

Thailand Company Update

Precious Shipping

Bloomberg: PSL TB | Reuters: PSL.BK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

19 Apr 2023

HOLD

Last Traded Price (18 Apr 2023): Bt14.10 (SET : 1,593.85)
 Price Target 12-mth: Bt15.50 (10% upside) (Prev Bt15.50)

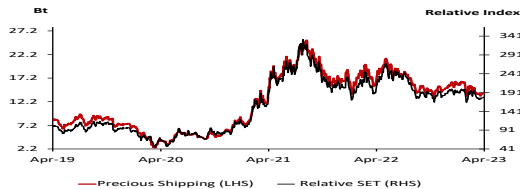
Analyst

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What's New

- The average BDI, BSI, and BHSI are still dipping y-o-y in 1Q23
- Preview 1Q23F net profit of Bt47m, plunging 87% y-o-y and 91% q-o-q
- Moderate demand supply trend in 2023F, but expect rates to improve in 2H23F
- Maintain HOLD with TP of Bt15.50

Price Relative



Forecasts and Valuation

FY Dec (Btm)	2021A	2022A	2023F	2024F
Revenue	8,615	9,129	6,361	5,579
EBITDA	5,970	6,582	3,884	3,050
Pre-tax Profit	4,450	4,866	2,250	1,459
Net Profit	4,475	4,850	2,257	1,463
Net Pft (Pre Ex.)	4,367	4,850	2,257	1,463
Net Pft Gth (Pre-ex) (%)	nm	11.1	(53.5)	(35.2)
EPS (Bt)	2.87	3.11	1.45	0.94
EPS Pre Ex. (Bt)	2.80	3.11	1.45	0.94
EPS Gth Pre Ex (%)	nm	11	(53)	(35)
Diluted EPS (Bt)	2.87	3.11	1.45	0.94
Net DPS (Bt)	1.75	1.75	1.00	1.00
BV Per Share (Bt)	9.21	10.6	11.0	10.9
PE (X)	4.9	4.5	9.7	15.0
PE Pre Ex. (X)	5.0	4.5	9.7	15.0
P/Cash Flow (X)	3.7	3.3	6.2	7.9
EV/EBITDA (X)	4.6	4.2	6.7	8.2
Net Div Yield (%)	12.4	12.4	7.1	7.1
P/Book Value (X)	1.5	1.3	1.3	1.3
Net Debt/Equity (X)	0.4	0.3	0.2	0.2
ROAE (%)	36.5	31.5	13.4	8.6
Earnings Rev (%):		0	0	0
Consensus EPS (Bt):		2.14	1.96	2.42
Other Broker Recs:		B: 6	S: 0	H: 4

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

COVERAGE OF THE FOLLOWING STOCK IS SUSPENDED WEF TODAY DUE TO REALLOCATION OF RESOURCES

Slight profit expected in 1Q23F

Investment Thesis:

A pure dry cargo ship-owning company riding on healthy rate expectations, though coming in softer. Precious Shipping (PSL) is one of Thailand's leading dry bulk shipping companies. It currently has 38 operating vessels of various sizes – Handysize, Supramax, and Ultramax. We expect PSL to be a prime beneficiary of healthy rates in the dry bulk shipping industry.

Expect weaker bottom line but will remain profitable despite weaker TC rate outlook in FY23F-FY24F. The Baltic Exchange Dry Index (BDI) has started to trend down. Similarly, the Baltic Exchange Supramax Index (BSI) and Baltic Exchange Handysize Index (BHSI) have also been declining YTD, but we expect rates to remain healthy amid China's reopening. As a result, we expect a weaker bottom line but also expect PSL to remain profitable, with profit of Bt2.3bn (-53% y-o-y) in FY23F and Bt1.5bn (-35% y-o-y) in FY24F.

Solid China recovery could drive TC rate and re-rate the share price. As China plays a major role in global trade, we expect the lifting of its zero-COVID policy and its improving property market may lead to higher trade activity and have a positive impact on the dry bulk market.

We maintain HOLD with unchanged TP of Bt15.50. Our target price (TP) of Bt15.50 is based on 1.4x FY23F BVPS. Though we see a 5% downside to our target price, PSL offers a decent dividend yield of 6%, which is based on a conservative DPS assumption.

Key Risks

A decline in trade activity, a slowdown in the global economy, or increased new supply – surpassing demand growth – are some of the key risks.

At A Glance

Issued Capital (m shrs)	1,559
Mkt. Cap (Btm/US\$m)	21,986 / 641
Major Shareholders (%)	
Globex Corp Ltd	28.4
Thai NVDR	9.6
GRAIN TRADE CO LTD	8.3
Free Float (%)	47.6
3m Avg. Daily Val (US\$m)	4.2
GIC Industry : Industrials / Transportation	

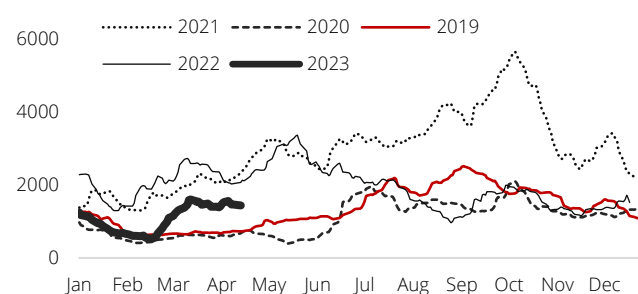
WHAT'S NEW

Slight profit expected in 1Q23F

BDI, BSI, and BHSI are still dipping y-o-y. Dry bulk rates are slightly volatile in 1Q23, but the average BDI, BSI, and BHSI all dropped y-o-y and q-o-q in 1Q23. Nonetheless, we believe that the 1Q23 downtrend was also a result of seasonality and an early start to the Chinese New Year. We believe that weaker rates were on the back of several macroeconomic headwinds, the improving port congestion situation, and weaker-than-expected outlook from China.

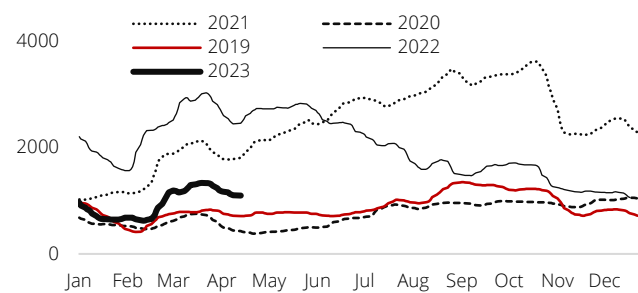
Additionally, despite an uptrend in mid-March, dry bulk markets have started to dip again in April 2023 and are still hovering below the 2022 level. The BDI stood at 1,435 on 14 April 2023. Similarly, the BSI dropped to 1,096 while the BHSI stood at 628 for the same period, below the 2022 level.

BDI



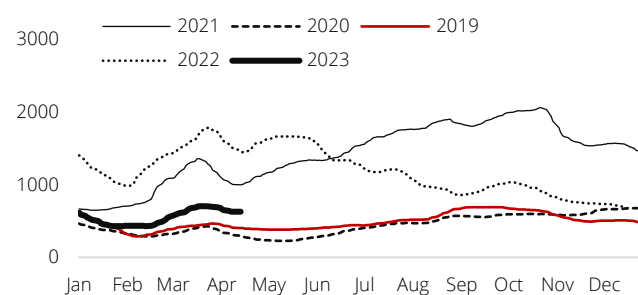
Source: Bloomberg Finance L.P., company, DBSVTH

BSI



Source: Bloomberg Finance L.P., company, DBSVTH

BHSI

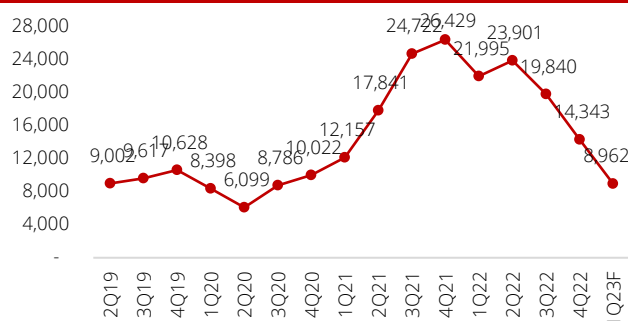


Source: Bloomberg Finance L.P., company, DBSVTH

Expect slightly positive 1Q23F earnings but a drop y-o-y and q-o-q.

As the company's fleets comprise Supramax and Handysize vessels, we expect its benchmark TC rate to average at around US\$10,100-10,200/day/ship for Supramax and US\$9,700-9,800/day/ship for Handysize, with the company's average TC rate to come in below the benchmark at c.US\$8,900-9,000/day/ship (-59% y-o-y and -38% q-o-q) due to different type of vessels in 1Q23F. As a result, we expect 1Q23F revenue of Bt1.1bn, (-51% y-o-y and -35% q-o-q). With the company's operating expenses per vessel remaining stable, while the TC rate is still slightly above the company's breakeven point at the operating level, we expect PSL to still post net profit in 1Q23F, but of only Bt47m (plunging 87% y-o-y and 91% q-o-q).

Expect PSL's TC rate (US\$/day/ship) to decline y-o-y and q-o-q in 1Q23F



Source of all data: Company, DBSVTH

Moderate demand supply trend in 2023F, but expect rates to improve in 2H23F with orderbook data remaining supportive.

Clarkson projected in March that tonne-mile demand will rise 1.9% in 2023F vs. net supply growth of 2.0% for the same period. The orderbook ratio is still at around the 30-year low, at 7% of world fleet capacity. Meanwhile, fleet recycling should pick up in 2023 and we expect to see slower new orders amid emission regulations like EEXI and CII that become effective in early January 2023. These should help keep rates at a healthy level.

Additionally, we expect dry bulk rates to improve in 2H23F on the back of seasonality; China's reopening, which should support demand; and easing global economic headwinds.

On top of this, tonne-mile demand is expected to rise 2.3% in 2024F, surpassing supply growth of 0.6%, according to Clarkson, which should support a healthy rate in 2024F as well.

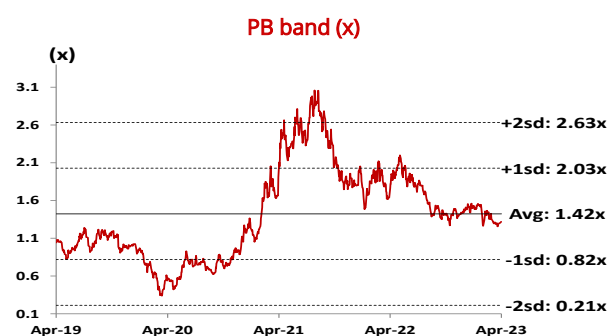
Maintain HOLD with TP of Bt15.50. We believe that dry bulk rates have peaked out as the market normalises but expect it to remain above its breakeven point, with net profit expected in FY23F, even though we see a downside risk to our FY23F forecast due to our TC rate assumptions of c.US\$14,000/day/ship. Coupled with the

improving outlook in China amid the country's reopening, low orderbook ratio, and decent dividend yield of 7% for FY23F-24F based on a conservative DPS assumption of Bt1.0, we maintain our HOLD recommendation with TP of Bt15.50, pegged to 1.4x FY23F BVPS.

Company Background

Precious Shipping (PSL) is a purely dry cargo ship-owning company that operates in the geared sector with a fleet size that ranges from 10,000-69,000 DWT for the tramp freight market globally. The geared sector can be broken down into the Handysize sector and Supramax/Ultramax sector. The Handysize sector includes vessels that can carry 10,000-39,999 DWT while the Supramax/Ultramax sector includes ship sizes of 40,000-69,999 DWT. Currently, the company has a total of 38 vessels that it owns under its operation.

Historical PE and PB band



Source: Bloomberg Finance L.P., DBSVTH estimates

Quarterly / Interim Income Statement (Btm)

FY Dec	1Q2022	4Q2022	1Q2023F	% chg yoy	% chg qoq
Revenue	2,281	1,732	1,123	(50.8)	(35.1)
Cost of Goods Sold	(470)	(520)	(500)	6.4	(3.9)
Gross Profit	1,811	1,211	623	(65.6)	(48.6)
Other Oper. (Exp)/Inc	(131)	(151)	(135)	2.8	(10.5)
Operating Profit	1,383	709	138	(90.0)	(80.5)
Other Non Opg (Exp)/Inc	0.94	10.9	5.00	434.8	(54.0)
Associates & JV Inc	1.88	10.5	10.0	432.5	(4.5)
Net Interest (Exp)/Inc	(81.9)	(109)	(108)	(32.0)	1.0
Exceptional Gain/(Loss)	(9.2)	(44.6)	0.0	nm	(100.0)
Pre-tax Profit	1,296	576	46.1	(96.4)	(92.0)
Tax	(2.3)	(26.5)	1.00	(143.6)	(103.8)
Minority Interest	0.0	0.0	0.0	nm	580.3
Net Profit	1,294	549	47.1	(96.4)	(91.4)
Net profit bef Except.	1,303	594	47.1	(96.4)	(92.1)
EBITDA	1,684	1,081	504	(70.1)	(53.4)
Margins (%)					
Gross Margins	79.4	70.0	55.5		
Opg Profit Margins	60.6	40.9	12.3		
Net Profit Margins	56.7	31.7	4.2		

Source of all data: Company, DBSVTH

Precious Shipping

Key Assumptions

FY Dec	2020A	2021A	2022A	2023F	2024F
No. of vessels	36	36	36	38	38
TC rate/day/ship (USD)	8,332	20,338	19,924	13,752	11,787
Opex/day/ship (USD)	4,705	5,090	4,895	4,895	4,895
Depreciation (Btm)	1,213	1,214	1,324	1,332	1,339
Baht/US\$	31.00	31.50	34.00	34.00	34.00

Segmental Breakdown

FY Dec	2020A	2021A	2022A	2023F	2024F
Revenues (Btm)					
Vessel operating	3,726	8,612	9,125	6,357	5,574
Service	3.77	3.63	3.94	4.34	4.90
Total	3,730	8,615	9,129	6,361	5,579

Income Statement (Btm)

FY Dec	2020A	2021A	2022A	2023F	2024F
Revenue	3,730	8,615	9,129	6,361	5,579
Cost of Goods Sold	(2,013)	(2,091)	(2,076)	(2,033)	(2,080)
Gross Profit	1,717	6,525	7,052	4,329	3,499
Other Opng (Exp)/Inc	(336)	(581)	(517)	(491)	(498)
Operating Profit	168	4,730	5,212	2,506	1,662
Other Non Opng (Exp)/Inc	8.52	1.87	14.6	15.3	16.1
Associates & JV Inc	10.8	22.8	29.1	28.0	30.0
Net Interest (Exp)/Inc	(597)	(415)	(392)	(302)	(252)
Exceptional Gain/(Loss)	(705)	108	0.0	0.0	0.0
Pre-tax Profit	(1,114)	4,450	4,866	2,250	1,459
Tax	(181)	25.4	(15.3)	7.01	4.51
Minority Interest	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	(1,295)	4,475	4,850	2,257	1,463
Net Profit before Except.	(590)	4,367	4,850	2,257	1,463
EBITDA	1,401	5,970	6,582	3,884	3,050
Growth					
Revenue Gth (%)	(10.2)	131.0	6.0	(30.3)	(12.3)
EBITDA Gth (%)	(16.0)	326.0	10.3	(41.0)	(21.5)
Opg Profit Gth (%)	(61.1)	2,708.6	10.2	(51.9)	(33.7)
Net Profit Gth (Pre-ex) (%)	(163.9)	nm	11.1	(53.5)	(35.2)
Margins & Ratio					
Gross Margins (%)	46.0	75.7	77.3	68.0	62.7
Opg Profit Margin (%)	4.5	54.9	57.1	39.4	29.8
Net Profit Margin (%)	(34.7)	51.9	53.1	35.5	26.2
ROAE (%)	(11.9)	36.5	31.5	13.4	8.6
ROA (%)	(5.6)	19.9	20.3	9.5	6.4
ROCE (%)	0.7	21.7	22.3	10.9	7.4
Div Payout Ratio (%)	N/A	61.0	56.3	69.1	106.6
Net Interest Cover (x)	0.3	11.4	13.3	8.3	6.6

Source: Company, DBSVTH

Precious Shipping

Quarterly Income Statement (Btm)

FY Dec	1Q2022	2Q2022	3Q2022	4Q2022	1Q2023F
Revenue	2,281	2,616	2,500	1,732	1,123
Cost of Goods Sold	(470)	(456)	(630)	(520)	(500)
Gross Profit	1,811	2,160	1,870	1,211	623
Other Oper. (Exp)/Inc	(131)	(116)	(118)	(151)	(135)
Operating Profit	1,383	1,725	1,394	709	138
Other Non Opg (Exp)/Inc	0.94	1.10	1.70	10.9	5.00
Associates & JV Inc	1.88	6.61	10.2	10.5	10.0
Net Interest (Exp)/Inc	(81.9)	(94.8)	(107)	(109)	(108)
Exceptional Gain/(Loss)	(9.2)	16.6	37.6	(44.6)	0.0
Pre-tax Profit	1,296	1,656	1,339	576	46.1
Tax	(2.3)	4.14	9.40	(26.5)	1.00
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	1,294	1,660	1,348	549	47.1
Net profit bef Except.	1,303	1,643	1,310	594	47.1
EBITDA	1,684	2,052	1,765	1,081	504

Growth

Revenue Gth (%)	(18.9)	14.7	(4.5)	(30.7)	(35.1)
EBITDA Gth (%)	(21.8)	21.9	(14.0)	(38.8)	(53.4)
Opg Profit Gth (%)	(24.5)	24.8	(19.2)	(49.1)	(80.5)
Net Profit Gth (Pre-ex) (%)	(26.1)	26.1	(20.3)	(54.7)	(92.1)

Margins

Gross Margins (%)	79.4	82.6	74.8	70.0	55.5
Opg Profit Margins (%)	60.6	65.9	55.8	40.9	12.3
Net Profit Margins (%)	56.7	63.4	53.9	31.7	4.2

Balance Sheet (Btm)

FY Dec	2020A	2021A	2022A	2023F	2024F
Net Fixed Assets	19,125	20,285	22,048	20,966	19,877
Invts in Associates & JVs	74.3	91.2	80.6	109	139
Other LT Assets	260	345	618	649	681
Cash & ST Invts	1,100	2,468	1,056	873	1,847
Inventory	34.6	21.6	41.8	31.0	31.8
Debtors	169	175	279	158	139
Other Current Assets	634	144	181	190	199
Total Assets	21,397	23,531	24,304	22,976	22,914
ST Debt	2,436	1,409	1,162	500	500
Creditor	277	354	584	455	466
Other Current Liab	627	154	121	123	124
LT Debt	7,606	6,824	5,556	4,300	4,300
Other LT Liabilities	318	425	417	438	460
Shareholder's Equity	10,134	14,365	16,463	17,160	17,064
Minority Interests	0.03	0.04	0.04	0.04	0.04
Total Cap. & Liab.	21,397	23,531	24,304	22,976	22,914
Non-Cash Wkg. Capital	(66.4)	(167)	(204)	(198)	(219)
Net Cash/(Debt)	(8,941)	(5,764)	(5,662)	(3,927)	(2,953)
Debtors Turn (avg days)	17.2	7.3	9.1	12.6	9.7
Creditors Turn (avg days)	183.6	131.3	227.8	270.6	226.9
Inventory Turn (avg days)	48.2	11.7	15.4	19.0	15.5
Asset Turnover (x)	0.2	0.4	0.4	0.3	0.2
Current Ratio (x)	0.6	1.5	0.8	1.2	2.0
Quick Ratio (x)	0.4	1.4	0.7	1.0	1.8
Net Debt/Equity (X)	0.9	0.4	0.3	0.2	0.2
Net Debt/Equity ex MI (X)	0.9	0.4	0.3	0.2	0.2
Capex to Debt (%)	2.7	3.1	36.4	5.2	5.2
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBSVTH

Cash Flow Statement (Btm)

FY Dec	2020A	2021A	2022A	2023F	2024F
Pre-Tax Profit	(1,114)	4,450	4,866	2,250	1,459
Dep. & Amort.	1,213	1,214	1,324	1,332	1,339
Tax Paid	0.0	0.0	0.0	0.0	0.0
Assoc. & JV Inc/(loss)	(10.8)	(22.8)	(29.1)	(28.0)	(30.0)
Chg in Wkg.Cap.	(10.8)	(22.8)	(29.1)	(28.0)	(30.0)
Other Operating CF	1,787	278	472	29.5	55.5
Net Operating CF	1,864	5,895	6,604	3,555	2,794
Capital Exp.(net)	(273)	(256)	(2,446)	(250)	(250)
Other Invs.(net)	3.16	0.0	0.0	0.0	0.0
Invs in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	1,267	20.6	30.2	(30.9)	(32.4)
Net Investing CF	997	(235)	(2,416)	(281)	(282)
Div Paid	0.0	(1,559)	(3,508)	(1,559)	(1,559)
Chg in Gross Debt	(2,294)	(2,186)	(1,514)	(1,918)	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(648)	(547)	(579)	20.9	21.9
Net Financing CF	(2,942)	(4,292)	(5,601)	(3,457)	(1,537)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	(80.7)	1,368	(1,413)	(182)	974
Opg CFPS (Bt)	1.20	3.80	4.25	2.30	1.81
Free CFPS (Bt)	1.02	3.62	2.67	2.12	1.63

Source: Company, DBSVTH

Target Price & Ratings 12-mth History



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

Source: DBSVTH

Analyst: Leena Phaerakkakit

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	08 Aug 22	16.80	17.40	HOLD
2:	07 Nov 22	14.70	15.50	HOLD
3:	13 Feb 23	15.30	15.50	HOLD

THAI-CAC
Corporate Governance CG Rating

THAI-CAC is Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of May 2018) are categorised into:

Corporate Governance CG Rating is based on Thai Institute of Directors (IOD)'s annual assessment of corporate governance practices of listed companies. The assessment covers 235 criteria in five categories including board responsibilities (35% weighting), disclosure and transparency (20%), role of stakeholders (20%), equitable treatment of shareholders (10%) and rights of shareholders (15%). The IOD then assigns numbers of logos to each company based on their scoring as follows:

Certified



Score	Description	
Declared	Companies that have declared their intention to join CAC	
Certified	Companies certified by CAC.	
Score	Range Number of Logo	Description
90-100		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	No logo given	N/A

DBSVTH recommendations are based on an Absolute Total Return* Rating system, defined as follows:

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

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

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

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

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

*Share price appreciation + dividends

Completed Date: 19 Apr 2023 06:22:02 (THA)

Dissemination Date: 19 Apr 2023 08:18:54 (THA)

Sources for all charts and tables are DBSVTH unless otherwise specified.

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