



Precious Shipping PCL

PSL TB Neutral

Target Price Bt 9.10

Price (03/11/2023) Bt 8.75

Upside % 4.00

Valuation PBV

Sector Transportation & Logistics

Market Cap Btm 13,644

30-day avg turnover Btm 118.59

No. of shares on issue m 1,559

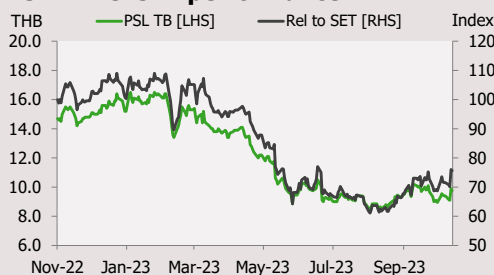
CG Scoring (IOD-Y2022) Excellent

Anti-Corruption Indicator Certified

Investment fundamentals

Year end Dec 31	2022A	2023E	2024E	2025E
Company Financials				
Revenue (Btmn)	9,143	5,143	5,219	6,345
Core profit (Btmn)	4,851	661	318	1,471
Net profit (Btmn)	4,851	783	318	1,471
Net EPS (Bt)	3.11	0.50	0.20	0.94
DPS (Bt)	1.75	0.20	0.10	0.50
BVPS (Bt)	10.56	10.86	10.96	11.41
Net EPS growth (%)	8.40	-83.86	-59.38	362.73
ROA (%)	20.28	3.20	1.32	6.29
ROE (%)	31.47	4.69	1.87	8.44
Net D/E (x)	0.34	0.33	0.26	0.17
Valuation				
P/E (x)	5.18	17.43	42.91	9.27
P/BV (x)	1.52	0.81	0.80	0.77
EV/EBITDA (x)	4.69	7.64	8.40	5.32
Dividend yield (%)	10.87	2.28	1.17	5.72

PSL TB rel SET performance



Source: LSEG, KS (all figures in THB unless noted)

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Analyst

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6 November 2023

Kasikorn Securities Public Company Limited

Buffeted by the storm

- ▶ **3Q23 earnings of Bt98mn (-93% YoY, -66% QoQ).** Excluding extra items, core profit was Bt29mn, below our forecast. TC rate fell 15% QoQ.
- ▶ **Cut 2023-25E core profit by 20%/88%/64%** due to lower-than-expected freight rate outlook and higher interest expenses.
- ▶ **Downgrade to Neutral with TP of Bt9.10 (from Bt12.50),** based on end-2025 BV of Bt11.41/sh and lower PBV of 0.8x (-1SD) from 1.0x (-0.5SD).

Investment Highlights

- ▶ **3Q23 earnings of Bt98mn (-93% YoY, -66% QoQ).** Excluding gains on derivatives and FX of Bt69mn from the unwinding of several interest rate swap agreements, PSL's core earnings were Bt29mn (-98% YoY, -89% QoQ). Core earnings missed our estimate by 63% due to a lower-than-expected TC rate and higher-than-expected interest expenses. PSL booked a weak 3Q23 TC rate of USD9,741/ship/day (-51% YoY, -15% QoQ) due to China's stalling economy. The average TC rate of PSL's Supra/Ultramax vessels in 3Q23 was USD10,185, which outperformed the BSI TC rate by 2%. The average TC rate of its Handysize vessels was USD8,863, outperforming the BHSI TC rate by 6%. OPEX was flat YoY and QoQ at USD5,141/ship/day, while SG&A expense (in THB) fell 4% YoY due to a decrease in variable compensation expenses. PSL's interest expenses rose 23% YoY and 20% QoQ to Bt131mn on an increase in the SOFR benchmark rate, in line with a higher Fed funds rate. 9M23 net profit accounted for 59% of our revised down 2023 earnings estimate of Bt783mn.
- ▶ **Expect 4Q23 earnings to show growth YoY and QoQ.** The BSI TC rate has rebounded by 20-30% QTD to USD12,000-13,000, respectively in 4Q23. This is in line with our view that China's stimulus measures and higher commodity prices have helped accelerate demand for restocking before the end-of-year holidays. As a result, PSL should book its highest quarterly earnings of the year in 4Q23.
- ▶ **Cut 2023-25E core profit by 20%/88%/64%.** This was due to a weaker-than-expected 4Q23 outlook and increasing probability of a global economic slowdown in 2024 on high interest rates, China's slowdown, and uncertainties from the war in the Middle East. We revise down our assumptions for PSL's daily TC rate in 2023-25 by 2%/31%/26% to USD10,922/USD10,803/USD13,224 to reflect our more conservative outlook of the global economy. We see a better 2025 TC rate on an expected economic rebound in 2025 led by rate cuts from global central banks and fiscal injections to stimulate economic activity in 2024. According to Clarksons, the dry bulk industry's ton-mile demand will grow by 4.59% and 1.80% compared to net supply growth of 2.9% and 2.2% in 2023 and 2024 respectively (as of October 31, 2023). In addition to our downward revision of its TC rate, we raise PSL's interest expense by 10%/64%/10% to Bt476mn/Bt402mn/Bt271mn on a higher-than-expected SOFR benchmark rate and lower cash flow from operations to repay debt.
- ▶ **Share price performance.** On a YTD basis, the stock has fallen 46% vs. the SET's decline of 15%. The stock is currently trading at a 2023 PBV of 0.81x, below its 10-year historical mean of 1.2x. Note that PSL's global peers are currently trading at 0.8-0.9x PBV.

Valuation and Recommendation

- ▶ **Downgrade to Neutral with TP of Bt9.10 (from Bt12.50).** Our target price is pegged to an end-2025 BV of Bt11.41/sh and lower PBV of 0.8x (-1SD) from 1.0x (-0.5SD).
- ▶ **Key risk:** Volatile freight rates.



Fig 1 3Q23 performance review

	3Q22	4Q22	1Q23	2Q23	3Q23	%YoY	%QoQ	%YTD2023E	2023E
Financials									
Sales (Btmn)	2,500	1,724	1,146	1,322	1,151	-53.9	-12.9	70.4	5,143
EBITDA (Btmn)	1,396	699	156	364	140	-90.0	-61.6	26.2	2,521
Operating profit (Btmn)	1,396	699	156	364	140	-90.0	-61.6	59.5	1,109
Core profit (Btmn)	1,301	637	54	257	29	-97.8	-88.7	51.5	661
Net profit (Btmn)	1,348	549	79	286	98	-92.7	-65.5	59.1	783
Net EPS (Bt)	0.86	0.35	0.05	0.18	0.06	-92.7	-65.5	59.1	0.50
Performance Drivers									
Number of vessels	38	38	38	38	38	0.0	0.0	75.0	38
Operating days	3,468	3,468	3,468	3,468	3,468	0.0	0.0	75.0	13,870
TC rates (US\$/day)	19,840	14,343	10,022	11,424	9,741	-50.9	-14.7	285.5	10,922
USDTHB	37.2	35.5	33.5	34.6	35.3	-5.2	2.2	301.0	34
OPEX (US\$/day)	5,159	4,815	5,231	5,113	5,141	-0.3	0.5	303.9	5,096
SG&A (US\$/day)	915	1,225	960	760	927	1.3	22.0	279.5	947
Ratios									
						Change	Avg YTD	2023E	
Gross margin (%)	60.5	49.4	22.8	33.7	22.0	-38.5	-11.7	26.2	30.0
EBITDA margin (%)	55.8	40.6	13.6	27.5	12.1	-43.7	-15.4	17.8	49.0
Optg. margin (%)	55.8	40.6	13.6	27.5	12.1	-43.7	-15.4	17.8	21.6
ROE (%)	8.2	3.3	1.0	0.0	0.0	-8.2	0.0	0.3	4.7

Source: Company data, KS Research

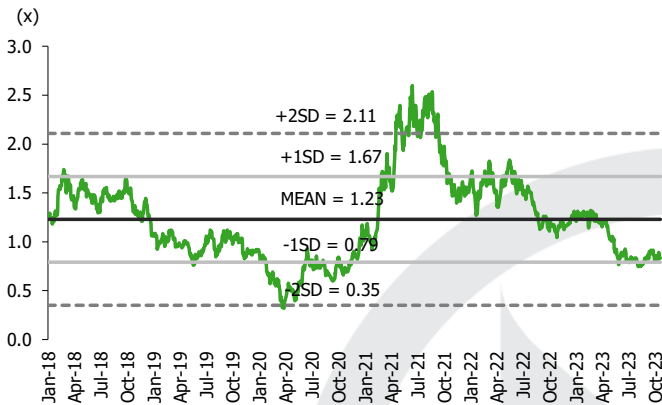
Fig 2 Earnings revisions

Unit: Btmn.	2023E			2024E			2025E		
Profit and loss statements	New	Previous	%Change	New	Previous	%Change	New	Previous	%Change
Total revenue	5,143	5,334	-3.6	5,251	7,467	-29.7	6,237	8,549	-27.0
Cost of goods sold	3,599	3,642	-1.2	3,949	3,949	0.0	3,992	3,992	0.0
Gross profit	1,544	1,692	-8.7	1,303	3,518	-63.0	2,245	4,557	-50.7
SG&A	451	458	-1.4	560	560	0.0	620	620	0.0
Operating profit	1,109	1,251	-11.3	743	2,958	-74.9	1,625	3,937	-58.7
EBITDA	2,521	2,662	-5.3	2,191	4,311	-49.2	3,013	5,235	-42.4
EBIT	1,259	1,312	-4.1	753	2,968	-74.6	1,635	3,947	-58.6
Core profit	661	827	-20.1	350	2,722	-87.1	1,232	3,701	-66.7
Net profit	783	880	-11.0	350	2,722	-87.1	1,232	3,701	-66.7
Key assumptions									
Number of vessels	38	38	0.0	38	38	0.0	38	38	0.0
Operating days	13,870	13,870	0.0	13,870	13,870	0.0	13,870	13,870	0.0
TC rates (US\$/day)	10,922	11,154	-2.1	10,872	15,640	-30.5	12,993	17,969	-27.7
USDTHB	34.34	34.26	0.2	33.50	33.50	0.0	33.50	33.50	0.0
OPEX (US\$/day)	5,096	5,011	1.7	5,400	5,400	0.0	5,400	5,400	0.0
SG&A (US\$/day)	947	963	-1.6	1,205	1,205	0.0	1,334	1,334	0.0

Source: Company data, KS Research

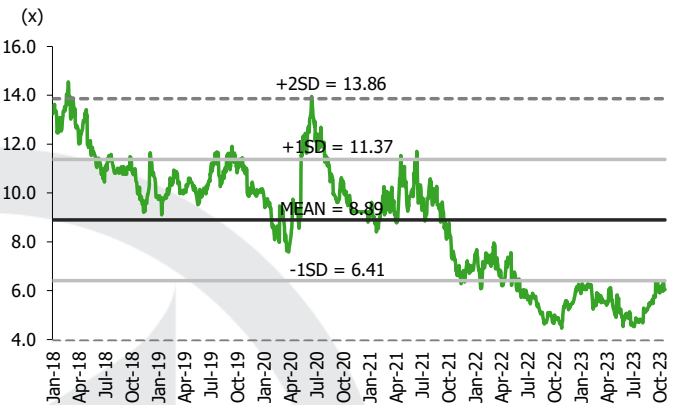


Fig 3 12M FWD PBV



Source: LSEG, KS Research

Fig 4 12M FWD EV-EBITDA



Source: LSEG, KS Research

Fig 5 2022 target price based on PBV

Implied SD	-2.0SD	-1.5SD	-1.0SD	-0.5SD	Mean	+0.5SD	+1.0SD	+1.5SD	+2.0SD
PBV multiple	0.40	0.60	0.80	1.00	1.2	1.5	1.70	1.90	2.10
Fair value (Bt/shr)	4.6	6.8	9.1	11.4	14.0	17.1	19.4	21.7	24.0

Source: KS Research


PSL : Year-end 31 Dec

Income Statement (Btmn)	2021A	2022A	2023E	2024E	2025E	Cashflow (Btmn)	2021A	2022A	2023E	2024E	2025E
Revenue	8,620	9,143	5,143	5,219	6,345	Net profit	4,475	4,851	783	318	1,471
Cost of sales and services	-3,305	-3,401	-3,599	-3,949	-3,992	Depreciation & amortization	1,215	1,326	1,411	1,449	1,388
Gross Profit	5,315	5,743	1,544	1,270	2,353	Change in working capital	-270	-124	146	17	-55
SG&A	-581	-517	-451	-560	-620	Others	406	-134	7	7	7
Other income	0	0	16	0	0	CF from operation activities	5,826	5,919	2,347	1,791	2,812
EBIT	4,892	5,259	1,259	720	1,743	Capital expenditure	-2,375	-2,238	-2,000	-500	-500
EBITDA	5,949	6,552	2,521	2,159	3,121	Investment in subs and affiliates	-29	20	-2	-2	-2
Interest expense	-415	-392	-476	-402	-271	Others	0	0	0	0	0
Equity earnings	23	29	14	10	10	CF from investing activities	-2,405	-2,218	-2,002	-502	-502
EBT	4,477	4,866	783	318	1,471	Cash dividend	-2,729	-2,729	-311	-159	-780
Income tax	-2	-15	-0	0	0	Net proceeds from debt	-1,809	-1,509	-209	-1,000	-1,500
NPAT	4,475	4,851	783	318	1,471	Capital raising	0	0	0	0	0
Minority Interest	-0	-0	0	0	0	Others	1,315	707	0	0	0
Core Profit	4,340	4,851	661	318	1,471	CF from financing activities	-3,223	-3,531	-520	-1,159	-2,280
Extraordinary items	-60	-0	69	0	0	Net change in cash	198	170	-175	130	30
FX gain (loss)	194	0	53	0	0	Key Statistics & Ratios					
Reported net profit	4,475	4,851	783	318	1,471	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	2.87	3.11	0.50	0.20	0.94
Cash & equivalents	2,468	1,056	881	1,011	1,041	Core EPS	2.78	3.11	0.42	0.20	0.94
ST investments	0	0	0	0	0	DPS	1.75	1.75	0.20	0.10	0.50
Accounts receivable	175	279	175	158	213	BV	9.21	10.56	10.86	10.96	11.41
Inventories	22	42	0	0	0	EV	20.29	19.73	12.35	11.63	10.65
Other current assets	145	181	184	188	192	Free Cash Flow	2.21	2.36	0.22	0.83	1.48
Total current assets	2,810	1,557	1,240	1,357	1,446	Valuation analysis					
Investment in subs & others	120	100	102	104	107	Reported P/E (x)	5.78	5.18	17.43	42.91	9.27
Fixed assets-net	20,285	22,048	22,637	21,688	20,800	Core P/E (x)	5.96	5.17	20.64	42.91	9.27
Other assets	316	598	610	622	635	P/BV (x)	1.80	1.52	0.81	0.80	0.77
Total assets	23,531	24,304	24,590	23,772	22,987	EV/EBITDA (x)	5.32	4.69	7.64	8.40	5.32
Short-term debt	1,409	1,162	1,300	1,500	1,000	Price/Cash flow (x)	4.44	4.24	5.81	7.62	4.85
Accounts payable	0	0	0	0	0	Dividend yield (%)	10.54	10.87	2.28	1.17	5.72
Other current liabilities	508	706	720	734	749	Profitability ratios					
Total current liabilities	1,916	1,867	2,020	2,234	1,749	Gross margin (%)	61.66	62.81	30.03	24.34	37.08
Long-term debt	6,809	5,547	5,200	4,000	3,000	EBITDA margin (%)	69.02	71.66	49.01	41.37	49.18
Other liabilities	440	426	435	444	452	EBIT margin (%)	56.75	57.51	24.48	13.80	27.47
Total liabilities	9,165	7,841	7,655	6,678	5,201	Net profit margin (%)	51.91	53.05	15.22	6.09	23.19
Paid-up capital	1,559	1,559	1,559	1,559	1,559	ROA (%)	19.92	20.28	3.20	1.32	6.29
Share premium	1,968	1,968	1,968	1,968	1,968	ROE (%)	36.53	31.47	4.69	1.87	8.44
Reserves & others, net	367	1,245	1,245	1,245	1,245	Liquidity ratios					
Retained earnings	10,471	11,690	12,162	12,321	13,013	Current ratio (x)	1.47	0.83	0.61	0.61	0.83
Minority interests	0	0	0	0	0	Quick ratio (x)	1.38	0.71	0.52	0.52	0.72
Total shareholders' equity	14,365	16,463	16,935	17,094	17,786	Leverage Ratios					
Total equity & liabilities	23,531	24,304	24,590	23,772	22,987	Liabilities/Equity ratio (x)	0.64	0.48	0.45	0.39	0.29
Key Assumptions						Net debt/EBITDA (x)	0.97	0.86	2.23	2.08	0.95
Number of vessels	36	37	38	38	38	Net debt/equity (x)	0.40	0.34	0.33	0.26	0.17
Operating days	13,049	13,414	13,870	13,870	13,870	Int. coverage ratio (x)	11.78	13.40	2.65	1.79	6.43
TC rates (US\$/day)	20,287	20,020	10,922	10,803	13,224	Growth					
USDTHB	31.9	35.1	34.3	33.5	33.5	Revenue (%)	131.09	6.07	-43.75	1.48	21.56
OPEX (US\$/day)	5,088	4,893	5,096	5,400	5,400	EBITDA (%)	337.34	10.13	-61.53	-14.34	44.53
SG&A (US\$/day)	1,395	1,097	947	1,205	1,334	Reported net profit (%)	445.59	8.40	-83.86	-59.38	362.73
Financial cost (US\$/day)	997	833	999	866	583	Reported EPS (%)	445.59	8.40	-83.86	-59.38	362.73
Depreciation (US\$/day)	2,918	2,815	2,843	2,872	2,900	Core profit (%)	1,150.05	11.77	-86.38	-51.89	362.73
Total cost (US\$/day)	10,398	9,638	9,886	10,343	10,218	Core EPS (%)	1,150.05	11.77	-86.38	-51.89	362.73

Source: Company, KS estimates



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