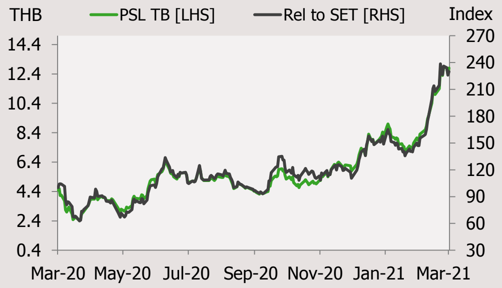
Precious Shipping PCL

PSL TB		Neutral
Target Price	**Bt**	11.20
Price (11/03/2021)	**Bt**	**12.80**
Downside	**%**	**12.50**
Valuation		**PBV**
Sector		**Transportation & Logistics**
Market Cap	**Btm**	**19,959**
30-day avg turnover	**Btm**	**178.31**
No. of shares on issue	**m**	**1,559**
CG Scoring		**Excellent**
Anti-Corruption Indicator		**Certified**

Investment fundamentals

Year end Dec 31	2019A	2020A	2021E	2022E
Company Financials				
Revenue (Btmn)	4,152	3,730	5,325	5,282
Core profit (Btmn)	-223	-413	1,337	1,381
Net profit (Btmn)	-228	-1,295	1,337	1,381
Net EPS (Bt)	-0.15	-0.83	0.86	0.89
DPS (Bt)	0.00	0.00	0.00	0.00
BVPS (Bt)	7.41	6.50	7.36	8.24
Net EPS growth (%)	-150.09	-466.70	203.28	3.28
ROA (%)	-0.86	-5.57	6.20	6.32
ROE (%)	-1.88	-11.94	12.38	11.36
Net D/E (x)	0.99	0.88	0.61	0.36
Valuation				
P/E (x)	-51.86	-9.15	14.92	14.45
P/BV (x)	1.03	1.17	1.74	1.55
EV/EBITDA (x)	13.79	15.27	9.10	8.55
Dividend yield (%)	0.00	0.00	0.00	0.00

PSL TB rel SET performance



Source: Bloomberg (all figures in THB unless noted)

Analyst
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11 March 2021

Kasikorn Securities Public Company Limited

A correction is imminent

- **The BSI TC rate rose 90% YTD to US$21,658/day due to port congestion in Brazil, but expect it to come down later on an improved situation.**
- **We raise 2021/22E earnings by 33%/11% as we increase our TC rate assumption by 7%/3% from USD13,000/USD13,338/vessel/day.**
- **Downgrade to Neutral and raise our TP to Bt11.20 from Bt10.80 pegged to a PBV of 1.36x and higher 2022E BVPS of Bt8.24.**

Investment Highlights

- **The BSI TC rate hit a 10-year high due to port congestion, but expect it to decline later on an improved situation.** The Baltic Exchange Supramax Index (BSI) time charter rate of BSI58 10TC rose 90% YTD to a 10-year high of US$21,658/day due to port congestion in Brazil. Brazil has struggled in recent weeks to harvest crops in a timely fashion due to persistent rains. Soybean exports from Brazil disappointed in February, which is the first month of its export season. According to BIMCO, a leading shipbroker, Brazilian soybean exports reached just 2.9m tons, a 40.1% YoY drop from the first month in the last season of 4.8m tons. Maritime agency Cargonave reported that there were more than 240 ships in the export lineup to load the crop, growth of more than 40% compared to the number seen in the same period last year. Note that the USDA estimates Brazil's soybean exports will reach 85mn tons in FY2021 (Sept 2020-Aug 2021). Port congestion in Brazil caused the TC rate for BSI58 10TC to increase by 60% MoM in February. However, we do not expect the current high BSI TC rate to be sustained but come down after the port congestion in Brazil eases. In addition, an increase in BSI of 90% YTD is far more ahead of the Baltic Dry Index (BDI), a composite of Capesize, Panamax, and Supramax TC rates, which rose 40% YTD.
- **Raising 2021/22E earnings by 33%/11% on higher TC rates.** We raise our 2021/22 earnings estimates by 33%/11% after revising up our TC rate for PSL by 7%/3% to USD13,000 and USD13,338/vessel/day, respectively, led by a stronger-than-expected Supramax TC rate in 1Q21. We expect China's demand for restocking iron ore, coal, and grain will remain strong due to the global trade boom. Clarkson estimates demand growth of 4-5% YoY in 2021, which should outpace supply growth of 1.5% YoY. As the current dry bulk order book is at 6% of the global fleet, equating to net fleet growth of 1-3% per annum, we expect the BDI upturn to continue in 2022 on continued strong demand growth momentum supported by a resumption of economic activity led by the rollout of COVID-19 vaccines. We see potential infrastructure spending upside from US President Joe Biden's removal of tariffs placed on China by former President Donald Trump. As demand outpaces fleet growth, the industry utilization rate should increase and lead to stronger freight rates.

Valuation and Recommendation

- **Downgrade to Neutral as positive news is priced in, and raise TP to Bt11.20**. We raise our 2021 target price to Bt11.20 from Bt10.80 based on fully-diluted 2022E BVPS of Bt8.24 pegged to a PBV of 1.36x (+1SD historical mean). We see downside risk of 15-20% as the stock at the current level of Bt12.80 is trading close to 1.6x our 2022 BV, or +2SD above its historical mean, and we expect near-term correction of the BSI TC rate on relieved port congestion in Brazil. As a result, we downgrade PSL to Neutral rating due to limited upsides at the current level.
- **Key risks:** Volatile freight rates and credit risk.

Fig 1 Earnings revisions

Unit: Btmn.	2020			2021E			2022E		
Profit and loss statements	New	Previous	%Change	New	Previous	%Change	New	Previous	%Change
Total revenue	3,730	3,730	0.0	5,325	4,994	6.6	5,282	5,144	2.7
Cost of goods sold	3,226	3,226	0.0	3,077	3,077	0.0	3,046	3,046	0.0
Gross profit	504	504	0.0	2,248	1,918	17.2	2,237	2,099	6.6
SG&A	336	336	0.0	340	340	0.0	360	360	0.0
Operating profit	177	177	0.0	1,908	1,578	20.9	1,877	1,739	8.0
EBITDA	1,360	1,360	0.0	2,960	2,630	12.6	2,871	2,733	5.1
EBIT	-693	-693	n.a.	1,918	1,588	20.8	1,887	1,749	7.9
Core profit	-413	-413	n.a.	1,337	1,007	32.8	1,381	1,243	11.1
Net profit	-1,295	-1,295	n.a.	1,337	1,007	32.8	1,381	1,243	11.1
Key assumptions									
Number of vessels	36	36	0.0	36	36.0	0.0	36	36	0.0
Operating days	13,122	13,122	0.0	13,140	13,140	0.0	13,140	13,140	0.0
TC rates (US$/day)	8,332	8,332	0.0	13,000	12,163	6.9	13,338	12,975	2.8
USDTHB	30.88	30.88	0.0	30.00	30.00	0.0	29.00	29.00	0.0
OPEX (US$/day)	4,705	4,705	0.0	4,730	4,730	0.0	4,825	4,825	0.0
SG&A (US$/day)	828	828	0.0	863	863	0.0	945	945	0.0

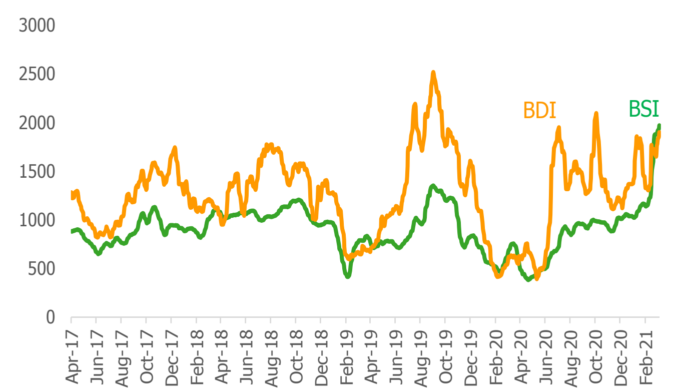
Source: Company data, KS Research

Fig 2 4Q20 earnings review

	4Q19	1Q20	2Q20	3Q20	4Q20	%YoY	%QoQ	2020	2021E	% change	2022E
Financials											
Sales (Btmn)	1,150	1,055	680	944	1,050	-8.7	11.2	3,730	4,994	33.9	5,144
EBITDA (Btmn)	514	379	-156	107	162	-68.4	51.1	1,360	2,630	93.3	2,733
Operating profit (Btmn)	175	63	-156	107	162	-7.4	51.1	177	1,578	791.8	1,739
Core profit (Btmn)	31	-133	-310	-35	64	108.4	284.8	-413	1,007	343.7	1,243
Net profit (Btmn)	28	-117	-1,183	-22	27	-2.6	224.1	-1,295	1,007	177.8	1,243
Net EPS (Bt)	0.02	-0.08	-0.76	-0.01	0.00	-100.0	100.0	-0.83	0.65	177.8	0.80
Performance Drivers											
Number of vessels	36	36	36	36	36	0.0	0.0	36	36	0.0	36
Operating days	3,312	3,276	3,276	3,285	3,285	-0.8	0.0	13,122	13,140	0.1	13,140
TC rates (US$/day)	10,628	8,398	9,002	8,786	10,022	-5.7	14.1	8,332	12,163	46.0	12,975
USDTHB	30.3	31.4	31.5	31.5	30.5	0.6	-3.2	31	30	-2.8	29
OPEX (US$/day)	4,787	4,602	4,531	4,617	5,070	5.9	9.8	4,705	4,730	0.5	4,825
SG&A (US$/day)	1,659	1,085	804	729	655	-60.5	-10.2	828	863	4.1	945
Ratios						Change		2020	2021E	Change	2022E
Gross margin (%)	29.3	13.8	-11.1	19.3	23.9	-5.3	4.6	13.5	38.4	24.9	40.8
EBITDA margin (%)	44.7	35.9	-22.9	11.4	15.5	-29.2	4.1	36.5	52.7	16.2	53.1
Optg. margin (%)	15.2	6.0	-22.9	11.4	15.5	0.2	4.1	4.7	31.6	26.8	33.8
ROE (%)	0.2	-1.0	-10.5	-0.2	0.3	0.0	0.5	-11.9	9.5	21.4	10.6

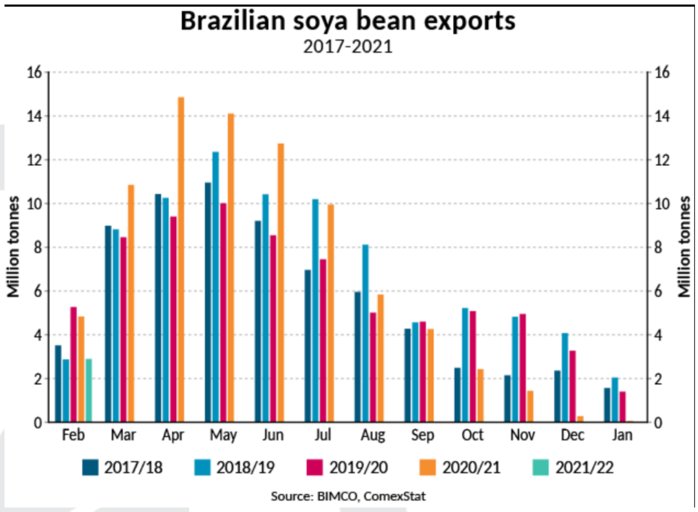
Source: Company data, KS Research

Fig 3 Baltic Dry Index vs Baltic Supramax Index



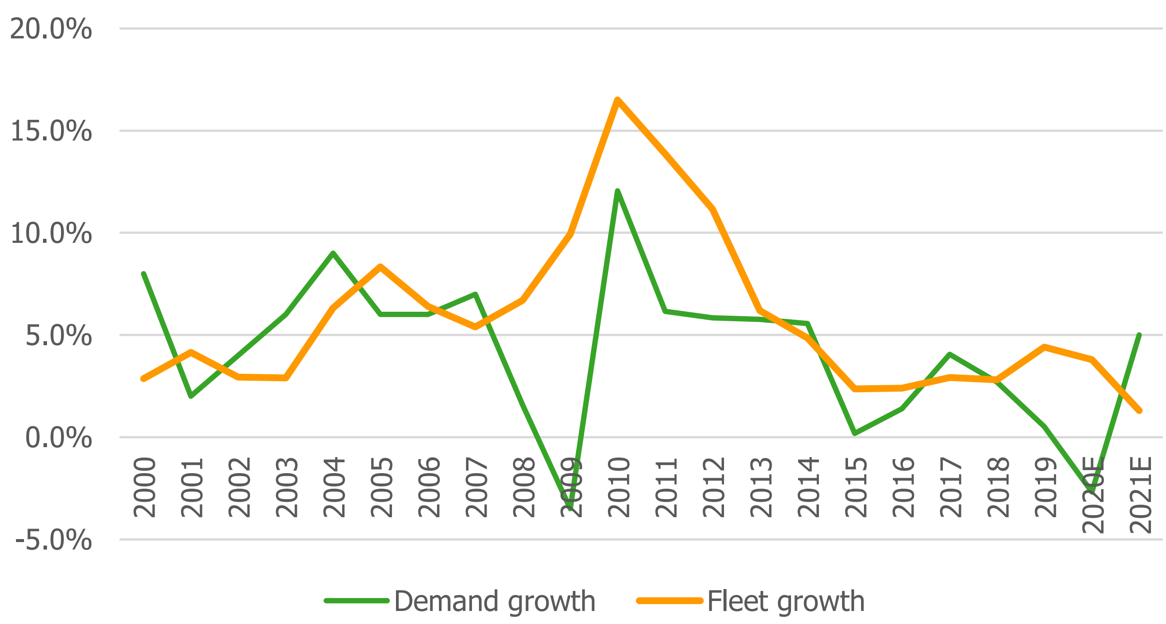
Source: Bloomberg, KS Research

Fig 4 Brazil soybean exports



Source: BIMCO

Fig 5 Demand and fleet growth in the dry bulk industry



Source: Bloomberg, KS Research

Valuation and recommendation

We raise our target price for PSL to Bt11.20 from Bt10.80 based on fully-diluted 2022E BVPS of Bt8.24 pegged to a PBV of 1.36x (+1SD its historical mean). We believe PSL should trade at a higher PBV vs. its global peers due to its younger fleet. We see downside risk of 15-20% as the stock at the current level of Bt12.80 is trading close to 1.6x our 2022 BV, or +2SD above its historical mean, and we expect near-term correction of the BSI TC rate on relieved port congestion in Brazil. As a result, we **downgrade PSL to Neutral** due to limited upside from its current level.

Fig 6 Mid-2021 target price based on PBV multiple

Implied SD	-2.0SD	-1.5SD	-1.0SD	-0.5SD	Mean	+0.5SD	+1.0SD	+1.5SD	+2.0SD
PBV multiple	**0.6**	**0.7**	**0.8**	**1.0**	**1.1**	**1.2**	**1.4**	**1.5**	**1.6**
Fair value (Bt/shr)	4.53	5.65	6.76	7.87	8.98	10.10	11.21	12.32	13.44

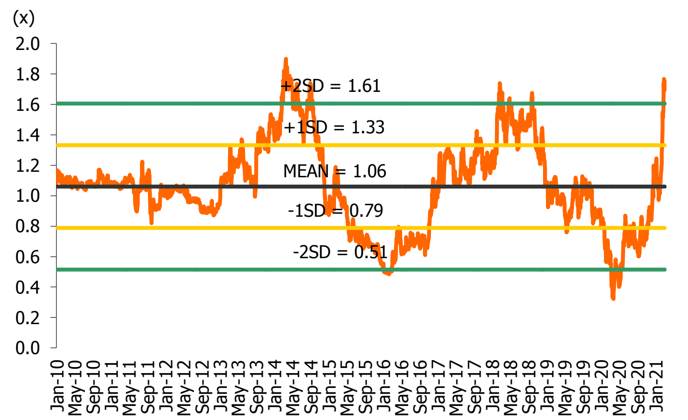
Source: KS Research

Fig 7 PSL's peers

Stock	Market Cap (USD mn)	Basic EPS growth (%)			Basic P/E (x)			P/BV (x)			Div. Yield (%)			ROE (%)		
		19	20E	21E	19	20E	21E	19	20E	21E	19	20E	21E	19	20E	21E
Precious Shipping PCL	**649**	**n.m.**	**n.m.**	**n.m.**	**(51.9)**	**(9.2)**	**14.9**	**1.0**	**1.2**	**1.7**	**0.0**	**0.0**	**0.0**	**-1.9**	**-11.9**	**12.4**
Global selected peers																
Atlas Corp *	3,339	28.4	-69.8	205.4	7.9	26.1	8.5	1.2	0.9	0.9	3.7	3.7	6.1	18.3	4.2	8.0
Capital Product Partners LP *	179	n.m.	n.m.	n.a.	(1.3)	6.0	n.a.	0.4	0.4	0.4	12.8	15.7	4.1	-22.8	7.2	n.a.
Danaos Corp *	856	n.m.	-21.5	n.a.	5.0	6.4	n.a.	1.2	0.8	n.a.	0.0	0.0	0.0	16.7	16.0	n.a.
Diana Shipping Inc *	262	n.m.	n.m.	n.m.	(17.2)	(1.8)	97.7	0.5	0.6	0.6	0.0	0.0	0.0	-3.1	-30.0	0.5
Eagle Bulk Shipping Inc *	412	n.m.	n.m.	n.m.	(16.8)	(10.4)	19.7	0.7	0.9	0.7	0.0	0.0	0.0	-4.5	-7.4	0.3
Genco Shipping & Trading Ltd *	459	n.m.	n.m.	n.m.	(8.2)	(2.0)	18.8	0.5	0.6	0.6	4.5	0.7	4.2	-5.5	-26.2	2.5
Kirby Corp *	3,933	81.7	n.m.	n.m.	27.5	(14.4)	45.5	1.2	1.3	1.3	0.0	0.0	n.a.	4.3	-8.4	2.9
Navios Maritime Partners LP *	212	n.m.	n.a.	n.a.	(3.3)	n.a.	n.a.	0.3	0.3	n.a.	6.5	2.4	1.1	-8.3	n.a.	n.a.
Pacific Basin Shipping Ltd *	1,265	-66.5	n.m.	n.m.	47.3	(5.9)	11.5	1.0	1.2	1.1	1.2	0.0	4.0	2.0	-17.8	10.7
Safe Bulkers Inc *	277	-75.0	n.m.	n.m.	67.8	(10.8)	5.6	0.6	0.6	n.a.	0.0	0.0	3.7	1.1	-5.7	n.a.
Eneti Inc *	230	n.m.	n.m.	n.m.	3.1	(0.3)	(510.5)	0.2	0.8	0.3	1.0	1.0	1.0	5.1	-117.1	2.0
SFL Corp Ltd *	933	18.6	n.m.	n.m.	9.3	(3.8)	17.0	0.8	1.1	1.1	18.1	11.7	7.8	7.8	-23.6	4.1
Star Bulk Carriers Corp *	1,364	n.m.	n.m.	1,932.0	(80.8)	137.4	6.8	0.9	0.9	0.8	0.1	0.0	7.4	-1.1	0.6	7.9
Simple average		**-2.6**	**-45.6**	**1,068.7**	**3.1**	**10.5**	**-27.9**	**0.7**	**0.8**	**0.8**	**3.7**	**2.7**	**3.3**	**0.8**	**-17.3**	**4.3**
SET selected peers																
Thoresen Thai Agencies PCL *	525	158.3	n.m.	n.m.	28.5	(8.3)	24.6	0.9	1.0	0.9	6.8	0.7	0.7	3.0	-11.3	4.2

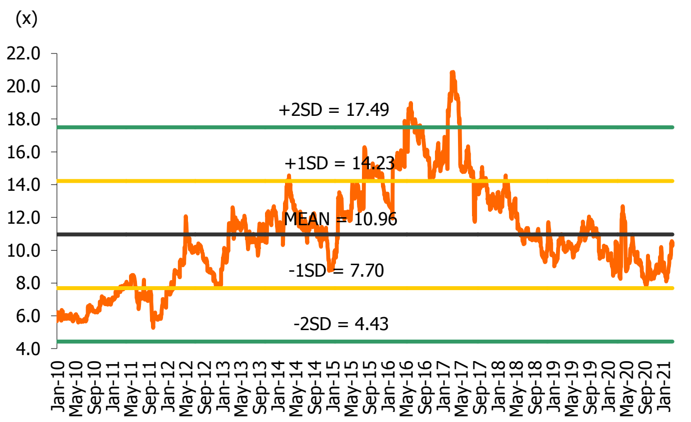
Source: Bloomberg, KS Research (as of February 17, 2021) / * = not under KS coverage

Fig 8 12M FWD PBV – PSL



Source: Bloomberg, KS Research

Fig 9 12M FWD EV-EBITDA – PSL



Source: Bloomberg, KS Research

Year-end 31 Dec

Income Statement (Btmn)	2018A	2019A	2020A	2021E	2022E
Revenue	4,933	4,152	3,730	5,325	5,282
Cost of sales and services	-3,256	-3,173	-3,226	-3,077	-3,046
Gross Profit	1,677	979	504	2,248	2,237
SG&A	-453	-546	-336	-340	-360
Other income	41	31	9	0	0
EBIT	1,284	478	-693	1,918	1,887
EBITDA	2,507	1,692	1,360	2,960	2,871
Interest expense	-826	-703	-597	-581	-506
Equity earnings	24	20	11	10	10
EBT	458	-226	-1,290	1,337	1,381
Income tax	-2	-3	-4	0	0
NPAT	456	-228	-1,295	1,337	1,381
Minority Interest	-0	-0	0	0	0
Core Profit	458	-223	-413	1,337	1,381
Extraordinary items	4	0	-867	0	0
FX gain (loss)	-5	-6	-15	0	0
Reported net profit	456	-228	-1,295	1,337	1,381
Balance Sheet (Btmn)					
Cash & equivalents	1,843	1,181	1,100	2,324	3,506
ST investments	0	0	0	0	0
Accounts receivable	254	183	169	252	243
Inventories	96	176	35	102	104
Other current assets	124	140	634	647	659
Total current assets	2,317	1,681	1,938	3,326	4,514
Investment in subs & others	92	85	91	92	94
Fixed assets-net	22,409	20,104	19,125	18,073	17,079
Other assets	3,019	3,191	244	249	254
Total assets	27,837	25,061	21,397	21,740	21,940
Short-term debt	1,877	4,085	2,441	0	0
Accounts payable	74	71	277	0	0
Other current liabilities	357	557	621	634	646
Total current liabilities	2,308	4,712	3,339	634	646
Long-term debt	12,661	8,577	7,586	9,290	8,090
Other liabilities	172	212	337	344	351
Total liabilities	15,141	13,502	11,262	10,268	9,087
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	33	-860	-916	-916	-916
Retained earnings	9,136	8,892	7,523	8,861	10,242
Minority interests	0	0	0	0	0
Total shareholders' equity	12,695	11,559	10,135	11,472	12,853
Total equity & liabilities	27,837	25,061	21,397	21,740	21,940
Key Assumptions					
Number of vessels	36	36	36	36	36
Operating days	13,140	13,140	13,122	13,140	13,140
TC rates (US$/day)	11,063	9,622	8,332	13,000	13,338
USDTHB	32.4	29.8	30.9	30.0	29.0
OPEX (US$/day)	4,621	4,778	4,705	4,730	4,825
SG&A (US$/day)	1,064	1,394	828	863	945
Financial cost (US$/day)	1,940	1,796	1,474	1,473	1,327
Depreciation (US$/day)	2,783	3,022	3,052	3,083	3,114
Total cost (US$/day)	10,408	10,990	10,060	10,148	10,211

Cashflow (Btmn)	2018A	2019A	2020A	2021E	2022E
Net profit	456	-228	-1,295	1,337	1,381
Depreciation & amortization	1,242	1,228	1,183	1,052	994
Change in working capital	-97	-12	362	-428	7
Others	656	903	2,643	2	2
CF from operation activities	2,256	1,890	2,893	1,962	2,384
Capital expenditure	-176	1,077	0	0	0
Investment in subs and affiliates	2	7	-5	-2	-2
Others	-99	-1,511	0	0	0
CF from investing activities	-272	-427	-5	-2	-2
Cash dividend	0	0	0	0	0
Net proceeds from debt	-1,252	-1,876	-2,635	-737	-1,200
Capital raising	0	-0	0	0	0
Others	-732	-133	-56	0	0
CF from financing activities	-1,984	-2,009	-2,691	-737	-1,200
Net change in cash	0	-546	197	1,224	1,182
Key Statistics & Ratios					
Per share (Bt)					
Reported EPS	0.29	-0.15	-0.83	0.86	0.89
Core EPS	0.29	-0.14	-0.27	0.86	0.89
DPS	0.00	0.00	0.00	0.00	0.00
BV	8.14	7.41	6.50	7.36	8.24
EV	16.79	14.96	13.32	17.27	15.74
Free Cash Flow	1.33	1.90	1.86	1.26	1.53
Valuation analysis					
Reported P/E (x)	29.57	-51.86	-9.15	14.92	14.45
Core P/E (x)	29.45	-53.26	-28.67	14.92	14.45
P/BV (x)	1.06	1.03	1.17	1.74	1.55
EV/EBITDA (x)	10.45	13.79	15.27	9.10	8.55
Price/Cash flow (x)	5.98	6.27	4.10	10.17	8.37
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Profitability ratios					
Gross margin (%)	34.00	23.58	13.51	42.22	42.35
EBITDA margin (%)	50.81	40.76	36.47	55.59	54.35
EBIT margin (%)	26.03	11.50	-18.59	36.02	35.72
Net profit margin (%)	9.25	-5.50	-34.71	25.12	26.15
ROA (%)	1.61	-0.86	-5.57	6.20	6.32
ROE (%)	3.65	-1.88	-11.94	12.38	11.36
Liquidity ratios					
Current ratio (x)	1.00	0.36	0.58	5.25	6.98
Quick ratio (x)	0.91	0.29	0.38	4.07	5.80
Leverage Ratios					
Liabilities/Equity ratio (x)	1.19	1.17	1.11	0.90	0.71
Net debt/EBITDA (x)	5.06	6.78	6.56	2.35	1.60
Net debt/equity (x)	1.00	0.99	0.88	0.61	0.36
Int. coverage ratio (x)	1.56	0.68	-1.16	3.30	3.73
Growth					
Revenue (%)	13.85	-15.83	-10.16	42.75	-0.79
EBITDA (%)	19.38	-32.48	-19.62	117.58	-3.01
Reported net profit (%)	452.35	-150.09	-466.70	203.28	3.28
Reported EPS (%)	452.34	-150.09	-466.70	203.28	3.28
Core profit (%)	379.97	-148.59	-85.78	423.54	3.28
Core EPS (%)	379.97	-148.59	-85.78	423.54	3.28

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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