

Precious Shipping Pcl.

April 11, 2024

PSL

Time to accumulate

OUTPERFORM

Maintain Rating

Valuation: PBV

Target Price/Upside:

Bt9.40/17.50%

Maintain Target Price

Price (Apr 10, 2024)

Bt8.00

Sector: Transportation & Logistics

Market Cap: Bt12,474mn

30-day avg turnover: Bt55.74mn

No. of shares on issue:

CG Scoring (IOD-Y2023):

Anti-Corruption Indicator:

1,559mn

Excellent

Certified



Highlights

- ▶ Expect 1Q24 earnings of Bt170mn (+116% YoY, -31% QoQ). Supramax TC rate increased 28% YoY but dropped 9% QoQ.
- ▶ Expect freight rate to remain strong in 2024 led by restocking demand and lower supply growth.
- ▶ Maintain Outperform and TP of Bt9.40. Rerating catalysts include China's economic recovery and a reconstruction in Ukraine.

Investment Highlights

- ▶ **Expect 1Q24 earnings of Bt170mn (+116% YoY, -31% QoQ).** We expect the YoY growth will be driven by a 28% YoY increase in the Supramax TC rate to USD13,000/ship/day led by strong Chinese imports. China's coal, iron ore, and soybean imports averaged 148.5mn tons, up 10% YoY, and marked a record for January/February. The increase in freight rate was also caused by the disruption of shipping through the Suez Canal following attacks in the Red Sea and a continued rerouting of ships around southern Africa through the second quarter. The QoQ drop was likely due to low shipping activity during Chinese New Year. We estimate opex will increase by 1.3% YoY (flat QoQ) to USD5,300/ship/day. PSL sold two ships built in 2002 and 2013 worth Bt735mn and purchased a second-hand ship built in 2018 worth Bt903mn in 1Q24. This resulted in its fleet reducing to 37 ships from 38. Its strategy is to rejuvenate its fleet by selling older vessels and securing younger ones.
- ▶ **Expect freight rate to remain strong in 2024.** This should be supported by a stronger global economy and demand ahead of former US President Donald Trump's threat to impose tariffs on all imported goods in 2025. Exports of major countries rebounded strongly in 2M24, while manufacturing PMIs in the US and China rose to above 50 in March 2024 to reflect strong demand for restocking. Rising commodity prices should help drive demand due to a fear of missing out (FOMO). Clarksons estimates ton-mile demand in 2024 will grow by 1.5% vs. a 2.3% net increase in supply given the low forward order book to current fleet ratio of 8.33%.
- ▶ **Revising down 2024-26 earnings forecasts down by 0.4%/5.6%/2%.** Our earnings revisions reflect 1) a decrease in PSL's total fleet to 37 ships from 38; 2) a higher freight rate in 2024 following a better-than-expected rate in 1Q24; 3) higher interest expense owing to the Fed's delayed interest rate cuts; and 4) an expected strengthening FX rate to Bt35.20/USD from Bt33.50/USD that would benefit PSL, as its functional currency is USD. Note that PSL's earnings should increase by 6.5% on a weaker USD/THB (Bt1/USD).
- ▶ **Share price performance.** On a YTD basis, the stock has come off by 7.5% vs. the SET's decline of 0.5%. PSL is currently trading at a 2024 PBV of 0.8x, below its 5-year historical mean of 1.3x and lower than PSL's global peer average of 0.8-0.9x.

Investment fundamentals

Year end Dec 31	2022A	2023A	2024E	2025E
Company Financials				
Revenue (Btmn)	9,129	5,101	5,595	6,487
Core profit (Btmn)	4,851	662	562	1,502
Net profit (Btmn)	4,851	710	562	1,502
Net EPS (Bt)	3.11	0.46	0.36	0.96
DPS (Bt)	1.75	0.20	0.18	0.48
BVPS (Bt)	10.56	10.42	10.60	11.08
Net EPS growth (%)	8.40	-85.37	-20.75	167.17
ROA (%)	20.28	2.92	2.36	6.64
ROE (%)	31.47	4.34	3.43	8.89
Net D/E (x)	0.34	0.31	0.25	0.15
Valuation				
P/E (x)	5.18	19.01	22.60	8.46
P/BV (x)	1.52	0.83	0.77	0.74
EV/EBITDA (x)	4.69	7.30	6.97	4.85
Dividend yield (%)	10.87	2.31	2.26	5.91

Analyst

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Valuation and Recommendation

- ▶ **Maintain Outperform and TP of Bt9.40.** Our target price is pegged to an end-2024 BV of Bt10.60/shr and a trailing PBV of 0.85x (-0.75SD). Rerating catalysts could be a Chinese economic recovery and a Russia-Ukraine ceasefire leading to an increase in demand for commodities to rebuild Ukraine (US\$1trn). Key risks include volatile freight rates and geopolitics that could derail global trade.

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 1Q24 earnings preview

	1Q23	2Q23	3Q23	4Q23	1Q24E	%YoY	%QoQ	%YTD2024E	2024E
Financials									
Sales (Btmn)	1,146	1,322	1,151	1,481	1,448	26.3	-2.3	25.9	5,595
EBITDA (Btmn)	492	722	507	832	297	-39.6	-64.3	12.3	2,404
Operating profit (Btmn)	156	364	140	464	297	89.9	-36.0	27.7	1,071
Core profit (Btmn)	54	257	29	321	170	213.6	-47.1	30.2	562
Net profit (Btmn)	79	286	98	247	170	115.7	-31.2	30.2	562
Net EPS (Bt)	0.05	0.18	0.06	0.16	0.11	115.7	-31.2	30.2	0.36
Performance Drivers									
Number of vessels	38	38	38	38	38	0.0	0.0	100.0	38
Operating days	3,468	3,468	3,468	3,468	3,468	0.0	0.0	25.5	13,596
TC rates (US\$/day)	10,022	11,424	9,741	12,429	11,451	14.3	-7.9	101.6	11,271
USDTHB	33.5	34.6	35.3	34.0	35.2	5.1	3.5	100.0	35
OPEX (US\$/day)	5,231	5,113	5,141	5,332	5,300	1.3	-0.6	100.0	5,300
SG&A (US\$/day)	960	760	927	928	1,032	7.5	11.2	98.0	1,053
Ratios									
						Change		Avg YTD	2024E
Gross margin (%)	22.8	33.7	22.0	36.8	29.2	6.5	-7.6	29.2	28.2
EBITDA margin (%)	42.9	54.6	44.1	56.2	20.5	-22.4	-35.7	20.5	43.0
Optg. margin (%)	13.6	27.5	12.1	31.3	20.5	6.9	-10.8	20.5	19.1
ROE (%)	1.0	0.0	0.0	0.0	0.0	-1.0	0.0	0.0	3.4

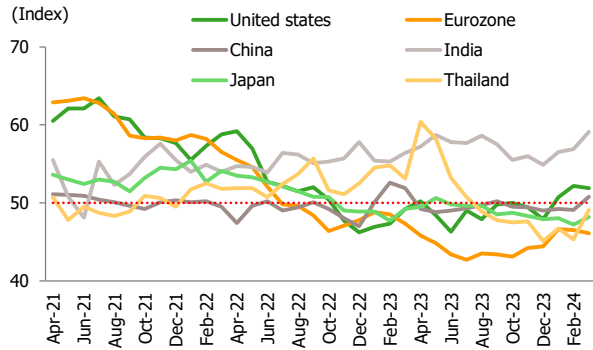
Source: Company, KS Research

Fig 2 Earnings revisions

Unit: Btmn.	2024E			2025E			2026E		
	New	Previous	%Change	New	Previous	%Change	New	Previous	%Change
Profit and loss statements									
Total revenue	5,595	5,387	3.9	6,487	6,345	2.2	6,487	6,345	2.2
Cost of services	4,020	3,949	1.8	4,084	3,992	2.3	4,130	4,037	2.3
Gross profit	1,575	1,438	9.5	2,402	2,353	2.1	2,357	2,308	2.1
SG&A	504	480	5.0	546	520	5.0	588	560	5.0
Operating profit	1,071	958	11.8	1,856	1,833	1.3	1,769	1,748	1.2
EBITDA	2,404	2,291	4.9	3,149	3,113	1.2	3,011	2,978	1.1
EBIT	1,081	968	11.7	1,866	1,843	1.3	1,779	1,758	1.2
Core profit	562	565	-0.4	1,502	1,592	-5.6	1,542	1,573	-2.0
Net profit	562	565	-0.4	1,502	1,592	-5.6	1,542	1,573	-2.0
Key assumptions									
Number of vessels	37	38	-2.0	37	38	-2.6	37	38	-2.6
Operating days	13,596	13,870	-2.0	13,505	13,870	-2.6	13,505	13,870	-2.6
TC rates (US\$/day)	11,271	11,163	1.0	13,224	13,224	0.0	13,224	13,224	0.0
USDTHB	35.20	33.50	5.1	35.20	33.50	5.1	35.20	33.50	5.1
Interest expenses (Bt mn)	519	403	28.7	364	251.00	45.0	237	185.00	28.2
OPEX (US\$/day)	5,300	5,400	-1.9	5,400	5,400	0.0	5,400	5,400	0.0
SG&A (US\$/day)	1,053	1,033	1.9	1,149	1,119	2.6	1,237	1,205	2.6

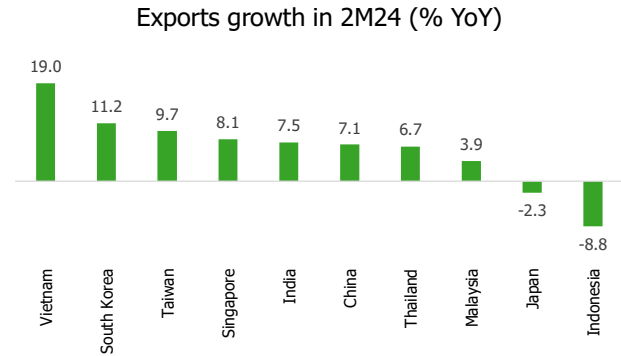
Source: Company, KS Research

Fig 3 Manufacturing PMI



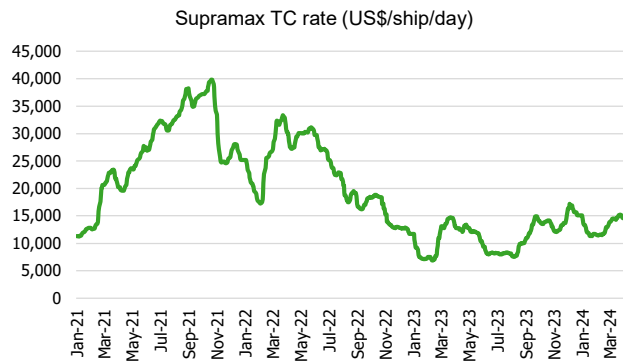
Source: Bloomberg

Fig 4 Exports of major countries rebounded strongly in 2M24



Source: Trade Policy and Strategy Office

Fig 5 Supramax TC rate (US\$/ship/day)



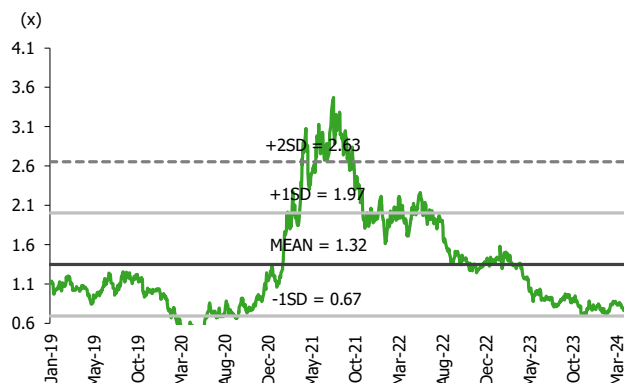
Source: Company data

Fig 6 Baltic Dry Index



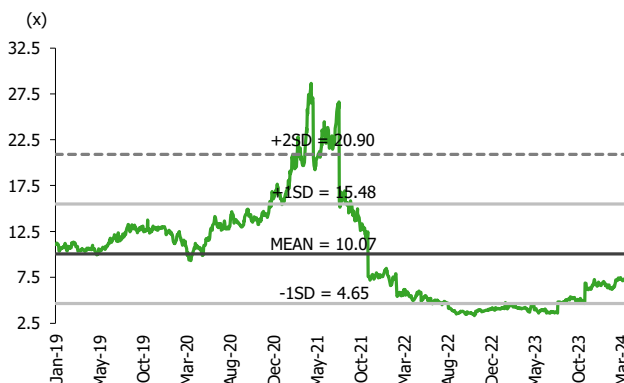
Source: Bloomberg

Fig 7 Trailing PBV ratio



Source: Bloomberg

Fig 8 EV/Trailing EBITDA ratio



Source: Bloomberg

Fig 9 Peer comparison

Company Name	Close 10/04/2024	Mkt cap (Lc mn)	EPS Growth (%)				PE (x)				PBV (x)				Div Yield (%)				ROE (%)			
			23A/E	24E	25E	26E	23A/E	24E	25E	26E	23A/E	24E	25E	26E	23A/E	24E	25E	26E	23A/E	24E	25E	26E
Precious Shipping PCL	7.95	12,557	-85.4	-20.4	181.9	-1.2	17.5	21.9	7.8	7.9	0.8	0.8	0.7	0.7	2.5	2.3	6.8	6.7	4.3	3.4	9.4	8.9
Global selected peers																						
Capital Product Partners LP*	17.40	958	-65.2	-6.9	5.5	n.a.	8.1	8.7	8.2	n.a.	n.a.	n.a.	n.a.	3.4	3.4	3.4	3.4	5.0	n.a.	n.a.	n.a.	
Danaos Corp*	73.14	1,420	6.1	2.8	-24.5	-19.3	2.5	2.5	3.3	4.0	0.5	0.4	0.4	n.a.	4.4	4.4	4.4	4.4	20.7	17.0	10.0	7.0
Diana Shipping Inc*	2.87	344	-68.2	7.6	113.4	-26.9	6.9	6.4	3.0	4.1	0.6	0.6	0.6	0.5	n.a.	15.1	16.4	19.9	9.0	13.1	17.0	13.0
Genco Shipping & Trading Ltd*	20.61	881	-108.1	881.8	4.8	-4.8	-68.5	8.8	8.4	8.8	1.0	0.9	0.9	0.9	n.a.	8.6	9.0	5.9	-1.4	14.8	15.8	7.5
Kirby Corp*	99.24	5,803	83.7	33.7	27.2	10.9	26.7	19.9	15.7	14.1	1.8	1.7	1.6	1.5	n.a.	n.a.	n.a.	n.a.	7.2	8.9	n.a.	n.a.
Navios Maritime Partners LP*	41.73	1,260	-25.2	-2.6	9.0	-42.9	3.0	3.0	2.8	4.9	0.5	0.4	0.4	0.3	0.5	0.5	0.5	0.5	16.6	13.5	12.3	7.1
Pacific Basin Shipping Ltd*	2.32	12,220	-84.5	69.7	30.5	2.3	14.5	8.5	6.6	6.4	0.9	0.8	0.8	0.8	5.4	6.2	8.4	8.6	5.9	10.1	11.6	11.6
Safe Bulkers Inc*	4.74	529	-55.0	22.9	-7.1	26.3	7.8	6.3	6.8	5.4	n.a.	n.a.	n.a.	n.a.	n.a.	4.6	4.5	5.9	8.9	n.a.	n.a.	n.a.
Enefi 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*	12.55	1,726	-55.1	19.5	-5.0	54.2	18.9	15.8	16.7	10.8	1.5	1.5	1.5	1.5	7.8	8.6	9.0	10.0	7.9	14.6	10.6	14.0
Star Bulk Carriers Corp*	23.86	2,013	-68.2	129.7	18.7	13.1	13.6	5.9	5.0	4.4	1.2	1.1	1.1	0.9	6.0	10.1	10.9	11.8	9.4	23.0	24.0	26.1
Thoresen Thai Agencies PCL*	6.50	11,931	-62.8	66.2	14.4	2.4	9.7	5.9	5.1	5.0	0.5	0.4	0.4	0.4	n.a.	2.0	2.3	2.5	4.9	7.9	8.4	8.1
Simple Average			-31.7	111.3	17.0	1.5	3.9	8.3	7.4	6.8	0.9	0.9	0.8	0.9	4.0	6.4	6.9	7.3	9.2	13.7	13.7	11.8
Thoresen Thai Agencies PCL*	6.50	11,931	-62.8	66.2	14.4	2.4	9.7	5.9	5.1	5.0	0.5	0.4	0.4	0.4	n.a.	2.0	2.3	2.5	4.9	7.9	8.4	8.1

Source: Bloomberg, KS Research

Fig 10 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)						Cashflow (Btmn)					
	2022A	2023A	2024E	2025E	2026E		2022A	2023A	2024E	2025E	2026E
Revenue	9,129	5,101	5,595	6,487	6,487	Net profit	4,851	710	562	1,502	1,542
Cost of sales and services	-3,401	-3,595	-4,020	-4,084	-4,130	Depreciation & amortization	1,326	1,411	1,333	1,293	1,242
Gross Profit	5,728	1,506	1,575	2,402	2,357	Change in working capital	0	-142	64	-49	6
SG&A	-517	-425	-504	-546	-588	Others	-258	-219	-2	-2	-2
Other income	15	44	0	0	0	CF from operation activities	5,919	1,760	1,958	2,745	2,788
EBIT	5,259	1,194	1,081	1,866	1,779	Capital expenditure	-2,238	-2,000	-700	-500	-500
EBITDA	6,552	2,536	2,404	3,149	3,011	Investment in subs and affiliates	20	-3	-2	-2	-2
Interest expense	-392	-481	-519	-364	-237	Others	0	0	0	0	0
Equity earnings	29	21	10	10	10	CF from investing activities	-2,218	-2,003	-702	-502	-502
EBT	4,866	713	562	1,502	1,542	Cash dividend	-2,729	-311	-287	-751	-771
Income tax	-15	-4	0	0	0	Net proceeds from debt	-1,509	627	-1,336	-2,000	-1,000
NPAT	4,851	710	562	1,502	1,542	Capital raising	0	0	0	0	0
Minority Interest	-0	-0	0	0	0	Others	707	-303	0	0	0
Core Profit	4,851	662	562	1,502	1,542	CF from financing activities	-3,531	13	-1,623	-2,751	-1,771
Extraordinary items	-0	36	0	0	0	Net change in cash	170	-230	-367	-508	515
FX gain (loss)	0	12	0	0	0	Key Statistics & Ratios					
Reported net profit	4,851	710	562	1,502	1,542	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	3.11	0.46	0.36	0.96	0.99
Cash & equivalents	1,056	2,315	1,948	1,439	1,955	Core EPS	3.11	0.42	0.36	0.96	0.99
ST investments	0	0	0	0	0	DPS	1.75	0.20	0.18	0.48	0.49
Accounts receivable	279	295	169	218	212	BV	10.56	10.42	10.60	11.08	11.57
Inventories	42	0	0	0	0	EV	19.73	11.87	10.75	9.79	8.82
Other current assets	181	280	286	291	297	Free Cash Flow	2.36	-0.15	0.81	1.44	1.47
Total current assets	1,557	2,890	2,403	1,949	2,464	Valuation analysis					
Investment in subs & others	100	103	105	107	109	Reported P/E (x)	5.18	19.01	22.60	8.46	8.24
Fixed assets-net	22,048	20,836	20,202	19,409	18,667	Core P/E (x)	5.17	20.38	22.60	8.46	8.24
Other assets	598	517	527	538	548	P/BV (x)	1.52	0.83	0.77	0.74	0.70
Total assets	24,304	24,346	23,237	22,003	21,788	EV/EBITDA (x)	4.69	7.30	6.97	4.85	4.57
Short-term debt	1,162	1,788	1,500	1,000	1,000	Price/Cash flow (x)	4.24	7.66	6.49	4.63	4.56
Accounts payable	229	62	0	0	0	Dividend yield (%)	10.87	2.31	2.26	5.91	6.07
Other current liabilities	476	428	437	446	455	Profitability ratios					
Total current liabilities	1,867	2,279	1,937	1,446	1,455	Gross margin (%)	62.75	29.52	28.15	37.03	36.33
Long-term debt	5,547	5,548	4,500	3,000	2,000	EBITDA margin (%)	71.77	49.71	42.98	48.55	46.42
Other liabilities	426	274	279	285	290	EBIT margin (%)	57.61	23.40	19.32	28.77	27.42
Total liabilities	7,841	8,100	6,716	4,730	3,745	Net profit margin (%)	53.14	13.91	10.05	23.16	23.76
Paid-up capital	1,559	1,559	1,559	1,559	1,559	ROA (%)	20.28	2.92	2.36	6.64	7.04
Share premium	1,968	1,968	1,968	1,968	1,968	ROE (%)	31.47	4.34	3.43	8.89	8.73
Reserves & others, net	1,245	851	851	851	851	Liquidity ratios					
Retained earnings	11,690	11,868	12,143	12,895	13,665	Current ratio (x)	0.83	1.27	1.24	1.35	1.69
Minority interests	0	0	0	0	0	Quick ratio (x)	0.71	1.15	1.09	1.15	1.49
Total shareholders' equity	16,463	16,246	16,521	17,272	18,043	Leverage Ratios					
Total equity & liabilities	24,304	24,346	23,237	22,003	21,788	Liabilities/Equity ratio (x)	0.48	0.50	0.41	0.27	0.21
Key Assumptions						Net debt/EBITDA (x)	0.86	1.98	1.69	0.81	0.35
Number of vessels	37	38	37	37	37	Net debt/equity (x)	0.34	0.31	0.25	0.15	0.06
Operating days	13,414	13,870	13,596	13,505	13,505	Int. coverage ratio (x)	13.40	2.48	2.08	5.13	7.50
TC rates (US\$/day)	20,020	10,907	11,271	13,224	13,224	Growth					
USDTHB	35.1	34.3	35.2	35.2	35.2	Revenue (%)	5.90	-44.12	9.68	15.95	0.00
OPEX (US\$/day)	4,893	5,204	5,300	5,400	5,400	EBITDA (%)	10.13	-61.30	-5.18	30.97	-4.39
SG&A (US\$/day)	1,097	893	1,053	1,149	1,237	Reported net profit (%)	8.40	-85.37	-20.75	167.17	2.61
Financial cost (US\$/day)	833	999	1,084	766	499	Reported EPS (%)	8.40	-85.37	-20.75	167.17	2.61
Depreciation (US\$/day)	2,815	2,843	2,872	2,900	2,929	Core profit (%)	11.77	-86.36	-15.03	167.17	2.61
Total cost (US\$/day)	9,638	9,940	10,308	10,215	10,065	Core EPS (%)	11.77	-86.36	-15.03	167.17	2.61

Source: Company, KS estimates

Analyst Certification

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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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