Small Cap Research

BUY (Unchanged)

Change in Numbers

TP: Bt 23.00 (From: Bt 22.00)

Upside : 31.4%

19 April 2022

Precious Shipping Pcl (PSL TB)

Into a stronger season

PATTADOL BUNNAK
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We reiterate our BUY rating on PSL as it has moved from the weakest season of the year into a stronger 2Q, with the historical average freight rate increase of 15% q-q. We see a potential easing of the China lockdowns as another positive share-price catalyst in 2Q22F.

Thanachart Securities

A BUYing opportunity

We reiterate our BUY rating on PSL. *First*, we expect freight rates to recover in 2Q22F on higher seasonal factors. 1Q is historically the weakest season of the year, with a past-multi-year freight rate rebound of 15% q-q. *Second*, freight rates have been pressured by the China lockdowns, and we see a potential easing of lockdowns in 2Q22F as a share-price catalyst for PSL. Note that China accounts for 50% of global dry bulk shipping demand. *Third*, we maintain our upcycle view on the shipping sector for the next two years from tight supply. *Lastly*, PSL looks inexpensive, trading at 6x PE and 1.7x P/BV for 2022F (vs. previous upcycle in 2007 when PE reached 11x and P/BV reached 2.5x).

Freight rate entering higher season

Freight rates averaged US$20,338/day/ship in 2021 and US$26,429 in 4Q21 and fell q-q to US$18,500 in 1Q22 due to seasonal factors, China weakness, and the Russia-Ukraine conflict. The freight rate has recovered a little to US$19,000, as the low season has ended and we expect China demand to improve gradually upon more stimulative policies. Exhibit 16 shows freight rate futures staying well over US$20,000 through year-end. The rate exceeded our expectations in 4Q21, and we revise up our assumptions (Exhibit 1). We forecast freight rate to remain elevated at US$20,338/20,379/20,379 in 2022-24F.

War and lockdown impact

Aside from the low seasonal impact, the shipping industry has been affected by the Russia-Ukraine conflict and China lockdowns. China accounts for 50% of global dry bulk shipping demand, and some of its major provinces have been under strict lockdown since late March. However, we expect the China lockdowns to end eventually and, given a weaker-than-expected economy, stimulus measures look likely. Meanwhile, Russia before the war accounted for 5% of global dry bulk demand and Ukraine around 2%. However, not all the demand from Russia and Ukraine has disappeared, with product export-import rerouting resulting in more shipping demand elsewhere.

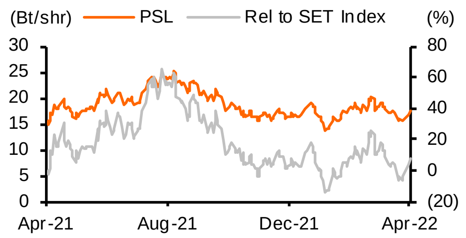
Still in an upcycle

Our long-term view on the dry bulk market remains bullish, with a demand-supply mismatch extending to 2024F. Shipping research house Clarksons now forecasts demand for PSL's ship segment to grow by 2.7% this year (vs. 3.1% before) vs. 2.2% supply growth. For 2023F, 2.9% demand growth vs. 0.8% supply growth is expected. The tight-supply market is due to weak new ship orders over the past three years, shipyards giving priority to more profitable ships, e.g., containers, and high scrap prices amid high oil prices supporting the scrapping of old, oil-consuming ships, which account for around 20% of all ships.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	8,615	8,793	8,502	8,425
Net profit	4,475	4,504	4,466	4,557
Consensus NP	—	3,619	3,286	3,769
Diff frm cons (%)	—	*24.5*	*35.9*	*20.9*
Norm profit	4,348	4,504	4,466	4,557
Prev. Norm profit	—	3,721	3,587	3,219
Chg frm prev (%)	—	*21.0*	*24.5*	*41.6*
Norm EPS (Bt)	2.8	2.9	2.9	2.9
Norm EPS grw (%)	na	3.6	(0.9)	2.1
Norm PE (x)	6.3	6.1	6.1	6.0
EV/EBITDA (x)	5.5	5.0	4.8	4.2
P/BV (x)	1.9	1.7	1.5	1.3
Div yield (%)	8.6	8.6	8.6	8.4
ROE (%)	35.5	29.2	25.4	23.1
Net D/E (%)	40.0	22.4	9.7	(7.7)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 19-Apr-22 (Bt)	17.50
Market Cap (US$ m)	782.9
Listed Shares (m shares)	1,559.3
Free Float (%)	47.55
Avg Daily Turnover (US$ m)	10.59
12M Price H/L (Bt)	25.25/13.80
Sector	Shipping
Major Shareholder	Globex Corporation 28.4%

Sources: Bloomberg, Company data, Thanachart estimates

A BUYing opportunity

We reaffirm our BUY call on PSL

We reaffirm our BUY rating on PSL with P/BV-based TP of Bt23/share (from Bt22). Our TP is based on PSL trading at 2.2x its P/BV in 2022F. We discuss our reasons below.

1) We look for a freight-rate uptrend amid a strong season

First, we see a BUYing opportunity, as we expect for a rising freight rate trend as PSL is entering a stronger season in 2Q22. On average, 2Q's freight rate is 15% stronger than in 1Q.

2) China lockdowns should be short-term in nature

Second, aside from the low season impact, the freight rate has been pressured by the China lockdowns and, to an extent, the Russia-Ukraine conflict. We see a potential easing of the China lockdowns in 2Q22F as a possible share-price catalyst for PSL.

3) We remain bullish on the industry upcycle

Third, we maintain our structural view that the industry remains in an upcycle and freight rate will stay high into 2024F, even as we factor in the negative impact of the Russia-Ukraine conflict and China lockdowns. This is against the backdrop of very weak new ship supply.

4) We revise up our earnings forecasts to reflect stronger-than-expected freight rates

Fourth, the freight rate has been stronger than we expected since 4Q21. We revise up our freight-rate assumption to US$20,338 for this year and US$20,379 for 2023-24F. Our freight rate forecast is at the strongest levels since 2000, and we expect it to stay high on weak new ship supply, as mentioned earlier. Accordingly, our net profit forecasts are raised by 21-42% for 2022-24F.

Ex 1: Revisions to assumptions

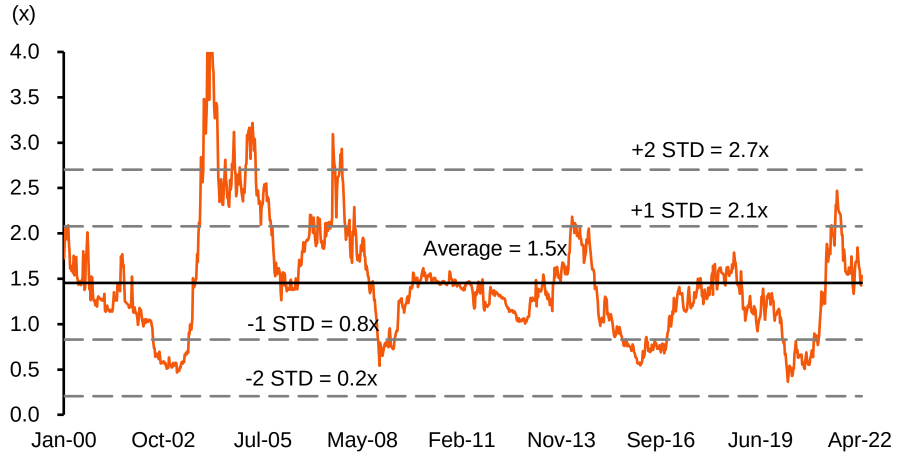
	2020	2021	2022F	2023F	2024F
Freight rate (US$/ship/day)					
New	8,332	20,338	20,338	20,379	20,379
Old			18,700	18,737	18,363
Change (%)			*8.8*	*8.8*	*11.0*
Breakeven cost (Bt m)					
New	9,500	9,400	9,400	9,400	9,400
Old			9,400	9,400	9,400
Change (%)			-	-	-
Normalized profit (Bt m)					
New	(422)	4,348	4,504	4,466	4,557
Old			3,721	3,587	3,219
Change (%)			*21.0*	*24.5*	*41.6*

Sources: Company data, Thanachart estimates

Lastly, PSL does not look expensive to us

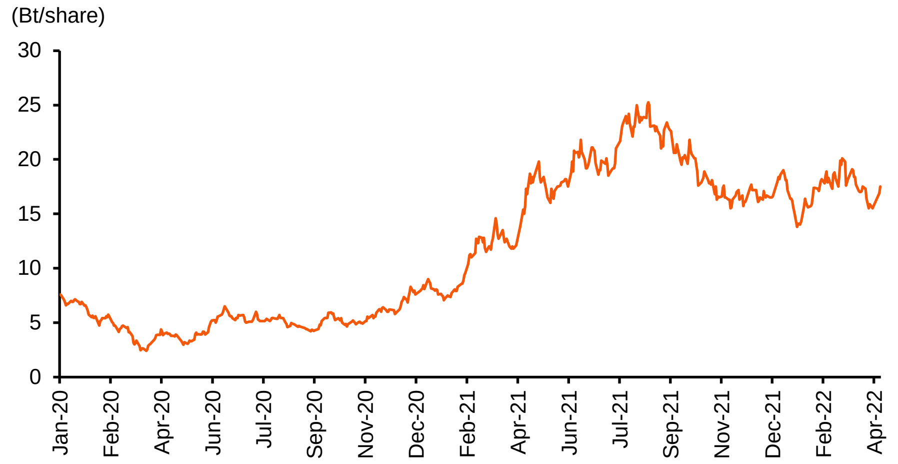
Lastly, PSL doesn't look expensive to us, trading currently at 1.7x P/BV for 2022F. Since PSL is enjoying a near-record freight rate, we believe the stock should trade at +1 STD above its historical P/BV average of 1.5x P/BV. We don't see this level as aggressive, since PSL reached above 2.5x P/BV in its last upcycle in 2007, when the freight rate was above US$14,000 vs. US$19,000 currently.

Ex 2: P/BV Level



Sources: Company data, Thanachart estimates

Ex 3: PSL's Share Price



Sources: Company data, Thanachart estimates

Although we derive our target price for PSL based on P/BV methodology, we also show a DCF calculation in Exhibit 4.

Ex 4: 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		6,249	6,110	6,063	5,766	5,462	5,020	4,668	4,300	4,206	4,218	4,229	—
Free cash flow		4,735	4,903	5,760	5,469	5,167	4,728	4,371	4,004	3,905	3,916	3,928	40,973
PV of free cash flow		4,722	4,068	4,352	3,764	3,239	2,652	2,226	1,852	1,640	1,494	1,360	12,434
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.3												
WACC (%)	9.8												
Terminal growth (%)	2.0												
Enterprise value - add investments	44,831												
Net debt (2021)	5,750												
Minority interest	0												
Equity value	39,081												
# of shares (m)	1,559												
Value/share (Bt)	**25**												

Source: Thanachart estimates

A strong weak season

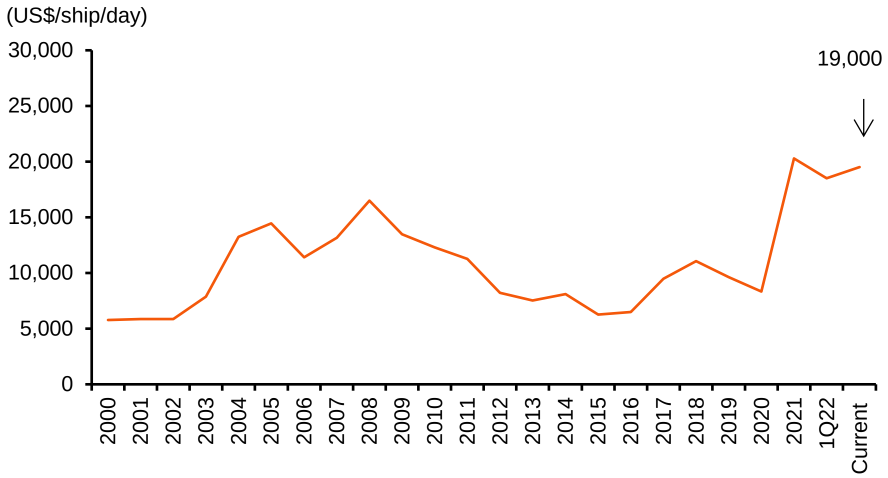
Even with the weak season impact, 1Q22F earnings should be strong

PSL's freight rate in 1Q22 fell by 30% q-q to average US$18,500/ship/day. Aside from the fact that 1Q tends to be weak quarter due to the long Lunar New Year holiday in China and the arrival of new ships built, this year saw abnormally low production of dry-bulk related products, e.g. steel as the authorities in China sought to curb pollution and emissions during the Beijing Olympics in February. Note that China accounts for 50% of dry bulk demand.

Given PSL's 1Q22 freight rate averaged US$18,500/ship/day, we forecast it to report a Bt900m profit for the quarter – down by 49% q-q but up by 232% y-y. That said, PSL's 1Q22F earnings are likely to be its strongest 1Q earnings since 2010 implying that the industry, despite having softened, remains in a strong cycle.

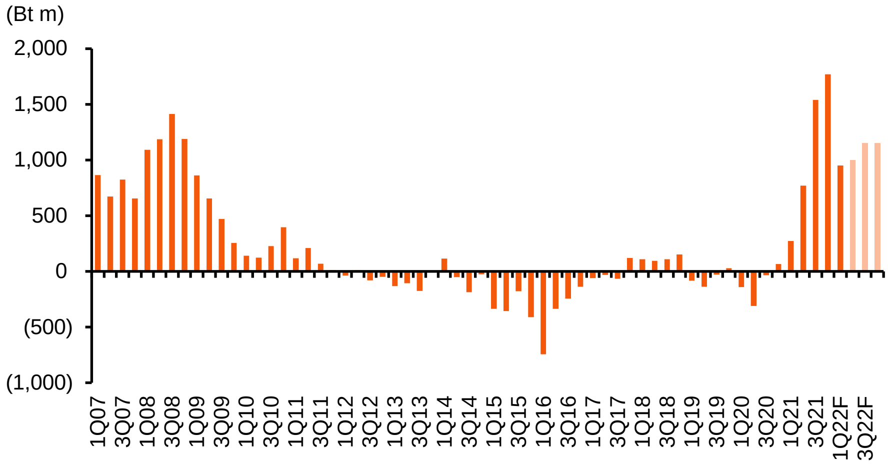
We forecast PSL's freight rate to average US$19,500 in 2Q22F and US$20,300 in full-year 2022F.

Ex 5: PSL's Historical Freight Rate



Sources: Company data, Thanachart estimates

Ex 6: PSL's Quarterly Momentum



Sources: Company data, Thanachart estimates

Into a stronger season

2Q a stronger season

We expect PSL's freight rate to recover strongly in 2Q22F. On top of the strong season impact, we expect strong pent-up demand to be released as factories emerge from the holiday and from the lockdown-induced closures in China. Exhibits 7-8 show seasonal patterns in PSL's ship category. The freight rate in 2Q is typically 15% higher than in 1Q. Exhibits 9-13 show that China's manufacturing PMI fell during February-March along with the slump in China's imports of main dry bulk products. 3Q or 4Q tends to be the strongest season.

Ex 7: Handysize Seasonal Pattern

	1Q	2Q	3Q	4Q
2013	6,876	7,987	7,877	10,138
2014	9,955	7,456	6,212	7,111
2015	5,321	5,120	6,327	4,652
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	30,169	28,372
2022	22,357			

Source: Bloomberg

Note: 1) 2014-15 was the year of China slowdown

2) 2020 was the first wave of COVID infection

Ex 8: Supramax Seasonal Pattern

	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	34,278	29,432
2022	24,853			

Source: Bloomberg

Negative factors and their implications

Impact from China lockdowns and Russia-Ukraine conflict

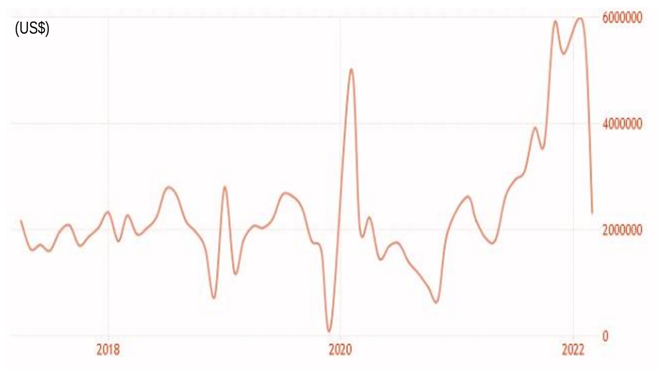
On top of the seasonal impact, we see two recent negative developments, which have pressured the freight rate. The first is the China lockdowns. The second is the Russia-Ukraine conflict. Although these factors are negative for shipping rates, we do not expect them to have a structural impact on PSL's upcycle.

China lockdowns should end in 2Q22F

China lockdowns: Since late March, China has locked down some of its major cities amid the rise in COVID-19 infections, although these were only a few thousand cases. We recap that China accounts for 50% of global dry bulk shipping demand. That said, since the lockdowns have caused a sharp fall in China's productivity, e.g., falling PMI, Chinese authorities have started to relax restrictions in some cities, e.g., Shanghai. On top of this, authorities have announced plans to cut the interest rate and support the economy. We view this as their intention to boost economic output but still manage COVID-19 cases strictly. We see this as a positive for dry-bulk demand and expect the easing of lockdowns in 2Q22F, leading to release of pent-up demand as the lockdowns have caused a sharp fall in the import of main dry bulk products.

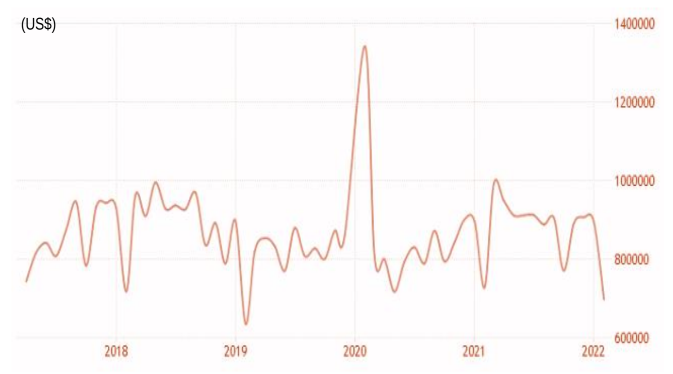
Note that although the number of COVID-19 cases continues to increase, the effective reproduction number (which is the expected number of secondary cases arising from a single primary case) fell to 1.50 recently from the peak of 1.83 in the first week of April.

Ex 9: China's Coal Imports



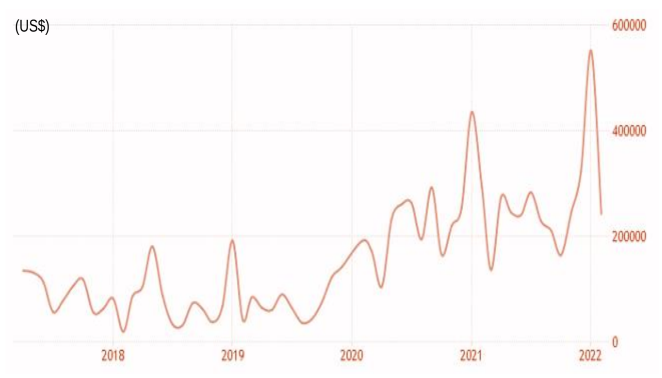
Source: Trading Economics

Ex 10: China's Steel Imports



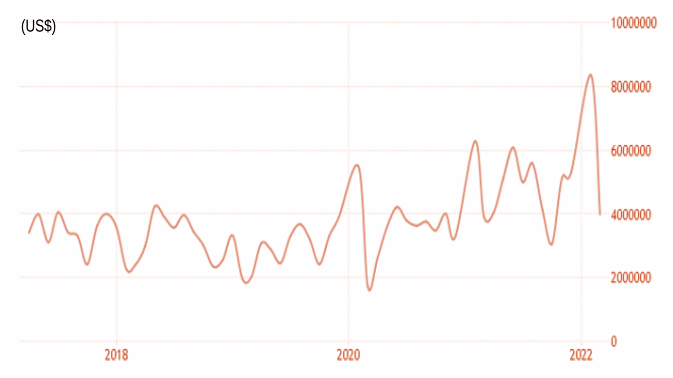
Source: Bloomberg

Ex 11: China's Wheat Imports



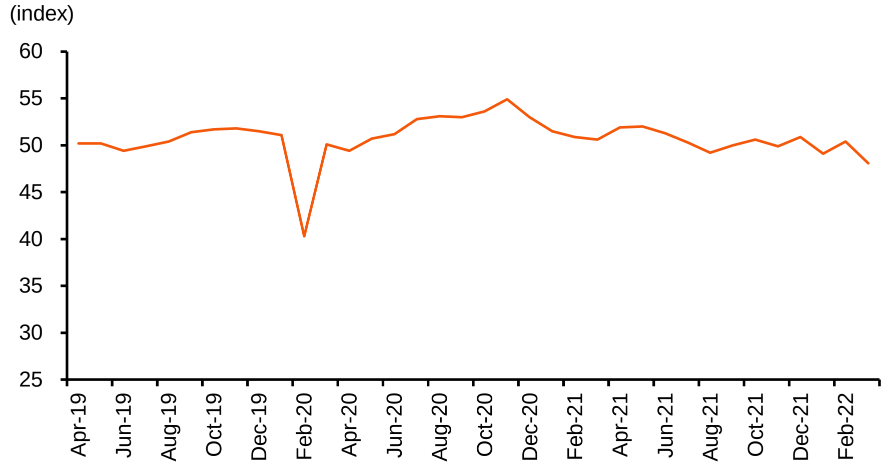
Source: Trading Economics

Ex 12: China's Soybean Imports



Source: Trading Economics

Ex 13: China Manufacturing PMI



Source: Bloomberg

Note: Figure below 50 implies a contraction in manufacturing activities

We do not expect demand from Russia and Ukraine to disappear

Russia-Ukraine conflict: Ukraine accounts for 2% of global minor dry bulk (minor bulk products are carried by PSL's ship segments). Although still facing difficulties, trading activity should resume after the war subsides. As for Russia, it accounts for 5% of global minor dry bulk with its main dry bulk products being wheat (19% of total dry bulk exports), corn (16%), steel (12%) and coal (15%). According to PSL, only steel and fertilizer are mainly carried by minor bulk ship category.

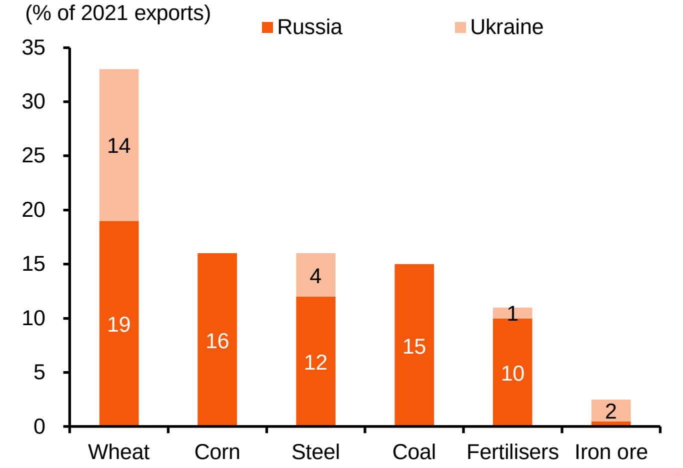
So far, Russia has been sanctioned by major markets like Europe and the US. That said, we do not expect all of the demand for Russia's products to disappear and have a significant negative impact on the industry's freight rate as:

1) Russia can still export to other markets not impacted by sanctions, e.g., China and the Middle East which are already its main dry bulk exporting countries at 21% and 20% of Russia's dry bulk exports.

2) Europe has been a major buyer of Russian exports (23% of Russia dry bulk exports). Europe's demand has been rerouted to other markets. Although it will be difficult for the new markets to offer the same volume of products, the rising prices of these products encourage more production, according to PSL.

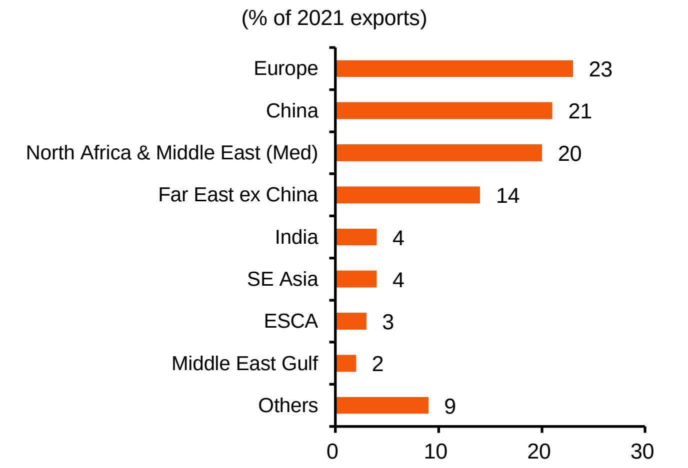
3) The rerouting results in a longer shipping distance and thus is positive for freight rates.

Ex 14: Share In Global Dry-Bulk Trade From Both Markets



Sources: Company data, Braemar ACM

Ex 15: Destination Of Both Markets



Sources: Company data, Braemar ACM

Still in an upcycle

Structurally, the industry remains in an upcycle amid weak new supply

We still maintain our long-term bullish view on the dry bulk industry with demand outpacing supply into at least 2023F. Despite lowering expectations, Clarksons, the shipping research house, still forecasts demand for PSL's shipping segment to grow by 2.7% this year (vs. 3.1% previously) vs. 2.2% supply growth. In 2023F, demand growth is forecast at 2.9% vs. supply growth falling to a historical low at 0.8%.

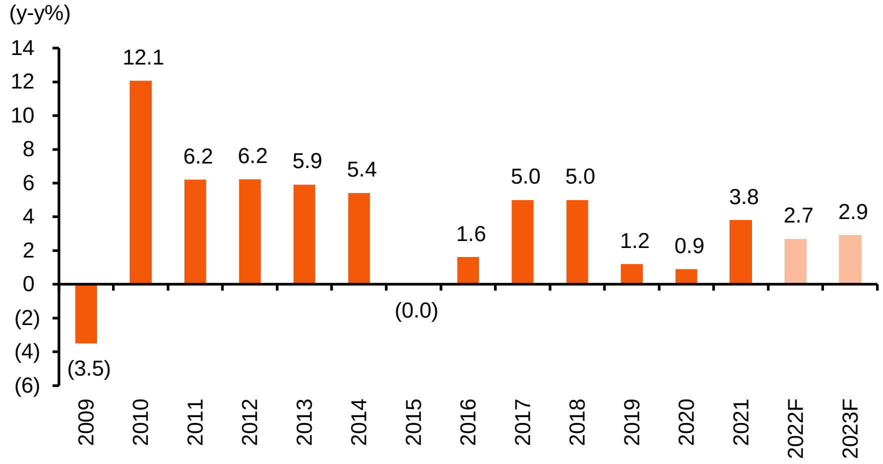
PSL's freight rate was US$26,429 in 4Q21. The rate fell to US$18,500 in 1Q22 and it has recovered slightly to US$19,000 currently. Exhibit 16 shows the futures price of the freight rate staying well over US$20,000 at the end of this year We forecast the freight rate to remain at a high level into 2024F.

Ex 16: Freight Rate Futures

	Current	2Q22	3Q22	4Q22
Supramax	24,460	23,942	29,310	26,999
Handysize	27,469	29,704	27,375	22,850

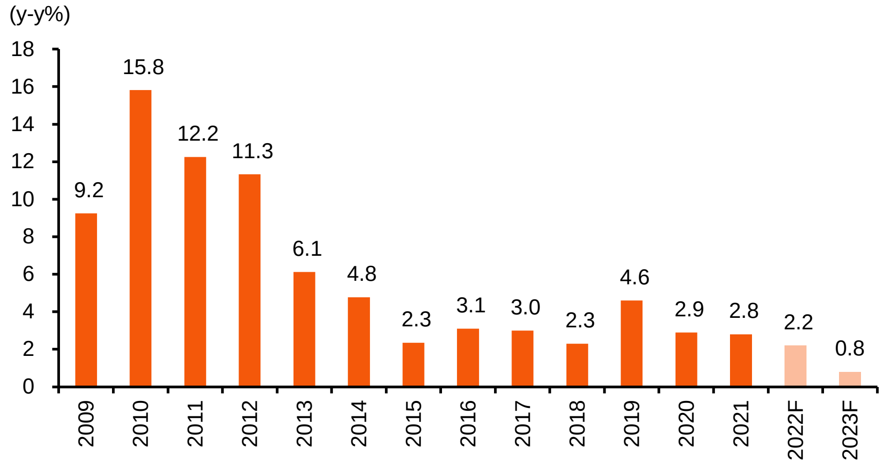
Source: Bloomberg

Ex 17: Demand Growth Vs…



Sources: Clarksons, Thanachart compilation

Ex 18: … Supply Growth



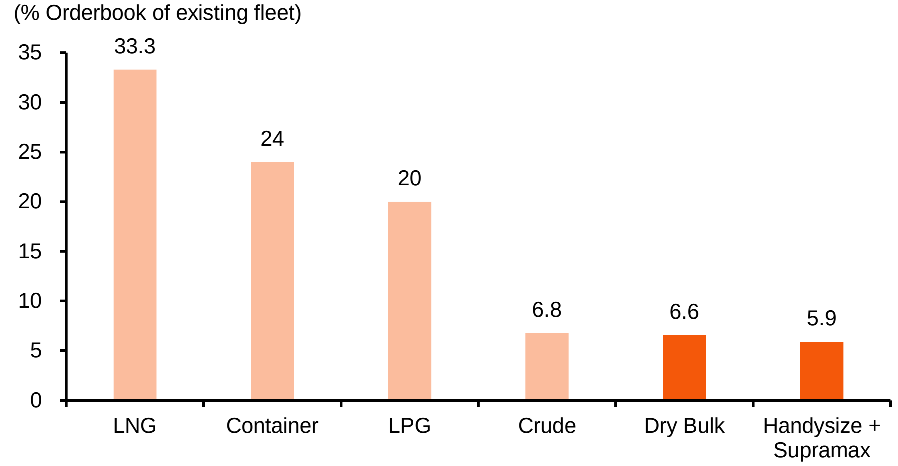
Sources: Clarksons, Thanachart compilation

Weak supply factors

Despite the strong freight rate, we have seen weak new ship orders due to:

1) Less capacity available at shipbuilding yards because of the overall shipping industry's long downturn since 2008, which caused some yards to shut down. Also, existing ship builders' capacity has already been filled by orders for other ship types, e.g., containers, gas carriers and tanker ships. We suspect the reason for those ship operators' strong orders for new ships is that they are facing more serious supply shortages than dry bulk operators like PSL and that they also offer higher profits to ship builders.

Ex 19: New Ship Orders



Sources: Clarksons, Thanachart compilation

2) The high scrap price amid the high oil price is encouraging the scrapping of old, oil consuming ships. Clarksons forecasts for scrapping to increase to 40m DWT in 2023F (4% of existing ships), vs. 25m for last year and this year.

Valuation Comparison

Ex 20: Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
U-Ming Marine Transport	2606 TT	Taiwan	9.3	na	10.2	na	1.9	na	na	na	5.0	na
Evergreen Marine	2603 TT	Taiwan	22.0	(38.0)	2.4	3.7	1.7	1.5	1.9	3.2	17.1	10.4
Yang Ming Marine	2609 TT	Taiwan	7.5	(34.1)	2.4	3.6	1.2	1.1	1.2	1.6	15.2	9.1
Wan Hai Lines	2615 TT	Taiwan	(4.9)	na	3.9	na	1.5	na	na	na	na	na
COSCO Shipping Energy	1138 HK	Hong Kong	na	78.1	11.5	6.5	0.6	0.6	9.7	7.6	2.2	3.0
COSCO Shipping	1919 HK	Hong Kong	(3.5)	(48.5)	2.0	3.8	1.0	0.8	1.6	2.7	7.7	3.4
Pacific Basin Shipping	2343 HK	Hong Kong	6.5	(8.2)	3.7	4.0	11.0	9.6	3.0	3.0	2.0	1.8
Kawasaki Kisen Kaisha	9107 JP	Japan	na	(4.1)	1.3	1.3	0.9	0.6	17.1	16.9	5.6	11.3
Mitsui OSK Lines	9104 JP	Japan	na	(4.7)	1.8	1.9	1.0	0.7	14.3	9.6	11.3	12.2
Nippon Yusen KK	9101 JP	Japan	na	(14.4)	1.8	2.1	1.2	0.8	6.8	6.2	12.4	11.7
Korea Line	005880 KS	S. Korea	(53.7)	25.1	6.8	5.4	0.6	0.6	9.5	8.5	na	na
Thoresen Thai Agencies	TTA TB	Thailand	(42.2)	(8.9)	7.6	8.4	0.7	0.7	5.7	6.0	2.3	2.2
Prima Marine Pcl*	PRM TB	Thailand	113.2	12.4	6.8	6.1	1.5	1.3	5.5	4.9	6.6	7.4
Precious Shipping*	PSL TB	Thailand	3.6	(0.9)	6.1	6.1	1.7	1.5	5.0	4.8	8.6	8.6
Average			**5.8**	**(3.9)**	**4.9**	**4.4**	**1.9**	**1.7**	**6.8**	**6.3**	**8.0**	**7.4**

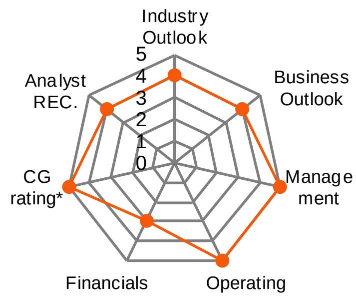
Source: Bloomberg
Note: * Thanachart estimates, using Thanachart normalized EPS
Based on 19-Apr-22 closing prices

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	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

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 ships and service quality.
- Lower operating expenses compared with peers.

W — Weakness

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

O — Opportunity

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

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)	20.52	23.00	12%
Net profit 22F (Bt m)	3,619	4,504	24%
Net profit 23F (Bt m)	3,286	4,466	36%
Consensus REC	**BUY: 6**	**HOLD: 2**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts for 2022-23F and TP are significantly higher than the Bloomberg consensus numbers, which we attribute to us expecting far stronger freight rates.

Sources: Bloomberg consensus, Thanachart estimates

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.

Source: Thanachart

EBITDA was positive in the past despite net losses

We expect very strong profits from 2022-23F

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	3,730	8,615	8,793	8,502	8,425
Cost of sales	3,226	3,305	3,225	3,119	3,093
Gross profit	**504**	**5,311**	**5,568**	**5,383**	**5,332**
% gross margin	13.5%	61.6%	63.3%	63.3%	63.3%
Selling & administration expenses	345	572	596	574	569
Operating profit	**159**	**4,739**	**4,972**	**4,808**	**4,763**
% operating margin	4.3%	55.0%	56.5%	56.6%	56.5%
Depreciation & amortization	1,213	1,215	1,276	1,301	1,300
EBITDA	**1,372**	**5,954**	**6,249**	**6,110**	**6,063**
% EBITDA margin	36.8%	69.1%	71.1%	71.9%	72.0%
Non-operating income	9	3	5	5	6
Non-operating expenses	0	0	0	0	0
Interest expense	(597)	(415)	(481)	(356)	(220)
Pre-tax profit	**(429)**	**4,327**	**4,496**	**4,457**	**4,549**
Income tax	4	2	2	2	2
After-tax profit	**(433)**	**4,325**	**4,494**	**4,456**	**4,547**
% net margin	-11.6%	50.2%	51.1%	52.4%	54.0%
Shares in affiliates' Earnings	11	23	10	10	10
Minority interests	0	(0)	(0)	(0)	(0)
Extraordinary items	(872)	127	0	0	0
NET PROFIT	**(1,295)**	**4,475**	**4,504**	**4,466**	**4,557**
Normalized profit	**(422)**	**4,348**	**4,504**	**4,466**	**4,557**
EPS (Bt)	(0.8)	2.9	2.9	2.9	2.9
Normalized EPS (Bt)	(0.3)	2.8	2.9	2.9	2.9

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	1,938	2,810	4,379	4,350	4,842
Cash & cash equivalent	1,100	2,468	3,500	3,500	4,000
Account receivables	169	175	179	173	171
Inventories	0	0	0	0	0
Others	669	166	700	677	671
Investments & loans	91	106	106	106	106
Net fixed assets	19,125	20,285	20,508	20,407	19,407
Other assets	244	330	337	326	323
Total assets	**21,397**	**23,531**	**25,330**	**25,189**	**24,678**
LIABILITIES:					
Current liabilities:	3,339	1,917	2,397	1,715	1,367
Account payables	277	354	346	334	332
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	2,436	1,409	1,233	909	411
Others current liabilities	627	154	817	471	625
Total LT debt	**7,586**	**6,809**	**5,963**	**4,396**	**1,986**
Others LT liabilities	171	264	270	261	258
Total liabilities	**11,263**	**9,165**	**8,808**	**6,545**	**3,783**
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	(1,561)	(246)	(246)	(246)	(246)
Retained earnings	**8,168**	**11,084**	**13,241**	**15,363**	**17,614**
Shareholders' equity	10,134	14,365	16,522	18,644	20,895
Liabilities & equity	**21,397**	**23,531**	**25,330**	**25,189**	**24,678**

Sources: Company data, Thanachart estimates

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

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	(429)	4,327	4,496	4,457	4,549
Tax paid	(4)	(2)	(2)	(2)	(2)
Depreciation & amortization	1,213	1,215	1,276	1,301	1,300
Chg In w orking capital	(237)	71	(12)	(5)	(1)
Chg In other CA & CL / minorities	102	36	33	(313)	170
Cash flow from operations	**645**	**5,647**	**5,791**	**5,438**	**6,016**
Capex	(240)	(2,375)	(1,500)	(1,200)	(300)
ST loans & investments	0	0	0	0	0
LT loans & investments	(5)	(15)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	2,305	(35)	109	(4)	(1)
Cash flow from investments	**2,059**	**(2,426)**	**(1,391)**	**(1,204)**	**(301)**
Debt financing	(2,655)	(1,609)	(1,022)	(1,891)	(2,909)
Capital increase	0	0	(0)	0	0
Dividends paid	0	(1,559)	(2,346)	(2,344)	(2,306)
Warrants & other surplus	(130)	1,315	0	0	0
Cash flow from financing	**(2,785)**	**(1,853)**	**(3,368)**	**(4,235)**	**(5,215)**
Free cash flow	**405**	**3,272**	**4,291**	**4,238**	**5,716**

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

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	na	6.3	6.1	6.1	6.0
Normalized PE - at target price (x)	na	8.2	8.0	8.0	7.9
PE (x)	na	6.1	6.1	6.1	6.0
PE - at target price (x)	na	8.0	8.0	8.0	7.9
EV/EBITDA (x)	26.4	5.5	5.0	4.8	4.2
EV/EBITDA - at target price (x)	32.6	7.0	6.3	6.2	5.7
P/BV (x)	2.7	1.9	1.7	1.5	1.3
P/BV - at target price (x)	3.5	2.5	2.2	1.9	1.7
P/CFO (x)	42.3	4.8	4.7	5.0	4.5
Price/sales (x)	7.3	3.2	3.1	3.2	3.2
Dividend yield (%)	0.0	8.6	8.6	8.6	8.4
FCF Yield (%)	1.5	12.0	15.7	15.5	20.9
(Bt)					
Normalized EPS	(0.3)	2.8	2.9	2.9	2.9
EPS	(0.8)	2.9	2.9	2.9	2.9
DPS	0.0	1.5	1.5	1.5	1.5
BV/share	6.5	9.2	10.6	12.0	13.4
CFO/share	0.4	3.6	3.7	3.5	3.9
FCF/share	0.3	2.1	2.8	2.7	3.7

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(10.2)	131.0	2.1	(3.3)	(0.9)
Net profit (%)	na	na	0.6	(0.9)	2.1
EPS (%)	na	na	0.6	(0.9)	2.1
Normalized profit (%)	na	na	3.6	(0.9)	2.1
Normalized EPS (%)	na	na	3.6	(0.9)	2.1
Dividend payout ratio (%)	0.0	52.3	52.3	52.3	50.0
Operating performance					
Gross margin (%)	13.5	61.6	63.3	63.3	63.3
Operating margin (%)	4.3	55.0	56.5	56.6	56.5
EBITDA margin (%)	36.8	69.1	71.1	71.9	72.0
Net margin (%)	(11.6)	50.2	51.1	52.4	54.0
D/E (incl. minor) (x)	1.0	0.6	0.4	0.3	0.1
Net D/E (incl. minor) (x)	0.9	0.4	0.2	0.1	(0.1)
Interest coverage - EBIT (x)	0.3	11.4	10.3	13.5	21.7
Interest coverage - EBITDA (x)	2.3	14.3	13.0	17.1	27.6
ROA - using norm profit (%)	na	19.4	18.4	17.7	18.3
ROE - using norm profit (%)	na	35.5	29.2	25.4	23.1
DuPont					
ROE - using after tax profit (%)	na	35.3	29.1	25.3	23.0
- asset turnover (x)	0.2	0.4	0.4	0.3	0.3
- operating margin (%)	na	55.0	56.6	56.6	56.6
- leverage (x)	2.1	1.8	1.6	1.4	1.3
- interest burden (%)	(254.6)	91.2	90.3	92.6	95.4
- tax burden (%)	na	100.0	100.0	100.0	100.0
WACC (%)	9.8	9.8	9.8	9.8	9.8
ROIC (%)	0.7	24.9	24.7	23.8	23.3
NOPAT (Bt m)	159	4,737	4,970	4,806	4,761

Sources: Company data, Thanachart estimates

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