



Precious Shipping PCL

PSL TB	Outperform	
Target Price	Bt	24.80
Price (23/07/2021)	Bt	21.00
Upside	%	18.17
Valuation	PBV	
Sector	Transportation & Logistics	
Market Cap	Btm	32,745
30-day avg turnover	Btm	630.43
No. of shares on issue	m	1,559
CG Scoring	Excellent	
Anti-Corruption Indicator	Certified	

Expect pent-up demand to support BSI

- Expect strong 2Q21 earnings growth of 226% QoQ and momentum to continue in 3Q21 given a 23% QoQ increase in TC rate.
- Raise 2021-23 earnings estimates by 57%/96%/68% as revising up our TC rate assumptions by 22%/33%/23%.
- Upgrade to Outperform and raise TP to Bt24.80 from Bt18.90 on a PBV of 1.8x (+2.5SD) and average 2022-23E BVPS of Bt13.80.

Investment Highlights

- **Expect 2Q21 earnings to grow 226% QoQ to Bt1.2bn.** We expect PSL to book a net profit of Bt1.2bn in 2Q21, a significant improvement from a net loss of Bt1.2bn in 2Q20 and a net profit of Bt375mn in 1Q21, as the Supramax TC rate surged 54% QoQ and 366% YoY to USD25,538/vessel/day. This was supported by strong demand for coal, grain, and minor bulk trade. We expect the Supramax TC rate to continue to rise in 3Q21 after rate rose 17% MoM in June and 7% MTD in July due to strong demand for restocking coal and minor bulk trade, despite the period being the weak season for global grain exports and weather-related disruptions in June and July. China's state planner ordered power plants to build their coal inventories to the equivalent of at least seven days of consumption by July 2021 to prevent blackouts during the peak power consumption period. Coal stocks continued their slide to hit a new low of 4mn tons at the Qinhuangdao port, a major thermal coal transfer hub in northern China as of July 19. A seasonal rebound in grain trade in August-October and pent-up demand for raw material trades should support the Supramax TC rate in 3Q21. We expect 3Q21 earnings to grow strongly QoQ given that the TC rate is up 23% QoQ.

- **Raising 2021/22/23 earnings estimates by 57%/96%/68% on higher TC rates.** We raise our 2021-23 earnings estimates by 57%/96%/68% after revising up our TC rate assumptions for PSL by 22%/33%/23% to USD20,000/21,000/18,300/vessel/day based on a stronger-than-expected Supramax TC rate and better outlook. Our TC rate assumptions for PSL are 15-20% lower than the estimated Baltic Supramax Index (BSI) as the company fixed 14-17% of its total fleet at a rates between USD13,500 and USD14,550/vessel/day during 2021-24 and as PSL's vessels are smaller than the BSI benchmark. We have turned more bullish on PSL's near- and long-term outlook. In the near term, we expect PSL's earnings momentum to continue to accelerate in 2H21 as pent-up demand changes from finished goods to intermediate/raw material goods. The retailers' inventory-to-sales ratio fell to a record low of 1.08 months in 2Q21 vs. the 10-year average of 1.40 months, while the wholesalers' inventory-to-sales ratio dropped to 1.22 months in 2Q21 vs. the 10-year average of 1.28 months. This should lead to demand for restocking along the supply chain. In the longer term, the TC rate should remain high supported by strong demand growth of 4% p.a. in 2021-22E that should outpace supply growth of 2% p.a. given the record-low level dry bulk industry orderbook-to-fleet ratio at 6%.

Valuation and Recommendation

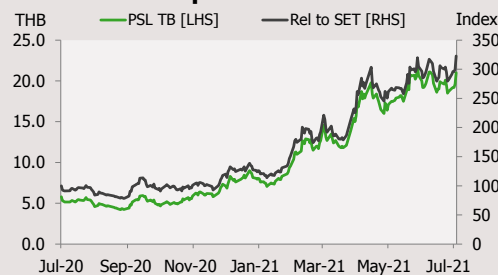
- **Upgrade to Outperform and raise target price to Bt24.80.** We raise our mid-2022 target price to Bt24.80 from Bt18.90 pegged to a PBV of 1.8x (+2.5SD its historical mean) and raise our average 2022-2023 BVPS estimate to Bt13.80 from Bt10.70. We expect PSL to outperform the SET Index in 2H21 due to its strong earnings momentum, being a key beneficiary of strong global trade, and a limited impact from government lockdown measures.

- **Key risks:** Volatile freight rates.

Investment fundamentals

Year end Dec 31	2020A	2021E	2022E	2023E
Company Financials				
Revenue (Btmn)	3,730	8,319	8,611	7,537
Core profit (Btmn)	-413	4,380	4,977	3,845
Net profit (Btmn)	-1,295	4,484	4,977	3,845
Net EPS (Bt)	-0.83	2.88	3.19	2.47
DPS (Bt)	0.00	0.00	0.00	0.00
BVPS (Bt)	6.50	9.38	12.57	15.03
Net EPS growth (%)	-466.70	446.29	10.99	-22.73
ROA (%)	-5.57	20.93	23.67	17.07
ROE (%)	-11.94	36.23	29.09	17.87
Net D/E (x)	0.88	0.27	-0.10	-0.30
Valuation				
P/E (x)	-9.15	7.30	6.58	8.52
P/BV (x)	1.17	2.24	1.67	1.40
EV/EBITDA (x)	15.27	6.34	5.16	5.40
Dividend yield (%)	0.00	0.00	0.00	0.00

PSL TB rel SET performance



Source: Bloomberg (all figures in THB unless noted)

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27 July 2021

Kasikorn Securities Public Company Limited



Fig 1 Earnings revisions

Unit: Btmn.	2021E			2022E			2023E		
Profit and loss statements	New	Previous	%Change	New	Previous	%Change	New	Previous	%Change
Total revenue	8,319	6,663	24.9	8,611	6,231	38.2	7,537	5,880	28.2
Cost of goods sold	3,223	3,143	2.6	3,244	3,085	5.2	3,302	3,140	5.2
Gross profit	5,096	3,520	44.8	5,367	3,147	70.6	4,235	2,740	54.6
SG&A	380	330	15.4	400	360	11.1	400	360	11.1
Operating profit	4,717	3,192	47.8	4,967	2,787	78.2	3,835	2,380	61.2
EBITDA	5,769	4,244	35.9	5,961	3,781	57.7	4,775	3,319	43.8
EBIT	4,833	3,308	46.1	4,977	2,797	78.0	3,845	2,390	60.9
Core profit	4,359	2,747	58.7	4,977	2,534	96.4	3,845	2,290	67.9
Net profit	4,463	2,852	56.5	4,977	2,534	96.4	3,845	2,290	67.9
Key assumptions									
Number of vessels	36	36	0.0	36	36.0	0.0	36	36	0.0
Operating days	13,140	13,140	0.0	13,140	13,140	0.0	13,140	13,140	0.0
TC rates (US\$/day)	20,024	16,401	22.1	20,987	15,828	32.6	18,308	14,905	22.8
USDTHB	30.90	30.00	3.0	30.50	29.00	5.2	30.50	29.00	5.2
OPEX (US\$/day)	4,879	4,879	0.0	4,928	4,928	0.0	4,977	4,977	0.0
SG&A (US\$/day)	948	863	9.9	998	945	5.6	998	945	5.6

Source: Company data, KS Research

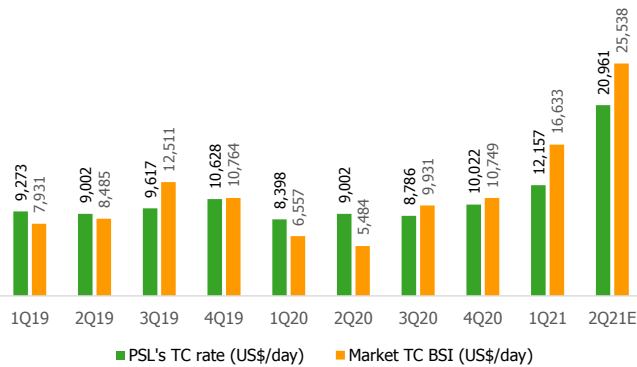
Fig 2 2Q21 performance preview

	2Q20	3Q20	4Q20	1Q21	2Q21E	%YoY	%QoQ	%YTD2021E	2021E
Financials									
Sales (Btmn)	680	944	1,050	1,246	2,219	226.2	78.2	41.6	8,319
EBITDA (Btmn)	148	412	421	671	1,306	783.7	94.4	34.3	5,769
Operating profit (Btmn)	-156	107	162	384	1,306	937.6	239.8	35.8	4,717
Core profit (Btmn)	-310	-35	64	271	1,224	495.0	351.9	34.3	4,359
Net profit (Btmn)	-1,183	-22	27	375	1,224	203.4	226.2	35.8	4,463
Net EPS (Bt)	-0.76	-0.01	0.02	0.24	0.78	203.4	226.2	35.8	2.86
Performance Drivers									
Number of vessels	36	36	36	36	36	0.0	0.0	200.0	36
Operating days	3,276	3,312	3,312	3,285	3,285	0.3	0.0	50.0	13,140
TC rates (US\$/day)	9,002	8,786	10,022	12,157	20,961	132.8	72.4	165.4	20,024
USDTHB	31.5	31.5	30.5	30.5	31.5	0.0	3.3	200.6	31
OPEX (US\$/day)	4,531	4,617	5,067	4,800	4,800	5.9	0.0	196.7	4,879
SG&A (US\$/day)	804	723	649	848	966	20.2	13.9	191.4	948
						Change	Avg YTD	2021E	
Gross margin (%)	-11.1	19.3	23.9	37.2	63.3	74.4	26.2	50.3	61.3
EBITDA margin (%)	21.7	43.7	40.1	53.9	58.8	37.1	4.9	56.4	69.3
Optg. margin (%)	-22.9	11.4	15.5	30.9	58.8	81.7	28.0	44.8	56.7
ROE (%)	-10.5	-0.2	0.3	3.6	0.0	10.5	-3.6	1.8	36.1

Source: Company data, KS Research

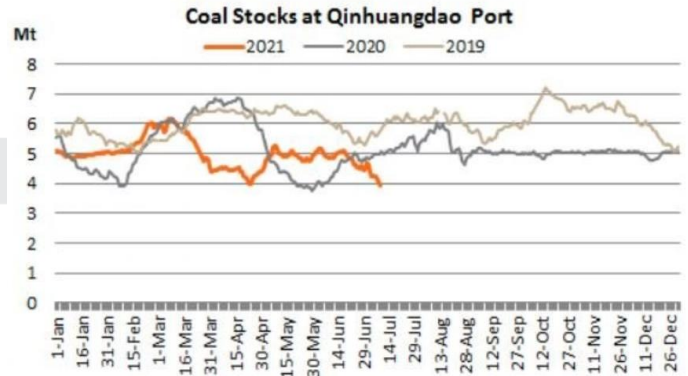


Fig 3 PSL's TC rates vs. Market TC BSI (US\$/ship/day)



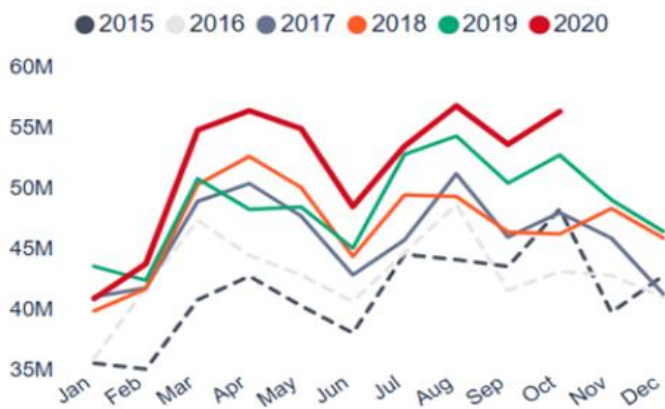
Source: Bloomberg and KS Research

Fig 4 Coal stocks at Qinhuangdao port in China



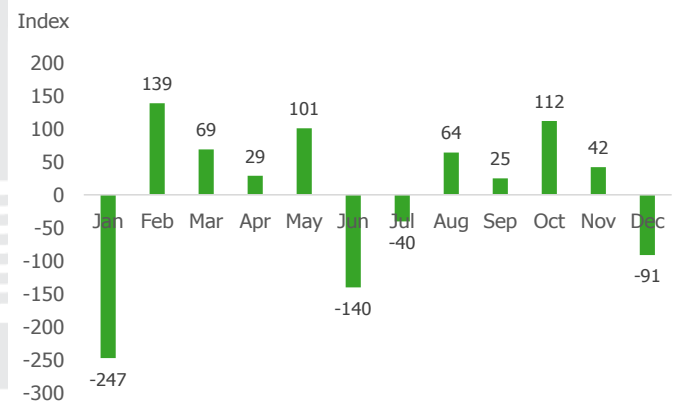
Source: Sxcoal

Fig 5 Global grain exports



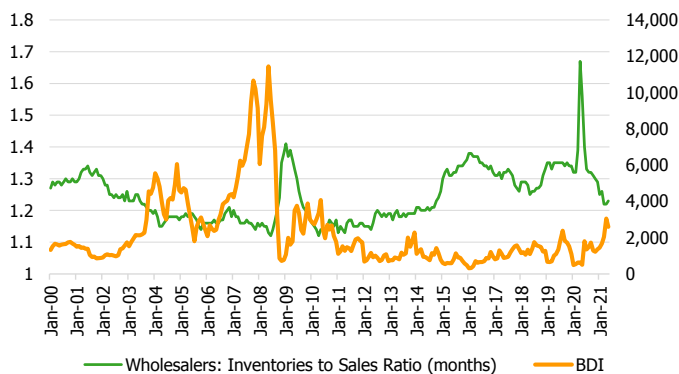
Source: Hellenicshippingnews

Fig 6 Baltic Dry Index seasonality chart (1986-2018)



Source: Seamatrix

Fig 7 Wholesale inventory-to-sales vs. BDI



Source: Bloomberg and Fred

Fig 8 Retail vs. wholesale inventory-to-sales



Source: Fred


Year-end 31 Dec

Income Statement (Btmn)	2019A	2020A	2021E	2022E	2023E	Cashflow (Btmn)	2019A	2020A	2021E	2022E	2023E
Revenue	4,152	3,730	8,319	8,611	7,537	Net profit	-228	-1,295	4,463	4,977	3,845
Cost of sales and services	-3,173	-3,226	-3,223	-3,244	-3,302	Depreciation & amortization	1,228	1,183	1,052	994	939
Gross Profit	979	504	5,096	5,367	4,235	Change in working capital	-12	362	-570	-4	149
SG&A	-546	-336	-380	-400	-400	Others	903	2,643	2	2	2
Other income	31	9	2	0	0	CF from operation activities	1,890	2,893	4,946	5,968	4,935
EBIT	478	-693	4,833	4,977	3,845	Capital expenditure	1,077	0	0	0	0
EBITDA	1,692	1,360	5,769	5,961	4,775	Investment in subs and affiliates	7	-5	-2	-2	-2
Interest expense	-703	-597	-370	0	0	Others	-1,511	0	0	0	0
Equity earnings	20	11	12	10	10	CF from investing activities	-427	-5	-2	-2	-2
EBT	-226	-1,290	4,463	4,977	3,845	Cash dividend	0	0	0	0	0
Income tax	-3	-4	0	0	0	Net proceeds from debt	-1,876	-2,635	-4,171	-5,856	0
NPAT	-228	-1,295	4,463	4,977	3,845	Capital raising	-0	0	0	0	0
Minority Interest	-0	0	0	0	0	Others	-133	-56	0	0	0
Core Profit	-223	-413	4,359	4,977	3,845	CF from financing activities	-2,009	-2,691	-4,171	-5,856	0
Extraordinary items	0	-867	-4	0	0	Net change in cash	-546	197	774	110	4,933
FX gain (loss)	-6	-15	108	0	0	Key Statistics & Ratios					
Reported net profit	-228	-1,295	4,463	4,977	3,845	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	-0.15	-0.83	2.86	3.19	2.47
Cash & equivalents	1,181	1,100	1,874	1,984	6,918	Core EPS	-0.14	-0.27	2.80	3.19	2.47
ST investments	0	0	0	0	0	DPS	0.00	0.00	0.00	0.00	0.00
Accounts receivable	183	169	394	396	352	BV	7.41	6.50	9.36	12.55	15.02
Inventories	176	35	102	104	0	EV	14.96	13.32	23.55	19.73	16.56
Other current assets	140	634	647	659	673	Free Cash Flow	1.90	1.86	3.17	3.83	3.16
Total current assets	1,681	1,938	3,017	3,145	7,943	Valuation analysis					
Investment in subs & others	85	91	92	94	96	Reported P/E (x)	-51.86	-9.15	7.34	6.58	8.52
Fixed assets-net	20,104	19,125	18,073	17,079	16,139	Core P/E (x)	-53.26	-28.67	7.51	6.58	8.52
Other assets	3,191	244	249	254	259	P/BV (x)	1.03	1.17	2.24	1.67	1.40
Total assets	25,061	21,397	21,431	20,572	24,437	EV/EBITDA (x)	13.79	15.27	6.37	5.16	5.41
Short-term debt	4,085	2,441	3,856	0	0	Price/Cash flow (x)	6.27	4.10	6.62	5.49	6.64
Accounts payable	71	277	0	0	0	Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Other current liabilities	557	621	634	646	659	Profitability ratios					
Total current liabilities	4,712	3,339	4,490	646	659	Gross margin (%)	23.58	13.51	61.26	62.32	56.19
Long-term debt	8,577	7,586	2,000	0	0	EBITDA margin (%)	40.76	36.47	69.35	69.22	63.35
Other liabilities	212	337	344	351	358	EBIT margin (%)	11.50	-18.59	58.10	57.80	51.02
Total liabilities	13,502	11,262	6,834	997	1,017	Net profit margin (%)	-5.50	-34.71	53.65	57.80	51.02
Paid-up capital	1,559	1,559	1,559	1,559	1,559	ROA (%)	-0.86	-5.57	20.84	23.70	17.09
Share premium	1,968	1,968	1,968	1,968	1,968	ROE (%)	-1.88	-11.94	36.09	29.13	17.89
Reserves & others, net	-860	-916	-916	-916	-916	Liquidity ratios					
Retained earnings	8,892	7,523	11,986	16,963	20,808	Current ratio (x)	0.36	0.58	0.67	4.87	12.05
Minority interests	0	0	0	0	0	Quick ratio (x)	0.29	0.38	0.51	3.68	11.03
Total shareholders' equity	11,559	10,135	14,598	19,574	23,420	Leverage Ratios					
Total equity & liabilities	25,061	21,397	21,431	20,572	24,437	Liabilities/Equity ratio (x)	1.17	1.11	0.47	0.05	0.04
Key Assumptions	2019A	2020A	2021E	2022E	2023E	Net debt/EBITDA (x)	6.78	6.56	0.69	-0.33	-1.45
Number of vessels	36	36	36	36	36	Net debt/equity (x)	0.99	0.88	0.27	-0.10	-0.30
Operating days	13,140	13,176	13,140	13,140	13,140	Int. coverage ratio (x)	0.68	-1.16	13.06	N/A	N/A
TC rates (US\$/day)	9,622	8,332	20,024	20,987	18,308	Growth					
USDTHB	29.8	31.0	30.9	30.5	30.5	Revenue (%)	-15.83	-10.16	123.03	3.51	-12.47
OPEX (US\$/day)	4,778	4,705	4,879	4,928	4,977	EBITDA (%)	-32.48	-19.62	324.09	3.32	-19.90
SG&A (US\$/day)	1,394	822	948	998	998	Reported net profit (%)	-150.09	-466.70	444.68	11.51	-22.73
Financial cost (US\$/day)	1,796	1,462	829	0	0	Reported EPS (%)	-150.09	-466.70	444.68	11.51	-22.73
Depreciation (US\$/day)	3,022	3,052	3,083	3,114	3,145	Core profit (%)	-148.59	-85.78	1,154.50	14.18	-22.73
Total cost (US\$/day)	10,990	10,041	9,740	9,040	9,121	Core EPS (%)	-148.59	-85.78	1,154.50	14.18	-22.73

Source: Company, KS estimates



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Neutral: Expected total return between -10% and 10% within a 12-month period
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