



Precious Shipping PCL

PSL TB Outperform

Target Price Bt 6.50

Price (09/11/2020) Bt 5.15

Upside % 26.21

Valuation PBV

Sector Transportation & Logistics

Market Cap Btm 8,030

30-day avg turnover Btm 93.21

No. of shares on issue m 1,559

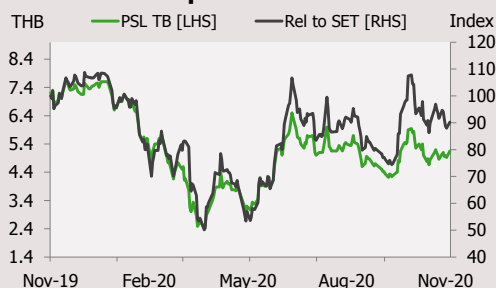
CG Scoring Excellent

Anti-Corruption Indicator Certified

Investment fundamentals

Year end Dec 31	2019A	2020E	2021E	2022E
Company Financials				
Revenue (Btmn)	4,152	3,827	4,503	4,676
Core profit (Btmn)	-223	-362	301	460
Net profit (Btmn)	-228	-1,224	301	460
Net EPS (Bt)	-0.15	-0.79	0.19	0.30
DPS (Bt)	0.00	0.00	0.00	0.00
BVPS (Bt)	7.41	6.63	6.82	7.12
Net EPS growth (%)	-150.09	-435.81	124.58	52.93
ROA (%)	-0.86	-5.24	1.42	2.26
ROE (%)	-1.88	-11.18	2.87	4.24
Net D/E (x)	0.99	0.92	0.78	0.62
Valuation				
P/E (x)	-35.15	-6.56	26.68	17.45
P/BV (x)	0.69	0.78	0.76	0.72
EV/EBITDA (x)	11.53	12.77	8.46	7.61
Dividend yield (%)	0.00	0.00	0.00	0.00

PSL TB rel SET performance



Source: Bloomberg

(All figures in THB unless noted.)

It's time for dry bulk shipping

- ▶ **PSL reported a 3Q20 net loss of Bt22mn.** Excluding an FX gain of Bt12mn, core loss totaled Bt35mn vs. our estimate of -Bt23mn.
- ▶ **Expect PSL to turn to a profit in 4Q20** as the TC rate in 4Q20 exceeds the breakeven level of US\$10,300 due to Chinese restocking.
- ▶ **Maintain Outperform rating and TP of Bt6.50** pegged to PBV of 0.95x (-0.5SD historical mean) and average 2021-22E BVPS of Bt7/shr.

Investment Highlights

- ▶ **Reported a 3Q20 net loss of Bt22mn.** Excluding an FX gain of Bt12mn, PSL had a higher core loss of Bt35mn vs. our expected loss of Bt23mn. The core loss was higher than our estimate as the average TC rate of US\$8,786 per ship was lower than our assumption of US\$10,098 per ship. However, OPEX and SG&A expense were lower than expected thanks to better cost control. PSL booked OPEX of US\$4,617 per day per ship vs. our estimate of US\$4,648. SG&A expense decreased by 42% YoY to Bt75mn thanks to lower legal expense and management remuneration. Note that the TC rate decreased by 8.6% YoY due to the impact of COVID-19. We revise our 2020 core loss forecast to Bt362m from Bt351 due to the weaker-than-expected 3Q20 performance.
- ▶ **Expect PSL to turn to a profit in 4Q20.** PSL can be profitable at a TC rate of US\$10,300 per vessel/day, a cash cost per vessel of ~US\$5,800, a financial cost of US\$1,500, and depreciation expense of ~US\$3,000 per ship. We are bullish on the dry bulk shipping sector as we expect a solid recovery of freight rates on a stronger demand outlook and tighter supply. We expect PSL to turn to a profit in 4Q20 as the Supramax TC rate rose by 42% QTD to US\$10,600 per vessel/day.
- ▶ **Expect Biden's win and COVID-19 vaccine to benefit the dry bulk shipping sector.** The global dry bulk trade grew by just 0.5% YoY in 2019 amid the intense US-China trade war and negative impact from a lower TC rate (-13% YoY to US\$9,622 per ship). We believe US President-elect Joe Biden's win will result in lower trade tension between the US and China, which will benefit the dry bulk shipping sector. In addition, we see upside from his planned stimulus measures related to infrastructure investment. *Clarksons Research* estimates dry bulk trade to rebound by 4.6% YoY in 2021 in line with a global economic recovery after the release of a COVID-19 vaccine.

Valuation and Recommendation

- ▶ **Maintain Outperform rating.** We maintain our Outperform rating on PSL and mid-2021 target price of Bt6.50 based on an average 2021 and 2022 fully diluted BVPS of Bt7 pegged to a PBV of 0.95x (-0.5SD historical mean).
- ▶ **Key risks:** 1) volatile freight rates; and 2) a credit risk.

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Kasikorn Securities Public Company Limited



Fig 1 3Q20 earnings review

	3Q19	4Q19	1Q20	2Q20	3Q20E	%YoY	%QoQ	2020E	2021E	% change	2022E
Financials											
Sales (Btmn)	1,045	1,150	1,055	680	1,045	0.0	53.6	3,927	4,503	14.7	4,676
EBITDA (Btmn)	438	514	379	-156	135	-69.2	186.5	1,404	1,926	37.2	1,953
Operating profit (Btmn)	144	175	63	-156	135	-6.2	186.5	298	882	195.8	966
Core profit (Btmn)	-32	31	-133	-293	-23	27.0	92.0	-351	301	185.7	460
Net profit (Btmn)	-29	28	-117	-1,183	-23	20.2	98.0	-1,226	301	124.6	460
Net EPS (Bt)	-0.02	0.02	-0.08	-0.76	-0.02	20.2	98.0	-0.79	0.19	124.6	0.30
Performance Drivers											
Number of vessels	36	36	36	36	36	0.0	0.0	36	36	0.0	36
Operating days	3,312	3,312	3,276	3,276	3,285	-0.8	0.3	13,122	13,140	0.1	13,140
TC rates (US\$/day)	9,617	10,628	8,398	9,002	10,098	5.0	12.2	9,611	10,738	11.7	11,167
USDTHB	30.8	30.3	31.4	31.5	31.5	2.3	0.0	31	31	-1.6	31
OPEX (US\$/day)	4,575	4,787	4,602	4,625	4,648	1.6	0.5	4,637	4,730	2.0	4,825
SG&A (US\$/day)	1,278	1,659	1,085	1,154	1,173	-8.2	1.7	1,162	1,233	6.1	1,264
Ratios											
						Change	2020E	2021E	Change	2022E	
Gross margin (%)	25.6	29.3	13.8	-11.1	0.0	-25.6	11.1	17.9	30.5	12.6	31.5
EBITDA margin (%)	42.0	44.7	35.9	-22.9	12.9	-29.1	35.8	35.7	42.8	7.0	41.8
Optg. margin (%)	13.8	15.2	6.0	-22.9	0.0	-13.8	22.9	7.6	19.6	12.0	20.7
ROE (%)	-0.3	0.2	-1.0	0.0	0.0	0.3	0.0	-11.2	2.9	14.1	4.2

Source: Company data, KS Research

Fig 13 Key assumptions

	2017	2018	2019	2020E	2021E	2020E
Number of vessels	36	36	36	36	36	36
Operating days	13,959	13,140	13,140	13,122	13,140	13,140
TC rates (US\$/day)	9,486	11,063	9,622	9,611	10,738	11,167
USDTHB	32.6	32.4	29.8	31.0	30.5	30.5
OPEX (US\$/day)	4,336	4,621	4,778	4,637	4,730	4,825
SG&A (US\$/day)	888	1,064	1,394	1,162	1,233	1,264
Financial cost (US\$/day)	2,111	1,940	1,796	1,556	1,449	1,262
Depreciation (US\$/day)	2,571	2,783	3,022	3,052	3,083	3,114
Total cost (US\$/day)	9,906	10,408	10,990	10,407	10,494	10,465

Source: KS Research


Year-end 31 Dec

Income Statement (Btmn)	2018A	2019A	2020E	2021E	2022E	Cashflow (Btmn)	2018A	2019A	2020E	2021E	2022E
Revenue	4,933	4,152	3,827	4,503	4,676	Net profit	456	-228	-1,224	301	460
Cost of sales and services	-3,256	-3,173	-3,197	-3,128	-3,203	Depreciation & amortization	1,242	1,228	1,106	1,045	987
Gross Profit	1,677	979	629	1,376	1,473	Change in working capital	-97	-12	0	-53	-12
SG&A	-453	-546	-391	-494	-507	Others	656	903	2,060	-10	-10
Other income	41	31	32	0	0	CF from operation activities	2,256	1,890	1,941	1,283	1,425
EBIT	1,284	478	-591	882	966	Capital expenditure	-176	1,077	0	0	0
EBITDA	2,507	1,692	1,376	1,926	1,953	Investment in subs and affiliates	2	7	-2	-2	-2
Interest expense	-826	-703	-633	-581	-506	Others	-99	-1,511	0	0	0
Equity earnings	24	20	7	0	0	CF from investing activities	-272	-427	-2	-2	-2
EBT	458	-226	-1,224	301	460	Cash dividend	0	0	0	0	0
Income tax	-2	-3	0	0	0	Net proceeds from debt	-1,252	-1,876	-2,112	-1,260	-1,200
NPAT	456	-228	-1,224	301	460	Capital raising	0	-0	0	0	0
Minority Interest	-0	-0	0	0	0	Others	-732	-133	0	0	0
Core Profit	458	-223	-362	301	460	CF from financing activities	-1,984	-2,009	-2,112	-1,260	-1,200
Extraordinary items	4	0	-878	0	0	Net change in cash	0	-546	-173	22	223
FX gain (loss)	-5	-6	16	0	0	Key Statistics & Ratios					
Reported net profit	456	-228	-1,224	301	460	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	0.29	-0.15	-0.79	0.19	0.30
Cash & equivalents	1,843	1,181	1,009	1,030	1,254	Core EPS	0.29	-0.14	-0.23	0.19	0.30
ST investments	0	0	0	0	0	DPS	0.00	0.00	0.00	0.00	0.00
Accounts receivable	254	183	179	214	215	BV	8.14	7.41	6.63	6.82	7.12
Inventories	96	176	109	127	138	EV	16.79	12.51	11.27	10.45	9.53
Other current assets	124	140	143	146	149	Free Cash Flow	1.33	1.90	1.24	0.82	0.91
Total current assets	2,317	1,681	1,440	1,517	1,755	Valuation analysis					
Investment in subs & others	92	85	87	89	90	Reported P/E (x)	29.57	-35.15	-6.56	26.68	17.45
Fixed assets-net	22,409	20,104	18,999	17,954	16,966	Core P/E (x)	29.45	-36.09	-22.17	26.68	17.45
Other assets	3,019	3,191	1,144	1,166	1,190	P/BV (x)	1.06	0.69	0.78	0.76	0.72
Total assets	27,837	25,061	21,669	20,726	20,002	EV/EBITDA (x)	10.45	11.53	12.77	8.46	7.61
Short-term debt	1,877	4,085	3,590	0	0	Price/Cash flow (x)	5.98	4.25	4.14	6.26	5.63
Accounts payable	74	71	0	0	0	Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Other current liabilities	357	557	568	579	591	Profitability ratios					
Total current liabilities	2,308	4,712	4,158	579	591	Gross margin (%)	34.00	23.58	16.44	30.54	31.49
Long-term debt	12,661	8,577	6,960	9,290	8,090	EBITDA margin (%)	50.81	40.76	35.97	42.78	41.78
Other liabilities	172	212	216	221	225	EBIT margin (%)	26.03	11.50	-15.45	19.58	20.66
Total liabilities	15,141	13,502	11,334	10,090	8,906	Net profit margin (%)	9.25	-5.50	-31.99	6.68	9.84
Paid-up capital	1,559	1,559	1,559	1,559	1,559	ROA (%)	1.61	-0.86	-5.24	1.42	2.26
Share premium	1,968	1,968	1,968	1,968	1,968	ROE (%)	3.65	-1.88	-11.18	2.87	4.24
Reserves & others, net	33	-860	-1,349	-1,349	-1,349	Liquidity ratios					
Retained earnings	9,136	8,892	8,156	8,457	8,918	Current ratio (x)	1.00	0.36	0.35	2.62	2.97
Minority interests	0	0	0	0	0	Quick ratio (x)	0.91	0.29	0.29	2.15	2.49
Total shareholders' equity	12,695	11,559	10,335	10,636	11,096	Leverage Ratios					
Total equity & liabilities	27,837	25,061	21,669	20,726	20,002	Liabilities/Equity ratio (x)	1.19	1.17	1.10	0.95	0.80
Key Assumptions						Net debt/EBITDA (x)	5.06	6.78	6.93	4.29	3.50
Number of vessels	36	36	36	36	36	Net debt/equity (x)	1.00	0.99	0.92	0.78	0.62
Operating days	13,140	13,140	13,122	13,140	13,140	Int. coverage ratio (x)	1.56	0.68	-0.93	1.52	1.91
TC rates (US\$/day)	11,063	9,622	9,283	10,738	11,167	Growth					
USDTHB	32.4	29.8	31.0	30.5	30.5	Revenue (%)	13.85	-15.83	-7.84	17.69	3.82
OPEX (US\$/day)	4,621	4,778	4,605	4,730	4,825	EBITDA (%)	19.38	-32.48	-18.67	39.96	1.39
SG&A (US\$/day)	1,064	1,394	960	1,233	1,264	Reported net profit (%)	452.35	-150.09	-435.81	124.58	52.93
Financial cost (US\$/day)	1,940	1,796	1,556	1,449	1,262	Reported EPS (%)	452.34	-150.09	-435.81	124.58	52.93
Depreciation (US\$/day)	2,783	3,022	3,052	3,083	3,114	Core profit (%)	379.97	-148.59	-62.77	183.10	52.93
Total cost (US\$/day)	10,408	10,990	10,174	10,494	10,465	Core EPS (%)	379.97	-148.59	-62.77	183.10	52.93

Source: Company, KS estimates



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