

Precious Shipping

PSL TB / PSL.BK

February 15, 2022

Big beat!

Big beat for 4Q21

PSL posted a decade-high 4Q21 net profit of Bt1,773m, up by 6,364% YoY and 18% QoQ. The reported bottom-line beat our estimate by 55% (higher T/C rates than assumed) and the consensus by 43%. Stripping out extra items, the core number would be Bt1,761m, up by 2,637 YoY and 14% QoQ (also a decade-high). Core earnings beat our estimate by 38% (a higher T/C rate than assumed) and the street by 42%.

Note that PSL will pay dividends of Bt0.50/share (XD Feb 28, payment Mar 11) and Bt0.25/share (XD Apr 11, payment Apr 28), implying a total simple yield of 4.3%.

Result highlights

Revenue rose by 168% YoY and 7% QoQ, led by a high mean freight rate of US\$26,429/day/ship, up by 164% YoY and 7% QoQ (Handysize \$25,062/day/ship, Supramax \$27,958/day/ship, and Ultramax \$33,734/day/ship). Cost-of-sales & services increased 2% YoY but declined 2% QoQ.

Outlook

Chinese production of steel (and other metal commodity products) should rebound soon after the Beijing Winter Olympics (Feb 4-20) and Paralympic Games (Mar 4-13) end in mid-March, so we expect dry bulk rates to rise. Our model points to 1Q22 core profit increasing YoY (a higher average freight rate) but declining QoQ (lower QoQ freight rates).

What's changed?

We maintain our 2022 core profit forecast unchanged at Bt3,406, down 21.5% YoY, as we expect dry bulk rates to fall.

Recommendation

Our TRADING BUY rating stands with a target price of Bt20, premised on the impressive outlooks for dry bulk shipping and PSL's bottom-line in the short- to mid-term.

Sector: Logistics
OVERWEIGHT
Rating: TRADING BUY
Target Price: Bt20.00
Price (February 14, 2022): Bt17.30

Key statistics

| | | |
|-------------------------|--------------|----------|
| Market cap | Bt27.0bn | USD0.8bn |
| 12-mth price range | Bt8.8/Bt26.0 | |
| 12-mth avg daily volume | Bt501m | USD15.4m |
| # of shares (m) | 1,559 | |
| Est. free float (%) | 46.9 | |
| Foreign limit (%) | 49.0 | |

| | | | |
|------------------------------|-----------|-----------|------------|
| Share price perf. (%) | 1M | 3M | 12M |
| Relative to SET | 13.1 | 3.3 | 70.5 |
| Absolute | 13.8 | 6.1 | 81.2 |

Financial summary

| FY Ended 31 Dec | 2021 | 2022E | 2023E | 2024E |
|---------------------|-------|--------|--------|--------|
| Revenues (Btm) | 8,615 | 7,563 | 7,694 | 7,026 |
| Net profit (Btm) | 4,475 | 3,406 | 2,791 | 2,252 |
| EPS (Bt) | 2.87 | 2.18 | 1.79 | 1.44 |
| EPS growth (%) | n.m. | -23.9% | -18.0% | -19.3% |
| Core profit (Btm) | 4,339 | 3,406 | 2,791 | 2,252 |
| Core EPS (Bt) | 2.78 | 2.18 | 1.79 | 1.44 |
| Core EPS growth (%) | n.m. | -21.5% | -18.0% | -19.3% |
| PER (x) | 6.0 | 7.9 | 9.7 | 12.0 |
| PBV (x) | 1.9 | 1.5 | 1.3 | 1.2 |
| Dividend (Bt) | 1.8 | 1.6 | 1.4 | 1.2 |
| Dividend yield (%) | 10.1 | 9.3 | 8.2 | 6.7 |
| ROE (%) | 36.5 | 21.2 | 14.6 | 10.4 |

CG/Anti-corruption



Certified

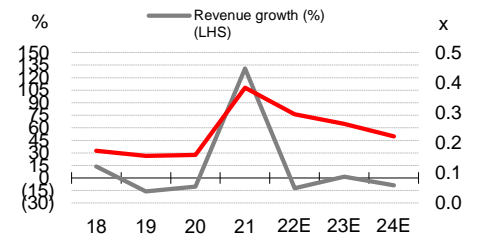
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See disclaimer at the end of report

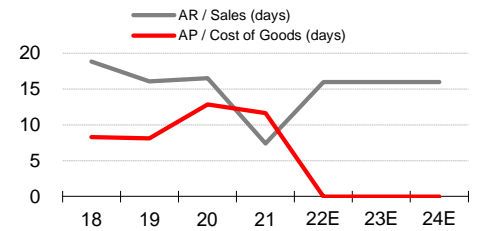
PSL: Financial Tables – Year

| | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|----------------|----------------|---------------|---------------|---------------|
| PROFIT & LOSS (Btm) | | | | | |
| Revenue | 3,730 | 8,615 | 7,563 | 7,694 | 7,026 |
| Cost of sales and services | (3,226) | (3,305) | (3,402) | (3,314) | (3,319) |
| Gross profit | 504 | 5,311 | 4,161 | 4,381 | 3,706 |
| SG&A | (336) | (581) | (480) | (480) | (480) |
| EBIT | 168 | 4,730 | 3,681 | 3,901 | 3,226 |
| Interest expense | (597) | (415) | (312) | (451) | (451) |
| Other income/exp. | 9 | 3 | 20 | 30 | 30 |
| EBT | (420) | 4,318 | 3,389 | 3,479 | 2,805 |
| Corporate tax | (4) | (2) | 0 | (698) | (563) |
| After-tax net profit (loss) | (424) | 4,317 | 3,389 | 2,781 | 2,242 |
| Minority interest | 0 | (0) | 0 | 0 | 0 |
| Equity earnings from affiliates | 11 | 23 | 17 | 10 | 10 |
| Extra items | (881) | 136 | 0 | 0 | 0 |
| Net profit (loss) | (1,295) | 4,475 | 3,406 | 2,791 | 2,252 |
| Reported EPS | (0.83) | 2.87 | 2.18 | 1.79 | 1.44 |
| Fully diluted EPS | (0.83) | 2.87 | 2.18 | 1.79 | 1.44 |
| Core net profit | (413) | 4,339 | 3,406 | 2,791 | 2,252 |
| Core EPS | (0.27) | 2.78 | 2.18 | 1.79 | 1.44 |
| EBITDA | 1,382 | 5,945 | 4,881 | 5,089 | 4,414 |
| KEY RATIOS | | | | | |
| Revenue growth (%) | (10.2) | 131.0 | (12.2) | 1.7 | (8.7) |
| Gross margin (%) | 13.5 | 61.6 | 55.0 | 56.9 | 52.8 |
| EBITDA margin (%) | 37.1 | 69.0 | 64.5 | 66.1 | 62.8 |
| Operating margin (%) | 4.5 | 54.9 | 48.7 | 50.7 | 45.9 |
| Net margin (%) | (34.7) | 51.9 | 45.0 | 36.3 | 32.1 |
| Core profit margin (%) | (11.1) | 50.4 | 45.0 | 36.3 | 32.1 |
| ROA (%) | (5.6) | 19.9 | 13.3 | 9.6 | 7.1 |
| ROCE (%) | (5.8) | 20.9 | 13.8 | 9.9 | 7.3 |
| Asset turnover (x) | 0.2 | 0.4 | 0.3 | 0.3 | 0.2 |
| Current ratio (x) | 0.6 | 1.5 | 4.1 | 5.7 | 7.0 |
| Gearing ratio (x) | 1.0 | 0.6 | 0.5 | 0.4 | 0.4 |
| Interest coverage (x) | 0.3 | 11.4 | 11.8 | 8.6 | 7.1 |
| BALANCE SHEET (Btm) | | | | | |
| Cash & Equivalent | 1,100 | 2,468 | 9,586 | 13,310 | 16,543 |
| Accounts receivable | 169 | 175 | 332 | 337 | 308 |
| Inventory | 0 | 0 | 0 | 0 | 0 |
| PP&E-net | 19,125 | 20,285 | 17,246 | 16,296 | 15,346 |
| Other assets | 2,104 | 3,070 | 10,236 | 13,958 | 17,190 |
| Total assets | 21,397 | 23,531 | 27,814 | 30,591 | 32,844 |
| Accounts payable | 114 | 105 | 0 | 0 | 0 |
| ST debts & current portion | 2,436 | 1,409 | 1,877 | 1,877 | 1,877 |
| Long-term debt | 7,586 | 6,809 | 7,150 | 7,150 | 7,150 |
| Other liabilities | 1,127 | 842 | 1,016 | 1,001 | 1,002 |
| Total liabilities | 11,263 | 9,165 | 10,043 | 10,028 | 10,030 |
| Paid-up capital | 1,559 | 1,559 | 1,559 | 1,559 | 1,559 |
| Share premium | 2,140 | 2,140 | 2,140 | 2,140 | 2,140 |
| Retained earnings | 8,168 | 11,084 | 14,490 | 17,282 | 19,533 |
| Shareholders' equity | 10,134 | 14,365 | 17,771 | 20,562 | 22,814 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Total Liab.&Shareholders' equity | 21,397 | 23,531 | 27,814 | 30,591 | 32,844 |
| CASH FLOW (Btm) | | | | | |
| Net income | (1,295) | 4,475 | 3,406 | 2,791 | 2,252 |
| Depreciation and amortization | 1,214 | 1,215 | 1,200 | 1,188 | 1,188 |
| Change in working capital | 449 | (236) | (145) | (18) | 30 |
| FX, non-cash adjustment & others | 1,483 | 572 | 312 | 451 | 451 |
| Cash flows from operating activities | 1,851 | 6,026 | 4,773 | 4,413 | 3,921 |
| Capex (Invest)/Divest | 995 | (255) | 1,847 | (238) | (238) |
| Others | 2 | 20 | 0 | 0 | 0 |
| Cash flows from investing activities | 997 | (235) | 1,847 | (238) | (238) |
| Debt financing (repayment) | (2,335) | (2,448) | 810 | 0 | 0 |
| Equity financing | 0 | 0 | 0 | 0 | 0 |
| Dividend payment | 0 | (1,559) | 0 | 0 | 0 |
| Others | 2 | 20 | 0 | 0 | 0 |
| Cash flows from financing activities | (2,928) | (4,423) | 498 | (451) | (451) |
| Net change in cash | (81) | 1,368 | 7,118 | 3,724 | 3,233 |
| Free cash flow (Btm) | 2,846 | 5,770 | 6,620 | 4,176 | 3,684 |
| FCF per share (Bt) | 1.8 | 3.7 | 4.2 | 2.7 | 2.4 |
| Key assumptions | | | | | |
| TC rate (US\$/day/ship) | 8,332 | 20,479 | 17,326 | 17,628 | 16,051 |
| No. of operating days (days) | 13,176 | 13,140 | 13,140 | 13,140 | 13,176 |
| No. of ships | 36 | 36 | 36 | 36 | 36 |

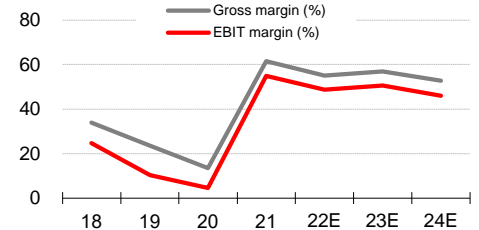
Revenue growth and asset turnover



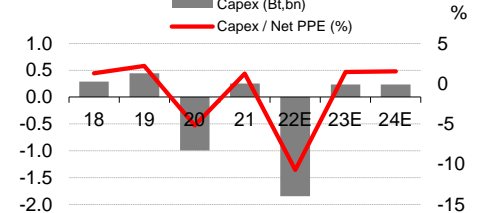
A/C receivable & A/C payable days



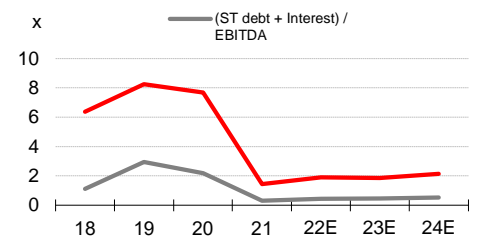
Profit margins



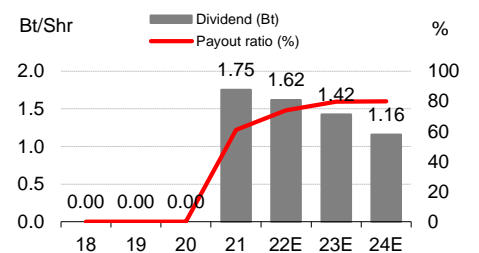
Capital expenditure



Debt serviceability



Dividend payout



PSL: Financial Tables – Quarter

| QUARTERLY PROFIT & LOSS (Btm) | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 |
|---------------------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue | 1,050 | 1,246 | 1,918 | 2,639 | 2,812 |
| Cost of sales and services | (798) | (784) | (883) | (827) | (811) |
| Gross profit | 253 | 463 | 1,035 | 1,812 | 2,001 |
| SG&A | (67) | (79) | (163) | (169) | (170) |
| EBIT | 186 | 383 | 872 | 1,643 | 1,831 |
| Interest expense | (122) | (117) | (108) | (112) | (78) |
| Other income/exp. | 2 | 1 | 1 | 0 | 2 |
| EBT | 65 | 267 | 765 | 1,532 | 1,755 |
| Corporate tax | (4) | 0 | 0 | 0 | (2) |
| After-tax net profit (loss) | 61 | 267 | 765 | 1,532 | 1,753 |
| Minority interest | 0 | 0 | (0) | 0 | (0) |
| Equity earnings from affiliates | 4 | 4 | 4 | 7 | 8 |
| Extra items | (37) | 104 | 57 | (37) | 11 |
| Net profit (loss) | 27 | 375 | 826 | 1,501 | 1,773 |
| Reported EPS | 0 | 0 | 1 | 1 | 1 |
| Fully diluted EPS | 0.02 | 0.24 | 0.53 | 0.96 | 1.14 |
| Core net profit | 64 | 271 | 769 | 1,538 | 1,761 |
| Core EPS | 0.04 | 0.17 | 0.49 | 0.99 | 1.13 |
| EBITDA | 362 | 558 | 1,068 | 1,855 | 2,072 |

KEY RATIOS

| | | | | | |
|------------------------|------|------|------|------|------|
| Gross margin (%) | 24.0 | 37.1 | 54.0 | 68.7 | 71.2 |
| EBITDA margin (%) | 34.5 | 44.8 | 55.7 | 70.3 | 73.7 |
| Operating margin (%) | 17.7 | 30.8 | 45.5 | 62.3 | 65.1 |
| Net margin (%) | 2.6 | 30.1 | 43.1 | 56.9 | 63.0 |
| Core profit margin (%) | 6.1 | 21.7 | 40.1 | 58.3 | 62.6 |
| BV (Bt) | 6.5 | 7.0 | 7.8 | 8.7 | 9.2 |
| ROE (%) | 1.1 | 14.2 | 28.7 | 46.8 | 50.7 |
| ROA (%) | 0.5 | 7.0 | 15.2 | 26.5 | 30.2 |
| Current ratio (x) | 0.6 | 0.5 | 0.3 | 1.0 | 1.5 |
| Gearing ratio (x) | 1.0 | 0.9 | 0.7 | 0.7 | 0.6 |
| Interest coverage (x) | 1.5 | 3.3 | 8.1 | 14.7 | 23.5 |

QUARTERLY BALANCE SHEET (Btm)

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalent | 1,100 | 1,141 | 1,269 | 2,021 | 2,468 |
| Accounts receivable | 169 | 111 | 120 | 133 | 175 |
| Inventory | 3 | 3 | 3 | 3 | 3 |
| PP&E-net | 19,125 | 19,701 | 19,901 | 20,803 | 20,285 |
| Other assets | 1,000 | 613 | 529 | 479 | 599 |
| Total assets | 21,397 | 21,569 | 21,823 | 23,439 | 23,531 |
| Accounts payable | 114 | 144 | 112 | 110 | 105 |
| ST debts & current portion | 2,436 | 2,192 | 4,990 | 1,865 | 1,409 |
| Long-term debt | 7,586 | 7,230 | 3,630 | 7,212 | 6,809 |
| Other liabilities | 1,127 | 1,030 | 1,003 | 674 | 842 |
| Total liabilities | 11,263 | 10,596 | 9,735 | 9,860 | 9,165 |
| Paid-up capital | 1,559 | 1,559 | 1,559 | 1,559 | 1,559 |
| Share premium | 2,140 | 2,140 | 2,140 | 2,140 | 2,140 |
| Retained earnings | 8,168 | 8,543 | 9,370 | 10,091 | 11,084 |
| Shareholders equity | 10,134 | 10,973 | 12,088 | 13,578 | 14,365 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Total Liab.&Shareholders' equity | 21,397 | 21,569 | 21,823 | 23,439 | 23,531 |

Key operating data

| | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 |
|-----------------------------|--------|--------|--------|--------|--------|
| TC rate (US\$/day/ship) | 10,022 | 12,157 | 17,841 | 24,722 | 26,429 |
| No.of operating days (days) | 3,312 | 3,240 | 3,276 | 3,312 | 3,312 |
| No.of ships | 36 | 36 | 36 | 36 | 36 |

Company profile

Precious Shipping Plc (PSL) is a pure dry cargo ship owner. The company operates vessels in the handysize, supramax, and ultramax classes. PSL's fleet totaled 36 ships as of end-Dec 2021.

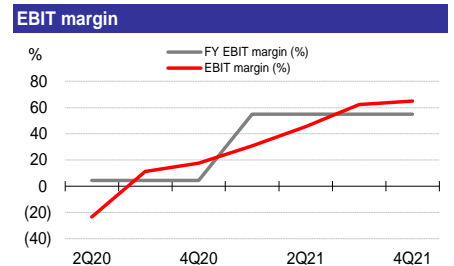
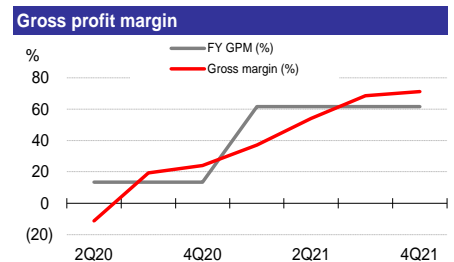
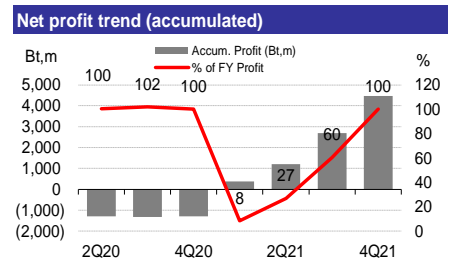
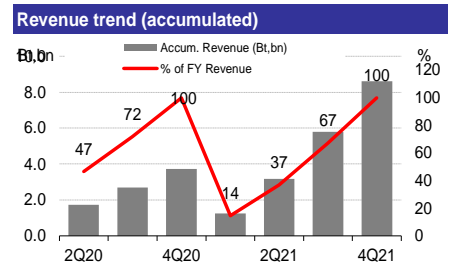
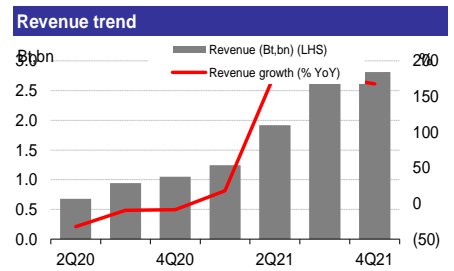


Figure 1 : 4Q21 results

| FY Ended 31 Dec (Btm) | 4Q21 | 4Q20 | YoY % | 3Q21 | QoQ % | 2021 | 2020 | YoY % |
|---------------------------------|---------------|---------------|--------------|---------------|------------|--------------|----------------|-----------|
| Income Statement | | | | | | | | |
| Revenue | 2,812 | 1,050 | 168 | 2,639 | 7 | 8,615 | 3,730 | 131 |
| Cost of sales and services | (811) | (798) | 2 | (827) | (2) | (3,305) | (3,226) | 2 |
| EBITDA | 2,072 | 362 | 472 | 1,855 | 12 | 5,553 | 800 | 594 |
| EBIT | 1,831 | 186 | 885 | 1,643 | 11 | 4,730 | 168 | 2,709 |
| Interest expense | (78) | (122) | (36) | (112) | (30) | (415) | (597) | (30) |
| Other income/exp. | 2 | 2 | 9 | 0 | 2,179 | 3 | 9 | (61) |
| Equity earnings from affiliates | 8 | 4 | 122 | 7 | 26 | 23 | 11 | 111 |
| Extra items | 11 | (37) | nm | (37) | nm | 136 | (881) | nm |
| EBT | 1,755 | 65 | 2,596 | 1,532 | 15 | 4,318 | (420) | nm |
| Corporate tax | (2) | (4) | (62) | 0 | nm | (2) | (4) | (62) |
| Minority interest | (0) | 0 | nm | 0 | nm | (0) | 0 | nm |
| Net profit (loss) | 1,773 | 27 | 6,364 | 1,501 | 18 | 4,475 | (1,295) | nm |
| Reported EPS | 1.14 | 0.02 | 6,364 | 0.96 | 18 | 2.87 | (0.83) | nm |
| Core net profit | 1,761 | 64 | 2,637 | 1,538 | 14 | 4,339 | (413) | nm |
| Key ratios | | | | | | | | |
| Gross margin (%) | 71.2 | 24.0 | | 68.7 | | 61.6 | 13.5 | |
| EBITDA margin (%) | 73.7 | 34.5 | | 70.3 | | 64.5 | 21.4 | |
| EBIT margin (%) | 65.1 | 17.7 | | 62.3 | | 54.9 | 4.5 | |
| Tax rate (%) | 0.1 | 6.8 | | 0.0 | | 0.0 | (1.1) | |
| Net margin (%) | 63.0 | 2.6 | | 56.9 | | 51.9 | (34.7) | |
| Current ratio (x) | 1.5 | 0.6 | | 1.0 | | 1.5 | 0.6 | |
| Gearing ratio (x) | 0.6 | 1.0 | | 0.7 | | 0.6 | 1.0 | |
| Interest coverage (x) | 23.5 | 1.5 | | 14.7 | | 11.4 | 0.3 | |
| Balance Sheet | | | | | | | | |
| Cash & Equivalent | 2,468 | 1,100 | 124 | 2,021 | 22 | | | |
| Total assets | 23,531 | 21,397 | 10 | 23,439 | 0 | | | |
| ST debts & current portion | 1,409 | 2,436 | (42) | 1,865 | (24) | | | |
| Long-term debt | 6,809 | 7,586 | (10) | 7,212 | (6) | | | |
| Total liabilities | 9,165 | 11,263 | (19) | 9,860 | (7) | | | |
| Retained earnings | 11,084 | 8,168 | 36 | 10,091 | 10 | | | |
| Shareholders equity | 14,365 | 10,134 | 42 | 13,578 | 6 | | | |
| Minority interests | 0 | 0 | nm | 0 | nm | | | |
| BV (Bt) | 9.2 | 6.5 | 42 | 8.7 | 6 | | | |

- Revenue increased YoY and QoQ, led by a higher T/C rate
- GM and NM expanded YoY and QoQ, as revenue increased much faster than cost-of-sales
- The core number beat our estimate and the street

Sources: Company data, Bualuang Research estimates

Bualuang Securities Public Company Limited

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
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| | | | | | | | | | | | | | | |
|--------|--------|-------|------|--------|------|-------|--------|--------|--------|-------|------|--------|--------|-------|
| ADVANC | AEONTS | AMATA | AOT | BDMS | BH | BJC | CBG | CENDEL | CPALL | DTAC | EGCO | GLOBAL | GPSC | IRPC |
| KBANK | KCE | KTC | MINT | PTG | PTT | PTTEP | PTTGC | SCB | SPRC | TASCO | TOP | WHA | ESSO | CKP |
| STA | BGRIM | GULF | MTC | AWC | TCAP | CRC | CPF | CFN | HANA | HMPRO | IVL | OSP | SAWAD | THANI |
| BANPU | BCH | BTS | CK | SCC | STEC | TISCO | TRUE | TU | INTUCH | RATCH | VGI | SCGP | TQM | COM7 |
| DOHOME | JMT | CHG | TMB | BAM | BCP | BCPG | AP | KTB | BPP | KKP | OR | BEM | GUNKUL | LH |
| EA | SPALI | RBF | EPG | ICHI | PTL | STGT | TKN | DELTA | MAJOR | MEGA | ACE | JMART | BEC | SYNEX |
| QH | BLA | KEX | RCL | SINGER | SIRI | STARK | TIDLOR | TTA | RS | | | | | |

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CG Rating

| Score Range | Score Range | Description |
|-------------|---|--------------|
| 90 – 100 |  | Excellent |
| 80 – 89 |  | Very Good |
| 70 – 79 |  | Good |
| 60 – 69 |  | Satisfactory |
| 50 – 00359 |  | Pass |
| Below 50 | No logo given | N/A |

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- companies that have **declared** their intention to join CAC, and
- companies **certified** by CAC.

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BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

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