

Precious Shipping Pcl.

February 13, 2024

PSL

See the silver lining in the dry bulk market

OUTPERFORM

from NEUTRAL

Valuation: PBV

Target Price: Bt9.40

Price (Feb 12, 2024): Bt8.15

Upside: 15.33%

Sector: Transportation & Logistics	No. of shares on issue:	1,559mn
Market Cap: Bt12,708mn	CG Scoring (IOD-Y2023):	Excellent
30-day avg turnover: Bt111.96mn	Anti-Corruption Indicator:	Certified



Highlights

- ▶ 4Q23 earnings of Bt247mn (-55% YoY, +151% QoQ). Excluding extra items, core profit came in at Bt321mn, 13% below consensus. TC rate rose 28% QoQ.
- ▶ Raise 2024-25E earnings by 78%/8% to Bt565mn/Bt1.6bn to reflect better freight rate outlook and lower-than-expected SG&A.
- ▶ Upgrade to Outperform with higher TP of Bt9.40 (from Bt9.10), based on end-2024 BV of Bt10.60/sh and PBV of 0.85x (-0.75SD).

Investment Highlights

- ▶ **4Q23 earnings of Bt247mn (-55% YoY, +151% QoQ).** Excluding an exchange loss and non-recurring items, PSL's core earnings came in at Bt321mn (-50% YoY, +10x QoQ). This was in line with our estimate, but 13% below consensus. PSL booked an average 4Q23 TC rate of USD12,429/ship/day (-13% YoY, +28% QoQ). The rise QoQ was driven by China's stimulus through infra investments and liquidity injections into the Banking and Property sectors in 4Q23. The average TC rate of PSL's Supra/Ultramax vessels in 4Q23 was USD13,682, which underperformed the BSI TC rate by 2%. The average TC rate of its Handysize vessels was USD11,414, which underperformed the BHSI TC rate by 10%. Note that PSL's vessel size is 10% smaller than the indexed ship on average. OPEX increased 11% YoY and 4% QoQ to USD5,332/ship/day, while SG&A expense (in THB) was flat QoQ but down -27.5% YoY due to a decrease in variable compensation expenses.
- ▶ **Raise 2024-25E earnings by 78%/8% to Bt565mn/Bt1.6bn.** Our earnings upgrade in 2024E is mainly due to a higher estimated freight rate of USD11,163/ship/day, up 3.3% from our previous estimate on 1.) the lower chance of a global recession in 2024; 2.) China's stimulus packages to cushion against a further downturn in the property sector; 3.) possible restocking demand before the US election by end-2024 as the GOP's front-runner, Donald Trump has proposed a 60% tariff on all Chinese imports (USD400-500bn p.a.); and 4.) a low forward orderbook to existing ship ratio of just 8.33% at the start of 2024. Clarksons estimates ton-mile demand in 2024 will grow by 1.5% vs. a 2.3% net increase in supply.
- ▶ **Share price performance.** On a YTD basis, the stock has dropped 6% vs. the SET's decline of 2%. PSL is currently trading at a 2024 PBV of 0.7x, below its 5-year historical mean of 1.3x. Note that PSL's global peers are currently trading at 0.8-0.9x PBV.

Investment Fundamentals

Year end Dec 31	2023A	2024E	2025E	2026E
Company Financials				
Revenue (Btmn)	5,101	5,387	6,345	6,345
Core profit (Btmn)	662	565	1,592	1,573
Net profit (Btmn)	710	565	1,592	1,573
Net EPS (Bt)	0.46	0.36	1.02	1.01
DPS (Bt)	0.20	0.18	0.54	0.53
BVPS (Bt)	10.42	10.60	11.08	11.55
Net EPS growth (%)	-85.37	-20.41	181.86	-1.16
ROA (%)	2.92	2.40	7.11	7.19
ROE (%)	4.34	3.45	9.42	8.92
Net D/E (x)	0.31	0.23	0.14	0.05
Valuation				
P/E (x)	19.01	22.50	7.98	8.08
P/BV (x)	0.83	0.77	0.74	0.71
EV/EBITDA (x)	7.30	7.22	4.84	4.57
Dividend yield (%)	2.31	2.22	6.64	6.56

Analyst

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Valuation and Recommendation

- ▶ **Upgrade to Outperform with TP of Bt9.40 (from Bt9.10).** Our target price is pegged to an end-2024 BV of Bt10.460/sh and trailing PBV of 0.85x (-0.75SD). Rerating catalysts include 1.) China's economic recovery; and 2.) a Russia-Ukraine ceasefire leading to an increase in demand for commodities to rebuild Ukraine. Key risks include 1.) Volatile freight rates as balance is almost "perfect" between demand-supply; and 2.) Geopolitics that could derail global trade due to tariff/non-tariff barriers.

About PSL: PSL is a ship-owner providing global dry-bulk transportation services. The Company operates predominantly in the tramp freight market where its vessels are employed on a time charter as well as on a voyage charter basis.

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Fig 1 4Q23 performance review

	4Q22	1Q23	2Q23	3Q23	4Q23	%YoY	%QoQ	2023A	2024E	% change	2025E
Financials											
Sales (Btmn)	1,709	1,146	1,322	1,151	1,481	-13.3	28.7	5,101	5,387	5.6	6,345
EBITDA (Btmn)	699	156	364	140	464	-33.6	231.9	2,536	2,291	-9.6	3,113
Operating profit (Btmn)	699	156	364	140	464	-33.6	231.9	1,125	958	-14.8	1,833
Core profit (Btmn)	637	54	257	29	321	-49.6	999.9	662	565	-14.7	1,592
Net profit (Btmn)	549	79	286	98	247	-55.0	150.8	710	565	-20.4	1,592
Net EPS (Bt)	0.35	0.05	0.18	0.06	0.16	-55.0	150.8	0.46	0.36	-20.4	1.02
Performance Drivers											
Number of vessels	38	38	38	38	38	0.0	0.0	38	38	0.0	38
Operating days	3,468	3,468	3,468	3,468	3,468	0.0	0.0	13,870	13,870	0.0	13,870
TC rates (US\$/day)	14,343	10,022	11,424	9,741	12,429	-13.3	27.6	10,907	11,163	2.3	13,224
USDTHB	35.5	33.5	34.6	35.3	34.0	-4.2	-3.7	34	34	-2.4	34
OPEX (US\$/day)	4,815	5,231	5,113	5,141	5,332	10.7	3.7	5,204	5,400	3.8	5,400
SG&A (US\$/day)	1,225	960	760	927	928	-24.3	0.1	893	1,033	15.7	1,119
Ratios											
						Change		2023A	2024E	Change	2025E
Gross margin (%)	48.9	22.8	33.7	22.0	36.8	-12.1	14.8	29.5	26.7	-2.8	37.1
EBITDA margin (%)	40.9	13.6	27.5	12.1	31.3	-9.6	19.2	49.7	42.5	-7.2	49.1
Optg. margin (%)	40.9	13.6	27.5	12.1	31.3	-9.6	19.2	22.1	17.8	-4.3	28.9
ROE (%)	3.3	1.0	0.0	0.0	0.0	-3.3	0.0	4.3	3.4	-0.9	9.4

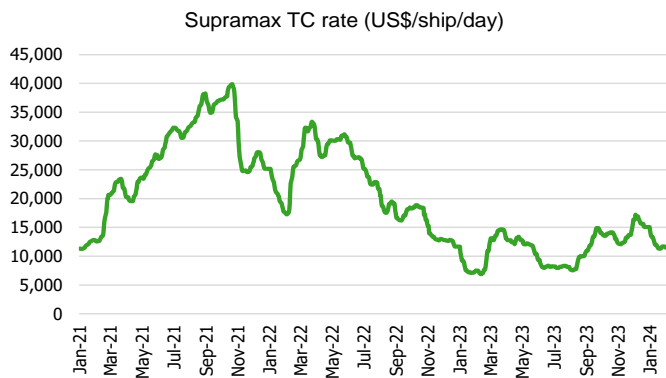
Source: Company, KS Research

Fig 2 Earnings revisions

Unit: Btmn. Profit and loss statements	2024E			2025E			2026E			
	New	Previous	%Change	New	Previous	%Change	New	Previous	%Change	
Total revenue	5,387	5,219	3.2	6,345	6,345	0.0	6,345	6,345	0.0	
Cost of goods sold	3,949	3,949	0.0	3,992	3,992	0.0	4,037	4,037	0.0	
Gross profit	1,438	1,270	13.2	2,353	2,353	0.0	2,308	2,308	0.0	
SG&A	480	560	-14.3	520	620	-16.1	560	560	0.0	
Operating profit	958	710	34.8	1,833	1,733	5.8	1,748	1,748	0.0	
EBITDA	2,291	2,159	6.1	3,113	3,121	-0.3	2,978	2,978	0.0	
EBIT	968	720	34.3	1,843	1,743	5.7	1,758	1,758	0.0	
Core profit	565	318	77.6	1,592	1,471	8.2	1,573	1,573	0.0	
Net profit	565	318	77.6	1,592	1,471	8.2	1,573	1,573	0.0	
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)	11,163	10,803	3.3	13,224	13,224	0.0	13,224	13,224	0.0	
USDTHB	33.50	33.50	0.0	33.50	33.50	0.0	33.50	33.50	0.0	
OPEX (US\$/day)	5,400	5,400	0.0	5,400	5,400	0.0	5,400	5,400	0.0	
SG&A (US\$/day)	1,033	1,205	-14.3	1,119	1,334	-16.1	1,205	1,205	0.0	

Source: Company, KS Research

Fig 3 Supramax TC rate



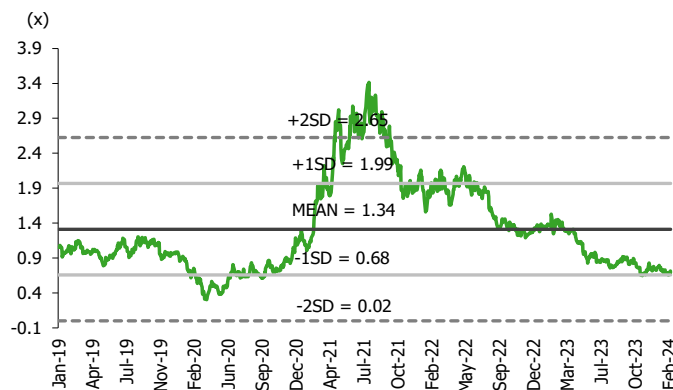
Source: Company data

Fig 4 Historical data of the Dry bulk industry

Daily average Time Charter rate	2003 – 2009	2010 – 2020	2021-2023	2023	1M 2024
Capesize	67,101**	14,924**	24,957**	16,399**	20,798**
Panamax	32,790**	10,965**	23,836**	12,654**	14,309**
Supramax	28,013**	10,765**	24,475**	11,240**	12,211**
Handysize	16,753**	8,789**	23,533**	10,420**	11,445**
Annual Average Demand Billion Ton miles	+5.4%	+4.3%	+0.95%	5.06%	1.49%
Average Speed (knots)	13.5**	11.5**	11.3	11.0	10.9
Chinese Stimulus	China enters WTO 2001	\$ 578 bn (2009)	\$907 bn (2021) \$2.3 trillion (2022)*	\$1.8 trillion*	\$417 bn*
Orderbook/Fleet Ratio per Year (start of each year)	+36.02%	+26.23%	+0.96%	+7.16%	+0.33%
Annual Average % of 20-year-old (start of each year)	+18.38%	+11.27%	+6.76%	+8.07%	+0.40%
Annual Average Net Supply Growth	+6.8%	-6.4%	+3.3%	+2.9% (AFR +3.16%)	+2.3%

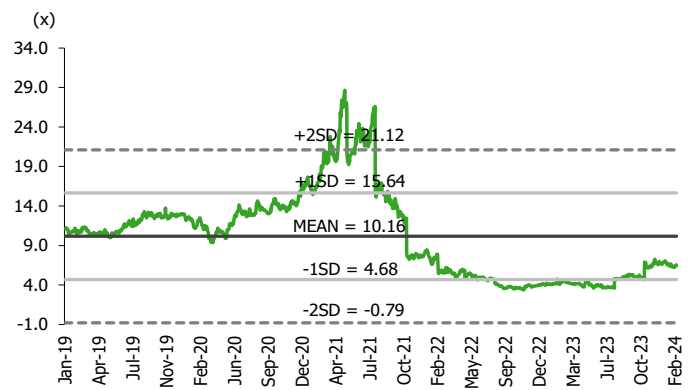
Source: Company data

Fig 5 Trailing PBV ratio



Source: LSEG

Fig 6 EV/Trailing EBITDA ratio



Source: LSEG

Fig 7 Peers comparison

Company Name	Close 08/02/2024	Mkt cap (Lc mn)	EPS Growth (%)				PE (x)				PBV (x)				Div Yield (%)				ROE (%)			
			22A	23E	24E	25E	22A	23E	24E	25E	22A	23E	24E	25E	22A	23E	24E	25E	22A	23E	24E	25E
Precious Shipping PCL	8.15	12,557	8.4	-83.9	-59.4	362.7	2.6	16.2	40.0	8.6	0.8	0.8	0.7	0.7	21.5	2.4	1.3	6.1	31.5	4.7	1.9	8.4
Global selected peers																						
Capital Product Partners LP*	18.37	1,011	-65.2	0.1	-1.6	n.a.	8.5	8.5	8.7	n.a.	n.a.	n.a.	n.a.	3.3	3.3	3.3	3.3	5.0	n.a.	n.a.	n.a.	
Danaos Corp*	74.01	1,443	-46.7	6.9	-0.9	-25.7	2.7	2.5	2.6	3.4	0.6	0.5	0.4	0.4	4.1	4.2	4.3	4.3	24.1	21.0	17.0	10.0
Diana Shipping Inc*	2.94	332	123.5	-75.7	-10.3	144.4	2.3	9.3	10.4	4.3	0.6	0.6	0.6	0.6	19.0	19.3	14.5	16.9	25.7	8.0	12.5	16.5
Eagle Bulk Shipping Inc*	57.39	570	29.0	-94.7	625.4	30.2	3.8	70.6	9.7	7.5	0.9	1.1	1.0	1.0	14.0	1.8	3.2	4.5	33.3	4.0	14.5	13.0
Genco Shipping & Trading Ltd*	17.82	758	-13.5	-83.2	206.3	23.3	4.8	28.7	9.4	7.6	0.8	0.8	0.8	0.8	15.4	4.3	8.9	11.4	16.8	3.0	12.0	12.0
Kirby Corp*	84.50	4,994	83.6	33.1	25.8	12.8	22.7	17.1	13.6	12.0	n.a.	1.5	1.4	1.3	n.a.	n.a.	n.a.	n.a.	7.2	8.9	n.a.	n.a.
Navios Maritime Partners LP*	28.50	860	-15.7	-43.3	25.1	5.4	1.5	2.7	2.1	2.0	0.4	0.3	0.3	n.a.	0.7	0.7	0.7	0.8	27.6	14.7	14.5	15.2
Pacific Basin Shipping Ltd*	2.20	11,584	-16.0	-82.5	44.1	41.8	2.1	12.2	8.5	6.0	0.8	0.8	0.8	0.7	35.7	3.9	6.1	7.0	37.5	6.8	10.2	11.7
Safe Bulkers Inc*	4.15	463	-5.7	-65.2	46.8	7.2	3.1	8.8	6.0	5.6	0.6	n.a.	n.a.	n.a.	1.2	4.8	5.5	5.7	22.5	3.5	4.3	4.3
Eneti Inc*	11.33	438	122.2	n.a.	n.a.	n.a.	4.1	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	15.8	n.a.	n.a.	n.a.
SFL Corporation Ltd*	11.97	1,645	25.2	-64.7	86.2	26.3	8.1	23.0	12.3	9.8	1.4	1.5	1.4	1.4	7.5	8.2	8.7	9.6	19.6	5.3	11.9	15.7
Star Bulk Carriers Corp*	22.94	2,153	-17.7	-66.8	107.4	14.0	4.2	12.5	6.0	5.3	1.2	1.3	1.2	1.1	22.2	6.7	13.1	12.9	27.6	10.0	22.7	21.2
Simple Average			16.9	-48.7	104.9	28.0	5.7	17.8	8.1	6.3	0.8	0.9	0.9	0.9	11.2	5.7	6.8	7.6	21.9	8.5	13.3	13.3
Thoresen Thai Agencies PCL*	6.45	11,837	-15.3	-47.6	-27.7	89.7	3.6	6.9	9.5	5.0	0.5	0.5	0.4	0.4	n.a.	1.7	2.0	2.5	14.3	6.5	7.7	8.3

Source: KS Research

Fig 8 PSL's target price based on trailing PBV

Implied SD	-1.5SD	-1.0SD	-0.75SD	-0.5SD	Mean	+0.5SD	+1.0SD	+1.5SD
PBV multiple	0.40	0.70	0.85	1.00	1.3	1.7	2.00	2.30
Fair value (Bt/shr)	4.4	7.8	9.4	11.1	14.8	18.8	22.2	25.5

Source: KS Research

PSL : Year-end 31 Dec

Income Statement (Btmn)	2022A	2023A	2024E	2025E	2026E
Revenue	9,129	5,101	5,387	6,345	6,345
Cost of sales and services	-3,401	-3,595	-3,949	-3,992	-4,037
Gross Profit	5,728	1,506	1,438	2,353	2,308
SG&A	-517	-425	-480	-520	-560
Other income	15	44	0	0	0
EBIT	5,259	1,194	968	1,843	1,758
EBITDA	6,552	2,536	2,291	3,113	2,978
Interest expense	-392	-481	-403	-251	-185
Equity earnings	29	21	10	10	10
EBT	4,866	713	565	1,592	1,573
Income tax	-15	-4	0	0	0
NPAT	4,851	710	565	1,592	1,573
Minority Interest	-0	-0	0	0	0
Core Profit	4,851	662	565	1,592	1,573
Extraordinary items	-0	36	0	0	0
FX gain (loss)	0	12	0	0	0
Reported net profit	4,851	710	565	1,592	1,573
Balance Sheet (Btmn)					
Cash & equivalents	1,056	2,315	1,661	1,635	2,107
ST investments	0	0	0	0	0
Accounts receivable	279	295	163	213	207
Inventories	42	0	0	0	0
Other current assets	181	280	286	291	297
Total current assets	1,557	2,890	2,110	2,140	2,611
Investment in subs & others	100	103	105	107	109
Fixed assets-net	22,048	20,836	20,002	19,222	18,492
Other assets	598	517	527	538	548
Total assets	24,304	24,346	22,744	22,007	21,761
Short-term debt	1,162	1,788	1,500	1,000	1,000
Accounts payable	229	62	0	0	0
Other current liabilities	476	428	437	446	455
Total current liabilities	1,867	2,279	1,937	1,446	1,455
Long-term debt	5,547	5,548	4,000	3,000	2,000
Other liabilities	426	274	279	285	290
Total liabilities	7,841	8,100	6,216	4,730	3,745
Paid-up capital	1,559	1,559	1,559	1,559	1,559
Share premium	1,968	1,968	1,968	1,968	1,968
Reserves & others, net	1,245	851	851	851	851
Retained earnings	11,690	11,868	12,150	12,898	13,638
Minority interests	0	0	0	0	0
Total shareholders' equity	16,463	16,246	16,528	17,276	18,016
Total equity & liabilities	24,304	24,346	22,744	22,007	21,761
Key Assumptions	2022A	2023A	2024E	2025E	2026E
Number of vessels	37	38	38	38	38
Operating days	13,414	13,870	13,870	13,870	13,870
TC rates (US\$/day)	20,020	10,907	11,163	13,224	13,224
USDTHB	35.1	34.3	33.5	33.5	33.5
OPEX (US\$/day)	4,893	5,204	5,400	5,400	5,400
SG&A (US\$/day)	1,097	893	1,033	1,119	1,205
Financial cost (US\$/day)	833	999	867	540	398
Depreciation (US\$/day)	2,815	2,843	2,872	2,900	2,929
Total cost (US\$/day)	9,638	9,940	10,172	9,959	9,932
Cashflow (Btmn)	2022A	2023A	2024E	2025E	2026E
Net profit	4,851	710	565	1,592	1,573
Depreciation & amortization	1,326	1,411	1,333	1,280	1,230
Change in working capital	0	-142	70	-50	6
Others	-258	-219	-2	-2	-2
CF from operation activities	5,919	1,760	1,966	2,820	2,808
Capital expenditure	-2,238	-2,000	-500	-500	-500
Investment in subs and affiliates	20	-3	-2	-2	-2
Others	0	0	0	0	0
CF from investing activities	-2,218	-2,003	-502	-502	-502
Cash dividend	-2,729	-311	-282	-844	-834
Net proceeds from debt	-1,509	627	-1,836	-1,500	-1,000
Capital raising	0	0	0	0	0
Others	707	-303	0	0	0
CF from financing activities	-3,531	13	-2,118	-2,344	-1,834
Net change in cash	170	-230	-654	-26	472
Key Statistics & Ratios					
Per share (Bt)					
Reported EPS	3.11	0.46	0.36	1.02	1.01
Core EPS	3.11	0.42	0.36	1.02	1.01
DPS	1.75	0.20	0.18	0.54	0.53
BV	10.56	10.42	10.60	11.08	11.55
EV	19.73	11.87	10.61	9.67	8.72
Free Cash Flow	2.36	-0.15	0.94	1.49	1.48
Valuation analysis					
Reported P/E (x)	5.18	19.01	22.50	7.98	8.08
Core P/E (x)	5.17	20.38	22.50	7.98	8.08
P/BV (x)	1.52	0.83	0.77	0.74	0.71
EV/EBITDA (x)	4.69	7.30	7.22	4.84	4.57
Price/Cash flow (x)	4.24	7.66	6.46	4.51	4.53
Dividend yield (%)	10.87	2.31	2.22	6.64	6.56
Profitability ratios					
Gross margin (%)	62.75	29.52	26.69	37.08	36.38
EBITDA margin (%)	71.77	49.71	42.53	49.06	46.94
EBIT margin (%)	57.61	23.40	17.96	29.04	27.71
Net profit margin (%)	53.14	13.91	10.48	25.09	24.80
ROA (%)	20.28	2.92	2.40	7.11	7.19
ROE (%)	31.47	4.34	3.45	9.42	8.92
Liquidity ratios					
Current ratio (x)	0.83	1.27	1.09	1.48	1.80
Quick ratio (x)	0.71	1.15	0.94	1.28	1.59
Leverage Ratios					
Liabilities/Equity ratio (x)	0.48	0.50	0.38	0.27	0.21
Net debt/EBITDA (x)	0.86	1.98	1.68	0.76	0.30
Net debt/equity (x)	0.34	0.31	0.23	0.14	0.05
Int. coverage ratio (x)	13.40	2.48	2.40	7.35	9.52
Growth					
Revenue (%)	5.90	-44.12	5.60	17.79	0.00
EBITDA (%)	10.13	-61.30	-9.65	35.86	-4.32
Reported net profit (%)	8.40	-85.37	-20.41	181.86	-1.16
Reported EPS (%)	8.40	-85.37	-20.41	181.86	-1.16
Core profit (%)	11.77	-86.36	-14.66	181.86	-1.16
Core EPS (%)	11.77	-86.36	-14.66	181.86	-1.16

Source: Company, KS estimates

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security(ies) and subject company(ies); and no part of the compensation of the research analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Investment Ratings

Outperform: Expected total return of 10% or more within a 12-month period

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

Underperform: Expected total return of -10% or worse within a 12-month period

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