



Precious Shipping PCL

PSL TB Outperform

Target Price Bt 26.00

Price (15/10/2021) Bt 17.60

Upside % 47.73

Valuation PBV

Sector Transportation & Logistics

Market Cap Btm 27,444

30-day avg turnover Btm 614.30

No. of shares on issue m 1,559

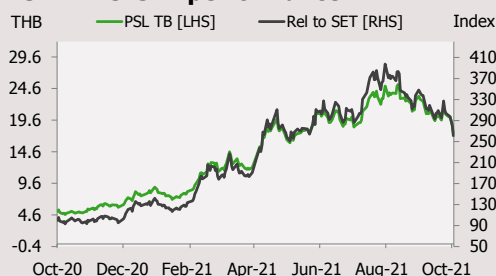
CG Scoring Excellent

Anti-Corruption Indicator Certified

Investment fundamentals

Year end Dec 31	2020A	2021E	2022E	2023E
Company Financials				
Revenue (Btmn)	3,730	8,623	9,231	8,079
Core profit (Btmn)	-413	4,053	4,681	3,701
Net profit (Btmn)	-1,295	4,215	4,681	3,701
Net EPS (Bt)	-0.83	2.70	3.00	2.37
DPS (Bt)	0.00	0.00	0.00	0.00
BVPS (Bt)	6.50	9.20	12.20	14.58
Net EPS growth (%)	-466.70	425.49	11.07	-20.93
ROA (%)	-5.57	19.80	22.72	16.91
ROE (%)	-11.94	34.43	28.05	17.73
Net D/E (x)	0.88	0.30	-0.07	-0.27
Valuation				
P/E (x)	-9.15	6.51	5.86	7.41
P/BV (x)	1.17	1.91	1.44	1.21
EV/EBITDA (x)	15.27	5.72	4.47	4.59
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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Analyst

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18 October 2021

Kasikorn Securities Public Company Limited

BSI at the highest level since 2008

- **Expect 3Q21 earnings to grow 64% QoQ and momentum to continue in 4Q21 given a 10% QoQ increase in Supramax TC rate.**
- **PSL denied involvement after 22 crew members were arrested in Nigeria for drug trafficking. Its insurance covered all fines related to the issue.**
- **Outperform with a TP of Bt26.0 pegged to a PBV of 1.8x and 2023E BVPS of Bt14.58. A 30% correction from a 3Q21 peak is a buying opportunity.**

Investment Highlights

- **Expect 3Q21 earnings to grow 64% QoQ to Bt1.36bn.** We expect PSL to book a net profit of Bt1.36bn in 3Q21, a significant improvement from a net loss of Bt22mn in 3Q20 and a net profit of Bt826mn in 2Q21, as the Supramax TC rate surged 34% QoQ and 246% YoY to USD34,325/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 4Q21 given that the TC rate is up 10% QoQ led by rising coal imports from China and India given extreme coal shortages.
- **Key risk to be China's slowing property sector and impact from China's winter steel production cut before the Winter Olympics.** According to Reuters, steel mills in some 28 cities in northern China will have to follow their output cut plans in 2021 and curtail $\geq 30\%$ YoY of steel production from Jan 1 to March 15, 2022. Maritime Strategies International estimates a 15% fall in steel demand could lead to a 50mn ton drop in steel use. This would translate into 80mn tons of iron ore and 50mn tons less of coking coal required, or 2.6% of seaborne dry bulk cargo trade of more than 5,000mn tons per year. As iron ore and coking coal are usually shipped by large dry bulk vessels (Capesize or Panamax), we see a limited impact for PSL's smaller ships.
- **PSL denied involvement after 22 crew members were arrested in Nigeria for drug trafficking.** PSL reported to SET that twenty-two crew members on board a PSL vessel carrying 46,000 metric tons of raw sugar were arrested in Nigeria for alleged drug trafficking on October 13. The case is under investigation by Nigerian authorities. There have been no charges yet against any crew member and/or the company. Cargo discharge is still continuing, albeit at a slow pace. We see no impact on PSL's P&L from this as its insurance covers possible fines related to the issue, while its customer will pay any penalty for any delay. PSL reported in its press release that it was not involved in any manner with any illegal activity. As a result, there will be no misconduct or ESG issues with the company. If the crew members are found guilty, they will be held solely responsible and go to jail.

Valuation and Recommendation

- **Outperform with a target price of Bt26.00.** Our target is pegged to a PBV of 1.8x, +2.5SD its historical mean, and 2023 BVPS of Bt14.58. PSL's share price has corrected by 30% from its peak of Bt25.00 in 3Q21 although the Supramax TC rate continued to hit a new high near US\$40,000/ship/day due to concerns over China's economic slowdown and its steel production cut. The share price run-down implies that the market expects the Supramax TC rate to move down by 30% to US\$28,000, as occurred in 1Q21. However, we believe there is a low probability for this scenario occurring given that global trade is strong (+4% p.a. in 2022-23) and supply is tight with the order-book-to fleet ratio at a historical low of 5.4%.
- **Key risks:** Volatile freight rates.



Fig 1 Earnings revisions

Unit: Btmn.	2021E			2022E			2023E		
	New	Previous	%Change	New	Previous	%Change	New	Previous	%Change
Profit and loss statements									
Total revenue	8,623	8,289	4.0	9,231	8,611	7.2	8,079	7,537	7.2
Cost of goods sold	3,526	3,292	7.1	3,687	3,244	13.6	3,727	3,302	12.9
Gross profit	5,096	4,997	2.0	5,545	5,367	3.3	4,351	4,235	2.7
SG&A	615	595	3.4	720	600	20.0	660	600	10.0
Operating profit	4,484	4,405	1.8	4,825	4,767	1.2	3,691	3,635	1.5
EBITDA	5,536	5,457	1.4	5,819	5,761	1.0	4,630	4,575	1.2
EBIT	4,659	4,580	1.7	4,835	4,777	1.2	3,701	3,645	1.5
Core profit	4,053	3,974	2.0	4,681	4,623	1.3	3,701	3,645	1.5
Net profit	4,215	4,136	1.9	4,681	4,623	1.3	3,701	3,645	1.5
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)	19,925	19,919	0.0	20,987	20,987	0.0	18,308	18,308	0.0
USDTHB	31.91	30.90	3.3	32.75	30.50	7.4	32.75	30.50	7.4
OPEX (US\$/day)	5,175	4,879	6.1	5,400	4,928	9.6	5,400	4,977	8.5
SG&A (US\$/day)	1,466	1,464	0.1	1,673	1,497	11.8	1,534	1,497	2.4

Source: Company data, KS Research

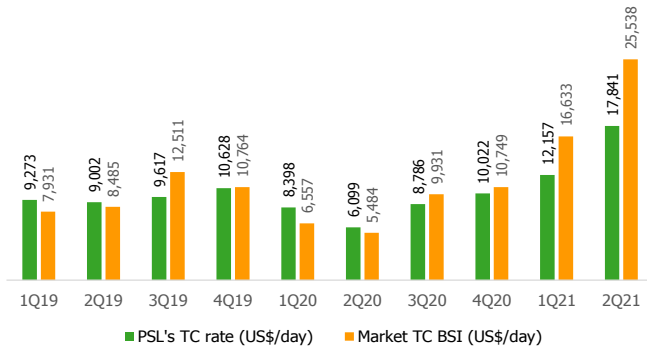
Fig 2 3Q21 performance preview

	3Q20	4Q20	1Q21	2Q21	3Q21E	%YoY	%QoQ	%YTD2021E	2021E
Financials									
Sales (Btmn)	944	1,050	1,246	1,918	2,580	173.2	34.5	66.6	8,623
EBITDA (Btmn)	412	421	671	873	1,464	254.9	67.6	54.3	5,536
Operating profit (Btmn)	107	162	384	873	1,464	1,262.0	67.6	60.7	4,484
Core profit (Btmn)	-35	64	271	769	1,357	n.a.	76.4	59.1	4,053
Net profit (Btmn)	-22	27	375	826	1,357	n.a.	64.2	60.7	4,215
Net EPS (Bt)	-0.01	0.02	0.24	0.53	0.87	n.a.	64.2	60.7	2.70
Performance Drivers									
Number of vessels	36	36	36	36	36	0.0	0.0	300.0	36
Operating days	3,312	3,312	3,285	3,285	3,285	-0.8	0.0	75.0	13,140
TC rates (US\$/day)	8,786	10,022	12,157	17,841	23,407	166.4	31.2	268.0	19,925
USDTHB	31.5	30.5	30.5	31.5	32.9	4.4	4.4	297.4	32
OPEX (US\$/day)	4,617	5,067	4,800	4,800	5,550	20.2	15.6	292.8	5,175
SG&A (US\$/day)	723	649	802	1,587	1,712	136.7	7.8	279.8	1,466
Ratios						Change	Avg YTD	2021E	
Gross margin (%)	19.3	23.9	37.2	54.0	63.9	44.6	9.9	51.7	59.1
EBITDA margin (%)	43.7	40.1	53.9	45.5	56.7	13.1	11.2	52.1	64.2
Optg. margin (%)	11.4	15.5	30.9	45.5	56.7	45.4	11.2	44.4	52.0
ROE (%)	-0.2	0.3	3.6	0.0	0.0	0.2	0.0	1.2	34.4

Source: Company data, KS Research



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



Source: Company and KS Research

Fig 4 BSI vs. BDI



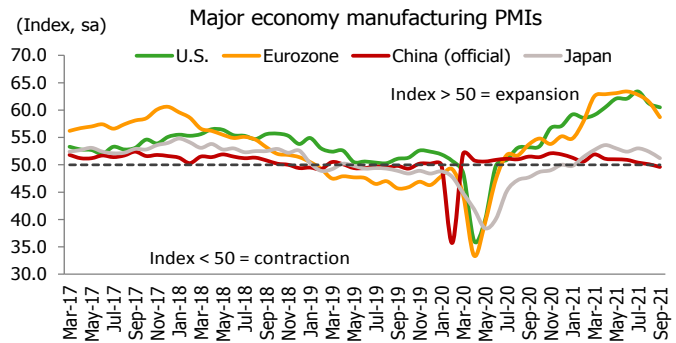
Source: Bloomberg and KS Research

Fig 5 Retail vs. wholesale inventory-to-sales



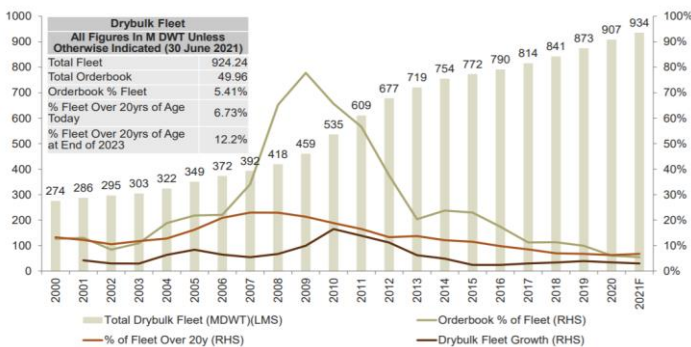
Source: Fred

Fig 6 Major economy manufacturing PMIs



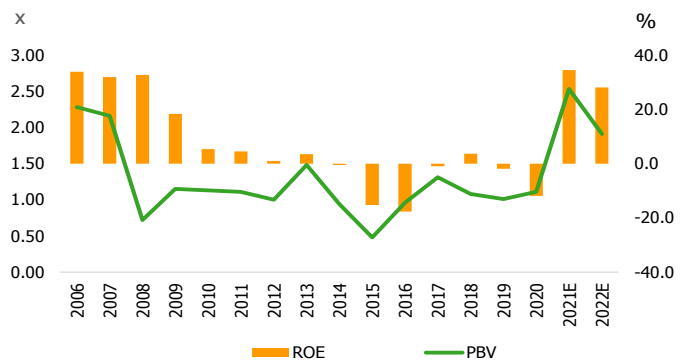
Source Bloomberg and KS Research

Fig 7 Global dry bulk ship fleet and orderbook



Source: Company data

Fig 8 PSL's valuation (PBV vs. ROE)



Source Bloomberg and KS Research

Fig 9 2022 target price based on PBV multiple

Implied SD	-2.0SD	-1.5SD	-1.0SD	-0.5SD	Mean	+0.5SD	+1.0SD	+1.5SD	+2.0SD	+2.5SD	+3SD
PBV multiple	0.6	0.7	0.8	1.0	1.1	1.2	1.4	1.5	1.6	1.8	1.9
Fair value (Bt/shr)	8.7	10.2	11.7	14.6	15.9	17.5	20.4	21.9	23.3	26.2	27.7

Source: KS Research


Year-end 31 Dec

Income Statement (Btmn)	2019A	2020A	2021E	2022E	2023E	Cashflow (Btmn)	2019A	2020A	2021E	2022E	2023E
Revenue	4,152	3,730	8,623	9,231	8,079	Net profit	-228	-1,295	4,215	4,681	3,701
Cost of sales and services	-3,173	-3,226	-3,526	-3,687	-3,727	Depreciation & amortization	1,228	1,183	1,052	994	939
Gross Profit	979	504	5,096	5,545	4,351	Change in working capital	-12	362	-585	-18	152
SG&A	-546	-336	-615	-720	-660	Others	903	2,643	2	2	2
Other income	31	9	3	0	0	CF from operation activities	1,890	2,893	4,683	5,658	4,794
EBIT	478	-693	4,659	4,835	3,701	Capital expenditure	1,077	0	0	0	0
EBITDA	1,692	1,360	5,536	5,819	4,630	Investment in subs and affiliates	7	-5	-2	-2	-2
Interest expense	-703	-597	-444	-154	0	Others	-1,511	0	0	0	0
Equity earnings	20	11	13	10	10	CF from investing activities	-427	-5	-2	-2	-2
EBT	-226	-1,290	4,215	4,681	3,701	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	4,215	4,681	3,701	Capital raising	-0	0	0	0	0
Minority Interest	-0	0	0	0	0	Others	-133	-56	0	0	0
Core Profit	-223	-413	4,053	4,681	3,701	CF from financing activities	-2,009	-2,691	-4,171	-5,856	0
Extraordinary items	0	-867	1	0	0	Net change in cash	-546	197	511	-199	4,792
FX gain (loss)	-6	-15	160	0	0	Key Statistics & Ratios					
Reported net profit	-228	-1,295	4,215	4,681	3,701	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	-0.15	-0.83	2.70	3.00	2.37
Cash & equivalents	1,181	1,100	1,611	1,412	6,204	Core EPS	-0.14	-0.27	2.60	3.00	2.37
ST investments	0	0	0	0	0	DPS	0.00	0.00	0.00	0.00	0.00
Accounts receivable	183	169	409	425	377	BV	7.41	6.50	9.20	12.20	14.58
Inventories	176	35	102	104	0	EV	14.96	13.32	20.32	16.69	13.62
Other current assets	140	634	647	659	673	Free Cash Flow	1.90	1.86	3.00	3.63	3.07
Total current assets	1,681	1,938	2,769	2,601	7,254	Valuation analysis					
Investment in subs & others	85	91	92	94	96	Reported P/E (x)	-51.86	-9.15	6.51	5.86	7.41
Fixed assets-net	20,104	19,125	18,073	17,079	16,139	Core P/E (x)	-53.26	-28.67	6.77	5.86	7.41
Other assets	3,191	244	249	254	259	P/BV (x)	1.03	1.17	1.91	1.44	1.21
Total assets	25,061	21,397	21,183	20,028	23,749	EV/EBITDA (x)	13.79	15.27	5.72	4.47	4.59
Short-term debt	4,085	2,441	3,856	0	0	Price/Cash flow (x)	6.27	4.10	5.86	4.85	5.72
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	59.10	60.06	53.86
Long-term debt	8,577	7,586	2,000	0	0	EBITDA margin (%)	40.76	36.47	64.20	63.03	57.32
Other liabilities	212	337	344	351	358	EBIT margin (%)	11.50	-18.59	54.03	52.37	45.81
Total liabilities	13,502	11,262	6,834	997	1,017	Net profit margin (%)	-5.50	-34.71	48.88	50.71	45.81
Paid-up capital	1,559	1,559	1,559	1,559	1,559	ROA (%)	-0.86	-5.57	19.80	22.72	16.91
Share premium	1,968	1,968	1,968	1,968	1,968	ROE (%)	-1.88	-11.94	34.43	28.05	17.73
Reserves & others, net	-860	-916	-916	-916	-916	Liquidity ratios					
Retained earnings	8,892	7,523	11,738	16,419	20,120	Current ratio (x)	0.36	0.58	0.62	4.02	11.00
Minority interests	0	0	0	0	0	Quick ratio (x)	0.29	0.38	0.45	2.84	9.98
Total shareholders' equity	11,559	10,135	14,349	19,030	22,731	Leverage Ratios					
Total equity & liabilities	25,061	21,397	21,183	20,028	23,749	Liabilities/Equity ratio (x)	1.17	1.11	0.48	0.05	0.04
Key Assumptions	2019A	2020A	2021E	2022E	2023E	Net debt/EBITDA (x)	6.78	6.56	0.77	-0.24	-1.34
Number of vessels	36	36	36	36	36	Net debt/equity (x)	0.99	0.88	0.30	-0.07	-0.27
Operating days	13,140	13,176	13,140	13,140	13,140	Int. coverage ratio (x)	0.68	-1.16	10.49	31.45	N/A
TC rates (US\$/day)	9,622	8,332	19,925	20,987	18,308	Growth					
USDTHB	29.8	31.0	31.9	32.8	32.8	Revenue (%)	-15.83	-10.16	131.16	7.06	-12.49
OPEX (US\$/day)	4,778	4,705	5,175	5,400	5,400	EBITDA (%)	-32.48	-19.62	306.95	5.11	-20.42
SG&A (US\$/day)	1,394	822	1,466	1,673	1,534	Reported net profit (%)	-150.09	-466.70	425.49	11.07	-20.93
Financial cost (US\$/day)	1,796	1,462	1,042	357	0	Reported EPS (%)	-150.09	-466.70	425.49	11.07	-20.93
Depreciation (US\$/day)	3,022	3,052	3,083	3,114	3,145	Core profit (%)	-148.59	-85.78	1,080.58	15.49	-20.93
Total cost (US\$/day)	10,990	10,041	10,765	10,544	10,079	Core EPS (%)	-148.59	-85.78	1,080.58	15.49	-20.93

Source: Company, KS estimates



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