

PSL: EBITDA in 4Q20 hits eight quarters high



Result

PSL's 4Q20 net profit was at Bt27m, the highest level in the past eight quarters while 2020 net loss was reported at Bt1.3bn. Excluding extra items, EBITDA would be at Bt1.4bn (-15%YoY) in line with our expectation while accounts for 99% of our 2020E full-year forecast.

- Excluding one-time loss from ending arbitration with ship maker in 2Q20 and FX item, net loss for 2020 would be at Bt362m, degrading from Bt-222m in 2019, dragged by poor TCE rate in 2Q20 as it being hit with impact from COVID-19.
- EBITDA in 4Q20 was at Bt483m (+4%YoY +18%QoQ), the highest level in the past eight quarters. QoQ expansion was due to an increase in average earnings per vessel per day to US\$10,022 per day (+14%QoQ -6%YoY).
- Expect earnings to improve QoQ in 1Q21 driven by profitable TCE rate level owing to strong demand recovery after the lockdown in the major countries.

We downgrade PSL's rating from BUY to HOLD due to limited upside to our target price, which remain at Bt10.0 derived from 1.43xPBV'21E, +1.0 S.D. its ten year average. We forecast core earnings to turn positive in 2021E on the back of TC rate recovery following improvement in global fleet demand-supply balance. However, recent rally in stock price has priced in such a positive factor.

Valuation table

Year end Dec	18A	19A	20A	21E	22E
PE (x)	32.3	nm	nm	25.3	20.8
Recurring net profit growth (%)	nm	nm	nm	nm	21.3
Recurring EPS (Bt)	0.3	(0.1)	(0.3)	0.4	0.5
Recurring EPS growth (%)	nm	nm	nm	nm	21.3
PBV (x)	1.2	1.3	1.5	1.4	1.3
BVPS (Bt)	8.1	7.4	6.5	7.0	7.5
ROE (%)	3.6	(1.9)	(11.9)	5.6	6.3
DPS (Bt)	-	-	-	-	-
Dividend yield (%)	na	na	na	na	na
Enterprise value (Bt m)	27,587	26,372	14,891	23,948	22,474
EV-to-EBITDA (x)	11.3	16.1	10.8	10.2	9.4

Precious Shipping PCL

Recommendation: HOLD

Current price: Bt9.55

Target price 2021: Bt10.0

Up/(downside): 5%

IOD: 5 out of 5

CAC: Declared

Stock data

RIC code	PSL.BK
Index	.SETI
SET Index (19 February 2021)	1,500.51
Market cap (Bt m)	14,891
Shares outstanding (million)	1,559
Par (Bt)	1.00



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PSL: Updated scorecard

(Bt m)	4Q19	1Q20	2Q20	3Q20	4Q20	YoY (%)	20A	20E	Diff (%)
Revenue	1,150	1,055	680	944	1,050	(9)	3,730	3,875	(3.7)
Cost of sales	(814)	(909)	(757)	(762)	(798)	(2)	(3,226)	(3,156)	2.2
Gross profit	337	146	(77)	182	253	(25)	504	718	(29.8)
SG&A	(167)	(121)	(82)	(75)	(67)	(60)	(345)	(527)	(34.6)
Other (exp)/inc	0	(0)	(0)	0	0	148	0	-	nm
EBIT	170	25	(158)	107	186	10	160	192	(16.5)
Finance cost	(150)	(172)	(158)	(145)	(122)	(19)	(597)	(601)	(0.7)
Other inc/(exp)	5	4	3	1	1	(78)	9	24	(63.9)
Earnings before taxes	25	(143)	(314)	(37)	65	164	(429)	(386)	11.0
Income tax	(3)	-	-	-	(4)	64	(4)	-	nm
Earnings after taxes	22	(143)	(314)	(37)	61	176	(433)	(386)	12.1
Equity income	6	1	4	3	4	(42)	11	-	nm
Minority interest	(0)	-	0	-	0	nm	0	25	(100.0)
Earnings from cont. operations	28	(142)	(310)	(35)	64	127	(422)	(362)	16.8
Forex gain/(loss) & unusual items	(2)	25	(873)	12	(37)	nm	(872)	(852)	2.4
Net profit	26	(117)	(1,183)	(22)	27	5	(1,295)	(1,214)	6.7
Recurring profit	28	(142)	(310)	(35)	58	108	(422)	(362)	16.8
EBITDA	470	333	149	415	487	4	1,384	1,393	(0.7)
Recurring EPS (Bt)	0.018	(0.097)	(0.199)	(0.022)	0.037	108	(0.271)	(0.232)	16.8
Reported EPS (Bt)	0.017	(0.080)	(0.760)	(0.014)	0.018	5	(0.830)	(0.778)	6.7
Profits (%)	4Q19	1Q20	2Q20	3Q20	4Q20	Diff (%)	20A	20E	Diff (%)
Gross margin	29.3	13.8	(11.3)	19.3	24.0	(5.223)	13.5	18.5	(5.0)
Operating margin	14.8	2.4	(23.3)	11.3	17.7	2.970	4.3	4.9	(0.7)
Net margin	2.3	(11.1)	(173.9)	(2.3)	2.6	0.339	(34.7)	(31.3)	(3.4)

Result summary

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- EBITDA in 4Q20 was at Bt483m (+4%YoY +17%QoQ), the highest level in the past eight quarters. QoQ expansion was due to an increase in average earnings per vessel per day to US\$10,022 per day (+14%QoQ - 6%YoY).
- Expect core earnings to continue to improve QoQ in 1Q21 as TC rate still staying above breakeven level owing to strong demand recovery after the pandemic and easing fleet supply glut issue.

PSL: Revenue breakdown

Story

Sales

P5F

Team

WCB

ESG

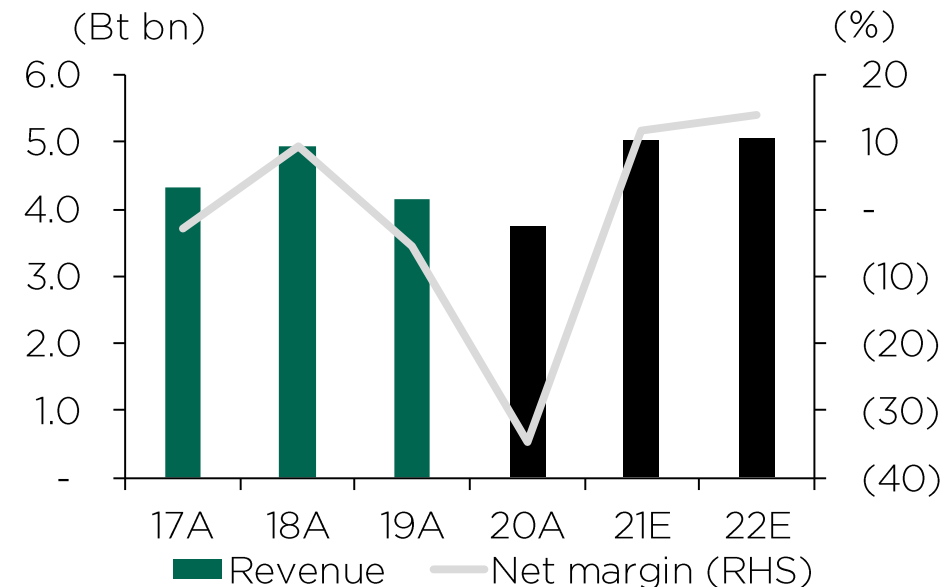
Value

Risks

Currently, the company operates 36 dry bulk carriers with a total 1,585,805 DWT. The fleet comprises 20 ships that are registered under the Thai flag and 16 ships that are registered under the Singapore flag. PSL operates its fleet on a tramp-shipping basis, covering all regions. Principal cargoes handled by the company are cement 30%, agricultural products 19%, steel 11%, fertilizers 9%, ore 13%, coal 9%, logs 1%, and other items 8%.

The company offers two types of cargo services :

- Voyage charter, 9% revenue contribution: The charterer pays freight to PSL to transport a particular cargo between two or more designated ports. In this case, PSL bears all the voyage costs, including the cost of bunker fuel.
- Time charter, 91% revenue contribution: The charterer will hire PSL to operate the vessel for an agreed period of time. The charterer bears all voyage costs, including the cost of bunker fuel.

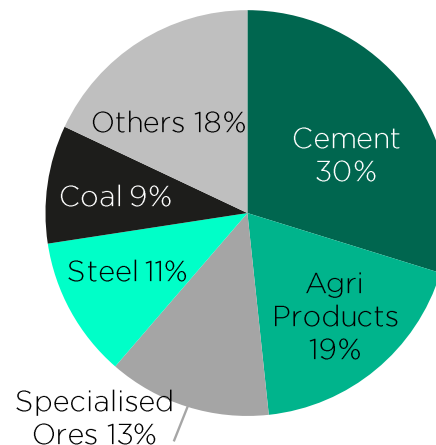


Revenue by cargoes carried, 2020

Revenue by type of services, 2020

PSL's Fleet

Types	DWT	No.
Ultramax	60,000-80,000	8
Supramax	50,000-60,000	9
Handymax	10,000-40,000	19
Total PSL's DWT	1,585,805	36



Voyage Charters
9%

Time Charters
91%

PRM: Summary financials

Story

Sales

Value

Profit & loss (Bt m)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Revenue	4,933	4,152	3,730	5,013	5,066	1,150	1,055	680	944	1,050
Cost of goods sold	(3,256)	(3,173)	(3,226)	(3,308)	(3,328)	(814)	(909)	(757)	(762)	(798)
Gross profit	1,677	979	504	1,705	1,737	337	146	(77)	182	253
SG&A	(449)	(547)	(345)	(548)	(553)	(167)	(121)	(82)	(75)	(67)
Other (exp)/inc	0	0	0	-	-	0	(0)	(0)	0	0
Operating profit	1,228	433	160	1,158	1,184	170	25	(158)	107	186
Finance cost	(826)	(703)	(597)	(574)	(500)	(150)	(172)	(158)	(145)	(122)
Other inc/(exp)	37	31	9	23	30	5	4	3	1	1
Earnings before taxes	439	(240)	(429)	607	714	25	(143)	(314)	(37)	65
Income tax	(2)	(3)	(4)	(6)	(7)	(3)	-	-	-	(4)
After-tax profit	437	(242)	(433)	601	707	22	(143)	(314)	(37)	61
Equity income	24	20	11	-	-	6	1	4	3	4
Minorities	(0)	(0)	0	(12)	7	(0)	-	0	-	0
Earnings from cont. operations	462	(222)	(422)	589	714	28	(142)	(310)	(35)	64
Forex gain/(loss) & unusual items	(5)	(6)	(872)	-	-	(2)	25	(873)	12	(37)
Net income	456	(228)	(1,295)	589	714	26	(117)	(1,183)	(22)	27
Recurring EPS (Bt)	0.30	(0.14)	(0.27)	0.38	0.46	0.02	(0.10)	(0.20)	(0.02)	0.04
Weighted average shares (m)	1,559	1,559	1,559	1,559	1,559	1,559	1,464	1,557	1,559	1,559
Balance sheet (Bt m)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Assets	27,837	25,061	21,397	22,283	21,565	25,061	26,263	23,455	23,278	21,397
Liabilities	15,141	13,502	11,263	11,361	9,936	13,502	14,039	13,073	12,607	11,263
Equity	12,695	11,559	10,134	10,935	11,649	11,559	12,224	10,382	10,672	10,134
Invested capital	25,299	22,955	10,134	19,893	19,126	22,955	24,207	21,808	20,735	10,134
Growth (YoY, %)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Revenue	13.9	(15.8)	(10.2)	34.4	2.0	(14.4)	11.1	(32.5)	(9.6)	(8.7)
Operating income	59.0	(64.7)	(63.1)	624.0	2.3	(48.5)	(74.5)	(707.1)	(22.6)	9.7
Recurring EPS	493.9	(148.2)	(89.9)	239.5	21.3	(81.6)	(81.9)	(125.8)	(14.7)	108.0
Assets	(3.5)	(10.0)	(14.6)	4.1	(3.2)	(10.0)	(2.7)	(9.9)	(8.4)	(14.6)
Liabilities	(8.2)	(10.8)	(16.6)	0.9	(12.5)	(10.8)	(3.9)	(8.1)	(7.9)	(16.6)
Equity	2.9	(9.0)	(12.3)	7.9	6.5	(9.0)	(1.2)	(12.0)	(9.0)	(12.3)
Profits (%)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Gross margin	34.0	23.6	13.5	34.0	34.3	29.3	13.8	(11.3)	19.3	24.0
Operating margin	24.9	10.4	4.3	23.1	23.4	14.8	2.4	(23.3)	11.3	17.7
Net margin	9.2	(5.5)	(34.7)	11.7	14.1	2.3	(11.1)	(173.9)	(2.3)	2.6
ROE	3.6	(1.9)	(11.9)	5.6	6.3	0.9	(3.9)	(41.9)	(0.8)	1.1
ROIC	4.7	1.8	1.0	7.6	6.0	2.6	0.4	(2.8)	2.0	4.5

Disclaimer

Investment ratings

- BUY:** Expected return excluding dividends of more than 10% within the next 12 months.
HOLD: Expected return excluding dividends between -10% and 10% within the next 12 months.
SELL: Expected return excluding dividends of less than -10% within the next 12 months.
NR: Not Rated- Stock is not in our research coverage.

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