

Precious Shipping Pcl.

May 8, 2024

# PSL

Solid outlook for dry bulk market

## OUTPERFORM

Maintain Rating

### Valuation: PBV

Sector: Transportation & Logistics  
Market Cap: Bt13,644mn  
30-day avg turnover: Bt55.28mn

## Target Price/Upside:

**Bt9.70 / 10.86%**

Previous target price:

Bt9.40

## Price (May 7, 2024)

**Bt8.75**

No. of shares on issue: 1,559mn  
CG Scoring (IOD-Y2023): Excellent  
Anti-Corruption Indicator: Certified



## Highlights

- ▶ We attended PSL's 1Q24 analyst conference call. Key messages were slightly positive. Company expects China stimulus measures for the residential sector and India's election to result in higher trade volumes.
- ▶ Supply growth for dry bulk ships is limited in the next couple years due to constrained shipyard capacity.
- ▶ Maintain Outperform call on PSL, raise our target price from Bt9.40 to Bt9.70 to reflect our 2024 earnings upgrade.

## Investment Highlights

- ▶ **Key event.** We attended PSL's 1Q24 analyst conference call. Key messages were slightly positive. Management sees a better outlook for the Chinese economy and believes that it has already passed the tipping point as the impact of the housing crisis on the economy is expected to lessen in 2024 with expectations stimulus measures will be rolled out soon for the residential sector. Imports of coal and iron ore are up from the same period last year. For India, PSL believes that exports of agricultural products could resume growth after the general election in June, which could result in an export ban being lifted. These factors could boost demand for dry bulk vessels. According to Clarksons World Seaborne Trade Mar 2024, total dry bulk trade and minor dry bulk trade are forecast to grow by 2.4% and 4.5% in 2024.
- ▶ **Limited supply growth potential in the next couple of years.** According to Clarksons, the global dry bulk fleet increased by 0.9% in 1Q24. The company expects the net fleet in 2024 to grow by 2.5%, or by 25 MDWT to 1,022 MDWT. In the longer term until 2027, supply growth could be limited with the total order book equal to only 8.7% of the existing fleet. This is way lower than the average of 25-30% seen between 2000-2020. Shipyard capacity is limited as builders are fully booked on orders for LNG, container, car carrier and gas tanker ships. As such, there will be limited growth in dry bulk supply until 2027.
- ▶ **Our take.** We have a positive view on the outlook for PSL's earnings in 2024. First, Q1 is generally its slowest quarter of the year and we expect an improvement for the rest of 2024 in terms of pricing. Currently, Supramax TC rates have risen by around 15% from the average in 1Q24. We believe that 2Q24 earnings could show YoY and QoQ growth.
- ▶ **Raise 2024 earnings forecasts by 1.6x.** We raise our 2024 net profit forecast from Bt562mn to Bt1.47bn to reflect the stronger industry environment and the positive outlook in 2024. We raise PSL's average TC rate in 2024 by 15% to USD12,920 per operating day, and lower SG&A expenses by 9%. For 2025/26, we raise earnings slightly by 1-3% on lower SG&A expense.

## Investment fundamentals

Year end Dec 31	2022A	2023A	2024E	2025E
<b>Company Financials</b>				
Revenue (Btmn)	9,129	5,101	6,293	6,520
Core profit (Btmn)	4,851	662	1,390	1,542
Net profit (Btmn)	4,851	710	1,472	1,542
Net EPS (Bt)	3.11	0.46	0.94	0.99
DPS (Bt)	1.75	0.20	0.45	0.49
BVPS (Bt)	10.56	10.42	10.91	11.40
Net EPS growth (%)	8.40	-85.37	107.49	4.74
ROA (%)	20.28	2.92	6.13	6.67
ROE (%)	31.47	4.34	8.85	8.87
Net D/E (x)	0.34	0.31	0.21	0.12
<b>Valuation</b>				
P/E (x)	5.18	19.01	9.27	8.85
P/BV (x)	1.52	0.83	0.80	0.77
EV/EBITDA (x)	4.69	7.30	5.37	4.92
Dividend yield (%)	10.87	2.31	5.20	5.65

## Analyst

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## Valuation and Recommendation

- ▶ **Maintain Outperform rating, raise TP to Bt9.70.** We maintain our Outperform call on PSL as we believe that its earnings are in an uptrend. We raise our target price from Bt9.40 to Bt9.70 to reflect our earnings upgrade. Our TP is based on a target PBV multiple of 0.85x (-0.75SD). Key rerating catalyst is a recovery of the Chinese economy.

**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.

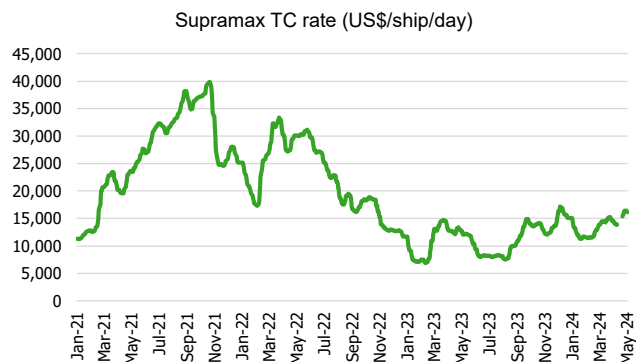
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**Fig 1 Earnings revision**

Unit: Btmn.	2024E			2025E			2026E		
Profit and loss statements	New	Previous	%Change	New	Previous	%Change	New	Previous	%Change
Total revenue	6,293	5,595	12.5	6,520	6,487	0.5	6,520	6,487	0.5
Cost of services	3,961	4,020	-1.5	4,104	4,084	0.5	4,173	4,130	1.1
Gross profit	2,332	1,575	48.1	2,416	2,402	0.6	2,347	2,357	-0.4
SG&A	457	504	-9.4	520	546	-4.8	560	588	-4.8
Operating profit	1,876	1,071	75.1	1,896	1,856	2.1	1,787	1,769	1.0
EBITDA	3,209	2,404	33.5	3,189	3,149	1.3	3,029	3,011	0.6
EBIT	1,987	1,081	83.9	1,906	1,866	2.1	1,797	1,779	1.0
Core profit	1,390	562	147.2	1,542	1,502	2.6	1,560	1,542	1.2
Net profit	1,472	562	161.8	1,542	1,502	2.6	1,560	1,542	1.2
<b>Key assumptions</b>									
Number of vessels	37	37	-0.7	37	37	0.0	37	37	0.0
Operating days	13,505	13,596	-0.7	13,505	13,505	0.0	13,505	13,505	0.0
TC rates (US\$/day)	12,920	11,271	14.6	13,295	13,224	0.5	13,295	13,224	0.5
USDTHB	35.31	35.20	0.3	35.20	35.20	0.0	35.20	35.20	0.0
Interest expenses (Bt mn)	509	519	-1.9	364	363.92	0.0	237	237.24	0.0
OPEX (US\$/day)	5,395	5,300	1.8	5,450	5,400	0.9	5,500	5,400	1.9
SG&A (US\$/day)	958	1,053	-9.0	1,094	1,149	-4.8	1,178	1,237	-4.8

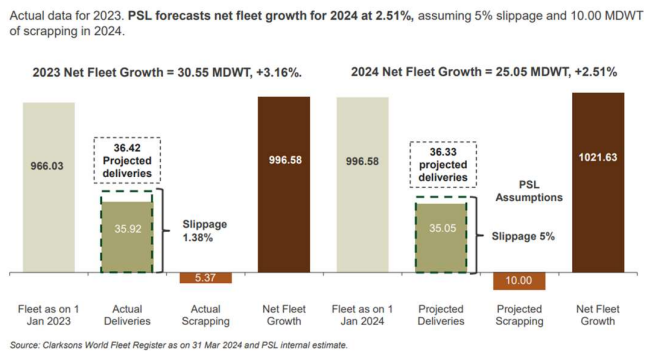
Source: KS Research

**Fig 2 Supramax TC rates**



Source: KS Research

**Fig 3 Dry bulk supply forecasts**



Source: Clarksons World Fleet Register as on 31 Mar 2024 and PSL internal estimate.

Source: Company

## 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	6,293	6,520	6,520	Net profit	4,851	710	1,472	1,542	1,560
Cost of sales and services	-3,401	-3,595	-3,961	-4,104	-4,173	Depreciation & amortization	1,326	1,411	1,333	1,293	1,242
<b>Gross Profit</b>	5,728	1,506	2,332	2,416	2,347	Change in working capital	0	-142	42	-29	6
SG&A	-517	-425	-457	-520	-560	Others	-258	-219	-2	-2	-2
Other income	15	44	0	0	0	<b>CF from operation activities</b>	5,919	1,760	2,846	2,805	2,806
<b>EBIT</b>	5,259	1,194	1,987	1,906	1,797	Capital expenditure	-2,238	-2,000	-700	-500	-500
<b>EBITDA</b>	6,552	2,536	3,209	3,189	3,029	Investment in subs and affiliates	20	-3	-2	-2	-2
Interest expense	-392	-481	-509	-364	-237	Others	0	0	0	0	0
Equity earnings	29	21	11	10	10	<b>CF from investing activities</b>	-2,218	-2,003	-702	-502	-502
<b>EBT</b>	4,866	713	1,478	1,542	1,560	Cash dividend	-2,729	-311	-709	-771	-780
Income tax	-15	-4	-6	0	0	Net proceeds from debt	-1,509	627	-1,336	-2,000	-1,000
<b>NPAT</b>	4,851	710	1,472	1,542	1,560	Capital raising	0	0	0	0	0
Minority Interest	-0	-0	0	0	0	Others	707	-303	0	0	0
<b>Core Profit</b>	4,851	662	1,390	1,542	1,560	<b>CF from financing activities</b>	-3,531	13	-2,045	-2,771	-1,780
Extraordinary items	-0	36	62	0	0	<b>Net change in cash</b>	170	-230	100	-469	524
FX gain (loss)	0	12	21	0	0	<b>Key Statistics &amp; Ratios</b>					
<b>Reported net profit</b>	4,851	710	1,472	1,542	1,560	<b>Per share (Bt)</b>					
<b>Balance Sheet (Btmn)</b>						Reported EPS	3.11	0.46	0.94	0.99	1.00
Cash & equivalents	1,056	2,315	2,415	1,946	2,470	Core EPS	3.11	0.42	0.89	0.99	1.00
ST investments	0	0	0	0	0	DPS	1.75	0.20	0.45	0.49	0.50
Accounts receivable	279	295	191	219	213	BV	10.56	10.42	10.91	11.40	11.90
Inventories	42	0	0	0	0	EV	19.73	11.87	11.05	10.07	9.09
Other current assets	181	280	286	291	297	Free Cash Flow	2.36	-0.15	1.38	1.48	1.48
<b>Total current assets</b>	1,557	2,890	2,891	2,457	2,980	<b>Valuation analysis</b>					
Investment in subs & others	100	103	105	107	109	Reported P/E (x)	5.18	19.01	9.27	8.85	8.75
Fixed assets-net	22,048	20,836	20,202	19,409	18,667	Core P/E (x)	5.17	20.38	9.82	8.85	8.75
Other assets	598	517	527	538	548	P/BV (x)	1.52	0.83	0.80	0.77	0.74
<b>Total assets</b>	24,304	24,346	23,725	22,511	22,305	EV/EBITDA (x)	4.69	7.30	5.37	4.92	4.68
Short-term debt	1,162	1,788	1,500	1,000	1,000	Price/Cash flow (x)	4.24	7.66	4.79	4.86	4.86
Accounts payable	229	62	0	0	0	Dividend yield (%)	10.87	2.31	5.20	5.65	5.72
Other current liabilities	476	428	437	446	455	<b>Profitability ratios</b>					
<b>Total current liabilities</b>	1,867	2,279	1,937	1,446	1,455	Gross margin (%)	62.75	29.52	37.06	37.06	35.99
Long-term debt	5,547	5,548	4,500	3,000	2,000	EBITDA margin (%)	71.77	49.71	50.99	48.91	46.46
Other liabilities	426	274	279	285	290	EBIT margin (%)	57.61	23.40	31.58	29.23	27.56
<b>Total liabilities</b>	7,841	8,100	6,716	4,730	3,745	Net profit margin (%)	53.14	13.91	23.39	23.65	23.92
Paid-up capital	1,559	1,559	1,559	1,559	1,559	ROA (%)	20.28	2.92	6.13	6.67	6.96
Share premium	1,968	1,968	1,968	1,968	1,968	ROE (%)	31.47	4.34	8.85	8.87	8.58
Reserves & others, net	1,245	851	851	851	851	<b>Liquidity ratios</b>					
Retained earnings	11,690	11,868	12,631	13,402	14,182	Current ratio (x)	0.83	1.27	1.49	1.70	2.05
Minority interests	0	0	0	0	0	Quick ratio (x)	0.71	1.15	1.35	1.50	1.84
<b>Total shareholders' equity</b>	16,463	16,246	17,009	17,780	18,560	<b>Leverage Ratios</b>					
<b>Total equity &amp; liabilities</b>	24,304	24,346	23,725	22,511	22,305	Liabilities/Equity ratio (x)	0.48	0.50	0.39	0.27	0.20
<b>Key Assumptions</b>						Net debt/EBITDA (x)	0.86	1.98	1.12	0.64	0.17
Number of vessels	37	38	37	37	37	Net debt/equity (x)	0.34	0.31	0.21	0.12	0.03
Operating days	13,414	13,870	13,505	13,505	13,505	Int. coverage ratio (x)	13.40	2.48	3.90	5.24	7.57
TC rates (US\$/day)	20,020	10,907	12,920	13,295	13,295	<b>Growth</b>					
USDTHB	35.1	34.8	35.3	35.2	35.2	Revenue (%)	5.90	-44.12	23.38	3.60	0.00
OPEX (US\$/day)	4,893	5,204	5,395	5,450	5,500	EBITDA (%)	10.13	-61.30	26.55	-0.63	-5.01
SG&A (US\$/day)	1,097	881	958	1,094	1,178	Reported net profit (%)	8.40	-85.37	107.49	4.74	1.14
Financial cost (US\$/day)	833	986	1,087	766	499	Reported EPS (%)	8.40	-85.37	107.49	4.74	1.14
Depreciation (US\$/day)	2,815	2,843	2,872	2,900	2,929	Core profit (%)	11.77	-86.36	110.05	10.94	1.14
Total cost (US\$/day)	9,638	9,915	10,312	10,210	10,106	Core EPS (%)	11.77	-86.36	110.05	10.94	1.14

Source: Company, KS estimates

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