Dividend yield (%)	0.0	5.0	4.1	2.0
ROE (%)	(11.9)	15.6	11.1	5.0

CG/Anti-corruption



Certified

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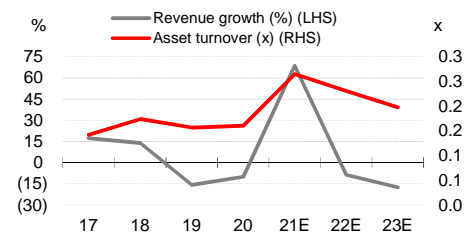
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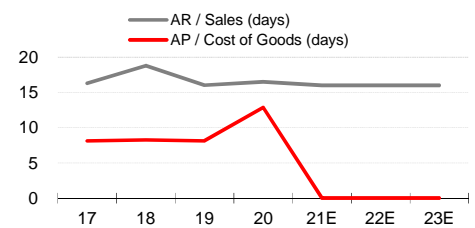
PSL: Financial Tables – Year

PROFIT & LOSS (Btm)	2019	2020	2021E	2022E	2023E
Revenue	4,152	3,730	6,290	5,744	4,731
Cost of sales and services	(3,173)	(3,226)	(3,133)	(3,133)	(3,133)
Gross profit	979	504	3,157	2,610	1,598
SG&A	(546)	(336)	(336)	(336)	(336)
EBIT	433	168	2,821	2,275	1,262
Interest expense	(703)	(597)	(721)	(582)	(451)
Other income/exp.	31	9	30	30	30
EBT	(239)	(420)	2,130	1,723	841
Corporate tax	(3)	(4)	(428)	(347)	(170)
After-tax net profit (loss)	(242)	(424)	1,702	1,377	671
Minority interest	0	0	0	0	0
Equity earnings from affiliates	20	11	10	10	10
Extra items	(6)	(881)	0	0	0
Net profit (loss)	(228)	(1,295)	1,712	1,387	681
Reported EPS	(0.15)	(0.83)	1.10	0.89	0.44
Fully diluted EPS	(0.14)	(0.83)	1.10	0.89	0.44
Core net profit	(222)	(413)	1,712	1,387	681
Core EPS	(0.14)	(0.27)	1.10	0.89	0.44
EBITDA	1,617	1,382	4,009	3,463	2,450
KEY RATIOS					
Revenue growth (%)	(15.8)	(10.2)	68.6	(8.7)	(17.6)
Gross margin (%)	23.6	13.5	50.2	45.5	33.8
EBITDA margin (%)	38.9	37.1	63.7	60.3	51.8
Operating margin (%)	10.4	4.5	44.9	39.6	26.7
Net margin (%)	(5.5)	(34.7)	27.2	24.1	14.4
Core profit margin (%)	(5.4)	(11.1)	27.2	24.1	14.4
ROA (%)	(0.9)	(5.6)	7.2	5.6	2.8
ROCE (%)	(0.9)	(5.8)	7.6	5.9	3.0
Asset turnover (x)	0.2	0.2	0.3	0.2	0.2
Current ratio (x)	0.4	0.6	1.3	2.1	2.7
Gearing ratio (x)	1.1	1.0	1.1	0.7	0.6
Interest coverage (x)	0.6	0.3	3.9	3.9	2.8
BALANCE SHEET (Btm)					
Cash & Equivalent	1,181	1,100	6,591	5,080	6,755
Accounts receivable	183	169	276	252	207
Inventory	0	0	0	0	0
PP&E-net	20,098	19,125	18,197	17,246	16,296
Other assets	3,282	2,104	7,611	6,100	7,775
Total assets	25,061	21,397	26,083	23,598	24,279
Accounts payable	71	114	0	0	0
ST debts & current portion	4,085	2,436	4,749	1,877	1,877
Long-term debt	8,577	7,586	8,150	7,150	7,150
Other liabilities	0	1,127	1,337	1,337	1,337
Total liabilities	13,502	11,263	14,237	10,365	10,365
Paid-up capital	1,559	1,559	1,559	1,559	1,559
Share premium	2,140	2,140	2,140	2,140	2,140
Retained earnings	9,537	8,168	9,881	11,267	11,948
Shareholders' equity	11,559	10,134	11,847	13,233	13,914
Minority interests	0	0	0	0	0
Total Liab.&Shareholders' equity	25,060	21,397	26,083	23,598	24,279
CASH FLOW (Btm)					
Net income	(228)	(1,295)	1,712	1,387	681
Depreciation and amortization	1,183	1,214	1,188	1,188	1,188
Change in working capital	163	449	(46)	24	44
FX, non-cash adjustment & others	773	1,483	721	582	451
Cash flows from operating activit	1,890	1,851	3,575	3,180	2,365
Capex (Invest)/Divest	(436)	995	(242)	(238)	(238)
Others	8	2	0	0	0
Cash flows from investing activiti	(427)	997	(242)	(238)	(238)
Debt financing (repayment)	(2,009)	(2,335)	2,878	(3,872)	0
Equity financing	0	0	0	0	0
Dividend payment	0	0	0	0	0
Others	8	2	0	0	0
Cash flows from financing activiti	(2,009)	(2,928)	2,157	(4,454)	(451)
Net change in cash	(546)	(81)	5,490	(1,511)	1,676
Free cash flow (Btm)	1,455	2,846	3,333	2,943	2,127
FCF per share (Bt)	0.9	1.8	2.1	1.9	1.4
Key assumptions	2019	2020	2021E	2022E	2023E
TC rate (US\$/day/ship)	9,622	8,332	15,747	14,379	11,843
No. of operating days (days)	13,140	13,176	13,140	13,140	13,140
No. of ships	36	36	36	36	36

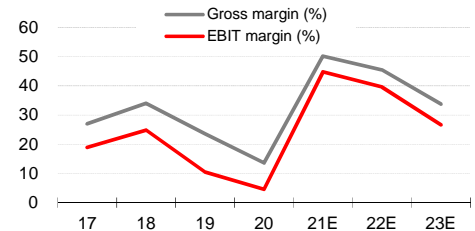
Revenue growth and asset turnover



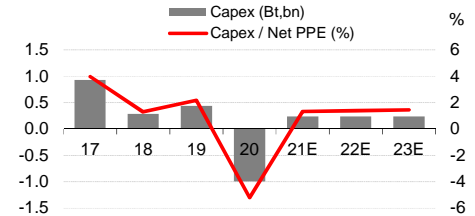
A/C receivable & A/C payable days



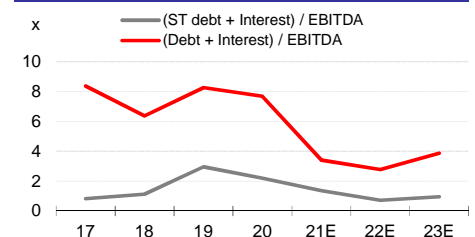
Profit margins



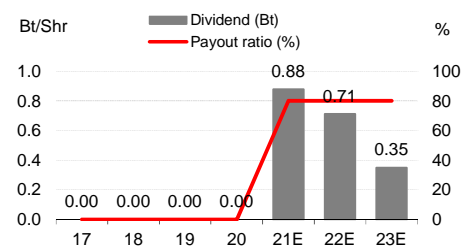
Capital expenditure



Debt serviceability



Dividend payout



PSL: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	1Q20	2Q20	3Q20	4Q20	1Q21
Revenue	1,055	680	944	1,050	1,246
Cost of sales and services	(909)	(757)	(762)	(798)	(784)
Gross profit	146	(77)	182	253	463
SG&A	(112)	(82)	(75)	(67)	(79)
EBIT	34	(158)	107	186	383
Interest expense	(172)	(158)	(145)	(122)	(117)
Other income/exp.	4	3	1	2	1
EBT	(134)	(314)	(37)	65	267
Corporate tax	0	0	0	(4)	0
After-tax net profit (loss)	(134)	(314)	(37)	61	267
Minority interest	0	0	0	0	0
Equity earnings from affiliates	1	4	3	4	4
Extra items	16	(873)	12	(37)	104
Net profit (loss)	(117)	(1,183)	(22)	27	375
Reported EPS	(0)	(1)	(0)	0	0
Fully diluted EPS	(0.08)	(0.76)	(0.01)	0.02	0.24
Core net profit	(133)	(310)	(35)	64	271
Core EPS	(0.09)	(0.20)	(0.02)	0.04	0.17
EBITDA	174	(7)	270	362	558

KEY RATIOS

Gross margin (%)	13.8	(11.3)	19.3	24.0	37.1
EBITDA margin (%)	16.5	(1.0)	28.6	34.5	44.8
Operating margin (%)	3.2	(23.3)	11.3	17.7	30.8
Net margin (%)	(11.1)	(173.9)	(2.3)	2.6	30.1
Core profit margin (%)	(12.6)	(45.6)	(3.7)	6.1	21.7
BV (Bt)	7.8	6.7	6.8	6.5	7.0
ROE (%)	(3.9)	(41.9)	(0.8)	1.1	14.2
ROA (%)	(1.8)	(19.0)	(0.4)	0.5	7.0
Current ratio (x)	0.3	0.5	0.8	0.6	0.5
Gearing ratio (x)	1.1	1.2	1.1	1.0	0.9
Interest coverage (x)	0.2	n.m.	0.7	1.5	3.3

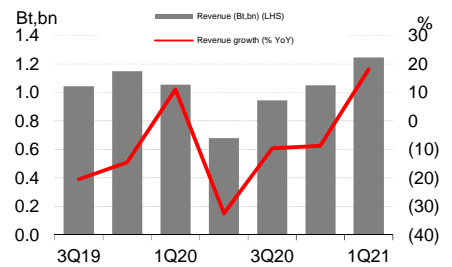
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,268	895	1,752	1,100	1,141
Accounts receivable	229	137	171	169	111
Inventory	0	1	2	3	3
PP&E-net	21,514	20,081	20,387	19,125	19,701
Other assets	3,251	2,341	966	1,000	613
Total assets	26,263	23,455	23,278	21,397	21,569
Accounts payable	105	112	158	114	144
ST debts & current portion	7,600	5,425	2,839	2,436	2,192
Long-term debt	5,713	6,953	9,042	7,586	7,230
Other liabilities	622	582	568	1,127	1,030
Total liabilities	14,039	13,073	12,607	11,263	10,596
Paid-up capital	1,559	1,559	1,559	1,559	1,559
Share premium	2,140	2,140	2,140	2,140	2,140
Retained earnings	9,346	8,163	8,141	8,168	8,543
Shareholders equity	12,224	10,382	10,672	10,134	10,973
Minority interests	0	0	0	0	0
Total Liab.&Shareholders' equity	26,263	23,455	23,278	21,397	21,569
Key operating data	1Q20	2Q20	3Q20	4Q20	1Q21
TC rate (US\$/day/ship)	8,398	6,099	8,786	10,022	12,157
No.of operating days (days)	3,240	3,276	3,312	3,312	3,240
No.of ships	36	36	36	36	36

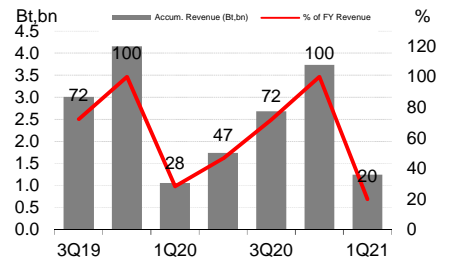
Company profile

Precious Shipping Plc (PSL) is a pure dry cargo ship owner. The company operates vessels in the small handy and supramax classes. PSL's fleet totaled 36 ships as of end-Mar 2021.

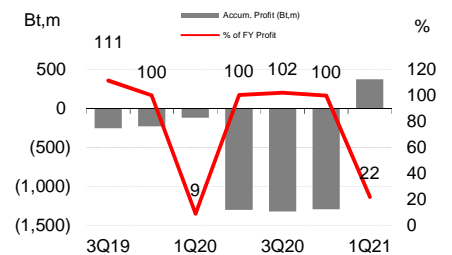
Revenue trend



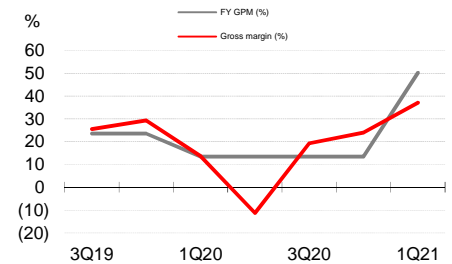
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

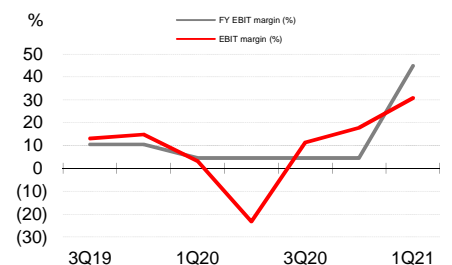


Figure 1 : 1Q21 results

FY Ended 31 Dec (Btm)	1Q21	1Q20	YoY %	4Q20	QoQ %	3M21	3M20	YoY %	3M21 vs. FY21E
Income Statement									
Revenue	1,246	1,055	18	1,050	19	1,246	1,055	18	20
Cost of sales and services	(784)	(909)	(14)	(798)	(2)	(784)	(909)	(14)	25
EBITDA	558	174	221	362	54	558	174	221	14
EBIT	383	34	1,021	186	106	383	34	1,021	14
Interest expense	(117)	(172)	(32)	(122)	(4)	(117)	(172)	(32)	16
Other income/exp.	1	4	(81)	2	(53)	1	4	(81)	3
Equity earnings from affiliates	4	1	370	4	8	4	1	370	40
Extra items	104	16	564	(37)	nm	104	16	564	nm
EBT	267	(134)	<i>nm</i>	65	310	267	(134)	<i>nm</i>	13
Corporate tax	0	0	nm	(4)	nm	0	0	nm	0
Minority interest	0	0	nm	0	nm	0	0	nm	nm
Net profit (loss)	375	(117)	<i>nm</i>	27	1,268	375	(117)	<i>nm</i>	22
Reported EPS	0.24	(0.08)	nm	0.02	1,268	0.24	(0.08)	nm	22
Core net profit	271	(133)	<i>nm</i>	64	321	271	(133)	<i>nm</i>	16
Key ratios									
Gross margin (%)	37.1	13.8		24.0		37.1	13.8		
EBITDA margin (%)	44.8	16.5		34.5		44.8	16.5		
EBIT margin (%)	30.8	3.2		17.7		30.8	3.2		
Tax rate (%)	0.0	0.0		6.8		0.0	0.0		
Net margin (%)	30.1	(11.1)		2.6		30.1	(11.1)		
Current ratio (x)	0.5	0.3		0.6		0.5	0.3		
Gearing ratio (x)	0.9	1.1		1.0		0.9	1.1		
Interest coverage (x)	3.3	0.2		1.5		3.3	0.2		
Balance Sheet									
Cash & Equivalent	1,141	1,268	(10)	1,100	4				
Total assets	21,569	26,263	(18)	21,397	1				
ST debts & current portion	2,192	7,600	(71)	2,436	(10)				
Long-term debt	7,230	5,713	27	7,586	(5)				
Total liabilities	10,596	14,039	(25)	11,263	(6)				
Retained earnings	8,543	9,346	(9)	8,168	5				
Shareholders equity	10,973	12,224	(10)	10,134	8				
Minority interests	0	0	nm	0	nm				
BV (Bt)	7.0	7.8	(10)	6.5	8				

- Revenue increased YoY and QoQ, led by a higher T/C rate

- A net FX gain

- The core number missed our estimate and the street

Sources: Company data, Bualuang Research estimates

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KBANK	KCE	KTC	MINT	PTG	PTT	PTTEP	PTTGC	SCB	SPRC	TASCO	TKN	TOP	WHA	ESSO
CKP	STA	BGRIM	GULF	MTC	AWC	TCAP	CRC	CPF	CPN	HANA	HMPRO	IVL	OSP	SAWAD
THANI	BANPU	BCH	BTS	CK	SCC	STEC	TISCO	TRUE	TU	INTUCH	RATCH	VGI	PRM	SCGP
TQM	COM7	DOHOME	JMT	CHG	TMB	BAM	BCP	BCPG	AP	KTB	BPP	KKP	OR	BEM
GUNKUL	LH	EA	QH	SPALI	RBF									

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CG Rating

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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- companies that have **declared** their intention to join CAC, and
- companies **certified** by CAC.

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STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

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