

BUY (Unchanged)

TP: Bt 29.00

(From: Bt 28.00)

Change in Numbers

Upside : 46.5%

27 September 2021

# Precious Shipping Pcl (PSL TB)

## Market strength continues

After the recent 22% share price fall, we update PSL's dry bulk shipping industry outlook and foresee continued favorable demand-supply dynamics supporting very high freight rates. We recommend BUYing into its recent share price correction.



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### BUY into the price correction

We reaffirm BUY on PSL seeing the recent 22% fall in its share price on market concerns over Evergrande's default risk in China as another BUYing opportunity. *First*, we do not expect China's managed economy to crash while its slowdown is already expected. *Second*, demand-supply dynamics of the dry bulk shipping industry are still strong with a very high average freight rate of US\$26,000/ship/day for PSL's segments. *Third*, we expect record 3Q21F earnings and a stronger 4Q21F to be share price catalysts. *Lastly*, PSL looks cheap to us at 1.7x P/BV, or 6.7x PE in 2022F against its decade-high freight rate cycle. Our TP of Bt29 (from Bt28) is based on 2.5x P/BV. PSL last surpassed 2.5x in 2007 when its freight rate peaked above US\$14,000/ship/day.

### Strong demand

Despite softening economic numbers in China, which accounts for around 50% of global dry bulk demand, the freight rate has continued to rise. We believe this is because though demand growth is slowing, it continues to surpass ship supply growth. The consensus estimates China's GDP growth at 8.0/5.3% in 2021-22F. Demand is still strong outside China too from the global reopening. Exhibits 7-17 show that volume and prices of main dry bulk products, e.g., steel, coal and grains, remain at multi-year high zone while inventory levels are moderate. Exhibit 18 shows contract futures prices for these products over the next six months are near the spot prices, implying market expectations of continued strong demand.

### Weak supply

Dry-bulk shipping demand should grow by 4/3% in 2021-22F, according to the shipping research house Clarksons. Dry-bulk demand normally moves along with global GDP growth which is expected to grow by 6.0/4.9% in 2021-22F, according to the IMF. As for supply, Clarksons expects it to grow by only 2.8% in 2021F, before slowing to a record low of 1.6% in 2022F. Also, despite the very strong freight rate, new ship orders YTD only account for 1.8% of the existing fleet on our estimate. As ships takes two to three years to build, this implies weak supply growth continuing into 2023-24F

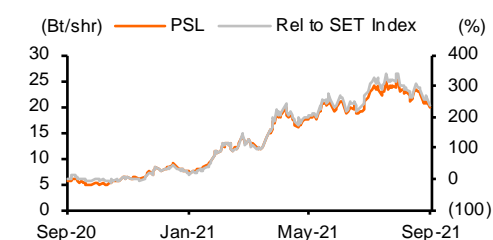
### Moving into a stronger season

PSL's average freight rate in 3Q21F was US\$22,000 and we expect this to increase to US\$23,000 in 4Q21F. We raise our earnings by 12/5% in 2021-22F and project earnings of Bt1.2/1.3bn in 3Q-4Q21F vs. Bt769m in 2Q21 and Bt281m in 1Q21. 4Q is normally a stronger season than 3Q as it is the harvest season in major grain markets, e.g., the US, Russia and Europe. This year, on top of seasonal demand, the reopening of many large economies is helping to drive demand further.

### COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	3,730	7,779	8,741	8,595
Net profit	(1,295)	3,525	4,584	4,566
Consensus NP	—	3,489	3,495	3,459
Diff frm cons (%)	—	1.0	31.1	32.0
Norm profit	(422)	3,525	4,584	4,566
Prev. Norm profit	—	3,160	4,355	4,429
Chg frm prev (%)	—	11.6	5.3	3.1
Norm EPS (Bt)	(0.3)	2.3	2.9	2.9
Norm EPS grw (%)	na	na	30.0	(0.4)
Norm PE (x)	na	8.8	6.7	6.8
EV/EBITDA (x)	29.0	6.8	4.8	4.2
P/BV (x)	3.0	2.3	1.7	1.4
Div yield (%)	0.0	0.0	0.0	7.4
ROE (%)	na	29.6	28.7	22.9
Net D/E (%)	88.0	33.3	(6.3)	(24.0)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 27-Sep-21 (Bt)	19.80
Market Cap (US\$ m)	921.3
Listed Shares (m shares)	1,559.3
Free Float (%)	46.85
Avg Daily Turnover (US\$ m)	23.18
12M Price H/L (Bt)	25.25/4.66
Sector	Shipping
Major Shareholder	Globex Corporation 28.4%

Sources: Bloomberg, Company data, Thanachart estimates

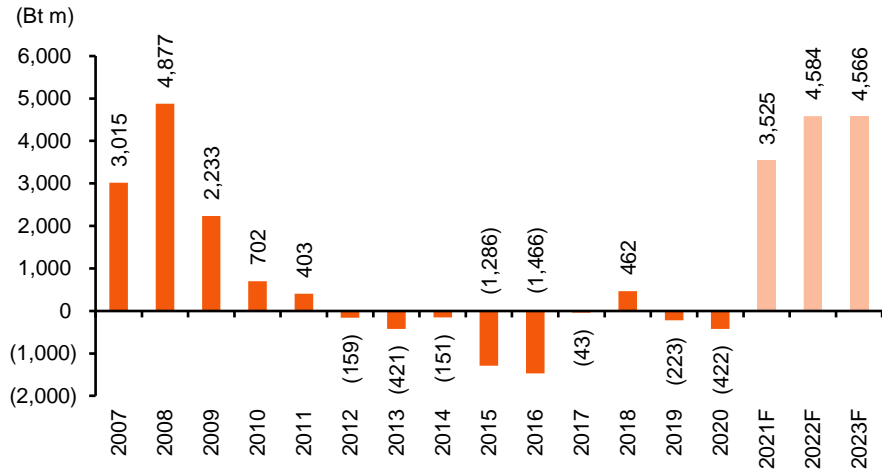


## Reaffirming BUY

*Share price weakness offers an opportunity to BUY, in our view*

After the 22% share price correction from its peak this year amid market concerns about China’s soft economic numbers and Evergrande’s potential debt default, we revise up our earnings estimates for Precious Shipping Pcl (PSL) by 12/5% in 2021-22F and reaffirm our BUY rating with a Street-high TP of Bt29/share (from Bt28 previously).

**Ex 1: PSL’s Normalized Earnings**

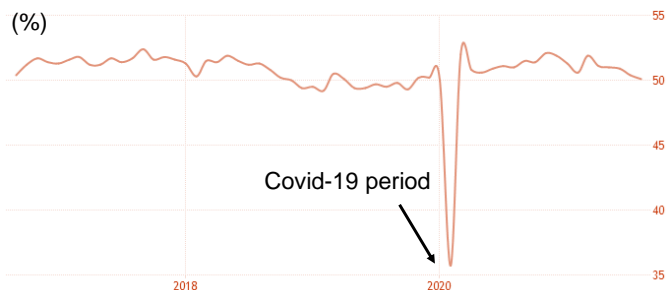


Sources: Company data, Thanachart estimates

*Freight rate still increasing despite the softening Chinese economy*

**First**, despite weakening economic numbers in China and concerns about Evergrande (China’s second-largest player in the property market which accounts for 30% of China’s GDP), the industry freight rate continues to increase despite China accounting for 50% of dry-bulk demand. PSL’s freight rate now stands at US\$26,000. This implies that though demand growth is slowing down, it continues to surpass ship supply. We also believe the slowdown in China had already been anticipated given that it was the first country to emerge from the COVID-19 crisis and it reported 2.3% GDP growth in 2020 amid the global recession. That said, the consensus continues to project China’s GDP growth at 8.0%/5.3% in 2021-22F.

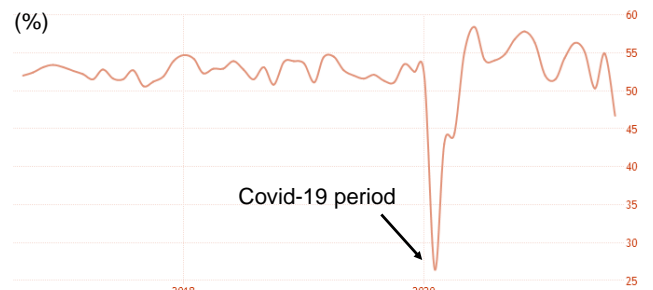
**Ex 2: China’s Manufacturing PMI**



Source: Trading economics

Note: PMI below 50% implies for business contraction; on the contrary for PMI above 50%

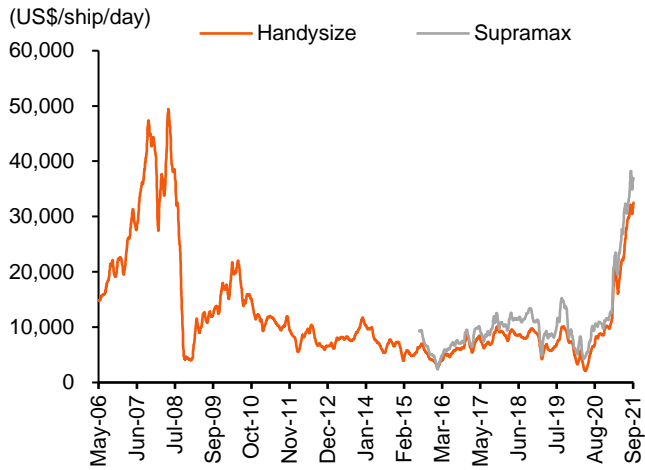
**Ex 3: China’s Service PMI**



Source: Trading economics

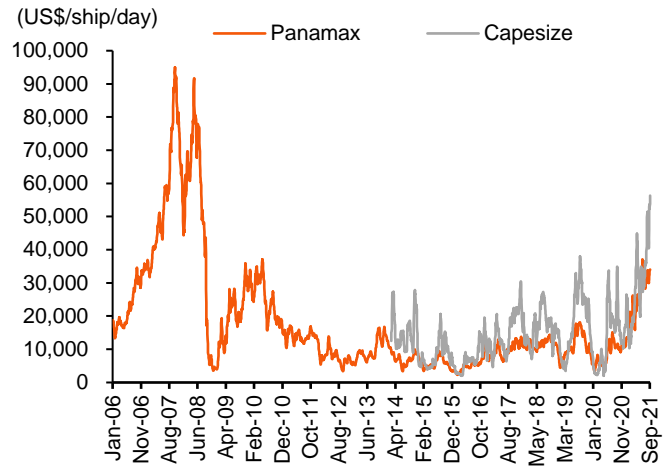
Note: PMI below 50% implies for business contraction; on the contrary for PMI above 50%

**Ex 4: Freight Rate For PSL's Ship Segments**



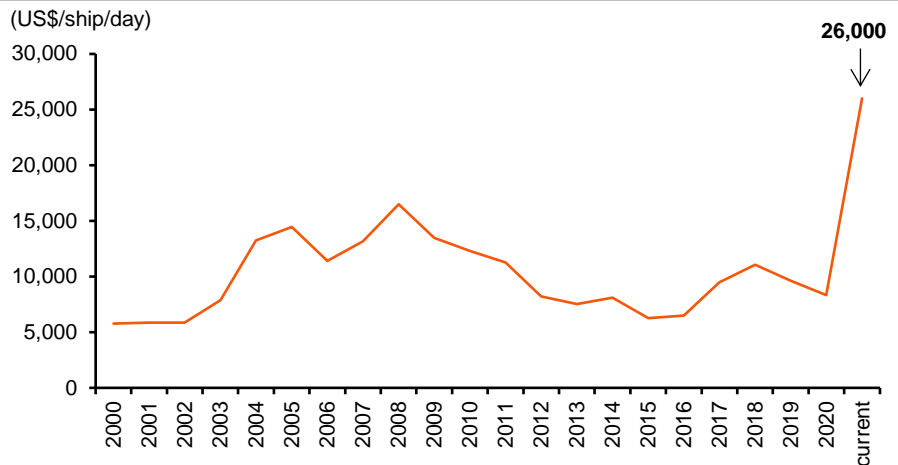
Source: Bloomberg

**Ex 5: Freight Rate For Other Ship Segments**



Source: Bloomberg

**Ex 6: PSL's Freight Rate**

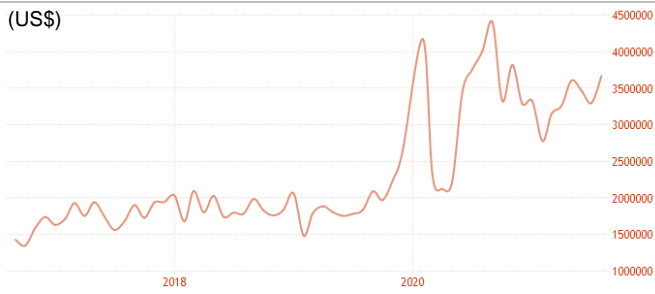


Sources: Company data, Thanachart estimates

**Strong demand indicators**

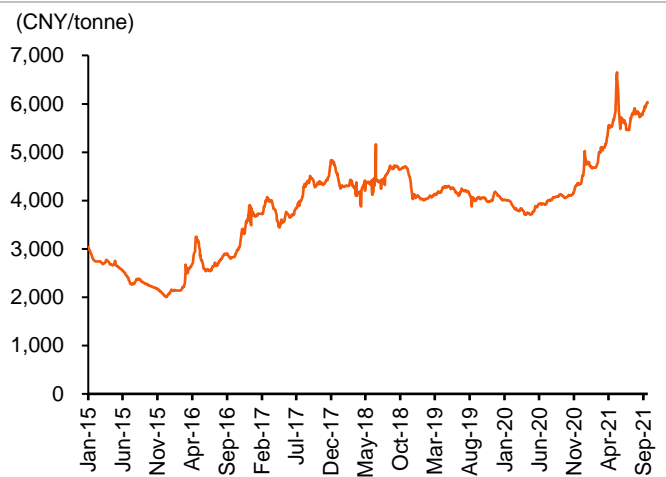
Note that the volume and prices of dry bulk products, e.g., steel, grains and coal, which are mainly consumed by China, remain at multi-year high zone while inventory levels continue to be moderate. These products are the main inputs for both manufacturing and consumption activities in China, implying a continued healthy economy. On top of this, the six-month futures prices of these products are at around the spot prices, implying expectations of continued decent economic prospects in China.

**Ex 7: China's Steel And Iron Ore Import**



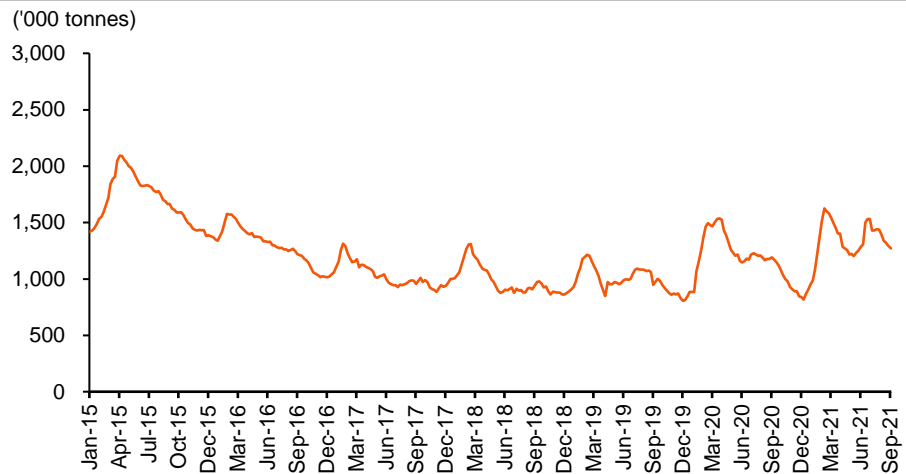
Source: Trading economics

**Ex 8: Steel Price**



Source: Bloomberg

**Ex 9: Steel Inventory**



Source: Bloomberg

**Ex 10: China Coal Imports**



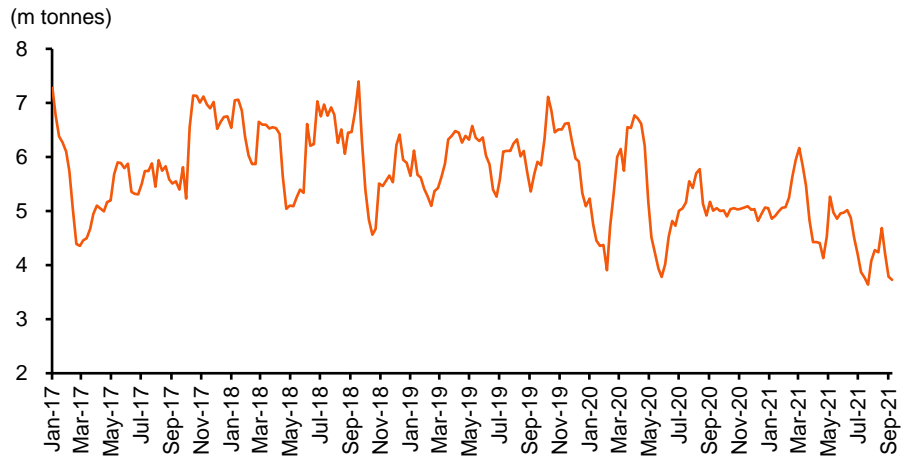
Source: Trading economics

**Ex 11: Coal Price**



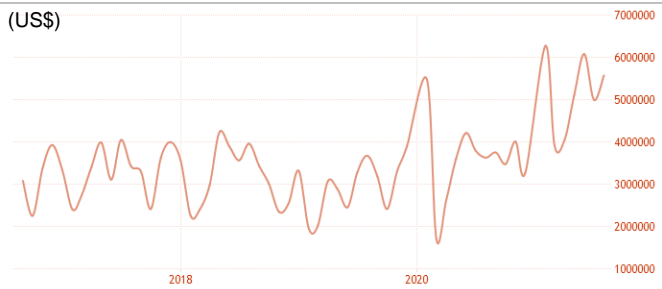
Source: Bloomberg

**Ex 12: China Coal Inventory**



Source: Bloomberg

**Ex 13: China Soybean Imports**



Source: Trading economics

**Ex 14: Soybean Price**



Source: Trading economics

**Ex 15: China Wheat Imports**



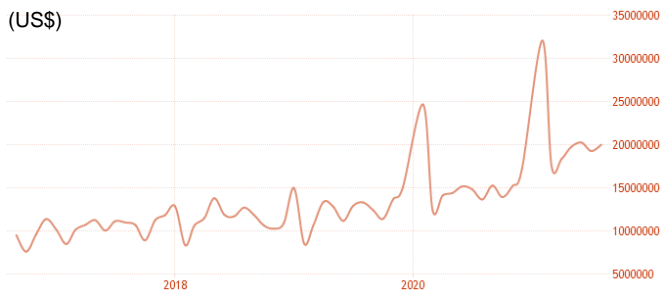
Source: Trading economics

**Ex 16: Wheat Price**



Source: Trading economics

**Ex 17: China's Imports Of Other Agricultural Products**



Source: Trading economics

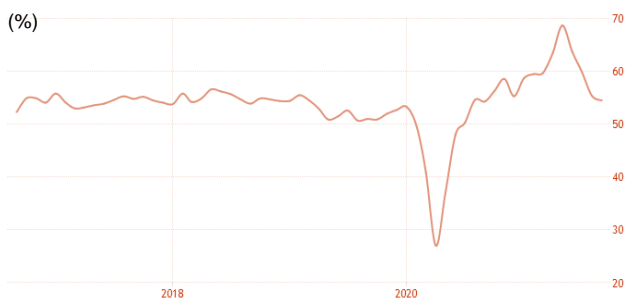
**Ex 18: Spot Price Vs. Futures Price**

	24-Sep-21	Mar-22
Steel rebar (CNY/MT)	5,800	5,246
Soybean (US\$/bushels)	1,266	1,296
Corn (US\$/bushels)	526	532
Wheat (US\$/bushels)	723	733
Coal (US\$/tonne)	191	173

Sources: Trading economics , Bloomberg

Also supporting dry bulk demand is the reopening of the other two main consumers of dry bulk products, the US and Europe. Having emerged from the COVID crisis much later than China, both markets are now experiencing a decent growth recovery.

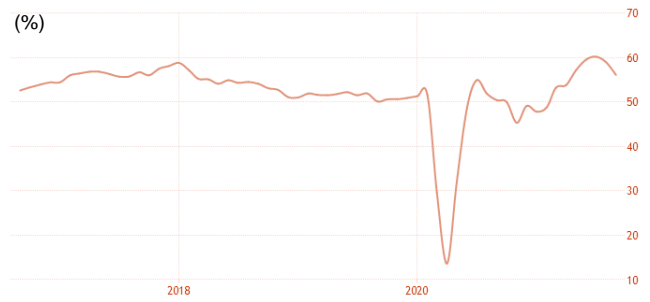
**Ex 19: US Composite PMI**



Source: Trading economics

Note: PMI below 50% implies for business contraction; on the contrary for PMI above 50%

**Ex 20: EU Area Composite PMI**



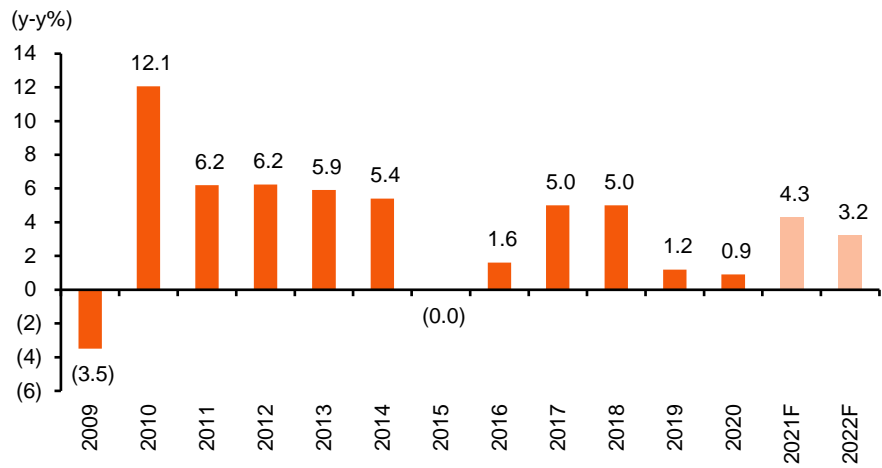
Source: Trading economics:

Note: PMI below 50% implies for business contraction; on the contrary for PMI above 50%

**Despite decent demand for dry bulk...**

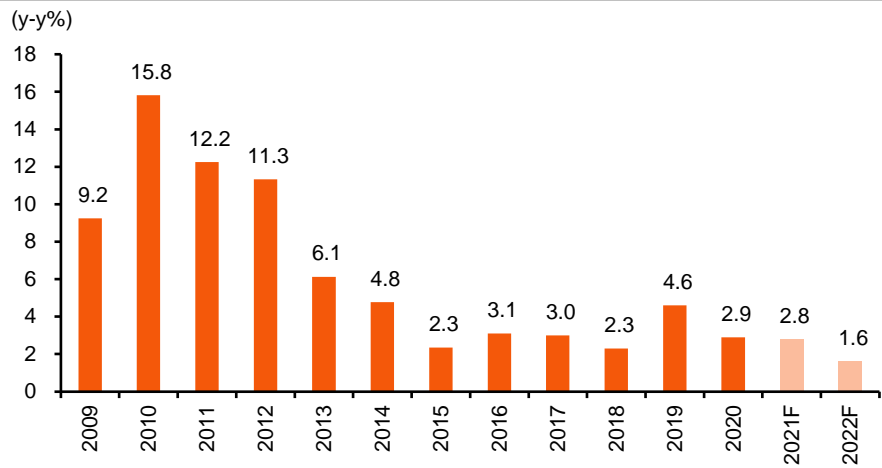
**Second**, while the dry bulk demand is forecast to grow by 4/3% in 2021-22F, new ship supply is projected to grow by only 2.8% this year, before falling to its historical low point of 1.6% in 2022F, according to the shipping research house Clarksons. The soft supply in both years is because of weak orders for new ships in the past few years caused by the industry's lengthy downturn.

**Ex 21: Demand Growth Vs...**



Sources: Clarksons, Thanachart compilation

**Ex 22: ... Supply Growth**



Sources: Clarksons, Thanachart compilation

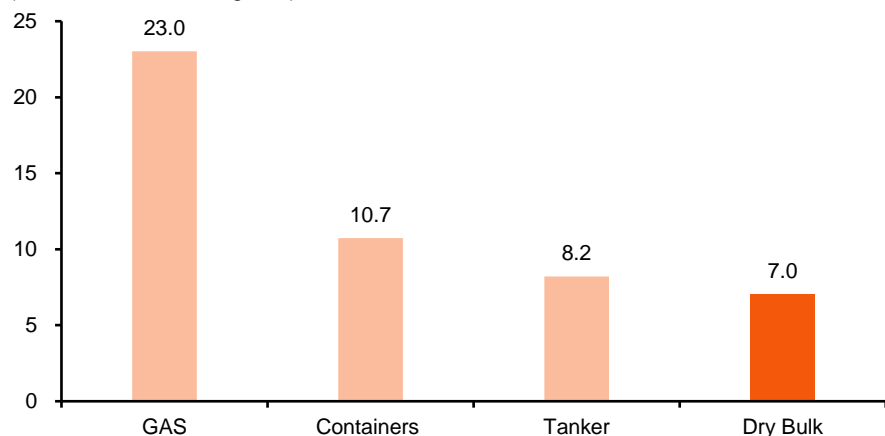
**...new ship supply remains weak**

Has the surge in the freight rate so far resulted in operators increasing new ship orders leading to a potential supply glut post-2022? So far it hasn't. Year-to-date new ship orders account for around only 1.8% of existing ships on our estimate. As it takes two to three years to build new ships, these ships will be delivered in 2023-24F, implying ongoing weak supply growth in those years. We believe this is a result of:

- 1) The swift global turnaround and the corresponding freight rate increase since mid-2020 came as a surprise to all shipping operators. Giving the unprecedented rise in the freight rate, some operators are cautious about the sustainability of the strong dry-bulk market going forward, and are therefore reluctant to order new ships.
- 2) There is less capacity available at shipbuilding yards because of the overall shipping industry's long downturn since 2008 caused some of them to close down. Also, existing ship builders' capacity has already been taken up by orders from other ship types, e.g., container, gas carrier and tanker ships. We suspect the reason of those ships operators' strong orders for new ships is that they are facing more serious supply shortages than dry bulk operators like PSL. Some of them, e.g., the container ships, are enjoying higher freight rate increases and are therefore making more profits.

### Ex 23: New Ship Orders

(% Orderbook of existing fleet)



Sources: Clarksons, Thanachart compilation

Note: Orderbook shown in this chart is included with ships already delivered in 1H21 and ships to be delivered from 2H21 to 2023

- 3) The new IMO 2023 regulation is causing uncertainty over new ships' specifications, also discouraging new ship orders. According to the International Maritime Organization (IMO), dry bulk vessels must meet the CO2 emission target by January 2023. The maximum emission rate has yet to be announced but the IMO expects the longer-term target to reduce CO2 emissions by 40% by 2030 from the current level. The lack of an announcement has created uncertainty over vessel specifications, also resulting in weakness in new orders.



**Near-term share price catalyst is a record 3Q21F followed by stronger 4Q21F**

**Third**, we expect record 3Q21F earnings and an even stronger 4Q21F performance to be a share price catalyst. PSL's average freight rate in 3Q21F was US\$22,000 and we expect it to increase to US\$23,000 in 4Q21F. We estimate earnings of Bt1.2bn/Bt1.3bn in 3Q-4Q21F vs. Bt769m in 2Q21 and Bt281m in 1Q21. 4Q is normally a stronger season than 3Q since it is the harvest season for major grain markets, e.g., US, Russia and European countries. We expect the reopening of many large economies to also drive demand further.

**Ex 24: Historical Quarterly Freight Rate Of Handysize**

(US\$)	1Q	2Q	3Q	4Q
2016	3,408	4,794	5,786	6,988
2017	6,597	7,311	7,371	9,369
2018	8,480	8,784	8,265	9,264
2019	5,996	6,082	8,458	8,097
2020	4,516	3,212	7,187	9,226
2021	14,362	20,455	30,065	

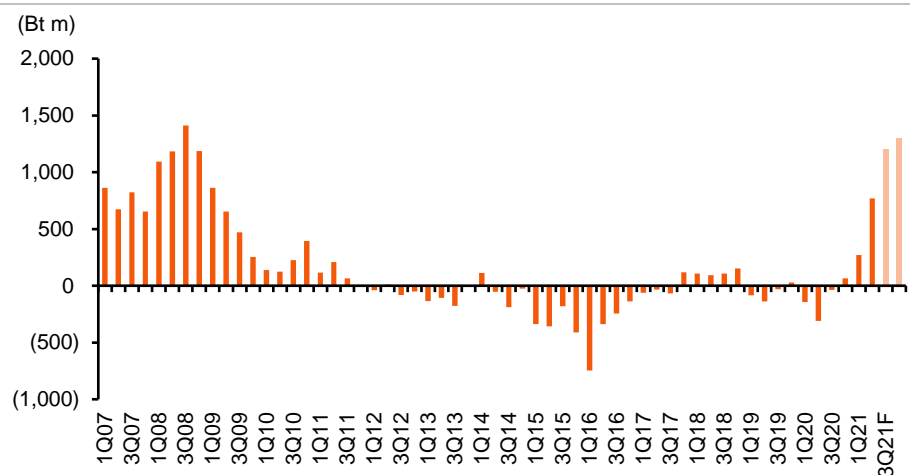
Sources: Company data, Thanachart estimates

**Ex 25: ...And of Supramax**

(US\$)	1Q	2Q	3Q	4Q
2016	3,698	5,857	7,101	8,096
2017	8,041	8,852	9,558	10,998
2018	10,722	11,502	11,881	11,800
2019	7,899	8,483	12,577	10,582
2020	6,530	5,439	9,945	10,778
2021	16,363	25,407	34,222	

Sources: Company data, Thanachart estimates

**Ex 26: Our Forecasts For PSL's Quarterly Earnings**

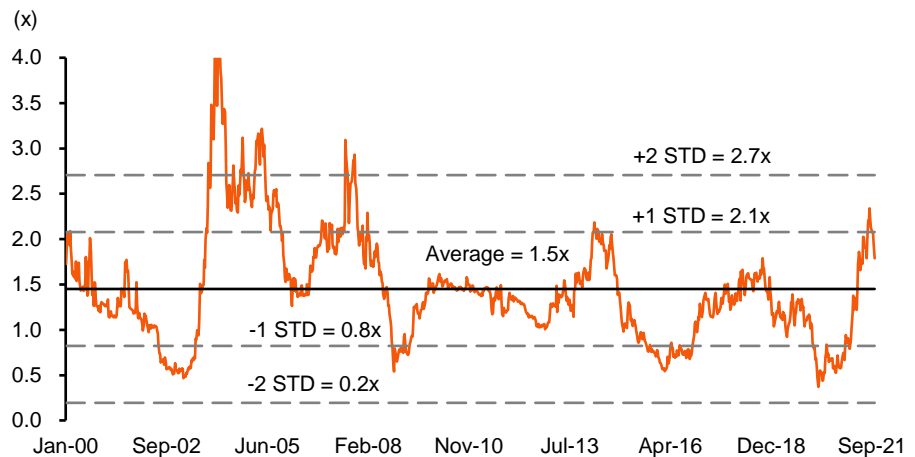


Sources: Company data, Thanachart estimates

*PSL's valuation is not expensive, in our view*

**Fourth**, PSL still looks cheap to us at 1.7x P/BV or 6.7x PE in 2022F against its decade-high freight rate (see Exhibit6). Our new TP of Bt29 implies PSL trading at 2.5x P/BV or at near +2 STD above its historical average P/BV level. Note that in the last upcycle in 2007, PSL's P/BV surpassed 2.5x while its freight rate peaked above US\$14,000/ship/day.

**Ex 27: Historical P/BV**



Sources: Bloomberg, Thanachart estimates

Note that although we derive our TP for PSL using P/BV methodology, we also show our DCF calculation below in Exhibit

**Ex 28: Our 12-month DCF-based Valuation, Using A Base Year Of 2022F**

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA	6,186	6,080	5,479	5,251	4,953	4,952	4,604	4,241	3,901	3,565	3,383	—
Free cash flow	5,839	5,782	5,220	4,962	4,667	4,635	4,319	3,957	3,617	3,281	2,549	38,019
PV of free cash flow	5,823	4,930	4,109	3,606	3,094	2,830	2,428	2,049	1,725	1,441	1,004	14,970
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.2											
WACC (%)	8.3											
Terminal growth (%)	2.0											
Enterprise value - add investments	48,007											
Net debt (2021F)	4,546											
Minority interest	0											
Equity value	43,461											
# of shares (m)	1,559											
<b>Value/share (Bt)</b>	<b>28</b>											

Source: Thanachart estimates

## Ex 29: Assumption Revision

	2020	2021F	2022F	2023F
<b>Freight rate (US\$/ship/day)</b>				
New	8,332	18,700	21,500	21,543
Old		17,800	21,000	21,315
Change (%)		5.1	2.4	1.1
<b>Breakeven cost (Bt m)</b>				
New	9,500	9,400	9,400	9,400
Old		9,400	9,400	9,400
Change (%)		—	—	—
<b>Normalized profit (Bt m)</b>				
New	(422)	3,525	4,584	4,566
Old		3,160	4,355	4,429
Change (%)		11.6	5.3	3.1

Sources: Company data, Thanachart estimates

## Valuation Comparison

## Ex 30: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			21F (%)	22F (%)	21F (x)	22F (x)	21F (x)	22F (x)	21F (x)	22F (x)	21F (%)	22F (%)
Evergreen Marine	2603 TT	Taiwan	613.2	(35.5)	3.6	5.7	2.5	2.0	2.9	4.2	1.2	9.0
Yang Ming Marine	2609 TT	Taiwan	852.4	(34.2)	2.9	4.4	2.0	1.4	2.0	2.2	12.1	9.4
Wan Hai Lines	2615 TT	Taiwan	768.5	(40.1)	5.2	8.6	3.4	2.3	na	na	0.0	0.4
COSCO Shipping Energy	1138 HK	Hong Kong	(47.6)	109.2	10.0	4.8	0.4	0.4	14.5	9.3	3.3	4.9
COSCO Shipping	1919 HK	Hong Kong	838.2	(52.8)	1.8	3.8	1.2	1.0	2.9	5.0	6.4	4.4
Pacific Basin Shipping	2343 HK	Hong Kong	na	12.4	4.5	4.0	1.5	1.3	4.3	4.1	12.0	13.3
Kawasaki Kisen Kaisha	9107 JP	Japan	227.2	(57.9)	2.1	4.9	1.2	1.0	23.2	20.9	2.1	3.0
Mitsui OSK Lines	9104 JP	Japan	367.5	(46.6)	2.6	4.9	1.0	0.9	16.9	15.7	7.6	4.5
Nippon Yusen KK	9101 JP	Japan	330.3	(49.5)	2.9	5.7	1.5	1.3	9.7	11.5	8.1	4.4
Korea Line	005880 KS	S. Korea	238.0	(19.0)	8.3	10.3	0.9	0.8	10.0	9.8	na	na
Thoresen Thai Agencies	TTA TB	Thailand	na	8.9	14.7	13.5	1.3	1.2	7.1	7.7	1.1	1.0
Prima Marine Pcl*	PRM TB	Thailand	18.7	17.9	8.5	7.2	1.8	1.6	6.5	5.7	5.3	6.2
Precious Shipping*	PSL TB	Thailand	na	30.0	8.8	6.7	2.3	1.7	6.8	4.8	0.0	0.0
<b>Average</b>			<b>420.6</b>	<b>(12.1)</b>	<b>5.8</b>	<b>6.5</b>	<b>1.6</b>	<b>1.3</b>	<b>8.9</b>	<b>8.4</b>	<b>4.9</b>	<b>5.0</b>

Source: Bloomberg

Note: \* Thanachart estimates, using Thanachart normalized EPS

Based on 27-Sep-21 closing prices

## COMPANY DESCRIPTION

Precious Shipping Public Company Limited (PSL) is a ship owner that provides regional marine shipping services. The company operates in the tramp freight market sector where its vessels are deployed on a time charter as well as a voyage charter basis. PSL has a network of shipping agents worldwide.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* CG rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Very focused and experienced management.
- Strong balance sheet.
- Commands higher freight rates vs. peers due to better ship and service quality.
- Lower operating expenses compared with peers.

### O — Opportunity

- Fragmented industry provides opportunities for vessel acquisitions at decent prices.
- Targets new segments such as cement carriers.
- Expanding capacity to larger vessels.

### W — Weakness

- Exposed to a highly cyclical industry.
- Highly volatile earnings.
- Very fragmented industry, which accelerates pricing pressure during any downturn.

### T — Threat

- Barriers to entry are non-existent.
- Commodity shift from dry-bulk shipping to container shipping.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	25.75	29.00	13%
Net profit 21F (Bt m)	3,489	3,525	1%
Net profit 22F (Bt m)	3,495	4,584	31%
Consensus REC	BUY: 6	HOLD: 1	SELL: 1

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings estimates for 2022F and our TP are higher than the Bloomberg consensus numbers, which we attribute to us expecting far stronger freight rates.

## RISKS TO OUR INVESTMENT CASE

- Weaker demand for dry-bulk shipping as a result of the global economic slowdown is the key downside risk to our call.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

## INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	4,152	3,730	7,779	8,741	8,595
Cost of sales	3,173	3,226	3,394	3,347	3,290
<b>Gross profit</b>	<b>979</b>	<b>504</b>	<b>4,385</b>	<b>5,395</b>	<b>5,305</b>
% gross margin	23.6%	13.5%	56.4%	61.7%	61.7%
Selling & administration expenses	547	345	327	322	323
<b>Operating profit</b>	<b>433</b>	<b>159</b>	<b>4,059</b>	<b>5,073</b>	<b>4,982</b>
% operating margin	10.4%	4.3%	52.2%	58.0%	58.0%
Depreciation & amortization	1,183	1,213	1,128	1,113	1,098
<b>EBITDA</b>	<b>1,616</b>	<b>1,372</b>	<b>5,186</b>	<b>6,186</b>	<b>6,080</b>
% EBITDA margin	38.9%	36.8%	66.7%	70.8%	70.7%
Non-operating income	31	9	18	47	75
Non-operating expenses	0	0	0	0	0
Interest expense	(703)	(597)	(561)	(546)	(500)
<b>Pre-tax profit</b>	<b>(240)</b>	<b>(429)</b>	<b>3,515</b>	<b>4,574</b>	<b>4,556</b>
Income tax	3	4	0	0	0
<b>After-tax profit</b>	<b>(243)</b>	<b>(433)</b>	<b>3,515</b>	<b>4,574</b>	<b>4,556</b>
% net margin	-5.8%	-11.6%	45.2%	52.3%	53.0%
Shares in affiliates' Earnings	20	11	10	10	10
Minority interests	(0)	0	0	0	0
Extraordinary items	(6)	(872)	0	0	0
<b>NET PROFIT</b>	<b>(228)</b>	<b>(1,295)</b>	<b>3,525</b>	<b>4,584</b>	<b>4,566</b>
<b>Normalized profit</b>	<b>(223)</b>	<b>(422)</b>	<b>3,525</b>	<b>4,584</b>	<b>4,566</b>
EPS (Bt)	(0.1)	(0.8)	2.3	2.9	2.9
Normalized EPS (Bt)	(0.1)	(0.3)	2.3	2.9	2.9

*EBITDA was positive in the past despite net losses*

*We expect very strong profits from 2021-23F*

## BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
<b>ASSETS:</b>					
Current assets:	1,681	1,938	4,552	9,882	12,162
Cash & cash equivalent	1,181	1,100	3,500	8,700	11,000
Account receivables	183	169	352	395	389
Inventories	0	0	0	0	0
Others	317	669	700	787	773
Investments & loans	85	91	91	91	91
Net fixed assets	20,098	19,125	18,297	17,484	16,685
Other assets	3,197	244	508	571	562
<b>Total assets</b>	<b>25,061</b>	<b>21,397</b>	<b>23,448</b>	<b>28,027</b>	<b>29,500</b>
<b>LIABILITIES:</b>					
Current liabilities:	4,712	3,339	2,994	3,277	2,670
Account payables	528	277	291	287	282
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	4,085	2,436	1,955	1,835	1,408
Others current liabilities	99	627	747	1,154	980
<b>Total LT debt</b>	<b>8,577</b>	<b>7,586</b>	<b>6,091</b>	<b>5,717</b>	<b>4,385</b>
Others LT liabilities	46	171	357	401	394
<b>Total liabilities</b>	<b>13,502</b>	<b>11,263</b>	<b>9,788</b>	<b>9,784</b>	<b>7,832</b>
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
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
Warrants	0	0	0	0	0
Surplus	(1,505)	(1,561)	(1,561)	(1,561)	(1,561)
<b>Retained earnings</b>	<b>9,537</b>	<b>8,168</b>	<b>11,694</b>	<b>16,277</b>	<b>19,702</b>
Shareholders' equity	11,559	10,134	13,660	18,243	21,668
<b>Liabilities &amp; equity</b>	<b>25,061</b>	<b>21,397</b>	<b>23,448</b>	<b>28,027</b>	<b>29,500</b>

Sources: Company data, Thanachart estimates

## CASH FLOW STATEMENT

*No plans to buy new ships; therefore limited capex over the next two to three years*

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	(240)	(429)	3,515	4,574	4,556
Tax paid	(38)	(4)	0	0	0
Depreciation & amortization	1,183	1,213	1,128	1,113	1,098
Chg In working capital	526	(237)	(169)	(48)	2
Chg In other CA & CL / minorities	(426)	204	26	331	(151)
<b>Cash flow from operations</b>	<b>1,005</b>	<b>747</b>	<b>4,500</b>	<b>5,970</b>	<b>5,505</b>
Capex	1,128	(240)	(300)	(300)	(300)
ST loans & investments	0	0	0	0	0
LT loans & investments	7	(5)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(11)	2,203	174	24	(4)
<b>Cash flow from investments</b>	<b>1,124</b>	<b>1,957</b>	<b>(126)</b>	<b>(276)</b>	<b>(304)</b>
Debt financing	(1,882)	(2,655)	(1,975)	(494)	(1,760)
Capital increase	0	0	(0)	0	0
Dividends paid	0	0	0	0	(1,142)
Warrants & other surplus	(908)	(130)	0	0	0
<b>Cash flow from financing</b>	<b>(2,790)</b>	<b>(2,785)</b>	<b>(1,975)</b>	<b>(494)</b>	<b>(2,901)</b>
<b>Free cash flow</b>	<b>2,133</b>	<b>507</b>	<b>4,200</b>	<b>5,670</b>	<b>5,205</b>

## VALUATION

*We see P/BV as a better valuation method than PE and PSL doesn't look expensive to us*

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	na	na	8.8	6.7	6.8
Normalized PE - at target price (x)	na	na	12.8	9.9	9.9
PE (x)	na	na	8.8	6.7	6.8
PE - at target price (x)	na	na	12.8	9.9	9.9
EV/EBITDA (x)	26.2	29.0	6.8	4.8	4.2
EV/EBITDA - at target price (x)	35.1	39.4	9.6	7.1	6.6
P/BV (x)	2.7	3.0	2.3	1.7	1.4
P/BV - at target price (x)	3.9	4.5	3.3	2.5	2.1
P/CFO (x)	30.7	41.3	6.9	5.2	5.6
Price/sales (x)	7.4	8.3	4.0	3.5	3.6
Dividend yield (%)	0.0	0.0	0.0	0.0	7.4
FCF Yield (%)	6.9	1.6	13.6	18.4	16.9
<b>(Bt)</b>					
Normalized EPS	(0.1)	(0.3)	2.3	2.9	2.9
EPS	(0.1)	(0.8)	2.3	2.9	2.9
DPS	0.0	0.0	0.0	0.0	1.5
BV/share	7.4	6.5	8.8	11.7	13.9
CFO/share	0.6	0.5	2.9	3.8	3.5
FCF/share	1.4	0.3	2.7	3.6	3.3

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2019A</b>	<b>2020A</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>
<b>Growth Rate</b>					
Sales (%)	(15.8)	(10.2)	108.6	12.4	(1.7)
Net profit (%)	na	na	na	30.0	(0.4)
EPS (%)	na	na	na	30.0	(0.4)
Normalized profit (%)	na	na	na	30.0	(0.4)
Normalized EPS (%)	na	na	na	30.0	(0.4)
Dividend payout ratio (%)	0.0	0.0	0.0	0.0	50.0
<b>Operating performance</b>					
Gross margin (%)	23.6	13.5	56.4	61.7	61.7
Operating margin (%)	10.4	4.3	52.2	58.0	58.0
EBITDA margin (%)	38.9	36.8	66.7	70.8	70.7
Net margin (%)	(5.8)	(11.6)	45.2	52.3	53.0
D/E (incl. minor) (x)	1.1	1.0	0.6	0.4	0.3
Net D/E (incl. minor) (x)	1.0	0.9	0.3	(0.1)	(0.2)
Interest coverage - EBIT (x)	0.6	0.3	7.2	9.3	10.0
Interest coverage - EBITDA (x)	2.3	2.3	9.2	11.3	12.1
ROA - using norm profit (%)	na	na	15.7	17.8	15.9
ROE - using norm profit (%)	na	na	29.6	28.7	22.9
<b>DuPont</b>					
ROE - using after tax profit (%)	na	na	29.5	28.7	22.8
- asset turnover (x)	0.2	0.2	0.3	0.3	0.3
- operating margin (%)	na	na	52.4	58.6	58.8
- leverage (x)	2.2	2.1	1.9	1.6	1.4
- interest burden (%)	(51.8)	(254.6)	86.2	89.3	90.1
- tax burden (%)	na	na	100.0	100.0	100.0
WACC (%)	8.3	8.3	8.3	8.3	8.3
ROIC (%)	1.7	0.7	21.3	27.9	29.1
NOPAT (Bt m)	433	159	4,059	5,073	4,982

Sources: Company data, Thanachart estimates

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